

TOWN OF SMITHFIELD

Financial Statements

Smithfield, North Carolina

For the Year Ended June 30, 2019

Town of Smithfield, North Carolina
Financial Statements
June 30, 2019

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, 2019

<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	24-52

Town of Smithfield, North Carolina
Table of Contents
June 30, 2019

<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	53
A-2	Schedule of Contributions - Local Government Employees' Retirement System	54
A-3	Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	55
A-4	Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	56
A-5	Schedule of Changes in the Total OPEB Liability and Related Ratios	57
Individual Fund Statements and Schedules:		
B-1	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	58-61
B-1a	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund Capital Reserve Fund	62
B-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Street Improvement - Capital Project Fund	63
C-1	Balance Sheet - Non-major Governmental Funds	64
C-2	Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds	65
C-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Smithfield Fire Tax District - Special Revenue Fund	66
C-4	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - FEMA Elevations & Acquisitions - Capital Project Fund	67
D-1	Schedule of Revenues and Expenditures - Budget and Actual - Electric Fund	68
D-1a	Schedule of Revenues and Expenditures - Budget and Actual - Electric Capital Project Fund	69

Town of Smithfield, North Carolina
Table of Contents
June 30, 2019

<u>Exhibit</u>	<u>Page(s)</u>
D-2	Schedule of Revenues and Expenditures - Budget and Actual - Water and Sewer Fund 70
D-2a	Schedule of Revenues and Expenditures - Water and Sewer Capital Project Fund 71
D-2b	Schedule of Revenues and Expenditures - Booker Dairy Road Capital Project Fund 72
D-2c	Schedule of Revenues and Expenditures - Water Plant Expansion Capital Project Fund 73
E-1	Statement of Changes in Assets and Liabilities - Agency Fund 74
 Other Schedules	
F-1	Schedule of Ad Valorem Taxes Receivable 75
F-1a	Analysis of Current Tax Levy (Town - Wide Levy) 76
F-1b	Analysis of Current Tax Levy (Downtown District) 77
 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> 78-79
	Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance With Applicable Sections of Uniform Guidance and the State Single Audit Implementation Act 80-81
	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 82-83
	Schedule of Findings and Questioned Cost 84-86
	Corrective Action Plan 87
	Summary Schedule of Prior Year Audit Findings 88
	Schedule of Expenditures of Federal and State Awards 89-90

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, 2019, 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, 2019, 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 53 through 54, 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 55 through 56, and the Changes in Total OPEB Liability and Related Ratios page 57, 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 November 26 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
November 26, 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, 2019. 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

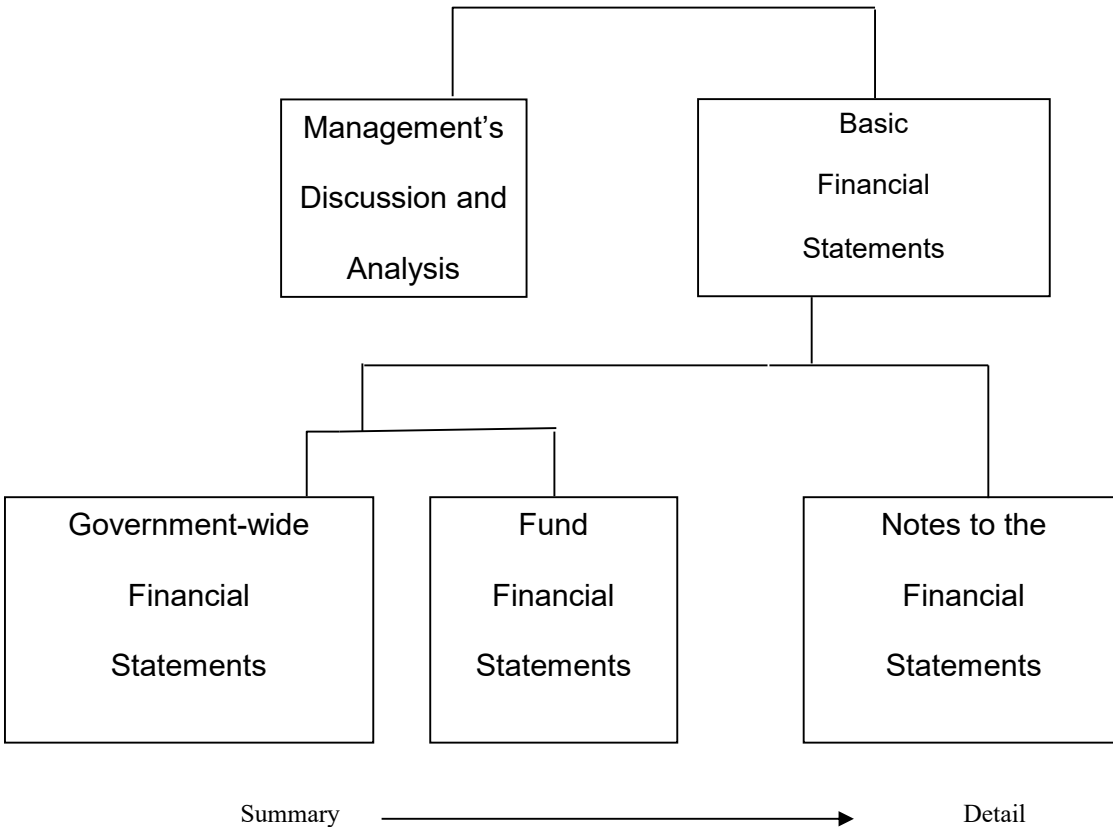
- The assets of the Town of Smithfield exceeded its liabilities at the close of the fiscal year by \$60,668,823 (net position).
- Total governments total net position increased by \$7,727,797, primarily due to increases in the business -types activities net position.
- As of the close of the current fiscal year, the Town of Smithfield's governmental funds reported combined ending fund balances of \$13,089,306, an increase of \$1,749,944 in comparison with the prior year. Approximately \$2,516,834 (19.23 percent) is unavailable (nonspendable or restricted by state statute); Approximately 65.50 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 \$9,364,972 or 74.95 percent of total general fund expenditures for the fiscal year; compared to \$8,127,523, or 68.03 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 \$2,250,549 (16.97 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-Wide Financial Statements

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 gage 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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 compiled 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 Position 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			
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 13,930,213	\$ 11,858,851	\$ 25,712,288	\$ 22,562,518	\$ 39,642,501	\$ 34,421,369
Capital assets	31,187,412	32,247,236	22,018,955	20,011,034	53,206,367	52,258,270
Deferred outflows of resources	1,857,959	1,213,016	596,161	395,527	2,454,120	1,608,543
Total assets and deferred outflows of resources	46,975,584	45,319,103	48,327,404	42,969,079	95,302,988	88,288,182
Current liabilities	1,541,597	1,359,126	3,420,346	3,400,031	4,961,943	4,759,157
Non-current liabilities	19,511,928	19,512,002	8,346,736	9,690,886	27,858,664	29,202,888
Deferred inflows of resources	128,375	150,049	22,083	42,666	150,458	192,715
Total liabilities and deferred inflows of resources	21,181,900	21,021,177	11,789,165	13,133,583	32,971,065	34,154,760
Net position:						
Invested in capital assets, net of related debt	24,339,585	24,679,823	16,595,914	13,311,239	40,935,499	37,991,062
Restricted	2,761,387	3,030,562	-	-	2,761,387	3,030,562
Unrestricted	(2,577,052)	(4,322,488)	19,548,989	16,241,890	16,971,937	11,919,402
Total net position	\$ 24,523,920	\$ 23,387,897	\$ 36,144,903	\$ 29,553,129	\$ 60,668,823	\$ 52,941,026

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 \$60,668,823 as of June 30, 2019. The Town's net position increased by \$7,727,797 for the fiscal year ended June 30, 2019. The largest portion of net position \$40,935,499 (67.47%) 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 \$2,761,387 (.0455%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$16,971,937 (27.97%) 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 99.94% and 99.82% in the Town-Wide and Downtown tax districts respectively.
- Increase in local option sales tax revenues
- 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			
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 2,468,736	\$ 2,524,138	\$ 25,130,027	\$ 24,319,799	\$ 27,598,763	\$ 26,843,937
Operating grants and contributions	718,951	430,813	-	-	718,951	430,813
Capital grants and contributions	992,024	376,000	3,476,388	791,500	4,468,412	1,167,500
General revenues:						
Property taxes	6,509,825	6,459,614	-	-	6,509,825	6,459,614
Unrestricted intergovernmental	3,978,155	3,771,179	-	-	3,978,155	3,771,179
Other taxes and licenses	78,513	61,207	-	-	78,513	61,207
Investment earnings, unrestricted	49,259	22,922	87,937	51,927	137,196	74,849
Miscellaneous	316,985	199,005	167	-	317,152	199,005
Gain/Loss on disposal of fixed assets	18,771	678,930	-	-	18,771	678,930
Total revenues	15,131,219	14,523,808	28,694,519	25,163,226	43,825,738	39,687,034
Expenses						
General government	1,685,499	1,472,522	-	-	1,685,499	1,472,522
Public safety	5,573,290	5,550,522	-	-	5,573,290	5,550,522
Streets and public works	2,717,973	2,950,321	-	-	2,717,973	2,950,321
Sanitation	1,172,903	1,162,770	-	-	1,172,903	1,162,770
Cultural and recreation	2,621,735	2,480,859	-	-	2,621,735	2,480,859
Interest on long-term debt	223,796	247,598	-	-	223,796	247,598
Electric	-	-	15,365,006	14,864,713	15,365,006	14,864,713
Water and sewer	-	-	6,737,739	5,556,557	6,737,739	5,556,557
Total expenses	13,995,196	13,864,592	22,102,745	20,421,270	36,097,941	34,285,862
Change in net position	1,136,023	659,216	6,591,774	4,741,956	7,727,797	5,401,172
Net Position						
Beginning of year - July 1	23,387,897	28,252,287	29,553,129	26,695,936	52,941,026	54,948,223
Beginning of year, as restated	23,387,897	22,728,681	29,553,129	24,811,173	52,941,026	47,539,854
End of year - June 30	\$ 24,523,920	\$ 23,387,897	\$ 36,144,903	\$ 29,553,129	\$ 60,668,823	\$ 52,941,026

Governmental activities. Governmental activities increased the Town's net position by \$1,136,023. Key elements of this increase are as follows:

- Increase in property tax
- Increase in grants and local option sales tax

Business-type activities: Business-type activities increased the Town's net position by \$6,591,774. Key elements of this increase are as follows:

- Increase in capital grants and contributions
- Increase in fees

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 \$9,364,972, while total fund balance reached \$13,832,540. The Town currently has an available fund balance of 74.95% of total General Fund expenditures, while total fund balance represents 111.14% of that same amount.

At June 30, 2019, the governmental funds of the Town of Smithfield reported a combined fund balance of \$13,089,306, a 15.43% 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 decrease the General Fund budget by \$380,919.

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 \$5,380,535 and those for the Electric Fund amounted to \$11,467,791. The total increase in net position for the Water and Sewer Fund was \$5,380,535 whereas the Electric Fund had a total increase in net position of \$1,211,239.

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, 2019 totals \$53,206,367 (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 vehicles and equipment
- improvements and equipment - parks and recreation
- improvements on water and sewer lines
- substation upgrades

Town of Smithfield's Capital Assets
Figure 4

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Land	\$ 6,309,890	\$ 6,309,890	\$ 10,000	\$ 10,000	\$ 6,319,890	\$ 6,319,890
Construction in progress	1,404,109	244,785	5,738,303	5,013,868	7,142,412	5,258,653
Building and improvements	17,327,228	17,327,228	-	-	17,327,228	17,327,228
Plant and distribution systems	-	-	31,207,258	28,871,570	31,207,258	28,871,570
Infrastructure	55,359,609	55,285,936	-	-	55,359,609	55,285,936
Equipment and vehicles	6,634,168	6,335,496	5,382,812	5,144,515	12,016,980	11,480,011
Total	87,035,004	85,503,335	42,338,373	39,039,953	129,373,377	124,543,288
Accumulated depreciation	(55,847,592)	(53,256,099)	(20,319,418)	(19,028,919)	(76,167,010)	(72,285,018)
Capital assets, net	\$ 31,187,412	\$ 32,247,236	\$ 22,018,955	\$ 20,011,034	\$ 53,206,367	\$ 52,258,270

Long-term Debt. As of June 30, 2019, the Town of Smithfield had total debt outstanding of \$12,310,969 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			
	2019	2018	2019	2018	2019	2018
Installment purchases	\$ 6,887,928	\$ 7,567,413	\$ 2,742,035	\$ 4,055,309	\$ 9,629,963	\$ 11,622,722
Revenue bonds	-	-	2,681,006	2,938,796	2,681,006	2,938,796
Total	\$ 6,887,928	\$ 7,567,413	\$ 5,423,041	\$ 6,994,105	\$ 12,310,969	\$ 14,561,518

The Town of Smithfield's total debt decreased by \$2,250,549 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 \$78,573,312.

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, 2020

Governmental Activities: Overall, the state of the Economy for Smithfield continues to improve. Several new businesses have arrived in Town and others have expanded. A new hotel is also in the process of being permitted, as well as additional warehouse space. Bella Square residential subdivision was built out and for the first time in many years the Town received applications for contiguous and satellite annexations. The budget had carry over funding in the amount of \$50,000 for economic initiatives related to technical assistance, incentive development, marketing, and grant identification, submission and lobbying.

Budgeted operational expenditures in the General Fund are expected to increase by 9.3% to \$15,020,150 over FY19 original budget with \$952,000 in self-funded capital expenditures. Other budget highlights in brief:

1. Property tax rate to remain at \$.57 per 100 valuations while the revenue neutral rate is .523% per hundredth.
2. Base line salary adjustment of 2.5% for full time employees
3. \$150,000 budgeted for economic initiatives

Business-Type Activities: Town Council completed a contract with Johnston County to increase its bulk water allocation by one million gallons per day. In exchange, Johnston County will pay a capacity fee of 3.25 million which will be allocated to water plant upgrades and increasing water supply storage.

The Town has been aggressive with its electric rates by lowering the average customer rate by 12 percent since 2016. ElectriCities implemented a 1.2 percent wholesale rate increase on April 1, 2019. The Town had set funds aside to absorb the increase and after a third party rate review, council has decided not to pass along any electric rate increase in the coming year.

Budgeted operational expenditures in the Water/Sewer Fund are expected to decrease by 1.9% to \$8,544,900 under FY 2018 original budget. The Town will continue substantial maintenance programs in 2020 to update aging infrastructure, including \$200,000 for Automated Metering Infrastructure (AMI), \$800,000 to install a 16 inch water line along Durwood Stephens Road, and an additional \$100,000 to correct sewer inflow and infiltration (I&I) problems. The I&I project is critical, as inflow and infiltration create a variety of serious issues, such as pump station overflows and significant wastewater treatment cost.

Budgeted operational expenditures in the Electric Fund are expected to increase by less than 1% to \$16,856,000 over FY 2018 budget. One major capital expenditure of \$950,000 is planned for the design and construction North Circuit where much of the Town's growth is likely to take place.

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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,171,096	\$ 20,069,846	\$ 32,240,942
Restricted cash	274,259	710,775	985,034
Taxes receivables (net)	8,588	-	8,588
Accounts receivable (net)	186,502	3,708,189	3,894,691
Due from other governments	1,073,511	-	1,073,511
Internal Balances	-	-	-
Inventories	-	1,219,479	1,219,479
Prepaid Expenses	26,813	3,999	30,812
Total current assets	<u>13,740,769</u>	<u>25,712,288</u>	<u>39,453,057</u>
Non-Current assets:			
Note Receivable	189,444	-	189,444
Capital Assets:			
Land, non-depreciable, improvements, and construction in process	7,713,999	5,748,303	13,462,302
Other capital assets, net of depreciation	23,473,413	16,270,652	39,744,065
Total capital assets	<u>31,187,412</u>	<u>22,018,955</u>	<u>53,206,367</u>
Total non-current assets	<u>31,376,856</u>	<u>22,018,955</u>	<u>53,395,811</u>
Total assets	<u>45,117,625</u>	<u>47,731,243</u>	<u>92,848,868</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferrals	1,643,234	514,443	2,157,677
OPEB related deferrals	214,725	81,718	296,443
Total Deferred Outflows of Resources	<u>1,857,959</u>	<u>596,161</u>	<u>2,454,120</u>
LIABILITIES			
Current liabilities:			
Accounts payable - trade	605,001	1,647,536	2,252,537
Accrued payroll and payroll liabilities	37,874	69,511	107,385
Accrued interest payable	151,875	91,865	243,740
Customer deposits	-	710,775	710,775
Due within one year	746,847	900,659	1,647,506
Total current liabilities	<u>1,541,597</u>	<u>3,420,346</u>	<u>4,961,943</u>
Long-term liabilities:			
Net pension liability (LRS)	1,976,555	677,858	2,654,413
Total OPEB liability	9,708,261	-	9,708,261
Total pension obligation (LEOSSA)	1,201,136	-	1,201,136
Due within one year	6,625,976	7,668,878	14,294,854
Total long-term liabilities	<u>19,511,928</u>	<u>8,346,736</u>	<u>27,858,664</u>
Total liabilities	<u>21,053,525</u>	<u>11,767,082</u>	<u>32,820,607</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	128,375	22,083	150,458
OPEB related deferrals	1,269,764	393,336	1,663,100
Total Deferred Inflows of Resources	<u>1,398,139</u>	<u>415,419</u>	<u>1,813,558</u>
NET POSITION			
Net investment in capital assets	24,339,585	16,595,914	40,935,499
Restricted for:			
USDA debt payments	54,724	-	54,724
Public safety	36,449	-	36,449
Transportation	142,985	-	142,985
Fire district	37,208	-	37,208
Stabilization by State Statute	2,490,021	-	2,490,021
Unrestricted	(2,577,052)	19,548,989	16,971,937
Total net position	<u>\$ 24,523,920</u>	<u>\$ 36,144,903</u>	<u>\$ 60,668,823</u>

Town of Smithfield, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

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	\$ 1,685,499	\$ 5,411	\$ 25,000	\$ -	\$ (1,655,088)	\$ -	\$ (1,655,088)
Public safety	5,573,290	319,615	236,693	853,237	(4,163,745)	-	(4,163,745)
Street and Public Works	2,717,973	65,678	321,082	138,787	(2,192,426)	-	(2,192,426)
Sanitation	1,172,903	1,294,462	38,176	-	159,735	-	159,735
Cultural and Recreational	2,621,735	783,570	98,000	-	(1,740,165)	-	(1,740,165)
Interest on long-term debt	223,796	-	-	-	(223,796)	-	(223,796)
Total governmental activities	13,995,196	2,468,736	718,951	992,024	(9,815,485)	-	(9,815,485)
Business-type activities:							
Electric	15,365,006	16,491,374	-	15,074	-	1,141,442	1,141,442
Water and Sewer	6,737,739	8,638,653	-	3,461,314	-	5,362,228	5,362,228
Total business-type activities	22,102,745	25,130,027	-	3,476,388	-	6,503,670	6,503,670
Total primary government	\$ 36,097,941	\$ 27,598,763	\$ 718,951	\$ 4,468,412	(9,815,485)	6,503,670	(3,311,815)
General revenues:							
Taxes:							
Ad valorem taxes					6,509,825	-	6,509,825
Unrestricted intergovernmental					3,978,155	-	3,978,155
Other taxes and licenses					78,513	-	78,513
Unrestricted investment earnings					49,259	87,937	137,196
Miscellaneous					316,985	167	317,152
Special items:							
Gain on disposal of fixed assets					18,771	-	18,771
Transfers					-	-	-
Total general revenues, special items, and transfers					10,951,508	88,104	11,039,612
Change in net position					1,136,023	6,591,774	7,727,797
Net position, beginning					23,387,897	29,553,129	52,941,026
Net position, ending					\$ 24,523,920	\$ 36,144,903	\$ 60,668,823

**Town of Smithfield
Balance Sheet
Governmental Funds
June 30, 2019**

	Major Funds		Non-major Special Revenue Fund	Total Governmental Funds
	General	General Fund Capital Projects		
ASSETS				
Cash and investments	\$ 12,129,279	\$ -	\$ 41,817	\$ 12,171,096
Restricted Cash	274,259	-	-	274,259
Receivables, net:				
Taxes	8,588	-	-	8,588
Accounts	175,168	-	11,334	186,502
Due from other governments	1,073,511	-	-	1,073,511
Due from other funds	729,950	-	-	729,950
Prepaid Expenses	26,813	-	-	26,813
Total assets	<u>\$ 14,417,568</u>	<u>\$ -</u>	<u>\$ 53,151</u>	<u>\$ 14,470,719</u>
LIABILITIES				
Accounts payable and accrued liabilities -trade	\$ 538,566	\$ 57,468	\$ 8,967	\$ 605,001
Accrued payroll and payroll liabilities	37,874	-	-	37,874
Due to other funds	-	711,537	18,413	729,950
Total liabilities	<u>576,440</u>	<u>769,005</u>	<u>27,380</u>	<u>1,372,825</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	8,588	-	-	8,588
Total deferred inflows of resources	<u>8,588</u>	<u>-</u>	<u>-</u>	<u>8,588</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	26,813	-	-	26,813
Restricted:				
USDA debt payments	54,724	-	-	54,724
Public safety	36,449	-	-	36,449
Stabilization by State Statute	2,478,687	-	11,334	2,490,021
Streets	142,985	-	-	142,985
Fire district	-	-	37,208	37,208
Committed:				
Bingham Park	446,410	-	-	446,410
Assigned:				
Public Safety	188,500	-	-	188,500
Recreation Development	151,685	-	-	151,685
Subsequent year's expenditures	1,093,000	-	-	1,093,000
Unassigned	9,213,287	(769,005)	(22,771)	8,421,511
Total fund balances	<u>13,832,540</u>	<u>(769,005)</u>	<u>25,771</u>	<u>13,089,306</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,417,568</u>	<u>\$ -</u>	<u>\$ 53,151</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.	31,187,412
Notes receivable	189,444
Earned revenues considered deferred inflows of resources in fund statements.	8,588
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	399,299
Benefit payments and pension administration costs for LEOSSA	47,107
Deferred outflows of resources related to OPEB are not reported in the funds	214,725
Deferred outflows of resources related to pensions are not recorded on the fund statements	1,196,828
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	(6,887,928)
Compensated Absences	(484,895)
Net pension liability (LGERS)	(1,976,555)
Total pension liability (LEOSSA)	(1,201,136)
Net OPEB liability	(9,708,261)
OPEB related deferrals	(1,269,764)
Pension related deferrals	(128,375)
Accrued interest payable	(151,875)
Net position of governmental activities	<u>\$ 24,523,920</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, 2019

	Major Funds		Non-major Funds	Total Governmental Funds
	General Fund	General Funds Capital Projects		
REVENUES				
Ad valorem taxes	\$ 6,338,336	\$ -	\$ 175,229	\$ 6,513,565
Other taxes and licenses	78,513	-	-	78,513
Unrestricted intergovernmental	3,978,155	-	-	3,978,155
Restricted intergovernmental	718,951	138,787	853,237	1,710,975
Sales and services	2,476,082	-	-	2,476,082
Investment earnings	49,259	-	-	49,259
Miscellaneous	135,996	163,293	17,696	316,985
Total revenues	13,775,292	302,080	1,046,162	15,123,534
EXPENDITURES				
Current:				
General government	1,521,400	-	-	1,521,400
Public safety	5,273,650	-	-	5,273,650
Street and Public Works	1,456,916	-	-	1,456,916
Sanitation	1,091,005	-	-	1,091,005
Cultural and recreation	1,873,295	-	-	1,873,295
Debt service:				
Principal	767,985	-	-	767,985
Interest and other charges	235,322	-	-	235,322
Capital outlay	-	396,613	864,674	1,261,287
Total expenditures	12,219,573	396,613	864,674	13,480,860
Excess (deficiency) of revenues over expenditures	1,555,719	(94,534)	181,488	1,642,673
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(274,847)	-	(175,400)	(450,247)
Transfers from other funds	175,400	274,847	-	450,247
Loan proceeds	88,500	-	-	88,500
Sales of capital assets	18,771	-	-	18,771
Total other financing sources (uses)	7,824	274,847	(175,400)	107,271
Net Change in fund balance	1,563,543	180,313	6,088	1,749,944
Fund balances, beginning	12,268,997	(949,318)	19,683	11,339,362
Fund balances, ending	\$ 13,832,540	\$ (769,005)	\$ 25,771	\$ 13,089,306

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, 2019

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

Net changes in fund balances - total governmental funds		\$ 1,749,944
<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	1,549,013	
Depreciation expense for governmental assets	<u>(2,608,837)</u>	(1,059,824)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		399,299
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		211,232
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position		47,107
Principal payments on note receivable		(7,346)
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		(3,738)
<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	(88,500)	
Principal payments on debt	<u>767,985</u>	679,485
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)		11,526
<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		(15,480)
Pension expense		(573,776)
Other postemployment benefits		<u>(302,406)</u>
Total changes in net position of governmental activities		<u>\$ 1,136,023</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, 2019

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 6,178,000	\$ 6,210,000	\$ 6,338,336	\$ 128,336
Other taxes and licenses	76,000	49,000	78,513	29,513
Unrestricted intergovernmental	3,299,200	3,413,000	3,978,155	565,155
Restricted intergovernmental	637,315	488,599	718,951	230,352
Sales and services	2,406,406	2,470,881	2,476,082	5,201
Investment earnings	12,000	12,000	45,764	33,764
Miscellaneous	513,689	101,500	135,996	34,496
Total revenues	<u>13,122,610</u>	<u>12,744,980</u>	<u>13,771,797</u>	<u>1,026,817</u>
Expenditures:				
Current:				
General government	1,713,298	1,831,629	1,521,400	310,229
Public safety	5,890,453	5,687,548	5,273,650	413,898
Street and Public Works	2,071,439	2,134,348	1,456,916	677,432
Sanitation	1,116,768	1,159,441	1,091,005	68,436
Cultural and recreation	1,943,236	2,028,300	1,873,295	155,005
Debt service:				
Principal retirement	768,281	768,281	767,985	296
Interest and other charges	235,500	235,500	235,322	178
Total expenditures	<u>13,738,975</u>	<u>13,845,047</u>	<u>12,219,573</u>	<u>1,625,474</u>
Revenues over (under) expenditures	<u>(616,365)</u>	<u>(1,100,067)</u>	<u>1,552,224</u>	<u>2,652,291</u>
Other financing sources (uses):				
Appropriated (Unappropriated) fund balance	527,865	1,106,014	-	(1,106,014)
Sale of fixed assets	-	5,000	18,771	13,771
Loan proceeds	88,500	88,500	88,500	-
Transfers to other funds	-	(274,847)	(274,847)	-
Transfer from other funds	-	175,400	175,400	-
Total other financing sources (uses)	<u>616,365</u>	<u>1,100,067</u>	<u>7,824</u>	<u>(1,092,243)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>1,560,048</u>	<u>\$ 1,560,048</u>
Fund balances, beginning			<u>12,091,207</u>	
Fund balances, ending			<u>\$ 13,651,255</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment Earnings			\$ 3,495	
Transfer from General Fund			-	
Fund balance, beginning of year			<u>177,790</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 13,832,540</u>	

**Town of Smithfield
Statement of Net Position
Proprietary Funds
June 30, 2019**

	Major		Total
	Electric Fund	Water and Sewer Fund	
ASSETS			
Current assets:			
Cash and investments	\$ 10,602,017	\$ 9,467,829	\$ 20,069,846
Restricted cash	561,288	149,487	710,775
Accounts receivable (net)	2,514,744	1,193,445	3,708,189
Due from other governments	-	-	-
Due from other funds	150,000	-	150,000
Inventories	1,106,503	112,976	1,219,479
Prepaid Expenses	3,999	-	3,999
Total current assets	<u>14,938,551</u>	<u>10,923,737</u>	<u>25,862,288</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	1,531,616	4,216,687	5,748,303
Other capital assets, net of depreciation	7,988,286	8,282,366	16,270,652
Capital assets (net)	<u>9,519,902</u>	<u>12,499,053</u>	<u>22,018,955</u>
Total noncurrent assets	<u>9,519,902</u>	<u>12,499,053</u>	<u>22,018,955</u>
Total assets	<u>24,458,453</u>	<u>23,422,790</u>	<u>47,881,243</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	68,813	68,126	136,939
Deferred outflows related to pensions	189,700	187,804	377,504
Deferred outflows related to OPEB	46,543	35,175	81,718
Total Deferred Outflows of Resources	<u>305,056</u>	<u>291,105</u>	<u>596,161</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,366,387	281,149	1,647,536
Accrued payroll and payroll liabilities	22,854	46,657	69,511
Due to other funds	-	150,000	150,000
Customer deposits	561,288	149,487	710,775
Accrued interest payable	68,747	23,118	91,865
Compensated absences - current	19,783	15,007	34,789
Current portion of long-term debt	273,759	592,111	865,870
Total current liabilities	<u>2,312,818</u>	<u>1,257,529</u>	<u>3,570,346</u>
Noncurrent liabilities:			
Other non-current liabilities:			
Compensated absences	59,348	45,020	104,368
Net pension liability	340,631	337,227	677,858
Total OPEB Liability	1,172,348	1,834,991	3,007,339
Non-current portion of long-term debt	2,415,906	2,141,265	4,557,171
Total non-current liabilities	<u>3,988,233</u>	<u>4,358,503</u>	<u>8,346,736</u>
Total liabilities	<u>6,301,050</u>	<u>5,616,032</u>	<u>11,917,082</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	11,097	10,986	22,083
OPEB deferrals	153,334	240,002	393,336
Total Deferred Inflows of Resources	<u>164,431</u>	<u>250,988</u>	<u>415,419</u>
NET POSITION			
Net Investment in capital assets	6,830,237	9,765,677	16,595,914
Other restrictions	-	-	-
Unrestricted	11,467,791	8,081,198	19,548,989
Total net position	<u>\$ 18,298,028</u>	<u>\$ 17,846,875</u>	<u>\$ 36,144,903</u>

Town of Smithfield
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 16,213,737	\$ 8,501,471	\$ 24,715,208
Other operating revenues	277,637	137,182	414,819
Total operating revenues	<u>16,491,374</u>	<u>8,638,653</u>	<u>25,130,027</u>
OPERATING EXPENSES			
Utility Operations	2,396,430	1,604,881	4,001,311
Electrical purchases	12,301,256	-	12,301,256
Water and sewer distributions	-	4,338,050	4,338,050
Depreciation	591,081	699,416	1,290,497
Total operating expenses	<u>15,288,767</u>	<u>6,642,347</u>	<u>21,931,114</u>
Operating income (loss)	<u>1,202,607</u>	<u>1,996,306</u>	<u>3,198,913</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	69,797	18,140	87,937
Other Reimbursements	-	167	167
Interest and other charges	<u>(76,239)</u>	<u>(95,392)</u>	<u>(171,631)</u>
Total nonoperating revenues (expenses)	<u>(6,442)</u>	<u>(77,085)</u>	<u>(83,527)</u>
Income (loss) before contributions and transfers	1,196,165	1,919,221	3,115,386
Capital contributions	15,074	3,461,314	3,476,388
Transfer in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total income (loss) after contributions and transfers	<u>1,211,239</u>	<u>5,380,535</u>	<u>6,591,774</u>
Change in net position	1,211,239	5,380,535	6,591,774
Total net position , beginning	17,086,789	12,466,340	29,553,129
Total net position, ending	<u>\$ 18,298,028</u>	<u>\$ 17,846,875</u>	<u>\$ 36,144,903</u>

Town of Smithfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 16,070,685	\$ 8,509,031	\$ 24,579,716
Cash paid for goods and services	(12,864,973)	(4,534,517)	(17,399,490)
Cash paid to or on behalf of employees for services	(1,440,504)	(1,434,873)	(2,875,377)
Net customer deposits	(15,726)	9,592	(6,134)
Other operating revenues	277,637	137,182	414,819
Net cash provided (used) by operating activities	<u>2,027,119</u>	<u>2,686,415</u>	<u>4,713,534</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	(847,625)	(2,450,795)	(3,298,420)
Capital contributions	15,074	3,461,314	3,476,388
Proceeds from debt	-	-	-
Principal paid on bonds and installment purchases	(274,842)	(1,296,222)	(1,571,064)
Interest paid on bonds and installment purchases	(85,128)	(99,462)	(184,590)
Net cash provided (used) by capital and related financing activities	<u>(1,192,521)</u>	<u>(385,165)</u>	<u>(1,577,686)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	72,959	20,966	93,925
Net cash provided (used) by investing activities	<u>72,959</u>	<u>20,966</u>	<u>93,925</u>
Net increase (decrease) in cash and investments	907,557	2,322,216	3,229,773
Balances, beginning	<u>10,255,748</u>	<u>7,295,100</u>	<u>17,550,848</u>
Balances, ending	<u>\$ 11,163,305</u>	<u>\$ 9,617,316</u>	<u>\$ 20,780,621</u>

Town of Smithfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Major		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,202,607	\$ 1,996,306	\$ 3,198,913
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	591,081	699,416	1,290,497
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(163,594)	(16,537)	(180,131)
(Increase) decrease in due from other governments	20,542	24,097	44,639
(Increase) decrease in inventory	223,420	(13,912)	209,508
(Increase) decrease in prepaid expenses	-	-	-
(Increase) in deferred outflows of resources - pensions	(100,336)	(99,334)	(199,670)
(Increase) in deferred outflows of resources - OPEB	1,459	(2,423)	(964)
Increase (decrease) in accounts payable and accrued	150,854	(53,180)	97,674
Increase (decrease) in accrued payroll and payroll	(13,582)	4,020	(9,562)
Increase (decrease) in customer deposits	(15,726)	9,592	(6,134)
Increase (decrease) in accrued vacation pay	5,030	(1,305)	3,725
Increase (decrease) in net pension liability	129,312	128,020	257,332
Increase (decrease) in deferred inflows of resources - pension	(10,343)	(10,240)	(20,583)
Increase (decrease) in deferred inflows of resources - OPEB	42,871	68,098	110,969
Increase (decrease) in OPEB liability	(36,476)	(46,203)	(82,679)
Total adjustments	\$ 824,512	\$ 690,109	\$ 1,514,621
Net cash provided by operating activities	\$ 2,027,119	\$ 2,686,415	\$ 4,713,534

Town of Smithfield
Statement of Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	<u>Private-Purpose Trust Fund</u>	<u>Agency Fund</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 133,338	\$ 130,224	\$ 263,562
Accounts receivable	235	-	235
Due from other governments	-	-	-
Total assets	<u>133,573</u>	<u>130,224</u>	<u>263,797</u>
LIABILITIES			
Current liabilities:			
Miscellaneous liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION	<u>\$ 133,573</u>	<u>\$ 130,224</u>	<u>\$ 263,797</u>

Town of Smithfield
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	<u>Private-Purpose Trust Fund</u>
ADDITIONS:	
Investment earnings	\$ 2,358
DEDUCTIONS:	
Special projects	<u>990</u>
Changes in net assets	1,368
NET POSITION	
Total net position, beginning	<u>132,205</u>
Total net position, ending	<u><u>\$ 133,573</u></u>

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 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, the Booker Dairy Capital Project Fund, and the Water Plant Expansion Capital Project Fund have been consolidated with the Electric Fund and the Water and Sewer Fund.

The Town reports the following non-major governmental funds:

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

FEMA Elevations and Acquisitions: This fund is used to account for the properties that the Town has purchased with FEMA monies to use as green space.

The Town reports the following fund types:

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, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City Gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance 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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Johnston County and remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program 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 is 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.

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-Term Portfolio is a bond fund, has no rating, and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be 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. Unexpended loan proceeds are also reflected as restricted cash in the General Fund. 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 (if any).

Town of Smithfield Restricted Cash

Governmental Activities		
General Fund		
Streets	\$	142,985
Unexpended police drug forfeiture		36,449
Unspent loan proceeds		40,101
USDA loan requirements		54,724
Total governmental activities	\$	<u>274,259</u>
Business-type Activities		
Electric Fund		
Customer Deposits	\$	561,288
Water and Sewer Fund		
Customer Deposits		149,487
Total business-type activities	\$	<u>710,775</u>
Total Restricted Cash	\$	<u><u>985,034</u></u>

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 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. Johnston County bills and collects property taxes on behalf of the Town. Upon collection, the County remits the funds to the Town less a 2% administrative fee.

5. Allowances for Doubtful Accounts

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

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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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. Capitalization thresholds never fall below \$5,000. Tangible assets, such as lightpoles, transformers, equipment, machinery and vehicles are capitalized at \$10,000. Buildings and Improvements are capitalized at \$20,000. Land and Infrastructure is capitalized at \$40,000. And distributions systems are capitalized at \$20,000.

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. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements for governmental fund types, the face amount of debt 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.

Prepaid expenses - portion of fund balance that is not an available resource because it represents the year-end balance of ending prepaid expenses, which are not spendable resources.

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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 that is appropriated in the next year's budget that is not already classified in restricted or committed.

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, 2019, the Town's deposits had a carrying amount of \$31,139,147 and a bank balance of \$31,560,450. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$30,810,450 was covered by collateral held under the Pooling Method. The Town's petty cash totaled \$950 at June 30, 2019.

2. Investments

At June 30, 2019, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 06/30/2019	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 279,304	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	2,071,073	.11 years	Unrated

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. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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. The Town has no formal policy regarding credit risk. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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, 2019, were as follows:

	Accounts	Taxes	Due from other governments	Total
Governmental Activities:				
General	\$ 248,809	\$ 33,515	\$ 1,073,511	\$ 1,355,835
Other Governmental	11,334	-	-	11,334
Allowance for doubtful accounts	(73,641)	(24,927)	-	(98,568)
Total governmental activities	\$ 186,502	\$ 8,588	\$ 1,073,511	\$ 1,268,601
Business-Type Activities:				
Electric	\$ 2,717,638	-	-	\$ 2,717,638
Water and Sewer	1,497,717	-	-	1,497,717
Allowance for doubtful accounts	(507,166)	-	-	(507,166)
Total business-type activities	\$ 3,708,189	\$ -	\$ -	\$ 3,708,189

Due from other governments consisted of the following:

Local option sales tax	\$ 466,844
Franchise tax	249,890
Sales tax	249,785
Motor Vehicle - Due from the County	106,992
	\$ 1,073,511

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
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	8,400	4,357	12,757
2025-2029	45,648	18,137	63,785
2030-2034	52,282	11,503	63,785
2035-2039	51,672	3,904	55,576
	\$ 189,444	\$ 57,487	\$ 246,931

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019 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	244,785	1,261,287	101,963	1,404,109
Total capital assets not being depreciated	<u>6,554,675</u>	<u>1,261,287</u>	<u>101,963</u>	<u>7,713,999</u>
Capital assets being depreciated:				
Buildings and improvements	17,327,228	-	-	17,327,228
Infrastructure	55,285,936	73,673	-	55,359,609
Equipment and vehicles	6,335,496	316,016	(17,344)	6,634,168
Total capital assets being depreciated	<u>78,948,660</u>	<u>389,689</u>	<u>(17,344)</u>	<u>79,321,005</u>
Less accumulated depreciation for:				
Buildings and improvements	7,702,254	726,225	-	8,428,479
Infrastructure	41,019,006	1,506,473	-	42,525,479
Equipment and vehicles	4,534,839	376,139	(17,344)	4,893,634
Total accumulated depreciation	<u>53,256,099</u>	<u>\$ 2,608,837</u>	<u>\$ (17,344)</u>	<u>55,847,592</u>
Total capital assets being depreciated, net	<u>25,692,561</u>			<u>23,473,413</u>
Governmental activity capital assets, net	<u>\$ 32,247,236</u>			<u>\$ 31,187,412</u>

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

General government	\$ 172,920
Public safety	298,430
Street and public works	1,263,745
Sanitation	90,057
Cultural and recreational	783,686
	<u>\$ 2,608,838</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	888,334	847,625	204,343	1,531,616
Total capital assets not being depreciated	<u>888,334</u>	<u>847,625</u>	<u>204,343</u>	<u>1,531,616</u>
Capital assets being depreciated:				
Plant and distribution systems	14,102,962	118,698	-	14,221,660
Equipment	2,386,229	85,645	-	2,471,874
Total capital assets being depreciated	<u>16,489,191</u>	<u>204,343</u>	<u>-</u>	<u>16,693,534</u>
Less accumulated depreciation for:				
Plant and distribution systems	5,932,489	534,428	-	6,466,917
Equipment	2,181,677	56,654	-	2,238,331
Total accumulated depreciation	<u>8,114,166</u>	<u>\$ 591,082</u>	<u>\$ -</u>	<u>8,705,248</u>
Total capital assets being depreciated, net	<u>8,375,025</u>			<u>7,988,286</u>
Electric fund capital assets, net	<u>\$ 9,263,359</u>			<u>\$ 9,519,902</u>

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

Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	4,125,534	2,239,376	2,158,223	4,206,687
Total capital assets not being depreciated	<u>4,135,534</u>	<u>2,239,376</u>	<u>2,158,223</u>	<u>4,216,687</u>

Capital assets being depreciated:

Plant and distribution systems	14,768,608	2,216,990	-	16,985,598
Furniture and maintenance equipment	2,758,286	152,652	-	2,910,938
Total capital assets being depreciated	<u>17,526,894</u>	<u>2,369,642</u>	<u>-</u>	<u>19,896,536</u>

Less accumulated depreciation for:

Plant and distribution systems	9,298,251	474,216	-	9,772,467
Equipment	1,616,502	225,201	-	1,841,703
Total accumulated depreciation	<u>10,914,753</u>	<u>\$ 699,417</u>	<u>\$ -</u>	<u>11,614,170</u>

Total capital assets being depreciated, net	<u>6,612,141</u>			<u>8,282,366</u>
Water and Sewer fund capital assets, net	<u>\$ 10,747,675</u>			<u>\$ 12,499,053</u>

Business-type activities capital assets, net	<u>\$ 20,011,034</u>			<u>\$ 22,018,955</u>
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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, or 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, 2019, was 8.50% of compensation for law enforcement officers and 7.83% 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 \$536,238 for the year ended June 30, 2019.

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 Pensions

At June 30, 2019, the Town reported a liability of \$2,654,413 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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 0.1119% which was an increase of 0.0041% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$681,424. At June 30, 2019, 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	\$ 409,513	\$ 13,741
Changes of assumptions	704,379	-
Net difference between projected and actual earnings on pension plan investments	364,372	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	72,731
Employer contributions subsequent to the measurement date	536,238	-
Total	<u>\$ 2,014,502</u>	<u>\$ 86,472</u>

\$536,238 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 668,049
2020	437,606
2021	77,475
2022	208,662
2023	-
Thereafter	-
	<u>\$ 1,391,792</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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	7.00 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, 2017 valuation were based on the results of an actuarial experience study as of 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, 2018 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%
Inflation 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 2018 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 7.00%. 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 6,376,131	\$ 2,654,413	\$ (455,512)

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	4
Active plan members	40
Total	44

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 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 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 8.10 percent, including inflation and productivity factor
Discount rate	2.98 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, 2019 was \$83,501.

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

At June 30, 2019, the Town reported a total pension liability of \$1,201,136. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$66,367.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,430	\$ 5,690
Changes of assumptions	49,638	58,295
County benefit payments and plan administrative expense made subsequent to the measurement date	47,107	-
Total	<u>\$ 143,175</u>	<u>\$ 63,985</u>

\$47,107 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ (6,303)
2021	(6,303)
2022	(6,303)
2023	(7,930)
2024	(5,041)
Thereafter	(203)

\$47,107 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 3.64 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 (2.64 percent) and 1-percentage-point higher (4.64 percent) than the current rate.

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 1,311,687	\$ 1,201,136	\$ 1,100,663

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

	<u>2019</u>
Beginning balance	\$ 1,175,635
Service Cost	60,482
Interest on the total pension liability	35,977
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	55,028
Changes of assumptions or other inputs	(51,771)
Benefit payments	(74,215)
Other changes	-
Net Change	<u>25,501</u>
Ending balance of the total pension liability	<u>\$ 1,201,136</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, 2017 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, 2019 were \$149,572, which consisted of \$95,544 from the Town and \$54,028 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, 2019 were \$366,882, which consisted of \$122,907 from the Town and \$210,250 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, 2019, the Town made payments for post-retirement health benefits premiums of \$346,588. 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, 2018, 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 \$12,715,600 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 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	3.89 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 yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability as of June 30, 2017:	\$ 13,048,705
Changes for the year	
Service cost	295,722
Interest	458,419
Changes of benefit terms	-
Differences between expected and actual experience	3,046
Changes in assumptions or other inputs	(743,704)
Benefit payments	(346,588)
Net changes	<u>(333,105)</u>
Balance at June 30, 2018	<u>\$ 12,715,600</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

The actuarial assumptions used in the June 30, 2018 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 (2.89 percent) and 1-percentage-point higher (4.89 percent).

	Discount Rate		
	1% Decrease	(3.89%)	1% Increase
Total OPEB liability	\$ 15,179,927	\$ 12,715,600	\$ 10,802,107

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:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 10,576,123	\$ 12,715,600	\$ 15,502,899

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$481,870. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,573	\$ -
Changes of assumptions	-	1,663,101
Benefit payments and administrative costs made subsequent to the measurement date	291,870	-
Total	<u>\$ 296,443</u>	<u>\$ 1,663,101</u>

\$291,870 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:

2020	\$	(272,271)
2021		(272,271)
2022		(272,271)
2023		(272,271)
2024		(272,271)
Thereafter		(297,173)

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 he 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, 2019, 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	\$ 409,513	\$ 13,741
LEOSSA	46,430	5,690
OPEB	4,573	-
Changes of assumptions		
LGERS	704,379	-
LEOSSA	49,638	58,295
OPEB	-	1,663,101
Difference between projected and actual investment		
LGERS	364,372	-
Change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	-	72,731
Contributions to pension plan in current fiscal year		
LGERS	536,238	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	47,107	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	291,870	-
Taxes receivable, net (General)	-	8,588
Total	<u>\$ 2,454,120</u>	<u>\$ 1,822,146</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, 2019 were comprised of the following individual agreements:

Governmental Activities:

\$3,000,000 direct placement agreement 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. The loan is secured by the Deed of Trust for the property and improvements. Upon the occurrence of any event of default, the Lender may: (a) declare the entire principal and accrued interest immediately due and payable without notice to the borrower; (b) proceed by appropriate court action to enforce performance or to recover for the breach of the contract; (c) exercise all rights and remedies of a secured party under the Uniform Commercial Code of the State of North Carolina; (d) terminate this contract as to all or part of the Real Property and the Improvements and use, operate, lease, or hold all or any part of the Real Property and the Improvements as the Lender in its sole discretion may decide; (e) enforce its security interest or institute foreclosure proceedings under the Deed of Trust on all or any portion of the Real Property; or (f) terminate the escrow fund in accordance with the escrow agreement. \$ 1,350,000

\$4,500,000 direct placement agreement for construction of community center, due in fixed annual principal installments of \$225,000 plus interest at 4.06% through November 2027. Loan balance of \$3,375,000 refinanced at 2.92% in FY 2013. All other terms remain the same. Loan issued by First Citizens Bank. The loan is secured by the Deed of Trust for the property and improvements. Upon the occurrence of any event of default, the Lender may: (a) declare the entire principal and accrued interest immediately due and payable without notice to the borrower; (b) proceed by appropriate court action to enforce performance or to recover for the breach of the contract; (c) exercise all rights and remedies of a secured party under the Uniform Commercial Code of the State of North Carolina; (d) terminate this contract as to all or part of the Real Property and the Improvements and use, operate, lease, or hold all or any part of the Real Property and the Improvements as the Lender in its sole discretion may decide; (e) enforce its security interest or institute foreclosure proceedings under the Deed of Trust on all or any portion of the Real Property; or (f) terminate the escrow fund in accordance with the escrow agreement.

2,025,000

\$150,000 direct borrowing agreement for renovations to EMS building due in annual installments of \$8,808 through March 2037, interest at 4.125%. The issue date was March 2007 from USDA. In the event of default, the Government at its option may declare all or any part of any such indebtedness immediately due and payable.

110,341

\$376,928 direct placement agreement for various equipment due in annual installment of \$78,069 through October 2020, interest rate at 1.42%. The issue date was April 2016 from First Citizens Bank. The equipment is pledged as collateral for the loan. Upon the occurrence of any event of default, the Lender may: (a) declare the entire principal and accrued interest immediately due and payable without notice to the borrower; (b) proceed by appropriate court action to enforce performance or to recover for the breach of the contract; (c) exercise all rights and remedies of a secured party under the Uniform Commercial Code of the State of North Carolina; (d) terminate this contract as to all or part of the Equipment and use, operate, lease, or hold all or any part of the Equipment as the Lender in its sole discretion may decide; (e) take possession of any proceeds of the equipment, including Net Proceeds; or (f) terminate the escrow fund in accordance with the escrow agreement.

152,905

\$2,806,400 direct borrowing agreement 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. This contract assigns and conveys to the Government a security interest in the Smithfield Crossings Project and in each and every item of personal property included therein, and in any additions, repairs, replacements, substitutions in modifications thereof and in any proceeds derived from loss or damage. In the event of default, the Government may: (a) declare the entire outstanding balance immediately due and payable without notice or demand; (b) proceed by appropriate court action to enforce performance by the Town of any or all of its covenants hereunder or to recover for the breach thereof including the payment of the Installment Payments due or to become due hereunder; (c) terminate this contract as to all or any part of the Smithfield Crossings Project and use, operate, lease or hold all or any part of the Smithfield Crossings Project as the Government in its sole discretion may decide.

2,585,681

\$140,000 direct placement agreement 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 from Kansas State Bank. The equipment is pledged as collateral for the loan. After default, the Lender may: (a) make all or part of the amount immediately due and payable without notice; (b) use any and all remedies available under state or federal law or in any loan document; (c) make a claim for any and all insurance benefits or refunds that may be available on default; (d) amounts advanced will be immediately due and may be added to the balance owing under the terms of the Loan and accrue interest at the highest post-maturity interest rate; or (e) may use the right of set-off.

28,873

\$490,500 direct placement agreement for the purchase of a 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. The equipment is pledged as collateral for the loan. After default, the Lender may: (a) make all or part of the amount immediately due and payable without notice; (b) use any and all remedies available under state or federal law or in any loan document; (c) make a claim for any and all insurance benefits or refunds that may be available on default; (d) amounts advanced will be immediately due and may be added to the balance owing under the terms of the Loan and accrue interest at the highest post-maturity interest rate; or (e) may use the right of set-off.

435,765

\$164,989 direct placement agreement 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. The equipment is pledged as collateral for the loan. After default, the Lender may: (a) make all or part of the amount immediately due and payable without notice; (b) use any and all remedies available under state or federal law or in any loan document; (c) make a claim for any and all insurance benefits or refunds that may be available on default; (d) amounts advanced will be immediately due and may be added to the balance owing under the terms of the Loan and accrue interest at the highest post-maturity interest rate; or (e) may use the right of set-off.

110,863

\$88,500 direct placement agreement for two trucks and upfitting charges, due in semi-annual installment of \$9,600 through January 2024, interest at 3.11%. The issue date was February 26, 2019 from First Citizens Bank. The equipment is pledged as collateral for the loan. Upon the occurrence of any event of default, the Lender may: (a) declare the entire principal and accrued interest immediately due and payable without notice to the borrower; (b) proceed by appropriate court action to enforce performance or to recover for the breach of the contract; (c) exercise all rights and remedies of a secured party under the Uniform Commercial Code of the State of North Carolina; or (d) terminate this contract and give notice to the Borrower to surrender possession of the equipment and use, operate, lease, or hold all or any part of the Bank Equipment in its sole discretion.

88,500

Total governmental activities \$ 6,887,928

Business-Type Activities:

\$1,181,500 direct placement agreement 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. The Town grants to the bank a security interest in the equipment and in the moneys on deposit from time to time in the project fund to secure the required payments. In the event of any default, the Lender may: (a) declare the unpaid principal components of the installment payments immediately due and payable; (b) proceed by appropriate court action to enforce the Town's performance of the covenants of this agreement or to recover for the breach thereof; (c) require the lender to pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner the lender may reasonably deem appropriate; and (d) avail itself of all available remedies under this agreement.

\$ 852,109

\$1,430,000 direct placement agreement for to inspect and rehabilitate sewer lines and install a sand removal system. Payments are due in semi-annual installments of \$83,053 through February 2026, interest 2.90%. The issue date was March 2017 from Four Oaks Bank. In the event of default, the lender may: (a) demand immediate payment of remaining balance; (b) set off this debt; (c) demand security, additional security, or additional parties to be obligated to pay this note as a condition for not using any other remedy; (d) refuse to make advances to the Town or allow purchases on credit; (e) use any remedy under state or federal law.

1,043,964

\$491,185 direct placement agreement 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. The equipment is pledged as collateral for the loan. After default, the Lender may: (a) make all or part of the amount immediately due and payable without notice; (b) use any and all remedies available under state or federal law or in any loan document; (c) make a claim for any and all insurance benefits or refunds that may be available on default; (d) amounts advanced will be immediately due and may be added to the balance owing under the terms of the Loan and accrue interest at the highest post-maturity interest rate; or (e) may use the right of set-off.

50,933

\$2,037,249 direct placement agreement 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. As collateral for the loan, the Town grants a security interest in any pipes, valves, fittings, and any other utility-type property to be financed with the proceeds made available to the Town, as well as in all substitutions, replacements and proceeds therefore or thereof. In the event of any default, the Lender may: (a) declare the unpaid principal components of the installment payments immediately due and payable; (b) proceed by appropriate court action to enforce the Town's performance of the covenants of this agreement or to recover for the breach thereof; (c) require the lender to pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner the lender may reasonably deem appropriate; and (d) avail itself of all available remedies under this agreement.

795,030

Total business-type activities

\$ 2,742,036

Future minimum payments as of June 30, 2019 for the installment purchase contracts are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 625,623	\$ 217,592	\$ 600,770	\$ 62,156
2021	601,793	201,354	562,273	48,851
2022	529,197	184,536	454,611	35,975
2023	533,687	168,943	270,525	26,923
2024	509,530	153,207	277,454	19,994
2025-2029	2,160,844	538,835	576,403	18,493
2030-2034	505,382	325,713		
2035-2039	590,214	222,542		
2040-2044	680,265	106,790		
2045-2049	151,393	5,677		
Total	<u>\$ 6,887,928</u>	<u>\$ 2,125,189</u>	<u>\$ 2,742,036</u>	<u>\$ 212,392</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.

\$ 2,681,006

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 \$2,681,006. Principal and interest paid for the current year revenue bonds and total electric customer net revenues were \$342,586 and \$1,833,160, respectively.

The debt service coverage ratio calculation for the year ended June 30, 2019 is as follows:

Operating revenues	\$ 16,491,374
Operating expenses	(15,288,767)
Add back:	
Investment earnings	69,797
Depreciation	591,081
Income available for debt service	<u>\$ 1,863,485</u>
Debt service principal and interest paid (Revenue bond only)	<u>\$ 342,586</u>
Debt service coverage ratio	544%

The Town's debt service coverage ratio is greater than 120% of the debt service requirement for the year ended June 30, 2019.

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

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 265,100	\$ 77,485	\$ 342,585
2021	272,762	69,824	342,586
2022	280,645	61,941	342,586
2023	288,755	53,830	342,585
2024	297,100	45,485	342,585
2025-2029	1,276,780	93,561	1,370,341
	<u>\$ 2,681,142</u>	<u>\$ 402,126</u>	<u>\$ 3,083,268</u>

c. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Direct Placement and Direct Borrowing					
Installment purchases	\$ 7,567,413	\$ 88,500	\$ 767,985	\$ 6,887,928	\$ 625,623
Compensated absences	469,415	15,480	-	484,895	121,224
Net pension liability (LGRS)	1,226,207	750,348	-	1,976,555	-
Total pension liability (LEOSSA)	1,175,635	25,501	-	1,201,136	-
Total OPEB Liability	9,958,687	-	250,426	9,708,261	-
Total Governmental	<u>\$ 20,397,357</u>	<u>\$ 879,829</u>	<u>\$ 1,018,411</u>	<u>\$ 20,258,775</u>	<u>\$ 746,847</u>
Business-type activities:					
Electric Fund					
Revenue bonds	\$ 2,938,796	\$ -	\$ 257,790	\$ 2,681,006	\$ 265,100
Direct Placement and Direct Borrowing					
Installment purchases	25,711	-	17,052	8,659	8,659
Compensated absences	74,100	5,030	-	79,130	19,783
Net pension liability (LGRS)	211,319	129,312	-	340,631	-
Total OPEB Liability	1,208,824	-	36,476	1,172,348	-
Total Electric Fund	<u>\$ 4,458,750</u>	<u>\$ 134,342</u>	<u>\$ 311,318</u>	<u>\$ 4,281,774</u>	<u>\$ 293,542</u>
Water Fund					
Direct Placement and Direct Borrowing					
Installment purchases	\$ 4,029,598	\$ -	\$ 1,296,222	\$ 2,733,376	\$ 592,111
Compensated absences	61,332	-	1,305	60,027	15,007
Net pension liability	209,207	128,020	-	337,227	-
Total OPEB Liability	1,881,194	-	46,203	1,834,991	-
Total Water Fund	<u>\$ 6,181,331</u>	<u>\$ 128,020</u>	<u>\$ 1,343,730</u>	<u>\$ 4,965,621</u>	<u>\$ 607,118</u>
Total Business-type	<u>\$ 10,640,081</u>	<u>\$ 262,362</u>	<u>\$ 1,655,048</u>	<u>\$ 9,247,395</u>	<u>\$ 900,659</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, 2019, the Town of Smithfield had a legal debt margin of \$78,573,312.

C. Interfund Balances and Activity

Due To/From Other Funds

	<u>From</u>	<u>To</u>
General Fund	\$ -	\$ 729,950
General Fund Capital Project Fund	711,537	-
FEMA Elevations and Acquisitions Fund	13,804	
Smithfield Fire Tax District	4,609	-
Electric Fund	-	150,000
Water/Sewer Fund	150,000	-
Total Interfund Balances	<u>\$ 729,950</u>	<u>\$ 729,950</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, 2019, 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. \$ 274,847

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 \$ 450,247

Enterprise Funds:

From the Electric Fund to the Electric Fund Capital Project fund to provide resources for a capital project. \$ 1,215,000

From the Water Sewer Fund to the Water Sewer Fund Capital Project fund to provide resources for a capital project. 1,467,000

Transfer to the Booker Dairy Road Project Fund to provide for resources for capital project. 9,045

Total Transfers - Enterprise Funds \$ 2,691,045

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 \$18,797 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, 2019. 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	\$ 31,187,412	\$ 12,499,053	\$ 9,519,902
less: long-term debt	(6,887,928)	(2,733,376)	(2,689,665)
add: unexpended debt proceeds	40,101	-	-
Net Investment in Capital Assets	<u>\$ 24,339,585</u>	<u>\$ 9,765,677</u>	<u>\$ 6,830,237</u>

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	\$ 13,832,540
Less restricted for:	
USDA debt Payments	54,724
Public safety	36,449
Stabilization by State statute	2,478,687
Streets	142,985
Recreation development	188,500
Subsequent year's expenditures	1,093,000
Remaining Fund Balance	<u>\$ 9,838,195</u>

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
	\$ 500,058	\$ 100,000	\$ 132,941

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, 2019 were \$12,301,256.

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 contribute \$250,000 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 2019, 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.

XI. Capital Contribution - Johnston County

The Town received \$3,250,000 from Johnston County to provide capital to assist in a project that would provide excess capacity that would assist the County in providing water to their customers.

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 Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Smithfield's proportion of the net liability (asset) (%)	0.11189%	0.10779%	0.10709%	0.11419%	0.11846%	0.12370%
Smithfield's proportion of the net pension liability (asset) (\$)	\$ 2,654,413	\$ 1,646,733	\$ 2,272,809	\$ 512,482	\$ (698,613)	\$ 1,491,060
Smithfield's covered-employee payroll	\$ 6,471,444	\$ 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	41.02%	26.01%	39.22%	8.57%	-11.59%	24.20%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 Six Fiscal Years**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 536,238	\$ 502,739	\$ 477,283	\$ 399,093	\$ 382,494	\$ 429,916
Contributions in relation to the contractually	<u>536,238</u>	<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>	<u>\$ -</u>
Smithfield's coverage-employee payroll	\$ 6,688,559	\$ 6,471,444	\$ 6,332,100	\$ 5,795,276	\$ 5,977,396	\$ 6,030,168
Contributions as a percentage of covered-	8.02%	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, 2019

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 1,175,635	\$ 1,094,022
Service Cost	60,482	49,836
Interest on the total pension liability	35,977	40,826
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	55,028	(8,242)
Changes of assumptions or other inputs	(51,771)	71,898
Benefit payments	(74,215)	(72,705)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 1,201,136</u>	<u>\$ 1,175,635</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, 2019

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 1,201,136	\$ 1,175,635
Covered Payroll	1,978,348	1,924,764
Total pension liability as a percentage of covered payroll	60.71%	61.08%

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, 2019

Total OPEB Liability	<u>2019</u>
Service cost	\$ 295,722
Interest	458,419
Changes in benefit terms	-
Differences between expected and actual experience	3,046
Changes of assumptions	(743,704)
Benefit payments	<u>(346,588)</u>
Net change in total OPEB liability	<u>(333,105)</u>
Total OPEB liability - beginning	<u>13,048,705</u>
Total OPEB liability - ending	<u><u>\$ 12,715,600</u></u>
Covered payroll	\$ 5,979,453
Total OPEB liability as a percentage of covered payroll	212.65%

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>
2019	3.89%

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, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes			
Taxes		\$ 6,230,367	
Downtown district tax		103,873	
Penalties and interest		4,096	
Total	\$ 6,210,000	6,338,336	\$ 128,336
Other taxes and licenses			
Zoning permits		14,175	
Other permits and license		55,009	
Occupancy tax		9,329	
Total	49,000	78,513	29,513
Unrestricted intergovernmental			
Franchise tax		1,008,067	
Beer and wine tax		49,007	
ABC board profit distribution		85,902	
Local option sales tax		2,715,173	
PEG channel fees		93,894	
Solid waste disposal tax		7,925	
Excise tax - rentals		18,187	
Total	3,413,000	3,978,155	565,155
Restricted intergovernmental			
Powell Bill allocation		321,082	
Department of Justice forfeitures		7,187	
JAG grant		1,366	
Grant revenue		389,316	
Total	488,599	718,951	230,352
Permits and fees			
Cemetery lot sales and grave openings		64,208	
DSDC loan repayment		12,757	
Public safety fees		272,115	
Refuse collection fees		1,294,462	
Recreation fees		88,632	
EMS fees		48,970	
Aquatic Center fees		694,938	
Total	2,470,881	2,476,082	5,201
Investment earnings	12,000	45,764	33,764

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous			
Street assessments		4,606	
Cell tower rental		63,758	
Other		67,632	
Total	<u>101,500</u>	<u>135,996</u>	<u>34,496</u>
Total Revenues	<u>12,744,980</u>	<u>13,771,797</u>	<u>1,026,817</u>
Expenditures:			
General Government:			
Governing Body			
Salaries and employee benefits		217,379	
Operating expenditures		188,647	
Overhead allocated to other funds		(30,798)	
Total	<u>460,296</u>	<u>375,228</u>	<u>85,068</u>
Administration			
Operating expenditures		629,973	
Overhead allocated to other funds		(47,785)	
Total	<u>622,519</u>	<u>582,188</u>	<u>40,331</u>
Finance			
Salaries and employee benefits		81,670	
Operating expenditures		18,926	
Overhead allocated to other funds		(7,630)	
Total	<u>100,371</u>	<u>92,966</u>	<u>7,405</u>
Building and Planning			
Salaries and employee benefits		247,782	
Operating expenditures		223,237	
Total	<u>648,444</u>	<u>471,019</u>	<u>177,425</u>
Total general government	<u>1,831,629</u>	<u>1,521,400</u>	<u>310,229</u>
Public Safety:			
Police			
Salaries and employee benefits		2,967,241	
Operating expenditures		286,340	
Capital outlay		158,678	
Total	<u>3,794,100</u>	<u>3,412,259</u>	<u>381,841</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, 2019

	Budget	Actual	Variance Positive (Negative)
Fire			
Salaries and employee benefits		1,474,791	
Operating expenditures		380,680	
Total	1,887,528	1,855,471	32,057
Total public safety	5,687,548	5,273,650	413,898
Street and Public Works:			
Community Appearance			
Salaries and employee benefits		277,287	
Operating expenditures		191,649	
Total	549,842	468,936	80,906
Streets			
Salaries and employee benefits		239,492	
Operating expenditures		210,825	
Total	909,120	450,317	458,803
Powell Bill			
Operating expenditures		453,791	
Total	582,725	453,791	128,934
Garage			
Salaries and employee benefits		56,950	
Operating expenditures		26,922	
Total	92,661	83,872	8,789
Total Street and Public Works	2,134,348	1,456,916	677,432
Sanitation:			
Salaries and employee benefits		730,988	
Operating expenditures		360,017	
Capital outlay		-	
Total Sanitation	1,159,441	1,091,005	68,436
Cultural and recreational:			
Salaries and employee benefits		1,111,572	
Operating expenditures		761,723	
Total Cultural and Recreational	2,028,300	1,873,295	155,005

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement		767,985	
Interest and other charges		235,322	
Total debt service	<u>1,003,781</u>	<u>1,003,307</u>	<u>474</u>
Total expenditures	<u>13,845,047</u>	<u>12,219,573</u>	<u>1,625,474</u>
Revenues over (under) expenditures	<u>(1,100,067)</u>	<u>1,552,224</u>	<u>(598,657)</u>
Other financing sources (uses):			
Appropriated fund balance	1,106,014	-	(1,106,014)
Transfers from other funds	175,400	175,400	-
Transfers to other funds	(274,847)	(274,847)	-
Loan proceeds	88,500	88,500	-
Sale of fixed assets	5,000	18,771	13,771
Total	<u>1,100,067</u>	<u>7,824</u>	<u>(1,092,243)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	1,560,048	<u>\$ (1,690,900)</u>
Fund balance, beginning		12,091,207	
Fund balance, ending		<u>\$ 13,651,255</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, 2019

	Budget	Actual	Variance
Revenues			
Investment Earnings	\$ -	\$ 3,495	\$ 3,495
Total revenues	-	3,495	3,495
Revenues over (under) expenses	-	3,495	3,495
Other financing sources (uses):			
Appropriated fund balance	-	-	-
Transfers to other funds	-	-	-
Transfers from other funds	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	3,495	\$ 3,495
Fund balance, beginning		177,790	
Fund balance, ending		\$ 181,285	

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, 2019

	Project Authorization	Prior Years	Current Year	Completed Project	Total Project to Date	Variance Favorable (Unfavorable)
Revenues						
Restricted intergovernmental	\$ 682,256	\$ -	\$ 138,787	\$ -	\$ 138,787	\$ (543,469)
Contributions	163,294	-	163,293	-	163,293	(1)
Investment earnings	-	-	-	-	-	-
Total revenues	<u>845,550</u>	<u>-</u>	<u>302,080</u>	<u>-</u>	<u>302,080</u>	<u>(543,470)</u>
Expenditures						
Financial Software	103,333	101,963	-	-	101,963	1,370
Wayfinding	262,550	-	133,735	-	133,735	128,815
Rescue Equipment	261,352	-	262,878	-	262,878	(1,526)
Venture Drive	700,000	-	-	-	-	700,000
Miracle Park	963,000	-	-	-	-	-
Building Reuse	197,250	142,822	-	-	142,822	54,428
Total expenditures	<u>2,487,485</u>	<u>244,785</u>	<u>396,613</u>	<u>-</u>	<u>641,398</u>	<u>883,087</u>
Revenues over (under) expenditures	<u>(1,641,935)</u>	<u>(244,785)</u>	<u>(94,534)</u>	<u>-</u>	<u>(339,319)</u>	<u>(1,426,557)</u>
Other financing sources (uses)						
Transfers in	1,641,935	1,139,354	274,847	-	1,414,201	(227,734)
Total other financing sources (uses)	<u>1,641,935</u>	<u>1,139,354</u>	<u>274,847</u>	<u>-</u>	<u>1,414,201</u>	<u>(227,734)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 894,569</u>	<u>180,313</u>	<u>\$ -</u>	<u>\$ 1,074,882</u>	<u>\$ (1,654,291)</u>
Fund balance, beginning			<u>(949,318)</u>			
Fund balance, ending			<u>\$ (769,005)</u>			

Town of Smithfield, North Carolina
Combining Balance Sheet
Non-Major Funds
June 30, 2019

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Non-</u>
	<u>Smithfield Fire</u>	<u>FEMA</u>	<u>major</u>
	<u>Tax District</u>	<u>Elevations and</u>	<u>Governmental</u>
		<u>Acquisitions</u>	<u>Funds</u>
Assets			
Cash and cash equivalents	\$ 41,817	\$ -	\$ 41,817
Accounts receivable	-	11,334	11,334
Total Assets	<u>\$ 41,817</u>	<u>\$ 11,334</u>	<u>\$ 53,151</u>
Liabilities			
Liabilities:			
Accounts Payable	\$ -	\$ 8,967	8,967
Due to other funds	4,609	13,804	18,413
Total Liabilities	<u>4,609</u>	<u>22,771</u>	<u>27,380</u>
Fund balances:			
Nonspendable:			
State Statute	-	11,334	11,334
Restricted:			
Fire District	37,208	-	37,208
Unassigned	-	(22,771)	(22,771)
Total Fund Balances	<u>37,208</u>	<u>(11,437)</u>	<u>25,771</u>
Total liabilities and fund balanc	<u>\$ 83,634</u>	<u>\$ 11,334</u>	<u>\$ 97,335</u>

**Town of Smithfield
Non-Major Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2019**

	<u>Special Revenue Smithfield Fire Tax District</u>	<u>Capital Projects FEMA Elevations and Acquisitions</u>	<u>Total Non-Major Funds</u>
REVENUES			
Ad valorem taxes	\$ 175,229	\$ -	\$ 175,229
Restricted intergovernmental	-	853,237	853,237
Miscellaneous	17,696	-	17,696
Total revenues	<u>192,925</u>	<u>853,237</u>	<u>1,046,162</u>
EXPENDITURES			
Capital outlay	-	864,674	864,674
Total expenditures	<u>-</u>	<u>864,674</u>	<u>864,674</u>
Excess (deficiency) of revenues over expenditures	<u>192,925</u>	<u>(11,437)</u>	<u>181,488</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) other funds	(175,400)	-	(175,400)
Transfers from other funds	-	-	-
Total other financing sources (uses)	<u>(175,400)</u>	<u>-</u>	<u>(175,400)</u>
Net Change in fund balance	17,525	(11,437)	6,088
Fund balances, beginning	19,683	-	19,683
Fund balances, ending	<u>\$ 37,208</u>	<u>\$ (11,437)</u>	<u>\$ 25,771</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, 2019

	Budget	Actual	Variance
Revenues			
Fire district taxes	\$ 166,000	\$ 175,229	\$ 9,229
Other Income	9,400	17,696	8,296
Total revenues	<u>175,400</u>	<u>192,925</u>	<u>17,525</u>
Expenditures			
Public Safety	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenses	175,400	192,925	17,525
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>
Revenues over (under) expenditures	<u>\$ -</u>	17,525	<u>\$ 17,525</u>
Fund balance, beginning		<u>19,683</u>	
Fund balance, ending		<u>\$ 37,208</u>	

Town of Smithfield, North Carolina
FEMA Elevations & Acquisitions - Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total Project to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Restricted Intergovernmental					
Hazard Mitigation Grant (Elevations)	\$ 299,292	\$ -	\$ 9,412	\$ 9,412	\$ (289,880)
Hazard Mitigation Grant (Acquisitions)	1,779,713	-	843,825	843,825	(935,888)
Total revenues	<u>2,079,005</u>	<u>-</u>	<u>853,237</u>	<u>853,237</u>	<u>(1,225,768)</u>
Expenditures					
Elevations Misc	14,252	-	2,837	2,837	11,415
Arch & Engineering (Elevations)	31,500	-	4,245	4,245	27,255
Project Inspection	300	-	500	500	(200)
Admin & Legal	9,100	-	1,830	1,830	7,270
Relocation	6,000	-	-	-	6,000
Site Work	11,000	-	-	-	11,000
Construction	227,140	-	-	-	227,140
Acquisitions Misc	84,748	-	10,958	10,958	73,790
Arch & Engineering (Acquisit)	9,600	-	6,300	6,300	3,300
Project Inspection	4,000	-	-	-	4,000
Admin & Legal	44,400	-	28,241	28,241	16,159
Relocation	6,000	-	-	-	6,000
Site Work	28,000	-	3,386	3,386	24,614
Demolition & Removal	173,099	-	-	-	173,099
Land, Structures, Appraisals, Right-of- way	<u>1,429,866</u>	<u>-</u>	<u>806,377</u>	<u>806,377</u>	<u>623,489</u>
Total expenditures	<u>2,079,005</u>	<u>-</u>	<u>864,674</u>	<u>864,674</u>	<u>1,214,331</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(11,437)</u>	<u>(11,437)</u>	<u>(2,440,099)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(11,437)</u>	<u>\$ (11,437)</u>	<u>\$ (2,440,099)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (11,437)</u>		

Town of Smithfield, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Electricity sales		\$ 16,213,737	
Connection fees		85,401	
Miscellaneous		50,186	
Penalties		142,050	
Total	<u>\$ 16,755,000</u>	<u>16,491,374</u>	<u>\$ (263,626)</u>
Non-operating revenues:			
Interest earnings		69,797	
Total	<u>24,000</u>	<u>69,797</u>	<u>45,797</u>
Total revenues	<u>16,779,000</u>	<u>16,561,171</u>	<u>(217,829)</u>
Expenditures:			
Electrical purchases	12,600,000	12,301,256	
Electrical operations	877,941	937,991	
Salaries and employee benefits	1,415,574	1,426,922	
Capital outlay	-	-	
Debt service	359,972	351,081	
Total expenditures	<u>15,253,487</u>	<u>15,017,250</u>	<u>(236,237)</u>
Other financing sources (uses):			
Appropriated fund balance	(312,515)	-	312,515
Capital Contributions	2,002	15,074	13,072
Transfer to Capital Project Fund	<u>(1,215,000)</u>	<u>(1,215,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,525,513)</u>	<u>(1,199,926)</u>	<u>325,587</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>343,995</u>	<u>\$ 343,995</u>
Reconciliation from budgetary basis (modified accrual to full accrual):			
Revenues and other sources over expenditures and other uses		343,995	
Reconciling items:			
Principal repayment on long-term debt		274,842	
Capital outlay		-	
Depreciation		(591,081)	
Increase (Decrease) in deferred outflows of resources - pensions		100,336	
Increase (Decrease) in deferred outflows of resources - OPEE		(1,459)	
(Increase) Decrease in net pension liability		(129,312)	
(Increase) Decrease in deferred inflows of resources - pension		10,343	
(Increase) Decrease in compensated absence:		(5,030)	
(Increase) Decrease in deferred inflows of resources - OPEE		(42,871)	
(Increase) Decrease in total OPEB liability		36,476	
Transfer to Capital Project (Ex D-1A)		<u>1,215,000</u>	
Total reconciling items		<u>867,244</u>	
Change in Net Position		<u>\$ 1,211,239</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, 2019

	Project Authorization	Prior Years	Current Years	Closed Projects	Total to Date	Variance Positive (Negative)
Expenditures						
Financial Software	\$ 45,833	\$ 42,270	\$ 1,875	\$ (44,145)	\$ -	\$ 45,833
Substation 2nd Transformer	1,231,515	-	-	-	-	1,231,515
Voltage Conversion	950,000	363,715	207,495	-	571,210	378,790
Delivery Point 3	75,000	-	-	-	-	75,000
Booker Dairy Power Line	275,000	118,698	-	(118,698)	-	275,000
North Circuit Design	75,000	-	75,250	-	75,250	(250)
Bucket Tractor	265,000	-	248,151	(41,500)	206,651	58,349
AMI	1,051,582	363,651	314,854	-	678,505	373,077
Total expenditures	<u>3,968,930</u>	<u>888,334</u>	<u>847,625</u>	<u>(204,343)</u>	<u>1,531,616</u>	<u>2,437,314</u>
Other financing sources (uses):						
Transfer from Electric Fund	<u>3,968,930</u>	<u>2,722,415</u>	<u>1,215,000</u>	<u>-</u>	<u>3,937,415</u>	<u>(31,515)</u>
Total financing sources (uses)	<u>3,968,930</u>	<u>2,722,415</u>	<u>1,215,000</u>	<u>-</u>	<u>3,937,415</u>	<u>(31,515)</u>
Revenues and other sources over (under) expenditures and other uses						
	<u>\$ -</u>	<u>\$ 1,834,081</u>	<u>\$ 367,375</u>	<u>\$ 204,343</u>	<u>\$ 2,405,799</u>	<u>\$ 2,405,799</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, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$ 4,052,000	\$ 4,300,940	\$ (248,940)
Sewer sales	3,810,000	4,200,531	(390,531)
Connection and tap fees	17,300	29,878	(12,578)
Miscellaneous	75,500	107,304	(31,804)
Total	<u>\$ 7,954,800</u>	<u>8,638,653</u>	<u>\$ (683,853)</u>
Non-operating revenues:			
Interest earnings	9,200	18,140	(8,940)
Capital contributions	500,000	148,087	351,913
Total	<u>509,200</u>	<u>166,227</u>	<u>342,973</u>
Total revenues	<u>8,464,000</u>	<u>8,804,880</u>	<u>340,880</u>
Expenditures:			
Water treatment plant			
Salaries and employee benefits	579,377	580,680	
Other operating expenditures	1,152,591	1,002,027	
Water and sewer distribution			
Salaries and employee benefits	900,389	858,213	
Other operating expenditures	3,462,160	3,304,110	
Capital outlay	517,550	372,707	
Debt Service	1,382,896	1,391,614	
Total expenditures	<u>7,994,963</u>	<u>7,509,351</u>	<u>(485,612)</u>
Other financing sources (uses):			
Transfer to project fund	(1,476,045)	(1,476,045)	-
Appropriated fund balance	1,007,008	-	(1,007,008)
Total other financing sources (uses)	<u>(469,037)</u>	<u>(1,476,045)</u>	<u>(1,007,008)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(180,516)</u>	<u>\$ (180,516)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		(180,516)	
Reconciling items:			
Principal repayment on long-term debt		1,296,222	
Capital outlay		211,419	
Depreciation		(699,416)	
Increase (Decrease) in deferred outflows of resources - pensions		99,334	
Increase (Decrease) in deferred outflows of resources - OPEB		2,423	
(Increase) Decrease in net pension liability		(128,020)	
(Increase) Decrease in deferred inflows of resources - pensions		10,240	
(Increase) Decrease in deferred inflows of resources - OPEB		(68,098)	
(Increase) Decrease in total OPEB liability		46,203	
(Increase) Decrease in compensated absences		1,305	
Restricted Intergovernmental (Ex D-2a)		63,227	
Other Reimbursement (Ex D-2b)		167	
Johnston Co - Capital Contribution (Ex D-2c)		3,250,000	
Transfer from other funds (Ex D-2a, D-2b, D-2c)		1,476,045	
Total reconciling items		<u>5,561,051</u>	
Change in Net Position		<u>\$ 5,380,535</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, 2019

	Project Authorization	Prior Years	Current Years	Capitalized Projects	Total to Date	Variance Positive (Negative)
Restricted Intergovernmental						
AIA Grant - Water	\$ 150,000	\$ 112,488	\$ 36,413	\$ -	\$ 148,901	\$ (1,099)
AIA Grant - Sewer	150,000	123,186	26,814	-	150,000	-
Total Revenue	<u>300,000</u>	<u>235,674</u>	<u>63,227</u>	<u>-</u>	<u>298,901</u>	<u>(1,099)</u>
Expenditures						
Elevate Transformers & Panels	-	69,494	-	-	69,494	(69,494)
Generator / VFDs	-	-	-	-	-	-
Chlorine Dioxide System	-	-	-	-	-	-
Intake Sand Removal System	-	459,087	-	-	459,087	(459,087)
Sludge Dewatering	369,700	-	-	-	-	369,700
Water AIA	165,000	144,175	19,728	(163,903)	-	165,000
Grid Bee Mixers	-	63,995	-	-	63,995	(63,995)
River Bank Construction and Refurb	317,000	-	234,567	-	234,567	82,433
Financial Software	45,833	40,751	-	(40,751)	-	45,833
I&I S&W Smithfield	1,200,000	1,073,790	86,115	-	1,159,905	40,095
NC 210 Sewer Line & PS3 Upgrade	415,000	-	-	-	-	415,000
Booker Dairy Rd Ext	123,700	-	-	-	-	123,700
Upgrade Lift Station	210,000	209,902	-	(209,902)	-	210,000
16 In Water Line - Frank Jones Rd	200,000	-	113,176	-	113,176	86,824
16 In Water Line - Durwood Stephensor	750,000	-	707,654	-	707,654	42,346
Sewer AIA	165,000	152,469	2,632	(155,101)	-	165,000
Lift Station Repair (5& 11)	250,000	80,460	203,101	-	283,561	(33,561)
AMI	210,000	72,112	97,163	-	169,275	40,725
Sanitary Sewer Replacement	175,000	179,778	-	-	179,778	(4,778)
Total Expenditures	<u>4,596,233</u>	<u>2,546,013</u>	<u>1,464,136</u>	<u>(569,657)</u>	<u>3,440,492</u>	<u>1,155,741</u>
Other financing sources (uses):						
Loan Proceeds	1,165,000	1,995,000	-	-	1,995,000	830,000
Transfer from Electric Fund	150,000	-	-	-	-	(150,000)
Transfer from Water Sewer Fund	2,981,233	1,540,533	1,317,000	-	2,857,533	(123,700)
Total financing sources (uses)	<u>4,296,233</u>	<u>3,535,533</u>	<u>1,317,000</u>	<u>-</u>	<u>4,852,533</u>	<u>556,300</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,225,194</u>	<u>\$ (83,909)</u>	<u>\$ 569,657</u>	<u>\$ 1,710,942</u>	<u>\$ 1,710,942</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, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Years</u>	<u>Capitalized Projects</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures						
Engineering	\$ 110,666	\$ 62,673	\$ 9,045	\$ (71,718)	\$ -	\$ 38,948
Construction	1,935,628	1,516,848	-	(1,516,848)	-	418,780
Total Expenditures	<u>2,046,294</u>	<u>1,579,521</u>	<u>9,045</u>	<u>(1,588,566)</u>	<u>-</u>	<u>457,728</u>
Other financing sources (uses):						
Loan Proceeds	2,037,249	2,037,249	-	(2,037,249)	-	-
Other Reimbursement	-	-	167	(167)	-	(167)
Transfer from Water Fund	9,045	-	9,045	(9,045)	-	-
Total financing sources (uses)	<u>2,046,294</u>	<u>2,037,249</u>	<u>9,212</u>	<u>(2,046,461)</u>	<u>-</u>	<u>(167)</u>
Revenues over expenditures and other financing sources (uses)						
	<u>\$ -</u>	<u>\$ 457,728</u>	<u>\$ 167</u>	<u>\$ (457,895)</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Smithfield, North Carolina
Water Plant Expansion Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Years</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures					
Engineering/Design	\$ 1,070,000	\$ -	\$ 761,515	\$ 761,515	\$ 308,485
Inspection of Construction	300,000	-	-	-	300,000
GEO Testing	100,000	-	4,680	4,680	95,320
Construction	13,980,000	-	-	-	13,980,000
Total Expenditures	<u>15,450,000</u>	<u>-</u>	<u>766,195</u>	<u>766,195</u>	<u>14,683,805</u>
Other financing sources (uses):					
Johnston County - Capital Contribution	3,250,000	-	3,250,000	3,250,000	-
NC Clean Water Loan	12,050,000	-	-	-	(12,050,000)
Transfer from Water Fund	150,000	-	150,000	150,000	-
Total financing sources (uses)	<u>15,450,000</u>	<u>-</u>	<u>3,400,000</u>	<u>3,400,000</u>	<u>(12,050,000)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,633,805</u>	<u>\$ 2,633,805</u>	<u>\$ 2,633,805</u>

Town of Smithfield, North Carolina
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
ASSETS				
Cash and cash equivalents	\$ 150,848	\$ 736	21,360	\$ 130,224
Total assets	<u>150,848</u>	<u>736</u>	<u>21,360</u>	<u>130,224</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><u>\$ 150,848</u></u>	 <u><u>\$ 736</u></u>	 <u><u>\$ 21,360</u></u>	 <u><u>\$ 130,224</u></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, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2019	\$ -	\$ 6,408,772	\$ 6,404,631	\$ 4,141
2018	9,456	-	3,415	6,041
2017	2,131	-	1,309	822
2016	612	-	-	612
2015	810	-	80	730
2014	3,342	-	130	3,212
2013	5,541	-	25	5,516
2012	7,514	-	2,845	4,669
2011	3,572	-	-	3,572
2010	4,430	-	-	4,430
2009	4,202	-	4,202	-
	<u>\$ 41,609</u>	<u>\$ 6,408,772</u>	<u>\$ 6,416,637</u>	<u>\$ 33,744</u>
Downtown District Taxes Receivable				(229)
Less allowance for uncollectible ad valorem taxes receivable:				(24,927)
Ad valorem taxes receivable, net				<u>\$ 8,588</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 6,338,336
Interest Collected				(4,096)
MV Fees				18,319
Taxes written off / adjusted / released				64,078
Total adjustments				<u>78,301</u>
				<u>\$ 6,416,637</u>

Town of Smithfield, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019

	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	\$ 1,082,852,105	0.57	\$ 6,172,257	\$ 5,611,420	\$ 560,837
Discoveries	21,721,053	0.57	123,810	123,810	-
Releases	<u>(2,686,842)</u>	<u>0.57</u>	<u>(15,315)</u>	<u>(10,492)</u>	<u>(4,823)</u>
Total Property Valuation	<u>\$ 1,101,886,316</u>				
Net levy			6,280,752	5,724,738	556,014
Uncollected taxes at June 30, 2019			<u>3,912</u>	<u>3,912</u>	<u>-</u>
Current year's taxes collected			<u>\$ 6,276,840</u>	<u>\$ 5,720,826</u>	<u>\$ 556,014</u>
Current levy collection percentage			<u>99.94%</u>	<u>99.93%</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, 2019

	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	\$ 68,032,632	0.19	\$ 129,262	\$ 91,925	\$ 37,337
Discoveries	-	0.19	-	-	-
Releases	<u>(653,684)</u>	<u>0.19</u>	(1,242)	<u>-</u>	<u>(1,242)</u>
Total Property Valuation	<u><u>\$ 67,378,947</u></u>				
Net levy			128,020	91,925	36,095
Uncollected taxes at June 30, 2019			<u>229</u>	<u>229</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 127,791</u></u>	<u><u>\$ 91,696</u></u>	<u><u>\$ 36,095</u></u>
Current levy collection percentage			<u><u>99.82%</u></u>	<u><u>99.75%</u></u>	<u><u>100.00%</u></u>

Compliance Section



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, 2019, 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 November 26, 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.

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

Our consideration of 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs [2019-01] that we consider to be 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items [2019-01].

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
November 26, 2019



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

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

Report On Compliance With Requirements Applicable To Each Major Federal 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 Federal Program

We have audited the Town of Smithfield, North Carolina's, compliance with the types of compliance requirements described in the OMB Compliance Supplement and 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 Town of Smithfield's major federal programs for the year ended June 30, 2019. The Town of Smithfield's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal 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.

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

Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2019.

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 City'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, Price, Scott, Adams & Co., P.A.

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

Whiteville, NC

November 26, 2019



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

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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, 2019. 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 state statutes, regulations, and the terms and conditions of its state awards 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, 2019.

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
November 26, 2019

**Town of Smithfield, North Carolina
Schedule of Findings and Questioned Cost
For the Fiscal Year Ended June 30, 2019**

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified? Yes No
- Significant Deficiency(s) identified? Yes No
- Noncompliance material to financial statements noted Yes No

Federal Awards

Internal control over major federal program:

- Material Weakness(es) identified? Yes No
- Significant Deficiency(s) identified? Yes No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

CFDA No(s).	Names of Federal Program or Cluster
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? Yes No

**Town of Smithfield, North Carolina
Schedule of Findings and Questioned Cost
For the Fiscal Year Ended June 30, 2019**

SECTION 1 - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

State Awards

Internal control over major State programs:

- Material Weakness(es) identified? Yes No
- Significant Deficiency(s) identified? 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

Powell Bill

**Town of Smithfield, North Carolina
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2019-01 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. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

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
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Smithfield, NC 27577

Melissa Rodriguez, Admin. Assistant

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Fax: 919.989.8937

**Town of Smithfield, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding: 2019-01

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, 2020

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

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, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-01 Reconciliation of record

Repeated as 2019-01

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

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, 2019

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				
Staffing for Adequate Fire and Emergency Response	97.083		\$ 112,273	\$ -
Passed through N.C. Department of Public Safety				
Hazard Mitigation Grant	97.039		648,506	216,169
Disaster Grants - Public Assistance	97.036		98,205	32,735
<u>U.S Department of Agriculture</u>				
Rural Business Development Grant - Wayfinding	10.351		35,239	-
<u>US Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607		1,366	-
Total assistance - federal programs			\$ 895,589	\$ 248,904
STATE AWARDS				
<u>N.C. Department of Commerce</u>				
Golden LEAF Disaster Recovery Grant			\$ -	\$ 38,176
<u>N.C. Department of Environmental Quality</u>				
CW Asset Inv & Assessment		E-AIA-W-16-	-	44,750
DW Asset Inv & Assessment		H-AIA-D-16-0018	-	36,413
<u>N.C Department of Agriculture and Consumer Services</u>				
Division of Soil and Water Conservation				
Stream Debris Removal Grant				85,500
<u>N.C Department of Transportation</u>				
Powell Bill		DOT-4	-	453,791
Total assistance - State programs			\$ -	\$ 658,630
Total assistance			\$ 895,589	\$ 907,534

Town of Smithfield, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

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

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, 2019. 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.

Note 3: Indirect Cost Rate

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