

TOWN OF SMITHFIELD

Financial Statements

Smithfield, North Carolina

For the Year Ended June 30, 2023

Town of Smithfield, North Carolina
Financial Statements
June 30, 2023

Mayor

M. Andy Moore

Town Council

John A Dunn - Mayor Pro-Tem

Marlon Lee - District 1

Sloan 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

Town of Smithfield, North Carolina
Table of Contents
June 30, 2023

<u>Exhibit</u>		<u>Page(s)</u>
	Financial Section:	
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-11
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	12-13
2	Statement of Activities	14
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	15
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	19
7	Statement of Fund Net Position– Proprietary Funds	20
8	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	21
9	Statement of Cash Flows – Proprietary Funds	22-23
10	Statement of Fiduciary Net Position - Fiduciary Funds	24
11	Statement of Changes in Fiduciary Net Position - Fiduciary Funds	25
	Notes to the Financial Statements	26-56
	Required Supplementary Information	
A-1	Schedule of Proportionate Share of the Net Pension Asset - Local Government Employees' Retirement System	57
A-2	Schedule of Contributions - Local Government Employees' Retirement System	58

Town of Smithfield, North Carolina
Table of Contents
June 30, 2023

<u>Exhibit</u>		<u>Page(s)</u>
A-3	Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	59
A-4	Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	60
A-5	Schedule of Changes in the Total OPEB Liability and Related Ratios	61
 Individual Fund Statements and Schedules:		
B-1	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	62-65
B-1a	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund Capital Reserve Fund	66
B-2	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - ARPA Fund	67
B-3	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - SCIF Fund	68
B-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Capital Project Fund	69
C-1	Balance Sheet - Non-major Governmental Funds	70
C-2	Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds	71
C-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Smithfield Fire Tax District - Special Revenue Fund	72
C-4	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - FEMA Elevations & Acquisitions - Capital Project Fund	73
C-5	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - CDBG-NR - Capital Project Fund	74
D-1	Schedule of Revenues and Expenditures - Budget and Actual - Electric Fund	75-76

Town of Smithfield, North Carolina
Table of Contents
June 30, 2023

<u>Exhibit</u>		<u>Page(s)</u>
D-1a	Schedule of Revenues and Expenditures - Budget and Actual - Electric Capital Project Fund	77
D-2	Schedule of Revenues and Expenditures - Budget and Actual - Water and Sewer Fund	78-79
D-2a	Schedule of Reveues and Expenditures - Water and Sewer Capital Project Fund	80
D-2b	Schedule of Revenues and Expenditures - Booker Dairy Road Capital Project Fund	81
E-1	Statement of Fiduciary Net Position - Custodial Fund	82
E-2	Statement of Changes in Fiduciary Net Position - Custodial Fund	83
 Other Schedules		
F-1	Schedule of Ad Valorem Taxes Receivable	84
F-1a	Analysis of Current Tax Levy (Town - Wide Levy)	85
F-1b	Analysis of Current Tax Levy (Downtown District)	86
 Compliance Section:		
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other matters based on an Audit of Financial Statements performed in accordance with <i>Governmental Auditing Standards</i>	87-88
	Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance With Applicable Sections of Uniform Guidance and the State Single Audit Implementation Act	89-91
	Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance In Accordance With Applicable Sections of Uniform Guidance and the State Single Audit Implementation Act	92-94
	Schedule of Findings and Questioned Cost	95-97
	Corrective Action Plan	98
	Summary Schedule of Prior Year Audit Findings	99
	Schedule of Expenditures of Federal and State Awards	100-101

FINANCIAL SECTION



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

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

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

Independent Auditors' Report

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

Report on the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under these standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Smithfield and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

Members

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Smithfield's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we

- exercised professional judgement and maintained professional skepticism throughout the
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town of Smithfield's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 57 through 58, 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 59 through 60, and the Changes in Total OPEB Liability and Related Ratios page 61, 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 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, and other schedules, as well as the accompanying 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 are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023 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 the effectiveness of the Town of Smithfield's 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 27, 2023

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, 2023. 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

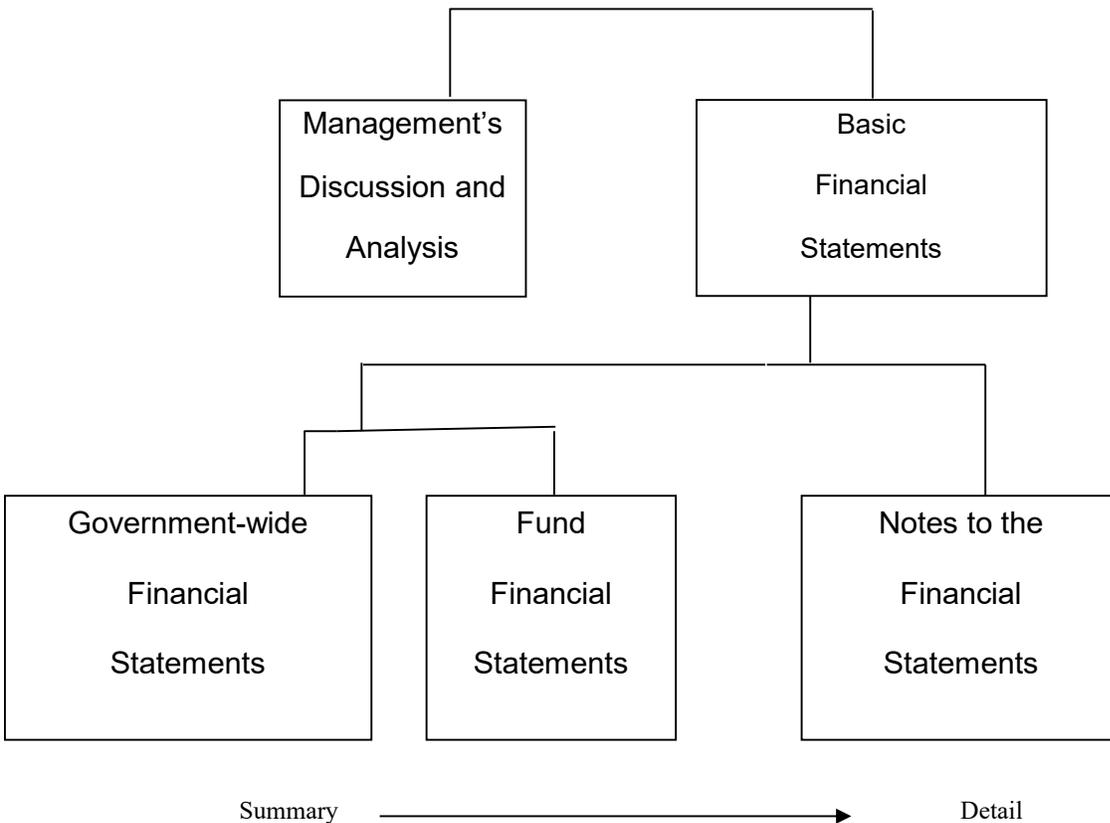
- The assets of the Town of Smithfield exceeded its liabilities at the close of the fiscal year by \$85,449,255 (net position).
- Total governments total net position increased by \$8,795,623, primarily due to increases in both the government-wide and the business -types activities net position.
- As of the close of the current fiscal year, the Town of Smithfield's governmental funds reported combined ending fund balances of \$18,488,679, an increase of \$2,338,354 in comparison with the prior year. Approximately \$3,736,453 (20.21 percent) is unavailable (nonspendable or restricted by state statute); Approximately 70.23 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 \$13,899,006 or 97.00 percent of total general fund expenditures for the fiscal year; compared to \$11,389,754 or 70.55 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) increased by \$600,033 (3.27 percent) during the current fiscal year. The Town made scheduled debt payment which were offset by the receipt of drawdowns from an escrow loan to fund the water sewer project.

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 Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 22,794,953	\$ 21,336,245	\$ 31,788,418	\$ 31,031,775	\$ 54,583,371	\$ 52,368,020
Capital assets	33,325,856	30,990,283	40,677,489	36,033,619	74,003,345	67,023,902
Deferred outflows of resources	5,609,537	4,890,066	1,621,954	1,346,135	7,231,491	6,236,201
Total assets and deferred outflows of resources	<u>61,730,346</u>	<u>57,216,594</u>	<u>74,087,861</u>	<u>68,411,529</u>	<u>135,818,207</u>	<u>125,628,123</u>
Current liabilities	4,618,719	5,459,982	3,921,435	3,264,551	8,540,154	8,724,533
Non-current liabilities	20,442,003	19,726,784	16,789,577	16,042,451	37,231,579	35,769,235
Deferred inflows of resources	405,385	1,710,765	27,635	562,516	433,020	2,273,281
Total liabilities and deferred inflows of resources	<u>25,466,107</u>	<u>26,897,531</u>	<u>20,738,646</u>	<u>19,869,518</u>	<u>46,204,753</u>	<u>46,767,049</u>
Net position:						
Invested in capital assets, net of related debt	28,777,424	26,734,766	27,299,790	23,394,225	56,077,214	50,128,991
Restricted	4,426,344	4,454,018	-	-	4,426,344	4,454,018
Unrestricted	(127,324)	(2,568,353)	25,073,021	24,638,976	24,945,697	22,070,623
Total net position	<u>\$ 33,076,444</u>	<u>\$ 28,620,431</u>	<u>\$ 52,372,811</u>	<u>\$ 48,033,201</u>	<u>\$ 85,449,255</u>	<u>\$ 76,653,632</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 \$85,449,255 as of June 30, 2023. The Town's net position increased by \$8,795,623 for the fiscal year ended June 30, 2023. The largest portion of net position, \$56,077,214 (65.63%) 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 \$4,426,344 (5.18%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$24,945,697 (29.19%) 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 99.93% and 99.98% in the Town-Wide and Downtown tax districts respectively.
- Increase in property tax revenues and local option sales tax.
- 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	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 2,783,617	\$ 2,646,053	\$ 26,026,696	\$ 25,815,662	\$ 28,810,313	\$ 28,461,715
Operating grants and contributions	679,538	623,779	90,650	-	770,188	623,779
Capital grants and contributions	2,970,380	169,952	500,000	1,637,045	3,470,380	1,806,997
General revenues:						
Property taxes	8,321,643	7,925,742	-	-	8,321,643	7,925,742
Unrestricted intergovernmental	5,053,374	4,733,275	-	-	5,053,374	4,733,275
Other taxes and licenses	52,157	75,067	-	-	52,157	75,067
Investment earnings, unrestricted	233,092	11,873	260,952	17,898	494,044	29,771
Miscellaneous	311,813	171,869	7,790	-	319,603	171,869
Gain/Loss on disposal of fixed assets	13,513	8,000	-	-	13,513	8,000
Total revenues	20,419,127	16,365,610	26,886,088	27,470,605	47,305,215	43,836,215
Expenses						
General government	1,900,905	1,585,422	-	-	1,900,905	1,585,422
Public safety	7,190,084	6,629,700	-	-	7,190,084	6,629,700
Economic & physical develop	175,646	162,505	-	-	175,646	162,505
Streets and public works	2,363,586	2,270,350	-	-	2,363,586	2,270,350
Sanitation	1,519,293	1,614,349	-	-	1,519,293	1,614,349
Cultural and recreation	2,784,643	2,539,355	-	-	2,784,643	2,539,355
Interest on long-term debt	146,597	221,057	-	-	146,597	221,057
Electric	-	-	15,167,902	15,022,299	15,167,902	15,022,299
Water and sewer	-	-	7,260,936	6,990,338	7,260,936	6,990,338
Total expenses	16,080,754	15,022,738	22,428,838	22,012,637	38,509,592	37,035,375
Increase in net position before transfers	4,338,373	1,342,872	4,457,250	5,457,968	8,795,623	6,800,840
Transfers	117,640	117,640	(117,640)	(117,640)	-	-
Increase in net position	4,456,013	1,460,512	4,339,610	5,340,328	8,795,623	6,800,840
Net Position						
Beginning of year - July 1	28,620,431	26,872,757	48,033,201	42,692,873	76,653,632	69,565,630
Prior period adjustment	-	287,162	-	-	-	287,162
Beginning of year, as restated	28,620,431	27,159,919	48,033,201	42,692,873	76,653,632	69,852,792
End of year - June 30	\$ 33,076,444	\$28,620,431	\$ 52,372,811	\$ 48,033,201	\$ 85,449,255	\$ 76,653,632

Governmental activities. Governmental activities increased the Town's net position by \$4,456,013. 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 \$4,339,610. Key elements of this increase are as follows:

- Increased fees resulted in increased charges for services
- Project expenses that are capitalized were funded partially by contributions from the County that are recognized as revenues without offsetting expenses

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, unassigned 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 \$13,899,006, while total fund balance reached \$19,195,668. The Town currently has an available fund balance of 97.00% of total General Fund expenditures, while total fund balance represents 133.96% of that same amount.

At June 30, 2023, the governmental funds of the Town of Smithfield reported a combined fund balance of \$18,488,679, a 14.48% increase over the prior 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 \$983,113.

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 \$13,201,147 and the Electric Fund amounted to \$11,871,874. The total increase in net position for the Water and Sewer Fund was \$3,895,185 whereas the Electric Fund had a total increase in net position of \$444,425.

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, 2023 totals \$74,003,345 (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:

- vehicles for police, public works, sanitation, and recreation departments
- safety equipment
- police building expansion
- water plant expansion project
- improvements on water and sewer lines
- Splash Pad - Eva Ennis Trail
- Neuse river amphitheater

Town of Smithfield's Capital Assets

Figure 4

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 6,390,048	\$ 6,390,048	\$ 10,000	\$ 10,000	\$ 6,400,048	\$ 6,400,048
Construction in progress	3,469,156	2,222,519	4,351,612	17,349,028	7,820,768	19,571,547
Building and improvements	17,660,586	17,471,184	-	-	17,660,586	17,471,184
Plant and distribution systems	-	-	54,318,726	35,705,476	54,318,726	35,705,476
Infrastructure	58,776,006	56,895,645	-	-	58,776,006	56,895,645
Equipment and vehicles	10,007,328	9,044,357	7,660,875	7,048,155	17,668,203	16,092,512
Total	96,303,124	92,023,753	66,341,213	60,112,659	162,644,337	152,136,412
Accumulated depreciation	(62,977,268)	(61,033,470)	(25,663,724)	(24,079,040)	(88,640,992)	(85,112,510)
Capital assets, net	\$ 33,325,856	\$ 30,990,283	\$ 40,677,489	\$ 36,033,619	\$ 74,003,345	\$ 67,023,902

Long-term Debt. As of June 30, 2023, the Town of Smithfield had total debt outstanding of \$17,926,131 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			
	2023	2022	2023	2022	2023	2022
Installment purchases	\$ 4,548,432	\$ 4,686,704	\$ 11,804,265	\$ 10,777,066	\$ 16,352,697	\$ 15,463,770
Revenue bonds	-	-	1,573,434	1,862,328	1,573,434	1,862,328
Total	\$ 4,548,432	\$ 4,686,704	\$ 13,377,699	\$ 12,639,394	\$ 17,926,131	\$ 17,326,098

The Town of Smithfield's total debt increased by \$600,033 during the past fiscal year, primarily due to principal payments on all outstanding debt being offset by an additional debt issuance 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 \$107,411,599.

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, 2024

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 10 new subdivision and 2 commercial requests in various stages of approval. Amazon is scheduled to complete construction of its warehouse/distribution facility and expected to occupy in 2024. The Town intends to move forward cautiously and conservatively with new economic spending. The Town budgeted an additional \$25,000 for economic initiatives related to technical assistance, incentive development, marketing, grant identification, submission and lobbying.

Again this year 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 12.10% for local government employees to 12.85% and increased Law Enforcement Officer contributions from 13.10% to 14.10%.

Budgeted operational expenditures in the General Fund are expected to increase by 7.3% to \$17,031,238 over FY23 original budget with \$1,250,325 in self-funded capital expenditures; including a town-wide phone system replacement , police patrol vehicles, garbage and fire trucks; and \$54,610 of restricted Parks in Lieu Funds for improvements to Dog Park and various other parks.

Other budget highlights in brief:

- Property tax rate to remain at \$.57 per 100 valuations.
- Salary COLA adjustment of 2 percent for all full time employees and a 2% maximum merit.
- There are no new/additional personnel positions included in the General Fund.
- The Sanitation Department is expected to be self-funded by user fees.

Business-Type Activities: With the early completion of the Water Plant expansion in FY23 \$733,500 is budgeted to satisfy the debt service payment.

Budgeted operational expenditures in the Water/Sewer Fund are expected to decrease by 7.6% to \$10,039,380 under FY23 original budget with \$1,350,000 in self-funded capital expenditures: including \$450,000 to continue to improve the East Smithfield water system, \$250,000 to further digitize aged water meters, \$200,000 for Inflow Infiltration (I&I) Repairs and \$200,000 for water line improvements. No additional full-time positions are funded.

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

Electric rates in Smithfield were reduced three times in the last six years, while remaining stable during a year when the wholesale rate increased by 1.2 percent. In April 2020, Electricities reduced the wholesale rate by the same 1.2 percent, again allowing Smithfield to keep it rates stable. A recent rate review by Financial Solutions (UFS) indicated that a 2 percent increase in electric rates may be needed in fiscal years 2024 and 2025. Smithfield customers are currently paying \$106.44 monthly for 1,000 kilowatt hours following a 2 percent rate increase in July 2023 (FY24) compared to \$152.16 by Duke Energy Progress, which provides electricity service to customers in West Smithfield and unincorporated areas surrounding the Town of Smithfield.

Budgeted operational expenditures in the Electric Fund are expected to decrease by .001% to \$16,702,000 under FY23 original budget. Notable capital expenditures include \$632,320 for voltage conversion, electric meters replacement and half of a bucket truck.

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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,400,801	\$ 25,522,555	\$ 41,923,356
Restricted cash	4,099,825	1,146,471	5,246,296
Taxes receivables (net)	13,874	-	13,874
Accounts receivable (net)	184,452	2,888,384	3,072,836
Due from other governments	1,851,143	-	1,851,143
Lease receivable	65,563	-	65,563
Note receivable	8,400	-	8,400
Inventories	-	2,227,009	2,227,009
Prepaid Expenses	21,293	3,999	25,292
Total current assets	22,645,351	31,788,418	54,433,769
Non-Current assets:			
Note Receivable	149,602	-	149,602
Lease receivable	615,712	-	615,712
Capital Assets:			
Land, non-depreciable, improvements, and construction in process	9,859,204	4,361,612	14,220,816
Other capital assets, net of depreciation	23,466,652	36,315,877	59,782,529
Total capital assets	33,325,856	40,677,489	74,003,345
Total non-current assets	34,091,170	40,677,489	74,768,659
Total assets	56,736,521	72,465,907	129,202,428
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferrals	3,473,755	964,277	4,438,032
OPEB related deferrals	2,135,782	657,677	2,793,459
Total Deferred Outflows of Resources	5,609,537	1,621,954	7,231,491
LIABILITIES			
Current liabilities:			
Accounts payable - trade	587,832	1,324,933	1,912,765
Accrued payroll and payroll liabilities	36,231	151,396	187,627
Accrued interest payable	107,483	67,992	175,475
Customer deposits	-	1,146,471	1,146,471
Unearned revenues	3,473,784	-	3,473,784
Current portion of long-term liabilities	413,389	1,230,643	1,644,032
Total current liabilities	4,618,719	3,921,435	8,540,154
Long-term liabilities:			
Net pension liability (LGERS)	4,165,909	1,428,695	5,594,604
Total OPEB liability	9,680,484	2,999,471	12,679,955
Total pension obligation (LEOSSA)	1,977,966	-	1,977,966
Due in more than one year	4,617,644	12,361,411	16,979,054
Total long-term liabilities	20,442,003	16,789,577	37,231,579
Total liabilities	25,060,722	20,711,011	45,771,733

(continued)

Town of Smithfield, North Carolina
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	405,385	27,635	433,020
OPEB related deferrals	3,151,244	976,404	4,127,648
Leases	652,263	-	652,263
Total Deferred Inflows of Resources	4,208,892	1,004,039	5,212,931
NET POSITION			
Net investment in capital assets	28,777,424	27,299,790	56,077,214
Restricted for:			
Stabilization by State Statute	3,686,148	-	3,686,148
USDA debt payments	178,217	-	178,217
Public safety	122,732	-	122,732
Transportation	413,727	-	413,727
Capital projects	25,520	-	25,520
Unrestricted	(127,324)	25,073,021	24,945,697
Total net position	<u>\$ 33,076,444</u>	<u>\$ 52,372,811</u>	<u>\$ 85,449,255</u>

Town of Smithfield, North Carolina
Statement of Activities
For the Year Ended June 30, 2023

Exhibit 2

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	\$ 1,900,905	\$ 4,568	\$ 15,000	\$ -	\$ (1,881,337)	\$ -	\$ (1,881,337)
Public safety	7,190,084	184,441	86,924	172,698	(6,746,021)	-	(6,746,021)
Street and Public Works	2,363,586	134,925	359,021	1,271,852	(597,788)	-	(597,788)
Economic and Physical Development	175,646	-	218,593	-	42,947	-	42,947
Sanitation	1,519,293	1,484,181	-	-	(35,112)	-	(35,112)
Cultural and Recreational	2,784,643	975,502	-	1,525,830	(283,311)	-	(283,311)
Interest on long-term debt	146,597	-	-	-	(146,597)	-	(146,597)
Total governmental activities	16,080,754	2,783,617	679,538	2,970,380	(9,647,219)	-	(9,647,219)
Business-type activities:							
Electric	15,167,902	15,454,971	-	-	-	287,069	287,069
Water and Sewer	7,260,936	10,571,725	90,650	500,000	-	3,901,439	3,901,439
Total business-type activities	22,428,838	26,026,696	90,650	500,000	-	4,188,508	4,188,508
Total primary government	\$ 38,509,592	\$ 28,810,313	\$ 770,188	\$ 3,470,380	(9,647,219)	4,188,508	(5,458,711)
General revenues:							
Taxes:							
Ad valorem taxes					8,321,643	-	8,321,643
Unrestricted intergovernmental					5,053,374	-	5,053,374
Other taxes and licenses					52,157	-	52,157
Unrestricted investment earnings					233,092	260,952	494,044
Gain on disposal of fixed assets					13,513	-	13,513
Miscellaneous					311,813	7,790	319,603
Transfers					117,640	(117,640)	-
Total general revenues, special items, and transfers					14,103,232	151,102	14,254,334
Change in net position					4,456,013	4,339,610	8,795,623
Net position, beginning					28,620,431	48,033,201	76,653,632
Net position, ending					\$ 33,076,444	\$ 52,372,811	\$ 85,449,255

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

**Town of Smithfield
Balance Sheet
Governmental Funds
June 30, 2023**

	Major Funds			Non-major Funds	Total Governmental Funds
	General	ARPA Fund	General Funds Capital Projects		
ASSETS					
Cash and investments	\$ 16,218,771	\$ 88,236	\$ -	\$ 93,794	\$ 16,400,801
Restricted Cash	626,041	2,696,482	777,302	-	4,099,825
Receivables, net:					
Taxes	13,874	-	-	-	13,874
Accounts	184,452	-	-	-	184,452
Due from other governments	1,750,019	-	-	101,124	1,851,143
Leases receivable	681,275	-	-	-	681,275
Due from other funds	891,926	-	-	-	891,926
Prepaid Expenses	21,293	-	-	-	21,293
Total assets	<u>\$ 20,387,651</u>	<u>\$ 2,784,718</u>	<u>\$ 777,302</u>	<u>\$ 194,918</u>	<u>\$ 24,144,589</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 489,615	\$ 63,266	\$ 34,951	\$ -	\$ 587,832
Accrued payroll and payroll liabilities	36,231	-	-	-	36,231
Due to other funds	-	-	848,391	43,535	891,926
Unearned revenues	-	2,696,482	777,302	-	3,473,784
Total liabilities	<u>525,846</u>	<u>2,759,748</u>	<u>1,660,644</u>	<u>43,535</u>	<u>4,989,773</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	13,874	-	-	-	13,874
Leases	652,263	-	-	-	652,263
Total deferred inflows of resources	<u>666,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>666,137</u>
Fund balances:					
Nonspendable:					
Prepaid expenses	21,293	-	-	-	21,293
Leases	29,012	-	-	-	29,012
Restricted:					
Stabilization by State Statute	3,592,790	-	-	93,358	3,686,148
USDA debt payments	178,217	-	-	-	178,217
Public safety	34,097	-	-	88,635	122,732
Streets	413,727	-	-	-	413,727
Capital projects	-	24,970	-	550	25,520
Committed:					
Bingham Park	352,788	-	-	-	352,788
Assigned:					
Recreation Development	294,473	-	-	-	294,473
Subsequent year's expenditures	380,265	-	-	-	380,265
Unassigned	13,899,006	-	(883,342)	(31,160)	12,984,504
Total fund balances	<u>19,195,668</u>	<u>24,970</u>	<u>(883,342)</u>	<u>151,383</u>	<u>18,488,679</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,387,651</u>	<u>2,784,718</u>	<u>\$ 777,302</u>	<u>\$ 194,918</u>	

(continued)

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

**Town of Smithfield
Balance Sheet
Governmental Funds
June 30, 2023**

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

Total Fund Balance, Governmental Funds	\$ 18,488,679
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	33,325,856
Notes receivable	158,002
Earned revenues considered deferred inflows of resources in fund statements.	13,874
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	767,288
Benefit payments and pension administration costs for LEOSSA	74,491
Deferred outflows of resources related to OPEB are not reported in the funds	2,135,782
Deferred outflows of resources related to pensions are not recorded on the fund	2,631,976
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	(4,548,432)
Compensated Absences	(482,601)
Net pension liability (LGERS)	(4,165,909)
Total pension liability (LEOSSA)	(1,977,966)
Total OPEB liability	(9,680,484)
OPEB related deferrals	(3,151,244)
Pension related deferrals	(405,385)
Accrued interest payable	(107,483)
Net position of governmental activities	\$ 33,076,444

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, 2023

	Major Funds			Non-major Funds	Total Governmental Funds
	General Fund	ARPA Fund	General Funds Capital Projects		
REVENUES					
Ad valorem taxes	\$ 8,098,886	\$ -	\$ -	\$ 223,138	\$ 8,322,024
Other taxes and licenses	52,157	-	-	-	52,157
Unrestricted intergovernmental	5,053,374	-	-	-	5,053,374
Restricted intergovernmental	460,945	1,271,852	172,698	1,744,423	3,649,918
Sales and services	2,791,805	-	-	-	2,791,805
Investment earnings	202,844	24,029	1,044	5,175	233,092
Miscellaneous	236,248	-	52,250	23,315	311,813
Total revenues	16,896,259	1,295,881	225,992	1,996,051	20,414,183
EXPENDITURES					
Current:					
General government	1,708,013	-	-	-	1,708,013
Public safety	6,587,724	1,105,952	-	-	7,693,676
Street and Public Works	1,698,199	-	-	-	1,698,199
Sanitation	1,525,443	-	-	-	1,525,443
Economic and physical development	-	-	-	173,733	173,733
Cultural and recreation	2,349,942	165,900	-	-	2,515,842
Debt service:					
Principal	298,272	-	-	-	298,272
Interest and other charges	151,025	-	-	-	151,025
Capital outlay	-	-	1,073,280	1,541,682	2,614,962
Total expenditures	14,318,618	1,271,852	1,073,280	1,715,415	18,379,165
Excess (deficiency) of revenues over expenditures	2,577,641	24,029	(847,288)	280,636	2,035,018
OTHER FINANCING SOURCES (USES)					
Transfers (to) other funds	(10,410)	-	-	(354,590)	(365,000)
Transfers from other funds	482,640	-	-	-	482,640
Loan proceeds	-	-	160,000	-	160,000
Sales of capital assets	25,696	-	-	-	25,696
Total other financing sources (uses)	497,926	-	160,000	(354,590)	303,336
Net Change in fund balance	3,075,567	24,029	(687,288)	(73,954)	2,338,354
Fund balances, beginning as previously reported					
	16,120,101	941	(196,054)	225,337	16,150,325
Prior period adjustment (see Note IX)					
	-	-	-	-	-
Fund balance, beginning, as restated	16,120,101	941	(196,054)	225,337	16,150,325
Fund balances, ending	\$ 19,195,668	\$ 24,970	\$ (883,342)	\$ 151,383	\$ 18,488,679

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, 2023

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

Net changes in fund balances - total governmental funds		\$ 2,338,354
<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	4,515,940	
Depreciation expense for governmental assets	(2,168,184)	
Loss on disposal of capital assets	(12,183)	2,335,573
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		767,288
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		277,258
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position		74,491
Principal payments on note receivable		(8,188)
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		(381)
<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	(160,000)	
Principal payments on debt	298,272	138,272
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)		4,428
<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		(21,488)
Pension expense		(1,370,197)
OPEB expense		(79,397)
Total changes in net position of governmental activities		\$ 4,456,013

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, 2023

	General Fund			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 7,585,000	\$ 7,585,000	\$ 8,098,886	\$ 513,886
Other taxes and licenses	63,800	63,800	52,157	(11,643)
Unrestricted intergovernmental	4,230,000	4,230,000	5,053,374	823,374
Restricted intergovernmental	449,818	449,818	460,945	11,127
Sales and services	2,554,752	2,572,252	2,791,805	219,553
Investment earnings	8,000	8,000	202,618	194,618
Miscellaneous	98,000	141,396	236,248	94,852
Total revenues	<u>14,989,370</u>	<u>15,050,266</u>	<u>16,896,033</u>	<u>1,845,767</u>
Expenditures:				
Current:				
General government	2,423,105	2,278,573	1,708,013	570,560
Public safety	6,883,125	7,280,119	6,587,724	692,395
Street and Public Works	1,755,398	2,337,995	1,698,199	639,796
Sanitation	1,560,760	1,669,888	1,525,443	144,445
Cultural and recreation	2,185,609	2,558,543	2,349,942	208,601
Debt service:				
Principal retirement	181,388	181,813	298,272	(116,459)
Interest and other charges	267,500	267,500	151,025	116,475
Total expenditures	<u>15,256,885</u>	<u>16,574,431</u>	<u>14,318,618</u>	<u>2,255,813</u>
Revenues over (under) expenditures	<u>(267,515)</u>	<u>(1,524,165)</u>	<u>2,577,415</u>	<u>4,101,580</u>
Other financing sources (uses):				
Appropriated (Unappropriated) fund balance	(235,125)	1,039,702	-	(1,039,702)
Sale of fixed assets	20,000	20,000	25,696	5,696
Transfers to other funds	-	(18,177)	(10,410)	7,767
Transfer from other funds	482,640	482,640	482,640	-
Total other financing sources (uses)	<u>267,515</u>	<u>1,524,165</u>	<u>497,926</u>	<u>(1,026,239)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>3,075,341</u>	<u>\$ 3,075,341</u>
Fund balances, beginning			<u>15,938,727</u>	
Fund balances, ending			<u>\$ 19,014,068</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment Earnings			\$ 226	
Fund balance, beginning of year			<u>181,374</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 19,195,668</u>	

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

**Town of Smithfield
Statement of Net Position
Proprietary Funds
6/30/2023**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 11,186,266	\$ 14,336,289	\$ 25,522,555
Restricted cash	825,260	321,211	1,146,471
Accounts receivable (net)	1,612,946	1,275,438	2,888,384
Inventories	1,908,649	318,360	2,227,009
Prepaid Expenses	3,999	-	3,999
Total current assets	<u>15,537,120</u>	<u>16,251,298</u>	<u>31,788,418</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	1,959,554	2,402,058	4,361,612
Other capital assets, net of depreciation	8,116,573	28,199,304	36,315,877
Capital assets (net)	<u>10,076,127</u>	<u>30,601,362</u>	<u>40,677,489</u>
Total noncurrent assets	<u>10,076,127</u>	<u>30,601,362</u>	<u>40,677,489</u>
Total assets	<u>25,613,247</u>	<u>46,852,660</u>	<u>72,465,907</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	132,231	130,909	263,140
Deferred outflows related to pensions	352,329	348,808	701,137
Deferred outflows related to OPEB	<u>250,789</u>	<u>406,888</u>	<u>657,677</u>
Total Deferred Outflows of Resources	<u>735,349</u>	<u>886,605</u>	<u>1,621,954</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,061,948	262,985	1,324,933
Accrued payroll and payroll liabilities	79,366	72,030	151,396
Customer deposits	825,260	321,211	1,146,471
Accrued interest payable	40,305	27,687	67,992
Compensated absences - current	29,545	24,043	53,589
Current portion of long-term debt	<u>297,100</u>	<u>879,954</u>	<u>1,177,054</u>
Total current liabilities	<u>2,333,524</u>	<u>1,587,910</u>	<u>3,921,435</u>
Noncurrent liabilities:			
Other non-current liabilities:			
Compensated absences	88,636	72,130	160,766
Net pension liability	717,935	710,760	1,428,695
Total OPEB Liability	1,164,605	1,834,866	2,999,471
Non-current portion of long-term debt	<u>1,276,334</u>	<u>10,924,311</u>	<u>12,200,645</u>
Total non-current liabilities	<u>3,247,510</u>	<u>13,542,067</u>	<u>16,789,577</u>
Total liabilities	<u>5,581,034</u>	<u>15,129,977</u>	<u>20,711,011</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	13,887	13,748	27,635
OPEB deferrals	379,108	597,296	976,404
Total Deferred Inflows of Resources	<u>392,995</u>	<u>611,044</u>	<u>1,004,039</u>
NET POSITION			
Net Investment in capital assets	8,502,693	18,797,097	27,299,790
Unrestricted	<u>11,871,874</u>	<u>13,201,147</u>	<u>25,073,021</u>
Total net position	<u>\$ 20,374,567</u>	<u>\$ 31,998,244</u>	<u>\$ 52,372,811</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, 2023

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 15,164,957	\$ 10,348,719	\$ 25,513,676
Other operating revenues	290,014	223,006	513,020
Total operating revenues	<u>15,454,971</u>	<u>10,571,725</u>	<u>26,026,696</u>
OPERATING EXPENSES			
Utility Operations	2,596,398	2,088,283	4,684,681
Electrical purchases	11,732,959	-	11,732,959
Water and sewer distributions	-	4,098,870	4,098,870
Depreciation	792,249	982,839	1,775,088
Total operating expenses	<u>15,121,606</u>	<u>7,169,992</u>	<u>22,291,598</u>
Operating income (loss)	<u>333,365</u>	<u>3,401,733</u>	<u>3,735,098</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	157,092	103,860	260,952
Sale of fixed assets	264	7,526	7,790
Interest and other charges	(46,296)	(90,944)	(137,240)
Grants	-	90,650	90,650
Total nonoperating revenues (expenses)	<u>111,060</u>	<u>111,092</u>	<u>222,152</u>
Income (loss) before contributions and transfers	444,425	3,512,825	3,957,250
Capital contributions	-	500,000	500,000
Transfer in (out)	-	(117,640)	(117,640)
Change in net position	<u>444,425</u>	<u>3,895,185</u>	<u>4,339,610</u>
Total net position , beginning	<u>19,930,142</u>	<u>28,103,059</u>	<u>48,033,201</u>
Total net position, ending	<u>\$ 20,374,567</u>	<u>\$ 31,998,244</u>	<u>\$ 52,372,811</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 Year Ended June 30, 2023**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM (TO) OPERATING ACTIVITIES			
Cash received from customers	\$ 15,290,874	\$ 10,256,932	\$ 25,547,806
Cash paid for goods and services	(12,761,202)	(4,276,857)	(17,038,059)
Cash paid to or on behalf of employees for services	(1,983,059)	(1,970,240)	(3,953,299)
Net customer deposits	190,226	101,571	291,797
Other operating revenues	290,014	223,006	513,020
Net cash provided (used) by operating activities	<u>1,026,853</u>	<u>4,334,412</u>	<u>5,361,265</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	-	(117,640)	(117,640)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(117,640)</u>	<u>(117,640)</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(827,803)	(5,591,155)	(6,418,958)
Sale of capital assets	264	7,526	7,790
Capital contributions	-	590,650	590,650
Proceeds from debt	-	1,900,285	1,900,285
Principal paid on bonds and installment purchases	(288,894)	(873,086)	(1,161,980)
Interest paid on bonds and installment purchases	(53,691)	(94,298)	(147,989)
Net cash provided (used) by capital and related financing activities	<u>(1,170,124)</u>	<u>(4,060,078)</u>	<u>(5,230,202)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	156,851	103,860	260,711
Net cash provided (used) by investing activities	<u>156,851</u>	<u>103,860</u>	<u>260,711</u>
Net increase (decrease) in cash and investments	13,580	260,554	274,134
Balances, beginning	<u>11,997,946</u>	<u>14,396,946</u>	<u>26,394,892</u>
Balances, ending	<u>\$ 12,011,526</u>	<u>\$ 14,657,500</u>	<u>\$ 26,669,026</u>

(continued)

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

**Town of Smithfield
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023**

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 333,365	\$ 3,401,733	\$ 3,735,098
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	792,249	982,839	1,775,088
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	125,917	(91,787)	34,130
(Increase) decrease in inventory	(431,390)	(85,008)	(516,398)
(Increase) in deferred outflows of resources - pensions	(197,182)	(195,211)	(392,393)
(Increase) in deferred outflows of resources - OPEB	41,322	75,252	116,574
Increase (decrease) in accounts payable and accrued	(47,921)	(37,944)	(85,865)
Increase (decrease) in accrued payroll and payroll liabilities	1,631	18,572	20,203
Increase (decrease) in customer deposits	190,226	101,571	291,797
Increase (decrease) in accrued vacation pay	21,858	9,426	31,284
Increase (decrease) in net pension liability	533,611	528,279	1,061,890
Increase (decrease) in deferred inflows of resources - pension	(268,784)	(266,097)	(534,881)
Increase (decrease) in deferred inflows of resources - OPEB	181,552	286,041	467,593
Increase (decrease) in OPEB liability	(249,601)	(393,254)	(642,855)
Total adjustments	<u>\$ 693,488</u>	<u>\$ 932,679</u>	<u>\$ 1,626,167</u>
Net cash provided by operating activities	<u>\$ 1,026,853</u>	<u>\$ 4,334,412</u>	<u>\$ 5,361,265</u>

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

Town of Smithfield
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Private-Purpose Trust Fund	Custodial Fund	Total
ASSETS			
Cash and investments	\$ 132,395	\$ 93,323	\$ 225,718
Accounts receivable	339	-	339
Total assets	<u>132,734</u>	<u>93,323</u>	<u>226,057</u>
LIABILITIES			
Current liabilities:			
Miscellaneous liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted for:			
JB George Beautification Trust	132,734	-	132,734
Firemen's Relief	-	93,323	93,323
Total fiduciary net position	<u>\$ 132,734</u>	<u>\$ 93,323</u>	<u>\$ 226,057</u>

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

Town of Smithfield
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Private-Purpose Trust Fund</u>	<u>Custodial Fund</u>	<u>Total</u>
ADDITIONS			
State Reimbursements	\$ -	\$ 13,089	\$ 13,089
Investment earnings	1,036	1,097	2,133
Total Additions	<u>1,036</u>	<u>14,186</u>	<u>15,222</u>
DEDUCTIONS			
Special projects	529	-	529
Payments on behalf of firefighters	-	5,600	5,600
Total Deductions	<u>529</u>	<u>5,600</u>	<u>6,129</u>
Net increase (decrease) in fiduciary net position	507	8,586	9,093
Net position, beginning	<u>132,227</u>	<u>84,737</u>	<u>216,964</u>
Total net position, ending	<u>\$ 132,734</u>	<u>\$ 93,323</u>	<u>\$ 226,057</u>

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

Town of Smithfield, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2023

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.

ARPA Fund. The ARPA Fund is the fund used to track Coronavirus State Local Fiscal Recovery Funds received by the Town.

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.

SCIF Fund. The SCIF Fund is the fund used to track State Capital and Infrastructure funds received by the Town.

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 Special Revenue 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 : 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/amortization 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 leases and IT subscriptions 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 Smithfield Fire District Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the capital project funds and the ARPA fund. 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. Unspent grant proceeds are considered restricted cash. 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	\$	413,727
Unexpended police drug forfeiture		34,097
Unspent grant funds (ARPA)		2,696,482
Unspent grant funds (SCIF)		777,302
USDA loan requirements		178,217
Total governmental activities	\$	<u>4,099,825</u>
Business-type Activities		
Electric Fund		
Customer Deposits	\$	825,260
Water and Sewer Fund		
Customer Deposits		321,211
Total business-type activities	\$	<u>1,146,471</u>
Total Restricted Cash	\$	<u><u>5,246,296</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, 2022. 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. Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. 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.

8. 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 light poles, 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:

Asset Class	Years
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

The Town's capital assets also include certain right to use assets (if considered material). These right to use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

9. 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 meets 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, OPEB related deferrals, and leases.

10. 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.

11. 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.

12. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$4,138,286 of fiscal recovery funds to be paid in two equal installments. The first installment of \$2,069,143 was received in July 2021. The second installment was received in July 2022. Town staff and the Town Council have elected to use \$169,900 of the ARPA funds for Cedar Drive Storm Drainage repairs; \$191,500 to purchase four fully equipped patrol vehicles; \$1,047,031 to expand the police building; \$1,010,580 to purchase a fire truck; and \$227,987 to purchase a sanitation (garbage) truck. The Town plans to commit the rest of the funds for other capital projects in Fiscal Year 2024.

13. 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.

Leases - portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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.

14. 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.

15. 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, 2023, the Town's deposits had a carrying amount of \$42,250,289 and a bank balance of \$42,570,480. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$41,820,480 was covered by collateral held under the Pooling Method. The Town's petty cash totaled \$829 at June 30, 2023.

2. Investments

At June 30, 2023, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 06/30/2023	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 5,145,081	N/A	AAAm
Total:		5,145,081		

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, 2023. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard and Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023.

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, 2023, were as follows:

	Accounts	Taxes	Due from other governments	Total
Governmental Activities:				
General	\$ 236,641	\$ 23,348	\$ 1,750,019	\$ 2,010,008
Other Governmental	-	-	101,124	101,124
Allowance for doubtful accounts	(52,189)	(10,172)	-	(62,361)
Total governmental activities	\$ 184,452	\$ 13,176	\$ 1,851,143	\$ 2,048,771
Business-Type Activities:				
Electric	\$ 1,822,410	\$ -	\$ -	\$ 1,822,410
Water and Sewer	1,348,236	-	-	1,348,236
Allowance for doubtful accounts	(282,262)	-	-	(282,262)
Total business-type activities	\$ 2,888,384	\$ -	\$ -	\$ 2,888,384

Due from other governments consisted of the following:

Local option sales tax	\$ 998,732
Franchise tax	250,729
Sales tax	328,412
Grants Receivable	101,124
Motor Vehicle - Due from the County	172,146
	<u>\$ 1,851,143</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
2024	\$ 8,400	\$ 4,357	\$ 12,757
2025	8,643	4,114	12,757
2026	8,881	3,876	12,757
2027	9,125	3,632	12,757
2028	9,366	3,391	12,757
2029-2033	50,883	13,902	64,785
2034-2038	58,278	5,507	63,785
2039-2043	4,426	122	4,548
	<u>\$ 158,002</u>	<u>\$ 38,901</u>	<u>\$ 196,903</u>

Lease Receivable

For the year ended 6/30/2023, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On 07/01/2021, the Town entered into a 240 month lease as Lessor for the use of ALLTEL (Verizon). An initial lease receivable was recorded in the amount of \$329,450. As of 06/30/2023, the value of the lease receivable is \$313,212. The lessee is required to make monthly fixed payments of \$1,481. The lease has an interest rate of 0.2370%. The value of the deferred inflow of resources as of 06/30/2023 was \$296,632, and the Town recognized lease revenue of \$16,409 during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

On 07/01/2021, the Town entered into a 60 month lease as Lessor for the use of Sprint Cell Tower (T-Mobile). An initial lease receivable was recorded in the amount of \$209,269. As of 06/30/2023, the value of the lease receivable is \$129,566. The lessee is required to make monthly fixed payments of \$3,306. The lease has an interest rate of 0.2530%. The value of the deferred inflow of resources as of 06/30/2023 was \$125,562, and the Town recognized lease revenue of \$41,854 during the fiscal year.

On 07/01/2021, the Town entered into a 244 month lease as Lessor for the use of Cingular (AT&T). An initial lease receivable was recorded in the amount of \$255,168. As of 06/30/2023, the value of the lease receivable is \$238,497. The lessee is required to make annual fixed payments of \$12,000. The lease has an interest rate of 2.2200%. The value of the deferred inflow of resources as of 06/30/2023 was \$230,070, and the Town recognized lease revenue of \$12,549 during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2024	\$ 65,563	\$ 6,296	\$ 68,314
2025	67,124	5,997	69,540
2026	68,727	5,694	70,803
2027	26,738	5,437	72,103
2028	26,989	5,186	29,856
2029-2033	144,738	21,894	152,160
2034-2038	168,721	13,463	167,136
2039-2043	112,675	2,857	144,768
	<u>\$ 681,275</u>	<u>\$ 66,824</u>	<u>\$ 774,681</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023 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	2,222,519	3,696,850	2,450,213	3,469,156
Total capital assets not being depreciated	<u>8,612,567</u>	<u>3,696,850</u>	<u>2,450,213</u>	<u>9,859,204</u>
Capital assets being depreciated:				
Buildings and improvements	17,471,184	189,402	-	17,660,586
Infrastructure	56,895,645	1,880,361	-	58,776,006
Equipment and vehicles	9,044,357	1,199,540	236,569	10,007,328
Total capital assets being depreciated	<u>83,411,186</u>	<u>3,269,303</u>	<u>236,569</u>	<u>86,443,920</u>
Less accumulated depreciation for:				
Buildings and improvements	10,573,728	719,856	-	11,293,584
Infrastructure	44,710,848	898,791	-	45,609,639
Equipment and vehicles	5,748,894	549,537	224,386	6,074,045
Total accumulated depreciation	<u>61,033,470</u>	<u>\$ 2,168,184</u>	<u>\$ 224,386</u>	<u>62,977,268</u>
Total capital assets being depreciated, net	<u>22,377,716</u>			<u>23,466,652</u>
Governmental activity capital assets, net	<u>\$ 30,990,283</u>			<u>\$ 33,325,856</u>

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

General government	\$ 186,013
Public safety	485,270
Street and public works	786,088
Sanitation	28,522
Cultural and recreational	682,291
	<u>\$ 2,168,184</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	1,303,212	656,342	-	1,959,554
Total capital assets not being depreciated	<u>1,303,212</u>	<u>656,342</u>	<u>-</u>	<u>1,959,554</u>
Capital assets being depreciated:				
Plant and distribution systems	15,343,297	-	-	15,343,297
Equipment	3,906,161	171,461	10,160	4,067,462
Total capital assets being depreciated	<u>19,249,458</u>	<u>171,461</u>	<u>10,160</u>	<u>19,410,759</u>
Less accumulated depreciation for:				
Plant and distribution systems	8,113,362	576,727	-	8,690,089
Equipment	2,398,734	215,523	10,160	2,604,097
Total accumulated depreciation	<u>10,512,096</u>	<u>\$ 792,250</u>	<u>\$ 10,160</u>	<u>11,294,186</u>
Total capital assets being depreciated, net	<u>8,737,362</u>			<u>8,116,573</u>
Electric fund capital assets, net	<u>\$ 10,040,574</u>			<u>\$ 10,076,127</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	16,045,816	5,552,070	19,205,828	2,392,058
Total capital assets not being depreciated	<u>16,055,816</u>	<u>5,552,070</u>	<u>19,205,828</u>	<u>2,402,058</u>
Capital assets being depreciated:				
Plant and distribution systems	20,362,179	18,613,250	-	38,975,429
Furniture and maintenance equipment	3,141,994	631,663	180,244	3,593,413
Total capital assets being depreciated	<u>23,504,173</u>	<u>19,244,913</u>	<u>180,244</u>	<u>42,568,842</u>
Less accumulated depreciation for:				
Plant and distribution systems	11,188,285	747,983	-	11,936,268
Equipment	2,378,659	234,855	180,244	2,433,270
Total accumulated depreciation	<u>13,566,944</u>	<u>\$ 982,838</u>	<u>\$ 180,244</u>	<u>14,369,538</u>
Total capital assets being depreciated, net	<u>9,937,229</u>			<u>28,199,304</u>
Water and Sewer fund capital assets, net	<u>\$ 25,993,045</u>			<u>\$ 30,601,362</u>
Business-type activities capital assets, net	<u>\$ 36,033,619</u>			<u>\$ 40,677,489</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, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Stature 128-30 and may be amended only by the North Carolina General Assembly. Town of Smithfield employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Smithfield contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.15% 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 \$1,030,428 for the year ended June 30, 2023.

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, 2023, the Town reported a liability of 5,594,604 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the Town's proportion was 0.0992%, which was an increase of 0.0055% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$1,557,559. At June 30, 2023, 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	\$ 241,066	\$ 23,635
Changes of assumptions	558,216	-
Net difference between projected and actual earnings on pension plan investments	1,849,075	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	97,218	84,578
Employer contributions subsequent to the measurement date	1,030,428	-
Total	<u>\$ 3,776,003</u>	<u>\$ 108,213</u>

\$1,030,428 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 796,669
2025	719,204
2026	240,555
2027	880,934
2028	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 to 8.25 percent, including a 3.25% inflation and productivity factor
Investment rate of return	6.50 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, 2021 valuations were based on the results of an actuarial experience review for LGERS for the period January 1, 2015 through December 31, 2019.

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, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 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 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 10,097,540	\$ 5,594,604	\$ 1,883,924

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, 2021, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Active plan members	<u>36</u>
Total	<u><u>39</u></u>

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, 2022 valuation. The total pension liability in the December 31, 2021 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	4.31 percent

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees’ Retirement System for the five-year period ending December 31, 2019.

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, 2023 was \$73,134.

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

At June 30, 2023, the Town reported a total pension liability of \$1,977,966. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$210,392.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 301,457	\$ 586
Changes of assumptions	286,082	324,220
Benefit payments and plan administrative expense made subsequent to the measurement date	74,491	-
Total	\$ 662,030	\$ 324,806

\$74,491 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 105,242
2025	100,404
2026	92,905
2027	(1,547)
2028	(34,271)
Thereafter	-

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 4.31 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 (3.31 percent) and 1-percentage-point higher (5.31 percent) than the current rate.

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 2,131,558	\$ 1,977,966	\$ 1,837,531

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

	2023
Beginning balance	\$ 2,153,267
Service Cost	95,152
Interest on the total pension liability	47,626
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	86,849
Changes of assumptions or other inputs	(331,794)
Benefit payments	(73,134)
Other changes	-
Net Change	(175,301)
Ending balance of the total pension liability	\$ 1,977,966

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, 2021 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, 2019.

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:

	LGERS	LEOSSA	Total
Pension Expense	\$ 1,557,559	\$ 210,392	\$ 1,767,951
Pension Liability	5,594,604	1,977,966	7,572,570
Proportionate share of the net pension liability	0.0992%	n/a	

Deferred Outflows of Resources

Differences between expected and actual experience	\$ 241,066	\$ 301,457	\$ 542,523
Changes of assumptions	558,216	286,082	844,298
Net difference between projected and actual earnings on pension plan investment	1,849,075	-	1,849,075
Changes in proportion and differences between contributions and proportionate share of contributions	97,218	-	97,218
Benefit payments and administrative costs paid subsequent to the measurement date	1,030,428	74,491	1,104,919

	LGERS	LEOSSA	Total
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	23,635	586	24,221
Changes of assumptions	-	324,220	324,220
Net difference between projected and actual earnings on pension plan investment	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	84,578	-	84,578

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, 2023 were \$218,339, which consisted of \$106,065 from the Town and \$112,273 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, 2023 were \$573,788 which consisted of \$167,996 from the Town and \$405,792 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 authority 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 June 30, 2022, the date of the last actuarial valuation:

	General Employees:
Retirees and dependents receiving benefits	52
Active plan members	134
Total	<u>186</u>

Total OPEB Liability

The Town's total OPEB liability of \$12,679,955 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022 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	3.25 - 8.41 percent, including inflation
Discount rate	3.54 percent
Healthcare cost trend rate	
Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Medicare	5.125% for 2021 decreasing to an ultimate rate of 4.50% by 2024

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	\$ 15,397,557
Changes for the year	
Service cost	315,021
Interest	335,105
Changes of benefit terms	-
Differences between expected and actual experience	22,422
Changes in assumptions or other inputs	(2,991,147)
Benefit payments	(399,003)
Net changes	<u>(2,717,602)</u>
Balance at June 30, 2022	<u>\$ 12,679,955</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, 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 (2.54 percent) and 1-percentage-point higher (4.54 percent).

	1% Decrease <u>(2.54%)</u>	Discount Rate <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
Total OPEB liability	\$ 14,746,586	\$ 12,679,955	\$ 11,034,325

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	\$ 10,846,083	\$ 12,679,955	\$ 14,993,063

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$102,527. At June 30, 2023, 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	\$ 279,393	\$ 997,562
Changes of assumptions	2,154,990	3,130,086
Benefit payments and administrative costs made subsequent to the measurement date	359,075	-
Total	<u>\$ 2,793,458</u>	<u>\$ 4,127,648</u>

\$359,075 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ (477,399)
2025	(431,487)
2026	(275,942)
2027	(43,612)
2028	(162,614)
Thereafter	(302,211)

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, 2023, the Town made contributions to the State for death benefits of \$0. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefits amount and the other benefit amount.

3. Deferred Outflows and Inflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		
LGERS	\$ 241,066	\$ 23,635
LEOSSA	301,457	586
OPEB	279,394	997,563
Changes of assumptions		
LGERS	558,216	-
LEOSSA	286,082	324,220
OPEB	2,154,989	3,130,086
Difference between projected and actual investment		
LGERS	1,849,075	-
Change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	97,218	84,578
Contributions to pension plan in current fiscal year		
LGERS	1,030,428	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	74,491	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	359,075	-
Leases (General Fund)	-	652,263
Total - Government-wide Statements	<u>\$ 7,231,491</u>	<u>\$ 5,212,931</u>
<u>Fund Statements</u>		
Taxes receivable, net (General)	\$ -	\$ 13,874
Leases (General Fund)	-	652,263
Total - Fund Statements	<u>\$ -</u>	<u>\$ 666,137</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 contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

5. Long-Term Obligations

a. Installment Purchases

As authorized by State law (G.S. 160A-20 and 153A-158.1), the Town financed various property and equipment acquisitions by installment purchases. Installment purchase contracts at June 30, 2023 were comprised of the following individual agreements:

Governmental Activities:

\$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. \$ 2,329,946

\$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. 281,577

\$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.

18,748

\$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.

996,652

\$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.

81,959

\$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.

694,189

\$160,000 direct borrowing agreement for a Knuckleboom Truck 2023 Freightliner due in semi-annual installments of \$17,775 through December 2027, including interest at 3.92%. The issue date was December 2022 from First Citizens Bank. The equipment stands as collateral for the loan. In the event of default, the lender at its option may declare all or any part of any such indebtedness immediately due and payable.

145,361

Total governmental activities

\$ 4,548,432

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. \$ 380,203

\$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. 473,499

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, 2023, the Town had requested \$9,050,278. 10,950,563

Total business-type activities

\$ 11,804,265

Future minimum payments as of June 30, 2023 for the installment purchase contracts are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 292,739	\$ 145,519	\$ 879,954	\$ 147,061
2025	281,941	137,131	887,039	133,289
2026	247,969	129,016	894,209	119,371
2027	255,564	121,421	602,500	107,004
2028	245,599	113,611	602,500	100,316
2029-2033	1,076,030	467,225	3,012,500	401,263
2034-2038	1,195,287	306,749	3,012,500	234,071
2039-2043	655,677	131,378	1,913,063	66,878
2044-2048	297,626	16,837	-	-
Total	<u>\$ 4,548,432</u>	<u>\$ 1,568,887</u>	<u>\$ 11,804,265</u>	<u>\$ 1,309,253</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.

\$ 1,573,434

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 \$1,573,434. Principal and interest paid for the current year revenue bonds and total electric customer net revenues were \$342,585 and \$333,365 respectively.

The debt service coverage ratio calculation for the year ended June 30, 2023 is as follows:

Operating revenues	\$ 15,454,971
Operating expenses	(15,121,606)
Add back:	
Investment earnings	157,092
Depreciation	792,249
Income available for debt service	<u>\$ 1,282,706</u>
Debt service principal and interest paid (Revenue bond only)	<u>\$ 342,585</u>
Debt service coverage ratio	374%

The Town's debt service coverage ratio is greater than 120% of the debt service requirement for the year ended June 30, 2023.

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2024	\$ 297,100	\$ 45,485	\$ 342,585
2025	305,686	36,899	342,585
2026	314,521	28,065	342,586
2027	323,610	18,975	342,585
2028	332,517	9,893	342,410
2029-2033	-	-	-
	<u>\$ 1,573,434</u>	<u>\$ 139,317</u>	<u>\$ 1,712,751</u>

c. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
Governmental activities:					
Direct Placement and Direct Borrowing	\$ 4,686,704	\$ 160,000	\$ 298,272	\$ 4,548,432	\$ 292,739
Compensated absences Net pension liability (LGERS)	461,113	21,488	-	482,601	120,650
Total pension liability (LEOSSA)	1,069,561	3,096,348	-	4,165,909	-
Total OPEB Liability	2,153,267	-	175,301	1,977,966	-
Total Governmental	11,755,231	-	2,074,747	9,680,484	-
	<u>\$ 20,125,876</u>	<u>\$ 3,277,836</u>	<u>\$ 2,548,320</u>	<u>\$ 20,855,392</u>	<u>\$ 413,389</u>
Business-type activities:					
Electric Fund					
Revenue bonds	\$ 1,862,328	\$ -	\$ 288,894	\$ 1,573,434	\$ 297,100
Compensated absences Net pension liability (LGERS)	96,323	21,858	-	118,181	29,545
Total OPEB Liability	184,324	533,611	-	717,935	-
Total Electric Fund	1,414,206	-	249,601	1,164,605	-
	<u>3,557,181</u>	<u>555,469</u>	<u>538,495</u>	<u>3,574,155</u>	<u>326,645</u>
Water Fund					
Direct Placement and Direct Borrowing					
Installment purchases	10,777,066	1,900,285	873,086	11,804,265	879,954
Compensated absences Net pension liability	86,747	9,426	-	96,173	24,043
Total OPEB Liability	182,481	528,279	-	710,760	-
Total Water Fund	2,228,120	-	393,254	1,834,866	-
	<u>13,274,414</u>	<u>2,437,990</u>	<u>1,266,340</u>	<u>14,446,064</u>	<u>903,997</u>
Total Business-type	<u>\$ 16,831,595</u>	<u>\$ 2,993,459</u>	<u>\$ 1,804,835</u>	<u>\$ 18,020,219</u>	<u>\$ 1,230,643</u>

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

At June 30, 2023, the Town of Smithfield had a legal debt margin of \$107,411,599.

C. Interfund Balances and Activity

Due To/From Other Funds

	From	To
General Fund	\$ -	\$ 891,926
General Fund Capital Project Fund	848,391	-
Smithfield Fire Tax District	4,609	-
SCIF Grant Fund	7,766	-
CDBG-NR	31,160	-
	<hr/>	<hr/>
Total Interfund Balances	<u>\$ 891,926</u>	<u>\$ 891,926</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, 2023, consists of the following:

From the General fund to the General Fund Capital Project Fund to accumulate resources for the various projects and capital purchases.	\$ 10,410
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.	365,000
From the Water Sewer Fund to the General Fund as payments in lieu of taxes.	117,640
From the Electric Fund to the Electric Fund Capital Project fund to provide resources for a capital project.	550,000
From the Water Sewer Fund to the Water Sewer Fund Capital Project fund to provide resources for a capital project.	<u>2,401,130</u>
Total Transfers	<u>\$ 3,444,180</u>

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 \$19,952 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, 2023. 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	\$ 33,325,856	\$ 30,601,362	\$ 10,076,127
less: long-term debt	(4,548,432)	(11,804,265)	(1,573,434)
Net Investment in Capital Assets	<u>\$ 28,777,424</u>	<u>\$ 18,797,097</u>	<u>\$ 8,502,693</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	\$ 19,195,668
Less:	
Prepaid	21,293
Leases	29,012
USDA debt Payments	178,217
Public safety	34,097
Stabilization by State statute	3,592,790
Streets	413,727
Bingham Park	352,788
Recreation development	294,473
Subsequent year's expenditures	380,265
Remaining Fund Balance	<u>\$ 13,899,006</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>
	\$ 766,393	\$ 176,133	\$ 318,291

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, 2023 were \$11,732,959.

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 \$292,930 to the Library annually for operations in FY2023.

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 FY2023, the Town paid \$22,000 to the Ava Gardner Museum.

IX. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

X. Significant Effects of Subsequent Events

The Town has evaluated events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Town has not evaluated subsequent events after that date.

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 Ten Fiscal Years

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Smithfield's proportion of the net liability (asset) (%)	0.09917%	0.09366%	0.09934%	0.10529%	0.11189%
Smithfield's proportion of the net pension liability (asset) (\$)	\$ 5,594,604	\$ 1,436,366	\$ 3,549,841	\$ 2,875,388	\$ 2,654,413
Smithfield's covered payroll	\$ 7,596,067	\$ 7,214,828	\$ 6,980,237	\$ 6,688,559	\$ 6,471,444
Smithfield's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	73.65%	19.91%	50.86%	42.99%	41.02%
Plan fiduciary net position as a percentage of the total pension liability**	139.04%	95.51%	88.61%	90.86%	91.63%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Smithfield's proportion of the net liability (asset) (%)	0.10779%	0.10709%	0.11419%	0.11846%	0.12370%
Smithfield's proportion of the net pension liability (asset) (\$)	\$ 1,646,733	\$ 2,272,809	\$ 512,482	\$ (698,613)	\$ 1,491,060
Smithfield's covered payroll	\$ 6,332,100	\$ 5,795,276	\$ 5,977,396	\$ 6,030,168	\$ 6,162,658
Smithfield's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	26.01%	39.22%	8.57%	-11.59%	24.20%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 1,030,428	\$ 880,066	\$ 749,285	\$ 642,436	\$ 536,238
Contributions in relation to the contractually required contribution	<u>1,030,428</u>	<u>880,066</u>	<u>749,285</u>	<u>642,436</u>	<u>536,238</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Smithfield's covered payroll	\$ 8,324,639	\$ 7,596,067	\$ 7,214,828	\$ 6,980,237	\$ 6,688,559
Contributions as a percentage of covered payroll	12.38%	11.59%	10.39%	9.20%	8.02%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 502,739	\$ 477,283	\$ 399,093	\$ 382,494	\$ 429,916
Contributions in relation to the contractually required contribution	<u>502,739</u>	<u>477,283</u>	<u>399,093</u>	<u>382,494</u>	<u>429,916</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Smithfield's covered payroll	\$ 6,471,444	\$ 6,332,100	\$ 5,795,276	\$ 5,977,396	\$ 6,030,168
Contributions as a percentage of covered payroll	7.77%	7.54%	6.89%	6.40%	7.13%

Town of Smithfield, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 2,153,267	\$1,950,581	\$1,260,626
Service Cost	95,152	94,819	58,451
Interest on the total pension liability	47,626	37,006	39,671
Differences between expected and actual experience in the measurement of the total pension liability	86,849	193,261	159,976
Changes of assumptions or other inputs	(331,794)	(56,022)	519,303
Benefit payments	(73,134)	(66,378)	(87,446)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 1,977,966</u>	<u>\$2,153,267</u>	<u>\$1,950,581</u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 1,201,136	\$1,175,635	\$1,094,022
Service Cost	51,579	60,482	49,836
Interest on the total pension liability	42,070	35,977	40,826
Differences between expected and actual experience in the measurement of the total pension liability	15,518	55,028	(8,242)
Changes of assumptions or other inputs	41,047	(51,771)	71,898
Benefit payments	(90,724)	(74,215)	(72,705)
Other changes	-	-	-
Ending balance of the total pension liability	<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 Six Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 1,977,966	\$ 2,153,267	\$ 1,950,581
Covered Payroll	2,099,023	1,973,938	1,902,536
Total pension liability as a percentage of covered payroll	94.23%	109.08%	102.53%

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 1,260,626	\$ 1,201,136	\$ 1,175,635
Covered Payroll	1,849,051	1,978,348	1,924,764
Total pension liability as a percentage of covered payroll	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 Six Fiscal Years

Total OPEB Liability	<u>2023</u>	<u>2022</u>	<u>2021</u>
Service cost	\$ 315,021	\$ 344,932	\$ 233,245
Interest	335,105	310,160	385,902
Differences between expected and actual experience	22,422	369,047	189
Changes of assumptions	(2,991,147)	849,970	2,610,852
Benefit payments	<u>(399,003)</u>	<u>(330,172)</u>	<u>(335,288)</u>
Net change in total OPEB liability	<u>(2,717,602)</u>	<u>1,543,937</u>	<u>2,894,900</u>
Total OPEB liability - beginning	<u>15,397,557</u>	<u>13,853,620</u>	<u>10,958,720</u>
Total OPEB liability - ending	<u>\$ 12,679,955</u>	<u>\$ 15,397,557</u>	<u>\$ 13,853,620</u>
Covered payroll	\$ 6,105,241	\$ 6,105,241	\$ 6,330,239
Total OPEB liability as a percentage of covered payroll	207.69%	252.20%	218.85%
Total OPEB Liability	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 279,252	\$ 295,722	\$ 334,034
Interest	488,156	458,419	416,226
Differences between expected and actual experience	(2,154,154)	3,046	2,589
Changes of assumptions	(33,706)	(743,704)	(1,369,309)
Benefit payments	<u>(336,428)</u>	<u>(346,588)</u>	<u>(323,467)</u>
Net change in total OPEB liability	<u>(1,756,880)</u>	<u>(333,105)</u>	<u>(939,927)</u>
Total OPEB liability - beginning	<u>12,715,600</u>	<u>13,048,705</u>	<u>13,988,632</u>
Total OPEB liability - ending	<u>\$ 10,958,720</u>	<u>\$ 12,715,600</u>	<u>\$ 13,048,705</u>
Covered payroll	\$ 6,330,239	\$ 5,979,453	\$ 5,979,453
Total OPEB liability as a percentage of covered payroll	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>
2023	3.54%
2022	2.16%
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, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes			
Taxes		\$ 7,976,945	
Downtown district tax		95,588	
Penalties and interest		26,353	
Total	\$ 7,585,000	8,098,886	\$ 513,886
Other taxes and licenses			
Zoning permits		22,555	
Other permits and license		28,294	
Occupancy tax		1,308	
Total	63,800	52,157	(11,643)
Unrestricted intergovernmental			
Franchise tax		1,023,115	
Beer and wine tax		53,074	
ABC board profit distribution		36,494	
Local option sales tax		3,807,220	
PEG channel fees		84,395	
Solid waste disposal tax		9,077	
Excise tax - rentals		39,999	
Total	4,230,000	5,053,374	823,374
Restricted intergovernmental			
Powell Bill allocation		359,021	
Department of Justice forfeitures		6,152	
JAG grant		3,681	
Grant revenue		92,091	
Total	449,818	460,945	11,127
Permits and fees			
Cemetery lot sales and grave openings		134,925	
DSDC loan repayment		12,757	
Public safety fees		135,941	
Refuse collection fees		1,484,181	
Recreation fees		201,142	
EMS fees		48,500	
Aquatic Center fees		774,359	
Total	2,572,252	2,791,805	219,553
Investment earnings	8,000	202,618	194,618

(continued)

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, 2023

	Budget	Actual	Variance Positive (Negative)
Miscellaneous			
Cell tower rental		96,625	
Other		139,623	
Total	141,396	236,248	94,852
Total Revenues	15,050,266	16,896,033	1,845,767
Expenditures:			
General Government:			
Governing Body			
Salaries and employee benefits		261,344	
Operating expenditures		203,157	
Overhead allocated to other funds		(34,782)	
Total	458,067	429,719	28,348
Administration			
Salaries and employee benefits		-	
Operating expenditures		648,540	
Overhead allocated to other funds		(48,563)	
Total	974,386	599,977	374,409
Finance			
Salaries and employee benefits		131,162	
Operating expenditures		26,484	
Overhead allocated to other funds		(11,805)	
Total	155,060	145,841	9,219
Information Technology			
Salaries and employee benefits		50,448	
Operating expenditures		70,433	
Total	195,125	120,881	74,244
Building and Planning			
Salaries and employee benefits		325,407	
Operating expenditures		86,188	
Total	495,935	411,595	84,340
Total general government	2,278,573	1,708,013	570,560

(continued)

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety:			
Police			
Salaries and employee benefits		3,468,149	
Operating expenditures		376,749	
Capital outlay		124,651	
Total	<u>4,563,171</u>	<u>3,969,549</u>	<u>593,622</u>
Fire			
Salaries and employee benefits		2,182,708	
Operating expenditures		435,467	
Total	<u>2,716,948</u>	<u>2,618,175</u>	<u>98,773</u>
Total public safety	<u>7,280,119</u>	<u>6,587,724</u>	<u>692,395</u>
Street and Public Works:			
Community Appearance			
Salaries and employee benefits		379,282	
Operating expenditures		309,154	
Total	<u>746,433</u>	<u>688,436</u>	<u>57,997</u>
Streets			
Salaries and employee benefits		277,703	
Operating expenditures		143,526	
Total	<u>734,356</u>	<u>421,229</u>	<u>313,127</u>
Powell Bill			
Operating expenditures		413,727	
Total	<u>559,169</u>	<u>413,727</u>	<u>145,442</u>
Garage			
Salaries and employee benefits		67,310	
Operating expenditures		38,946	
Total	<u>126,645</u>	<u>106,256</u>	<u>20,389</u>
Stormwater:			
Salaries and employee benefits		30,874	
Operating expenditures		25,082	
Capital outlay		12,595	
Total	<u>171,392</u>	<u>68,551</u>	<u>102,841</u>
Total Street and Public Works	<u>2,337,995</u>	<u>1,698,199</u>	<u>639,796</u>

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, 2023

	Budget	Actual	Variance Positive (Negative)
Sanitation:			
Salaries and employee benefits		854,801	
Operating expenditures		605,390	
Capital outlay		65,252	
Total Sanitation	1,669,888	1,525,443	144,445
Cultural and recreational:			
Salaries and employee benefits		1,316,864	
Operating expenditures		1,033,078	
Total Cultural and Recreational	2,558,543	2,349,942	208,601
Debt service:			
Principal retirement		298,272	
Interest and other charges		151,025	
Total debt service	449,313	449,297	16
Total expenditures	16,574,431	14,318,618	2,255,813
Revenues over (under) expenditures	(1,524,165)	2,577,415	4,101,580
Other financing sources (uses):			
Appropriated fund balance	1,039,702	-	(1,039,702)
Transfers from other funds	482,640	482,640	-
Transfers to other funds	(18,177)	(10,410)	7,767
Sale of fixed assets	20,000	25,696	5,696
Total	1,524,165	497,926	(1,026,239)
Revenues and other financing sources over expenditures and other financing uses	\$ -	3,075,341	\$ 3,075,341
Fund balance, beginning		15,938,727	
Fund balance, ending		\$ 19,014,068	

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, 2023

	Budget	Actual	Variance
Revenues			
Investment Earnings	\$ -	\$ 226	\$ 226
Total revenues	-	226	226
Revenues over (under) expenses	-	226	226
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	226	\$ 226
Fund balance, beginning		181,374	
Fund balance, ending		\$ 181,600	

Town of Smithfield, North Carolina
Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and For the Year Ended June 30, 2023

	<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					
ARPA Revenue	\$ 4,138,286	\$ 169,952	\$ 1,271,852	\$ 1,441,804	\$ (2,696,482)
Interest	-	941	24,029	24,970	24,970
Total revenues	<u>4,138,286</u>	<u>170,893</u>	<u>1,295,881</u>	<u>1,466,774</u>	<u>(2,671,512)</u>
Expenditures					
Storm Drainage	169,952	169,952	-	169,952	-
Health Properties Condemnation	165,900	-	165,900	165,900	-
Police Building Expansion	1,047,031	-	915,988	915,988	131,043
Equipment	1,430,067	-	189,964	189,964	1,240,103
Total expenditures	<u>2,812,950</u>	<u>169,952</u>	<u>1,271,852</u>	<u>1,441,804</u>	<u>1,371,146</u>
Revenues over (under) expenditures	<u>1,325,336</u>	<u>941</u>	<u>24,029</u>	<u>24,970</u>	<u>(1,300,366)</u>
Other financing sources (uses)					
Transfers in (out)	<u>(1,325,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325,336</u>
Total other financing sources (uses)	<u>(1,325,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325,336</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 941</u>	<u>24,029</u>	<u>\$ 24,970</u>	<u>\$ 24,970</u>
Fund balance, beginning			<u>941</u>		
Fund balance, ending			<u>\$ 24,970</u>		

Town of Smithfield, North Carolina
SCIF Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and For the Year Ended June 30, 2023

	<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						
SCIF Grant	\$ 1,525,830	\$ -	\$1,525,830	\$(1,525,830)	\$ -	\$ -
Interest	5,443	267	5,175	(5,442)	-	(1)
Total revenues	<u>1,531,273</u>	<u>267</u>	<u>1,531,005</u>	<u>(1,531,272)</u>	<u>-</u>	<u>(1)</u>
Expenditures						
Ampitheatre	1,000,800	-	993,033	(993,033)	-	7,767
Splash Pad	548,650	-	548,649	(548,649)	-	1
Total expenditures	<u>1,549,450</u>	<u>-</u>	<u>1,541,682</u>	<u>(1,541,682)</u>	<u>-</u>	<u>7,768</u>
Revenues over (under) expenditures	<u>(18,177)</u>	<u>267</u>	<u>(10,677)</u>	<u>10,410</u>	<u>-</u>	<u>7,767</u>
Other financing sources (uses)						
Transfers in	18,177	-	10,410	(10,410)	-	(7,767)
Total other financing sources (uses)	<u>18,177</u>	<u>-</u>	<u>10,410</u>	<u>(10,410)</u>	<u>-</u>	<u>(7,767)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 267</u>	<u>(267)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>267</u>			
Fund balance, ending			<u>\$ -</u>			

Town of Smithfield, North Carolina
General Fund Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and For the Year Ended June 30, 2023

	<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	\$ 1,128,674	\$ 233,256	\$ 172,698	\$ -	\$ 405,954	\$ (722,720)
Contributions	257,544	211,057	52,250	-	263,307	5,763
Investment earnings	12,588	8	1,044	-	1,052	(11,536)
Total revenues	<u>1,398,806</u>	<u>444,321</u>	<u>225,992</u>	<u>-</u>	<u>670,313</u>	<u>(728,493)</u>
Expenditures						
Wayfinding	300,315	278,367	9,765	(288,132)	-	12,183
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
Police Building Expansion	1,816,175	353,385	431,187	-	784,572	1,031,603
Spring Branch Restoration	200,500	45,570	152,195	-	197,765	2,735
CSX Culvert Improvement	950,000	-	172,698	-	172,698	777,302
Knuckleboom Truck	180,000	-	179,603	(179,603)	-	397
Tractor Mower	132,000	-	127,832	(127,832)	-	4,168
Hastings House Repairs	178,674	-	-	-	-	178,674
Total expenditures	<u>4,426,266</u>	<u>1,133,107</u>	<u>1,073,280</u>	<u>(908,530)</u>	<u>1,297,857</u>	<u>2,219,879</u>
Revenues over (under) expenditures	<u>(3,027,460)</u>	<u>(688,786)</u>	<u>(847,288)</u>	<u>908,530</u>	<u>(627,544)</u>	<u>1,491,386</u>
Other financing sources (uses)						
Transfers in	2,242,888	2,552,049	-	(288,132)	2,263,917	21,029
Loan Proceeds	784,572	784,572	160,000	-	944,572	160,000
Total other financing sources (uses)	<u>3,027,460</u>	<u>3,336,621</u>	<u>160,000</u>	<u>(288,132)</u>	<u>3,208,489</u>	<u>181,029</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,647,835</u>	<u>(687,288)</u>	<u>\$ 620,398</u>	<u>2,580,945</u>	<u>\$ 1,672,415</u>
Fund balance, beginning			<u>(196,054)</u>			
Fund balance, ending			<u>\$ (883,342)</u>			

Town of Smithfield, North Carolina
Combining Balance Sheet
Non-Major Funds
June 30, 2023

	Special Revenue		Capital Projects		Total Non- major Governmental Funds
	Smithfield Fire Tax District	CDBG-NR	SCIF Grant Fund	FEMA Elevations and Acquisitions	
Assets					
Cash and cash equivalents	\$ 93,244	\$ -	\$ -	\$ 550	\$ 93,794
Due from other governments	-	-	7,766	93,358	101,124
Total Assets	\$ 93,244	\$ -	\$ 7,766	\$ 93,908	\$ 194,918
Liabilities					
Liabilities:					
Due to other funds	\$ 4,609	\$ 31,160	\$ 7,766	\$ -	\$ 43,535
Total Liabilities	4,609	31,160	7,766	-	43,535
Fund balances:					
Nonspendable:					
State Statute	-	-	-	93,358	93,358
Restricted:					
Public Safety	88,635	-	-	-	88,635
Capital Outlay	-	-	-	550	550
Unassigned	-	(31,160)	-	-	(31,160)
Total Fund Balances	88,635	(31,160)	-	93,908	151,383
Total liabilities and fund balanc	\$ 186,488	\$ -	\$ 7,766	\$ 93,908	\$ 389,836

**Town of Smithfield
Non-Major Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2023**

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Non-Major Funds</u>
	<u>Smithfield Fire Tax District</u>	<u>CDBG-NR</u>	<u>SCIF Grant Fund</u>	<u>Elevations and Acquisitions</u>	
REVENUES					
Ad valorem taxes	\$ 223,138	\$ -	\$ -	\$ -	\$ 223,138
Restricted intergovernmental	-	218,593	1,525,830	-	1,744,423
Investment earnings	-	-	5,175	-	5,175
Miscellaneous	23,315	-	-	-	23,315
Total revenues	<u>246,453</u>	<u>218,593</u>	<u>1,531,005</u>	<u>-</u>	<u>1,996,051</u>
EXPENDITURES					
Economic and physical development	-	173,733	-	-	173,733
Capital outlay	-	-	1,541,682	-	1,541,682
Total expenditures	<u>-</u>	<u>173,733</u>	<u>1,541,682</u>	<u>-</u>	<u>1,715,415</u>
Excess (deficiency) of revenues over expenditures	<u>246,453</u>	<u>44,860</u>	<u>(10,677)</u>	<u>-</u>	<u>280,636</u>
OTHER FINANCING SOURCES (USES)					
Transfers (to) other funds	(365,000)	-	10,410	-	(354,590)
Total other financing sources (uses)	<u>(365,000)</u>	<u>-</u>	<u>10,410</u>	<u>-</u>	<u>(354,590)</u>
Net Change in fund balance	(118,547)	44,860	(267)	-	(73,954)
Fund balances, beginning	<u>207,182</u>	<u>(76,020)</u>	<u>267</u>	<u>93,908</u>	<u>225,337</u>
Fund balances, ending	<u>\$ 88,635</u>	<u>\$ (31,160)</u>	<u>\$ -</u>	<u>\$ 93,908</u>	<u>\$ 151,383</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 Year Ended June 30, 2023

	Budget	Actual	Variance
Revenues			
Fire district taxes	\$ 343,000	\$ 223,138	\$ (119,862)
Other Income	22,000	23,315	1,315
Total revenues	<u>365,000</u>	<u>246,453</u>	<u>(118,547)</u>
Expenditures			
Public Safety	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenses	365,000	246,453	(118,547)
Other financing sources (uses):			
Operating transfers out	<u>(365,000)</u>	<u>(365,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(365,000)</u>	<u>(365,000)</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	(118,547)	<u>\$ (118,547)</u>
Fund balance, beginning		<u>207,182</u>	
Fund balance, ending		<u>\$ 88,635</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, 2023

	<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	987,191	-	987,191	(792,522)
SARF (State Grant)	91,200	186,716	-	186,716	95,516
Total revenues	<u>2,170,205</u>	<u>1,183,319</u>	<u>-</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	52,212	-	52,212	(5,276)
Relocation	6,000	-	-	-	6,000
Site Work	32,336	32,336	-	32,336	-
Demolition & Removal	166,227	71,978	-	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>1,089,411</u>	<u>-</u>	<u>1,089,411</u>	<u>1,080,794</u>
Revenues over (under) expenditures	<u>-</u>	<u>93,908</u>	<u>-</u>	<u>93,908</u>	<u>93,908</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 93,908</u>	<u>-</u>	<u>\$ 93,908</u>	<u>\$ 93,908</u>
Fund balance, beginning			<u>93,908</u>		
Fund balance, ending			<u>\$ 93,908</u>		

Town of Smithfield, North Carolina
CDBG-NR - Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and For the Year Ended June 30, 2023

	<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	\$ 102,362	\$ 218,593	\$ 320,955	\$ (429,045)
Total revenues	<u>750,000</u>	<u>102,362</u>	<u>218,593</u>	<u>320,955</u>	<u>(429,045)</u>
Expenditures					
Administration	75,000	24,265	24,813	49,078	25,922
Clearance	28,900	-	-	-	28,900
Housing	646,100	154,117	148,920	303,037	343,063
Total expenditures	<u>750,000</u>	<u>178,382</u>	<u>173,733</u>	<u>352,115</u>	<u>397,885</u>
Revenues over (under) expenditures	<u>-</u>	<u>(76,020)</u>	<u>44,860</u>	<u>(31,160)</u>	<u>(31,160)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (76,020)</u>	<u>44,860</u>	<u>\$ (31,160)</u>	<u>\$ (31,160)</u>
Fund balance, beginning			<u>(76,020)</u>		
Fund balance, ending			<u>\$ (31,160)</u>		

Town of Smithfield, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Electricity sales		\$15,164,957	
Connection fees		95,057	
Miscellaneous		101,063	
Penalties		93,894	
Total	\$16,393,280	15,454,971	\$ (938,309)
Non-operating revenues:			
Interest earnings		157,092	
Total	13,000	157,356	144,356
Total revenues	16,406,280	15,612,327	(793,953)
Expenditures:			
Electrical purchases		11,732,959	
Electrical operations		548,932	
Salaries and employee benefits		1,984,690	
Capital outlay		171,461	
Debt service		335,190	
Total expenditures	16,275,038	14,773,232	1,501,806
Revenue over (under) expenditures	131,242	839,095	707,853
Other financing sources (uses):			
Appropriated fund balance	418,758	-	(418,758)
Transfer to Capital Project Fund	(550,000)	(550,000)	-
Total other financing sources (uses)	(131,242)	(550,000)	(418,758)
Revenues over expenditures and other financing sources (uses)	\$ -	289,095	\$ 289,095

(continued)

Town of Smithfield, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023

Reconciliation from budgetary basis (modified accrual to full accrual):

Revenues and other sources over expenditures and other	289,095
Reconciling items:	
Principal repayment on long-term	288,894
Capital outlay	171,461
Depreciation	(792,249)
Increase (Decrease) in deferred outflows of resources - pensions	197,182
Increase (Decrease) in deferred outflows of resources - OPEB	(41,322)
(Increase) Decrease in net pension liability	(533,611)
(Increase) Decrease in deferred inflows of resources - pension	268,784
(Increase) Decrease in compensated absences	(21,858)
(Increase) Decrease in deferred inflows of resources - OPEB	(181,552)
(Increase) Decrease in total OPEB liability	249,601
Transfer to Capital Project (Ex D-1A)	550,000
Total reconciling items	<u>155,330</u>
Change in Net Position	<u>\$ 444,425</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, 2023

	Project Authorization	Prior Years	Current Years	Closed Projects	Total to Date	Variance Positive (Negative)
Expenditures						
Voltage Conversion	\$ 998,154	\$ -	\$ 579,452	\$ -	\$ 579,452	\$ 418,702
North Circuit Design	905,000	-	-	-	-	905,000
AMI	1,401,582	1,303,212	76,890	-	1,380,102	21,480
Total expenditures	<u>3,304,736</u>	<u>1,303,212</u>	<u>656,342</u>	<u>-</u>	<u>1,959,554</u>	<u>1,345,182</u>
Other financing sources (uses):						
Transfer from Electric Fund	3,304,736	3,303,495	550,000	-	3,853,495	548,759
Total financing sources (uses)	<u>3,304,736</u>	<u>3,303,495</u>	<u>550,000</u>	<u>-</u>	<u>3,853,495</u>	<u>548,759</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 2,000,283</u>	<u>\$ (106,342)</u>	<u>\$ -</u>	<u>\$ 1,893,941</u>	<u>\$ 1,893,941</u>

Town of Smithfield, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues:			
Water sales	\$ 4,910,000	\$ 5,397,878	\$ 487,878
Sewer sales	4,535,000	4,950,841	415,841
Connection and tap fees	51,000	147,170	96,170
Miscellaneous	62,650	75,836	13,186
Total	<u>9,558,650</u>	<u>10,571,725</u>	<u>1,013,075</u>
Non-operating revenues:			
Interest earnings	8,000	103,860	95,860
Sale of fixed assets	-	7,526	7,526
Capital contributions	30,000	-	(30,000)
Total	<u>38,000</u>	<u>111,386</u>	<u>73,386</u>
Total revenues	<u>9,596,650</u>	<u>10,683,111</u>	<u>1,086,461</u>
Expenditures:			
Water treatment plant			
Salaries and employee benefits	772,440	712,363	60,077
Other operating expenditures	1,466,710	1,363,665	103,045
Water and sewer distribution			
Salaries and employee benefits	1,278,850	1,276,449	2,401
Other operating expenditures	3,726,951	2,592,523	1,134,428
Capital outlay	319,545	236,802	82,743
Debt Service	967,414	964,030	3,384
Total expenditures	<u>8,531,910</u>	<u>7,145,832</u>	<u>1,386,078</u>
Revenues over (under) expenditures	<u>1,064,740</u>	<u>3,537,279</u>	<u>2,472,539</u>
Other financing sources (uses):			
Transfer to project fund	(2,401,130)	(2,401,130)	-
Transfer to general fund - PIL	(117,640)	(117,640)	-
Appropriated fund balance (reserve)	1,454,030	-	(1,454,030)
Total other financing sources (uses)	<u>(1,064,740)</u>	<u>(2,518,770)</u>	<u>(1,454,030)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>1,018,509</u>	<u>\$ 1,018,509</u>

(continued)

**Town of Smithfield, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023**

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other uses	1,018,509
Reconciling items:	
Principal repayment on long-term debt	873,086
Capital outlay	39,085
Depreciation	(982,839)
Increase (Decrease) in deferred outflows of resources - pensions	195,211
Increase (Decrease) in deferred outflows of resources - OPEB	(75,252)
(Increase) Decrease in net pension liability	(528,279)
(Increase) Decrease in deferred inflows of resources - pensions	266,097
(Increase) Decrease in deferred inflows of resources - OPEB	(286,041)
(Increase) Decrease in total OPEB liability	393,254
(Increase) Decrease in compensated absences	(9,426)
Capital Contributions (Ex D-2a)	500,000
Restricted Intergovernmental (Ex D-2a)	90,650
Transfer from other funds (Ex D-2a, D-2b)	<u>2,401,130</u>
Total reconciling items	<u>2,876,676</u>
Change in Net Position	<u><u>\$ 3,895,185</u></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, 2023

	Project Authorization	Prior Years	Current Years	Capitalized Projects	Total to Date	Variance Positive (Negative)
Restricted Intergovernmental						
AIA Grant - Water	\$ 150,000	\$ -	\$ 44,850	\$ -	\$ 44,850	\$ (105,150)
AIA Grant - Sewer	150,000	63,705	45,800	-	109,505	(40,495)
Grant - Sewer Outfall Line	2,700,000	-	-	-	-	(2,700,000)
ARP Grant	3,000,000	-	-	-	-	(3,000,000)
Total Revenue	<u>6,000,000</u>	<u>63,705</u>	<u>90,650</u>	<u>-</u>	<u>154,355</u>	<u>(5,845,645)</u>
Expenditures						
East Smithfield Water System Improvement	330,000	-	-	-	-	330,000
Elevate Transformers & Panels	-	69,494	-	(69,494)	-	-
Intake Sand Removal System	-	459,087	-	(459,087)	-	-
Grid Bee Mixers	-	63,995	-	(63,995)	-	-
I&I S&W Smithfield	1,950,000	1,571,729	169,492	-	1,741,221	208,779
Lift Station Repair (5& 11)	850,000	547,144	183,909	-	731,053	118,947
AMI	1,060,000	737,622	301,248	-	1,038,870	21,130
Sanitary Sewer Replacement	-	179,778	-	(179,778)	-	-
NC Hwy 10 Force Main	96,000	14,400	-	-	14,400	81,600
Water Lines Upgrade	200,000	96,040	83,026	-	179,066	20,934
FH Valve Insertion	100,000	-	88,612	-	88,612	11,388
EDA Sewer Outfall	3,833,880	-	60,282	-	60,282	3,773,598
Pump Station Outfall	1,820,000	-	32,822	-	32,822	1,787,178
Pump Station 1 Upgrade	2,004,000	-	28,350	-	28,350	1,975,650
Water AIA 2	167,250	-	61,985	-	61,985	105,265
Sewer AIA 2	165,000	99,678	56,940	-	156,618	8,382
Total Expenditures	<u>12,576,130</u>	<u>3,838,967</u>	<u>1,066,666</u>	<u>(772,354)</u>	<u>4,133,279</u>	<u>8,442,851</u>
Other financing sources (uses):						
Loan Proceeds	1,165,000	127,220	-	-	127,220	(1,037,780)
Transfer from (to) Water Sewer Fund	5,411,130	4,353,017	2,401,130	(772,354)	5,981,793	570,663
Total financing sources (uses)	<u>6,576,130</u>	<u>4,480,237</u>	<u>2,401,130</u>	<u>(772,354)</u>	<u>6,109,013</u>	<u>(467,117)</u>
Revenues and other sources over (under) expenditures and other uses						
	<u>\$ -</u>	<u>\$ 704,975</u>	<u>\$ 1,425,114</u>	<u>\$ -</u>	<u>\$ 2,130,089</u>	<u>\$ 2,130,089</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, 2023

	Project Authorization	Prior Years	Current Years	Capitalized Projects	Total to Date	Variance Positive (Negative)
Expenditures						
Engineering/Design	\$ 1,396,000	\$ 1,207,379	\$ 260,146	\$ (1,467,525)	\$ -	\$ (71,525)
Inspection of Construction	300,000	-	-	-	-	300,000
GEO Testing	100,000	5,016	-	(5,016)	-	94,984
Closing Fee	-	241,000	-	(241,000)	-	(241,000)
Construction	14,154,000	10,753,454	4,225,258	(14,978,712)	-	(824,712)
Total Expenditures	<u>15,950,000</u>	<u>12,206,849</u>	<u>4,485,404</u>	<u>(16,692,253)</u>	<u>-</u>	<u>(742,253)</u>
Other financing sources (uses):						
Johnston County - Capital Contribution	3,750,000	3,250,000	500,000	(3,750,000)	-	(3,750,000)
NC Clean Water Loan	12,050,000	9,652,778	1,900,285	(11,553,063)	-	(12,050,000)
Transfer from Water Fund	150,000	2,298,500	-	(2,298,500)	-	(150,000)
Total financing sources (uses)	<u>15,950,000</u>	<u>15,201,278</u>	<u>2,400,285</u>	<u>(17,601,563)</u>	<u>-</u>	<u>(15,950,000)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 2,994,429</u>	<u>\$ (2,085,119)</u>	<u>\$ (909,310)</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Smithfield, North Carolina
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023

	Firemen's Relief Fund
ASSETS	
Cash and cash equivalents	\$ 93,323
Total assets	93,323
 LIABILITIES	
Accounts payable and accrued liabilities	-
Due to other governments	-
Total liabilities	-
 NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	93,323
Total net position	\$ 93,323

Town of Smithfield, North Carolina
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2023

	Firemen's Relief Fund
ADDITIONS	
State Reimbursements	\$ 13,089
Interest	1,097
Total additions	14,186
 DEDUCTIONS	
Payments on behalf of firefighters	5,600
Total deductions	5,600
Net increase (decrease) in fiduciary net position	8,586
Net position, beginning	84,737
Net position, ending	\$ 93,323

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
June 30, 2023

Fiscal Year	Uncollected Balance July 1, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2023	\$ -	\$ 8,245,830	\$ 8,239,968	\$ 5,862
2022	8,954	-	4,153	4,801
2021	5,413	-	1,267	4,146
2020	2,676	69	16	2,729
2019	1,444	-	-	1,444
2018	1,190	-	196	994
2017	366	-	-	366
2016	252	-	-	252
2015	685	-	-	685
2014	2,817	-	50	2,767
2013	5,333	-	5,333	-
	<u>\$ 29,130</u>	<u>\$ 8,245,899</u>	<u>\$ 8,250,983</u>	<u>\$ 24,046</u>
Less allowance for uncollectible ad valorem taxes receivable:				(10,172)
Ad valorem taxes receivable, net				<u>\$ 13,874</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				
				\$ 8,098,886
				(26,353)
				23,048
				124,521
				30,881
				<u>152,097</u>
				<u>\$ 8,250,983</u>

Town of Smithfield, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2023

	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	\$ 1,394,294,644	0.57	\$ 7,947,479	\$ 7,145,240	\$ 802,239
Discoveries	23,324,035	0.57	132,947	132,947	-
Releases	<u>(1,549,649)</u>	<u>0.57</u>	<u>(8,833)</u>	<u>(8,833)</u>	<u>-</u>
Total Property Valuation	<u>\$ 1,416,069,030</u>				
Net levy			8,071,593	7,269,354	802,239
Uncollected taxes at June 30, 2023			<u>5,830</u>	<u>5,830</u>	<u>-</u>
Current year's taxes collected			<u>\$ 8,065,764</u>	<u>\$ 7,263,525</u>	<u>\$ 802,239</u>
Current levy collection percentage			<u>99.93%</u>	<u>99.92%</u>	<u>100.00%</u>

Town of Smithfield, North Carolina
Analysis of Current Tax Levy - Downtown District
Town - Wide Levy
June 30, 2023

	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	\$ 90,694,584	0.19	\$ 172,320	\$ 93,340	\$ 78,979
Discoveries	989,579	0.19	1,880	1,880	-
Releases	<u>19,200</u>	<u>0.19</u>	<u>36</u>	<u>36</u>	<u>-</u>
Total Property Valuation	<u><u>\$ 91,703,363</u></u>				
Net levy			174,236	95,257	78,979
Uncollected taxes at June 30, 2023			<u>32</u>	<u>32</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 174,204</u></u>	<u><u>\$ 95,225</u></u>	<u><u>\$ 78,979</u></u>
Current levy collection percentage			<u><u>99.98%</u></u>	<u><u>99.97%</u></u>	<u><u>100.00%</u></u>

Compliance Section



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

P.O. Box 398

1626 S Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

**Report On Internal Control Over Financial Reporting And On Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Smithfield, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprises Town of Smithfield's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Smithfield's internal control over financial reporting (internal control) as a basis for designing 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 Town of Smithfield's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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

Members

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

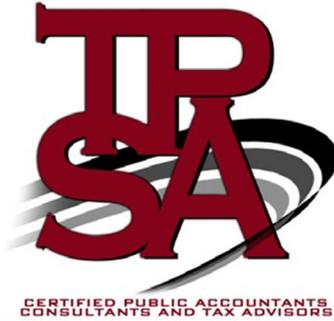
financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 27, 2023



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

P.O. Box 398

1626 S Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Smithfield, North Carolina's, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors* in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Smithfield's major federal programs for the year ended June 30, 2023. The Town of Smithfield's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Smithfield complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Smithfield and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Smithfield's compliance with the compliance requirements referred to above.

Members

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Smithfield's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Smithfield's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Smithfield's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Smithfield's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Smithfield's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town of Smithfield's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

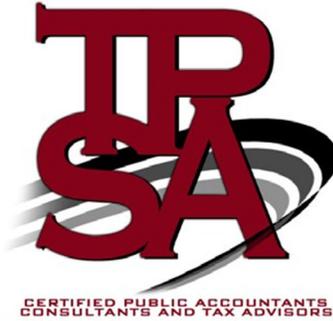
Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the 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 27, 2023



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

P.O. Box 398

1626 S Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Smithfield, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Smithfield's major State programs for the year ended June 30, 2023. The Town of Smithfield's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2023.

Basis for Opinion on Each Major State Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Smithfield and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town of Smithfield's compliance with the compliance requirements referred to above.

Members

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Smithfield's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Smithfield's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Smithfield's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Smithfield's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Smithfield's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town of Smithfield's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the 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 27, 2023

**Town of Smithfield, North Carolina
 Schedule of Findings and Questioned Cost
 For the Year Ended June 30, 2023**

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

Federal Awards

Internal control over major federal program:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>Assistance Listing #</u>	<u>Names of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Fund

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

Auditee qualified as low-risk auditee? _____ yes X no

**Town of Smithfield, North Carolina
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2022**

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

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



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

Bethany McKeel, Admin. Support Spec.

Telephone: 919.934.2116

Fax: 919.989.8937

**Corrective Action Plan
For the Year Ended June 30, 2023**

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III. FEDERAL AWARD FINDINGS

None Reported.

SECTION IV. STATE AWARD FINDINGS

None Reported.

**Town of Smithfield, North Carolina
Summary Schedule of Prior Year's Findings
For the Year Ended June 30, 2023**

Finding 2022-001

Status: The finding has been corrected.

Town of Smithfield, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Pass-through/Grantor Program Title	Federal Assistance Listing No.	Pass-through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
<u>U. S. Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce				
CDBG - Neighborhood Stabilization Program	14.228	18-C-3076	\$ 173,733	\$ -
<u>U.S. Department of Justice</u>				
Passed through N.C. Department of Public Safety				
Bulletproof Vest Partnership Program	16.607		3,681	-
<u>U.S. Department of Transportation</u>				
Passed-through N.C. Department of Transportation				
State and Community Highway Safety	20.600	22022.6.15	60,173	-
State and Community Highway Safety	20.600	22023.6.22	16,918	-
<u>U.S. Department of Treasury</u>				
Coronavirus State and Local Fiscal Recovery Fund	21.027		1,271,852	-
Total assistance - federal programs			\$ 1,526,357	\$ -
STATE AWARDS				
<u>Office of State Budget and Management</u>				
State Capital Infrastructure Fund - Amphitheatre		S.L. 2021-180 H53, Item 546	\$ -	\$ 989,500
State Capital Infrastructure Fund - Splash Pad		S.L. 2021-180 H53, Item 547	-	536,330
State Capital Infrastructure Fund - CSX Culvert		S.L. 2021-180 E54, Item 178	-	172,698
<u>N.C. Department of Environmental Quality</u>				
Connect NC Bond		H-SRP-D-17-0146	-	9,652,778
NC Revolving Loan & Grant Program		H-SRP-D-17-0146	-	1,026,707
Asset Inventory & Assessment Grant		E-AIA-W21-0231	-	45,800
Asset Inventory & Assessment Grant		AIA-D-0246	-	44,850
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	413,727
Total assistance - State programs			\$ -	\$ 12,882,390
Total assistance			\$ 1,526,357	\$ 12,882,390

Town of Smithfield, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Pass-through/Grantor Program Title	Federal Assistance Listing No.	Pass-through Grantor's Number	Federal Expenditures	State Expenditures
---------------------------------------	--------------------------------------	-------------------------------------	-------------------------	-----------------------

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, 2023. 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.

Note 4: Loans Outstanding

The Town of Smithfield had the following loan balances outstanding at June 30, 2023 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2023 consist of:

<u>Program Title</u>	<u>AL#</u>	Pass-through Grantor's <u>Number</u>	<u>Amount Outstanding</u>
Connect NC Bond	N/A	H-SRP-D-17-0146	\$ 9,923,856
NC Revolving Loan & Grant	N/A	H-SRP-D-17-0146	1,026,707
			<u>10,950,563</u>