

TOWN OF SMITHFIELD

Financial Statements

Smithfield, North Carolina

For the Year Ended June 30, 2018

Town of Smithfield, North Carolina
Financial Statements
June 30, 2018

Mayor

M. Andy Moore

Town Council

Travis Scott (District 3) - Mayor Pro-Tem

John A Dunn - At-Large

Marlon Lee - District 1

Stephen Rabil - At-Large

David Stevens - District 2

Emery Ashley - At-Large

Dr. David Barbour - District 4

Finance Director

Greg Siler

Town Manager

Michael Scott

Town of Smithfield, North Carolina
Table of Contents
June 30, 2018

<u>Exhibit</u>		<u>Page(s)</u>
	Financial Section:	
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-11
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	12
2	Statement of Activities	13
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	14
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	17
7	Statement of Fund Net Position– Proprietary Funds	18
8	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	19
9	Statement of Cash Flows – Proprietary Funds	20-21
10	Statement of Fiduciary Net position - Fiduciary Funds	22
11	Statement of Changes in Fiduciary Net Position - Fiduciary Funds	23
	Notes to the Financial Statements	24-51

Town of Smithfield, North Carolina
Table of Contents
June 30, 2018

<u>Exhibit</u>		<u>Page(s)</u>
Required Supplementary Information		
A-1	Schedule of Proportionate Share of the Net Pension Asset - Local Government Employees' Retirement System	52
A-2	Schedule of Contributions - Local Government Employees' Retirement System	53
A-3	Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	54
A-4	Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	55
A-5	Schedule of Changes in the Total OPEB Liability and Related Ratios	56
Individual Fund Statements and Schedules:		
B-1	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	57-60
B-1a	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund Capital Reserve Fund	61
B-2	Balance Sheet - Non-major Governmental Fund	62
B-3	Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Fund	63
C-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Smithfield Fire Tax District	64
C-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Street Improvement - Capital Project Fund	65
D-1	Schedule of Revenues and Expenditures - Budget and Actual - Electric Fund	66
D-1a	Schedule of Revenues and Expenditures - Budget and Actual - Electric Capital Project Fund	67

Town of Smithfield, North Carolina
Table of Contents
June 30, 2018

<u>Exhibit</u>	<u>Page(s)</u>
D-2	Schedule of Revenues and Expenditures - Budget and Actual - Water and Sewer Fund 68
D-2a	Schedule of Revenues and Expenditures - Water and Sewer Capital Project Fund 69
D-2b	Schedule of Revenues and Expenditures - Booker Dairy Road Capital Project Fund 70
E-1	Statement of Changes in Assets and Liabilities - Agency Fund 71
 Other Schedules	
F-1	Schedule of Ad Valorem Taxes Receivable 72
F-1a	Analysis of Current Tax Levy (Town - Wide Levy) 73
F-1b	Analysis of Current Tax Levy (Downtown District) 74
 Compliance Section:	
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other matters based on an Audit of Financial Statements performed in accordance with <i>Governmental Auditing Standards</i> 75-76
	Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance In Accordance With Applicable Sections of Uniform Guidance and the State Single Audit Implementation Act 77-78
	Schedule of Findings and Responses 79-80
	Corrective Action Plan 81
	Summary Schedule of Prior Year Audit Findings 82
	Schedule of Expenditures of Federal and State Awards 83-84

FINANCIAL SECTION



Independent Auditors' Report

To the Honorable Mayor and Members of the Town Council
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 then ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement 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 upon 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, 2018, and the respective changes in financial position and cash flows, where applicable, 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 on pages 4 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 52 through 53, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 54 through 55, and the Changes in Total OPEB Liability and Related Ratios page 56, be presented to supplement the basic financial statements. Such information, although not a required 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 Town of Smithfield's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S.Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates 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 by us. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules 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 January 29, 2019 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, and grants 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 Town of Smithfield's internal control over financial reporting and compliance.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
January 29, 2019

Management's Discussion and Analysis

As management of the Town of Smithfield, we offer readers of the Town of Smithfield's financial statements this narrative overview and analysis of the financial activities of the Town of Smithfield for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

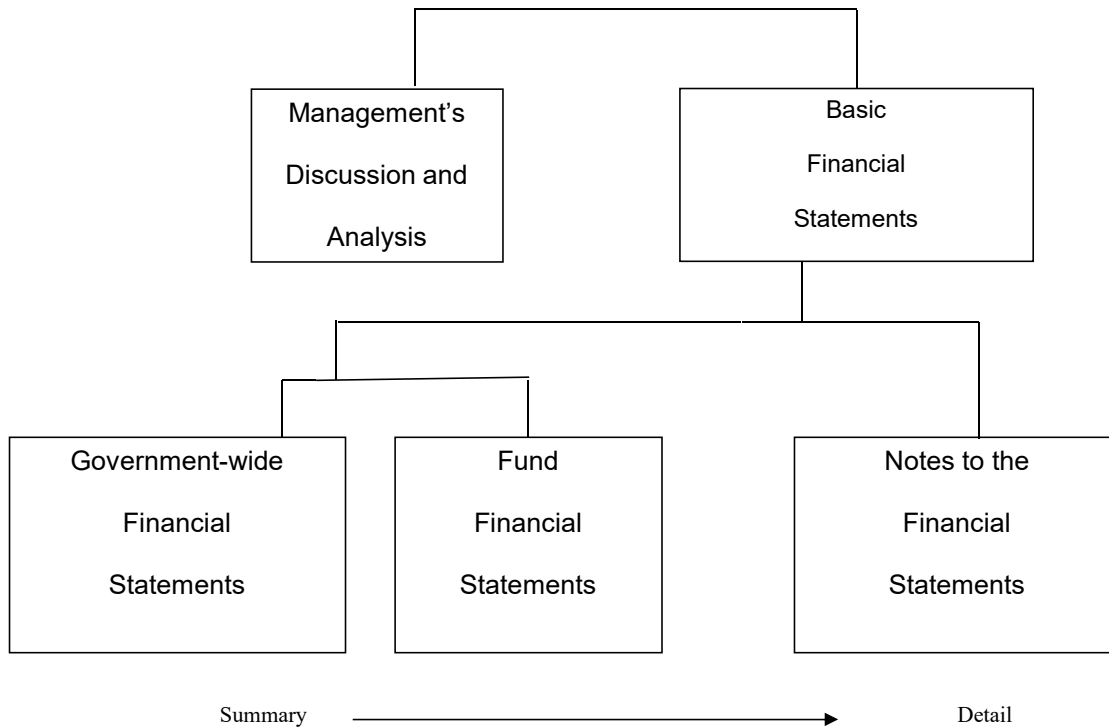
- The assets of the Town of Smithfield exceeded its liabilities at the close of the fiscal year by \$52,941,026 (net position).
- Total governments total net position increased by \$5,401,172, primarily due to increases in the business -types activities net position. In addition, restatements were made that decreased beginning net position in the governmental activities by \$5,523,606 and decreased beginning net position in the business-type activities by \$1,884,763 as a result of the implementation of GASB 75.
- As of the close of the current fiscal year, the Town of Smithfield's governmental funds reported combined ending fund balances of \$11,339,362, an increase of \$1,892,262 in comparison with the prior year. Approximately \$2,677,920 (23.62 percent) is unavailable (nonspendable or restricted by state statute); Approximately 63.30 percent 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 \$8,127,523 or 68.03 percent of total general fund expenditures for the fiscal year; compared to \$7,848,135, or 62.72 percent the prior fiscal year.
- The Town of Smithfield's total debt (excluding compensated absences, net pension liability, total pension liability, and total OPEB liability) decreased by \$1,230,225 (8.11 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to 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 views 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 1 and 2) 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 3 through 11) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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

The 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. The 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 position and how it has changed. Net position is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position 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 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 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) 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 Town of Smithfield can be divided into two categories: governmental funds and proprietary 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* which provides a short-term spending 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 Position 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 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 prior 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 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 Boards; 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. Town of Smithfield uses enterprise funds to account for its water and sewer operations and electric operations. This funds is the same as the separate activity shown in the business-type activities in the Statement of Net Asset 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 – The 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 are included in this report after Exhibit 11 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 Exhibit A-1 of this report.

Town of Smithfield's Net Position
Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 11,858,851	\$ 9,966,921	\$ 22,562,518	\$ 20,366,247	\$ 34,421,369	\$ 30,333,168
Capital assets	32,247,236	33,550,416	20,011,034	18,212,617	52,258,270	51,763,033
Deferred outflows of resources	1,213,016	1,473,680	395,527	493,434	1,608,543	1,967,114
Total assets and deferred outflows of resources	45,319,103	44,991,017	42,969,079	39,072,298	88,288,182	84,063,315
Current liabilities	1,359,126	1,520,780	3,400,031	3,310,147	4,759,157	4,830,927
Non-current liabilities	19,512,002	15,016,026	9,690,886	9,004,762	29,202,888	24,020,788
Deferred inflows of resources	150,049	201,924	42,666	61,453	192,715	263,377
Total liabilities and deferred inflows of resources	21,021,177	16,738,730	13,133,583	12,376,362	34,154,760	29,115,092
Net position:						
Invested in capital assets, net of related debt	24,679,823	25,634,541	13,311,239	11,961,009	37,991,062	37,595,550
Restricted	3,030,562	2,031,428	-	-	3,030,562	2,031,428
Unrestricted	(4,322,488)	586,318	16,241,890	14,734,927	11,919,402	15,321,245
Total net position	\$ 23,387,897	\$ 28,252,287	\$ 29,553,129	\$ 26,695,936	\$ 52,941,026	\$ 54,948,223

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$52,941,026 as of June 30, 2018. The Town's net position decreased by \$2,007,197 for the fiscal year ended June 30, 2018, which included a restatement of beginning net position as a result of the implementation of GASB 75 that decreased beginning net position by \$7,408,369. The largest portion of net position \$37,991,062 (71.76%) 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 position \$3,030,562 (.057%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$11,919,402 (22.51%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.85% and 99.77% in the Town-Wide and Downtown tax districts respectively.
- Continued low cost of debt due to the Town's credit rating.

Town of Smithfield' Changes in Net Position

Figure 3

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 2,524,138	\$ 2,667,858	\$ 24,319,799	\$ 24,343,720	\$ 26,843,937	\$ 27,011,578
Operating grants and contributions	430,813	702,318	-	-	430,813	702,318
Capital grants and contributions	376,000	134,072	791,500	168,147	1,167,500	302,219
General revenues:						
Property taxes	6,459,614	6,218,330	-	-	6,459,614	6,218,330
Unrestricted intergovernmental	3,771,179	3,699,920	-	-	3,771,179	3,699,920
Other taxes and licenses	61,207	298,455	-	-	61,207	298,455
Investment earnings, unrestricted	22,922	13,628	51,927	36,773	74,849	50,401
Miscellaneous	199,005	395,511	-	-	199,005	395,511
Gain/Loss on disposal of fixed assets	678,930	3,055	-	-	678,930	3,055
Total revenues	14,523,808	14,133,147	25,163,226	24,548,640	39,687,034	38,681,787
Expenses						
General government	1,472,522	1,716,081	-	-	1,472,522	1,716,081
Public safety	5,550,522	5,351,669	-	-	5,550,522	5,351,669
Streets and public works	2,950,321	3,141,826	-	-	2,950,321	3,141,826
Sanitation	1,162,770	1,079,338	-	-	1,162,770	1,079,338
Cultural and recreation	2,480,859	2,435,476	-	-	2,480,859	2,435,476
Interest on long-term debt	247,598	263,210	-	-	247,598	263,210
Electric	-	-	14,864,713	15,462,504	14,864,713	15,462,504
Water and sewer	-	-	5,556,557	5,867,250	5,556,557	5,867,250
Total expenses	13,864,592	13,987,600	20,421,270	21,329,754	34,285,862	35,317,354
Change in net position	659,216	145,547	4,741,956	3,218,886	5,401,172	3,364,433
Net Position						
Beginning of year - July 1	28,252,287	28,061,178	26,695,936	24,508,472	54,948,223	52,569,650
Prior period adjustment/change in accounting principle	(5,523,606)	45,562	(1,884,763)	(1,031,422)	(7,408,369)	(985,860)
Beginning of year, as restated	22,728,681	28,106,740	24,811,173	23,477,050	47,539,854	51,583,790
End of year - June 30	\$ 23,387,897	\$ 28,252,287	\$ 29,553,129	\$ 26,695,936	\$ 52,941,026	\$ 54,948,223

Governmental activities. Governmental activities increased the Town's net position by \$659,216. Key elements of this increase are as follows:

- Increase in property tax
- Gain on the sale of fixed assets

Business-type activities: Business-type activities increased the Town's net position by \$4,741,956. Key elements of this increase are as follows:

- Increase in capital grants
- Decrease in expenditures

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 of Smithfield. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,127,523, while total fund balance reached \$12,268,997. The Town currently has an available fund balance of 80.28% of total General Fund expenditures, while total fund balance represents 102.70% of that same amount.

At June 30, 2018, the governmental funds of the Town of Smithfield reported a combined fund balance of \$11,339,362, a 20.03% increase over 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. Total amendments were made during the year to increase the General Fund budget by \$592,257.

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 position of the Water and Sewer Fund at the end of the fiscal year totaled \$5,453,953 and those for the Electric Fund amounted to \$10,757,937. The total increase in net position for the Water and Sewer Fund was \$2,953,345 whereas the Electric Fund had a total increase in net position of \$1,788,611.

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, 2018 totals \$52,258,270 (net of accumulated depreciation). These assets include buildings, land, improvements, equipment, vehicles, infrastructure, plants and distributions systems, and construction in progress.

Major capital asset transactions during the year include:

- police and recreation equipment
- purchase of fire truck
- improvements on water and sewer lines
- substation upgrades

Town of Smithfield's Capital Assets

Figure 4

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 6,309,890	\$ 6,309,890	\$ 10,000	\$ 10,000	\$ 6,319,890	\$ 6,319,890
Construction in progress	244,785	640,458	5,013,868	2,807,796	5,258,653	3,448,254
Building and improvements	17,327,228	17,215,508	-	-	17,327,228	17,215,508
Plant and distribution systems	-	-	28,871,570	28,400,795	28,871,570	28,400,795
Infrastructure	55,285,936	54,254,577	-	-	55,285,936	54,254,577
Equipment and vehicles	6,335,496	5,923,185	5,144,515	4,862,972	11,480,011	10,786,157
Total	85,503,335	84,343,618	39,039,953	36,081,563	124,543,288	120,425,181
Accumulated depreciation	(53,256,099)	(50,793,202)	(19,028,919)	(17,868,946)	(72,285,018)	(68,662,148)
Capital assets, net	\$ 32,247,236	\$ 33,550,416	\$ 20,011,034	\$ 18,212,617	\$ 52,258,270	\$ 51,763,033

Long-term Debt. As of June 30, 2018, the Town of Smithfield had total debt outstanding of \$14,561,518 as noted in the following table.

Town of Smithfield's Capital Assets

Installment Purchases, Revenue Bonds, and General Obligation Bonds

Figure 5

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Installment purchases	\$ 7,567,413	\$ 7,708,822	\$ 4,055,309	\$ 4,686,755	\$ 11,622,722	\$ 12,395,577
Capital leases	-	31,953	-	-	-	31,953
Revenue bonds	-	-	2,938,796	3,189,213	2,938,796	3,189,213
General obligation bonds	-	175,000	-	-	-	175,000
Total	\$ 7,567,413	\$ 7,915,775	\$ 6,994,105	\$ 7,875,968	\$ 14,561,518	\$ 15,791,743

The Town of Smithfield's total debt decreased by \$1,230,225 during the past fiscal year, primarily due to principal payments on all outstanding debt.

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 \$77,264,546.

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, 2019

Governmental Activities: As occurred in Fiscal Year 2018, the budget forecast for the Town's primary sources of revenue (e.g. property and sales tax) were calculated using little to no growth factor. The state of the economy for Smithfield continues to show signs of improving. This is evidenced in Planning and Zoning permit activity which has increased steadily since FY2017. Funding is planned for economic initiatives related to incentive development, marketing, grant identification, as well as technical assistance in FY2019. The budget will be guided by these principles:

1. Maintain adequate Fund Balances in all Funds;
2. Continue commitment to adhere to departmental capital improvement plans in both general fund and enterprise funds (approximately \$1,000,000 in general fund capital expenditures, \$1,338,000 in water/sewer fund capital improvements, and \$300,000 in electric capital improvements is expected).

Budgeted expenditures in the General Fund are expected to increase by 7.4% to \$13,738,000. This increase is primarily due to the replacement of aged equipment in the fire department and the Town's commitment to improve street conditions.

Other budget highlights in brief include:

- Property tax rate to remain at \$.57 per 100 evaluations
- Salary adjustment of 3 percent for full time employees.

Business-Type Activities: While Smithfield has been aggressive with its electric rated by lowering the average customer rate by twelve (12) percent since 2016, ElectriCities has placed its customers on notice that the wholesale electric rate will likely increase by 1.29 percent in April 2019, and an additional three (3) percent in 2020.

Budgeted expenditures in the Water/Sewer Fund are expected to increase by 25% to \$8,700,000 over FY 2018 original budget. The FY 2019 budget funds multiple capital improvements using fund balance, including continued conversion to Automated Metering Infrastructure (AMI) technology.

The Town's water plant expansion is on the horizon to increase water production from 6.2 million gallons per day (mgd) to 8.3 mgd at a cost of approximately \$15.3 million.

Budgeted expenditures in the Electric Fund are expected to remain the same as last fiscal year. The FY2019 budget will continue to fund the Town's commitment to its conversion to Automated Metering Infrastructure (AMI) technology. The FY2019 budget also continues to fund the Brogden Road Electric Voltage Conversion to assist with future economic growth.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Town of Smithfield, North Carolina
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,355,682	\$ 16,539,629	\$ 26,895,311
Restricted cash	4,054	1,011,219	1,015,273
Taxes receivables (net)	12,329	-	12,329
Accounts receivable (net)	256,325	3,534,045	3,790,370
Due from other governments	993,915	44,639	1,038,554
Internal Balances	-	-	-
Inventories	-	1,428,987	1,428,987
Prepaid Expenses	39,756	3,999	43,755
Total current assets	<u>11,662,061</u>	<u>22,562,518</u>	<u>34,224,579</u>
Non-Current assets:			
Note Receivable	196,790	-	196,790
Capital Assets:			
Land, non-depreciable, improvements, and construction in process	6,554,675	5,023,868	11,578,543
Other capital assets, net of depreciation	25,692,561	14,987,166	40,679,727
Total capital assets	<u>32,247,236</u>	<u>20,011,034</u>	<u>52,258,270</u>
Total non-current assets	<u>32,444,026</u>	<u>20,011,034</u>	<u>52,455,060</u>
Total assets	<u><u>44,106,087</u></u>	<u><u>42,573,552</u></u>	<u><u>86,679,639</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferrals	1,016,427	314,773	1,331,200
OPEB related deferrals	196,589	80,754	277,343
Total Deferred Outflows of Resources	<u>1,213,016</u>	<u>395,527</u>	<u>1,608,543</u>
LIABILITIES			
Current liabilities:			
Accounts payable - trade	281,067	1,549,862	1,830,929
Accrued payroll and payroll liabilities	29,303	79,241	108,544
Accrued interest payable	163,401	104,824	268,225
Customer deposits	-	716,909	716,909
Due within one year	885,355	949,195	1,834,550
Total current liabilities	<u>1,359,126</u>	<u>3,400,031</u>	<u>4,759,157</u>
Long-term liabilities:			
Net pension liability (LRS)	1,226,207	420,526	1,646,733
Net OPEB liability	9,958,687	-	9,958,687
Total pension obligation (LEOSA)	1,175,635	-	1,175,635
Due within one year	7,151,473	9,270,360	16,421,833
Total long-term liabilities	<u>19,512,002</u>	<u>9,690,886</u>	<u>29,202,888</u>
Total liabilities	<u>20,871,128</u>	<u>13,090,917</u>	<u>33,962,045</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	150,049	42,666	192,715
OPEB related deferrals	910,029	282,367	1,192,396
Total Deferred Inflows of Resources	<u>1,060,078</u>	<u>325,033</u>	<u>1,385,111</u>
NET POSITION			
Net investment in capital assets	24,679,823	13,311,239	37,991,062
Restricted for:			
USDA debt payments	61,658	-	61,658
Public safety	35,363	-	35,363
Transportation	275,694	-	275,694
Fire district	19,683	-	19,683
Stabilization by State Statute	2,638,164	-	2,638,164
Unrestricted	(4,322,488)	16,241,890	11,919,402
Total net position	<u>\$ 23,387,897</u>	<u>\$ 29,553,129</u>	<u>\$ 52,941,026</u>

Town of Smithfield, North Carolina
Statement of Activities
For the Year Ended June 30, 2018

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	\$ 1,472,522	\$ 5,609	\$ 44,000	\$ -	\$ (1,422,913)	\$ -	\$ (1,422,913)
Public safety	5,550,522	331,097	63,669	-	(5,155,756)	-	(5,155,756)
Street and Public Works	2,950,321	81,910	323,144	376,000	(2,169,267)	-	(2,169,267)
Sanitation	1,162,770	1,317,646	-	-	154,876	-	154,876
Cultural and Recreational	2,480,859	787,876	-	-	(1,692,983)	-	(1,692,983)
Interest on long-term debt	247,598	-	-	-	(247,598)	-	(247,598)
Total governmental activities	13,864,592	2,524,138	430,813	376,000	(10,533,641)	-	(10,533,641)
Business-type activities:							
Electric	14,864,713	16,611,869	-	-	-	1,747,156	1,747,156
Water and Sewer	5,556,557	7,707,930	-	791,500	-	2,942,873	2,942,873
Total business-type activities	20,421,270	24,319,799	-	791,500	-	4,690,029	4,690,029
Total primary government	\$ 34,285,862	\$ 26,843,937	\$ 430,813	\$ 1,167,500	(10,533,641)	4,690,029	(5,843,612)
General revenues:							
Taxes:							
Ad valorem taxes					6,459,614	-	6,459,614
Unrestricted intergovernmental					3,771,179	-	3,771,179
Other taxes and licenses					61,207	-	61,207
Unrestricted investment earnings					22,922	51,927	74,849
Miscellaneous					199,005	-	199,005
Special items:							
Gain on disposal of fixed assets					678,930	-	678,930
Transfers					-	-	-
Total general revenues, special items, and transfers					11,192,857	51,927	11,244,784
Change in net position					659,216	4,741,956	5,401,172
Net position, beginning, as previously reported					28,252,287	26,695,936	54,948,223
Restatement					(5,523,606)	(1,884,763)	(7,408,369)
Net position beginning, as restated					22,728,681	24,811,173	47,539,854
Net position, ending					\$ 23,387,897	\$ 29,553,129	\$ 52,941,026

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

**Town of Smithfield
Balance Sheet
Governmental Funds
June 30, 2018**

	Major Funds		Non-major Special Revenue Fund	Total Governmental Funds
	General	General Fund Capital Projects		
ASSETS				
Cash and investments	\$ 10,339,027	\$ -	\$ 16,655	\$ 10,355,682
Restricted Cash	4,054	-	-	4,054
Receivables, net:				
Taxes	12,329	-	-	12,329
Accounts	211,650	37,038	7,637	256,325
Due from other governments	1,002,125	(8,210)	-	993,915
Due from other funds	947,805	-	-	947,805
Prepaid Expenses	39,756	-	-	39,756
Total assets	<u>\$ 12,556,746</u>	<u>\$ 28,828</u>	<u>\$ 24,292</u>	<u>\$ 12,609,866</u>
LIABILITIES				
Accounts payable and accrued liabilities -trade	\$ 246,117	\$ 34,950	\$ -	\$ 281,067
Accrued payroll and payroll liabilities	29,303	-	-	29,303
Due to other funds	-	943,196	4,609	947,805
Total liabilities	<u>275,420</u>	<u>978,146</u>	<u>4,609</u>	<u>1,258,175</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	12,329	-	-	12,329
Total deferred inflows of resources	<u>12,329</u>	<u>-</u>	<u>-</u>	<u>12,329</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	39,756	-	-	39,756
Restricted:				
USDA debt payments	61,658	-	-	61,658
Public safety	35,363	-	-	35,363
Stabilization by State Statute	2,638,164	-	-	2,638,164
Streets	275,694	-	-	275,694
Fire district	-	-	19,683	19,683
Committed:				
Bingham Park	446,410	-	-	446,410
Assigned:				
Recreation development	116,564	-	-	116,564
Subsequent year's expenditures	527,865	-	-	527,865
Unassigned	8,127,523	(949,318)	-	7,178,205
Total fund balances	<u>12,268,997</u>	<u>(949,318)</u>	<u>19,683</u>	<u>11,339,362</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,556,746</u>	<u>\$ 28,828</u>	<u>\$ 24,292</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.	32,247,236
Notes receivable	196,790
Earned revenues considered deferred inflows of resources in fund statements.	12,329
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	374,354
Benefit payments and pension administration costs for LEOSSA	37,820
Deferred outflows of resources related to OPEB are not reported in the funds	196,589
Deferred outflows of resources related to pensions are not recorded on the fund statements	604,253
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.	
Installment Purchase Agreements	(7,567,413)
Compensated Absences	(469,415)
Net pension liability (LGERS)	(1,226,207)
Total pension liability (LEOSSA)	(1,175,635)
Net OPEB liability	(9,958,687)
OPEB related deferrals	(910,029)
Pension related deferrals	(150,049)
Accrued interest payable	(163,401)
Net position of governmental activities	<u>\$ 23,387,897</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, 2018

	Major Funds		Non-major Special Revenue Fund	Total Governmental Funds
	General Fund	General Funds Capital Projects		
REVENUES				
Ad valorem taxes	\$ 6,291,634	\$ -	\$ 178,920	\$ 6,470,554
Other taxes and licenses	61,207	-	-	61,207
Unrestricted intergovernmental	3,771,179	-	-	3,771,179
Restricted intergovernmental	430,813	376,000	-	806,813
Sales and services	2,531,286	-	-	2,531,286
Investment earnings	22,922	-	-	22,922
Miscellaneous	121,265	64,482	13,258	199,005
Total revenues	13,230,306	440,482	192,178	13,862,966
EXPENDITURES				
Current:				
General government	1,314,451	-	-	1,314,451
Public safety	5,225,946	-	-	5,225,946
Street and Public Works	1,119,591	-	-	1,119,591
Sanitation	1,059,306	-	-	1,059,306
Cultural and recreation	1,747,769	-	-	1,747,769
Debt service:				
Principal	1,003,851	-	-	1,003,851
Interest and other charges	254,761	-	-	254,761
Capital outlay	-	1,579,448	-	1,579,448
Total expenditures	11,725,675	1,579,448	-	13,305,123
Excess (deficiency) of revenues over expenditures	1,504,631	(1,138,966)	192,178	557,843
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(220,833)	-	(175,400)	(396,233)
Transfers from other funds	175,400	220,833	-	396,233
Loan proceeds	-	655,489	-	655,489
Sales of capital assets	678,930	-	-	678,930
Total other financing sources (uses)	633,497	876,322	(175,400)	1,334,419
Net Change in fund balance	2,138,128	(262,644)	16,778	1,892,262
Fund balances, beginning	10,130,869	(686,674)	2,905	9,447,100
Fund balances, ending	\$ 12,268,997	\$ (949,318)	\$ 19,683	\$ 11,339,362

Town of Smithfield
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds	\$	1,892,262
<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 depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	1,800,934	
Depreciation expense for governmental assets	<u>(3,104,114)</u>	(1,303,180)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		374,354
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		194,868
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position		37,820
Principal payments on note receivable		(7,148)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(10,940)
<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>		
Loan proceeds	(655,489)	
Principal payments on debt	<u>1,003,851</u>	348,362
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)		7,163
<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		(18,623)
Pension expense		(432,970)
Other postemployment benefits		<u>(422,752)</u>
Total changes in net position of governmental activities	<u>\$</u>	<u>659,216</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 -
Annual Budget and Actual
General Fund
For the Year Ended June 30, 2018

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 6,059,000	\$ 6,091,000	\$ 6,291,634	\$ 200,634
Other taxes and licenses	76,450	48,450	61,207	12,757
Unrestricted intergovernmental	3,175,019	3,271,019	3,771,179	500,160
Restricted intergovernmental	553,000	667,533	430,813	(236,720)
Sales and services	2,353,756	2,467,631	2,531,286	63,655
Investment earnings	9,000	9,000	20,486	11,486
Miscellaneous	515,989	83,000	121,265	38,265
Total revenues	<u>12,742,214</u>	<u>12,637,633</u>	<u>13,227,870</u>	<u>590,237</u>
Expenditures:				
Current:				
General government	2,371,589	1,730,057	1,314,451	415,606
Public safety	5,368,058	5,485,627	5,225,946	259,681
Street and Public Works	880,599	1,650,268	1,119,591	530,677
Sanitation	1,097,677	1,062,678	1,059,306	3,372
Cultural and recreation	1,782,331	1,895,148	1,747,769	147,379
Debt service:				
Principal retirement	1,019,860	1,067,760	1,003,851	63,909
Interest and other charges	275,000	275,000	254,761	20,239
Total expenditures	<u>12,795,114</u>	<u>13,166,538</u>	<u>11,725,675</u>	<u>1,440,863</u>
Revenues over (under) expenditures	<u>(52,900)</u>	<u>(528,905)</u>	<u>1,502,195</u>	<u>2,031,100</u>
Other financing sources (uses):				
Appropriated (Unappropriated) fund balance	27,500	538,938	-	(538,938)
Sale of fixed assets	-	10,000	678,930	668,930
Loan proceeds	25,400	25,400	-	(25,400)
Transfers to other funds	-	(220,833)	(220,833)	-
Transfer from other funds	-	175,400	175,400	-
Total other financing sources (uses)	<u>52,900</u>	<u>528,905</u>	<u>633,497</u>	<u>104,592</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>2,135,692</u>	<u>\$ 2,135,692</u>
Fund balances, beginning			<u>9,955,515</u>	
Fund balances, ending			<u>\$ 12,091,207</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment Earnings			\$ 2,436	
Transfer from General Fund			-	
Fund balance, beginning of year			<u>175,354</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 12,268,997</u>	

Town of Smithfield
Statement of Net Position
Proprietary Funds
June 30, 2018

	Major		Total
	Electric Fund	Water and Sewer Fund	
ASSETS			
Current assets:			
Cash and investments	\$ 9,678,734	\$ 6,860,895	\$ 16,539,629
Restricted cash	577,014	434,205	1,011,219
Accounts receivable (net)	2,354,311	1,179,734	3,534,045
Due from other governments	20,542	24,097	44,639
Due from other funds	150,000	-	150,000
Inventories	1,329,923	99,064	1,428,987
Prepaid Expenses	3,999	-	3,999
Total current assets	<u>14,114,523</u>	<u>8,597,995</u>	<u>22,712,518</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	888,334	4,135,534	5,023,868
Other capital assets, net of depreciation	8,375,025	6,612,141	14,987,166
Capital assets (net)	<u>9,263,359</u>	<u>10,747,675</u>	<u>20,011,034</u>
Total noncurrent assets	<u>9,263,359</u>	<u>10,747,675</u>	<u>20,011,034</u>
Total assets	<u>23,377,882</u>	<u>19,345,670</u>	<u>42,723,552</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	64,515	63,870	128,385
Deferred outflows related to pensions	93,662	92,726	186,388
Deferred outflows related to OPEB	48,002	32,752	80,754
Total Deferred Outflows of Resources	<u>206,179</u>	<u>189,348</u>	<u>395,527</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,215,533	334,329	1,549,862
Accrued payroll and payroll liabilities	36,436	42,805	79,241
Due to other funds	-	150,000	150,000
Customer deposits	577,014	139,895	716,909
Accrued interest payable	77,636	27,188	104,824
Compensated absences - current	18,525	15,333	33,858
Current portion of long-term debt	293,178	622,159	915,337
Total current liabilities	<u>2,218,322</u>	<u>1,331,709</u>	<u>3,550,031</u>
Noncurrent liabilities:			
Other non-current liabilities:			
Compensated absences	55,575	45,999	101,574
Net pension liability	211,319	209,207	420,526
Net OPEB Liability	1,208,824	1,881,194	3,090,018
Non-current portion of long-term debt	2,671,329	3,407,439	6,078,768
Total non-current liabilities	<u>4,147,047</u>	<u>5,543,839</u>	<u>9,690,886</u>
Total liabilities	<u>6,365,369</u>	<u>6,875,548</u>	<u>13,240,917</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	21,440	21,226	42,666
OPEB deferrals	110,463	171,904	282,367
Total Deferred Inflows of Resources	<u>131,903</u>	<u>193,130</u>	<u>325,033</u>
NET POSITION			
Net Investment in capital assets	6,298,852	7,012,387	13,311,239
Other restrictions	-	-	-
Unrestricted	10,787,937	5,453,953	16,241,890
Total net position	<u>\$ 17,086,789</u>	<u>\$ 12,466,340</u>	<u>\$ 29,553,129</u>

Town of Smithfield
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 16,238,535	\$ 7,649,922	\$ 23,888,457
Other operating revenues	373,334	58,008	431,342
Total operating revenues	<u>16,611,869</u>	<u>7,707,930</u>	<u>24,319,799</u>
OPERATING EXPENSES			
Utility Operations	1,820,624	1,592,489	3,413,113
Electrical purchases	12,362,549	-	12,362,549
Water and sewer distributions	-	3,277,467	3,277,467
Depreciation	595,537	588,461	1,183,998
Total operating expenses	<u>14,778,710</u>	<u>5,458,417</u>	<u>20,237,127</u>
Operating income (loss)	<u>1,833,159</u>	<u>2,249,513</u>	<u>4,082,672</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	41,455	10,472	51,927
Interest and other charges	<u>(86,003)</u>	<u>(98,140)</u>	<u>(184,143)</u>
Total nonoperating revenues (expenses)	<u>(44,548)</u>	<u>(87,668)</u>	<u>(132,216)</u>
Income (loss) before contributions and transfers	1,788,611	2,161,845	3,950,456
Capital contributions	-	791,500	791,500
Transfer in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total income (loss) after contributions and transfers	<u>1,788,611</u>	<u>2,953,345</u>	<u>4,741,956</u>
Change in net position	1,788,611	2,953,345	4,741,956
Total net position , beginning	15,850,535	10,845,401	26,695,936
Restatement (see Note XII)	<u>(552,357)</u>	<u>(1,332,406)</u>	<u>(1,884,763)</u>
Total net position, ending	<u>\$ 17,086,789</u>	<u>\$ 12,466,340</u>	<u>\$ 29,553,129</u>

Town of Smithfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 15,974,065	\$ 7,516,660	\$ 23,490,725
Cash paid for goods and services	(12,965,053)	(3,454,076)	(16,419,129)
Cash paid to or on behalf of employees for services	(1,337,830)	(1,340,585)	(2,678,415)
Net customer deposits	16,827	12,720	29,547
Other operating revenues	373,334	58,008	431,342
Net cash provided (used) by operating activities	<u>2,061,343</u>	<u>2,792,727</u>	<u>4,854,070</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in due from other funds	-	-	-
Increase in due to other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(769,911)	(2,212,505)	(2,982,416)
Capital contributions	-	791,500	791,500
Proceeds from debt	-	-	-
Principal paid on bonds and installment purchases	(267,208)	(614,655)	(881,863)
Interest paid on bonds and installment purchases	(92,762)	(102,380)	(195,142)
Net cash provided (used) by capital and related financing activities	<u>(1,129,881)</u>	<u>(2,138,040)</u>	<u>(3,267,921)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	41,455	10,472	51,927
Net cash provided (used) by investing activities	<u>41,455</u>	<u>10,472</u>	<u>51,927</u>
Net increase (decrease) in cash and investments	972,917	665,159	1,638,076
Balances, beginning	9,282,831	6,629,941	15,912,772
Balances, ending	<u>\$ 10,255,748</u>	<u>\$ 7,295,100</u>	<u>\$ 17,550,848</u>

Town of Smithfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Major		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,833,159	\$ 2,249,513	\$ 4,082,672
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	595,537	588,461	1,183,998
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(283,081)	(198,879)	(481,960)
(Increase) decrease in due from other governments	18,611	65,617	84,228
(Increase) decrease in inventory	(232,234)	(6,981)	(239,215)
(Increase) decrease in prepaid expenses	38,211	38,211	76,422
(Increase) in deferred outflows of resources - pensions	89,779	88,882	178,661
(Increase) in deferred outflows of resources - OPEB	(48,002)	(32,752)	(80,754)
Increase (decrease) in net pension liability	(80,342)	(79,539)	(159,881)
Increase (decrease) in deferred inflows of resources - pension	(9,441)	(9,346)	(18,787)
Increase (decrease) in accounts payable and accrued	36,257	(5,743)	30,514
Increase (decrease) in accrued payroll and payroll	3,978	2,732	6,710
Increase (decrease) in customer deposits	16,827	12,720	29,547
Increase (decrease) in accrued vacation pay	6,420	4,031	10,451
Increase (decrease) in deferred inflows of resources -	110,463	171,904	282,367
Increase (decrease) in OPEB liability	(34,799)	(96,104)	(130,903)
Total adjustments	\$ 228,184	\$ 543,214	\$ 771,398
Net cash provided by operating activities	\$ 2,061,343	\$ 2,792,727	\$ 4,854,070

Town of Smithfield
Statement of Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	Private-Purpose		
	Trust Fund	Agency Fund	Total
ASSETS			
Cash and investments	\$ 131,284	\$ 150,848	\$ 282,132
Accounts receivable	130	-	130
Due from other governments	791	-	791
Total assets	132,205	150,848	283,053
LIABILITIES			
Current liabilities:			
Miscellaneous liabilities	-	-	-
Total liabilities	-	-	-
NET POSITION	\$ 132,205	\$ 150,848	\$ 283,053

Town of Smithfield
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	Private-Purpose Trust Fund
ADDITIONS:	
Investment earnings	\$ 1,492
DEDUCTIONS:	
Special projects	1,410
Changes in net assets	82
NET POSITION	
Total net position, beginning	132,123
Total net position, ending	\$ 132,205

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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 account policies:

A. Reporting Entity

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

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 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, the Water and Sewer Capital Projects Fund, and the Booker Dairy Capital Project 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 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 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 and Proprietary 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.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State 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.

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues 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 water and sewer 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 nonoperating 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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 a 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which 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 assets 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.

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 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 and the ABC Board may establish time deposit accounts such as NOW and Super NOW 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 Government 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 because they can be expended only for the purposes of maintaining, repairing, constructing, 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, as are unexpended loan proceeds.

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 1st, 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, 2017. Smithfield 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.

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 period 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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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 cost of the assets:

<u>Asset Class</u>	<u>Years</u>
Buildings	40
Improvements	20
Vehicles	5
Furniture & 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 three items that meet this criterion; contributions made to the pension plan in the current fiscal year, pension related deferrals, and OPEB related deferrals. 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 three items that meet the criterion for this category - property taxes receivable, deferrals of pension expense, and OPEB related deferrals.

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.

The fund financial statements for governmental fund types, the face amount of debt is 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. The amount represents the balance of the total unexpected Powell Bill funds.

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

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

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.

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 acquisition and development of recreation, park, an 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 - the 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. Defined Benefit Cost-Sharing Plans

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the 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 the LGERS. Investments are reported as fair value.

13. Use of Estimates

The preparation of financial statements in conformity with general 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 area 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 Bond Covenants

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, 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 property secured.

At June 30, 2018, the Town's deposits had a carrying amount of \$25,898,706 and a bank balance of \$25,952,312. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$24,952,312 was covered by collateral held under the Pooling Method. The Town's petty cash totaled \$950 at June 30, 2018.

2. Investments

At June 30, 2018, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 06/30/2018	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$2,294,010	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 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, 2018, the Town's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's. The Town's investments in US Government Agencies are rated AAA by Standard and 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 – Allowance for Doubtful Accounts

The receivables shown in Exhibit 1 at June 30, 2018, were as follows:

	Accounts	Taxes	Due from other governments	Total
Governmental Activities:				
General	\$ 370,804	\$ 41,323	\$ 1,002,125	\$ 1,414,252
Other Governmental	-	-	(8,210)	(8,210)
Allowance for doubtful accounts	(114,479)	(28,994)	-	(143,473)
Total governmental activities	\$ 256,325	\$ 12,329	\$ 993,915	\$ 1,262,569
Business-Type Activities:				
Electric	\$ 2,526,635	\$ -	\$ 20,542	\$ 2,547,177
Water and Sewer	1,618,823	-	24,097	1,642,920
Allowance for doubtful accounts	(611,413)	-	-	(611,413)
Total business-type activities	\$ 3,534,045	\$ -	\$ 44,639	\$ 3,578,684

Due from other governments consisted of the following:

Local option sales tax	\$ 439,626
Franchise tax	249,943
Sales tax	252,585
Motor Vehicle - Due from the County	96,400
Total	\$ 1,038,554

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
2019	\$ 7,345	\$ 5,412	\$ 12,757
2020	7,533	5,224	12,757
2021	7,754	5,003	12,757
2022	7,968	4,789	12,757
2023	8,187	4,570	12,757
2024-2028	44,415	19,370	63,785
2029-2033	50,883	12,902	63,785
2034-2038	58,278	5,507	63,785
2039	4,427	122	4,549
Total	\$ 196,790	\$ 62,899	\$ 259,689

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2018 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,309,890	\$ -	\$ -	\$ 6,309,890
Construction in Progress	640,458	1,579,448	(1,975,121)	244,785
Total capital assets not being depreciated	<u>6,950,348</u>	<u>1,579,448</u>	<u>(1,975,121)</u>	<u>6,554,675</u>
Capital assets being depreciated:				
Buildings and improvements	17,215,508	111,720	-	17,327,228
Infrastructure	54,254,577	1,031,359	-	55,285,936
Equipment and vehicles	5,923,185	1,053,528	(641,217)	6,335,496
Total capital assets being depreciated	<u>77,393,270</u>	<u>2,196,607</u>	<u>(641,217)</u>	<u>78,948,660</u>
Less accumulated depreciation for:				
Buildings and improvements	6,977,353	724,901	-	7,702,254
Infrastructure	38,963,906	2,055,100	-	41,019,006
Equipment and vehicles	4,851,943	324,113	(641,217)	4,534,839
Total accumulated depreciation	<u>50,793,202</u>	<u>\$ 3,104,114</u>	<u>\$ (641,217)</u>	<u>53,256,099</u>
Total capital assets being depreciated, net	<u>26,600,068</u>			<u>25,692,561</u>
Governmental activity capital assets, net	<u>\$ 33,550,416</u>			<u>\$ 32,247,236</u>

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

General government	\$ 162,813
Public safety	281,775
Street and public works	1,844,871
Sanitation	90,057
Cultural and recreational	724,598
	<u>\$ 3,104,114</u>

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	118,423	769,911	-	888,334
Total capital assets not being depreciated	<u>118,423</u>	<u>769,911</u>	<u>-</u>	<u>888,334</u>
Capital assets being depreciated:				
Plant and distribution systems	14,102,962	-	-	14,102,962
Equipment	2,386,229	-	-	2,386,229
Total capital assets being depreciated	<u>16,489,191</u>	<u>-</u>	<u>-</u>	<u>16,489,191</u>
Less accumulated depreciation for:				
Plant and distribution systems	5,398,849	533,640	-	5,932,489
Equipment	2,119,780	61,897	-	2,181,677
Total accumulated depreciation	<u>7,518,629</u>	<u>\$ 595,537</u>	<u>\$ -</u>	<u>8,114,166</u>
Total capital assets being depreciated, net	<u>8,970,562</u>			<u>8,375,025</u>
Electric fund capital assets, net	<u>\$ 9,088,985</u>			<u>\$ 9,263,359</u>

Water and Sewer Fund**Capital assets not being depreciated:**

Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	2,689,373	2,138,365	(702,204)	4,125,534
Total capital assets not being depreciated	<u>2,699,373</u>	<u>2,138,365</u>	<u>(702,204)</u>	<u>4,135,534</u>

Capital assets being depreciated:

Plant and distribution systems	14,297,833	470,775	-	14,768,608
Furniture and maintenance equipment	2,476,743	305,569	(24,026)	2,758,286
Total capital assets being depreciated	<u>16,774,576</u>	<u>776,344</u>	<u>(24,026)</u>	<u>17,526,894</u>

Less accumulated depreciation for:

Plant and distribution systems	8,909,810	388,441	-	9,298,251
Equipment	1,440,507	200,021	(24,026)	1,616,502
Total accumulated depreciation	<u>10,350,317</u>	<u>\$ 588,462</u>	<u>\$ (24,026)</u>	<u>10,914,753</u>

Total capital assets being depreciated, net	<u>6,424,259</u>			<u>6,612,141</u>
Water and Sewer fund capital assets, net	<u>\$ 9,123,632</u>			<u>\$ 10,747,675</u>

Business-type activities capital assets, net	<u>\$ 18,212,617</u>			<u>\$ 20,011,034</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 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 to retire with full retirement benefits at age 65 with five 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 five 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 regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of 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 five 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 of 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 five years of creditable service as a LEO and have reached age 55, of have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Stature 128-30 and may be amended only by the North Carolina General Assembly. Town of Smithfield 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 of Smithfield contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.57% 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 of Smithfield were \$502,739 for the year ended June 30, 2018.

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 members with at least five 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 a 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

At June 30, 2018, the Town reported a liability of \$1,646,733 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update 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, 2018, the Town's proportion was 0.1078% which was an increase of 0.0007% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$502,712. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 94,867	\$ 46,614
Changes of assumptions	235,176	-
Net difference between projected and actual earnings on pension plan investments	399,829	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	120,462
Employer contributions subsequent to the measurement date	502,739	-
Total	<u>\$ 1,232,611</u>	<u>\$ 167,076</u>

\$502,739 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 liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 28,291
2020	441,222
2021	219,797
2022	(126,513)
2023	-
Thereafter	-
	<u>\$ 562,797</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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 expectations of forward yields projected and interpolated for multiple tenor and over multiple year horizons. Global public equity return projections are established through analysis of the equity 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 for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 4,943,529	\$ 1,646,733	\$ (1,105,051)

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 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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Active plan members	39
Total	42

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

- 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, nonemployee 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. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality Rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. 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, 2018 was \$75,641.

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

At June 30, 2018, the Town reported a total pension liability of \$1,175,635. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$58,636.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,966
Changes of assumptions	60,768	18,673
County benefit payments and plan administrative expense made subsequent to the measurement date	37,820	-
Total	<u>\$ 98,588</u>	<u>\$ 25,639</u>

\$37,820 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (5,794)
2020	(5,794)
2021	(5,794)
2022	(5,794)
2023	(7,421)
Thereafter	(4,532)

\$37,820 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) and 1-percentage-point higher (4.16 percent) than the current rate.

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 1,283,186	\$ 1,175,635	\$ 1,077,621

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	<u>2018</u>
Beginning balance	\$ 1,094,022
Service Cost	49,836
Interest on the total pension liability	40,826
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(8,242)
Changes of assumptions or other inputs	71,898
Benefit payments	(72,705)
Other changes	-
Net Change	<u>81,613</u>
Ending balance of the total pension liability	<u>\$ 1,175,635</u>

The plan currently uses mortality tables that vary by age, 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2018 were \$124,267, which consisted of \$92,196 from the Town and \$32,071 from the law enforcement officers.

d. Supplemental Retirement Income Plan for Employees not Engaged in Law Enforcement

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 Town employees not engaged in law enforcement. 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 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. The Town's employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$366,882, which consisted of \$184,138 from the Town and \$182,744 from the employees.

e. 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, 53 retirees are eligible vested in post-retirement health benefits. For the fiscal year ended June 30, 2018, the Town made payments for post-retirement health benefits premiums of \$323,467. 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, 2017, the date of the last actuarial valuation:

	General Employees:
Retirees and dependents receiving benefits	53
Active plan members	153
Total	<u>206</u>

Total OPEB Liability

The City's total OPEB liability of \$13,048,705 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 - 7.75 percent, including inflation
Discount rate	3.56 percent
Healthcare cost trend rate	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.0% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.0% by 2020

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2016	\$ 13,988,632
Changes for the year	
Service cost	334,034
Interest	416,226
Changes of benefit terms	-
Differences between expected and actual experience	2,589
Changes in assumptions or other inputs	(1,369,309)
Benefit payments	(323,467)
Net changes	<u>(939,927)</u>
Balance at June 30, 2017	<u><u>\$ 13,048,705</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 Total Date Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Sensitivity of the Total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) and 1-percentage-point higher (4.56 percent).

	<u>1% Decrease</u>	<u>Discount Rate (3.56%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 15,698,931	\$ 13,048,705	\$ 11,007,024

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 10,869,783	\$ 13,048,705	\$ 15,899,313

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$573,681. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,255	\$ -
Changes of assumptions	-	1,192,396
Benefit payments and administrative costs made subsequent to the measurement date	275,088	-
Total	<u><u>\$ 277,343</u></u>	<u><u>\$ 1,192,396</u></u>

\$275,088 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ (176,579)
2019	(176,579)
2020	(176,579)
2021	(176,579)
2022	(176,579)
Thereafter	(307,246)

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 Government 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 of 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 benefits 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, 2018, 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 benefits amount and the other benefit amount.

3. Deferred Outflows and Inflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		
LGERS	\$ 94,867	\$ 46,614
LEOSSA	-	6,966
OPEB	2,255	-
Changes of assumptions		
LGERS	235,176	-
LEOSSA	60,768	18,673
OPEB	-	1,192,396
Difference between projected and actual investment		
LGERS	399,829	-
Change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	-	120,462
Contributions to pension plan in current fiscal year		
LGERS	502,739	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	37,820	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	275,088	
Taxes receivable, net (General)	-	12,329
Total	<u>\$ 1,608,542</u>	<u>\$ 1,397,440</u>

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, worker's 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.

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, 2018 were comprised of the following individual agreements:

Governmental Activities:

\$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 by 2.92% in FY 2014. All other terms remain the same. Loan issued by First Citizens Bank.	\$ 1,500,000
\$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 by 2.92% in FY 2013. All other terms remain the same. Loan issued by First Citizens Bank.	2,250,000
\$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 207 from USDA.	114,429
\$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.	164,286
\$376,928 for various equipment due in annual installment of \$78,069 through October 2020, interest rate at 1.42% The issue date was April 2017 from First Citizens Bank.	227,705

Government Activities - continued:

\$2,806,400 for Smithfield Crossing Project, due in annual installments of \$157,411 through July 2044, interest at 3.75%. The issue date was July 2014 from USDA.	2,643,944
\$140,000 for vehicles and equipment, due in semi-annual installments of \$14,605 through May 2020, interest at 1.55%. The issue date was May 2016 form Kansas State Bank.	57,301
\$490,500 for fire truck, due semi-annual installments of \$23,404 through August 2029, interest at 2.24%. The issue date was August 2017 from Kansas State Bank.	472,214
\$164,989 for garbage truck, due in annual installments of \$28,791 through January 2023, interest at 1.54%. The issue date was July 2017 from Kansas State Bank.	<u>137,534</u>
Total governmental activities	<u><u>\$ 7,567,413</u></u>

Business-Type Activities:

\$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 April 2017 from Branch Banking & Trust.	\$ 964,164
\$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 2017 from Four Oaks Bank.	1,176,359
\$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.	151,239
\$2,037,249 for Booker Dairy Road Water Line Relocation/Extension project due in semi-annual installments of \$156,838 through March 2024, interest 2.03%. The issue date was March 2018 from BB&T.	<u>1,763,548</u>
Total business-type activities	<u><u>\$ 4,055,310</u></u>

Future minimum payments as of June 30, 2018 for the installment purchase contracts are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 768,001	\$ 235,755	\$ 623,825	\$ 89,564
2020	608,805	215,211	587,276	76,121
2021	584,676	199,266	547,923	63,200
2022	511,548	182,984	560,506	50,617
2023	515,486	167,944	573,311	37,812
2024-2028	2,492,574	612,402	1,162,469	43,555
2029-2033	555,604	345,702	-	-
2034-2038	577,418	245,003	-	-
2039-2044	655,677	131,378	-	-
2045	297,624	16,837	-	-
Total	<u><u>\$ 7,567,413</u></u>	<u><u>\$ 2,352,482</u></u>	<u><u>\$ 4,055,310</u></u>	<u><u>\$ 360,869</u></u>

b. Revenue Bonds

\$5,000,000 Electric System Revenue Bond, Series 2007, dated 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.

\$ 2,938,796

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 \$2,938,796. Principal and interest paid for the current year revenue bonds and total electric customer net revenues were \$342,585 and \$1,833,160, respectively.

The debt service coverage ratio calculation for the year ended June 30, 2018 is as follows:

Operating revenues	\$ 16,611,869
Operating expenses	(14,778,710)
Add back:	
Investment earnings	41,455
Depreciation	595,537
Income available for debt service	<u>\$ 2,470,151</u>
Debt service principal and interest paid (Revenue bond only)	<u>\$ 342,585</u>
Debt service coverage ratio	721%

The Town's debt service coverage ratio is greater than 120% of the debt service requirement for the year ended June 30, 2018.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 257,654	\$ 84,931	\$ 342,585
2020	265,100	77,485	342,585
2021	272,762	69,824	342,585
2022	280,645	61,941	342,585
2023	288,755	53,830	342,586
2024-2028	1,573,880	139,046	1,712,927
	<u>\$ 2,938,796</u>	<u>\$ 487,057</u>	<u>\$ 3,425,853</u>

c. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 7,708,822	\$ 655,489	\$ 796,898	\$ 7,567,413	\$ 768,001
General obligation bonds	175,000	-	175,000	-	-
Capitalized leases	31,953	-	31,953	-	-
Compensated absences	450,792	18,623	-	469,415	117,354
Net pension liability (LGERS)	1,692,402	-	466,195	1,226,207	-
Total pension liability (LEOSSA)	1,094,022	81,613	-	1,175,635	-
Total Net OPEB Liability	9,730,803	422,752	194,868	9,958,687	-
Total Governmental	<u>\$ 20,883,794</u>	<u>\$ 1,178,477</u>	<u>\$ 1,664,914</u>	<u>\$ 20,397,357</u>	<u>\$ 885,355</u>
Business-type activities:					
Electric Fund					
Revenue bonds	\$ 3,189,213	\$ -	\$ 250,417	\$ 2,938,796	\$ 257,654
Installment purchases	42,502	-	16,791	25,711	16,999
Compensated absences	67,680	6,420	-	74,100	18,525
Net pension liability (LGERS)	291,661	-	80,342	211,319	-
Total Net OPEB Liability	1,181,163	75,454	47,793	1,208,824	-
Total Electric Fund	<u>\$ 4,772,219</u>	<u>\$ 81,874</u>	<u>\$ 395,343</u>	<u>\$ 4,458,750</u>	<u>\$ 293,178</u>
Water Fund					
Installment purchases	\$ 4,644,253	\$ -	\$ 614,655	\$ 4,029,598	\$ 606,826
Compensated absences	57,301	4,031	-	61,332	15,333
Net pension liability	288,746	-	79,539	209,207	-
Total Net OPEB Liability	1,838,147	75,474	32,427	1,881,194	-
Total Water Fund	<u>\$ 6,828,447</u>	<u>\$ 79,505</u>	<u>\$ 726,621</u>	<u>\$ 6,181,331</u>	<u>\$ 622,159</u>
Total Business-type	<u>\$ 11,600,666</u>	<u>\$ 161,379</u>	<u>\$ 1,121,964</u>	<u>\$ 10,640,081</u>	<u>\$ 915,337</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, 2018, the Town of Smithfield had a legal debt margin of \$77,264,546.

C. Interfund Balances and Activity

Due To/From Other Funds

	<u>From</u>	<u>To</u>
General Fund	\$ -	\$ 947,805
General Fund Capital Project Fund	943,196	-
Smithfield Fire Tax District	4,609	-
Electric Fund	-	150,000
Water/Sewer Fund	<u>150,000</u>	<u>-</u>
Total Interfund Balances	<u>\$ 947,805</u>	<u>\$ 947,805</u>

The balances between the General Fund, Capital Project, Fund, and Fire Tax District Fund were to advance funds for various expenses.

The balance between the Electric Fund and Water and Sewer Fund is 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.

Transfers

Transfers to/from other funds at June 30, 2018, consists of the following:

Governmental Funds:

From the General fund to the General Fund Capital Project Fund to accumulate resources for the various projects and capital purchases. \$ 220,833

From the Fire District Fund to the General Fund to support the expenses related to the fire department. This is a standard transfer that occurs annually. 175,400

Total Transfers - Governmental Funds \$ 396,233

Enterprise Funds:

From the Electric Fund to the Electric Fund Capital Project fund to provide resources for a capital project. \$ 847,415

From the Water Sewer Fund to the Water Sewer Fund Capital Project fund to provide resources for a capital project. 630,833

Total Transfers - Enterprise Funds \$ 1,478,248

IV. 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 \$16,588 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, 2018. 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.

V. Net Investment in Capital Assets

	Governmental	Business-Type	
		Water/Sewer	Electric
Capital Assets	\$ 32,247,236	\$ 10,747,675	\$ 9,263,359
less: long-term debt	(7,567,413)	(4,029,598)	(2,964,507)
add: unexpended debt proceeds	-	294,310	-
Net Investment in Capital Assets	\$ 24,679,823	\$ 7,012,387	\$ 6,298,852

VI. 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	\$ 12,268,997
Less restricted for:	
USDA debt Payments	61,658
Public safety	35,363
Stabilization by State statute	2,638,164
Streets	275,694
Recreation development	116,564
Subsequent year's expenditures	527,865
Remaining Fund Balance	\$ 8,613,689

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, lock non-Town funds, and Town funds. For purpose 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.

Encumbrances	General Fund	Electric Fund	Water and Sewer Fund
	\$ 476,584	\$ 115,000	\$ 161,312

VII. Jointly Governed Organization

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 distributions 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, 2018 were \$12,362,549.

VIII. Joint Ventures

The Town, in conjunction with Riverside Extension, Inc., participates in a joint venture to improve and development 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 right to improve and develop the property, to receive from the 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 ventures 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 \$253,374 to the Library annually for operations.

The Ava Gardner Museum of 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 of a full-time executive director that acts as a steward of the collection and the museum. In 2018, the Town paid \$22,000 to the Ava Gardner Museum.

IX. 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.

X. Significant Effects of 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.

XII: Change in Accounting Principles/ Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$5,523,606 and \$1,884,763 for the business-type activities.

This page was left blank intentionally.

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 Proportionate Share of the Net Pension Asset - Local Government Employee's Retirement System

Schedule of Contributions - Local Government Employees' Retirement System

Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in the Total OPEB Liability and Related Ratios

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

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Smithfield's proportion of the net liability (asset) (%)	0.10779%	0.10709%	0.11419%	0.11846%	0.12370%
Smithfield's proportion of the net pension liability (asset) (\$)	\$ 1,646,733	\$ 2,272,809	\$ 512,482	\$ (698,613)	\$ 1,491,060
Smithfield's covered-employee payroll	\$ 6,332,100	\$ 5,795,276	\$ 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	26.01%	39.22%	8.57%	-11.59%	24.20%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	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 Five Fiscal Years**

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 502,739	\$ 477,283	\$ 399,093	\$ 382,494	\$ 429,916
Contributions in relation to the contractually	<u>502,739</u>	<u>477,283</u>	<u>399,093</u>	<u>382,494</u>	<u>429,916</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Smithfield's coverage-employee payroll	\$ 6,471,444	\$ 6,332,100	\$ 5,795,276	\$ 5,977,396	\$ 6,030,168
Contributions as a percentage of covered-	7.77%	7.54%	6.89%	6.40%	7.13%

Town of Smithfield, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,094,022	\$ 1,084,775
Service Cost	49,836	52,703
Interest on the total pension liability	40,826	37,755
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(8,242)	-
Changes of assumptions or other inputs	71,898	(26,793)
Benefit payments	(72,705)	(54,418)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 1,175,635</u>	<u>\$ 1,094,022</u>

Town of Smithfield, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,175,635	\$ 1,094,022
Covered Payroll	1,924,764	2,029,054
Total pension liability as a percentage of covered payroll	61.08%	53.92%

Notes to the schedules:

The Town of Smithfield has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Smithfield, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
For the Year Ended June 30, 2018

Total OPEB Liability	<u>2018</u>
Service cost	\$ 334,034
Interest	416,226
Changes in benefit terms	-
Differences between expected and actual experience	2,589
Changes of assumptions	(1,369,309)
Benefit payments	<u>(323,467)</u>
Net change in total OPEB liability	<u>(939,927)</u>
Total OPEB liability - beginning	<u>13,988,632</u>
Total OPEB liability - ending	<u><u>\$ 13,048,705</u></u>
Covered payroll	\$ 5,979,453
Total OPEB liability as a percentage of covered payroll	218.23%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effect of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

SUPPLEMENTARY STATEMENTS
AND SCHEDULES

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

Town of Smithfield, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes			
Taxes		\$ 6,185,341	
Downtown district tax		89,790	
Penalties and interest		16,503	
Total	\$ 6,091,000	6,291,634	\$ 200,634
Other taxes and licenses			
Zoning permits		17,519	
Other permits and license		38,328	
Occupancy tax		5,360	
Total	48,450	61,207	12,757
Unrestricted intergovernmental			
Franchise tax		990,156	
Beer and wine tax		48,675	
ABC board profit distribution		72,047	
Local option sales tax		2,535,424	
PEG channel fees		97,818	
Solid waste disposal tax		7,651	
Excise tax - rentals		19,408	
Total	3,271,019	3,771,179	500,160
Restricted intergovernmental			
Powell Bill allocation		323,144	
Department of Justice forfeitures		5,801	
JAG grant		4,725	
Grant revenue		97,143	
Total	667,533	430,813	(236,720)
Permits and fees			
Cemetery lot sales and grave openings		81,435	
DSDC loan repayment		12,757	
Public safety fees		283,138	
Refuse collection fees		1,317,646	
Recreation fees		58,749	
EMS fees		48,434	
Aquatic Center fees		729,127	
Total	2,467,631	2,531,286	63,655
Investment earnings	9,000	20,486	11,486

Town of Smithfield, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous			
Street assessments		2,196	
Cell tower rental		62,701	
Other		56,368	
Total	<u>83,000</u>	<u>121,265</u>	<u>38,265</u>
Total Revenues	<u>12,637,633</u>	<u>13,227,870</u>	<u>590,237</u>
Expenditures:			
General Government:			
Governing Body			
Salaries and employee benefits		196,534	
Operating expenditures		165,077	
Overhead allocated to other funds		(29,111)	
Total	<u>373,167</u>	<u>332,500</u>	<u>40,667</u>
Administration			
Operating expenditures		615,376	
Overhead allocated to other funds		(49,541)	
Total	<u>617,133</u>	<u>565,835</u>	<u>51,298</u>
Finance			
Salaries and employee benefits		78,646	
Operating expenditures		15,284	
Overhead allocated to other funds		(7,562)	
Total	<u>90,106</u>	<u>86,368</u>	<u>3,738</u>
Building and Planning			
Salaries and employee benefits		251,491	
Operating expenditures		78,257	
Total	<u>649,651</u>	<u>329,748</u>	<u>319,903</u>
Total general government	<u>1,730,057</u>	<u>1,314,451</u>	<u>415,606</u>
Public Safety:			
Police			
Salaries and employee benefits		2,957,910	
Operating expenditures		331,459	
Capital outlay		237,388	
Total	<u>3,745,925</u>	<u>3,526,757</u>	<u>219,168</u>

Town of Smithfield, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Fire			
Salaries and employee benefits		1,356,759	
Operating expenditures		342,430	
Total	1,739,702	1,699,189	40,513
Total public safety	5,485,627	5,225,946	259,681
Street and Public Works:			
Community Appearance			
Salaries and employee benefits		271,261	
Operating expenditures		300,395	
Total	658,764	571,656	87,108
Streets			
Salaries and employee benefits		233,488	
Operating expenditures		197,465	
Total	577,388	430,953	146,435
Powell Bill			
Operating expenditures		51,503	
Total	322,725	51,503	271,222
Garage			
Salaries and employee benefits		46,458	
Operating expenditures		19,021	
Total	91,391	65,479	25,912
Total Street and Public Works	1,650,268	1,119,591	530,677
Sanitation:			
Salaries and employee benefits		724,132	
Operating expenditures		335,174	
Capital outlay		-	
Total Sanitation	1,062,678	1,059,306	3,372
Cultural and recreational:			
Salaries and employee benefits		1,051,969	
Operating expenditures		695,800	
Total Cultural and Recreational	1,895,148	1,747,769	147,379

Town of Smithfield, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement		1,003,851	
Interest and other charges		254,761	
Total debt service	<u>1,342,760</u>	<u>1,258,612</u>	<u>84,148</u>
Total expenditures	<u>13,166,538</u>	<u>11,725,675</u>	<u>1,440,863</u>
Revenues over (under) expenditures	<u>(528,905)</u>	<u>1,502,195</u>	<u>(850,626)</u>
Other financing sources (uses):			
Appropriated fund balance	538,938	-	(538,938)
Transfers from other funds	175,400	175,400	-
Transfers to other funds	(220,833)	(220,833)	-
Loan proceeds	25,400	-	(25,400)
Sale of fixed assets	10,000	678,930	668,930
Total	<u>528,905</u>	<u>633,497</u>	<u>104,592</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	2,135,692	<u>\$ (746,034)</u>
Fund balance, beginning		9,955,515	
Fund balance, ending		<u>\$ 12,091,207</u>	

Town of Smithfield, North Carolina
General Fund Capital Reserve Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance
Revenues			
Investment Earnings	\$ -	\$ 2,436	\$ 2,436
Total revenues	-	2,436	2,436
Revenues over (under) expenses	-	2,436	2,436
Other financing sources (uses):			
Appropriated fund balance	-	-	-
Transfers to other funds	(175,000)	-	-
Transfers from other funds	175,000	-	(175,000)
Total other financing sources (uses)	-	-	(175,000)
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	2,436	\$ 177,436
Fund balance, beginning		175,354	
Fund balance, ending		\$ 177,790	

Town of Smithfield, North Carolina
Smithfield Fire Tax District Special Revenue Fund
Balance Sheet
For the Fiscal Year Ended June 30, 2018

Assets

Cash and cash equivalents	\$	16,655
Accounts receivable		<u>7,637</u>
Total Assets	\$	<u><u>24,292</u></u>

Liabilities and Fund Balances

Liabilities:		
Due to other funds	\$	<u>4,609</u>
Fund balances:		
Unassigned		<u>19,683</u>
Total liabilities and fund balances	\$	<u><u>24,292</u></u>

Town of Smithfield, North Carolina
Smithfield Fire Tax District Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2018

Revenues	
Fire district taxes	\$ 178,920
Supplemental Funding	<u>13,258</u>
Total Revenues	<u>192,178</u>
Expenditures	
Public Safety	<u>-</u>
Total expenditures	<u>-</u>
Revenues over (under) expenditures	192,178
Other financing sources (uses):	
Operating transfers out	<u>(175,400)</u>
Total other financing sources (uses)	<u>(175,400)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	16,778
Fund balance, beginning	<u>2,905</u>
Fund balance, ending	<u><u>\$ 19,683</u></u>

Town of Smithfield, North Carolina
Smithfield Fire Tax District Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance
Revenues			
Fire district taxes	\$ 166,000	\$ 178,920	\$ 12,920
Other Income	9,400	13,258	3,858
Total revenues	<u>175,400</u>	<u>192,178</u>	<u>16,778</u>
Expenditures			
Public Safety	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenses	175,400	192,178	16,778
Other financing sources (uses):			
Appropriated fund balance	-	-	-
Operating transfers out	<u>(175,400)</u>	<u>(175,400)</u>	<u>-</u>
Total other financing sources (uses)	<u>(175,400)</u>	<u>(175,400)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	16,778	<u>\$ 16,778</u>
Fund balance, beginning		<u>2,905</u>	
Fund balance, ending		<u>\$ 19,683</u>	

Town of Smithfield, North Carolina
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 Year Ended June 30, 2018

	Project Authorization	Prior Years	Current Year	Completed Project	Total Project to Date	Variance Favorable (Unfavorable)
Revenues						
Restricted intergovernmental	\$ 1,909,807	\$ 1,709,879	\$ 376,000	\$ (2,085,879)	\$ -	\$ (1,909,807)
Contributions	945,250	996,305	64,482	(1,060,787)	-	(945,250)
Investment earnings	12,588	12,649	-	(12,649)	-	(12,588)
Total revenues	<u>2,867,645</u>	<u>2,718,833</u>	<u>440,482</u>	<u>(3,159,315)</u>	<u>-</u>	<u>(2,867,645)</u>
Expenditures						
Neuse River Theater Repairs	80,000	-	-	-	-	80,000
Miracle Park	963,000	319,805	600,724	(920,529)	-	963,000
Revitalization Market St	113,107	110,830	-	(110,830)	-	113,107
Knuckleboom loader	140,000	-	-	-	-	140,000
Fire engine #3	530,000	-	491,439	(491,439)	-	530,000
Flatbed	90,000	-	-	-	-	90,000
Street Sweeper	226,000	-	224,506	(224,506)	-	226,000
Smithfield Crossings Area "A"	1,483,319	-	-	-	-	1,483,319
Smithfield Crossings Area "B"	6,426,283	-	-	-	-	6,426,283
Garbage Truck	170,000	-	-	-	-	170,000
Financial Software	103,333	67,001	34,962	-	101,963	1,370
Venture Drive	700,000	-	-	-	-	700,000
Backhoe	124,000	-	116,097	(116,097)	-	124,000
Building Reuse	197,250	142,822	-	-	142,822	54,428
JAS Building Purchase	533,845	-	111,720	(111,720)	-	533,845
Total expenditures	<u>11,880,137</u>	<u>640,458</u>	<u>1,579,448</u>	<u>(1,975,121)</u>	<u>244,785</u>	<u>11,635,352</u>
Revenues over (under) expenditures	<u>(9,012,492)</u>	<u>2,078,375</u>	<u>(1,138,966)</u>	<u>(1,184,194)</u>	<u>(244,785)</u>	<u>(14,502,997)</u>
Other financing sources (uses)						
Transfers in	2,674,178	1,428,224	220,833	(509,703)	1,139,354	(1,534,824)
Debt issued	6,338,314	5,400,528	655,489	(6,056,017)	-	(6,338,314)
Total other financing sources (uses)	<u>9,012,492</u>	<u>6,828,752</u>	<u>876,322</u>	<u>(6,565,720)</u>	<u>1,139,354</u>	<u>(7,873,138)</u>
Revenues and other financing sources over (under expenditures)	<u>\$ -</u>	<u>\$ 8,907,127</u>	<u>\$ (262,644)</u>	<u>\$ (7,749,914)</u>	<u>\$ 894,569</u>	<u>\$ (22,376,135)</u>

Town of Smithfield, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Electricity sales		\$ 16,238,535	
Connection fees		52,578	
Miscellaneous		17,238	
Penalties		303,518	
Total	<u>\$ 16,742,000</u>	<u>16,611,869</u>	<u>\$ (130,131)</u>
Non-operating revenues:			
Interest earnings		41,455	
Total	<u>19,000</u>	<u>41,455</u>	<u>22,455</u>
Total revenues	<u>16,761,000</u>	<u>16,653,324</u>	<u>(107,676)</u>
Expenditures:			
Electrical purchases		12,362,549	
Electrical operations		438,332	
Salaries and employee benefits		1,341,808	
Capital outlay		6,406	
Debt service		353,211	
Total expenditures	<u>15,305,876</u>	<u>14,502,306</u>	<u>(803,570)</u>
Other financing sources (uses):			
Appropriated fund balance	(492,709)	-	492,709
Transfer to Capital Project Fund	(962,415)	(847,415)	115,000
Total other financing sources (uses)	<u>(1,455,124)</u>	<u>(847,415)</u>	<u>607,709</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>1,303,603</u>	<u>\$ 1,303,603</u>
Reconciliation from budgetary basis (modified accrual to full accrual:			
Revenues and other sources over expenditures and other uses		1,303,603	
Reconciling items:			
Principal repayment on long-term debt		267,208	
Capital outlay		-	
Depreciation		(595,537)	
Increase (Decrease) in deferred outflows of resources - pensions		(89,779)	
Increase (Decrease) in deferred outflows of resources - OPEF		48,002	
(Increase) Decrease in net pension liability		80,342	
(Increase) Decrease in deferred inflows of resources - pension		9,441	
(Increase) Decrease in compensated absence:		(6,420)	
(Increase) Decrease in deferred inflows of resources - OPEF		(110,463)	
(Increase) Decrease in net OPEB liability		34,799	
Transfer to Capital Project (Ex D-1A)		847,415	
Total reconciling items		<u>485,008</u>	
Net income		<u>\$ 1,788,611</u>	

Town of Smithfield, North Carolina
Electric Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Current Years	Closed Projects	Total to Date	Variance Positive (Negative)
Expenditures						
Financial Software	\$ 45,833	\$ -	\$ 42,270	\$ -	\$ 42,270	\$ 3,563
Substation 2nd Transformer	1,231,515	-	-	-	-	1,231,515
Voltage Conversion	650,000	93,504	270,211	-	363,715	286,285
Booker Dairy Power Line	275,000	24,919	93,779	-	118,698	156,302
AMI	551,582	-	363,651	-	363,651	187,931
Total	<u>2,753,930</u>	<u>118,423</u>	<u>769,911</u>	<u>-</u>	<u>888,334</u>	<u>1,865,596</u>
Other financing sources (uses):						
Transfer from Electric Fund	<u>2,753,930</u>	<u>1,875,000</u>	<u>847,415</u>	<u>-</u>	<u>2,722,415</u>	<u>(31,515)</u>
Total financing sources (uses)	<u>2,753,930</u>	<u>1,875,000</u>	<u>847,415</u>	<u>-</u>	<u>2,722,415</u>	<u>(31,515)</u>
Revenues and other sources over (under) expenditures and other uses						
	<u>\$ -</u>	<u>\$ 1,756,577</u>	<u>\$ 77,504</u>	<u>\$ -</u>	<u>\$ 1,834,081</u>	<u>\$ 1,834,081</u>

Town of Smithfield, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year end June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water sales		\$ 3,941,234	
Sewer sales		3,708,688	
Connection and tap fees		24,320	
Miscellaneous		33,688	
Total	<u>\$ 6,993,000</u>	<u>7,707,930</u>	<u>\$ 714,930</u>
Non-operating revenues:			
Interest earnings		10,472	
Capital contributions		670,051	
Total	<u>8,500</u>	<u>680,523</u>	<u>672,023</u>
Total revenues	<u>7,001,500</u>	<u>8,388,453</u>	<u>1,386,953</u>
Expenditures:			
Water treatment plant			
Salaries and employee benefits		553,415	
Other operating expenditures		1,010,964	
Water and sewer distribution			
Salaries and employee benefits		789,903	
Other operating expenditures		2,333,273	
Capital outlay		209,466	
Debt Service		712,795	
Total expenditures	<u>6,393,869</u>	<u>5,609,815</u>	<u>(784,054)</u>
Other financing sources (uses):			
Loan proceeds	-	-	-
Transfer to project fund	(630,833)	(630,833)	-
Appropriated fund balance	23,202	-	(23,202)
Total other financing sources (uses)	<u>(607,631)</u>	<u>(630,833)</u>	<u>(23,202)</u>
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>2,147,805</u>	<u>\$ 2,147,805</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		2,147,805	
Reconciling items:			
Principal repayment on long-term debt		614,655	
Capital outlay		74,140	
Depreciation		(588,461)	
Increase (Decrease) in deferred outflows of resources - pensions		(88,882)	
Increase (Decrease) in deferred outflows of resources - OPEB		32,752	
(Increase) Decrease in net pension liability		79,539	
(Increase) Decrease in deferred inflows of resources - pensions		9,346	
(Increase) Decrease in deferred inflows of resources - OPEB		(171,904)	
(Increase) Decrease in net OPEB liability		96,104	
(Increase) Decrease in compensated absences		(4,031)	
Restricted Intergovernmental (Ex D-2a)		121,449	
Transfer from operating fund (Ex D-2a)		630,833	
Total reconciling items		<u>805,540</u>	
Net income (loss)		<u>\$ 2,953,345</u>	

Town of Smithfield, North Carolina
Water Sewer Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Current Years	Capitalized Projects	Total to Date	Variance Positive (Negative)
Restricted Intergovernmental						
AIA Grant - Water	\$ 150,000	\$ 43,507	\$ 68,981	\$ -	\$ 112,488	\$ (37,512)
AIA Grant - Sewer	150,000	70,718	52,468	-	123,186	(26,814)
Total Revenue	<u>300,000</u>	<u>114,225</u>	<u>121,449</u>	<u>-</u>	<u>235,674</u>	<u>(64,326)</u>
Expenditures						
Elevate Transformers & Panels	100,000	69,494	-	-	69,494	30,506
Generator / VFDs	99,000	-	-	-	-	99,000
Chlorine Dioxide System	141,000	-	-	-	-	141,000
Intake Sand Removal System	464,852	459,087	-	-	459,087	5,765
Sludge Dewatering	369,848	269,649	280	(269,929)	-	369,848
Water AIA	165,000	72,104	72,071	-	144,175	20,825
Grid Bee Mixers	65,000	61,729	2,266	-	63,995	1,005
Financial Software	45,833	-	40,751	-	40,751	5,082
I&I S&W Smithfield	1,100,000	870,272	203,518	-	1,073,790	26,210
NC 210 Sewer Line & PS3 Upgrade	415,000	309,155	75,640	(384,795)	-	415,000
Booker Dairy Rd Ext	123,700	123,120	-	(123,120)	-	123,700
Upgrade Lift Station	210,000	74,402	135,500	-	209,902	98
16 In Water Line - Frank Jones Rd	200,000	-	-	-	-	200,000
Sewer AIA	165,000	107,917	44,552	-	152,469	12,531
Lift Station Repair (5& 11)	100,000	-	80,460	-	80,460	19,540
AMI	210,000	-	72,112	-	72,112	137,888
Sanitary Sewer Replacement	175,000	-	179,778	-	179,778	(4,778)
Total	<u>4,149,233</u>	<u>2,416,929</u>	<u>906,928</u>	<u>(777,844)</u>	<u>2,546,013</u>	<u>1,603,220</u>
Other financing sources (uses):						
Loan Proceeds	2,035,000	1,995,000	-	-	1,995,000	(40,000)
Transfer from Electric Fund	150,000	-	-	-	-	(150,000)
Transfer from Water Sewer Fund	1,664,233	909,700	630,833	-	1,540,533	(123,700)
Total financing sources (uses)	<u>3,849,233</u>	<u>2,904,700</u>	<u>630,833</u>	<u>-</u>	<u>3,535,533</u>	<u>(313,700)</u>
Revenues and other sources over (under) expenditures and other uses						
	<u>\$ -</u>	<u>\$ 601,996</u>	<u>\$ (154,646)</u>	<u>\$ 777,844</u>	<u>\$ 1,225,194</u>	<u>\$ 1,225,194</u>

Town of Smithfield, North Carolina
Booker Dairy Road Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Current Years	Total to Date	Variance Positive (Negative)
Expenditures					
Engineering	\$ 101,621	\$ 6,758	\$ 55,915	\$ 62,673	\$ 38,948
Construction	1,935,628	265,686	1,251,162	1,516,848	418,780
Total	<u>2,037,249</u>	<u>272,444</u>	<u>1,307,077</u>	<u>1,579,521</u>	<u>457,728</u>
Other financing sources (uses):					
Loan Proceeds	2,037,249	2,037,249	-	2,037,249	-
Total financing sources (uses)	<u>2,037,249</u>	<u>2,037,249</u>	<u>-</u>	<u>2,037,249</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,764,805</u>	<u>\$ (1,307,077)</u>	<u>\$ 457,728</u>	<u>\$ 457,728</u>

Town of Smithfield, North Carolina
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash and cash equivalents	\$ 156,814	\$ 8,014	\$ 13,980	\$ 150,848
Total assets	<u>156,814</u>	<u>8,014</u>	<u>13,980</u>	<u>150,848</u>
 LIABILITIES				
Current liabilities:				
Miscellaneous liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 NET POSITION				
	<u>\$ 156,814</u>	<u>\$ 8,014</u>	<u>\$ 13,980</u>	<u>\$ 150,848</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, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2018

Fiscal Year	Uncollected Balance July 1, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017	\$ -	\$ 6,381,077	\$ 6,371,621	\$ 9,456
2016	7,015	-	4,884	2,131
2015	1,826	-	1,215	611
2014	6,570	-	5,760	810
2013	3,483	-	141	3,342
2012	5,582	-	41	5,541
2011	7,627	-	114	7,513
2010	3,596	-	25	3,571
2009	4,690	-	261	4,429
2008	4,203	-	-	4,203
2007	297	-	297	-
	<u>\$ 44,889</u>	<u>\$ 6,381,077</u>	<u>\$ 6,384,359</u>	<u>\$ 41,607</u>

Downtown District Taxes Receivable (286)

Less allowance for uncollectible ad valorem taxes receivable: (28,992)

Ad valorem taxes receivable, net \$ 12,329

Reconciliation with Revenues:

Ad valorem taxes:	
General Fund	\$ 6,291,634
Interest Collected	(16,503)
MV Fees	16,936
Taxes written off / adjusted / released	92,292
Total adjustments	<u>92,725</u>
	<u>\$ 6,384,359</u>

Town of Smithfield, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2018

	Town-Wide Levy			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	\$ 1,073,682,982	0.57	\$ 6,119,993	\$ 5,598,574	\$ 521,419
Discoveries	25,748,947	0.57	146,769	146,769	-
Releases	<u>(1,976,109)</u>	<u>0.57</u>	<u>(11,264)</u>	<u>(6,884)</u>	<u>(4,380)</u>
Total Property Valuation	<u>\$ 1,097,455,821</u>				
Net levy			6,255,498	5,738,459	517,039
Uncollected taxes at June 30, 2018			<u>9,170</u>	<u>9,170</u>	<u>-</u>
Current year's taxes collected			<u>\$ 6,246,328</u>	<u>\$ 5,729,289</u>	<u>\$ 517,039</u>
Current levy collection percentage			<u>99.85%</u>	<u>99.84%</u>	<u>100.00%</u>

Town of Smithfield, North Carolina
Analysis of Current Tax Levy - Downtown District
Town - Wide Levy
For the Fiscal Year Ended June 30, 2018

	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	\$ 66,463,684	0.19	\$ 126,281	\$ 89,970	\$ 36,311
Discoveries	-	0.19	-	-	-
Releases	<u>(369,474)</u>	<u>0.19</u>	(702)	<u>-</u>	<u>(702)</u>
Total Property Valuation	<u><u>\$ 66,094,211</u></u>				
Net levy			125,579	89,970	35,609
Uncollected taxes at June 30, 2018			<u>286</u>	<u>286</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 125,293</u></u>	<u><u>\$ 89,684</u></u>	<u><u>\$ 35,609</u></u>
Current levy collection percentage			<u><u>99.77%</u></u>	<u><u>99.68%</u></u>	<u><u>100.00%</u></u>

Compliance Section



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

**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, North Carolina

We have audited, in accordance with the 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, 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, 2018, and the related notes to the financial statements, which collectively comprises the Town of Smithfield's basic financial statements, and have issued our report thereon dated January 29, 2019.

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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [2018-01].

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. All of the items identified were considered material weaknesses.

Compliance and Other Matters

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

Town of Smithfield's Response to Findings

The Town of Smithfield's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Town'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.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
January 29, 2019



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

Report On Compliance With Requirements Applicable To Each Major State Program and Internal Control Over Compliance In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Smithfield, North Carolina's, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Smithfield's major state programs for the year ended June 30, 2018. Town of Smithfield's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

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

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms

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

Opinion on Each Major State Program

In our opinion, Town of Smithfield complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC

January 29, 2019

**Town of Smithfield, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2018**

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted Yes No

State Awards

Internal control over major State programs:

• Material Weakness(es) identified? Yes No

• Significant Deficiency(s) identified that are not considered to be material weaknesses Yes No

Noncompliance material to State awards Yes No

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act Yes No

Identification of major State programs:

Program Name

PartF Grant

**Town of Smithfield, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2018-01 Reconciliation of Records

MATERIAL WEAKNESS

Criteria: AU-C 260 requires communication of certain matters related to internal control over financial reporting.

Condition: In reviewing records and testing certain account balances, we noted that several accounts were not reconciled and adjusted. Several adjustments had to be proposed to correct the financial statements.

Effect: Management may not receive accurate information to base decisions appropriately for planning and budgeting purposes.

Cause: The finance staff has been involved with a software conversion that has consumed much of their available time.

Recommendation: The finance office should make sure that timely reconciliations are prepared for all accounts. Year end entries should be made by the finance staff prior to year-end closing for receivables, etc.

Views of responsible officials: The Town agrees with this finding.

SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

Michael Scott, Town Manager
Greg Siler, Finance Director
Tim Kerigan, Human Resources/PIO
Shannan Pharrish, Town Clerk



350 East Market Street
Post Office Box 761
Smithfield, NC 27577

Melissa Rodriguez, Admin. Assistant

Telephone: 919.934.2116

Fax: 919.989.8937

Town of Smithfield, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding: 2018-01

Name of contact person: Greg Siler, Finance Officer

Corrective Action: The Town recognizes the importance of timely reconciliations and will make all efforts to reconcile all accounts in the future.

Proposed Completion Date: June 30, 2019

SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

**Town of Smithfield, North Carolina
Summary Schedule of Prior Year's Findings
For the Fiscal Year Ended June 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-01 Reconciliation of record

Repeated as 2018-01

2017-02 Unrecorded note receivable

Corrected.

SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

Town of Smithfield, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

Pass-through/Grantor- Program Title	CFDA Number	Pass-through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency				
Passed through N.C. Department of Public Safety				
Disaster Grants - Public Assistance	97.036		\$ 250,710	\$ -
TOTAL FEDERAL AWARDS			<u>\$ 250,710</u>	<u>\$ -</u>
STATE AWARDS				
N.C. Department of Cultural and Natural Resources				
PartF Inclusion Park			\$ -	\$ 350,000
Connect NC Grant			-	26,000
N.C. Department of Environmental Quality				
CW Asset Inv & Assessment		E-AIA-W-16- 0024	-	68,981
DW Asset Inv & Assessment		H-AIA-D-16- 0018	-	52,468
N.C Department of Transportation				
Powell Bill		DOT-4	-	51,503
TOTAL STATE AWARDS			<u>\$ -</u>	<u>\$ 548,952</u>
TOTAL FEDERAL AND STATE ASSISTANCE AWARDS			<u>\$ 250,710</u>	<u>\$ 548,952</u>

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

Basis of Presentation

Note 1: Basis of Presentation

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 Federal governmental and the State of North Carolina for the year ended June 30, 2018. The information in this Schedule of Expenditures of Federal and State Awards is presented with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. 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 position, or cash flows of the Town of Smithfield.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.