SMITHFIELD
NORTH CAROLINA

Presentation of Audit Results

Fiscal Year Ended
June 30, 2025

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

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TOWN OF SMITHFIELD

Presentation Agenda

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CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

May 12, 2026

To the Town Council
Town of Smithfield
Smithfield, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Smithfield for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, 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 April 29, 2025. Professional standards also required that we communicate to you the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 29, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Council solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Significant Risks Identified

We have identified the following significant risks:

- Management override of controls – this risk is presumed to be present in every audit under professional standard, regardless of the control environment. The rationale is that even the most robust internal control system can be overridden by management

- Improper revenue recognition – this risk refers to the intentional or unintentional misstatement of revenue in financial statements. This can include premature recognition or manipulation of cut-off procedures. It is one of the most common areas for financial reporting fraud and is therefore presumed to be a significant risk in every audit engagement.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Smithfield are described in Note 1 to the financial statements. The Town adopted GASB Statement 101, "Compensated Absences" and GASB Statement 102, "Certain Risk Disclosures" in the current year. 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.

Significant Accounting Estimates

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. Significant estimate(s) for the Town are allowance for doubtful accounts, compensated absences, and depreciation/amortization. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. One significant disclosure affecting the Town's financial statements relates to the implementation of GASB 101 which is discussed in Note 11.

Significant 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, professional standards define 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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated May 12, 2026.

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 Council. The Town is required to submit a response within 60 days of the Council meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Council, and signed by the entire Council, Finance Officer, and Manager. The FPIC’s for fiscal year 2025 relate to the late submission of the audit (Finding 2025-001), correction of an error in previously issued financial statements (Finding 2025-002), reconciliation of records (Finding 2025-003), and budget violations (Finding 2025-004). More information on these matters can be found in the compliance section of the audit report.

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 Council is aware of the new GASB pronouncements for the upcoming fiscal year. Be especially mindful of GASB No.103: Financial Reporting Model Improvements, as the implementation of this standard may take a significant amount of time and resources to properly implement.

Restriction on Use

This information is intended solely for the use of the Town Council 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

		2025	2024	2023	2022	2021
Total Fund Balance - General Fund		27,814,601	22,813,217	19,195,668	1 6,120,101	15,814,504
Unavailable Fund Balance (Reserve for State Statute, Nonspendable)		3,033,537	2,889,403	3,643,095	3,565,822	2,784,834
Restricted, Committed, and Assigned Fund Balance		7,668,309	4,587,049	5,246,357	4,703,969	4,545,182
General Fund Expenditures (including transfers out)		17,619,204	15,983,724	14,329,028	1 6,143,324	13,862,800
Fund Balance Available as % of General Fund Expenditures		140.65%	124.65%	108.54%	77.77%	93.99%
Unassigned Fund Balance		20,108,346	17,629,230	13,899,006	1 1,389,754	11,248,279
Unassigned Fund Balance as % of General Fund Expenditures		114.13%	110.29%	97.00%	70.55%	81.14%
Revenues over (under) expenditures before contributions and transfers						
	General Fund	3,166,526	3,502,718	2,577,641	(130,605)	1,884,036
	Electric Fund	464,965	(26,276)	444,425	822,190	517,897
	Water & Sewer Fund	2,647,219	2,437,844	3,512,825	2,998,733	2,391,504
Cash vs. Accumulated Depreciation - Water & Sewer Fund						
	Total Fixed Assets	47,291,163	46,049,610	44,970,900	3 9,559,989	27,384,425
	Accumulated Depreciation	16,549,142	14,992,273	14,369,538	1 3,566,944	12,912,721
	Cash	18,986,811	16,829,273	14,657,500	1 4,396,946	13,060,839
Cash vs. Fund Balance						
	Cash - General	26,029,672	21,072,627	16,844,812	1 4,075,574	14,253,350
	Cash - Electric Fund	11,798,622	11,927,382	12,011,526	1 1,997,946	11,767,185
	Cash - Water & Sewer Fund	18,986,811	16,829,273	14,657,500	1 4,396,946	13,060,839
	Cash - Other Governmental Funds	1,453,037	3,859,974	3,655,814	5,053,761	922,575

Fund Balance - General	27,814,601	22,813,217	19,195,668	1 6,120,101	15,814,504
Fund Balance - Electric Fund	23,066,230	22,444,233	20,374,567	1 9,930,142	19,107,952
Fund Balance - Water & Sewer Fund	38,651,751	35,867,546	31,998,244	2 8,103,059	23,584,921
Fund Balance - Other Governmental Funds	76,287	3 39,431	(643,723)	6 0,224	279,321
Property Tax Rates	0.57	0.57	0.57	0.57	0.57
Collection Percentages	99.64%	99.93%	99.93%	99.88%	99.77%
Collection Percentages (excluding Motor Vehicle)	99.59%	99.92%	99.92%	99.87%	99.74%
Total Property Valuation	1,701,193,158	1 ,595,885,439	1,416,069,030	1,341,879,123	1,279,219,986
Total Levy Amount	9,696,801	9,096,547	8,071,593	7,648,711	7,291,554
Debt (excluding OPEB, compensated absences, LGERS)					
Governmental Activities	3,973,753	4,255,693	4,548,432	4,686,704	7,588,150
Business-Type Activities	11,517,044	12,697,642	13,377,699	1 2,639,394	3,721,993

TOWN OF SMITHFIELD

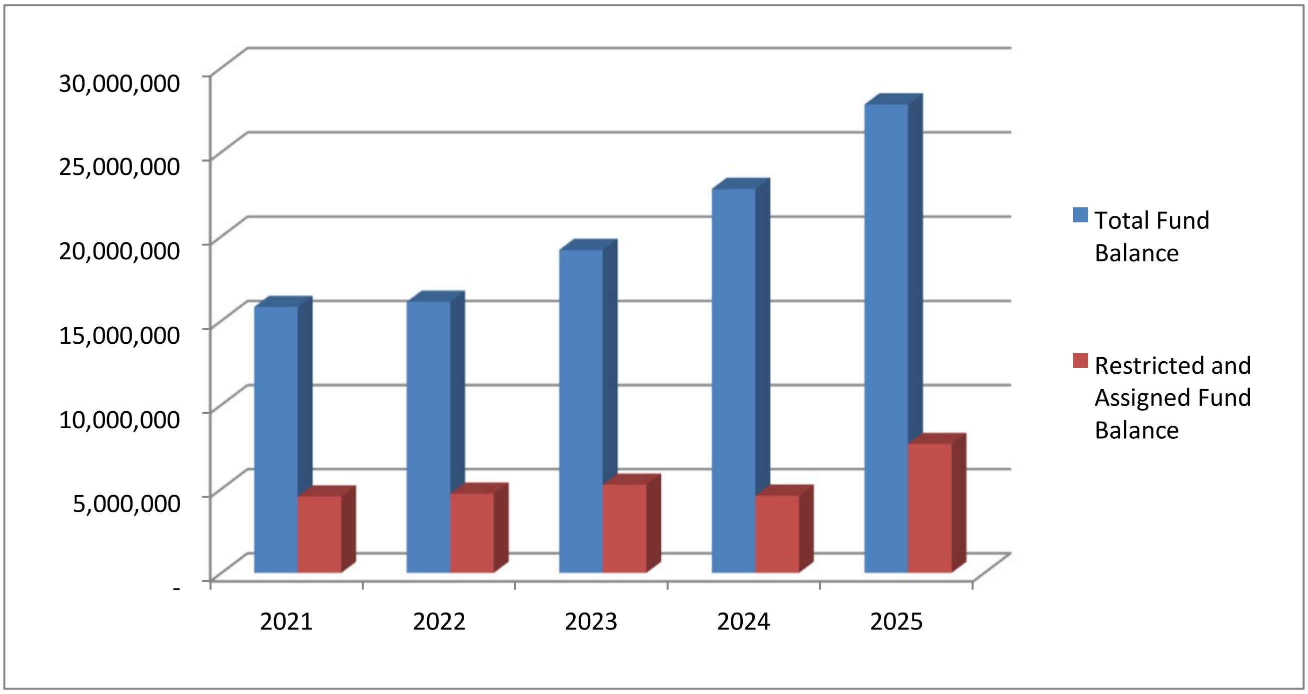
FINANCIAL INFORMATION FOR 5 YEARS

	2025	2024	2023	2022	2021
Breakdown of General Fund Revenues					
Ad Valorem Taxes	9,797,989	9,112,396	8,098,886	7,715,148	7,393,534
Other Taxes, License & Permits	180,835	77,968	52,157	7 5,067	59,366
Intergovernment Revenue	6,382,537	5,954,760	5,514,319	5,257,824	5,164,269
Sales and Services	3,587,674	2,917,691	2,791,805	2,654,020	2,131,661
Investment Earnings	626,218	4 95,711	202,844	1 0,665	13,552
Miscellaneous	210,477	2 04,029	236,248	147,995	150,454

TOWN OF SMITHFIELD

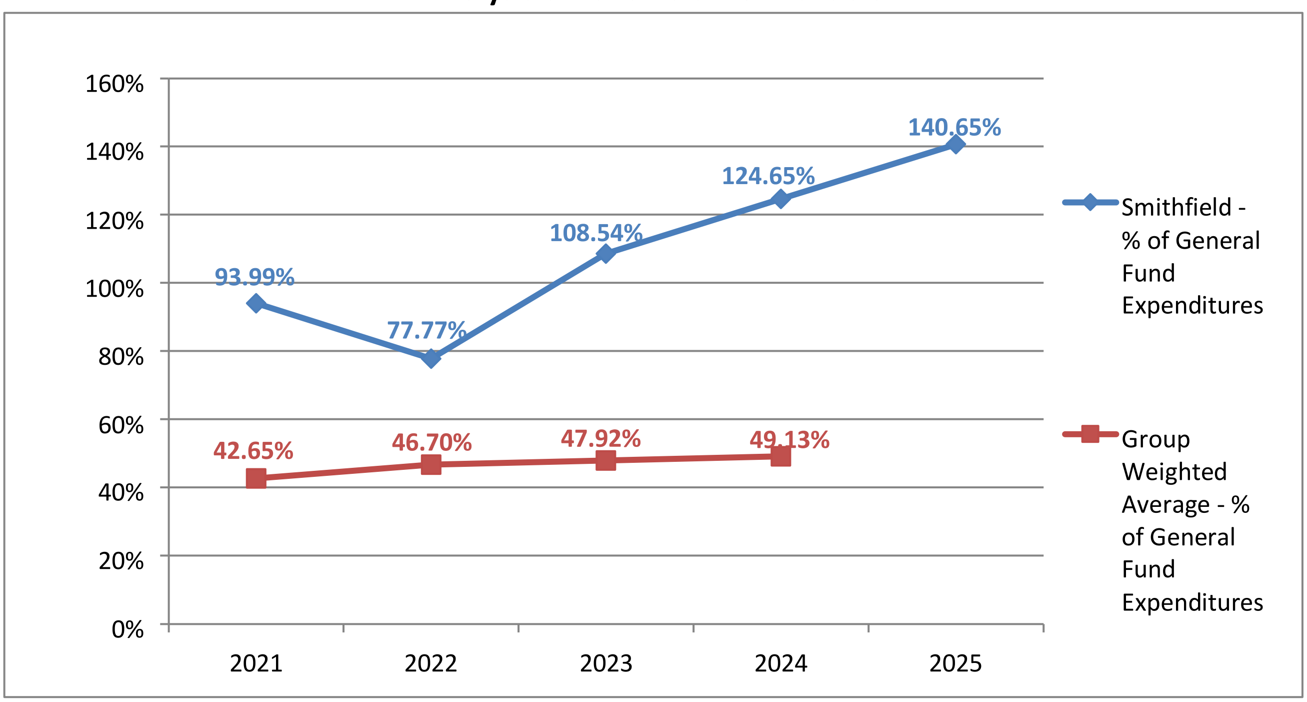
	Total	20,785,730	18,762,555	16,896,259	1 5,860,719	14,912,836
Breakdown of General Fund Expenditures						
	General Government	2,177,468	1,961,713	1,708,013	1,516,181	1,473,207
	Public Safety	8,712,010	6,960,041	6,587,724	6,266,652	6,061,161
	Street and Public Works	2,234,096	1,930,850	1,698,199	1,558,292	1,286,129
	Sanitation	1,691,018	1,533,467	1,525,443	1,552,107	1,418,510
	Cultural & Recreational	2,385,516	2,435,157	2,349,942	1,929,283	1,766,155
	Debt Service	419,096	4 38,274	449,297	3,168,809	1,023,638
	Total	17,619,204	15,259,502	14,318,618	15,991,324	13,028,800

Analysis of Fund Balance



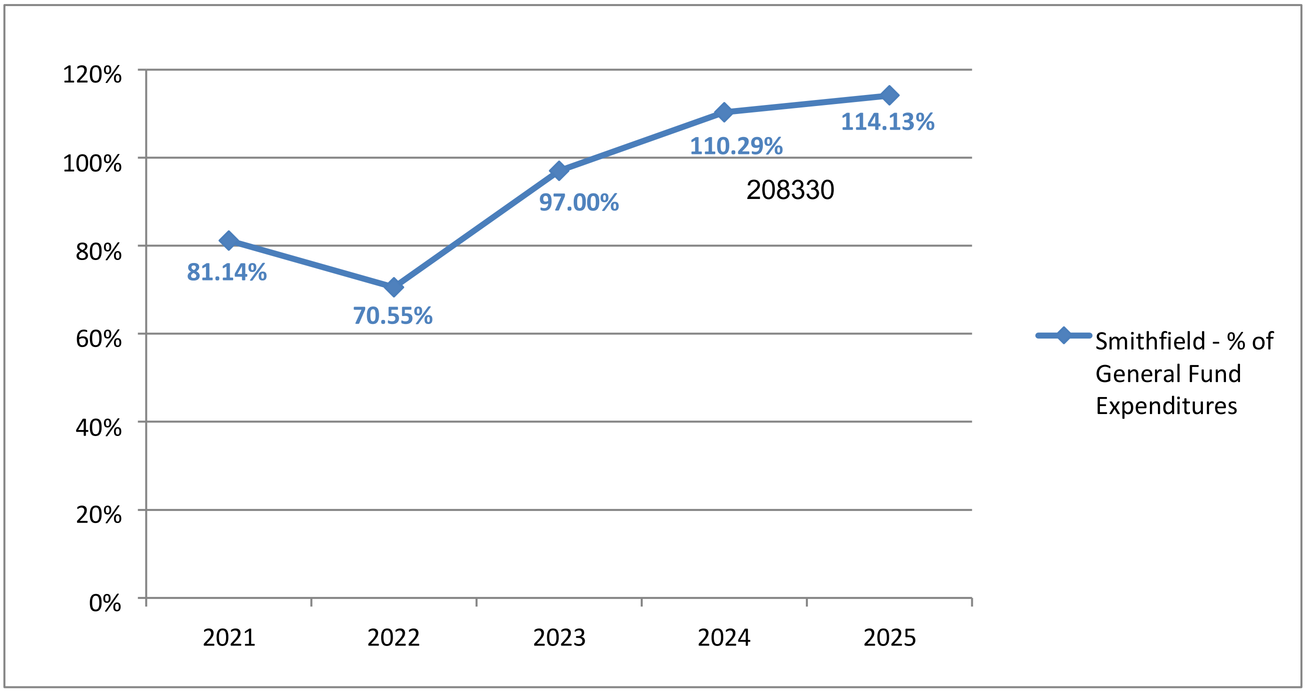
TOWN OF SMITHFIELD

Analysis of Fund Balance Available



TOWN OF SMITHFIELD

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



TOWN OF SMITHFIELD

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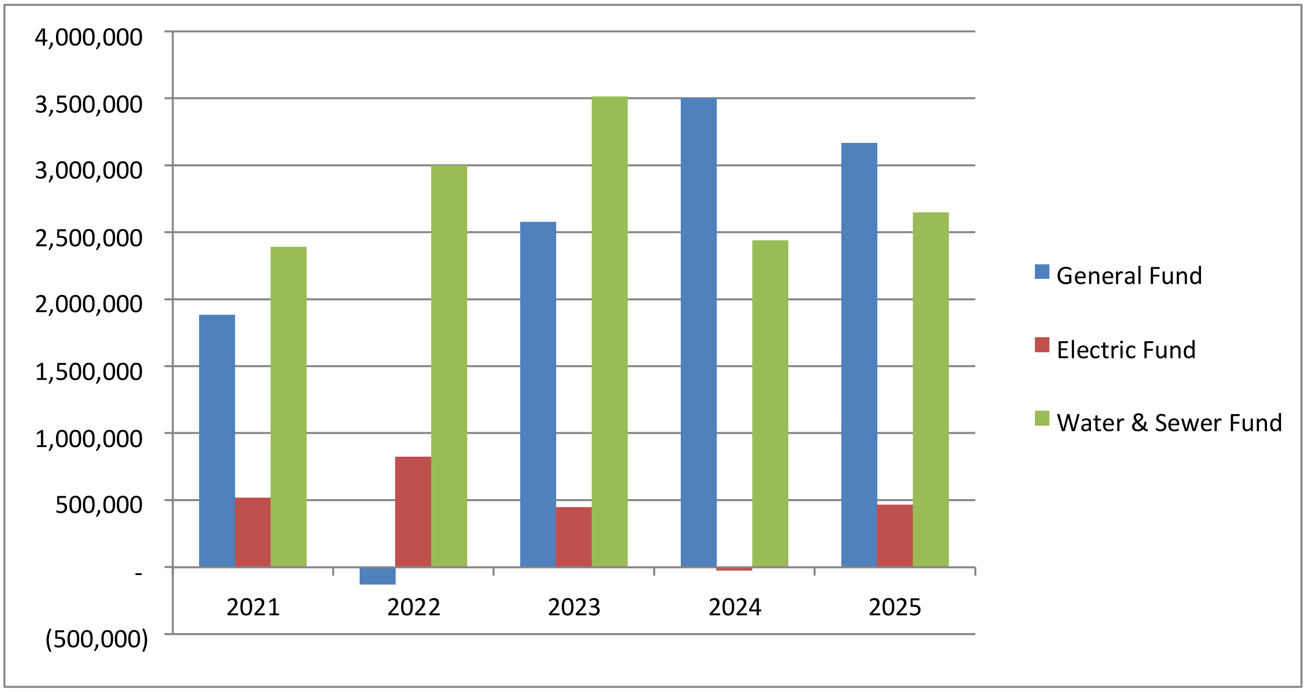
Analysis of Revenues Over (Under) Expenditures before Transfers and Contributions



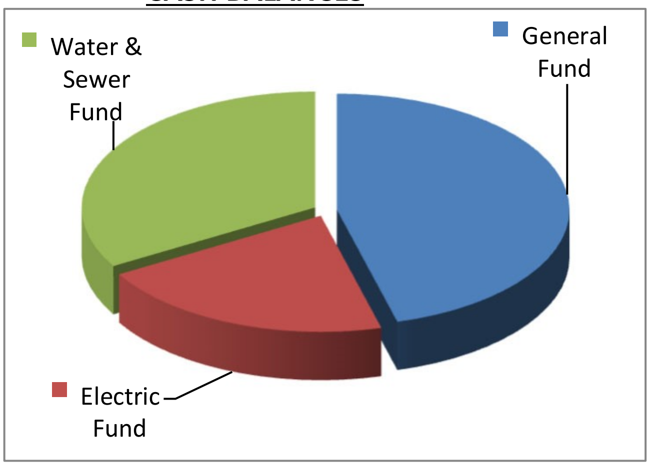
	Cash Balances	Fund Balances
General Fund	$ 26,029,672	$ 27,814,601

TOWN OF SMITHFIELD

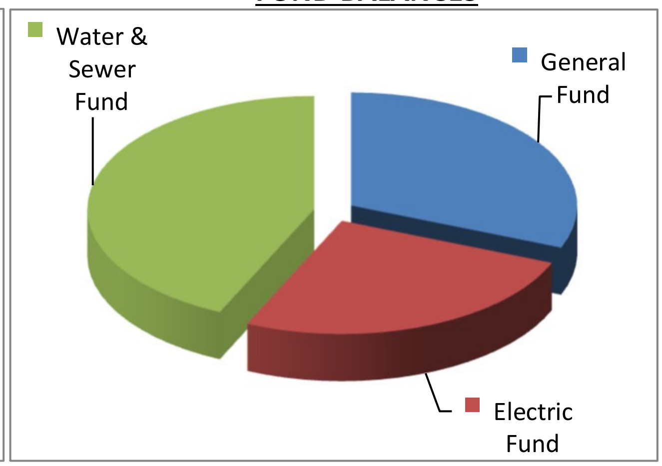
Electric Fund	11,798,622	
		23,066,230
Water and Sewer Fund	18,986,811	
		38,651,751
Total	$ 56,815,105	$ 89,532,582

Analysis of Cash and Fund Balances
at June 30, 2025

CASH BALANCES



FUND BALANCES

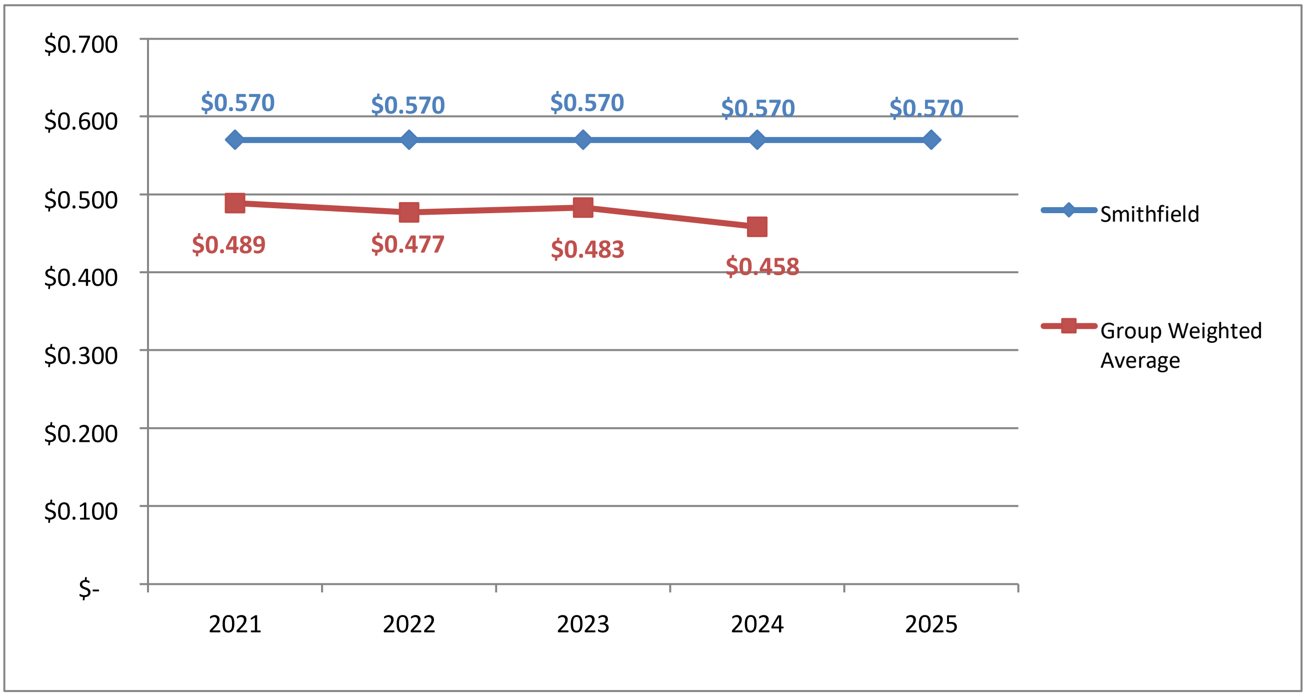


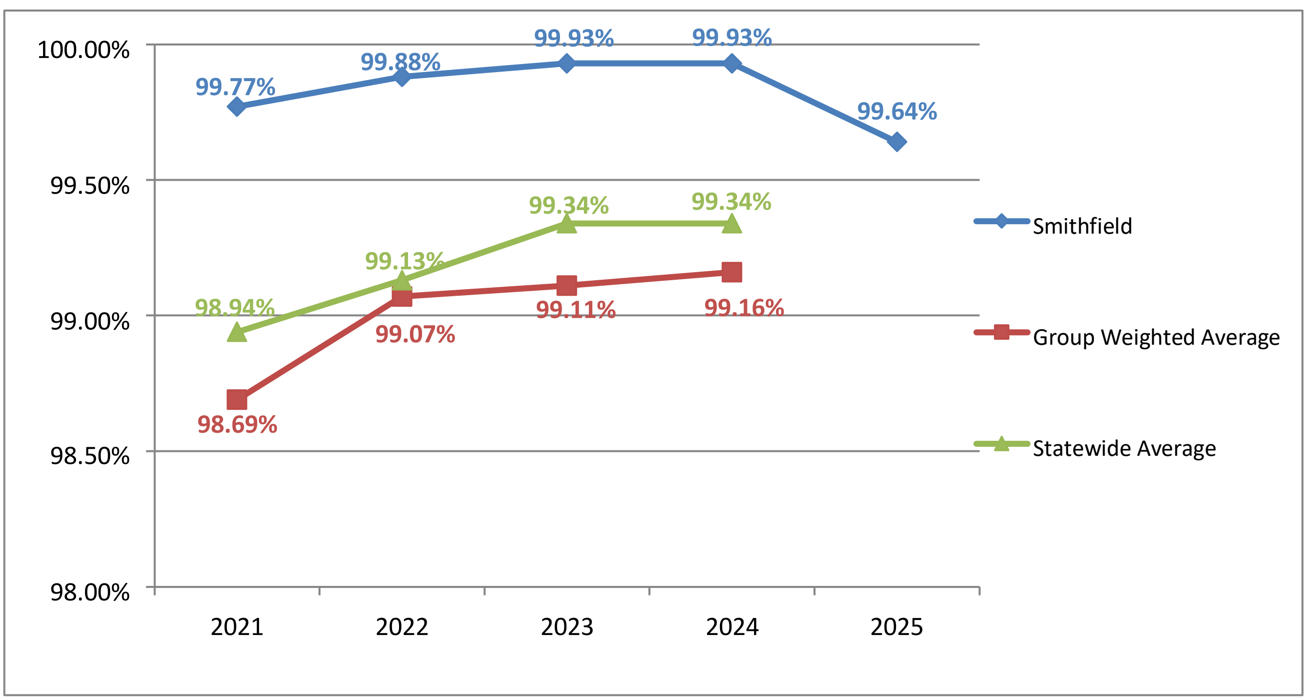
2025

TOWN OF SMITHFIELD

Property Tax Rates

(Note - 2025 Group Weighted Average Not Available at Date of Presentation)





TOWN OF SMITHFIELD

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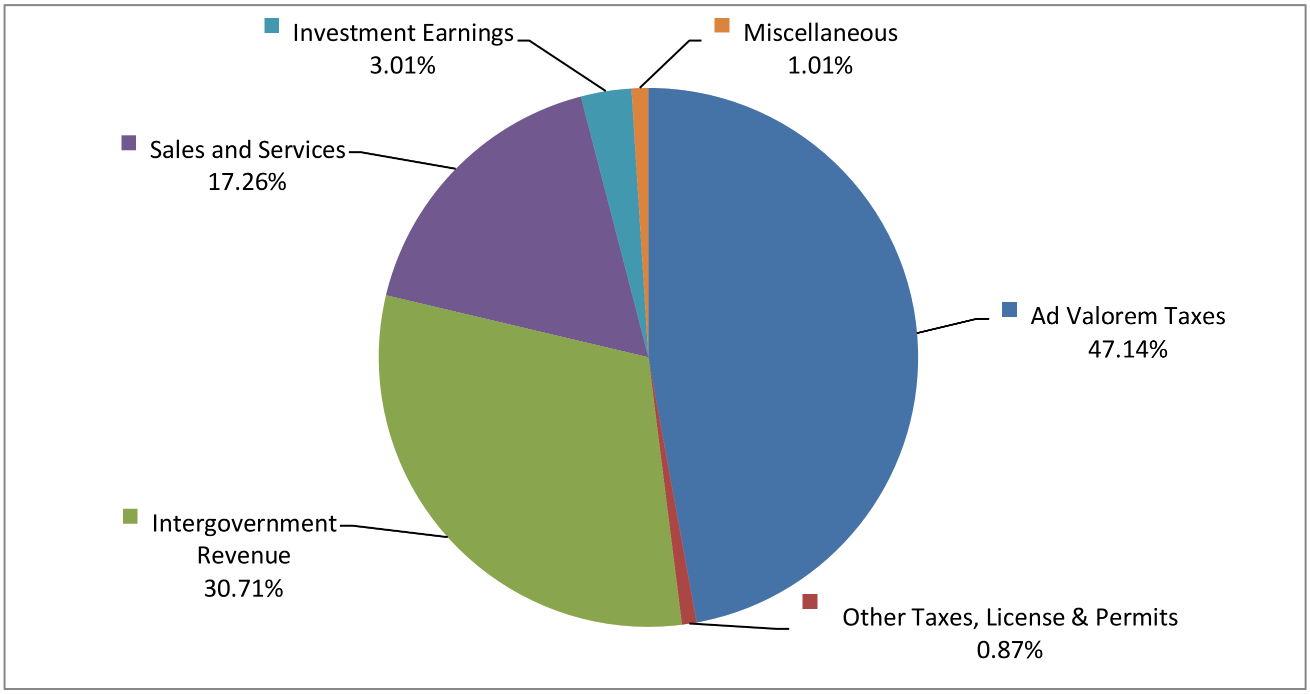
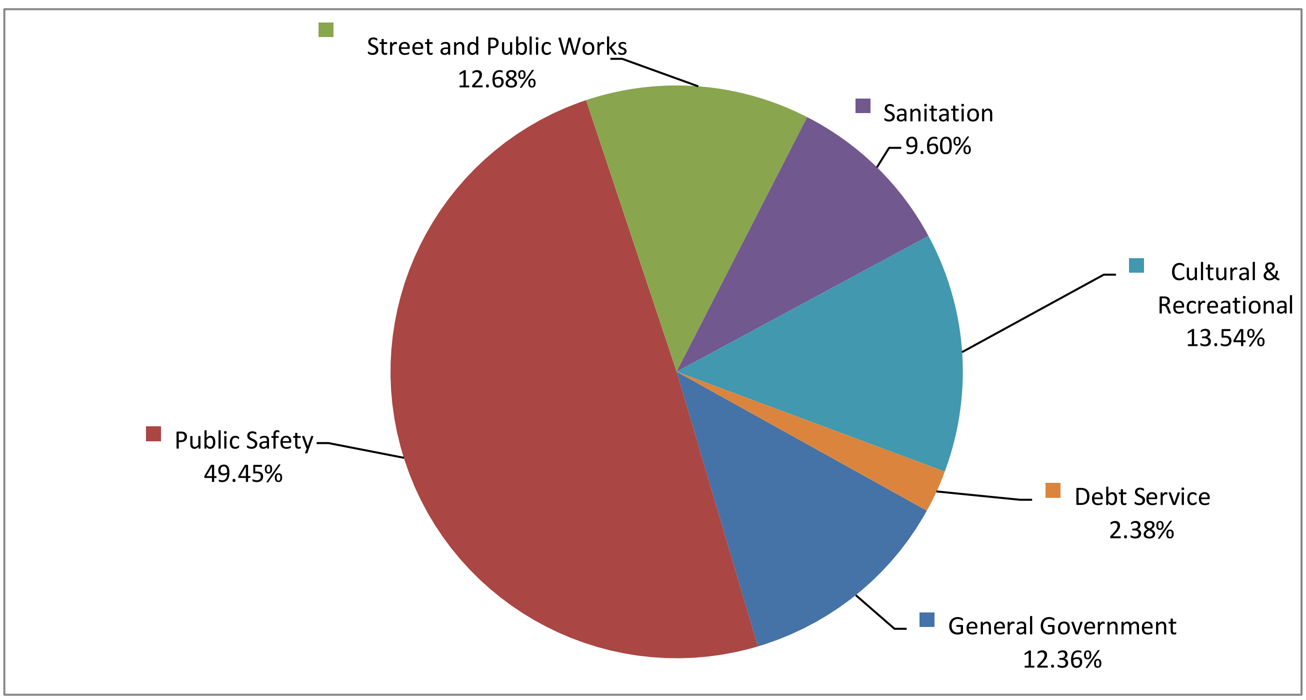
Collection Percentages

(Note - 2025 Group/Statewide Weighted Average Not Available at Date of Presentation)

Break Down of General Fund Revenue FYE June 30, 2025





TOWN OF SMITHFIELD
TOWN OF SMITHFIELD
Break Down of General Fund Expenditures
FYE June 30, 2025

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 2025-001 Late Submission of an Audit

The report was not finalized until 3 months after the due date.

Finding 2025-002 Correction of an Error in Previously Issued Financial Statements

Prior period restatements decreased beginning net position for governmental activities by $560,656 and for business-type activities by $176,969. Within business-type activities, beginning net position decreased by $13,178 in the Electric Fund and $163,791 in the Water and Sewer Fund. These restatements were necessary to correct errors in previously reported capital asset balances.

Finding 2025-003 Reconcilation of Records

In reviewing records and testing certain account balances, we noted that several accounts were not reconciled and adjusted timely to include receivables, payables, compensated absences, and other balance sheet accounts.

Finding 2025-004 Budget Violation

In the Water and Sewer Capital Project Fund, expenditures for engineering and administrative services exceeded appropriations by $52,038, as no budget was established for these expenditures. In the ARPA

Fund, transfers out exceeded appropriations by $30,425, In the General Fund Capital Projects Fund, expenditures exceeded appropriations by $31,621 and $14,885 for the Spring Branch Resiliency Project and the Smithfield Walking Trail Project, respectively.