CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

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

March 28, 2025

To the Town of Smithfield
Smithfield, North Carolina

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards,* and Uniform Guidance (if applicable), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 19, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Smithfield are described in Note 1 to the financial statements. We noted no transactions entered into by the Town of Smithfield during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimate(s) or assumptions noted during the audit.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. There are no such disclosures identified.

The financial statement disclosures are neutral, consistent, and clear.

Members
American Institute of CPAs - N.C. Association of CPAs – AICPA's Private Companies Practice Section

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 28, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Auditing Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town of Smithfield's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Local Government Commission (LGC) will no longer initiate communications about concerns or findings (formerly considered unit letters). They have created a spreadsheet that has to be completed and submitted with the audit report. If that worksheet identifies what they consider a "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board. The Town is required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board, and signed by the entire Board, Finance Officer, and Manager. There are two financial performance indicators of concern, relating to the timeliness of the audit submission and the correction of an error in previously issued financial statements.

Other Matters

We applied certain limited procedures to the Schedule of Town's Proportionate Share of Net Pension Liability (LGERS), Schedule of Town Contributions (LGERS), Schedule of Changes in Total Pension Liability - Law Enforcement Officer's Special Separation Allowance, and Schedule of Changes in Total OPEB Liability and Related Ratios, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non-major fund statement schedules, budgetary schedules, and other schedules, and the schedule of expenditures of federal and State awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Please ensure that management and the Board is aware of the new GASB pronouncements for the upcoming fiscal year. Be especially mindful of GASB No.101: Compensated Absences, as the implementation of this standard may take a significant amount of time and resources to gather the necessary information. If the proper resources are not allotted for the implementation of this standard, this could potentially cause a significant delay in the completion of the upcoming audit.

Restriction on Use

This information is intended solely for the use of the Town Commissioners and management of the Town of Smithfield and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

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

TOWN OF SMITHFIELD

FINANCIAL INFORMATION FOR 5 YEARS

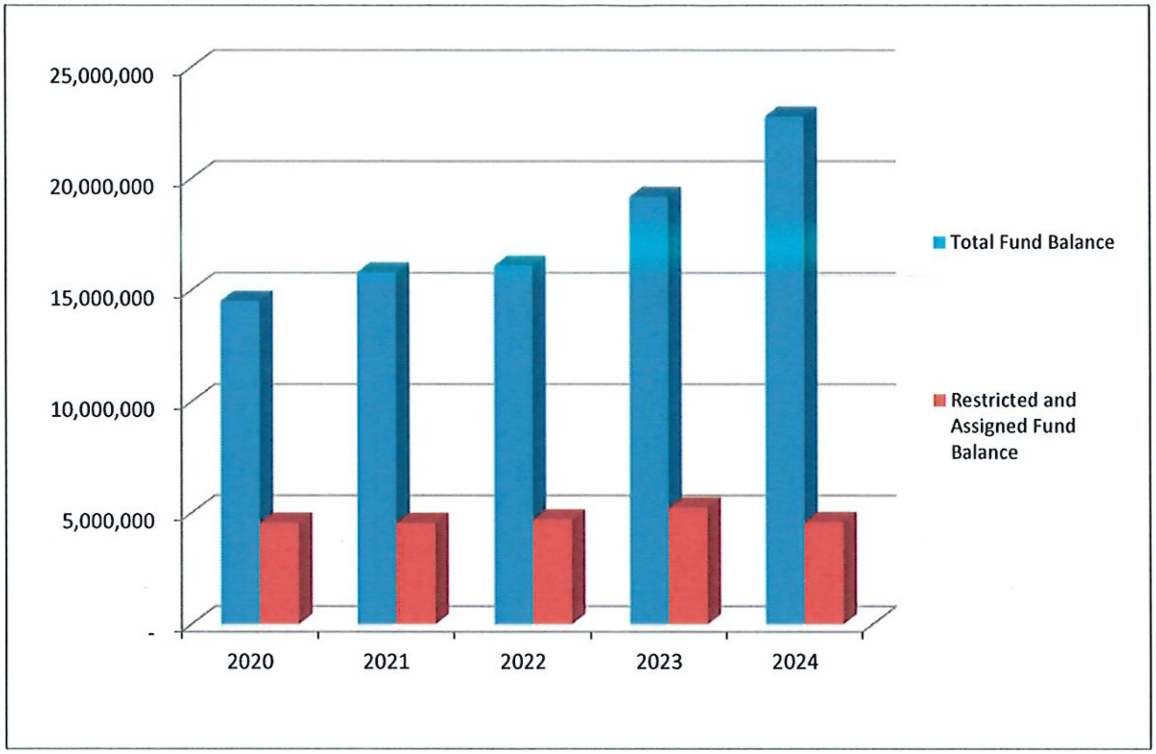
	2024	2023	2022	2021	2020
Total Fund Balance - General Fund	22,813,217	19,195,668	16,120,101	15,814,504	14,521,940
Unavailable Fund Balance (Reserve for State Statute, Nonspendable)	2,889,403	3,643,095	3,565,822	2,784,834	2,720,900
Restricted, Committed, and Assigned Fund Balance	4,587,049	5,246,357	4,703,969	4,545,182	4,553,192
General Fund Expenditures (including transfers out)	15,983,724	14,329,028	16,143,324	13,862,800	13,735,288
Fund Balance Available as % of General Fund Expenditures	124.65%	108.54%	77.77%	93.99%	85.92%
Unassigned Fund Balance	17,629,230	13,899,006	11,389,754	11,248,279	9,968,748
Unassigned Fund Balance as % of General Fund Expenditures	110.29%	97.00%	70.55%	81.14%	72.58%
Revenues over (under) expenditures before contributions and transfers					
General Fund	3,502,718	2,577,641	(130,605)	1,884,036	1,443,604
Electric Fund	(26,276)	444,425	822,190	517,897	255,556
Water & Sewer Fund	2,437,844	3,512,825	2,998,733	2,391,504	2,745,878
Cash vs. Accumulated Depreciation - Water & Sewer Fund					
Total Fixed Assets	46,049,610	44,970,900	39,559,989	27,384,425	24,855,644
Accumulated Depreciation	14,992,273	14,369,538	13,566,944	12,912,721	12,284,763
Cash	16,829,273	14,657,500	14,396,946	13,060,839	12,152,789
Cash vs. Fund Balance					
Cash - General	21,072,627	16,844,812	14,075,574	14,253,350	13,072,113
Cash - Electric Fund	11,927,382	12,011,526	11,997,946	11,767,185	11,020,194
Cash - Water & Sewer Fund	16,829,273	14,657,500	14,396,946	13,060,839	12,152,789
Cash - Other Governmental Funds	3,859,974	3,655,814	5,053,761	922,575	1,074,088
Fund Balance - General	22,813,217	19,195,668	16,120,101	15,814,504	14,521,940
Fund Balance - Electric Fund	22,444,233	20,374,567	19,930,142	19,107,952	18,553,584
Fund Balance - Water & Sewer Fund	35,867,546	31,998,244	28,103,059	23,584,921	21,092,753
Fund Balance - Other Governmental Funds	339,431	(643,723)	60,224	279,321	176,243
Property Tax Rates	0.57	0.57	0.57	0.57	0.57
Collection Percentages	99.93%	99.93%	99.88%	99.77%	99.61%
Collection Percentages (excluding Motor Vehicle)	99.92%	99.92%	99.87%	99.74%	99.57%
Total Property Valuation	1,595,885,439	1,416,069,030	1,341,879,123	1,279,219,986	1,233,663,158
Total Levy Amount	9,096,547	8,071,593	7,648,711	7,291,554	7,031,880
Debt (excluding OPEB, compensated absences, LGERS)					
Governmental Activities	4,255,693	4,548,432	4,686,704	7,588,150	7,587,735
Business-Type Activities	11,421,308	13,377,699	12,639,394	3,721,993	4,557,159

TOWN OF SMITHFIELD

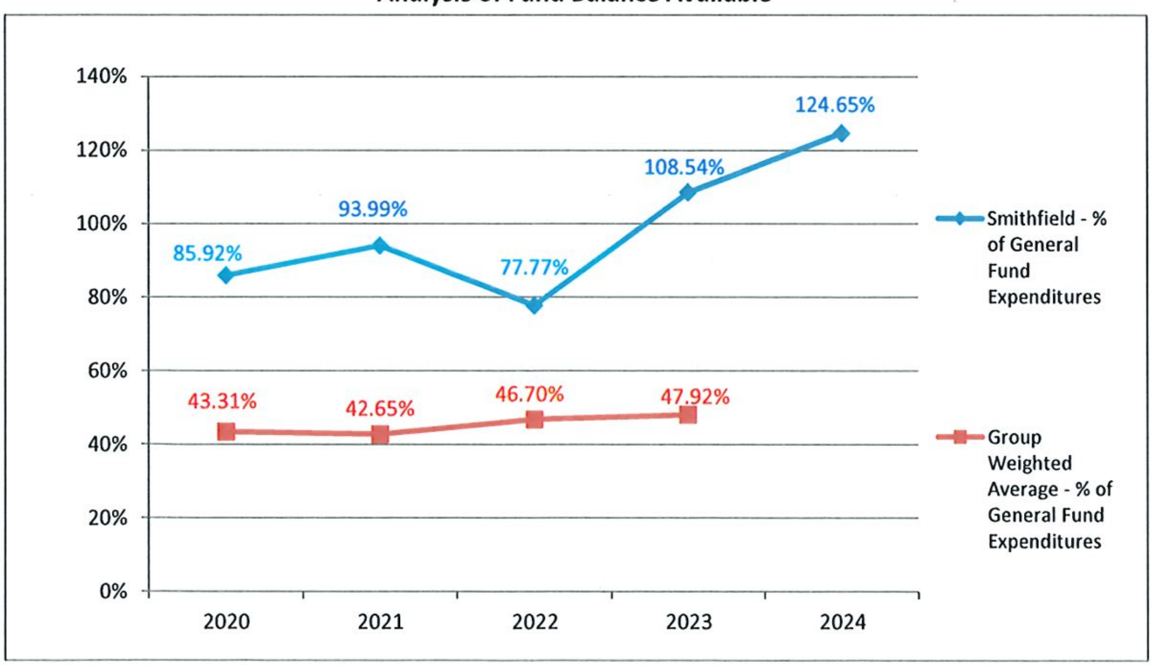
FINANCIAL INFORMATION FOR 5 YEARS

		2024	2023	2022	2021	2020
Breakdown of General Fund Revenues						
	Ad Valorem Taxes	9,112,396	8,098,886	7,715,148	7,393,534	7,046,889
	Other Taxes, License & Permits	77,968	52,157	75,067	59,366	65,867
	Intergovernment Revenue	5,954,760	5,514,319	5,257,824	5,164,269	4,580,621
	Sales and Services	2,917,691	2,791,805	2,654,020	2,131,661	2,346,267
	Investment Earnings	495,711	202,844	10,665	13,552	47,221
	Miscellaneous	204,029	236,248	147,995	150,454	140,027
	Total	18,762,555	16,896,259	15,860,719	14,912,836	13,775,292
Breakdown of General Fund Expenditures						
	General Government	1,961,713	1,708,013	1,516,181	1,473,207	1,413,158
	Public Safety	6,960,041	6,587,724	6,266,652	6,061,161	5,826,869
	Street and Public Works	1,930,850	1,698,199	1,558,292	1,286,129	1,413,752
	Sanitation	1,533,467	1,525,443	1,552,107	1,418,510	1,172,948
	Cultural & Recreational	2,435,157	2,349,942	1,929,283	1,766,155	2,113,219
	Debt Service	438,274	449,297	3,168,809	1,023,638	843,342
	Total	15,259,502	14,318,618	15,991,324	13,028,800	12,219,573

TOWN OF SMITHFIELD
Analysis of Fund Balance

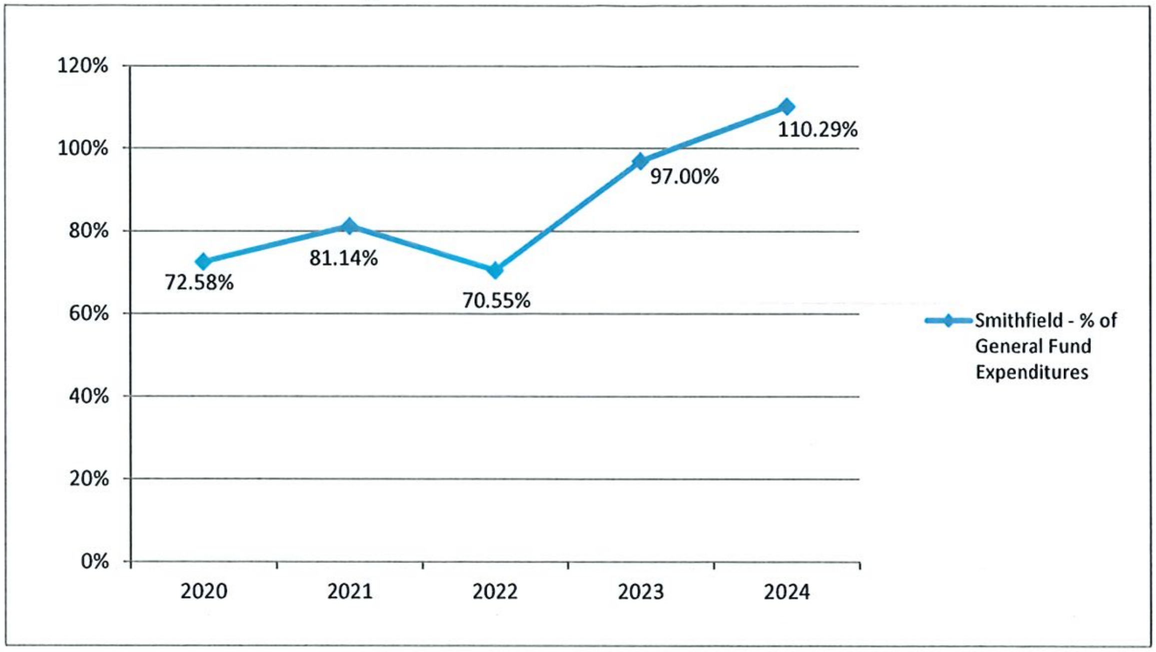


TOWN OF SMITHFIELD
Analysis of Fund Balance Available



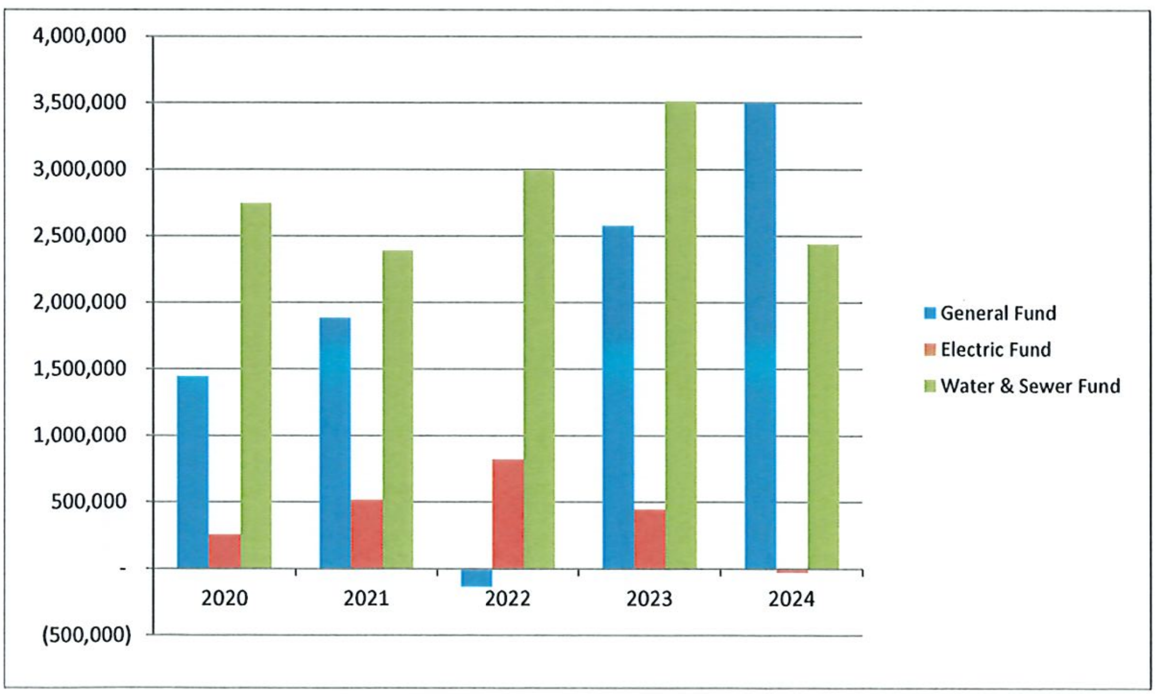
TOWN OF SMITHFIELD

Analysis of Unassigned Fund Balance as a % of General Fund Expenditures



TOWN OF SMITHFIELD

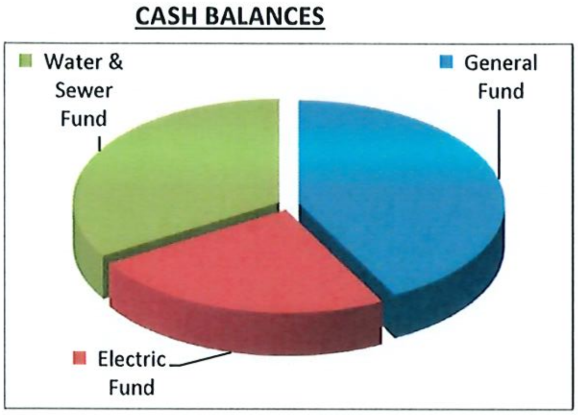
Analysis of Revenues Over (Under) Expenditures before Transfers and Contributions

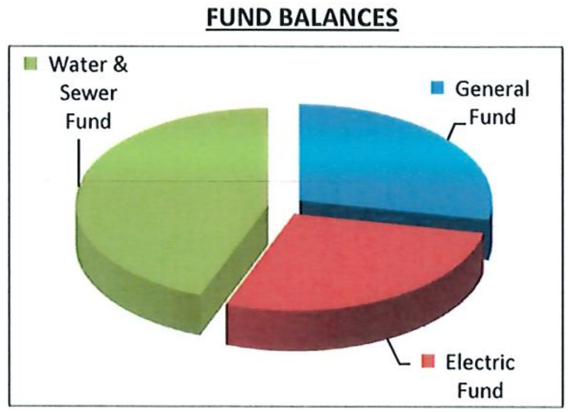


TOWN OF SMITHFIELD

Analysis of Cash and Fund Balances

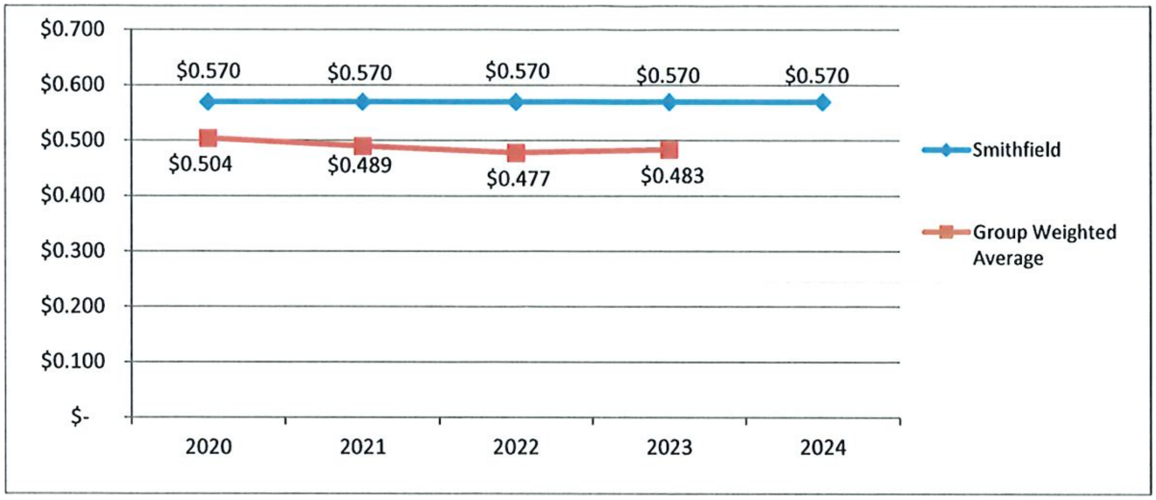
at June 30, 2024



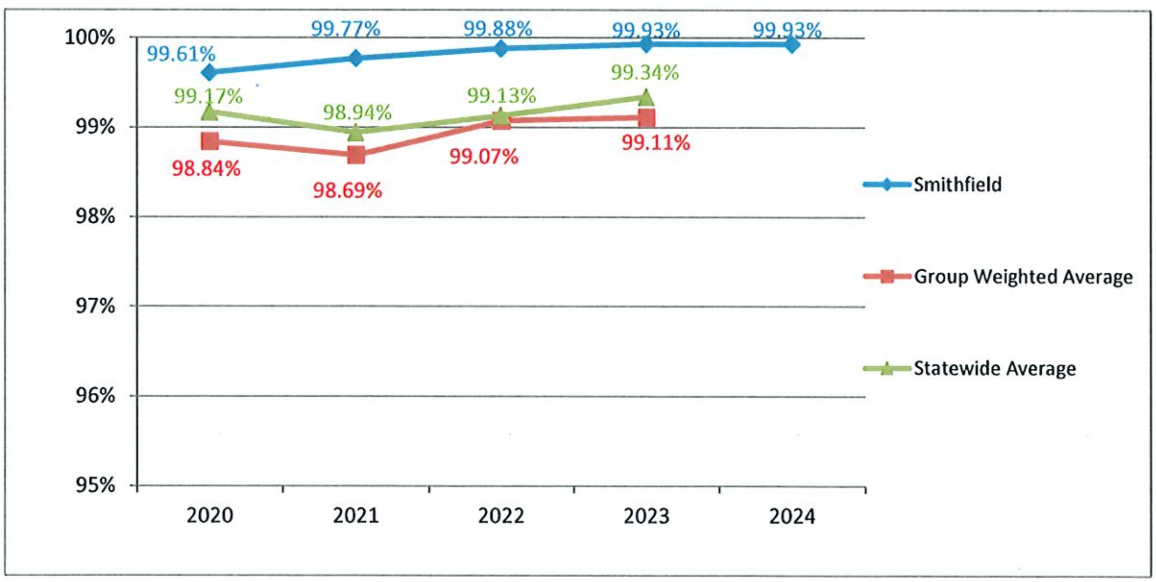


	2024	
	Cash Balances	Fund Balances
General Fund	$ 21,072,627	$ 22,813,217
Electric Fund	11,927,382	22,444,233
Water and Sewer Fund	16,829,273	35,867,546
Total	$ 49,829,282	$ 81,124,996

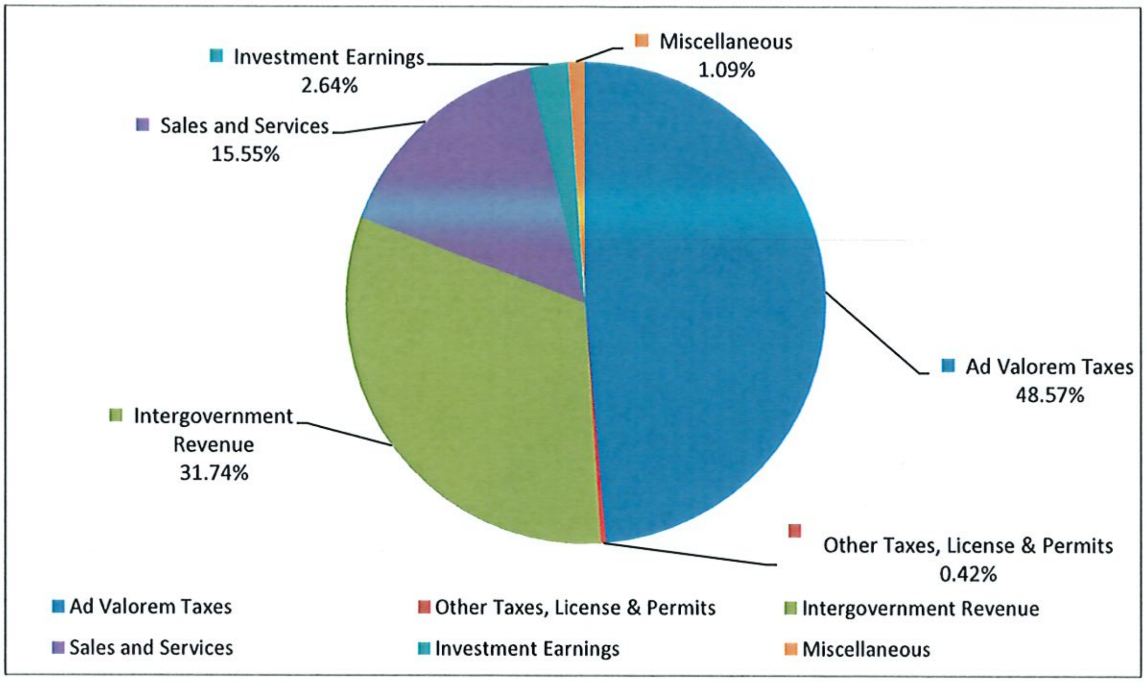
TOWN OF SMITHFIELD
Property Tax Rates



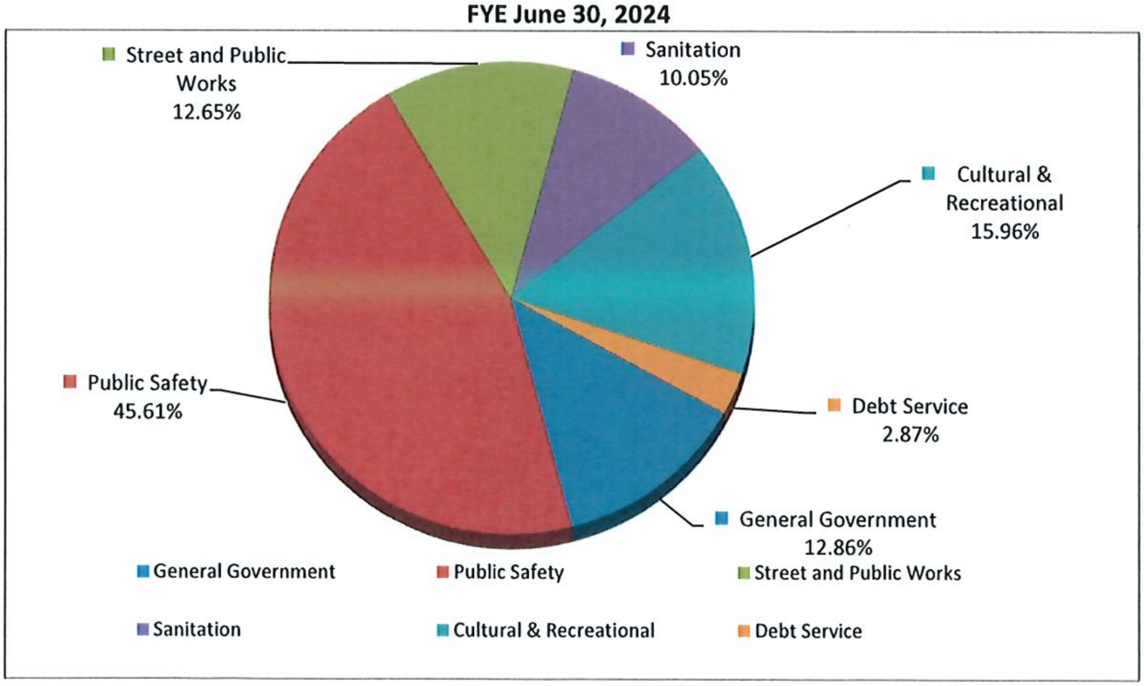
TOWN OF SMITHFIELD
Collection Percentages



TOWN OF SMITHFIELD
Break Down of General Fund Revenue
FYE June 30, 2024



TOWN OF SMITHFIELD
Break Down of General Fund Expenditures
FYE June 30, 2024



ADDITIONAL REQUIRED COMMUNICATIONS

Changes to the Audit Process

The Local Government Commission (LGC) will no longer initiate communications about concerns or findings (formerly considered unit letters). They have created a spreadsheet that has to be completed and submitted with the audit report. If that worksheet identifies what they consider a "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board.

You are required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board, and signed by the entire Board, Finance Officer, and Manager.

The responses are required to be uploaded on the LGC's website. Responses were provided in the Corrective Action Plan section of the audit report. These same responses can be used in your response to the LGC concerning these items. The following are the items that have to be addressed by responding directly to the LGC with a corrective action plan.

Finding 2024-001 Late Submission of an Audit

The report was not finalized until 5 months after the due date.

Finding 2024-002 Correction of an Error in Previously Issued Financial Statements

During the fiscal year, management identified that certain receivables were not properly recorded in the prior period, resulting in an $160,418 understatement of the General Fund assets and fund balance, and a $3,494,329 understatement of Water and Sewer Fund and the Electric Fund assets and net positions. In addition, it was identified that in the FEMA Elevations and Acquisitions Fund, $93,358 revenue relating to the SARF Grant funding had been recognized twice in prior years, and therefore Fund Balance in this fund has been restated down to reflect the correction. Lastly, at the governmental level, the client determined that $370,463 of the expenditures recorded in construction in process (CIP) did not or would not constitute a fixed asset upon completion, and therefore has decided to expense those items, resulting in a decrease to Governmental Net Position.

Additional Indicators that require a response:

General Performance Indicators

The audit report is expected to be submitted within five months plus one day from the fiscal year end. As stewards of the public's resources, the governing body is responsible for ensuring that the audited financial statements are available to the public in a timely manner. External groups such as the North Carolina General Assembly, federal and State agencies that provide funding, and other public associations need current financial information about your local government as well. The audit report was submitted late.