

TOWN OF SMITHFIELD
FINANCIAL STATEMENTS
SMITHFIELD, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2016

TOWN COUNCIL

M. Andy Moore - Mayor

Emery Ashley - Mayor Pro-Tem

John A. Dunn - At-Large

Stephen Rabil - At-Large

Marlon Lee - District 1

Perry Harris - District 2

Travis Scott - District 3

Roger A. Wood - District 4

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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Mayor and Members of the Town Council
 Town of Smithfield
 Smithfield, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Smithfield's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund 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, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions and the Health Care Plan Schedule of Funding Progress and Schedule of Employer Contributions on pages 10 through 19 and 61 through 62, respectively, the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Asset and Contributions, on pages 63 and 64, respectively, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Smithfield, North Carolina. The individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Government Auditing Standards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the Town of Smithfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Smithfield's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

September 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Smithfield, a narrative overview of the Town's financial statements and analysis of financial activities is offered for the fiscal year ended June 30, 2016. Readers are encouraged to read the presented information in conjunction with additional information that has been furnished in the Town's financial statements and narrative below.

Financial Highlights

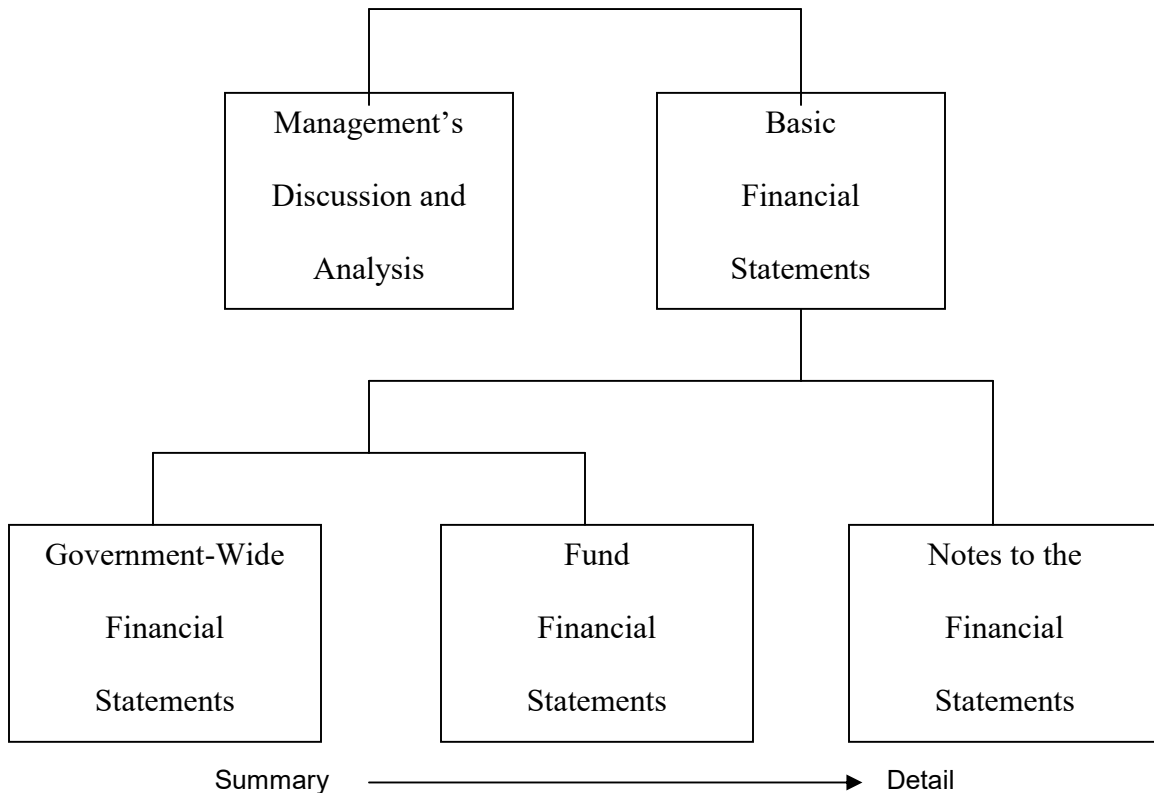
- The assets of the Town of Smithfield exceeded its liabilities at the close of the fiscal year by \$52,569,650 (*net position*).
- Total governmental assets increased by \$3,258,179, primarily due to increases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Smithfield's governmental funds reported combined ending fund balances of \$8,957,107 an increase of \$1,927,853 in comparison with the prior year. Approximately 18.01 percent of this total amount or \$1,613,974 is non-spendable or restricted; 4.94 percent or \$443,088 is committed; and 2.38 percent or \$212,667 is assigned for other use. Approximately 74.67 percent or \$6,687,378 is unassigned or available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,644,258 or 55.5 percent of total general fund expenditures for the fiscal year; compared to \$5,916,035 or 52.2 percent the prior fiscal year.
- For the 3rd year, the Town of Smithfield experienced high wastewater treatment cost of \$2,419,882. While high, this is a 22.13 percent reduction or \$687,828 less than the prior year. This is attributable in part to repair to underground wastewater collection lines, but mostly due to a decrease in rainfall which led to less infiltration and inflow related to age and condition of the wastewater collection system.
- The Town of Smithfield's total debt increased by \$919,375 (6.37 percent) during the current fiscal year.
- The Town of Smithfield has a bond rating of A1- and A with Moody's and Standard & Poor's respectively.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Smithfield's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different perspectives of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Smithfield. As an overview, the following chart outlines the required components of the annual financial report.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits C through K) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. Government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

Government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. Governmental activities include most of the Town's basic services such as public safety, streets and public works, sanitation, culture and recreation, and general administration. Property taxes, Sales and Franchise taxes, and Sanitation fees finance most of these activities. Business-type activities are those that the Town charges customers to provide services. These include the water, sewer, and electric services offered by the Town of Smithfield.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The Fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Smithfield, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Smithfield can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

An annual budget is adopted for the Town of Smithfield General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. This statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The Town of Smithfield has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Smithfield uses enterprise funds to account for its water and sewer operations and electric operations. This fund is the same as the separate activity shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Smithfield has two fiduciary funds; the J.B./J.P. George Beautification Trust Fund and the Firemen's Relief Fund.

Notes to the Financial Statements. Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit K of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Smithfield's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on Schedule 1 of this report.

Town of Smithfield's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 9,653,350	\$ 7,634,197	\$ 19,110,837	\$ 14,987,875	\$ 28,764,187	\$ 22,622,072
Capital assets, net	33,215,922	35,835,506	15,961,806	15,709,238	49,177,728	51,544,744
Deferred outflows of resources	297,177	290,427	101,916	92,067	399,093	382,494
Total assets and deferred outflows of resources	43,166,449	43,760,130	35,174,559	30,789,180	78,341,008	74,549,310
Liabilities:						
Current liabilities	1,510,100	1,735,819	3,330,046	3,130,089	4,840,146	4,865,908
Non-current liabilities	13,301,341	13,762,907	7,243,253	5,047,643	20,544,594	18,810,550
Deferred inflows of resources	293,830	1,355,340	92,788	428,002	386,618	1,783,342
Total liabilities and deferred inflows of resources	15,105,271	16,854,066	10,666,087	8,605,734	25,771,358	25,459,800
Net Position:						
Invested in capital assets, net of related debt	24,376,543	25,123,925	9,491,157	11,292,570	33,867,700	36,416,495
Restricted for:						
USDA Payments	38,982	49,090	-	-	38,982	49,090
Public Safety	35,353	24,634	-	-	35,353	24,634
Transportation	32,813	83,912	-	-	32,813	83,912
Fire District	124	24,034	-	-	124	24,034
Stabilization by State Statute	1,506,702	1,401,994	-	-	1,506,702	1,401,994
Capital Projects	-	-	-	-	-	-
Other Restrictions	-	-	102,718	326,455	102,718	326,455
Unrestricted	2,070,661	198,475	14,914,597	10,564,421	16,985,258	10,762,896
Total net position	\$ 28,061,178	\$ 26,906,064	\$ 24,508,472	\$ 22,183,446	\$ 52,569,650	\$ 49,089,510

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. Assets of the Town of Smithfield exceeded liabilities by \$52,569,650 as of June 30, 2016. The Town's net assets increased by \$3,258,179 for the fiscal year ended June 30, 2016. The largest portion of net assets 33,867,700 (64.42%) reflects the Town's investment in capital assets (e.g. land, buildings, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Smithfield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net assets \$1,716,692 (3.27%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$16,985,258 (32.31%) is unrestricted.

Some of the particular aspects of the Town's financial operations positively influenced the total governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.85 % and 99.99% in the Town-Wide and Downtown tax districts respectively.
- Continued low cost of debt due to the Town's credit rating.

Town of Smithfield's Changes in Net Assets

Figure 3

	Governmental Governmental Activities		Business-Type Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,549,526	\$ 2,481,868	\$ 23,854,032	\$ 25,361,666	\$ 26,403,558	\$ 27,843,534
Operating grants and contributions	509,402	499,018	-	-	509,402	499,018
Capital grants and contributions	447,107	-	-	-	447,107	-
General revenues:						
Property taxes	6,165,224	6,151,723	-	-	6,165,224	6,151,723
Other taxes	3,503,212	3,387,163	-	-	3,503,212	3,387,163
Unrestricted intergovernmental	263,905	288,144	-	-	263,905	288,144
Investment earnings, unrestricted	37,604	4,752	27,452	19,653	65,056	24,405
Miscellaneous	327,477	164,078	-	-	-	-
Gain/Loss on disposal of fixed assets	25,905	10,710	-	-	25,905	10,710
Total revenues	<u>13,829,362</u>	<u>12,987,456</u>	<u>23,881,484</u>	<u>25,381,319</u>	<u>37,383,369</u>	<u>38,204,697</u>
Expenses:						
General government	1,689,718	1,486,810	-	-	1,689,718	1,486,810
Public safety	4,688,075	4,875,246	-	-	4,688,075	4,875,246
Streets and public works	2,784,939	2,756,215	-	-	2,784,939	2,756,215
Sanitation	1,052,842	1,020,798	-	-	1,052,842	1,020,798
Cultural and recreation	2,374,016	2,344,755	-	-	2,374,016	2,344,755
Interest on long-term debt	306,619	237,690	-	-	306,619	237,690
Electric	-	-	15,550,820	18,920,373	15,550,820	18,920,373
Water and sewer	-	-	6,005,638	6,760,700	6,005,638	6,760,700
Total expenses	<u>12,896,209</u>	<u>12,721,514</u>	<u>21,556,458</u>	<u>25,681,073</u>	<u>34,452,667</u>	<u>38,402,587</u>
Change in net assets	933,153	286,773	2,325,026	(280,340)	3,258,179	6,433
Net Assets:						
Beginning of year - July 1	26,906,064	27,425,760	22,183,446	22,718,460	49,089,510	50,144,220
Prior period adjustment/change in accounting principle	221,961	(806,469)	-	(254,674)	221,961	(1,061,143)
Beginning of year, as restated	<u>27,128,025</u>	<u>26,619,291</u>	<u>22,183,446</u>	<u>22,463,786</u>	<u>49,311,471</u>	<u>49,083,077</u>
End of year - June 30	<u>\$ 28,061,178</u>	<u>\$ 26,906,064</u>	<u>\$ 24,508,472</u>	<u>\$ 22,183,446</u>	<u>\$ 52,569,650</u>	<u>\$ 49,089,510</u>

Governmental Activities. Governmental activities increased the Town's net assets by \$993,153. Key elements of this increase are as follows:

- Increase in charges for services in parks and recreation
- Contributions in parks and recreation
- Increased sales tax revenues

Business-Type Activities. Business-type activities increased the Town's net assets by \$2,325,026. Key elements of this increase are as follows:

- Decreased wholesale electric cost

Financial Analysis of the Town's Funds

As noted earlier, the Town of Smithfield uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Smithfield's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources; such information is useful in assessing the Town of Smithfield's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Smithfield's fund balance available in the General Fund was \$6,644,258, while total fund balance reached \$8,913,863. Currently, the Town has fund balance available for appropriation of 55.49% of total General Fund expenditures, while total fund balance represents 74.44% of the same amount.

At June 30, 2016, the governmental funds of the Town of Smithfield reported a fund balance of \$8,957,107, a 27.43% increase from last year.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The difference between the original budget and the final budget is attributed in part to the following:

- \$447,087 to fund early payoff of EMS Building and Streetscape loans
- \$156,823 to fund early payoff of Branch Bank and Trust Street Paving loan
- \$28,000 to fund purchase of property next to police station
- \$27,978 to fund library roof repair

Proprietary Funds. The Town of Smithfield's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year totaled \$5,063,756 and those for the Electric Fund amounted to \$9,850,841. The total decrease in net assets for the Water and Sewer Fund was \$219,557 whereas the Electric Fund had a total increase in net assets of \$2,544,583.

Capital Asset and Debt Administration

Capital Assets. The Town of Smithfield's capital assets for its governmental and business-type activities as of June 30, 2016, totals \$49,177,728 (net of accumulated depreciation). These assets include buildings, land, improvements, equipment, vehicles, infrastructure, plants and distribution systems, and construction in progress.

Major capital asset transactions during the year include:

- \$441,715 to install raw water intake sand removal system
- \$306,673 to locate and repair wastewater inflow and infiltration
- \$158,721 for engineering on substation 2nd transformer
- \$134,344 to install water chlorine dioxide system
- \$97,700 to replace automatic switch and control panel on generator at water plant
- \$94,000 to repair Wilson Street sewer line and replace road
- \$81,500 purchase gently used backhoe

Town of Smithfield's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 6,284,188	\$ 6,284,188	\$ 10,000	\$ 10,000	\$ 6,294,188	\$ 6,294,188
Construction in progress	6,508,961	6,375,140	1,075,924	-	7,584,885	6,375,140
Buildings and improvements	16,794,734	16,794,734	-	-	16,794,734	16,794,734
Plant and distribution systems	-	-	27,138,137	27,003,793	27,138,137	27,003,793
Infrastructure	45,760,336	45,760,336	-	-	45,760,336	45,760,336
Equipment and vehicles	5,762,476	5,544,469	4,452,670	4,121,061	10,215,146	9,665,530
Total	81,110,695	80,758,867	32,676,731	31,134,854	113,787,426	111,893,721
Accumulated depreciation	<u>(47,894,773)</u>	<u>(45,454,307)</u>	<u>(16,714,925)</u>	<u>(15,593,284)</u>	<u>(64,609,698)</u>	<u>(61,047,591)</u>
Capital assets, net	<u>\$ 33,215,922</u>	<u>\$ 35,304,560</u>	<u>\$ 15,961,806</u>	<u>\$ 15,541,570</u>	<u>\$ 49,177,728</u>	<u>\$ 50,846,130</u>

Additional information on the Town's capital assets can be found in the notes of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2016, the Town of Smithfield had total debt outstanding of \$15,349,010 as noted in the following table.

**Town of Smithfield's Outstanding Debt
Installment Purchases, Revenue Bonds, and General Obligation Bonds**

Figure 5

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Installment purchases	\$ 8,458,491	\$ 9,544,759	\$ 3,037,685	\$ 580,445	\$ 11,496,176	\$ 10,125,204
Capital leases	64,870	95,876	-	-	64,870	95,876
Revenue bonds	-	-	3,432,964	3,668,555	3,432,964	3,668,555
General obligation bonds	355,000	540,000	-	-	355,000	540,000
Total	<u>\$ 8,878,361</u>	<u>\$ 10,180,635</u>	<u>\$ 6,470,649</u>	<u>\$ 4,249,000</u>	<u>\$ 15,349,010</u>	<u>\$ 14,429,635</u>

The Town of Smithfield's total debt increased by \$919,375 during the past fiscal year, primarily due to the \$2,611,500 installment loans for water and sewer improvements.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Smithfield is approximately \$75,711,628.

Additional information regarding the Town of Smithfield's long-term debt can be found in the notes of this audited financial report.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities. With little new development occurring in FY17 and more of the same expected for FY18, forecast for the primary sources of revenue (e.g. property and sales tax) were calculated using little or no growth factor. The budget was guided by three principles: (1) Take care of what we have; (2) Keep rates to citizens/customers as low as possible; and (3) provide funding for much needed infrastructure improvements. Thus, in order to hold the line and minimize the cost of services to citizens, expenses again will be tightly controlled, but the Town is expected to return to an effective and affordable capital improvement plan. With improved fund balance, this budget included necessary capital expenditures in many departments that had been delayed for several years.

Budgeted operational expenditures in the General Fund are expected to increase by 4.67% to \$13,522,943 over FY16 original budget (once capital expenditures were moved to capital project fund) with \$927,500 in capital expenditures.

Other budget highlights in brief:

- Property tax rate to remain at \$.57 per 100 valuations
- Base line salary adjustment of 2% for full time employees
- Capital Reserve Fund established with \$175,000 for future projects
- \$150,000 budgeted for economic initiatives
- No cost-of-living allowance for employees

Business-Type Activities. The Town did approve some limited increases to water and sewer charges during the last decade. However, anticipating significant, continued repairs to the sanitary sewer system, as well as the upgrading of an 8 inch water line to a 16 inch water line during the Booker Dairy Road relocation and construction project, the Town solicited Wooten Company's assistance to evaluate and recommend changes to the Town's existing water and sewer rate structures. This was completed in May 2016 and the recommended tiered changes are incorporated into this budget for FY17. This recommendation includes increases to water and sewer rates and fees over a six year period. This tiered rate recommendation would be evaluated every two years by Town Staff to be certain the goals are being met by these increases. The increased residential rates included in the proposed budget correlate to an average increase of \$5.50/month for customers residing within town limits and an average increase of \$13.00/month for residents living outside of town limits.

An independent electric rate refresh study indicated that electric rates can be cut an additional 2.5% across the board. The rate reduction is scheduled to take place in the first quarter of FY17.

Budgeted operational expenditures in the Water/Sewer Fund are expected to increase by 3.40% to \$6,907,210 over FY 2016 original budget (once capital projects were moved to a capital project fund). The Town will continue substantial maintenance programs in 2016 and 2017 to update aging infrastructure, including \$200,000 for Automated Metering Infrastructure (AMI), \$200,000 to install a 16 inch water line between Ava Gardner Blvd and Jones Bros Tank, and an additional \$100,000 to correct sewer inflow and infiltration (I&I) problems. The I&I project is critical, as inflow and infiltration create a variety of serious issues, such as pump station overflows and significant wastewater treatment cost.

Budgeted operational expenditures in the Electric Fund are expected to decreased by 3.39% to \$17,337,747 under FY 2016 budget. Multiple capital purchases are scheduled, including \$275,000 to relocate Booker Dairy Road power line and \$150,000 for Automated Metering Infrastructure (AMI).

Requests for Information

This report is designed to provide an overview of the Town's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, P.O. Box 761, 350 East Market Street, Smithfield, NC 27577.

**Town of Smithfield
Statement of Net Position
June 30, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,780,594	\$ 12,446,212	\$ 20,226,806
Restricted cash	689,402	1,963,116	2,652,518
Taxes receivables (net)	37,297	-	37,297
Accounts receivable (net)	259,754	3,350,309	3,610,063
Due from other governments	682,364	104,698	787,062
Inventories	-	1,246,502	1,246,502
Total current assets	9,449,411	19,110,837	28,560,248
Non-current assets:			
Note receivable	203,939	-	203,939
Capital assets:			
Land, non-depreciable improvements, and construction in progress	12,793,149	1,085,924	13,879,073
Other capital assets, net of depreciation	20,422,773	14,875,882	35,298,655
Total capital assets	33,215,922	15,961,806	49,177,728
Total non-current assets	33,419,861	15,961,806	49,381,667
Total assets	42,869,272	35,072,643	77,941,915
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	297,177	101,916	399,093
LIABILITIES			
Current liabilities:			
Accounts payable - trade	171,944	1,740,548	1,912,492
Accrued payroll and payroll liabilities	283,063	91,738	374,801
Accrued interest payable	-	178,671	178,671
Customer deposits	-	665,114	665,114
Due within one year	1,055,093	653,975	1,709,068
Total current liabilities	1,510,100	3,330,046	4,840,146
Long-term liabilities:			
Net pension liability (LGERS)	389,753	122,729	512,482
Net pension obligation (LEO)	79,565	-	79,565
Due in more than one year	12,832,023	7,120,524	19,952,547
Total long-term liabilities	13,301,341	7,243,253	20,544,594
Total liabilities	14,811,441	10,573,299	25,384,740
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	293,830	92,788	386,618
NET POSITION			
Net investment in capital assets	24,376,543	9,491,157	33,867,700
Restricted for:			
USDA debt payments	38,982	-	38,982
Public safety	35,353	-	35,353
Transportation	32,813	-	32,813
Fire district	124	-	124
Stabilization by State Statute	1,506,702	-	1,506,702
Capital projects	-	-	-
Other restrictions	-	102,718	102,718
Unrestricted	2,070,661	14,914,597	16,985,258
Total net position	\$ 28,061,178	\$ 24,508,472	\$ 52,569,650

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

**Town of Smithfield
Statement of Activities
For the Year Ended June 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,689,718	\$ -	\$ -	\$ -	\$ (1,689,718)	\$ -	\$ (1,689,718)
Public safety	4,688,075	314,964	180,910	-	(4,192,201)	-	(4,192,201)
Street and Public Works	2,784,939	103,700	323,780	-	(2,357,459)	-	(2,357,459)
Sanitation	1,052,842	1,308,784	-	-	255,942	-	255,942
Cultural and Recreational	2,374,016	822,078	4,712	447,107	(1,100,119)	-	(1,100,119)
Interest on long-term debt	306,619	-	-	-	(306,619)	-	(306,619)
Total governmental activities	12,896,209	2,549,526	509,402	447,107	(9,390,174)	-	(9,390,174)
Business-type activities:							
Electric	15,550,820	18,077,147	-	-	-	2,526,327	2,526,327
Water and Sewer	6,005,638	5,776,885	-	-	-	(228,753)	(228,753)
Total business-type activities	21,556,458	23,854,032	-	-	-	2,297,574	2,297,574
Total primary government	\$ 34,452,667	\$ 26,403,558	\$ 509,402	\$ 447,107	(9,390,174)	2,297,574	(7,092,600)
General revenues:							
Taxes:							
Ad valorem taxes					6,165,224	-	6,165,224
Local option sales taxes					3,503,212	-	3,503,212
Other taxes and licenses					263,905	-	263,905
Unrestricted investment earnings					37,604	27,452	65,056
Miscellaneous					327,477	-	327,477
Special items:							
Gain on disposal of fixed assets					25,905	-	25,905
Transfers					-	-	-
Total general revenues, special items and transfers					10,323,327	27,452	10,350,779
Change in net position					933,153	2,325,026	3,258,179
Net position, beginning, as previously reported					26,906,064	22,183,446	49,089,510
Prior period adjustment					221,961	-	221,961
Net position, beginning, as restated					27,128,025	22,183,446	49,311,471
Net position, ending					\$ 28,061,178	\$ 24,508,472	\$ 52,569,650

The notes to the financial statements are an integral part of this statements

**Town of Smithfield
Balance Sheets
Governmental Funds
June 30, 2016**

	Major Funds			Total Governmental Funds
	General	General Fund Capital Projects	Non-major Special Revenue Fund	
ASSETS				
Cash and investments	\$ 7,211,307	\$ 564,554	\$ 4,733	\$ 7,780,594
Restricted cash	689,402	-	-	689,402
Receivables, net:				
Taxes	37,297	-	-	37,297
Accounts	259,754	-	-	259,754
Due from other governments	690,188	(7,824)	-	682,364
Due from other funds	483,269	-	-	483,269
Total assets	<u>\$ 9,371,217</u>	<u>\$ 556,730</u>	<u>\$ 4,733</u>	<u>\$ 9,932,680</u>
LIABILITIES				
Accounts payable and accrued liabilities - trade	\$ 136,994	\$ 34,950	\$ -	\$ 171,944
Accrued payroll and payroll liabilities	283,063	-	-	283,063
Due to other funds	-	478,660	4,609	483,269
Total liabilities	<u>420,057</u>	<u>513,610</u>	<u>4,609</u>	<u>938,276</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	37,297	-	-	37,297
Total deferred inflows of resources	<u>37,297</u>	<u>-</u>	<u>-</u>	<u>37,297</u>
FUND BALANCES				
Restricted:				
USDA debt payments	38,982	-	-	38,982
Public Safety	35,353	-	-	35,353
Stabilization by State Statute	1,506,702	-	-	1,506,702
Streets	32,813	-	-	32,813
Capital projects	-	-	-	-
Fire district	-	-	124	124
Committed:				
Bingham Park	443,088	-	-	443,088
Assigned:				
Recreation development	139,166	-	-	139,166
Subsequent year's expenditures	73,501	-	-	73,501
Unassigned	6,644,258	43,120	-	6,687,378
Total fund balances	<u>8,913,863</u>	<u>43,120</u>	<u>124</u>	<u>8,957,107</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,371,217</u>	<u>\$ 556,730</u>	<u>\$ 4,733</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	33,215,922
Notes receivable	203,939
Earned revenues considered deferred inflows of resources in fund statements.	37,297
Net pension liability (LGERS)	(389,753)
Net pension liability (LEO)	(79,565)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	297,177
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(13,887,116)
Pension related deferrals	(293,830)
Net position of governmental activities	<u>\$ 28,061,178</u>

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

Town of Smithfield
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds		Non-major Special Revenue Fund	Total Governmental Funds
	General Fund	Capital Projects		
REVENUES				
Ad valorem taxes	\$ 6,171,250	\$ -	\$ -	\$ 6,171,250
Other taxes and licenses	258,171	-	-	258,171
Unrestricted intergovernmental	3,503,212	-	-	3,503,212
Restricted intergovernmental	342,754	197,107	176,090	715,951
Sales and services	2,600,634	-	-	2,600,634
Investment earnings	9,955	358	-	10,313
Miscellaneous	116,481	451,555	-	568,036
Total revenues	13,002,457	649,020	176,090	13,827,567
EXPENDITURES				
Current:				
General government	1,397,652	-	-	1,397,652
Public safety	4,378,854	-	-	4,378,854
Street and Public Works	1,388,761	-	-	1,388,761
Sanitation	1,000,433	-	-	1,000,433
Cultural and Recreational	1,660,323	3,774	-	1,664,097
Debt service:				
Principal	1,679,202	-	-	1,679,202
Interest and other charges	306,619	-	-	306,619
Capital outlay	161,120	325,809	-	486,929
Total expenditures	11,972,964	329,583	-	12,302,547
Excess of revenues over expenditures	1,029,493	319,437	176,090	1,525,020
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	200,000	-	(200,000)	-
Loan proceeds	182,800	194,128	-	376,928
Sales of capital assets	25,905	-	-	25,905
Total other financing sources (uses)	408,705	194,128	(200,000)	402,833
Net change in fund balance	1,438,198	513,565	(23,910)	1,927,853
Fund balances, beginning	7,475,665	(470,445)	24,034	7,029,254
Fund balances, ending	\$ 8,913,863	\$ 43,120	\$ 124	\$ 8,957,107

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

**Town of Smithfield
Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016**

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

Net changes in fund balances - total governmental funds		\$	1,927,853
<p>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. This is the amount by which capital outlays exceeded depreciation in the current period</p>			
Capital outlay expenditures which were capitalized	486,929		
Depreciation expense for governmental assets	(2,575,567)		
Loss on disposal of capital assets	-		
			(2,088,638)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>			
			297,177
<p>Principal payments on note receivable</p>			
			(18,022)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Change in unavailable revenue for tax revenues			(6,023)
<p>The issuance of long-term debt 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 has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>			
			1,302,274
<p>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.</p>			
Compensated absences			5,682
Pension expense			(149,616)
Net pension obligation			(46,016)
Other postemployment benefits			(291,517)
Rounding			(1)
Total changes in net position of governmental activities			\$ 933,153

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

**Town of Smithfield
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 6,078,200	\$ 5,918,245	\$ 6,171,250	\$ 253,005
Other taxes and licenses	241,814	258,171	258,171	-
Unrestricted intergovernmental	2,926,000	4,171,200	3,503,212	(667,988)
Restricted intergovernmental	525,700	333,700	342,754	9,054
Sales and services	2,519,246	1,510,110	2,600,634	1,090,524
Investment earnings	4,000	9,955	9,955	-
Miscellaneous	-	-	116,481	116,481
Total revenues	<u>12,294,960</u>	<u>12,201,381</u>	<u>13,002,457</u>	<u>801,076</u>
Expenditures:				
Current:				
General government	2,362,649	2,185,712	1,397,652	788,060
Public safety	5,417,370	4,848,814	4,378,854	469,960
Street and Public Works	1,499,856	1,534,906	1,388,761	146,145
Sanitation	1,226,144	1,076,377	1,000,433	75,944
Cultural and Recreational	1,769,433	1,795,515	1,660,323	135,192
Debt service:				
Principal retirement	1,098,027	1,701,937	1,679,202	22,735
Interest and other charges	306,619	306,619	306,619	-
Capital Outlay	-	161,120	161,120	-
Total expenditures	<u>13,680,098</u>	<u>13,611,000</u>	<u>11,972,964</u>	<u>1,638,036</u>
Revenues over (under) expenditures	<u>(1,385,138)</u>	<u>(1,409,619)</u>	<u>1,029,493</u>	<u>2,439,112</u>
Other financing sources (uses):				
Appropriated (Unappropriated) fund balance	200,000	830,077	-	(830,077)
Sale of fixed assets	-	-	25,905	25,905
Loan proceeds	942,000	182,000	182,800	800
Transfers to other funds	-	-	-	-
Transfers from other funds	243,138	397,542	200,000	(197,542)
Total other financing sources (uses)	<u>1,385,138</u>	<u>1,409,619</u>	<u>408,705</u>	<u>(1,000,914)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>1,438,198</u>	<u>\$ 1,438,198</u>
Fund balances, beginning			7,475,665	
Fund balances, ending			<u>\$ 8,913,863</u>	

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

**Town of Smithfield
Statement of Net Position
Proprietary Funds
June 30, 2016**

	Water and Sewer		
	Electric Fund	Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 8,283,423	\$ 4,162,789	\$ 12,446,212
Restricted cash	533,241	1,429,875	1,963,116
Accounts receivable (net)	2,635,140	715,169	3,350,309
Due from other governments	28,209	76,489	104,698
Due from other funds	150,000	-	150,000
Inventories	1,102,326	144,176	1,246,502
Total current assets	<u>12,732,339</u>	<u>6,528,498</u>	<u>19,260,837</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	158,721	927,203	1,085,924
Other capital assets, net of depreciation	8,358,490	6,517,392	14,875,882
Capital assets (net)	<u>8,517,211</u>	<u>7,444,595</u>	<u>15,961,806</u>
Total noncurrent assets	<u>8,517,211</u>	<u>7,444,595</u>	<u>15,961,806</u>
Total assets	<u>21,249,550</u>	<u>13,973,093</u>	<u>35,222,643</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	51,214	50,702	101,916
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities - trade	1,347,592	392,956	1,740,548
Accrued payroll and payroll liabilities	34,591	57,147	91,738
Due to other funds	-	150,000	150,000
Customer deposits	533,241	131,873	665,114
Accrued interest payable	170,210	8,461	178,671
Compensated absences - current	13,564	8,850	22,414
Current portion of long-term debt	259,917	371,644	631,561
Total current liabilities	<u>2,359,115</u>	<u>1,120,931</u>	<u>3,480,046</u>
Non-current liabilities:			
Other non-current liabilities:			
Compensated absences	40,691	26,548	67,239
Net pension liability	60,782	61,947	122,729
Other postemployment benefits	637,123	577,073	1,214,196
Non-current portion of long-term debt	3,232,084	2,607,005	5,839,089
Total non-current liabilities	<u>3,970,680</u>	<u>3,272,573</u>	<u>7,243,253</u>
Total liabilities	<u>6,329,795</u>	<u>4,393,504</u>	<u>10,723,299</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	46,394	46,394	92,788
NET POSITION			
Net investment in capital assets	5,025,210	4,465,947	9,491,157
Other restrictions	48,524	54,194	102,718
Unrestricted	9,850,841	5,063,756	14,914,597
Total net position	<u>\$ 14,924,575</u>	<u>\$ 9,583,897</u>	<u>\$ 24,508,472</u>

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

Town of Smithfield
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 17,599,632	\$ 5,748,129	\$ 23,347,761
Other operating revenues	477,515	28,756	506,271
Total operating revenues	18,077,147	5,776,885	23,854,032
OPERATING EXPENSES			
Utility operations	2,421,105	1,728,429	4,149,534
Electrical purchases	12,427,576	-	12,427,576
Water and sewer distribution	-	3,731,852	3,731,852
Depreciation	586,133	535,508	1,121,641
Total operating expenses	15,434,814	5,995,789	21,430,603
Operating income (loss)	2,642,333	(218,904)	2,423,429
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	18,256	9,196	27,452
Interest and other charges	(116,006)	(9,849)	(125,855)
Total non-operating revenue (expenses)	(97,750)	(653)	(98,403)
Income (loss) before contributions and transfers	2,544,583	(219,557)	2,325,026
Capital contributions	-	-	-
Transfer to general fund	-	-	-
Total income (loss) after contributions and transfers	2,544,583	(219,557)	2,325,026
Change in net position	2,544,583	(219,557)	2,325,026
Total net position, beginning	12,379,992	9,803,454	22,183,446
Total net position, ending	\$ 14,924,575	\$ 9,583,897	\$ 24,508,472

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

Town of Smithfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 17,911,187	\$ 5,758,459	\$ 23,669,646
Cash paid for goods and services	(14,086,124)	(4,404,174)	(18,490,298)
Cash paid to or on behalf of employees for services	(978,078)	(935,861)	(1,913,939)
Net customer deposits	14,731	22,723	37,454
Other operating revenues	477,515	28,756	506,271
Net cash provided (used) by operating activities	<u>3,339,231</u>	<u>469,903</u>	<u>3,809,134</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in due from other funds	(150,000)	-	(150,000)
Increase in due to other funds	-	150,000	150,000
Net cash provided (used) by noncapital financing activities	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(200,780)	(1,341,096)	(1,541,876)
Capital contributions	-	-	-
Proceeds from debt	-	2,611,500	2,611,500
Principal paid on bonds and installment purchases	(251,870)	(137,981)	(389,851)
Interest paid on bonds and installment purchases	(116,006)	(9,849)	(125,855)
Net cash provided (used) by capital and related financing activities	<u>(568,656)</u>	<u>1,122,574</u>	<u>553,918</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	18,256	9,196	27,452
Net cash provided (used) by investing activities	<u>18,256</u>	<u>9,196</u>	<u>27,452</u>
Net increase (decrease) in cash and investments	2,638,831	1,751,673	4,390,504
Balances, beginning	6,177,833	3,840,991	10,018,824
Balances, ending	<u>\$ 8,816,664</u>	<u>\$ 5,592,664</u>	<u>\$ 14,409,328</u>

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

**Town of Smithfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016**

	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 2,642,333	\$ (218,904)	\$ 2,423,429
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	586,133	535,508	1,121,641
Changes in assets and liabilities:			-
(Increase) decrease in accounts receivable	311,554	10,330	321,884
(Increase) decrease in due from other governments	(356)	(17,768)	(18,124)
(Increase) decrease in inventory	(18,148)	(18,071)	(36,219)
Decrease in net pension asset	83,834	83,834	167,668
Increase in deferred outflows of resources - pensions	(4,598)	(5,251)	(9,849)
Increase in net pension liability	60,782	61,947	122,729
Decrease in deferred inflows of resources - pensions	(167,607)	(167,607)	(335,214)
Increase (decrease) in accounts payable and accrued liabilities	(253,158)	111,984	(141,174)
Increase (decrease) in accrued payroll and payroll liabilities	28,267	29,288	57,555
Increase (decrease) in customer deposits	14,731	22,723	37,454
Increase (decrease) in accrued vacation pay	5,248	(4,941)	307
Increase (decrease) in accrued other postemployment benefits	50,216	46,831	97,047
Total adjustments	696,898	688,807	1,385,705
Net cash provided by operating activities	<u>\$ 3,339,231</u>	<u>\$ 469,903</u>	<u>\$ 3,809,134</u>

Noncash investing, capital, and financing activities:

None.

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

**Town of Smithfield
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016**

	Private-Purpose Trust		
	Fund	Agency Fund	Total
ASSETS			
Cash and investments	\$ 135,812	\$ 169,723	\$ 305,535
Due from other governments	791	-	791
Total assets	136,603	169,723	306,326
LIABILITIES			
Current liabilities:			
Miscellaneous liabilities	2,710	-	2,710
Total liabilities	2,710	-	2,710
NET POSITION	\$ 133,893	\$ 169,723	\$ 303,616

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

**Town of Smithfield
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016**

Exhibit 11

	Private-Purpose Trust Fund
ADDITIONS:	
Investment earnings	\$ 40,948
DEDUCTIONS:	
Special projects	5,288
Changes in net assets	35,660
NET POSITION	
Total net position, beginning	98,233
Total net position, ending	\$ 133,893

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

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Smithfield (the Town) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a seven-member council. As required by generally accepted accounting principles, these financial statements include all funds that are controlled by, or financially dependent on, the Town. There are no separate organizations for which the Town is financially accountable.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund. This fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation, debt service, and general governmental services.

General Fund Capital Projects. This fund is the fund where all general government projects are reported.

**Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

The Town reports the following non-major governmental fund:

Smithfield Fire Tax District Special Revenue Fund. This fund is used to account for fire district taxes.

The Town reports the following major enterprise funds:

Enterprise Funds. The enterprise funds are used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has two enterprise funds: the Electric Fund and the Water and Sewer Fund. For financial reporting purposes, the Electric Capital Projects Fund and the Water and Sewer Capital Projects Fund have been consolidated with the Electric Fund and the Water and Sewer Fund.

The Town reports the following fund types:

Special Revenue Fund. The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Town of Smithfield has one special revenue fund: the Smithfield Fire Tax District Fund.

Private-Purpose Trust Fund. Private-purpose trust funds are used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. The Town maintains one private-purpose trust fund: the J.B. George Beautification Trust Fund which was created to preserve for the future the beauty of the Town of Smithfield. The trust permits its earnings to be expended to support specific projects.

Agency Trust Fund. The Agency Fund is used to account for assets held as an agent for individuals, private organizations, other governments or other funds. They are custodial in nature and do not involve measurement of results or operations. The Town has one agency trust fund: the Firemen's Relief Fund.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are 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 for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Long-term debt issued and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures in governmental funds.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Johnston County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Grant revenues that are unearned at year-end are recorded as unearned revenues.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the capital project funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to reallocate departmental appropriations among the various objects of expenditures and is authorized to approve interdepartmental transfers, in the same fund, not to exceed 10 percent of the appropriated monies for the department whose allocation is affected. Any such transfer shall be reported to the Town Council at its

**Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

next regular meeting and shall be entered into the minutes. During the year, several amendments to the original budget were necessary, the effects of which were not material.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Unexpended police drug forfeiture money is classified as restricted cash within the General Fund because their use is completely restricted to the purpose for which the funds were collected. Amounts restricted as required by USDA loan agreements are classified as restricted cash within the General Fund. Powell Bill funds are also classified as restricted cash within the General Fund because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.1. The unexpended bond proceeds issued by the Town are classified as restricted cash within the General Fund Capital Project because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected and are classified as restricted cash in the enterprise funds.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010. Johnston County bills and collects property taxes on behalf of the Town. Upon collection, the County remits the funds to the Town less a 2% administrative fee.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are recorded at original cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Also, the Town has elected not to capitalize those interest costs that are incurred during the construction period of capital assets.

Certain items acquired before July 1, 1970 are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when capital assets are considered as a whole. Capital expenditures over \$5,000 are recorded as general capital assets.

Capital assets are depreciated using the straight-line method over the following useful lives to the cost of the assets:

<u>Asset Type</u>	<u>Years</u>
Buildings	40
Improvements	20
Vehicles	5
Furniture and equipment	10
Computer equipment	5
Data handling equipment except computers	6
Heavy duty general purpose trucks	6
Tractor units-over road use	4
Trailers	6

8. 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 and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2016 fiscal year. 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 and so will not be recognized as revenue until then. The Town has two items that meet this criterion for this category – property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

9. Long-Term Obligations

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

The Town's long-term debt for electric purposes and water and sewer system improvements is carried within the Electric Fund and the Water and Sewer Fund. The debt service requirements for that debt are being met by the respective electric and water and sewer revenues, but the taxing power of the Town is pledged to make these payments if electric and water and sewer revenues should ever be insufficient.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have an obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statutes.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for USDA debt payments – portion of fund balance that is restricted for future debt payments.

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute.

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpected Powell Bill funds.

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as federal forfeiture and controlled substance funds.

Restricted for Fire District – portion of fund balance restricted by revenue source for fire district use.

Restricted for Capital Projects – portion of fund balance restricted by lender for use in capital projects.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Smithfield's governing body (highest level of decision making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Bingham Park – portion of fund balance committed for future projects at the community park.

Assigned Fund Balance – portion of fund balance that the Town of Smithfield intends to use for specific purposes.

Assigned for Recreation Development – portion of fund balance assigned for the acquisition and development of recreation, park, and open space sites to serve the residents of the development and the residents of the immediate neighborhood within the development is located.

Assigned for subsequent year's expenditures – portion of fund balance assigned for encumbrances at year end.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, and Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Town.

The Town has not officially adopted a fund balance policy.

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None.

B. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the Town's deposits had a carrying amount of \$20,635,171 and a bank balance of \$19,673,674. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$18,923,674 was covered by collateral held under the Pooling Method. The Town's petty cash totaled \$624 at June 30, 2016.

**Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

2. Investments

At June 30, 2016 the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2016	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	Amortized Cost	\$2,243,529	N/A	AAAm

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Town does not have a formal investment policy that specifically limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the Town had no formal policy on specifically managing credit risk. As of June 30, 2016, the Town's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's. The Town's investments in US Government Agencies are rated AAA by Standard & Poor's.

Concentration of Credit Risk. The Town places no limit on the amount that the Town may invest in any one issuer.

3. Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit 1 at June 30, 2016 were as follows:

	Accounts	Taxes	Due from other governments	Total
Governmental Activities:				
General	\$ 371,354	\$ 53,103	\$ 690,189	\$ 1,114,646
Other governmental	-	-	(7,825)	(7,825)
Allowance for doubtful accounts	(111,600)	(15,806)	-	(127,406)
Total governmental activities	\$ 259,754	\$ 37,297	\$ 682,364	\$ 979,415
Business-Type Activities:				
Electric	\$ 3,798,340	\$ -	\$ 28,209	\$ 3,826,549
Water and Sewer	1,196,369	-	76,489	1,272,858
Allowance for doubtful accounts	(1,644,400)	-	-	(1,644,400)
Total business-type activities	\$ 3,350,309	\$ -	\$ 104,698	\$ 3,455,007

Due from other governments consisted of the following:

Local option sales tax	\$ 395,457
Franchise tax	239,750
Sales tax	151,855
	<u>\$ 787,062</u>

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Note Receivable

In 2007, the Town loaned Downtown Smithfield Development Corporation \$250,000 for special projects. The loan is due in annual installments of \$12,757 through 2039, with an interest rate of 2.75%.

Future maturities of the note are as follows:

	Principal	Interest	Total
2017	\$ 6,957	\$ 5,800	\$ 12,757
2018	7,149	5,608	12,757
2019	7,345	5,412	12,757
2020	7,533	5,224	12,757
2021	7,754	5,003	12,757
2022-2026	42,078	21,707	63,785
2027-2031	48,193	15,592	63,785
2032-2036	55,195	8,590	63,785
2037-2039	21,735	1,371	23,106
	<u>\$ 203,939</u>	<u>\$ 74,307</u>	<u>\$ 278,246</u>

4. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 6,284,188	\$ -	\$ -	\$ 6,284,188
Construction in progress	6,375,140	133,821	-	6,508,961
Total capital assets not being depreciated	12,659,328	133,821	-	12,793,149
Capital assets being depreciated				
Buildings and improvements	16,794,734	-	-	16,794,734
Infrastructure	45,760,336	-	-	45,760,336
Equipment and vehicles	5,544,469	353,108	135,101	5,762,476
Total capital assets being depreciated	68,099,539	353,108	135,101	68,317,546
Less accumulated depreciation for				
Buildings and improvements	5,551,180	712,210	-	6,263,390
Infrastructure	35,334,506	1,617,886	-	36,952,392
Equipment and vehicles	4,568,621	245,471	135,101	4,678,991
Accumulated depreciation	45,454,307	\$ 2,575,567	\$ 135,101	47,894,773
Total capital assets, depreciated, net	<u>22,645,232</u>			<u>20,422,773</u>
Governmental activity capital assets, net	<u>\$ 35,304,560</u>			<u>\$ 33,215,922</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 135,513
Public safety	289,196
Street and public works	1,397,571
Sanitation	57,867
Cultural and recreational	695,420
	<u>\$ 2,575,567</u>

Town of Smithfield, North Carolina
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For the Fiscal Year Ended June 30, 2016

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	158,721	-	158,721
Total capital assets not being depreciated	-	158,721	-	158,721
Capital assets being depreciated				
Plant and distribution systems	12,957,125	-	-	12,957,125
Equipment	2,291,760	42,059	-	2,333,819
Total capital assets being depreciated	15,248,885	42,059	-	15,290,944
Less accumulated depreciation for				
Plant and distribution systems	4,384,526	500,000	-	4,884,526
Equipment	1,961,795	86,133	-	2,047,928
Accumulated Depreciation	6,346,321	\$ 586,133	\$ -	6,932,454
Capital assets, depreciated, net	8,902,564			8,358,490
Electric Fund capital assets	<u>\$ 8,902,564</u>			<u>\$ 8,517,211</u>
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	-	917,203	-	917,203
Total capital assets not being depreciated	10,000	917,203	-	927,203
Capital assets being depreciated				
Plant and distribution systems	14,046,668	134,344	-	14,181,012
Equipment	1,829,301	289,550	-	2,118,851
Total capital assets being depreciated	15,875,969	423,894	-	16,299,863
Less accumulated depreciation for				
Plant and distribution systems	8,151,153	375,240	-	8,526,393
Equipment	1,095,810	160,268	-	1,256,078
Accumulated Depreciation	9,246,963	\$ 535,508	\$ -	9,782,471
Capital assets, depreciated, net	6,629,006			6,517,392
Water and Sewer Fund capital assets	<u>\$ 6,639,006</u>			<u>\$ 7,444,595</u>
Business-type Activities capital assets	<u>\$ 15,541,570</u>			<u>\$ 15,961,806</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Smithfield is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible for retire with full retirement benefits at age 65 with 5 years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with 5 years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with 5 years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed 5 years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2016 was 7.15% of compensation for law enforcement officers, and 6.76% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$399,094 for the year ended June 30, 2016.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to member with at least 5 years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of the refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2016, the Town reported a liability of \$512,482 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing updated procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was .114%, which was a decrease of .004% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$196,864. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

**Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 120,462
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	145,901
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	120,255
Employer contributions subsequent to the measurement date	399,093	-
Total	<u>\$ 399,093</u>	<u>\$ 386,618</u>

\$399,093 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Future amortization:

June 30:

2017	\$ (205,873)
2018	(205,873)
2019	(205,486)
2020	230,614
	<u>\$ (386,618)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, inflation and productivity factor
Investment rate of return	7.25 percent, net pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yield

**Town of Smithfield, North Carolina
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For the Fiscal Year Ended June 30, 2016**

across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity of risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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 allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 3,573,581	\$ 512,482	\$ (2,066,433)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description. The Town of Smithfield administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits

**Town of Smithfield, North Carolina
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to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	40
Total	43

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earning on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The Town's expense for benefit payments to current retirees for the fiscal year ended June 30, 2016 was \$54,418.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.50% to 7.35% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percent of pay on a closed basis. The remaining amortization period at December 31, 2015 was 15 years.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation (asset) to the Separation Allowance for the current year were as follows:

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Annual required contribution	\$ 101,705
Interest on net pension obligation	1,677
Adjustment to annual required contribution	<u>(2,948)</u>
Annual pension cost	100,434
Contributions made	<u>(54,418)</u>
Increase (decrease) in net pension obligation	46,016
Net pension obligation beginning of year	<u>33,549</u>
Net pension obligation end of year	<u><u>\$ 79,565</u></u>

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2016	\$ 100,434	54.18%	\$ 79,565
6/30/2015	97,044	56.08%	33,549
6/30/2014	83,752	70.12%	(9,077)

4. Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the Separation Allowance was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,084,775. The covered payroll (annual payroll of active employees covered by the Separation Allowance) was \$2,029,054 and the ratio of the UAAL to the covered payroll was 53.46%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Separation Allowance assets are increasing or decreasing over time relative to the actuarial accrued liability for benefit.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan, administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$120,030, which consisted of \$93,585 from the Town and \$26,445 from the law enforcement officers.

e. Supplemental Retirement Income Plan for Non-Law Enforcement Employees

Plan Description. The Town adopted a Supplemental Retirement Income Plan, a single-employer defined benefit plan, for non-law enforcement employees provided by Prudential Retirement 401(k) Services and administered by NC Department of State Treasurer. All employees are eligible to participate

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on a voluntary basis. Total contributions for the year ended June 30, 2016 were \$200,331, which consisted of \$99,210 from the Town and \$101,121 from the employees.

f. Other Postemployment Benefits

Healthcare Benefits

Plan Description. According to a Town resolution, the Town provides post-retirement healthcare benefits through a single-employer defined benefit plan, to retirees of the Town provided they have at least twenty years of creditable service with the Town. The Town pays the full cost of coverage for these benefits. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. Currently, 54 retirees are eligible vested in post-retirement health benefits. For the fiscal year ended June 30, 2016, the Town made payments for post-retirement health benefit premiums of \$0. The Town obtains healthcare coverage through private insurers. A separate report is not issued for the plan.

Membership of the Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

	General
	Employees:
Retirees and dependents receiving benefits	54
Active plan members	63
Total	117

Funding Policy. The Town agrees to provide medical insurance to certain retired employees as an extended benefit. Eligible retirees who elect this coverage will be enrolled in the group health plan. For members that retire with at least 30 years of service or that retire with approved disability retirement, the Town pays 100% of the cost for pre-65 healthcare coverage for the retiree. Years of service are considered years of creditable service with the Local Governmental Employees' Retirement System.

Retirees will cease to be eligible for group health insurance at age 65. The retiree will be responsible for paying the cost of dependent coverage if dependent coverage is elected. The Town has chosen to fund healthcare benefits on a pay-as-you-go basis.

The current Annual Required Contribution (ARC) rate is 26% of annual covered payroll. For the current year, the Town contributed \$315,547 or 10.58% of annual covered payroll. There were no contributions by employees for the fiscal year ended June 30, 2016. The Town's obligation to contribute to the post-retirement benefit plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

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Annual required contribution	\$ 789,303
Interest on net OPEB obligation	218,358
Adjustment to annual required contribution	<u>(303,549)</u>
Annual OPEB cost (expense)	704,112
Contributions made	<u>(315,547)</u>
Increase (decrease) in net OPEB obligation	388,565
Net OPEB obligation, beginning of year	<u>5,458,940</u>
Net OPEB obligation, end of year	<u><u>\$ 5,847,505</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	Trend Information Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 704,112	44.8%	\$ 5,847,505
2015	\$ 710,999	37.9%	\$ 5,458,940
2014	\$ 722,272	0.0%	\$ 5,017,535

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$10,240,123. The covered payroll (annual payroll of active employees covered by the plan) was \$2,983,507, and the ratio of the UAAL to the covered payroll was 343.2 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 4.00% investment rate of return (net of administrative expenses), which included an inflation component of 3.00% and (b) a 7.75% to 5.00% medical cost trend rate with 2022 the year of ultimate trend rate. The actuarial value of assets, if any, was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

**Town of Smithfield, North Carolina
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2. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2016, the Town made contributions to the State for death benefits of \$0. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

3. Deferred Outflows and Inflows of Resources

The Town has one deferred outflow of resources. Deferred outflow of resources is comprised of contributions to pension plan in current fiscal year in the amount of \$399,093.

Deferred inflows of resources at year-end is comprised of property taxes receivable in the amount of \$37,297, and pension deferrals in the amount of \$386,618.

4. 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. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Director is bonded for \$165,000. The remaining employees that have access to funds are bonded for \$10,000 per occurrence.

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5. Long-Term Obligations

a. Installment Purchases

As authorized by State law (G.S. 160A-20 and 153A-158.1), the Town financed various property and equipment acquisitions by installment purchases. Installment purchase contracts at June 30, 2016 were comprised of the following individual agreements:

Government Activities:

<p>\$300,000 for renovations to EMS building due in annual installments of \$17,616 through March 2037, interest at 4.125%. The issue date was March 2007 from USDA. This loan was paid off during 2016.</p>	<p>\$ -</p>
<p>\$3,000,000 for construction of community center, due in fixed annual installments of \$150,000 plus interest at 4.06% through January 2028. Loan balance of \$2,250,000 refinanced at 2.92% in FY 2013. All other terms remain the same. Loan issued by First Citizens Bank.</p>	<p>1,800,000</p>
<p>\$4,500,000 for construction of community center, due in fixed annual principal installments of \$225,000 plus interest at 4.06% through November 2027. Loan balance of \$3,375,000 refinanced at 2.92% in FY 2013. All other terms remain the same. Loan issued by First Citizens Bank.</p>	<p>2,700,000</p>
<p>\$500,000 for street resurfacing, due in annual installments of \$50,000, plus interest at 3.22% through May 2018. Loan balance of \$250,000 refinanced at 1.78% during FY 2013. All other terms remain the same. Loan issued by First Citizens Bank.</p>	<p>100,000</p>
<p>\$150,000 for renovations to EMS building, due in annual installments of \$8,808 through March 2037, interest at 4.125%. The issue date was March 2007 from USDA.</p>	<p>122,125</p>
<p>\$250,000 for Downtown Revitalization Project, due in annual installments of \$15,125 through 2036, interest at 4.375%. The issue date was December 2007 from USDA. This loan was paid off during 2016.</p>	<p>-</p>
<p>\$500,000 for street resurfacing, due in fixed annual installments of \$50,000 plus interest at 3.149% through October 2018. The issue date was October 2008 from Branch Banking & Trust. This loan was paid off during 2016.</p>	<p>-</p>
<p>\$620,000 for equipment, due in annual installments of \$132,188 through November 2015, interest at 2.174%. The issue date was November 2010 from PNC Bank. This loan was paid off during 2016.</p>	<p>-</p>

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\$620,000 for equipment, due in annual installments of \$132,188 through November 2015, interest at 2.174%. The issue date was November 2010 from PNC Bank. This loan was paid off during 2016.	-
\$1,150,000 for Smithfield Crossings Project, due in annual installments of \$164,286 plus interest at 2.65%. The issue date was November 2011 from Wells Fargo.	492,349
\$376,928, for various equipment, due in annual installments of \$78,069 through October 2020, interest at 1.42%. The issue date was April 2016 from First Citizens Bank.	376,928
\$2,806,400 for Smithfield Crossings Project, due in annual installments of \$157,411 through July 2044, interest at 3.75%. The issue date was July 2014 from USDA.	2,754,229
\$140,000 for vehicles and equipment, due in semi-annual installments of \$14,604.73 through May 2020, interest at 1.550%. The issue date was May 2015 from Kansas State Bank.	<u>112,860</u>
Total governmental activities	<u><u>\$ 8,458,491</u></u>

Business-Type Activities:

State Clean Water Bond Loan for construction of ammonia treatment plan and sludge handling system, authorized to borrow a total commitment of \$1,170,000. The loan has two components: a revolving loan - \$408,220, 20-year term with interest at 3.00%, and a non-revolving loan \$761,780, 20-year term with interest at 5.30% until May 1, 2003, thereafter 3.43%. Annual principal payments began May 1, 1998, semi-annual interest payments are due May 1 and November 1, with amounts due depending on total borrowings to date.	\$ 78,911
\$1,181,500 for various water/sewer projects, due in semi-annual installments of \$65,671 through April 2026, interest 2.06%. The issue date was April 2016 from Branch Banking & Trust.	1,181,500
\$1,430,000 for various water/sewer projects, due in semi-annual installments of \$83,053 through February 2026, interest 2.90%. The issue date was March 2016 from Four Oaks Bank.	1,430,000
\$491,185 for equipment, due in semi-annual installments of \$51,133 through November 2019, interest 1.55%. The issue date was December 2014 from Kansas State Bank.	<u>347,274</u>
Total business-type activities	<u><u>\$ 3,037,685</u></u>

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Future minimum payments as of June 30, 2016 for the installment purchase contracts are as follows:

Year Ending June 30	Principal	Interest	Total
Governmental Activities:			
2017	\$ 748,315	\$ 262,899	\$ 1,011,214
2018	749,252	245,252	994,504
2019	702,459	225,191	927,650
2020	542,501	205,913	748,414
2021	517,116	191,232	708,348
2022-2026	2,240,156	743,612	2,983,768
2027-2031	1,190,788	423,614	1,614,402
2032-2036	532,091	299,004	831,095
2037-2041	604,753	191,033	795,786
2042-2045	631,060	65,293	696,353
	\$ 8,458,491	\$ 2,853,043	\$ 11,311,534
Business-Type Activities:			
Water and Sewer Fund:			
2017	\$ 388,178	\$ 72,567	\$ 460,745
2018	357,644	63,093	420,737
2019	344,855	54,859	399,714
2020	301,727	47,054	348,781
2021	257,125	40,323	297,448
2022-2026	1,388,156	99,084	1,487,240
	\$ 3,037,685	\$ 376,980	\$ 3,414,665

b. General Obligation Bonds

All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

On June 1, 2011, the Town issued \$1,275,000 of advance revenue refunding bonds which were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$1,244,250 of Series 1997 General Obligation Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Position. The reacquisition price was lower than the net carrying amount of the old debt by \$50,000. This amount is being netted against the new debt. This advance refunding was undertaken to reduce total debt service payments over the next seven years by \$84,480 and resulted in an economic gain of \$80,145.

Annual debt service requirements to maturity for the Town's general obligation bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 180,000	\$ 8,343	\$ 188,343
2018	175,000	4,113	179,113
	\$ 355,000	\$ 12,456	\$ 367,456

c. Revenue Bonds

\$5,000,000 Electric System Revenue Bond, Series 2007. Dated as of August 7, 2007, will bear interest from that date, payable on August 15, 2008 and annually thereafter on each August 15. Stated to mature \$368,887 due annually. The balance of this loan at August 2014, in the amount of \$3,668,555, was refinanced at 3.25% through August 2027. Annual payments are \$350,491.

\$3,432,964

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

The Town has pledged future electric customer revenues, net of specified operating expenses, to repay \$5 million in electric system revenue bonds issued in August 2007. Proceeds from the bonds provided financing for the construction of the improvements to the Town's electric system. The bonds are payable solely from electric customer net revenues and are payable through 2027. Annual principal and interest payments on the bonds are expected to require about 74% of net revenues. Section 5.02 of the Bond Order requires the debt service coverage ratio will not be less than 120% of the debt service requirement for the year. The total principal and interest remaining to be paid on the bonds is \$4,111,392. Principal and interest paid for the current year revenue bonds and total electric customer net revenues were \$350,491 and \$2,601,553, respectively.

The debt service coverage ratio calculation for the year ended June 30, 2016 is as follows:

Operating revenues	\$ 18,077,147
Operating expenses	(15,475,594)
Add back:	
Investment earnings	18,256
Depreciation	586,133
Income available for debt service	<u>\$ 3,205,942</u>
Debt service principal and interest paid (Revenue bond only)	<u>\$ 350,491</u>
Debt service coverage ratio	915%

The Town's debt service coverage ratio is greater than 120% of the debt service requirement for the year ended June 30, 2016.

Annual debt service requirement to maturity for the Town's revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 243,383	\$ 99,202	\$ 342,585
2018	250,417	92,168	342,585
2019	257,654	84,931	342,585
2020	265,100	77,485	342,585
2021	272,762	69,824	342,586
2022-2026	1,486,707	226,220	1,712,927
2027-2028	656,941	28,598	685,539
	<u>\$ 3,432,964</u>	<u>\$ 678,428</u>	<u>\$ 4,111,392</u>

d. Capital Leases

The Town has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed on May 1, 2015 to lease gym equipment for the Smithfield Recreation and Aquatics Center, and requires 36 monthly payments of \$2,993. In the agreement, title passes to the Town at the end of the lease term.

**Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

The following is an analysis of the asset recorded under capital lease at June 30, 2016:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 98,377	\$ 22,955	\$ 75,422

The future minimum lease obligations as of June 30, 2016 were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 32,917	\$ 2,994	\$ 35,911
2018	31,953	966	32,919
	<u>\$ 64,870</u>	<u>\$ 3,960</u>	<u>\$ 68,830</u>

e. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 9,544,759	\$ 376,928	\$1,463,196	\$ 8,458,491	\$ 748,315
General obligation bonds	540,000	-	185,000	355,000	180,000
Capitalized leases	95,876	-	31,006	64,870	32,917
Compensated absences	381,127	-	5,682	375,445	93,861
Net pension liability (LGERS)	-	389,753	-	389,753	-
Net pension obligation (LEO)	33,549	46,016	-	79,565	-
Other postemployment benefits	4,341,792	291,518	-	4,633,310	-
Total	<u>\$ 14,937,103</u>	<u>\$1,104,215</u>	<u>\$1,684,884</u>	<u>\$ 14,356,434</u>	<u>\$1,055,093</u>
Business-type activities:					
Revenue bonds	\$ 3,668,555	\$ -	\$ 235,591	\$ 3,432,964	\$ 243,383
Installment purchases	580,445	2,611,500	154,260	3,037,685	388,178
Compensated absences	89,346	5,248	4,940	89,654	22,414
Net pension liability (LGERS)	-	122,729	-	122,729	-
Other postemployment benefits	1,117,149	97,047	-	1,214,196	-
Total	<u>\$ 5,455,495</u>	<u>\$2,836,524</u>	<u>\$ 394,791</u>	<u>\$ 7,897,228</u>	<u>\$ 653,975</u>

Compensated absences and OPEB liability have typically been liquidated in the General Fund. Compensated absences are accounted for on a LIFO basis.

At June 30, 2016, the Town of Smithfield had a legal debt margin of \$75,711,628.

**Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

C. Interfund Balances and Activity

Due To/From Other Funds

At June 30, 2016, \$478,660 was due to the General Fund from the General Fund Capital Project Fund, which represents advances to cover various expenses. At June 30, 2016, \$4,609 was due to the General Fund from the Smithfield Fire Tax District Special Revenue Fund, which represents advances to cover operating expenses. The loan will be repaid in the following year.

At June 30, 2016, \$150,000 was due to the Electric Fund from the Water and Sewer Fund. The purpose was to share the cost of a substation that is currently under construction. Once the funds have been spent to construct the substation, the interfund loan will be dissolved.

D. On-Behalf Payments for Fringe Benefits and Salaries

The Town has recognized as revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$14,179 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2016. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

F. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 8,913,863
Less restricted for:	
USDA debt payments	38,982
Public safety	35,353
Stabilization by State statute	1,506,702
Streets	32,813
Bingham Park	443,088
Recreation development	139,166
Subsequent year's expenditures	73,501
Remaining fund balance	\$ 6,644,258

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, and Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Town.

The Town has not officially adopted a fund balance policy.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

**Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

Encumbrances	General Fund	Electric Fund	Water and Sewer Fund
	\$73,501	\$48,524	\$54,194

IV. Jointly Governed Organization – Electric Power Agency

The Town, in conjunction with thirty-two other local governments, is a member of the North Carolina Eastern Municipal Agency (the Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2016 were \$12,427,576.

V. Joint Ventures

The Town, in conjunction with Riverside Extension, Inc., participates in a joint venture to improve and develop property for the expansion of Riverside Cemetery. In accordance with the joint venture agreement, the Town has agreed to purchase property from the Johnston County Board of Education in the amount of \$600,000. Riverside Extension, Inc. has agreed to obtain financing to pay the purchase price of the property in exchange for the right to improve and develop the property, to receive from the Town the proceeds for all cemetery lots sold before July 1, 2015, and to receive from the Town conveyance of a lot to Saint Paul's Episcopal Church. The Town has an ongoing financial responsibility for the joint venture because the Town is responsible for marketing and selling cemetery lots, installing and maintaining a 20 foot access road, and assuming maintenance of the cemetery once constructed. The joint venture does not issue separate financial statements.

The Public Library of Johnston County and Smithfield (the Library) is a nonprofit organization governed by a 12-member board of trustees with 6 positions appointed by the Town of Smithfield and 6 positions appointed by Johnston County. The Town and Johnston County are in agreement with the Library to help with unbudgeted costs. For unbudgeted expenditures over \$4,000 the Town of Smithfield is required to pay 40% of costs over the \$4,000. The remaining 60% is covered by Johnston County. In addition, the Town contributes \$250,000 to the Library annually for operations.

The Ava Gardner Museum is a private, nonprofit organization that houses the Ava Gardner Collection. The Collection is owned by the Town of Smithfield. The Town contributes to the funding a full-time executive director that acts as a steward of the collection and the museum. In 2016, the Town paid \$20,431 to the Ava Gardner Museum.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

VII. Subsequent Events

The Town has evaluated events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

IX. Interfund Transfers

At June 30, 2016, Smithfield's Fire Tax District Special Revenue Fund transferred \$200,000 to the General Fund to support the expenses related to the fire department. This is a standard transfer that occurs annually.

X. Prior Period Adjustment

The Town loaned \$250,000 to Downtown Smithfield District Corporation in 2007. This loan was not recorded. Therefore, a prior period adjustment was made to add the note receivable to the balance sheet and account for prior principal and interest payments. As a result, net position for governmental activities increased by \$221,961.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of the Local Government Commission in North Carolina.

Schedule of Funding Progress and Employer Contributions
for the Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress and Employer Contributions
for Other Postemployment Benefits

Schedule of Proportionate Share of the Net Pension Asset - Local
Government Employees' Retirement System

Schedule of Contributions - Local Government Employees'
Retirement System

**Town of Smithfield, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
For the Year Ended June 30, 2016**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (VAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2015	\$ -	\$ 1,084,775	\$ 1,084,775	0.00%	\$ 2,029,054	53.46%
12/31/2014	-	727,470	727,470	0.00%	1,937,143	37.55%
12/31/2013	-	716,913	716,913	0.00%	1,850,735	38.74%
12/31/2012	-	738,432	738,432	0.00%	1,862,394	39.65%
12/31/2010	-	816,920	816,920	0.00%	1,955,899	41.77%
12/31/2009	-	724,331	724,331	0.00%	1,726,146	41.96%
12/31/2008	-	701,165	701,165	0.00%	1,816,771	38.59%
12/31/2007	-	567,415	567,415	0.00%	1,593,248	35.61%
12/31/2006	-	442,591	442,591	0.00%	1,476,645	29.97%
12/31/2005	-	481,856	481,856	0.00%	1,462,073	32.96%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2016	\$ 101,705	53.51%
2015	96,731	56.26%
2014	82,678	71.03%
2013	82,695	95.44%
2012	73,788	128.26%
2011	73,788	135.55%
2010	70,921	142.98%
2009	56,256	140.89%
2008	46,369	170.93%
2007	48,164	164.56%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date:	12/31/2014
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar closed
Remaining amortization period:	16 years
Asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25%-7.85%
*Includes inflation at	3.00%
Cost of living adjustments	None

**Town of Smithfield, North Carolina
Health Care Plan Allowance (Other Postemployment Benefits)
Required Supplementary Information
For the Year Ended June 30, 2016**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (VAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) Projected Unit Credit (b)					
12/31/2015	\$ -	\$ 10,240,123	\$ 10,240,123		0%	\$ 2,983,507	343.22%
12/31/2012	-	8,592,701	8,592,701		0%	4,126,669	208.22%
12/31/2009	-	8,211,690	8,211,690		0%	5,812,092	141.29%
12/31/2007	-	9,834,213	9,834,213		0%	6,894,972	142.63%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2016	\$ 704,112	44.80%
2015	710,999	37.90%
2014	722,272	0.00%
2013	973,342	25.64%
2012	973,342	21.17%
2011	1,075,291	9.56%
2010	1,075,291	11.07%
2009	1,075,291	14.75%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date:	12/31/2015
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar amount, open
Remaining amortization period:	30 years
Asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.75% - 5.00%
Post-Medicare trend rate	5.75% - 5.00%
Year of ultimate trend rate	2022
*Includes inflation at	3.00%

Town of Smithfield
Town of Smithfield's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Three Fiscal Years *

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Smithfield's proportion of the net pension liability (asset) (%)	0.11419%	0.11846%	0.12370%
Smithfield's proportion of the net pension liability (asset) (\$)	\$ 512,482	\$ (698,613)	\$1,491,060
Smithfield's covered-employee payroll	\$5,977,396	\$6,030,168	\$6,162,658
Smithfield's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.57%	(11.59%)	24.20%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

**Town of Smithfield
Town of Smithfield's Contributions
Required Supplementary Information
Last Three Fiscal Years**

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributor	\$ 399,093	\$ 382,494	\$ 429,916
Contributions in relation to the contractually required contribution	399,093	382,494	429,916
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Smithfield's covered-employee payroll	\$ 5,795,276	\$ 5,977,396	\$ 6,030,168
Contributions as a percentage of covered-employee payroll	6.89%	6.40%	7.13%

SUPPLEMENTARY STATEMENTS

AND SCHEDULES

This section contains additional information required by the
Local Government Commission in North Carolina.

**Town of Smithfield
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes			
Taxes	\$	\$ 6,057,896	\$
Downtown district tax		96,612	
Penalties and interest		16,742	
Total	<u>5,918,245</u>	<u>6,171,250</u>	<u>253,005</u>
Other taxes and licenses			
Zoning permits		14,625	
Other permits		26,915	
Occupancy Tax		216,631	
Total	<u>258,171</u>	<u>258,171</u>	<u>-</u>
Unrestricted intergovernmental			
Franchise tax		1,024,800	
Beer and wine tax		48,639	
ABC board profit distribution		65,119	
Local option sales tax		2,241,541	
PEG channel fees		101,294	
Solid waste disposal tax		5,391	
Excise tax - rentals		16,428	
Total	<u>4,171,200</u>	<u>3,503,212</u>	<u>(667,988)</u>
Restricted intergovernmental			
Powell Bill allocation		323,780	
Department of Justice forfeitures		14,262	
JAG grant		1,642	
Grant revenue		3,070	
Total	<u>333,700</u>	<u>342,754</u>	<u>9,054</u>
Permits and fees			
Cemetery lot sales and grave openings		103,700	
DSDC loan repayment		45,375	
Public safety fees		260,726	
Refuse collection fees		1,308,784	
Recreation fees		67,265	
EMS fees		54,238	
Business registration fee		5,733	
Aquatic Center fees		754,813	
Total	<u>1,510,110</u>	<u>2,600,634</u>	<u>1,090,524</u>
Investment earnings	<u>9,955</u>	<u>9,955</u>	<u>-</u>

**Town of Smithfield
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous			
Street assessments		4,172	
Cell tower rental		54,742	
Other		57,567	
Total	<u>-</u>	<u>116,481</u>	<u>116,481</u>
Total revenues	<u>12,201,381</u>	<u>13,002,457</u>	<u>801,076</u>
Expenditures:			
General Government:			
Governing Body			
Salaries and employee benefits		237,309	
Operating expenditures		88,029	
Overhead allocated to other funds		(62,134)	
Total	<u>334,783</u>	<u>263,204</u>	<u>71,579</u>
Administration			
Operating expenditures		853,175	
Overhead allocated to other funds		(157,600)	
Total	<u>1,302,897</u>	<u>695,575</u>	<u>607,322</u>
Finance			
Salaries and employee benefits		95,489	
Operating expenditures		28,696	
Overhead allocated to other funds		(23,717)	
Total	<u>135,812</u>	<u>100,468</u>	<u>35,344</u>
Building and Planning			
Salaries and employee benefits		276,558	
Operating expenditures		61,847	
Total	<u>412,220</u>	<u>338,405</u>	<u>73,815</u>
Total general government	<u>2,185,712</u>	<u>1,397,652</u>	<u>788,060</u>
Public safety:			
Police			
Salaries and employee benefits		2,777,601	
Operating expenditures		336,714	
Capital outlay		134,082	
Total	<u>3,603,975</u>	<u>3,248,397</u>	<u>355,578</u>

**Town of Smithfield
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire			
Salaries and employee benefits		1,085,867	
Operating expenditures		178,672	
Total	<u>1,378,921</u>	<u>1,264,539</u>	<u>114,382</u>
Emergency Medical Services			
Operating expenditures		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total public safety	<u>4,982,896</u>	<u>4,512,936</u>	<u>469,960</u>
Street and Public Works: Community Appearance			
Salaries and employee benefits		258,406	
Operating expenditures		223,663	
Total	<u>534,969</u>	<u>482,069</u>	<u>52,900</u>
Streets			
Salaries and employee benefits		274,300	
Operating expenditures		169,069	
Total	<u>520,975</u>	<u>443,369</u>	<u>77,606</u>
Powell Bill			
Operating expenditures		374,879	
Total	<u>375,008</u>	<u>374,879</u>	<u>129</u>
Garage			
Salaries and employee benefits		60,553	
Operating expenditures		27,891	
Total	<u>103,954</u>	<u>88,444</u>	<u>15,510</u>
Total street and public works	<u>1,534,906</u>	<u>1,388,761</u>	<u>146,145</u>
Sanitation:			
Salaries and employee benefits		688,332	
Operating expenditures		312,101	
Capital outlay		27,038	
Total sanitation	<u>1,103,415</u>	<u>1,027,471</u>	<u>75,944</u>
Cultural and recreational:			
Salaries and employee benefits		1,026,162	
Operating expenditures		634,161	
Total cultural and recreational	<u>1,795,515</u>	<u>1,660,323</u>	<u>135,192</u>

**Town of Smithfield
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement		1,679,202	
Interest and other charges		306,619	
Total debt service	<u>2,008,556</u>	<u>1,985,821</u>	<u>22,735</u>
Total expenditures	<u>13,611,000</u>	<u>11,972,964</u>	<u>1,638,036</u>
Revenues over (under) expenditures	<u>(1,409,619)</u>	<u>1,029,493</u>	<u>2,439,112</u>
Other financing sources (uses):			
Appropriated fund balance	830,077	-	(830,077)
Transfers from other funds	397,542	200,000	(197,542)
Transfers to other funds	-	-	-
Loan proceeds	182,000	182,800	800
Sale of fixed assets	-	25,905	25,905
Total	<u>1,409,619</u>	<u>408,705</u>	<u>(1,000,914)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	1,438,198	<u>\$ 1,438,198</u>
Fund balance, beginning		7,475,665	
Fund balance, ending		<u>\$ 8,913,863</u>	

**Town of Smithfield
Smithfield Fire Tax District Special Revenue Fund
Balance Sheet
June 30, 2016**

Assets

Cash and cash equivalents \$ 4,733

Total assets \$ 4,733

Liabilities and Fund Balances

Liabilities:

Due to other funds \$ 4,609

Fund balances:

Unassigned 124

Total liabilities and fund balances \$ 4,733

Town of Smithfield
Smithfield Fire Tax District Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2016

Revenues		
Fire district taxes	\$	166,649
Supplemental Funding		<u>9,441</u>
Total revenues		<u>176,090</u>
Expenditures		
Public safety		<u>-</u>
Total expenditures		<u>-</u>
Revenues over (under) expenses		176,090
Other financing sources (uses):		
Operating transfers out		<u>(200,000)</u>
Total other financing sources (uses)		<u>(200,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures		(23,910)
Fund balance, beginning		<u>24,034</u>
Fund balance, ending	\$	<u><u>124</u></u>

Town of Smithfield
Smithfield Fire Tax District Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Fire district taxes	\$ 190,559	\$ 166,649	\$(23,910)
Other Income	9,441	9,441	-
	<hr/>		
Total revenues	200,000	176,090	(23,910)
	<hr/>		
Expenditures			
Public safety	-	-	-
	<hr/>		
Total expenditures	-	-	-
	<hr/>		
Revenues over (under) expenses	200,000	176,090	(23,910)
Other financing sources (uses):			
Appropriated fund balance	-	-	-
Operating transfers out	(200,000)	(200,000)	-
	<hr/>		
Total other financing sources (uses)	(200,000)	(200,000)	-
	<hr/>		
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(23,910)</u>	<u>\$ -</u>
Fund balance, beginning		<u>24,034</u>	
Fund balance, ending		<u>\$ 124</u>	

Town of Smithfield
Major Capital Projects Fund - General Fund Capital Project
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Years	Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental Contributions	\$ 1,224,807	\$ 1,378,700	\$ 197,107	\$ 1,575,807	\$ 351,000
Investment earnings	851,000	276,000	451,555	727,555	(123,445)
	12,588	12,291	358	12,649	61
Total revenues	<u>2,088,395</u>	<u>1,666,991</u>	<u>649,020</u>	<u>2,316,011</u>	<u>227,616</u>
Expenditures:					
Neuse River Theater repairs	80,000	40,695	-	40,695	39,305
Miracle Park	351,000	-	830	830	350,170
Revitalization Market St	113,107	-	6,224	6,224	106,883
Knuckleboom loader	140,000	-	129,529	129,529	10,471
Fire engine #3	530,000	-	-	-	530,000
Flatbed	90,000	-	65,395	65,395	24,605
Smithfield Crossings Area "A"	1,483,319	1,483,319	-	1,483,319	-
Smithfield Crossings Area "B"	6,426,283	6,134,180	127,247	6,261,427	164,856
Total expenditures	<u>9,213,709</u>	<u>7,658,194</u>	<u>329,225</u>	<u>7,987,419</u>	<u>1,226,290</u>
Revenues over (under) expenditures	<u>(7,125,314)</u>	<u>(5,991,203)</u>	<u>319,795</u>	<u>(5,671,408)</u>	<u>1,453,906</u>
Other financing sources (uses):					
Transfers in	957,000	590,000	-	590,000	(367,000)
Debt issued	6,168,314	5,206,400	194,128	5,400,528	(767,786)
Total other financing sources (uses)	<u>7,125,314</u>	<u>5,796,400</u>	<u>194,128</u>	<u>5,990,528</u>	<u>(1,134,786)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (194,803)</u>	<u>\$ 513,923</u>	<u>\$ 319,120</u>	<u>\$ 319,120</u>

**Town of Smithfield
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Electricity sales	\$	\$ 17,599,632	\$
Connection fees		21,763	
Miscellaneous		9,120	
Penalties		446,632	
Total	<u>17,646,400</u>	<u>18,077,147</u>	<u>430,747</u>
Non-operating revenues:			
Interest earnings		18,256	
Total	<u>14,000</u>	<u>18,256</u>	<u>4,256</u>
Total revenues	<u>17,660,400</u>	<u>18,095,403</u>	<u>435,003</u>
Expenditures:			
Electrical purchases		12,427,576	
Electrical operations		2,393,231	
Capital outlay		200,780	
Debt service		367,876	
Total	<u>20,808,582</u>	<u>15,389,463</u>	<u>5,419,119</u>
Other financing sources (uses):			
Appropriated fund balance	<u>3,148,182</u>	-	<u>(3,148,182)</u>
Total other financing sources (uses)	<u>3,148,182</u>	<u>-</u>	<u>(3,148,182)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 2,705,940</u>	<u>\$ 2,705,940</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 2,705,940	
Reconciling items:			
Principal repayment on long-term debt		251,870	
Capital outlay		200,780	
Decrease in net pension asset		(83,834)	
Increase in deferred outflows of resources - pensions		4,598	
Increase in net pension liability		(60,782)	
Decrease in deferred inflows of resources - pensions		167,607	
Depreciation		(586,133)	
(Increase) decrease in compensated absences		(5,248)	
(Increase) decrease in other postemployment benefits		(50,216)	
Rounding		1	
Total reconciling items		<u>(161,357)</u>	
Net income		<u>\$ 2,544,583</u>	

**Town of Smithfield
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Water sales	\$	\$ 2,888,099	\$
Sewer sales		2,860,030	
Connection and tap fees		28,040	
Miscellaneous		716	
Total	<u>5,648,318</u>	<u>5,776,885</u>	<u>128,567</u>
Non-operating revenues:			
Interest earnings		9,196	
Total	<u>4,500</u>	<u>9,196</u>	<u>4,696</u>
Total revenues	<u>5,652,818</u>	<u>5,786,081</u>	<u>133,263</u>
Expenditures:			
Water treatment plant		1,739,456	
Water and sewer distribution		3,706,012	
Capital outlay		1,341,096	
Debt service		147,830	
Total	<u>9,416,869</u>	<u>6,934,394</u>	<u>2,482,475</u>
Other financing sources (uses):			
Loan proceeds	2,545,000	2,611,500	66,500
Appropriated fund balance	1,219,051	-	(1,219,051)
Total other financing sources (uses)	<u>3,764,051</u>	<u>2,611,500</u>	<u>(1,152,551)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,463,187</u>	<u>\$ 1,463,187</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 1,463,187	
Reconciling items:			
Principal repayment on long-term debt		137,981	
Capital outlay		1,341,096	
Loan proceeds		(2,611,500)	
Decrease in net pension asset		(83,834)	
Increase in deferred outflows of resources - pensions		5,251	
Increase in net pension liability		(61,947)	
Decrease in deferred inflows of resources - pensions		167,607	
Depreciation		(535,508)	
(Increase) decrease in compensated absences		4,941	
(Increase) decrease in other postemployment benefits		(46,831)	
Total reconciling items		<u>(1,682,744)</u>	
Net income (loss)		<u>\$ (219,557)</u>	

Town of Smithfield
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2016

	Balance				Balance
	July 1, 2015	Additions	Deductions		June 30, 2016
ASSETS					
Cash and cash equivalents	\$ 180,283	\$ -	\$ 10,560	\$	169,723
Total assets	<u>180,283</u>	<u>-</u>	<u>10,560</u>		<u>169,723</u>
LIABILITIES					
Current liabilities:					
Miscellaneous liabilities	-	-	-		-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
NET POSITION	<u>\$ 180,283</u>	<u>\$ -</u>	<u>\$ 10,560</u>	<u>\$</u>	<u>169,723</u>

OTHER SCHEDULES

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy - Town-Wide

Analysis of Current Tax Levy - Downtown District

**Town of Smithfield
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016**

Fiscal Year	Uncollected Balance July 1, 2015	Additions	Collections And Credits	Uncollected Balance June 30, 2016
2015	\$ -	\$ 6,230,960	\$ 6,221,515	\$ 9,445
2014	16,461	-	6,894	9,567
2013	9,339	-	3,359	5,980
2012	7,234	-	1,272	5,962
2011	9,785	-	2,016	7,769
2010	3,794	-	64	3,730
2009	5,269	-	91	5,178
2008	4,384	-	125	4,259
2007	307	-	-	307
2006	703	-	-	703
2005	203	-	-	203
	<u>\$ 57,479</u>	<u>\$ 6,230,960</u>	<u>\$ 6,235,336</u>	<u>53,103</u>

Downtown District Taxes Receivable (19)

Less allowance for uncollectible ad valorem taxes receivable: (15,806)

Ad valorem taxes receivable, net \$ 37,278

Reconciliation with Revenues:

Ad valorem taxes:
General Fund \$ 6,171,250

Interest collected 16,742

Unremitted taxes 21,707

Taxes written off 25,637

64,086

\$ 6,235,336

**Town of Smithfield
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2016**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current Real and personal property	\$ 1,053,658,827	0.57	\$ 6,005,768	\$ 5,504,811	\$ 500,957
Discoveries	21,442,308	0.57	122,221	122,221	-
Releases	(4,480,998)	0.57	(25,541)	(25,541)	-
Total Property Valuation	<u>\$ 1,070,620,137</u>				
Net levy			6,102,448	5,601,491	500,957
Uncollected taxes at June 30, 2016			<u>(9,426)</u>	<u>(9,426)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 6,093,022</u>	<u>\$ 5,592,065</u>	<u>\$ 500,957</u>
Current levy collection percentage			<u>99.85%</u>	<u>99.83%</u>	<u>100.00%</u>

Town of Smithfield
Analysis of Current Tax Levy - Downtown District
Town - Wide Levy
For the Fiscal Year Ended June 30, 2016

	Downtown District			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current Real and personal property	\$ 66,591,413	0.19	\$ 126,524	\$ 88,476	\$ 38,048
Discoveries	1,053,029	0.19	2,001	2,001	-
Releases	(6,600)	0.19	(13)	(13)	-
Total Property Valuation	<u>\$ 67,637,842</u>				
Net levy			128,512	90,464	38,048
Uncollected taxes at June 30, 2016			(19)	(19)	-
Current year's taxes collected			<u>\$ 128,493</u>	<u>\$ 90,445</u>	<u>\$ 38,048</u>
Current levy collection percentage			<u>99.99%</u>	<u>99.98%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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 Association

**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 Mayor and Members of the Town Council
 Town of Smithfield
 Smithfield, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Smithfield, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Smithfield's basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Smithfield'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency, see finding 2016-1.

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 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'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses, see finding 2016-1.

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.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

September 30, 2016

Town of Smithfield
Schedule of Findings and Responses
For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified
that are not considered to be
material weaknesses? x yes no

Noncompliance material to financial
statements noted yes x no

Town of Smithfield
Schedule of Findings and Responses
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2016-1 Unrecorded note receivable

Criteria: The Town is required to maintain accurate and complete financial records.

Condition: The Town issued a loan in 2007, and did not record the note receivable.

Effect: The Town did not comply with North Carolina General Statutes.

Cause: The Town reported a prior period adjustment to record the note receivable, that was originally loaned in 2007.

Recommendation: We recommend the Town maintain accurate and complete financial records.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. The note receivable will be correctly stated for the remainder of the loan.

Town of Smithfield
Corrective Action Plan
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-1 Corrected.

Town of Smithfield
Summary Schedule of Prior Year's Findings
For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

Town of Smithfield, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

Grantor/Pass-through/ Grantor- Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS			
US Department of Justice Justice Assistance Grant (JAG) Program			\$ 1,642
TOTAL FEDERAL AWARDS			<u>1,642</u>
STATE AWARDS			
N.C. Department of Transportation Revitalization Grant Powell Bill		DOT - 4	6,224 <u>374,879</u>
TOTAL STATE AWARDS			<u>381,103</u>
TOTAL FEDERAL AND STATE ASSISTANCE			<u>\$ 382,745</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards

Basis of Presentation

Note 1

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the Town of Smithfield under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2016. The information in this Schedule of Expenditures of Federal and State Awards is presented in accordance with the requirements of *Government Auditing Standards*. Because the Schedule presents only a selected portion of the operations of the Town of Smithfield, it is not to and does not present the financial position, changes in net assets or cash flows of the Town of Smithfield.