

TOWN OF SMITHFIELD

Financial Statements

Smithfield, North Carolina

For the Year Ended June 30, 2021

Town of Smithfield, North Carolina
Financial Statements
June 30, 2021

Mayor

M. Andy Moore

Town Council

John A Dunn - Mayor Pro-Tem

Marlon Lee - District 1

David Steven - District 2

Travis Scott - District 3

Dr. David Barbour - District 4

Stephen Rabil - At-Large

Roger Wood - At-Large

Finance Director

Greg Siler

Town Manager

Michael Scott

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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, 2021, 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, 2021, 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 56 through 57, 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 58 through 59, and the Changes in Total OPEB Liability and Related Ratios page 60, 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 8, 2021 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 8, 2021

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, 2021. 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

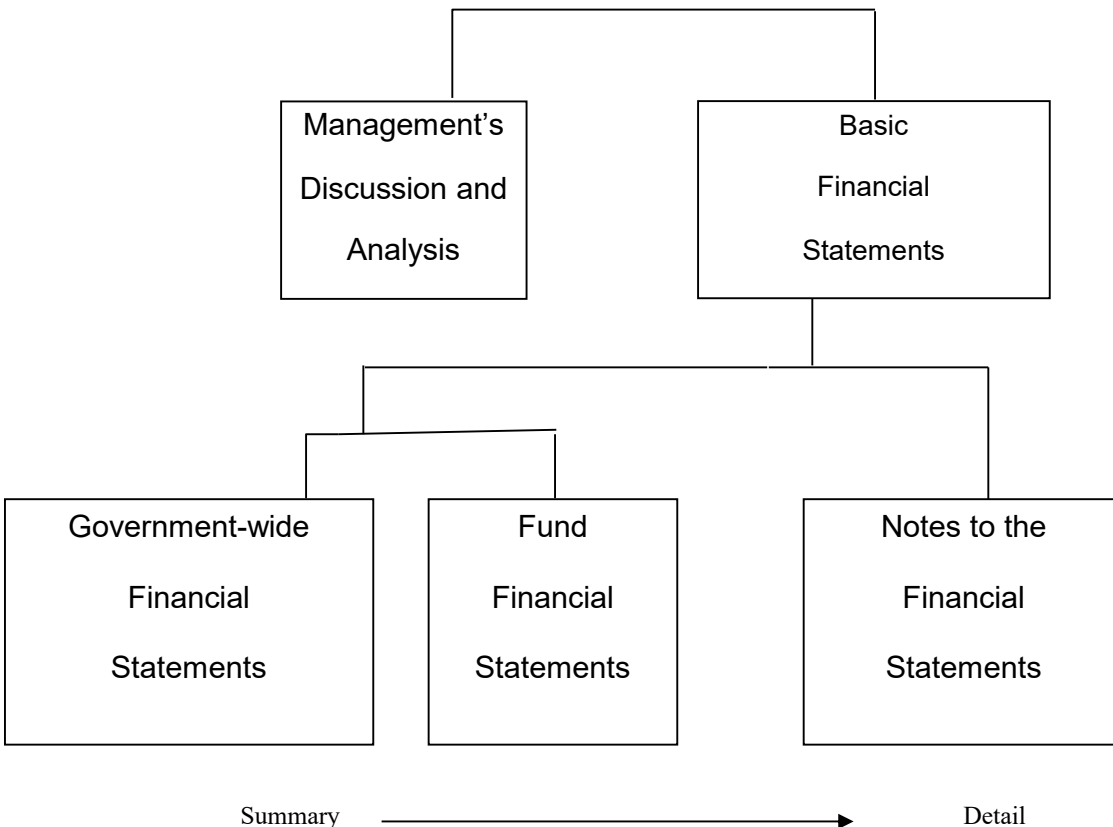
- The assets of the Town of Smithfield exceeded its liabilities at the close of the fiscal year by \$69,565,630 (net position).
- Total governments total net position increased by \$4,266,640, primarily due to increases in both the government-wide and the business -types activities net position.
- As of the close of the current fiscal year, the Town of Smithfield's governmental funds reported combined ending fund balances of \$16,093,825, an increase of \$1,395,642 in comparison with the prior year. Approximately \$2,878,192 (17.88 percent) is unavailable (nonspendable or restricted by state statute); Approximately 69.81 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 \$11,248,279 or 81.14 percent of total general fund expenditures for the fiscal year; compared to \$9,968,748, or 72.58 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 \$834,751 (7.21 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 gauge the Town's financial condition.

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

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Smithfield, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Smithfield can be divided into 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 complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the legal budget document. This statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Boards; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Smithfield has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Smithfield uses enterprise funds to account for its water and sewer operations and electric operations. This funds is the same as the separate activity shown in the business-type activities in the Statement of Net 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			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 16,800,048	\$ 15,780,793	\$ 28,749,919	\$ 27,678,005	\$ 45,549,967	\$ 43,458,798
Capital assets	32,073,132	31,853,237	24,717,405	22,493,749	56,790,537	54,346,986
Deferred outflows of resources	4,086,041	1,552,585	1,105,268	467,649	5,191,309	2,020,234
Total assets and deferred outflows of resources	<u>52,959,221</u>	<u>49,186,615</u>	<u>54,572,592</u>	<u>50,639,403</u>	<u>107,531,813</u>	<u>99,826,018</u>
Current liabilities	1,430,124	1,846,304	3,882,827	3,020,049	5,312,951	4,866,353
Non-current liabilities	22,444,159	19,046,834	7,319,640	7,167,882	29,763,799	26,214,716
Deferred inflows of resources	137,421	133,296	34,393	28,374	171,814	161,670
Total liabilities and deferred inflows of resources	<u>24,011,704</u>	<u>21,026,434</u>	<u>11,236,860</u>	<u>10,216,305</u>	<u>35,248,564</u>	<u>31,242,739</u>
Net position:						
Invested in capital assets, net of related debt	25,259,943	24,464,860	20,995,412	17,936,590	46,255,355	42,401,450
Restricted	3,730,018	3,044,483	-	-	3,730,018	3,044,483
Unrestricted	<u>(2,117,204)</u>	<u>(1,856,690)</u>	<u>21,697,461</u>	<u>21,709,747</u>	<u>19,580,257</u>	<u>19,853,057</u>
Total net position	<u>\$ 26,872,757</u>	<u>\$ 25,652,653</u>	<u>\$ 42,692,873</u>	<u>\$ 39,646,337</u>	<u>\$ 69,565,630</u>	<u>\$ 65,298,990</u>

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 \$69,565,630 as of June 30, 2021. The Town's net position increased by \$4,266,640 for the fiscal year ended June 30, 2021. The largest portion of net position, \$46,255,355 (66.49%) reflects the Town's investment in capital assets (e.g. land, buildings, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Smithfield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net position \$3,730,018 (5.36%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$19,580,257 (28.15%) 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 99.77% and 99.03% in the Town-Wide and Downtown tax districts respectively.
- Increase in property 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			
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 2,123,907	\$ 2,331,774	\$ 24,406,509	\$ 24,273,108	\$ 26,530,416	\$ 26,604,882
Operating grants and contributions	917,760	673,629	-	-	917,760	673,629
Capital grants and contributions	103,034	321,517	137,135	500,000	240,169	821,517
General revenues:						
Property taxes	7,597,071	7,271,802	-	-	7,597,071	7,271,802
Unrestricted intergovernmental	4,249,641	3,913,953	-	-	4,249,641	3,913,953
Other taxes and licenses	59,366	65,867	-	-	59,366	65,867
Investment earnings, unrestricted	13,560	47,221	26,091	92,398	39,651	139,619
Miscellaneous	208,790	168,376	749,012	-	957,802	168,376
Gain/Loss on disposal of fixed assets	20,410	22,396	-	-	20,410	22,396
Total revenues	15,293,539	14,816,535	25,318,747	24,865,506	40,612,286	39,682,041
Expenses						
General government	1,559,206	1,600,548	-	-	1,559,206	1,600,548
Public safety	6,541,684	6,247,982	-	-	6,541,684	6,247,982
Economic & physical develop	15,876	-	-	-	15,876	-
Streets and public works	1,964,517	1,527,133	-	-	1,964,517	1,527,133
Sanitation	1,369,321	1,293,028	-	-	1,369,321	1,293,028
Cultural and recreation	2,393,991	2,784,429	-	-	2,393,991	2,784,429
Interest on long-term debt	228,840	234,682	-	-	228,840	234,682
Electric	-	-	14,763,965	14,789,365	14,763,965	14,789,365
Water and sewer	-	-	7,508,246	6,574,707	7,508,246	6,574,707
Total expenses	14,073,435	13,687,802	22,272,211	21,364,072	36,345,646	35,051,874
Change in net position	1,220,104	1,128,733	3,046,536	3,501,434	4,266,640	4,630,167
Net Position						
Beginning of year - July 1	25,652,653	24,523,920	39,646,337	36,144,903	65,298,990	60,668,823
End of year - June 30	<u>\$ 26,872,757</u>	<u>\$ 25,652,653</u>	<u>\$ 42,692,873</u>	<u>\$ 39,646,337</u>	<u>\$ 69,565,630</u>	<u>\$ 65,298,990</u>

Governmental activities. Governmental activities increased the Town's net position by \$1,220,104. Key elements of this increase are as follows:

- Increase in property tax and local option sales tax

Business-type activities: Business-type activities increased the Town's net position by \$3,046,536. Key elements of this increase are as follows:

- Received significant proceeds from a lawsuit settlement agreement

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 \$11,248,279, while total fund balance reached \$15,814,504. The Town currently has an available fund balance of 81.14% of total General Fund expenditures, while total fund balance represents 114.08% of that same

At June 30, 2021, the governmental funds of the Town of Smithfield reported a combined fund balance of \$16,093,825, a 9.50% increase over last year.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments were made during the year to increase the General Fund budget by \$1,746,692.

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 \$10,692,127 and the Electric Fund amounted to \$11,005,334. The total increase in net position for the Water and Sewer Fund was \$2,492,168 whereas the Electric Fund had a total increase in net position of \$554,368.

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, 2021 totals \$56,790,537 (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:

- public safety vehicles and equipment
- improvements and equipment - parks and recreation and public works
- improvements on water and sewer lines
- substation upgrades

Town of Smithfield's Capital Assets
Figure 4

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Land	\$ 6,390,048	\$ 6,390,048	\$ 10,000	\$ 10,000	\$ 6,400,048	\$ 6,400,048
Construction in progress	2,814,774	1,801,063	8,752,436	6,729,603	11,567,210	8,530,666
Building and improvements	17,423,139	17,327,228	-	-	17,423,139	17,327,228
Plant and distribution systems	-	-	33,194,575	31,868,160	33,194,575	31,868,160
Infrastructure	55,694,344	55,359,609	-	-	55,694,344	55,359,609
Equipment and vehicles	8,695,007	8,184,064	5,517,827	5,464,293	14,212,834	13,648,357
Total	91,017,312	89,062,012	47,474,838	44,072,056	138,492,150	133,134,068
Accumulated depreciation	(58,944,180)	(57,208,775)	(22,757,433)	(21,578,307)	(81,701,613)	(78,787,082)
Capital assets, net	<u>\$ 32,073,132</u>	<u>\$ 31,853,237</u>	<u>\$ 24,717,405</u>	<u>\$ 22,493,749</u>	<u>\$ 56,790,537</u>	<u>\$ 54,346,986</u>

Long-term Debt. As of June 30, 2021, the Town of Smithfield had total debt outstanding of \$11,310,143 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			
	2021	2020	2021	2020	2021	2020
Installment purchases	\$ 7,588,150	\$ 7,587,735	\$ 1,578,910	\$ 2,141,293	\$ 9,167,060	\$ 9,729,028
Revenue bonds	-	-	2,143,083	2,415,866	2,143,083	2,415,866
Total	<u>\$ 7,588,150</u>	<u>\$ 7,587,735</u>	<u>\$ 3,721,993</u>	<u>\$ 4,557,159</u>	<u>\$ 11,310,143</u>	<u>\$ 12,144,894</u>

The Town of Smithfield's total debt decreased by \$834,751 during the past fiscal year, primarily due to principal payments on all outstanding debt being offset by two additional debt issuances during the year.

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 \$92,606,366.

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, 2022

Governmental Activities: Smithfield continues to receive new development requests as the state of the Economy for Smithfield continues to improve. At the time of this report there were 13 new subdivision requests in various stages of approval. The Town intends to move forward cautiously and conservatively with new economic spending. The budget had carryover funding in the amount of \$15,000 for economic initiatives related to technical assistance, incentive development, marketing, and grant identification, submission and lobbying.

One state-wide act of legislation that will have an adverse impact on budgets, including the Town of Smithfield, is the increase in the employer contribution rate to the Local Government Employees Retirement System (LGERS). This increased the Town's contribution rate from 10.15% for local government employees to 11.35% and increased Law Enforcement Officer contributions from 10.9% to 12.1%.

Budgeted operational expenditures in the General Fund are expected to increase by 3.2% to \$15,198,658 over FY21 original budget with \$1,018,510 in self-funded capital expenditures; including the purchase of five (5) new police cars, a new SUV for the fire department, a new tractor/mower, dump truck and loader/tractor for public works, two (2) replacement pick-up trucks for Parks and Recreation, an upgraded audio/video system to broadcast live council meetings, and uses of Parks in Lieu Funds for a master plan for Parks and Recreation.

Other budget highlights in brief:

- Property tax rate to remain at \$.57 per 100 valuations
- Salary adjustment of 2.5% for all full time employees
- Additional personnel included in General Administration and Finance departments of one (1) Information Technology Specialist and one (1) additional Utility Service Specialist

Business-Type Activities: Plans to improve and expand the water plant were approved in FY21. Construction is underway with completion scheduled for fall of 2023. The first debt service payment will be made in FY23

Budgeted operational expenditures in the Water/Sewer Fund are expected to increase by 2.8% to \$9,390,930 over FY21 original budget. The Town will continue substantial maintenance programs in 2022 to update aging infrastructure. \$1.35 million is budgeted to improve the East Smithfield water system, inflow and Infiltration (I&I) Repairs, a new Force Main Line on Highway 210 to feed pump station 3, and the completion of the Durwood Stephenson 16-inch water line to West Smithfield. Two (2) additional full-time positions are funded: One (1) Pump Station Mechanic and one (1) Water Plant Operator.

No rate changes in water/sewer fees are proposed, however, Johnston County is evaluating their billing formulas and possibly increasing their wholesale fees which would cause sewer fees in Smithfield to increase proportionately.

The Town has been aggressive with its electric rates by lowering the average customer rate by 12 percent since 2016. ElectricCities implemented a 1.2 percent wholesale rate increase on April 1, 2019, however the Town had set funds aside to absorb the increase for the short term. UFS completed a refresher study of electric rates in March 2021. Several nominal increases and decreases were recommended and included in the Town's FY22 fee schedule. These rate changes leave the Town's electric revenue projections unchanged and moves each customer type closer to their cost of service.

Budgeted operational expenditures in the Electric Fund are expected to increase by 1.1% to \$16,735,000 over FY21 original budget. Notable capital expenditures include \$100,000 for Advanced Metering and \$50,000 for Municipal Battery Analysis.

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, 2021

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 13,726,804	\$ 24,113,303	\$ 37,840,107
Restricted cash	1,449,121	714,721	2,163,842
Taxes receivables (net)	23,902	-	23,902
Accounts receivable (net)	132,274	2,423,769	2,556,043
Due from other governments	1,272,746	-	1,272,746
Internal Balances	-	-	-
Inventories	-	1,494,127	1,494,127
Prepaid Expenses	21,043	3,999	25,042
Total current assets	<u>16,625,890</u>	<u>28,749,919</u>	<u>45,375,809</u>
Non-Current assets:			
Note Receivable	174,158	-	174,158
Capital Assets:			
Land, non-depreciable, improvements, and construction in process	9,204,822	8,762,436	17,967,258
Other capital assets, net of depreciation	22,868,310	15,954,969	38,823,279
Total capital assets	<u>32,073,132</u>	<u>24,717,405</u>	<u>56,790,537</u>
Total non-current assets	<u>32,247,290</u>	<u>24,717,405</u>	<u>56,964,695</u>
Total assets	<u>48,873,180</u>	<u>53,467,324</u>	<u>102,340,504</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferrals	2,157,563	500,855	2,658,418
OPEB related deferrals	1,928,478	604,413	2,532,891
Total Deferred Outflows of Resources	<u>4,086,041</u>	<u>1,105,268</u>	<u>5,191,309</u>
LIABILITIES			
Current liabilities:			
Accounts payable - trade	483,300	2,204,687	2,687,987
Accrued payroll and payroll liabilities	24,863	107,881	132,744
Accrued interest payable	158,217	70,524	228,741
Customer deposits	-	714,721	714,721
Due within one year	763,744	785,014	1,548,758
Total current liabilities	<u>1,430,124</u>	<u>3,882,827</u>	<u>5,312,951</u>
Long-term liabilities:			
Net pension liability (LGERS)	2,643,318	906,523	3,549,841
Total OPEB liability	10,576,517	3,277,103	13,853,620
Total pension obligation (LEOSSA)	1,950,581	-	1,950,581
Due within one year	7,273,743	3,136,014	10,409,757
Total long-term liabilities	<u>22,444,159</u>	<u>7,319,640</u>	<u>29,763,799</u>
Total liabilities	<u>23,874,283</u>	<u>11,202,467</u>	<u>35,076,750</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	137,421	34,393	171,814
OPEB related deferrals	2,074,760	642,859	2,717,619
Total Deferred Inflows of Resources	<u>2,212,181</u>	<u>677,252</u>	<u>2,889,433</u>
NET POSITION			
Net investment in capital assets	25,259,943	20,995,412	46,255,355
Restricted for:			
Stabilization by State Statute	2,857,149	-	2,857,149
USDA debt payments	131,593	-	131,593
Public safety	187,762	-	187,762
Transportation	493,273	-	493,273
Capital projects	60,241	-	60,241
Unrestricted	(2,117,204)	21,697,461	19,580,257
Total net position	<u>\$ 26,872,757</u>	<u>\$ 42,692,873</u>	<u>\$ 69,565,630</u>

Town of Smithfield, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,559,206	\$ 5,003	\$ 15,000	\$ -	\$ (1,539,203)	\$ -	\$ (1,539,203)
Public safety	6,541,684	302,836	572,823	-	(5,666,025)	-	(5,666,025)
Street and Public Works	1,964,517	171,800	306,806	103,034	(1,382,877)	-	(1,382,877)
Economic and Physical Development	15,876	-	3,131	-	(12,745)	-	(12,745)
Sanitation	1,369,321	1,301,583	-	-	(67,738)	-	(67,738)
Cultural and Recreational	2,393,991	342,685	20,000	-	(2,031,306)	-	(2,031,306)
Interest on long-term debt	228,840	-	-	-	(228,840)	-	(228,840)
Total governmental activities	14,073,435	2,123,907	917,760	103,034	(10,928,734)	-	(10,928,734)
Business-type activities:							
Electric	14,763,965	15,262,471	-	36,471	-	534,977	534,977
Water and Sewer	7,508,246	9,144,038	-	100,664	-	1,736,456	1,736,456
Total business-type activities	22,272,211	24,406,509	-	137,135	-	2,271,433	2,271,433
Total primary government	\$ 36,345,646	\$ 26,530,416	\$ 917,760	\$ 240,169	(10,928,734)	2,271,433	(8,657,301)
General revenues:							
Taxes:							
Ad valorem taxes					7,597,071	-	7,597,071
Unrestricted intergovernmental					4,249,641	-	4,249,641
Other taxes and licenses					59,366	-	59,366
Unrestricted investment earnings					13,560	26,091	39,651
Gain on disposal of fixed assets					20,410	-	20,410
Miscellaneous					208,790	749,012	957,802
Transfers					-	-	-
Total general revenues, special items, and transfers					12,148,838	775,103	12,923,941
Change in net position					1,220,104	3,046,536	4,266,640
Net position, beginning					25,652,653	39,646,337	65,298,990
Net position, ending					\$ 26,872,757	\$ 42,692,873	\$ 69,565,630

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

**Town of Smithfield
Balance Sheet
Governmental Funds
June 30, 2021**

	Major Funds		Non-major Funds	Total Governmental Funds
	General	General Fund Capital Projects		
ASSETS				
Cash and investments	\$ 13,579,177	\$ 4,000	\$ 143,627	\$ 13,726,804
Restricted Cash	674,173	774,948	-	1,449,121
Receivables, net:				
Taxes	23,902	-	-	23,902
Accounts	132,274	-	-	132,274
Due from other governments	1,179,388	-	93,358	1,272,746
Due from other funds	701,662	-	-	701,662
Prepaid Expenses	21,043	-	-	21,043
Total assets	<u>\$ 16,311,619</u>	<u>\$ 778,948</u>	<u>\$ 236,985</u>	<u>\$ 17,327,552</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 448,350	\$ 34,950	\$ -	\$ 483,300
Accrued payroll and payroll liabilities	24,863	-	-	24,863
Due to other funds	-	684,307	17,355	701,662
Total liabilities	<u>473,213</u>	<u>719,257</u>	<u>17,355</u>	<u>1,209,825</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	23,902	-	-	23,902
Total deferred inflows of resources	<u>23,902</u>	<u>-</u>	<u>-</u>	<u>23,902</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	21,043	-	-	21,043
Restricted:				
Stabilization by State Statute	2,763,791	-	93,358	2,857,149
USDA debt payments	131,593	-	-	131,593
Public safety	49,294	-	138,468	187,762
Streets	493,273	-	-	493,273
Capital projects	-	59,691	550	60,241
Committed:				
Bingham Park	349,461	-	-	349,461
Assigned:				
Recreation Development	144,465	-	-	144,465
Subsequent year's expenditures	613,305	-	-	613,305
Unassigned	11,248,279	-	(12,746)	11,235,533
Total fund balances	<u>15,814,504</u>	<u>59,691</u>	<u>219,630</u>	<u>16,093,825</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,311,619</u>	<u>\$ 778,948</u>	<u>\$ 236,985</u>	

(cont)

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

**Town of Smithfield
Balance Sheet
Governmental Funds
June 30, 2021**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 16,093,825
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,073,132
Notes receivable	174,158
Earned revenues considered deferred inflows of resources in fund statements.	23,902
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	557,940
Benefit payments and pension administration costs for LEOSSA	33,189
Deferred outflows of resources related to OPEB are not reported in the funds	1,928,478
Deferred outflows of resources related to pensions are not recorded on the fund statements	1,566,434
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Installment Purchase Agreements	(7,588,150)
Compensated Absences	(449,337)
Net pension liability (LGERS)	(2,643,318)
Total pension liability (LEOSSA)	(1,950,581)
Total OPEB liability	(10,576,517)
OPEB related deferrals	(2,074,760)
Pension related deferrals	(137,421)
Accrued interest payable	(158,217)
Net position of governmental activities	<u>\$ 26,872,757</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, 2021

	Major Funds		Non-major Funds	Total Governmental Funds
	General Fund	General Funds Capital Projects		
REVENUES				
Ad valorem taxes	\$ 7,393,534	\$ -	\$ 209,679	\$ 7,603,213
Other taxes and licenses	59,366	-	-	59,366
Unrestricted intergovernmental	4,249,641	-	-	4,249,641
Restricted intergovernmental	914,628	-	106,165	1,020,793
Sales and services	2,131,661	-	-	2,131,661
Investment earnings	13,552	8	-	13,560
Miscellaneous	150,454	37,764	20,572	208,790
Total revenues	14,912,836	37,772	336,416	15,287,024
EXPENDITURES				
Current:				
General government	1,473,207	-	-	1,473,207
Public safety	6,061,161	-	-	6,061,161
Street and Public Works	1,286,129	-	-	1,286,129
Sanitation	1,418,510	-	-	1,418,510
Cultural and recreation	1,766,155	-	-	1,766,155
Debt service:				
Principal	784,157	-	-	784,157
Interest and other charges	239,481	-	-	239,481
Capital outlay	-	1,688,729	25,553	1,714,282
Total expenditures	13,028,800	1,688,729	25,553	14,743,082
Excess (deficiency) of revenues over expenditures	1,884,036	(1,650,957)	310,863	543,942
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(834,000)	-	(175,400)	(1,009,400)
Transfers from other funds	175,400	834,000	-	1,009,400
Loan proceeds	-	784,572	-	784,572
Sales of capital assets	67,128	-	-	67,128
Total other financing sources (uses)	(591,472)	1,618,572	(175,400)	851,700
Net Change in fund balance	1,292,564	(32,385)	135,463	1,395,642
Fund balances, beginning as previously reported				
	14,521,940	92,076	84,167	14,698,183
Prior period restatement - change in accounting principle				
	-	-	-	-
Fund balance, beginning, as restated	14,521,940	92,076	84,167	14,698,183
Fund balances, ending	\$ 15,814,504	\$ 59,691	\$ 219,630	\$ 16,093,825

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

Town of Smithfield
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds		\$ 1,395,642
<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	2,457,564	
Depreciation expense for governmental assets	(2,190,951)	
Loss on disposal of capital assets	(46,718)	219,895
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		557,940
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		200,274
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position		33,189
Principal payments on note receivable		(7,754)
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		(6,142)
<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	(784,572)	
Principal payments on debt	784,157	(415)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)		10,641
<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		47,928
Pension expense		(1,049,752)
OPEB expense		(181,342)
Total changes in net position of governmental activities		\$ 1,220,104

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, 2021

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 7,061,000	\$ 7,061,000	\$ 7,393,534	\$ 332,534
Other taxes and licenses	69,900	69,900	59,366	(10,534)
Unrestricted intergovernmental	3,380,500	3,380,500	4,249,641	869,141
Restricted intergovernmental	294,315	589,274	914,628	325,354
Sales and services	2,304,193	2,375,893	2,131,661	(244,232)
Investment earnings	25,000	25,000	13,551	(11,449)
Miscellaneous	110,700	110,700	150,454	39,754
Total revenues	<u>13,245,608</u>	<u>13,612,267</u>	<u>14,912,835</u>	<u>1,300,568</u>
Expenditures:				
Current:				
General government	1,489,353	1,636,828	1,473,207	163,621
Public safety	6,255,372	6,618,374	6,061,161	557,213
Street and Public Works	1,399,951	1,824,297	1,286,129	538,168
Sanitation	1,250,260	1,588,335	1,418,510	169,825
Cultural and recreation	2,098,130	2,275,736	1,766,155	509,581
Debt service:				
Principal retirement	681,472	784,160	784,157	3
Interest and other charges	239,481	239,481	239,481	-
Total expenditures	<u>13,414,019</u>	<u>14,967,211</u>	<u>13,028,800</u>	<u>1,938,411</u>
Revenues over (under) expenditures	<u>(168,411)</u>	<u>(1,354,944)</u>	<u>1,884,035</u>	<u>3,238,979</u>
Other financing sources (uses):				
Appropriated (Unappropriated) fund balance	618,511	1,998,544	-	(1,998,544)
Sale of fixed assets	15,000	15,000	67,128	52,128
Loan proceeds	-	-	-	-
Transfers to other funds	(640,500)	(834,000)	(834,000)	-
Transfer from other funds	175,400	175,400	175,400	-
Total other financing sources (uses)	<u>168,411</u>	<u>1,354,944</u>	<u>(591,472)</u>	<u>(1,946,416)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>1,292,563</u>	<u>\$ 1,292,563</u>
Fund balances, beginning			<u>14,340,577</u>	
Fund balances, ending			<u>\$ 15,633,140</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment Earnings			\$ 1	
Transfer from General Fund			-	
Fund balance, beginning of year			<u>181,363</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 15,814,504</u>	

**Town of Smithfield
Statement of Net Position
Proprietary Funds
June 30, 2021**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 11,207,244	\$ 12,906,059	\$ 24,113,303
Restricted cash	559,941	154,780	714,721
Accounts receivable (net)	1,463,331	960,438	2,423,769
Due from other governments	-	-	-
Due from other funds	-	-	-
Inventories	1,222,105	272,022	1,494,127
Prepaid Expenses	3,999	-	3,999
Total current assets	<u>14,456,620</u>	<u>14,293,299</u>	<u>28,749,919</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	2,276,179	6,486,257	8,762,436
Other capital assets, net of depreciation	7,969,522	7,985,447	15,954,969
Capital assets (net)	<u>10,245,701</u>	<u>14,471,704</u>	<u>24,717,405</u>
Total noncurrent assets	<u>10,245,701</u>	<u>14,471,704</u>	<u>24,717,405</u>
Total assets	<u>24,702,321</u>	<u>28,765,003</u>	<u>53,467,324</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	96,153	95,192	191,345
Deferred outflows related to pensions	155,532	153,978	309,510
Deferred outflows related to OPEB	236,995	367,418	604,413
Total Deferred Outflows of Resources	<u>488,680</u>	<u>616,588</u>	<u>1,105,268</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,159,431	1,045,256	2,204,687
Accrued payroll and payroll liabilities:	59,950	47,931	107,881
Due to other funds	-	-	-
Customer deposits	559,941	154,780	714,721
Accrued interest payable	54,886	15,638	70,524
Compensated absences - current	27,733	22,026	49,759
Current portion of long-term debt	280,645	454,610	735,255
Total current liabilities	<u>2,142,586</u>	<u>1,740,241</u>	<u>3,882,827</u>
Noncurrent liabilities:			
Other non-current liabilities:			
Compensated absences	83,200	66,077	149,276
Net pension liability	455,538	450,985	906,523
Total OPEB Liability	1,272,401	2,004,702	3,277,103
Non-current portion of long-term debt	1,862,438	1,124,300	2,986,738
Total non-current liabilities	<u>3,673,577</u>	<u>3,646,064</u>	<u>7,319,640</u>
Total liabilities	<u>5,816,163</u>	<u>5,386,304</u>	<u>11,202,467</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	17,283	17,110	34,393
OPEB deferrals	249,603	393,256	642,859
Total Deferred Inflows of Resources	<u>266,886</u>	<u>410,366</u>	<u>677,252</u>
NET POSITION			
Net Investment in capital assets	8,102,618	12,892,794	20,995,412
Unrestricted	11,005,334	10,692,127	21,697,461
Total net position	<u>\$ 19,107,952</u>	<u>\$ 23,584,921</u>	<u>\$ 42,692,873</u>

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

Town of Smithfield
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 15,014,703	\$ 8,987,760	\$ 24,002,463
Other operating revenues	247,768	156,278	404,046
Total operating revenues	<u>15,262,471</u>	<u>9,144,038</u>	<u>24,406,509</u>
OPERATING EXPENSES			
Utility Operations	2,489,316	1,762,661	4,251,977
Electrical purchases	11,637,294	-	11,637,294
Water and sewer distributions	-	5,073,394	5,073,394
Depreciation	574,732	627,958	1,202,690
Total operating expenses	<u>14,701,342</u>	<u>7,464,013</u>	<u>22,165,355</u>
Operating income (loss)	<u>561,129</u>	<u>1,680,025</u>	<u>2,241,154</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	18,641	7,450	26,091
Sale of fixed assets	750	750	1,500
Proceeds from lawsuit	-	747,512	747,512
Interest and other charges	<u>(62,623)</u>	<u>(44,233)</u>	<u>(106,856)</u>
Total nonoperating revenues (expenses)	<u>(43,232)</u>	<u>711,479</u>	<u>668,247</u>
Income (loss) before contributions and transfers	517,897	2,391,504	2,909,401
Capital contributions	36,471	100,664	137,135
Transfer in (out)	-	-	-
Total income (loss) after contributions and transfers	<u>554,368</u>	<u>2,492,168</u>	<u>3,046,536</u>
Change in net position	554,368	2,492,168	3,046,536
Total net position , beginning	18,553,584	21,092,753	39,646,337
Total net position, ending	<u>\$ 19,107,952</u>	<u>\$ 23,584,921</u>	<u>\$ 42,692,873</u>

Town of Smithfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 15,497,474	\$ 9,337,191	\$ 24,834,665
Cash paid for goods and services	(12,421,267)	(4,537,232)	(16,958,499)
Cash paid to or on behalf of employees for services	(1,531,697)	(1,622,276)	(3,153,973)
Net customer deposits	(12,276)	7,625	(4,651)
Other operating revenues	247,768	156,278	404,046
Net cash provided (used) by operating activities	<u>1,780,002</u>	<u>3,341,586</u>	<u>5,121,588</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in due from other funds	150,000	-	150,000
Increase in due to other funds	-	(150,000)	(150,000)
Net cash provided (used) by noncapital financing activities	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(897,565)	(2,528,781)	(3,426,346)
Sale of capital assets	750	750	1,500
Capital contributions	36,471	100,664	137,135
Proceeds from lawsuit	-	747,512	747,512
Proceeds from debt	-	-	-
Principal paid on bonds and installment purchases	(272,783)	(562,383)	(835,166)
Interest paid on bonds and installment purchases	(69,802)	(48,749)	(118,551)
Net cash provided (used) by capital and related financing activities	<u>(1,202,929)</u>	<u>(2,290,987)</u>	<u>(3,493,916)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	19,917	7,450	27,367
Net cash provided (used) by investing activities	<u>19,917</u>	<u>7,450</u>	<u>27,367</u>
Net increase (decrease) in cash and investments	746,990	908,049	1,655,039
Balances, beginning	<u>11,020,195</u>	<u>12,152,790</u>	<u>23,172,985</u>
Balances, ending	<u>\$ 11,767,185</u>	<u>\$ 13,060,839</u>	<u>\$ 24,828,024</u>

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

Town of Smithfield
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 561,129	\$ 1,680,025	\$ 2,241,154
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	574,732	627,958	1,202,690
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	482,770	349,430	832,200
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventory	(87,997)	(162,356)	(250,353)
(Increase) decrease in prepaid expenses	-	-	-
(Increase) in deferred outflows of resources - pensions	(36,925)	(36,555)	(73,480)
(Increase) in deferred outflows of resources - OPEB	(216,018)	(348,121)	(564,139)
Increase (decrease) in accounts payable and accrued	153,158	791,830	944,988
Increase (decrease) in accrued payroll and payroll	38,819	(14,780)	24,039
Increase (decrease) in customer deposits	(12,276)	7,625	(4,651)
Increase (decrease) in accrued vacation pay	24,202	15,306	39,508
Increase (decrease) in net pension liability	86,550	85,685	172,235
Increase (decrease) in deferred inflows of resources - pension	3,025	2,994	6,019
Increase (decrease) in deferred inflows of resources - OPEB	(53,201)	(80,701)	(133,902)
Increase (decrease) in OPEB liability	262,033	423,246	685,279
Total adjustments	<u>\$ 1,218,872</u>	<u>\$ 1,661,561</u>	<u>\$ 2,880,433</u>
Net cash provided by operating activities	<u>\$ 1,780,001</u>	<u>\$ 3,341,586</u>	<u>\$ 5,121,587</u>

Town of Smithfield
Statement of Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

	Private-Purpose Trust Fund	Custodial Fund	Total
ASSETS			
Cash and investments	\$ 135,165	\$ 96,070	\$ 231,235
Accounts receivable	3	-	3
Due from other governments	-	-	-
Total assets	<u>135,168</u>	<u>96,070</u>	<u>231,238</u>
LIABILITIES			
Current liabilities:			
Miscellaneous liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted for:			
JB George Beautification Trust	135,168	-	135,168
Firemen's Relief	-	96,070	96,070
Total fiduciary net position	<u>\$ 135,168</u>	<u>\$ 96,070</u>	<u>\$ 231,238</u>

Town of Smithfield
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

	Private-Purpose Trust Fund	Custodial Fund	Total
ADDITIONS			
State Reimbursements	\$ -	\$ 8,025	\$ 8,025
Reimbursements	-	21,510	21,510
Investment earnings	1,231	83	1,314
Total Additions	<u>1,231</u>	<u>29,618</u>	<u>30,849</u>
DEDUCTIONS			
Special projects	65	-	65
Payments on behalf of firefighters	-	21,510	21,510
Total Deductions	<u>65</u>	<u>21,510</u>	<u>21,575</u>
Net increase (decrease) in fiduciary net position	1,166	8,108	9,274
Net position, beginning, as previously reported	134,002	-	134,002
Prior period restatement - change in accounting principle	-	87,962	87,962
Net position, beginning, as restated	<u>134,002</u>	<u>87,962</u>	<u>221,964</u>
Total net position, ending	<u>\$ 135,168</u>	<u>\$ 96,070</u>	<u>\$ 231,238</u>

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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, including fiduciary fund. 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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

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, 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.

CDBG-NR Capital Project Fund: This fund is used to account for CDBG grant funds received for a neighborhood revitalization project.

The Town reports the following fund types:

Trust Funds. 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.

Custodial Fund. Custodial Funds are 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 custodial fund 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 Town Gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants 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. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio 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	\$	493,273
Unexpended police drug forfeiture		49,294
Unspent loan proceeds		774,961
USDA loan requirements		131,593
Total governmental activities	\$	<u>1,449,121</u>
Business-type Activities		
Electric Fund		
Customer Deposits	\$	559,941
Water and Sewer Fund		
Customer Deposits		154,780
Total business-type activities	\$	<u>714,721</u>
Total Restricted Cash	\$	<u><u>2,163,842</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, 2020. 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 Capital Projects - portion of the fund balance restricted by revenue source for capital projects.

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

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, 2021, the Town's deposits had a carrying amount of \$37,851,951 and a bank balance of \$37,814,924. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$36,814,924 was covered by collateral held under the Pooling Method. The Town's petty cash totaled \$963 at June 30, 2021.

2. Investments

At June 30, 2021, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 06/30/2021	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 2,383,235	N/A	AAAm
Total:		2,383,235		

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, 2021. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard and Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2021.

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, 2021, were as follows:

	Accounts	Taxes	Due from other governments	Total
Governmental Activities:				
General	\$ 164,075	\$ 41,493	\$ 1,179,388	\$ 1,384,956
Other Governmental	-	-	93,358	93,358
Allowance for doubtful accounts	(31,801)	(17,591)	-	(49,392)
Total governmental activities	\$ 132,274	\$ 23,902	\$ 1,272,746	\$ 1,428,922
Business-Type Activities:				
Electric	\$ 1,662,473	\$ -	\$ -	\$ 1,662,473
Water and Sewer	1,040,977	-	-	1,040,977
Allowance for doubtful accounts	(279,681)	-	-	(279,681)
Total business-type activities	\$ 2,423,769	\$ -	\$ -	\$ 2,423,769

Due from other governments consisted of the following:

Local option sales tax	\$ 540,779
Franchise tax	243,206
Sales tax	262,643
Grants Receivable	93,358
Motor Vehicle - Due from the County	132,760
	<u>\$ 1,272,746</u>

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
2022	\$ 7,968	\$ 4,789	\$ 12,757
2023	8,187	4,570	12,757
2024	8,400	4,357	12,757
2025	8,643	4,114	12,757
2026	8,881	3,876	12,757
2027-2031	48,193	15,592	63,785
2032-2036	55,195	8,590	63,785
2037-2039	28,691	1,371	30,062
	<u>\$ 174,158</u>	<u>\$ 47,259</u>	<u>\$ 221,417</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021 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	\$ 6,390,048	\$ -	\$ -	\$ 6,390,048
Construction in Progress	1,801,063	1,698,405	684,694	2,814,774
Total capital assets not being depreciated	<u>8,191,111</u>	<u>1,698,405</u>	<u>684,694</u>	<u>9,204,822</u>
Capital assets being depreciated:				
Buildings and improvements	17,327,228	95,911	-	17,423,139
Infrastructure	55,359,609	334,735	-	55,694,344
Equipment and vehicles	8,184,064	1,013,207	502,264	8,695,007
Total capital assets being depreciated	<u>80,870,901</u>	<u>1,443,853</u>	<u>502,264</u>	<u>81,812,490</u>
Less accumulated depreciation for:				
Buildings and improvements	9,141,738	712,907	-	9,854,645
Infrastructure	42,876,022	959,503	-	43,835,525
Equipment and vehicles	5,191,015	518,541	455,546	5,254,010
Total accumulated depreciation	<u>57,208,775</u>	<u>\$ 2,190,951</u>	<u>\$ 455,546</u>	<u>58,944,180</u>
Total capital assets being depreciated, net	<u>23,662,126</u>			<u>22,868,310</u>
Governmental activity capital assets, net	<u>\$ 31,853,237</u>			<u>\$ 32,073,132</u>

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

General government	\$ 186,412
Public safety	418,306
Street and public works	709,280
Sanitation	85,850
Cultural and recreational	791,103
	<u>\$ 2,190,951</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	2,522,878	874,938	1,121,637	2,276,179
Total capital assets not being depreciated	<u>2,522,878</u>	<u>874,938</u>	<u>1,121,637</u>	<u>2,276,179</u>
Capital assets being depreciated:				
Plant and distribution systems	14,221,660	1,121,637	-	15,343,297
Equipment	2,471,874	22,627	23,564	2,470,937
Total capital assets being depreciated	<u>16,693,534</u>	<u>1,144,264</u>	<u>23,564</u>	<u>17,814,234</u>
Less accumulated depreciation for:				
Plant and distribution systems	6,997,831	530,594	-	7,528,425
Equipment	2,295,713	44,138	23,564	2,316,287
Total accumulated depreciation	<u>9,293,544</u>	<u>\$ 574,732</u>	<u>\$ 23,564</u>	<u>9,844,712</u>
Total capital assets being depreciated, net	<u>7,399,990</u>			<u>7,969,522</u>
Electric fund capital assets, net	<u>\$ 9,922,868</u>			<u>\$ 10,245,701</u>

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	4,206,725	2,269,532	-	6,476,257
Total capital assets not being depreciated	<u>4,216,725</u>	<u>2,269,532</u>	-	<u>6,486,257</u>
Capital assets being depreciated:				
Plant and distribution systems	17,646,500	204,778	-	17,851,278
Furniture and maintenance equipment	2,992,419	54,471	-	3,046,890
Total capital assets being depreciated	<u>20,638,919</u>	<u>259,249</u>	-	<u>20,898,168</u>
Less accumulated depreciation for:				
Plant and distribution systems	10,228,826	466,875	-	10,695,701
Equipment	2,055,937	161,083	-	2,217,020
Total accumulated depreciation	<u>12,284,763</u>	<u>\$ 627,958</u>	<u>\$ -</u>	<u>12,912,721</u>
Total capital assets being depreciated, net	<u>8,354,156</u>			<u>7,985,447</u>
Water and Sewer fund capital assets, net	<u>\$ 12,570,881</u>			<u>\$ 14,471,704</u>
Business-type activities capital assets, net	<u>\$ 22,493,749</u>			<u>\$ 24,717,405</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Stature 128-30 and may be amended only by the North Carolina General Assembly. Town of Smithfield employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Smithfield contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.21% 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 \$749,285 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$3,549,841 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the Town's proportion was 0.0993%, which was a decrease of 0.0060% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$1,159,567. At June 30, 2021, 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	\$ 448,283	\$ -
Changes of assumptions	264,178	-
Net difference between projected and actual earnings on pension plan investments	499,545	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	134,679
Employer contributions subsequent to the measurement date	749,285	-
Total	<u>\$ 1,961,291</u>	<u>\$ 134,679</u>

\$749,285 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 293,542
2023	410,441
2024	225,505
2025	147,839
2026	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 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, 2020 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	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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)	\$ 7,202,241	\$ 3,549,841	\$ 514,440

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Active plan members	36
Total	40

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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

Mortality Rate

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths Before Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

Deaths After Retirement (Beneficiary): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths After Retirement (Disabled): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

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, 2021 was \$87,446.

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

At June 30, 2021, the Town reported a total pension liability of \$1,950,581. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$186,304.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173,752	\$ 3,138
Changes of assumptions	490,186	33,997
Benefit payments and plan administrative expense made subsequent to the measurement date	33,189	-
Total	\$ 697,127	\$ 37,135

\$33,189 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	125,698
2023		127,325
2024		124,436
2025		119,598
2026		112,099
Thereafter		17,647

Sensitivity of the Town'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 1.93 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 (0.93 percent) and 1-percentage-point higher (2.93 percent) than the current rate.

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 2,119,064	\$ 1,950,581	\$ 1,795,886

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

	<u>2021</u>
Beginning balance	\$ 1,260,626
Service Cost	58,451
Interest on the total pension liability	39,671
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	159,976
Changes of assumptions or other inputs	519,303
Benefit payments	(87,446)
Other changes	-
Net Change	<u>689,955</u>
Ending balance of the total pension liability	<u><u>\$ 1,950,581</u></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, 2019 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2020.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 1,159,567	\$ 186,304	\$ 1,345,871
Pension Liability	3,549,841	1,950,581	5,500,422
Proportionate share of the net pension liability	0.0993%	n/a	

Deferred Outflows of Resources

Differences between expected and actual experience	\$ 448,283	\$ 173,752	\$ 622,035
Changes of assumptions	264,178	490,186	754,364
Net difference between projected and actual earnings on pension plan investment	499,545	-	499,545
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	749,285	33,189	782,474

Deferred Inflows of Resources

Differences between expected and actual experience	-	3,138	3,138
Changes of assumptions	-	33,997	33,997
Changes in proportion and differences between contributions and proportionate share of contributions	134,679	-	134,679

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2021 were \$223,465, which consisted of \$101,429 from the Town and \$122,036 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2021 were \$497,743, which consisted of \$137,745 from the Town and \$359,998 from the employees.

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town provides post-retirement healthcare benefits through a single-employer defined benefit plan. The Town Board has the audhtority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Retirees of the Town qualify if 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, 49 retirees are eligible vested in post-retirement health benefits. 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, 2020, the date of the last actuarial valuation:

	General
	Employees:
Retirees and dependents receiving benefits	49
Active plan members	140
Total	<u>189</u>

Total OPEB Liability

The Town's total OPEB liability of \$13,853,620 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 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	2.21 percent
Healthcare cost trend rate	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	\$ 10,958,720
Changes for the year	
Service cost	233,245
Interest	385,902
Changes of benefit terms	-
Differences between expected and actual experience	189
Changes in assumptions or other inputs	2,610,852
Benefit payments	(335,288)
Net changes	<u>2,894,900</u>
Balance at June 30, 2021	<u><u>\$ 13,853,620</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

Sensitivity of the Total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) and 1-percentage-point higher (3.21 percent).

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 16,553,149	\$ 13,853,620	\$ 11,760,583

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town'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	\$ 11,497,697	\$ 13,853,620	\$ 16,925,265

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$237,517. At June 30, 2021, 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	\$ 3,281	\$ 1,575,858
Changes of assumptions	2,260,402	1,141,761
Benefit payments and administrative costs made subsequent to the measurement date	269,208	-
Total	<u><u>\$ 2,532,891</u></u>	<u><u>\$ 2,717,619</u></u>

\$150,729 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	(215,468)
2023		(215,468)
2024		(215,468)
2025		(169,556)
2026		(14,011)
Thereafter		376,035

2. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, Cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement of termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefits will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2020, 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

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience		
LGERS	\$ 448,283	\$ -
LEOSSA	173,752	3,138
OPEB	3,281	1,575,858
Changes of assumptions		
LGERS	264,178	-
LEOSSA	490,186	33,997
OPEB	2,260,402	1,141,761
Difference between projected and actual investment		
LGERS	499,545	-
Change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	-	134,679
Contributions to pension plan in current fiscal year		
LGERS	749,285	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	33,189	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	269,208	-
Taxes receivable, net (General)	-	23,902
Total	<u>\$ 5,191,309</u>	<u>\$ 2,913,335</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 \$5 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 contracting 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, 2020 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. \$ 1,050,000

\$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. 1,575,000

\$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. 2,462,519

\$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. 360,422

\$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. 56,275

\$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. 54,591

\$1,126,105 direct borrowing agreement for a fire truck (ladder) due in annual installments of \$75,697 through October 2039, including interest at 3.0%. The issue date was October 2019 from USDA. The equipment stands as collateral for the loan. In the event of default, the Government at its option may declare all or any part of any such indebtedness immediately due and payable. 1,084,284

\$199,345 direct placement agreement for hook lift truck, due in annual installments of \$21,043 through January 2025, including interest at 2.15%. The issue date was March 12, 2020 from Truist Bank. The equipment is pledged as collateral for the loan. Upon continuation of any event of 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 Borrower's performance of the applicable covenants of the contract or to recover for the breach thereof; (c) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner lender may reasonably deem appropriate; and (d) avail itself of all available remedies under the Contract. 160,487

\$784,572 direct borrowing agreement for the police expansion project, due in semi-annual installments of \$30,760 through April 2036, including interest at 2.13%. The issue date was April 21, 2021 from United Community Bank. A security interest in all equipment and fixtures installed in and comprising part of the project serve as collateral. Upon continuation of any event of default, the Lender may: (a) declare the entire amount of the principal portion of the payments immediately due and payable; (b) proceed by appropriate court action to enforce the Borrower's performance of the applicable covenants of the contract or to recover for the breach thereof; (c) exercise any rights provided to Lender to foreclose upon its security interest in any collateral; (d) terminate this agreement and use the property in its sole discretion; and (e) use any remaining portion of the Financing Proceeds that has not been previously disbursed to complete construction of the Project. 784,572

Total governmental activities

\$ 7,588,150

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. \$ 620,992

\$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. 767,083

\$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.

190,836

The Town entered into a \$12,050,000 direct borrowing agreement for the Water Plant Expansion Project due in semi-annual installments of \$602,500 made once annually and interest installments made twice annually, through May 2042 with interest at 1.11% from the State of North Carolina. In the event of any default, the Lender may: (1) withhold any funds due from the State to the local government until the note is paid and (2) declare the note payable immediately if the Unit has not prepared a schedule of fees for the project, arrange for necessary financing of the Project within one year of the date of the acceptance of the revolving loan, and award a contract for construction within one year of the date of acceptance of the revolving loan. This loan is a drawdown loan, and as of June 30, 2021, the Town had requested funds to cover expenditures, but had not received any drawdowns. Therefore, no loan amount was recorded on the books at year end.

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Total business-type activities

\$ 1,578,911

Future minimum payments as of June 30, 2021 for the installment purchase contracts are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 651,410	\$ 232,817	\$ 454,611	\$ 35,975
2023	658,814	214,312	270,525	26,923
2024	637,609	195,623	277,454	19,994
2025	625,603	177,449	284,539	12,909
2026	590,391	159,350	291,782	5,694
2027-2031	1,854,369	565,901	-	-
2032-2036	1,104,732	368,405	-	-
2037-2041	890,764	199,401	-	-
2042-2046	574,458	54,827	-	-
Total	<u>\$ 7,588,150</u>	<u>\$ 2,168,085</u>	<u>\$ 1,578,911</u>	<u>\$ 101,495</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.

\$ 2,143,083

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 \$2,143,083. Principal and interest paid for the current year revenue bonds and total electric customer net revenues were \$342,585 and \$561,129, respectively.

The debt service coverage ratio calculation for the year ended June 30, 2021 is as follows:

Operating revenues	\$ 15,262,471
Operating expenses	(14,701,342)
Add back:	
Investment earnings	18,641
Depreciation	574,732
Income available for debt service	<u>\$ 1,154,502</u>
Debt service principal and interest paid (Revenue bond only)	<u>\$ 342,585</u>
Debt service coverage ratio	337%

The Town's debt service coverage ratio is greater than 120% of the debt service requirement for the year ended June 30, 2021.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 280,645	\$ 61,941	\$ 342,586
2023	288,755	53,830	342,585
2024	297,100	45,485	342,585
2025	305,686	36,899	342,585
2026	314,521	28,065	342,586
2027-2031	656,376	28,619	684,995
	<u>\$ 2,143,083</u>	<u>\$ 254,839</u>	<u>\$ 2,397,922</u>

c. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Direct Placement and Direct Borrowing					
Installment purchases	\$ 7,587,735	\$ 784,572	\$ 784,157	\$ 7,588,150	\$ 651,410
Compensated absences	497,265	-	47,928	449,337	112,334
Net pension liability (LGERS)	2,141,100	502,218	-	2,643,318	-
Total pension liability (LEOSSA)	1,260,626	689,955	-	1,950,581	-
Total OPEB Liability	8,366,896	2,209,621	-	10,576,517	-
Total Governmental	\$ 19,853,622	\$ 4,186,366	\$ 832,085	\$ 23,207,903	\$ 763,744
Business-type activities:					
Electric Fund					
Revenue bonds	\$ 2,415,866	\$ -	\$ 272,783	\$ 2,143,083	\$ 280,645
Compensated absences	86,731	24,202	-	110,933	27,733
Net pension liability (LGERS)	368,988	86,550	-	455,538	-
Total OPEB Liability	1,010,368	262,033	-	1,272,401	-
Total Electric Fund	3,881,953	372,785	272,783	3,981,955	308,378
Water Fund					
Direct Placement and Direct Borrowing					
Installment purchases	2,141,293	-	562,383	1,578,910	454,610
Compensated absences	72,797	15,306	-	88,103	22,026
Net pension liability	365,300	85,685	-	450,985	-
Total OPEB Liability	1,581,456	423,246	-	2,004,702	-
Total Water Fund	4,160,846	524,237	562,383	4,122,700	476,636
Total Business-type	\$ 8,042,799	\$ 897,022	\$ 835,166	\$ 8,104,655	\$ 785,014

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, 2021, the Town of Smithfield had a legal debt margin of \$92,606,333.

C. Interfund Balances and Activity

Due To/From Other Funds

	From	To
General Fund	\$ -	\$ 701,662
General Fund Capital Project Fund	684,307	-
Smithfield Fire Tax District	4,609	-
CDBG-NR	12,746	-
Total Interfund Balances	<u>\$ 701,662</u>	<u>\$ 701,662</u>

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

Transfers

Transfers to/from other funds at June 30, 2021, 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. \$ 834,000

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 \$ 1,009,400

Enterprise Funds:

From the Electric Fund to the Electric Fund Capital Project fund to provide resources for a capital project. \$ 620,000

From the Water Sewer Fund to the Water Sewer Fund Capital Project fund to provide resources for a capital project. 3,298,500

Total Transfers - Enterprise Funds \$ 3,918,500

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 \$18,087 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, 2021. 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

	<u>Business-Type</u>		
	<u>Governmental</u>	<u>Water/Sewer</u>	<u>Electric</u>
Capital Assets	\$ 32,073,132	\$ 14,471,704	\$ 10,245,701
less: long-term debt	(7,588,150)	(1,578,910)	(2,143,083)
add: unexpended debt proceeds	774,961	-	-
Net Investment in Capital Assets	<u>\$ 25,259,943</u>	<u>\$ 12,892,794</u>	<u>\$ 8,102,618</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	\$ 15,814,504
Less:	
Prepaid	21,043
USDA debt Payments	131,593
Public safety	49,294
Stabilization by State statute	2,763,791
Streets	493,273
Bingham Park	349,461
Recreation development	144,465
Subsequent year's expenditures	613,305
Remaining Fund Balance	<u>\$ 11,248,279</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.

<u>Encumbrances</u>	<u>General Fund</u>	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>
	\$ 750,467	\$ 334,174	\$ 248,099

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, 2021 were \$11,637,294.

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 \$270,000 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 2021, 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.

Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonable estimated as events associated with the pandemic continue to develop.

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.

IX: Restatement

Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the Town performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as follows:

	Governmental Activities Net Position - Increase (Decrease)	Fiduciary Net Position - Custodial Fund - Increase (Decrease)
Cash received under the Firemen's Relief program for payments on behalf of firefighters were reclassified out of the Agency Fund into a custodial fund. The portion of liabilities in the Agency Fund representing net cash available at the beginning of the year were restated as fund balance.	\$ -	\$ 87,962

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 Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Smithfield's proportion of the net liability (asset) (%)	0.09934%	0.10529%	0.11189%	0.10779%
Smithfield's proportion of the net pension liability (asset) (\$)	\$ 3,549,841	\$ 2,875,388	\$ 2,654,413	\$ 1,646,733
Smithfield's covered payroll	\$ 6,980,237	\$ 6,688,559	\$ 6,471,444	\$ 6,332,100
Smithfield's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	50.86%	42.99%	41.02%	26.01%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Smithfield's proportion of the net liability (asset) (%)	0.10709%	0.11419%	0.11846%	0.12370%
Smithfield's proportion of the net pension liability (asset) (\$)	\$ 2,272,809	\$ 512,482	\$ (698,613)	\$ 1,491,060
Smithfield's covered payroll	\$ 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 payroll	39.22%	8.57%	-11.59%	24.20%
Plan fiduciary net position as a percentage of the total pension liability**	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 Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 749,285	\$ 642,436	\$ 536,238	\$ 502,739
Contributions in relation to the contractually required contribution	<u>749,285</u>	<u>642,436</u>	<u>536,238</u>	<u>502,739</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Smithfield's covered payroll	\$ 7,214,828	\$ 6,980,237	\$6,688,559	\$6,471,444
Contributions as a percentage of covered payroll	10.39%	9.20%	8.02%	7.77%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 477,283	\$ 399,093	\$ 382,494	\$ 429,916
Contributions in relation to the contractually required contribution	<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>
Smithfield's covered payroll	\$ 6,332,100	\$ 5,795,276	\$5,977,396	\$6,030,168
Contributions as a percentage of covered payroll	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
Last Four Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 1,260,626	\$ 1,201,136	\$ 1,175,635	\$ 1,094,022
Service Cost	58,451	51,579	60,482	49,836
Interest on the total pension liability	39,671	42,070	35,977	40,826
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	159,976	15,518	55,028	(8,242)
Changes of assumptions or other inputs	519,303	41,047	(51,771)	71,898
Benefit payments	(87,446)	(90,724)	(74,215)	(72,705)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,950,581</u>	<u>\$ 1,260,626</u>	<u>\$ 1,201,136</u>	<u>\$ 1,175,635</u>

*The amounts presented for each fiscal year were determined as of the prior year ending December 31.

Town of Smithfield, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Four Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 1,950,581	\$ 1,260,626	\$ 1,201,136	\$ 1,175,635
Covered Payroll	1,902,536	1,849,051	1,978,348	1,924,764
Total pension liability as a percentage of covered payroll	102.53%	68.18%	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
Last Four Fiscal Years

Total OPEB Liability	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 233,245	\$ 279,252	\$ 295,722	\$ 334,034
Interest	385,902	488,156	458,419	416,226
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	189	(2,154,154)	3,046	2,589
Changes of assumptions	2,610,852	(33,706)	(743,704)	(1,369,309)
Benefit payments	(335,288)	(336,428)	(346,588)	(323,467)
Net change in total OPEB liability	<u>2,894,900</u>	<u>(1,756,880)</u>	<u>(333,105)</u>	<u>(939,927)</u>
Total OPEB liability - beginning	<u>10,958,720</u>	<u>12,715,600</u>	<u>13,048,705</u>	<u>13,988,632</u>
ending	<u><u>\$ 13,853,620</u></u>	<u><u>\$ 10,958,720</u></u>	<u><u>\$ 12,715,600</u></u>	<u><u>\$ 13,048,705</u></u>
Covered payroll	\$ 6,330,239	\$ 6,330,239	\$ 5,979,453	\$ 5,979,453
Total OPEB liability as a percentage of covered	218.85%	173.12%	212.65%	218.23%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

SUPPLEMENTARY STATEMENTS
AND SCHEDULES

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

Town of Smithfield, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes			
Taxes		\$ 7,190,073	
Downtown district tax		159,667	
Penalties and interest		43,794	
Total	\$ 7,061,000	7,393,534	\$ 332,534
Other taxes and licenses			
Zoning permits		15,275	
Other permits and license		44,286	
Occupancy tax		(195)	
Total	69,900	59,366	(10,534)
Unrestricted intergovernmental			
Franchise tax		975,099	
Beer and wine tax		48,527	
ABC board profit distribution		85,902	
Local option sales tax		3,011,061	
PEG channel fees		90,799	
Solid waste disposal tax		8,607	
Excise tax - rentals		29,646	
Total	3,380,500	4,249,641	869,141
Restricted intergovernmental			
Powell Bill allocation		306,806	
Department of Justice forfeitures		11,067	
JAG grant		3,609	
Grant revenue		593,146	
Total	589,274	914,628	325,354
Permits and fees			
Cemetery lot sales and grave openings		171,800	
DSDC loan repayment		12,757	
Public safety fees		254,836	
Refuse collection fees		1,301,583	
Recreation fees		25,389	
EMS fees		48,000	
Aquatic Center fees		317,296	
Total	2,375,893	2,131,661	(244,232)
Investment earnings	25,000	13,551	(11,449)

Town of Smithfield, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Miscellaneous			
Cell tower rental		65,969	
Other		84,485	
Total	110,700	150,454	39,754
Total Revenues	13,612,267	14,912,835	1,300,568
Expenditures:			
General Government:			
Governing Body			
Salaries and employee benefits		251,483	
Operating expenditures		225,090	
Overhead allocated to other funds		(34,002)	
Total	444,924	442,571	2,353
Administration			
Operating expenditures		653,022	
Overhead allocated to other funds		(46,592)	
Total	695,938	606,430	89,507
Finance			
Salaries and employee benefits		87,969	
Operating expenditures		22,841	
Overhead allocated to other funds		(7,906)	
Total	125,887	102,904	22,983
Building and Planning			
Salaries and employee benefits		265,103	
Operating expenditures		56,199	
Total	370,079	321,302	48,777
Total general government	1,636,828	1,473,207	163,621
Public Safety:			
Police			
Salaries and employee benefits		3,250,338	
Operating expenditures		305,989	
Capital outlay		349,430	
Total	4,290,445	3,905,757	384,688

Town of Smithfield, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Fire			
Salaries and employee benefits		1,684,675	
Operating expenditures		465,605	
Total	2,322,805	2,150,280	172,525
Total public safety	6,618,374	6,061,161	557,213
Street and Public Works:			
Community Appearance			
Salaries and employee benefits		359,901	
Operating expenditures		305,552	
Total	706,841	665,453	41,388
Streets			
Salaries and employee benefits		264,676	
Operating expenditures		195,518	
Total	690,111	460,194	229,917
Powell Bill			
Operating expenditures		56,474	
Total	314,315	56,474	257,841
Garage			
Salaries and employee benefits		70,721	
Operating expenditures		33,287	
Total	113,030	104,008	9,022
Total Street and Public Works	1,824,297	1,286,129	538,168
Sanitation:			
Salaries and employee benefits		778,540	
Operating expenditures		491,418	
Capital outlay		148,552	
Total Sanitation	1,588,335	1,418,510	169,825
Cultural and recreational:			
Salaries and employee benefits		974,332	
Operating expenditures		791,823	
Total Cultural and Recreational	2,275,736	1,766,155	509,581

Town of Smithfield, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement		784,157	
Interest and other charges		239,481	
Total debt service	<u>1,023,641</u>	<u>1,023,638</u>	<u>3</u>
Total expenditures	<u>14,967,211</u>	<u>13,028,800</u>	<u>1,938,411</u>
Revenues over (under) expenditures	<u>(1,354,944)</u>	<u>1,884,035</u>	<u>3,238,979</u>
Other financing sources (uses):			
Appropriated fund balance	1,998,544	-	(1,998,544)
Transfers from other funds	175,400	175,400	-
Transfers to other funds	(834,000)	(834,000)	-
Loan proceeds	-	-	-
Sale of fixed assets	15,000	67,128	52,128
Total	<u>1,354,944</u>	<u>(591,472)</u>	<u>(1,946,416)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	1,292,563	<u>\$ 1,292,563</u>
Fund balance, beginning		<u>14,340,577</u>	
Fund balance, ending		<u>\$ 15,633,140</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 Year Ended June 30, 2021

	Budget	Actual	Variance
Revenues			
Investment Earnings	\$ -	\$ 1	\$ 1
Total revenues	-	1	1
Revenues over (under) expenses	-	1	1
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	\$ -	1	\$ 1
Fund balance, beginning		181,363	
Fund balance, ending		\$ 181,364	

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, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Completed Project</u>	<u>Total Project to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues						
Restricted intergovernmental Contributions	\$ 412,256	\$ 233,256	\$ -	\$ -	\$ 233,256	\$ (179,000)
Contributions	257,544	173,293	37,764	-	211,057	(46,487)
Investment earnings	12,588	-	8	-	8	(12,580)
Total revenues	<u>682,388</u>	<u>406,549</u>	<u>37,772</u>	<u>-</u>	<u>444,321</u>	<u>(238,067)</u>
Expenditures						
Wayfinding	262,550	250,367	28,000	-	278,367	(15,817)
Rescue Equipment	261,352	262,417	-	-	262,417	(1,065)
Miracle Park - Ph 2	210,000	50,546	-	-	50,546	159,454
Building Reuse	197,250	142,822	-	-	142,822	54,428
Ladder Truck	1,126,105	-	-	-	-	1,126,105
Hook Lift Truck	212,840	-	-	-	-	212,840
Equity Drive Repairs	827,000	15,175	946,411	-	961,586	(134,586)
Police Building Expansion	-	-	9,624	-	9,624	(9,624)
Fire Engine #1	-	-	560,500	(560,500)	-	-
Spring Branch Restoration	-	-	20,000	-	20,000	(20,000)
Splash Pad - Collins Park	125,000	-	124,194	(124,194)	-	125,000
Total expenditures	<u>3,222,097</u>	<u>721,327</u>	<u>1,688,729</u>	<u>(684,694)</u>	<u>1,725,362</u>	<u>1,496,735</u>
Revenues over (under) expenditures	<u>(2,539,709)</u>	<u>(314,779)</u>	<u>(1,650,957)</u>	<u>684,694</u>	<u>(1,281,041)</u>	<u>1,258,668</u>
Other financing sources (uses)						
Transfers in	1,214,259	2,250,743	834,000	(684,694)	2,400,049	1,185,790
Loan Proceeds	1,325,450	-	784,572	-	784,572	(540,878)
Total other financing sources (uses)	<u>2,539,709</u>	<u>2,250,743</u>	<u>1,618,572</u>	<u>(684,694)</u>	<u>3,184,621</u>	<u>644,912</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,935,964</u>	<u>(32,385)</u>	<u>\$ -</u>	<u>1,903,580</u>	<u>\$ 1,903,580</u>
Fund balance, beginning			<u>92,076</u>			
Fund balance, ending			<u>\$ 59,691</u>			

Town of Smithfield, North Carolina
Combining Balance Sheet
Non-Major Funds
June 30, 2021

	<u>Special Revenue</u>	<u>Capital Projects</u>		<u>Total Non- major Governmental Funds</u>
	<u>Smithfield Fire Tax District</u>	<u>FEMA Elevations and Acquisitions</u>	<u>CDBG-NR</u>	
Assets				
Cash and cash equivalents	\$ 143,077	\$ 550	\$ -	\$ 143,627
Due from other governments	-	93,358	-	93,358
Total Assets	<u>\$ 143,077</u>	<u>\$ 93,908</u>	<u>\$ -</u>	<u>\$ 236,985</u>
Liabilities				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	4,609	-	12,746	17,355
Total Liabilities	<u>4,609</u>	<u>-</u>	<u>12,746</u>	<u>17,355</u>
Fund balances:				
Nonspendable:				
State Statute	-	93,358	-	93,358
Restricted:				
Public Safety	138,468	-	-	138,468
Capital Outlay	-	550	-	550
Unassigned	-	-	(12,746)	(12,746)
Total Fund Balances	<u>138,468</u>	<u>93,908</u>	<u>(12,746)</u>	<u>219,630</u>
Total liabilities and fund balanc	<u>\$ 286,154</u>	<u>\$ 93,908</u>	<u>\$ -</u>	<u>\$ 473,970</u>

**Town of Smithfield
Non-Major Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021**

	<u>Special Revenue</u>	<u>Capital Projects</u>		<u>Total Non-Major Funds</u>
	<u>Smithfield Fire Tax District</u>	<u>Elevations and Acquisitions</u>	<u>CDBG-NR</u>	
REVENUES				
Ad valorem taxes	\$ 209,679	\$ -	\$ -	\$ 209,679
Restricted intergovernmental	-	103,034	3,131	106,165
Investment earnings	-	-	-	-
Miscellaneous	20,572	-	-	20,572
Total revenues	<u>230,251</u>	<u>103,034</u>	<u>3,131</u>	<u>336,416</u>
EXPENDITURES				
Public safety	-	-	-	-
Capital outlay	-	9,676	15,877	25,553
Total expenditures	<u>-</u>	<u>9,676</u>	<u>15,877</u>	<u>25,553</u>
Excess (deficiency) of revenues over expenditures	<u>230,251</u>	<u>93,358</u>	<u>(12,746)</u>	<u>310,863</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(175,400)	-	-	(175,400)
Total other financing sources (uses)	<u>(175,400)</u>	<u>-</u>	<u>-</u>	<u>(175,400)</u>
Net Change in fund balance	54,851	93,358	(12,746)	135,463
Fund balances, beginning	<u>83,617</u>	<u>550</u>	<u>-</u>	<u>84,167</u>
Fund balances, ending	<u>\$ 138,468</u>	<u>\$ 93,908</u>	<u>\$ (12,746)</u>	<u>\$ 219,630</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, 2021

	Budget	Actual	Variance
Revenues			
Fire district taxes	\$ 168,000	\$ 209,679	\$ 41,679
Other Income	7,400	20,572	13,172
Total revenues	<u>175,400</u>	<u>230,251</u>	<u>54,851</u>
Expenditures			
Public Safety	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenses	175,400	230,251	54,851
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>	54,851	<u>\$ 54,851</u>
Fund balance, beginning		<u>83,617</u>	
Fund balance, ending		<u>\$ 138,468</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, 2021

	<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	977,515	9,676	987,191	(792,522)
SARF (State Grant)	91,200	93,358	93,358	186,716	95,516
Total revenues	<u>2,170,205</u>	<u>1,080,285</u>	<u>103,034</u>	<u>1,183,319</u>	<u>(986,886)</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	500	500	-	500	-
Admin & Legal	9,100	7,288	-	7,288	1,812
Relocation	5,800	-	-	-	5,800
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	7,322	-	7,322	2,278
Project Inspection	4,000	-	-	-	4,000
Admin & Legal	46,936	46,536	5,676	52,212	(5,276)
Relocation	6,000	-	-	-	6,000
Site Work	32,336	32,336	-	32,336	-
Demolition & Removal	166,227	67,978	4,000	71,978	94,249
Land, Structures, Appraisals, Right-of- way	1,429,866	806,377	-	806,377	623,489
SARF - Administrative	5,500	7,658	-	7,658	(2,158)
SARF - Assistance	85,700	85,700	-	85,700	-
Total expenditures	<u>2,170,205</u>	<u>1,079,735</u>	<u>9,676</u>	<u>1,089,411</u>	<u>1,080,794</u>
Revenues over (under) expenditures	<u>-</u>	<u>550</u>	<u>93,358</u>	<u>93,908</u>	<u>93,908</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 550</u>	<u>93,358</u>	<u>\$ 93,908</u>	<u>\$ 93,908</u>
Fund balance, beginning			<u>550</u>		
Fund balance, ending			<u>\$ 93,908</u>		

Town of Smithfield, North Carolina
CDBG-NR - Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and For the Year Ended June 30, 2021

	<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					
CDBG-NR	\$ 750,000	\$ -	\$ 3,131	\$ 3,131	\$ (746,869)
Total revenues	<u>750,000</u>	<u>-</u>	<u>3,131</u>	<u>3,131</u>	<u>(746,869)</u>
Expenditures					
Administration	75,000	-	6,627	6,627	68,373
Clearance	28,900	-	9,250	9,250	19,650
Housing	646,100	-	-	-	646,100
Total expenditures	<u>750,000</u>	<u>-</u>	<u>15,877</u>	<u>15,877</u>	<u>734,123</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(12,746)</u>	<u>(12,746)</u>	<u>(12,746)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(12,746)</u>	<u>\$ (12,746)</u>	<u>\$ (12,746)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (12,746)</u>		

Town of Smithfield, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Electricity sales		\$ 15,014,703	
Connection fees		76,930	
Miscellaneous		86,503	
Penalties		84,335	
Total	<u>\$ 16,604,156</u>	<u>15,262,471</u>	<u>\$ (1,341,685)</u>
Non-operating revenues:			
Sale of fixed assets		750	
Interest earnings		18,641	
Total	<u>40,000</u>	<u>19,391</u>	<u>(20,609)</u>
Total revenues	<u>16,644,156</u>	<u>15,281,862</u>	<u>(1,362,294)</u>
Expenditures:			
Electrical purchases		11,637,294	
Electrical operations		846,544	
Salaries and employee benefits		1,570,516	
Capital outlay		25,217	
Debt service		335,406	
Total expenditures	<u>15,852,163</u>	<u>14,414,977</u>	<u>(1,437,186)</u>
Other financing sources (uses):			
Appropriated fund balance	(96,993)	-	
Capital Contributions	-	36,471	36,471
Transfer to Capital Project Fund	<u>(695,000)</u>	<u>(620,000)</u>	
Total other financing sources (uses)	<u>(791,993)</u>	<u>(583,529)</u>	<u>208,464</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>283,356</u>	<u>\$ 283,356</u>
Reconciliation from budgetary basis (modified accrual to full accrual:			
Revenues and other sources over expenditures and other uses		283,356	
Reconciling items:			
Principal repayment on long-term debt		272,783	
Capital outlay		22,627	
Depreciation		(574,732)	
Increase (Decrease) in deferred outflows of resources - pensions		36,925	
Increase (Decrease) in deferred outflows of resources - OPEB		216,018	
(Increase) Decrease in net pension liability		(86,550)	
(Increase) Decrease in deferred inflows of resources - pension		(3,025)	
(Increase) Decrease in compensated absences		(24,202)	
(Increase) Decrease in deferred inflows of resources - OPEB		53,201	
(Increase) Decrease in total OPEB liability		(262,033)	
Transfer to Capital Project (Ex D-1A)		620,000	
Total reconciling items		<u>271,012</u>	
Change in Net Position		<u>\$ 554,368</u>	

Town of Smithfield, North Carolina
Electric Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Years	Closed Projects	Total to Date	Variance Positive (Negative)
Expenditures						
Financial Software	\$ 45,833	\$ -	\$ -	\$ -	\$ -	\$ 45,833
Voltage Conversion	950,000	932,208	77,257	-	1,009,465	(59,465)
Delivery Point 3	75,000	-	-	-	-	75,000
Booker Dairy Power Line	275,000	-	-	-	-	275,000
North Circuit Design	1,025,000	592,560	529,077	(1,121,637)	-	1,025,000
Bucket Tractor	265,000	207,729	-	-	207,729	57,271
AMI	1,051,582	790,381	268,604	-	1,058,985	(7,403)
Total expenditures	<u>3,687,415</u>	<u>2,522,878</u>	<u>874,938</u>	<u>(1,121,637)</u>	<u>2,276,179</u>	<u>1,411,236</u>
Other financing sources (uses):						
Transfer from Electric Fund	<u>3,687,415</u>	<u>3,543,071</u>	<u>620,000</u>	-	<u>4,163,071</u>	<u>475,656</u>
Total financing sources (uses)	<u>3,687,415</u>	<u>3,543,071</u>	<u>620,000</u>	-	<u>4,163,071</u>	<u>475,656</u>
Revenues and other sources over (under) expenditures and other uses						
	<u>\$ -</u>	<u>\$ 1,020,193</u>	<u>\$ (254,938)</u>	<u>\$ 1,121,637</u>	<u>\$ 1,886,892</u>	<u>\$ 1,886,892</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, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$ 4,672,930	\$ 4,480,723	\$ 192,207
Sewer sales	4,385,000	4,507,037	(122,037)
Connection and tap fees	16,500	85,384	(68,884)
Miscellaneous	52,000	70,894	(18,894)
Total	<u>9,126,430</u>	<u>9,144,038</u>	<u>(17,608)</u>
Non-operating revenues:			
Interest earnings	10,400	7,450	2,950
Sale of fixed assets	-	750	(750)
Proceeds from lawsuit	-	747,512	(747,512)
Capital contributions	-	100,664	(100,664)
Total	<u>10,400</u>	<u>856,376</u>	<u>(845,976)</u>
Total revenues	<u>9,136,830</u>	<u>10,000,414</u>	<u>863,584</u>
Expenditures:			
Water treatment plant			
Salaries and employee benefits	607,511	623,164	(15,653)
Other operating expenditures	1,189,075	1,082,361	106,714
Water and sewer distribution			
Salaries and employee benefits	1,038,390	984,332	54,058
Other operating expenditures	4,042,112	3,754,960	287,152
Capital outlay	613,000	588,634	24,366
Debt Service	611,133	606,616	4,517
Total expenditures	<u>8,101,221</u>	<u>7,640,067</u>	<u>461,154</u>
Other financing sources (uses):			
Transfer to project fund	(3,448,500)	(3,298,500)	150,000
Appropriated fund balance	2,412,891	-	(2,412,891)
Total other financing sources (uses)	<u>(1,035,609)</u>	<u>(3,298,500)</u>	<u>(2,262,891)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(938,153)</u>	<u>\$ (938,153)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		(938,153)	
Reconciling items:			
Principal repayment on long-term debt		562,383	
Capital outlay		259,249	
Depreciation		(627,958)	
Increase (Decrease) in deferred outflows of resources - pensions		36,555	
Increase (Decrease) in deferred outflows of resources - OPEB		348,121	
(Increase) Decrease in net pension liability		(85,685)	
(Increase) Decrease in deferred inflows of resources - pensions		(2,994)	
(Increase) Decrease in deferred inflows of resources - OPEB		80,701	
(Increase) Decrease in total OPEB liability		(423,246)	
(Increase) Decrease in compensated absences		(15,305)	
Transfer from other funds (Ex D-2a, D-2b)		3,298,500	
Total reconciling items		<u>3,430,321</u>	
Change in Net Position		<u>\$ 2,492,168</u>	

Town of Smithfield, North Carolina
Water Sewer Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Years	Capitalized Projects	Total to Date	Variance Positive (Negative)
Restricted Intergovernmental						
AIA Grant - Water	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ (150,000)
AIA Grant - Sewer	150,000	-	-	-	-	(150,000)
Total Revenue	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Expenditures						
Elevate Transformers & Panels	-	69,494	-	-	69,494	(69,494)
Intake Sand Removal System	-	459,087	-	-	459,087	(459,087)
Water AIA	165,000	-	-	-	-	165,000
Grid Bee Mixers	-	63,995	-	-	63,995	(63,995)
River Bank Construction and Refurb	317,000	-	-	-	-	317,000
Financial Software	45,833	-	-	-	-	45,833
I&I S&W Smithfield	1,300,000	1,294,753	134,231	-	1,428,984	(128,984)
16 In Water Line - Frank Jones Rd	200,000	-	-	-	-	200,000
16 In Water Line - Durwood Stephensor	1,550,000	749,002	43,069	-	792,071	757,929
Sewer AIA	165,000	-	-	-	-	165,000
Lift Station Repair (5& 11)	400,000	387,952	91,008	-	478,960	(78,960)
AMI	410,000	187,652	286,915	-	474,567	(64,567)
Sanitary Sewer Replacement	175,000	179,778	-	-	179,778	(4,778)
Total Expenditures	<u>4,727,833</u>	<u>3,391,713</u>	<u>555,223</u>	<u>-</u>	<u>3,946,936</u>	<u>780,897</u>
Other financing sources (uses):						
Loan Proceeds	1,165,000	127,220	-	-	127,220	(1,037,780)
Transfer from Electric Fund	150,000	-	-	-	-	(150,000)
Transfer from Water Sewer Fund	3,112,833	4,107,533	1,150,000	-	5,257,533	2,144,700
Total financing sources (uses)	<u>4,427,833</u>	<u>4,234,753</u>	<u>1,150,000</u>	<u>-</u>	<u>5,384,753</u>	<u>956,920</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 843,040</u>	<u>\$ 594,777</u>	<u>\$ -</u>	<u>\$ 1,437,817</u>	<u>\$ 1,437,817</u>

Town of Smithfield, North Carolina
Water Plant Expansion Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Years	Total to Date	Variance Positive (Negative)
Expenditures					
Engineering/Design	\$ 1,070,000	\$ 810,202	\$ 117,945	\$ 928,147	\$ 141,853
Inspection of Construction	300,000	-	-	-	300,000
GEO Testing	100,000	4,810	103	4,913	95,087
Closing Fee	-	-	241,000	241,000	(241,000)
Construction	13,980,000	-	1,355,261	1,355,261	12,624,739
Total Expenditures	<u>15,450,000</u>	<u>815,012</u>	<u>1,714,309</u>	<u>2,529,321</u>	<u>12,920,679</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	2,148,500	2,298,500	2,148,500
Total financing sources (uses)	<u>15,450,000</u>	<u>3,400,000</u>	<u>2,148,500</u>	<u>5,548,500</u>	<u>(9,901,500)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 2,584,988</u>	<u>\$ 434,191</u>	<u>\$ 3,019,179</u>	<u>\$ 3,019,179</u>

Town of Smithfield, North Carolina
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2021

	Firemen's Relief Fund
ASSETS	
Cash and cash equivalents	\$ 96,070
Total assets	96,070
 LIABILITIES	
Accounts payable and accrued liabilities	-
Due to other governments	-
Total liabilities	-
 NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	96,070
Total net position	\$ 96,070

Town of Smithfield, North Carolina
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2021

	Firemen's Relief Fund
ADDITIONS	
State Reimbursements	\$ 8,025
Reimbursement	21,510
Interest	83
Total additions	29,618
DEDUCTIONS	
Payments on behalf of firefighters	21,510
Total deductions	21,510
Net increase (decrease) in fiduciary net position	8,108
Net position, beginning, as previously reported	-
Prior period restatement - change in accounting principle	87,962
Net position, beginning, as restated	87,962
Net position, ending	\$ 96,070

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, 2021

Fiscal Year	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2021	\$ -	\$ 7,452,069	\$ 7,433,515	\$ 18,554
2020	28,379	-	23,684	4,695
2019	1,609	-	101	1,508
2018	5,848	-	4,043	1,805
2017	822	-	-	822
2016	612	-	-	612
2015	685	-	-	685
2014	2,817	-	-	2,817
2013	5,475	-	53	5,422
2012	4,607	-	35	4,572
2011	3,572	-	3,572	-
	<u>\$ 54,426</u>	<u>\$ 7,452,069</u>	<u>\$ 7,465,002</u>	<u>\$ 41,493</u>

Less allowance for uncollectible ad valorem taxes receivable: (17,591)

Ad valorem taxes receivable, net \$ 23,902

Reconciliation with Revenues:

Ad valorem taxes:	
General Fund	\$ 7,393,534
Interest Collected	(43,794)
MV Fees	23,371
Collection Fees	135,155
Taxes written off / adjusted / released	(43,264)
Total adjustments	<u>71,468</u>
	<u>\$ 7,465,002</u>

Town of Smithfield, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

	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	\$ 1,260,167,242	0.57	\$ 7,182,953	\$ 6,479,237	\$ 703,717
Discoveries	24,687,326	0.57	140,718	140,718	-
Releases	<u>(5,634,582)</u>	<u>0.57</u>	<u>(32,117)</u>	<u>(32,117)</u>	<u>-</u>
Total Property Valuation	<u><u>\$ 1,279,219,986</u></u>				
Net levy			7,291,554	6,587,837	703,717
Uncollected taxes at June 30, 2021			<u>16,991</u>	<u>16,991</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 7,274,562</u></u>	<u><u>\$ 6,570,846</u></u>	<u><u>\$ 703,717</u></u>
Current levy collection percentage			<u><u>99.77%</u></u>	<u><u>99.74%</u></u>	<u><u>100.00%</u></u>

Town of Smithfield, North Carolina
Analysis of Current Tax Levy - Downtown District
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

	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	\$ 83,137,779	0.19	\$ 157,962	\$ 93,193	\$ 64,769
Discoveries	1,347,821	0.19	2,561	2,561	-
Releases	<u>(4,142)</u>	<u>0.19</u>	<u>(8)</u>	<u>(8)</u>	<u>-</u>
Total Property Valuation	<u>\$ 84,481,458</u>				
Net levy			160,515	95,746	64,769
Uncollected taxes at June 30, 2021			<u>1,563</u>	<u>1,563</u>	<u>-</u>
Current year's taxes collected			<u>\$ 158,952</u>	<u>\$ 94,183</u>	<u>\$ 64,769</u>
Current levy collection percentage			<u>99.03%</u>	<u>98.37%</u>	<u>100.00%</u>

Compliance Section



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**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***

Independent Auditors' Report

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, 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, 2021, 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 8, 2021.

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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Smithfield's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters⁶ that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 8, 2021



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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, 2021. The 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 state 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 the Comptroller General of the United States, and applicable sections of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the Audit Manual for Governmental Auditors in North Carolina, and the *State Single Audit Implementation Act*. Those standards, 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 state 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 state program. However, our audit does not provide a legal determination of Town of Smithfield's compliance.

Members

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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, 2021.

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 and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state 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 state 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 state 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 a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charges 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 weaknesses 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 8, 2021

**Town of Smithfield, North Carolina
 Schedule of Findings and Questioned Cost
 For the Fiscal Year Ended June 30, 2021**

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 X no
- Significant Deficiency(s) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

State Awards

Internal control over major State programs:

- Material Weakness(es) identified? _____ yes X no
- Significant Deficiency(s) identified? _____ yes X none reported

Noncompliance material to State awards _____ yes X 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 X no

Identification of major State programs:

Program Name

N.C. Cleaning Water State Revolving Loan Program

**Town of Smithfield, North Carolina
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS

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, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS

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, 2021

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		\$ 43,208	\$ -
Passed through N.C. Department of Public Safety				
Hazard Mitigation Grant	97.039		9,676	-
Disaster Grants - Public Assistance	97.036		46,164	15,388
Disaster Grants - Public Assistance	97.036	Project 1387	75,498	25,166
Assistance to Firefighters Grant	97.044		31,850	-
<u>U. S. Housing and Urban Development</u>				
CDBG - Neighborhood Stabilization Program	14.228		15,877	-
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607		3,609	-
<u>U.S. Department of Treasury</u>				
Passed-through N.C. Office of State Budget and Management				
N.C. Pandemic Recovery Office				
Passed-through Johnston County				
Coronavirus Relief Fund	21.019		421,535	-
Total assistance - federal programs			\$ 647,417	\$ 40,554
STATE AWARDS				
<u>N.C. Department of Environmental Quality</u>				
N.C. Cleaning Water State Revolving Loan Program		H-SRP-D-17-0146	-	1,714,309
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	56,474
Total assistance - State programs			\$ -	\$ 1,770,783
Total assistance			\$ 647,417	\$ 1,811,337

Town of Smithfield, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Pass-through/Grantor- Program Title	CFDA Number	Pass-through Grantor's Number	Federal Expenditures	State Expenditures
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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, 2021. 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.