

TOWN OF SMITHFIELD, MAINE
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JANUARY 31, 2026

DRAFT

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Maine Municipal Audit Services, PA

Mindy J. Cyr, CPA

Independent Auditors' Report

To the Select Board
Town of Smithfield
Smithfield, Maine

OPINIONS

We have audited the accompanying financial statements of the governmental activities of the Town of Smithfield, Maine, as of and for the year ended January 31, 2026, and the related notes to the financial statements, which collectively comprise the Town of Smithfield, Maine's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Smithfield, Maine, as of January 31, 2026, and the respective changes in financial position 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Smithfield, Maine, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the 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 preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from 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 generally accepted auditing standards will always detect a material misstatement 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 aggregate, they would influence the judgment made by a reasonable user based on financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.

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- 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 Town of Smithfield, Maine'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 Town of Smithfield, Maine'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

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of the schedule of changes in net OPEB liability and related ratios, and the budgetary comparison schedule, on pages 25-26 be presented to supplement the basic financial statements. Such information, although not a 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.

Levant, Maine
April 3, 2026

Town of Smithfield, Maine
Statement of Net Position
January 31, 2026

		<u>Total Governmental Activities</u>
ASSETS:		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 1,399,998	
Taxes receivable	127,586	
Tax liens receivable	28,604	
<i>Total current assets</i>		\$ 1,556,188
<i>Non-current assets:</i>		
Capital assets, net of accumulated depreciation	1,697,596	
Non-depreciable capital assets	52,400	
<i>Total non-current assets</i>		1,749,996
DEFERRED OUTFLOWS OF RESOURCES:		
OPEB related outflows	6,116	
<i>Total deferred outflows of resources</i>		6,116
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u>\$ 3,312,300</u>
LIABILITIES:		
<i>Current liabilities:</i>		
Accounts payable	\$ 3,753	
Current portion of bonds payable	50,000	
<i>Total current liabilities</i>		\$ 53,753
<i>Non-current liabilities:</i>		
Bonds payable	50,000	
OPEB liability	34,435	
<i>Total non-current liabilities</i>		84,435
DEFERRED INFLOWS OF RESOURCES:		
OPEB related inflows	1,780	
<i>Total deferred inflows of resources</i>		1,780
NET POSITION:		
Net investment in capital assets	1,649,996	
Unrestricted	1,522,336	
TOTAL NET POSITION		<u>3,172,332</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		<u>\$ 3,312,300</u>

Town of Smithfield, Maine
Statement of Activities
For the Year Ended January 31, 2026

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Total
<i>Governmental activities:</i>					
General government	\$ 349,781	\$ -	\$ -	\$ (349,781)	\$ (349,781)
Public safety	189,451	20,905	50,000	(118,546)	(118,546)
Public works	361,741	-	36,440	(325,301)	(325,301)
Solid waste	63,685	-	-	(63,685)	(63,685)
Education	1,328,334	-	-	(1,328,334)	(1,328,334)
County tax	417,662	-	-	(417,662)	(417,662)
Interest expense	1,265	-	-	(1,265)	(1,265)
Social services	30,637	-	1,113	(29,524)	(29,524)
Unclassified	44,514	-	-	(44,514)	(44,514)
Reserves	20,244	-	-	(20,244)	(20,244)
Depreciation	215,395	-	-	(215,395)	(215,395)
<i>Total governmental activities</i>	3,022,709	20,905	87,553	(2,914,251)	(2,914,251)
<i>Total primary government</i>	3,022,709	20,905	87,553	(2,914,251)	(2,914,251)
<i>General revenues:</i>					
Property taxes					2,516,004
Excise taxes					306,974
<i>Grants and contributions not restricted to specific programs:</i>					
State revenue sharing					115,260
Other					85,920
Interest					31,399
Miscellaneous revenues					41,345
<i>Total general revenues and transfers</i>					3,096,902
<i>Changes in net position</i>					182,651
NET POSITION - BEGINNING					2,989,681
NET POSITION - ENDING					\$ 3,172,332

The accompanying notes are an integral part of this statement.

Town of Smithfield, Maine
Balance Sheet
Governmental Funds
January 31, 2026

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 1,399,998	\$ 1,399,998
Taxes receivable, net	127,586	127,586
Tax liens receivable	28,604	28,604
TOTAL ASSETS	\$ 1,556,188	\$ 1,556,188
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts payable	\$ 3,753	\$ 3,753
<i>Total liabilities</i>	3,753	3,753
<i>Deferred inflows of resources:</i>		
Uncollected property taxes	124,952	124,952
<i>Total deferred inflows of resources</i>	124,952	124,952
<i>Fund balances: (see footnotes)</i>		
Committed	693,558	693,558
Assigned	129,036	129,036
Unassigned	604,889	604,889
<i>Total fund balances</i>	1,427,483	1,427,483
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,556,188	
<i>Amounts reported for governmental activities in the statement of net position (Stmt. 1) are different because:</i>		
Depreciable and non-depreciable capital assets as reported in Stmt. 1		1,749,996
Long-term liabilities, including capital leases payable, as reported on Stmt. 1		(100,000)
Uncollected property taxes not reported on Stmt. 1		124,952
Deferred outflows of resources - OPEB related expenditures		6,116
Deferred inflows of resources - OPEB related inflows		(1,780)
OPEB liabilities		(34,435)
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 3,172,332

The accompanying notes are an integral part of this statement.

Town of Smithfield., Maine
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended January 31, 2026

	General Fund	Total Governmental Funds
REVENUES:		
Property taxes	\$ 2,496,828	\$ 2,496,828
Excise taxes	306,974	306,974
Intergovernmental revenue	288,733	288,733
Charges for services	20,905	20,905
Interest	31,399	31,399
Other revenue	41,345	41,345
<i>Total revenues</i>	3,186,184	3,186,184
EXPENDITURES:		
General government	346,426	346,426
Public safety	249,663	249,663
Public works	361,741	361,741
Solid waste	63,685	63,685
Education	1,328,334	1,328,334
County tax	417,662	417,662
Debt service	51,265	51,265
Social services	30,637	30,637
Unclassified	44,514	44,514
Reserve	280,631	280,631
<i>Total expenditures</i>	3,174,558	3,174,558
<i>Excess (deficiency) of revenues over (under) expenditures</i>	11,626	11,626
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	-
<i>Total other financing sources (uses)</i>	-	-
 <i>Net change in fund balances</i>	 11,626	 11,626
FUND BALANCES - BEGINNING	1,415,857	1,415,857
FUND BALANCES - ENDING	\$ 1,427,483	\$ 1,427,483

The accompanying notes are an integral part of this statement.

Town of Smithfield, Maine
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended January 31, 2026

Net change in fund balances - total governmental funds (Statement 4)	\$	11,626
<p>Amounts reported for governmental activities in the Statement of Activities (Stmt. 2) are different due to the following items:</p>		
Depreciation expense recorded on Statement of Activities, yet not required to be recorded as expenditures on Governmental Funds Report		(215,395)
Capital outlays expensed on the Governmental Funds Report (Stmt. 4), yet not considered an expense for the purposes of Statement of Activities (Stmt. 2)		320,599
Revenues in the Statement of Activities (Stmt 2) that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes and other deferred revenue.		19,176
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. More specifically, this represents the net amount of principal reduction in debt service made during the fiscal year.		50,000
OPEB expense		(3,355)
<hr/>		
Changes in net position of governmental activities (see Stmt. 2)	\$	182,651

Town of Smithfield, Maine
 Statement of Fiduciary Net Position
 Fiduciary Funds
 January 31, 2026

	Private Party Trust Fund	
ASSETS		
Cash and cash equivalents	\$ 8,987	
TOTAL ASSETS		\$ 8,987
NET POSITION		
<i>Restricted for:</i>		
Cemeteries	\$ 8,987	
TOTAL LIABILITIES AND NET POSITION		\$ 8,987

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Town of Smithfield, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended January 31, 2026

	Private Purpose Trust Fund
<hr/>	
Additions:	
Investment income	\$ 32
Deductions:	
Bank fees	(2)
<hr/>	
<i>Change in Net Position</i>	30
<hr/>	
NET POSITION - BEGINNING OF YEAR	8,957
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NET POSITION - END OF YEAR	\$ 8,987
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**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town operates under a selectboard-manager form of government and was incorporated on February 29, 1840 under the laws of the State of Maine.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, and its amendments, established new financial reporting requirements for governments and caused the Town to restructure much of the information presented in the past. The more significant of the government’s accounting policies are described below.

The financial statements include those of the various departments governed by the Select Board and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by GASB.

B. Basis of Presentation

The Town’s basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-Wide Financial Statements

The Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and reports information on all of the non-fiduciary activities of the Town as a whole.

The Statement of Net Position presents the financial condition of the governmental and business-type (if applicable) activities of the Town at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Town’s governmental and business-type (if applicable) activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The Town has elected not to allocate indirect costs among programs. Program revenues include 1) charges to customers for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. The General Fund is always a major fund.

Because of the basis of accounting and reporting differences, summary reconciliations to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

C. Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of three categories of funds: governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the Town's major 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 required to be accounted for in another fund.

Fiduciary Fund Types

Fiduciary funds account for assets held by the Town in a trustee capacity. Non-expendable trust funds are held for investment with the interest only available for cemetery and other specified expenditures.

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus

Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The fiduciary funds are reported using the economic resources measurement focus.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements, proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes, charges for services, and interest on investments.

Licenses and permits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, property taxes receivable that will not be collected within the available period have been reported as deferred inflows of resources.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

F. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. Budgetary control is exercised by department heads, town administration and the Select Board. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Select Board or required by law.

G. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Investments are recorded at fair market value.

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

Compensated Absences

Vacation and sick pay benefits are substantially non-vesting and are not material. Therefore, no liability has been recorded in the financial statements for the year ended January 31, 2026.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-30
Infrastructure	50
Machinery and Equipment	7-25
Vehicles	3-25

Net Position and Fund Balances

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position is the residual amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These designations are categorized as follows:

Non-spendable – Funds that are not in spendable form, such as funds that are legally required to be maintained in tact (corpus of a permanent fund).

Restricted – Funds that are restricted for use by an external party, constitutional provision, or enabling legislation.

Committed – Funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the governing body.

Assigned – Funds intended to be used for specific purposes set by the Select Board.

Unassigned – Funds available for any purpose.

When an expenditure is incurred for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

Uncollected Revenue

Uncollected revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Uncollected revenue arises when resources are received by the Town before the Town has legal claim to them. In subsequent periods, when both revenue recognition criteria are met or when the Town has a legal claim to the resources, the liability for uncollected revenue is removed from the balance sheet and revenue is recognized.

Property Taxes

Property taxes for the current year were committed on August 4, 2025, on the assessed value listed as of April 1, 2025, for all real and personal property located in the Town. Payment of taxes was due November 30, 2025 with interest at 7% on all tax bills unpaid as of the due date.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$26,611 for the year ended January 31, 2026.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as uncollected revenues.

Risk Management

The Town pays insurance premiums to certain agencies to cover risks that may occur in normal operations. The Town purchases employee fidelity bond coverage. There have been no significant reductions in insurance coverage from the prior year. No settlements of claims have exceeded insurance coverage in the current year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Typically, the Town invests funds in checking accounts, savings accounts, certificates of deposit, and U.S. government obligations (through an investment group owned by a financial institution). From time to time the Town's deposits and investments may be subject to risks, such as the following:

Custodial Credit Risk – Deposits - the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town uses only financial institutions that are insured by the FDIC or additional insurance. At January 31, 2026, cash deposits had a carrying value of \$1,399,998, all of which was covered by FDIC or collateralized.

Interest Rate Risk – The Town does not currently have a deposit policy for interest rate risk.

Credit Risk – The Town does not have a formal policy regarding credit risk. Maine statutes authorize the Town to invest in obligations of the U.S. Treasury, and U.S. Agencies and certain bonds, securities and real assets.

Custodial Credit Risk – Investments – the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy. None of the Town's investments were subject to custodial credit risk.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments held by the Town are Level 1 inputs.

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

3. CAPITAL ASSETS

Governmental activities:	Balance 2/1/2025	Additions	Deletions	Balance 1/31/2026
<i>Capital assets:</i>				
Land	\$ 52,400	\$ -	\$ -	\$ 52,400
Buildings	727,517	-	-	727,517
Vehicles	674,364	30,327	-	704,691
Equipment	316,763	60,212	-	376,975
Infrastructure	1,112,443	230,060	-	1,342,503
	<hr/>			<hr/>
Total capital assets	2,883,487	320,599	-	3,204,086
	<hr/>			<hr/>
<i>Less accumulated depreciation</i>	(1,238,695)	(215,395)	-	(1,454,090)
	<hr/>			<hr/>
Governmental activities Capital assets, net	\$ 1,644,792	\$ 105,204	\$ -	\$ 1,749,996
	<hr/> <hr/>			<hr/> <hr/>

Depreciation expense has not been charged as a direct expense for any department of the Town.

4. CONTINGENCIES

There may be various claims and suits pending against the Town, which arise in the normal course of the Town's activities. According to Town management, there are no matters that would result in adverse losses, claims, or assessments against the Town through the date of the audit report.

5. SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

6. FUND BALANCES

Committed:

Paving reserve	\$ 372,401
Library reserve	2,380
Equipment reserve	138,403
Capital improvement reserve	53,935
Anniversary reserve	6,689
Assessing reserve	<u>119,750</u>
TOTAL COMMITTED	<u>\$ 693,558</u>

Assigned:

Cemetery extension	\$ 4,749
FD contingency	65,650
State revenue sharing	47,125
Food pantry	9,428
Holiday fund	436
ARPA funds	<u>1,648</u>
TOTAL ASSIGNED	<u>\$ 129,036</u>

Unassigned:

Unassigned fund balance	<u>\$ 604,889</u>
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7. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended January 31, 2026, was as follows:

Description	Balance 2/1/2025	Additions	(Reductions)	Balance 1/31/2026	Due within one year
Bonds payable	\$ 150,000	\$ -	\$ (50,000)	\$ 100,000	\$ 50,000
Total	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 100,000</u>	<u>\$ 50,000</u>

Payments on bonds payable, notes payable and capital leases of the governmental activities are paid out of the General Fund.

General Obligation Bonds

Bonds payable at January 31, 2026 are comprised of the following:

	Interest Rate	Maturity Date	Balance at 1/31/2026
Governmental Activities:			
Maine Municipal Bond Bank	.41-.99%	2027	<u>\$ 100,000</u>
Total governmental activities			<u>\$ 100,000</u>

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

7. LONG-TERM OBLIGATIONS (CONTINUED)

Debt service requirements to retire the bonds payable outstanding for governmental activities at January 31, 2026 are as follows:

Year ending January 31,	Principal	Governmental Activities Interest	Total
2027	\$ 50,000	\$ 910	\$ 50,910
2028	50,000	495	50,495
Total	\$ 100,000	\$ 1,405	\$ 101,405

8. OPEB OBLIGATIONS

Plan Description

The Town provides health insurance to its employees through Maine Municipal Employees Health Trust (MMEHT). The Town does not provide postemployment or postretirement health benefits, but it is subject to an implicit benefit for its members in MMEHT.

Accounting Policies

The impact of experience gains or losses and assumption changes on the Total OPEB Liability (TOL) are recognized in the OPEB expense over the average expected remaining life of all active and inactive members of the Plan. As of the beginning of the measurement period, this average was 5 years.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over the next 5 years, and thereafter:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 541	\$ -
Changes in assumptions	5,182	1,780
Contributions subsequent to measurement date	393	-
Total	\$ 6,116	\$ 1,780

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

8. OPEB OBLIGATIONS (CONTINUED)

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended December 31:

2026	1,135
2027	1,087
2028	1,732
2029	(11)
2030	0
Thereafter	0

As of January 1, 2025, the plan membership data is comprised of 2 active members with only an implicit benefit.

Key Economic Assumptions:

Measurement date: January 1, 2025

Discount rates: 4.08% per annum for year end 2025 reporting
3.26% per annum for year end 2024 reporting

Trend assumptions: *Pre-Medicare Medical* – Initial trend of 8.40% applied in FYE 2024 grading over 20 years to 3.81% per annum.

Pre-Medicare Drug – Initial trend of 16.13% applied in FYE 2024 grading over 20 years to 3.81% per annum.

Medicare Medical – Initial trend of 1.90% applied in FYE 2024 grading over 20 years to 3.81% per annum.

Medicare Drug – Initial trend of 9.63% applied in FYE 2024 grading over 20 years to 3.81% per annum.

Administrative and claims expense – 3% per annum.

Future Plan Changes

It is assumed that the current plan and cost-sharing structure remains in place for all future years.

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

8. OPEB OBLIGATIONS (CONTINUED)

Demographic Assumptions:

Retiree continuation: Retirees who are current Medicare participants – 100%
Retirees who are Pre-medicare, active participants – 75%
Spouses who are Pre-medicare, spouse is active participant – 50%

Rate of mortality: Based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95, and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those include in the published MP-2020 scale. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Assumed rate of retirement: For employees hired prior to July 1, 2014

Age 57-58 – 6%
Age 59 – 10%
Age 60-61 – 12%
Age 62-63 – 16%
Age 64 – 20%
Age 65-66 – 30%
Age 67-69 – 25%
Age 70+ - 100%

For employees hired after July 1, 2014

Age 55-61 – 6%
Age 62 – 10%
Age 63-64 – 12%
Age 65 – 20%
Age 66-68 – 16%
Age 69 – 20%
Age 70-74 - 25%
Age 75+ - 100%

Salary increases: 2.75% per year

**TOWN OF SMITHFIELD, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2026**

8. OPEB OBLIGATIONS (CONTINUED)

Discount Rate

The discount rate used to measure the TOL was 4.08% based on a measurement date of January 1, 2025. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

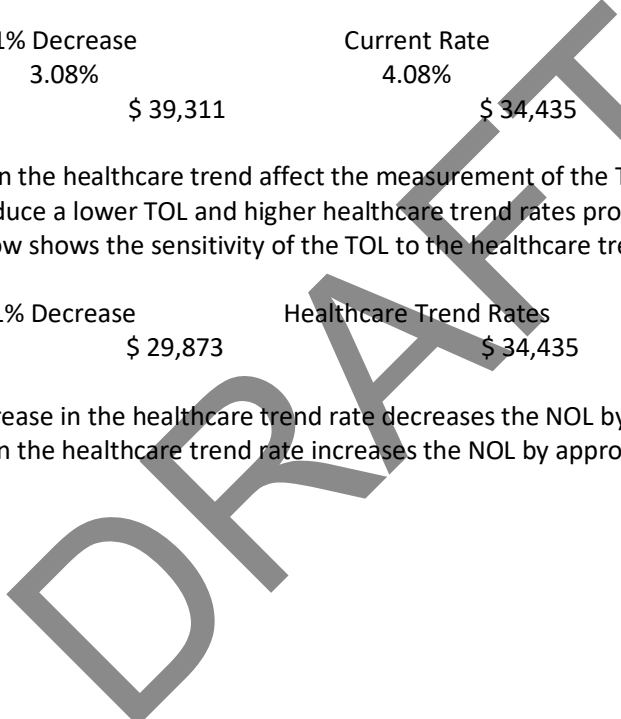
The following table shows how the net OPEB liability as of January 31, 2026 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 4.08%.

1% Decrease 3.08%	Current Rate 4.08%	1% Increase 5.08%
\$ 39,311	\$ 34,435	\$ 30,331

Changes in the healthcare trend affect the measurement of the TOL. Lower healthcare trend rates produce a lower TOL and higher healthcare trend rates produce a higher TOL. The table below shows the sensitivity of the TOL to the healthcare trend rates.

1% Decrease \$ 29,873	Healthcare Trend Rates \$ 34,435	1% Increase \$ 39,958
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A 1% decrease in the healthcare trend rate decreases the NOL by approximately 13.2%. A 1% increase in the healthcare trend rate increases the NOL by approximately 16.0%.



Town of Smithfield, Maine
Schedule of Changes in Net OPEB Liability and Related Ratios
Postretirement Employee Healthcare Plan
For the Year Ended January 31, 2026

Schedule A

	FYE 2025	FYE 2024	FYE 2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018
Total OPEB Liability								
Service cost (BOY)	\$ 670	\$ 441	\$ 651	\$ 549	\$ 445	\$ 266	\$ 317	\$ 288
Interest (includes interest on service cost)	1,093	873	532	550	640	667	594	597
Changes in benefit terms	-	-	-	-	-	(436)	-	-
Differences between expected and actual experience	-	536	-	1,095	-	1,017	-	422
Changes of assumptions	(63)	8,185	(3,212)	(2,224)	1,631	5,574	(1,728)	280
Benefit payments, including refunds of member contributions	(216)	(194)	(107)	(233)	(224)	(146)	(140)	(121)
Net change in total OPEB liability	\$ 1,484	\$ 9,841	\$ (2,136)	\$ (263)	\$ 2,492	\$ 6,942	\$ (957)	\$ 1,466
Total OPEB liability - beginning	\$ 32,951	\$ 23,110	\$ 25,246	\$ 25,509	\$ 23,017	\$ 16,075	\$ 17,032	\$ 15,566
Total OPEB liability - ending	\$ 34,435	\$ 32,951	\$ 23,110	\$ 25,246	\$ 25,509	\$ 23,017	\$ 16,075	\$ 17,032
Plan fiduciary net position								
Contributions - employer	216	194	107	233	224	146	140	121
Contributions - member	-	-	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(216)	(194)	(107)	(233)	(224)	(146)	(140)	(121)
Administrative expense	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability - ending	\$ 34,435	\$ 32,951	\$ 23,110	\$ 25,246	\$ 25,509	\$ 23,017	\$ 16,075	\$ 17,032
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 87,408	\$ 87,408	\$ 75,000	\$ 75,000	\$ 70,155	\$ 70,155	\$ 66,670	\$ 66,670
Net OPEB liability as a percentage of covered employee payroll	39.40%	37.70%	30.80%	33.70%	36.40%	32.80%	24.10%	25.50%

**Town of Smithfield, Maine
General Fund
Budgetary Comparison Schedule
For the Year Ended January 31, 2026**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (negative)
REVENUES:				
Property taxes	\$ 2,510,008	\$ 2,510,008	\$ 2,496,828	\$ (13,180)
Excise taxes	269,200	269,200	306,974	37,774
Intergovernmental revenue	193,279	280,832	288,733	7,901
Charges for services	-	20,905	20,905	-
Interest	7,300	27,300	31,399	4,099
Other revenues	-	36,507	41,345	4,838
<i>Total revenues</i>	2,979,787	3,144,752	3,186,184	41,432
EXPENDITURES:				
General government	345,364	368,981	346,426	22,555
Public safety	167,825	303,024	249,663	53,361
Public works	351,261	368,286	361,741	6,545
Solid waste	94,500	94,500	63,685	30,815
Education	1,328,334	1,328,334	1,328,334	-
County tax	417,662	417,662	417,662	-
Debt service	51,265	51,265	51,265	-
Social services	22,675	40,942	30,637	10,305
Unclassified	35,715	47,359	44,514	2,845
Reserves	210,751	975,837	280,631	695,206
<i>Total expenditures</i>	3,025,352	3,996,190	3,174,558	821,632
<i>Excess (deficiency) of revenues over (under) expenditures</i>			11,626	
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
<i>Total other financing sources</i>	-	-	-	-
<i>Net changes in fund balances</i>			11,626	
FUND BALANCES - BEGINNING			1,415,857	
FUND BALANCES - ENDING			\$ 1,427,483	

Town of Smithfield, Maine
Schedule of Departmental Operations
For the Year Ended January 31, 2026

	Balance	Appropriations	Cash Receipts &	Total	Expenditures	Balances	
	2/1/2025		Other Credits	Available		Lapsed	Carried
GENERAL GOVERNMENT							
General expense	\$ -	\$ 162,694	\$ 27,008	\$ 189,702	\$ 171,031	\$ 18,671	\$ -
Insurance	-	3,000	2,222	5,222	5,222	-	-
General government	1,193	167,761	575	169,529	168,264	1,265	-
KVCOG	-	1,909	-	1,909	1,909	-	-
Selectmen's contingency	-	10,000	(7,381)	2,619	-	2,619	-
<i>Total</i>	<u>1,193</u>	<u>345,364</u>	<u>22,424</u>	<u>368,981</u>	<u>346,426</u>	<u>22,555</u>	<u>-</u>
PUBLIC SAFETY							
Fire department operations	-	78,050	(1,918)	76,132	76,132	-	-
Fire department wages	-	60,700	592	61,292	74,453	(13,161)	-
Fire department contingency	74,968	-	4,176	79,144	13,494	-	65,650
Ambulance	-	23,375	7,381	30,756	30,756	-	-
EMS grant	-	-	50,000	50,000	50,000	-	-
Street lights	-	5,000	-	5,000	4,144	856	-
E-911	-	700	-	700	684	16	-
<i>Total</i>	<u>74,968</u>	<u>167,825</u>	<u>60,231</u>	<u>303,024</u>	<u>249,663</u>	<u>(12,289)</u>	<u>65,650</u>
PUBLIC WORKS							
RBC	-	319,843	11,076	330,919	330,068	851	-
Cemetery extension	4,749	-	-	4,749	-	-	4,749
Cemetery fence	-	5,000	-	5,000	5,000	-	-
Cemeteries	-	26,418	1,200	27,618	26,673	945	-
<i>Total</i>	<u>4,749</u>	<u>351,261</u>	<u>12,276</u>	<u>368,286</u>	<u>361,741</u>	<u>1,796</u>	<u>4,749</u>

Town of Smithfield, Maine
Schedule of Departmental Operations
For the Year Ended January 31, 2026

	Balance 2/1/2025	Appropriations	Cash Receipts & Other Credits	Total Available	Expenditures	Balances	
						Lapsed	Carried
SANITATION							
Solid waste	\$ -	\$ 94,500	\$ -	\$ 94,500	\$ 63,685	\$ 30,815	\$ -
<i>Total</i>	-	94,500	-	94,500	63,685	30,815	-
COUNTY TAX							
	-	417,662	-	417,662	417,662	-	-
EDUCATION							
	-	1,328,334	-	1,328,334	1,328,334	-	-
DEBT SERVICE							
	-	51,265	-	51,265	51,265	-	-
SOCIAL SERVICES							
General assistance	-	3,000	1,113	4,113	3,236	877	-
Food pantry	4,898	-	12,256	17,154	7,726	-	9,428
Social agency donations	-	19,675	-	19,675	19,675	-	-
<i>Total</i>	4,898	22,675	13,369	40,942	30,637	877	9,428
UNCLASSIFIED							
Recreation	-	8,895	100	8,995	4,287	4,708	-
Discounts	-	23,000	-	23,000	25,299	(2,299)	-
KRDA	-	520	7,542	8,062	8,062	-	-
Scholarship	-	3,300	-	3,300	3,300	-	-
Holiday fund	508	-	3,494	4,002	3,566	-	436
<i>Total</i>	508	35,715	11,136	47,359	44,514	2,409	436
RESERVES							
Paving reserve	414,043	150,000	42,615	606,658	234,257	-	372,401
Library reserve	4,058	-	315	4,373	1,993	-	2,380
Equipment reserve	140,828	30,000	1,396	172,224	33,821	-	138,403
Capital improvement reserve	51,745	10,000	-	61,745	7,810	-	53,935
Anniversary reserve	5,249	1,000	3,190	9,439	2,750	-	6,689
ARPA reserve	1,648	-	-	1,648	-	-	1,648
Revaluation reserve	99,999	19,751	-	119,750	-	-	119,750
<i>Total</i>	717,570	210,751	47,516	975,837	280,631	-	695,206
TOTAL EXPENDITURES	\$ 803,886	\$ 3,025,352	\$ 166,952	\$ 3,996,190	\$ 3,174,558	\$ 46,163	\$ 775,469