

CITY OF ROCKINGHAM, NORTH CAROLINA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2019

CITY OF ROCKINGHAM, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2019

MAYOR

M. STEVEN MORRIS

CITY COUNCIL

JOHN P. HUTCHINSON - MAYOR PRO-TEM

C. BENNETT DEANE, III

DENISE SULLIVAN

A. EUGENE WILLARD

ANNE EDWARDS

OTHER OFFICIALS

MONTY R. CRUMP

CITY MANAGER

HAZEL TEW

FINANCE OFFICER

BENNY SHARPE

CITY ATTORNEY

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FINANCIAL SECTION



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Other Office Locations:
Seven Lakes, North Carolina
Gastonia, North Carolina
Statesville, North Carolina

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
Rockingham, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rockingham, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Rockingham ABC Board were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rockingham, North Carolina as of June 30, 2019, and

the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Urban Development Action Grant Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 51 and 52, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 53, 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 54 and 55, respectively, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 56 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Rockingham, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2019 on our consideration of City of Rockingham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Rockingham's internal control over financial reporting and compliance.



Rockingham, NC
October 17, 2019

Management's Discussion and Analysis

As management of the City of Rockingham, we offer readers of the City of Rockingham's financial statements this narrative overview and analysis of the financial activities of the City of Rockingham for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

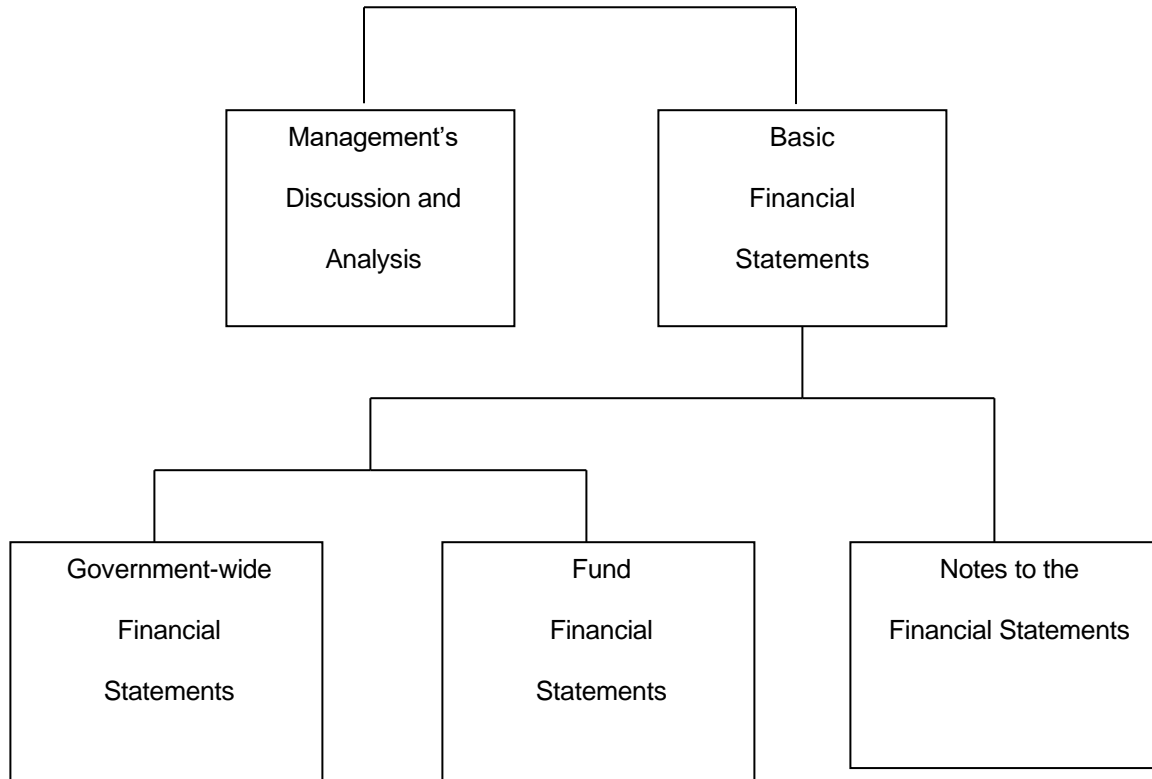
Financial Highlights

- The assets and deferred outflows of resources of the City of Rockingham exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$35,865,945 (*net position*).
- The government's total net position increased by 1,175,690, due to revenues exceeding expenditures in the General fund.
- As of the close of the current fiscal year, the City of Rockingham's governmental funds reported combined ending fund balances of \$7,646,957 an increase of \$1,353,221 in comparison with the prior year. Approximately 36.5 percent of fund balance, or \$2,791,995, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,791,95, or 27.0 percent of total general fund expenditures for the fiscal year.
- The City of Rockingham's total debt increased by 3,528,640 (318.9%) during the current fiscal year.
- The City of Rockingham maintained its A3 bond rating from Moody's Investment Service, Standard and Poor's Corporation and the North Carolina Municipal Council, a division of the Carolinas Advisory Council.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Rockingham's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City 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 City of Rockingham.

Required Components of Annual Financial Report



Basic Financial

Summary \longrightarrow Detail

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 City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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 City'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 City'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 City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation and debt service. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. This includes the water and sewer services offered by the City of Rockingham. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the City'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 City of Rockingham, 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 City's budget ordinance. All of the funds of City of Rockingham can be divided into two categories: governmental funds and proprietary 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 City'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 City'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.

The City of Rockingham adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – City of Rockingham has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Rockingham uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 on pages 22 through 50 of this report.

Other Information – Major funds and the component unit are reported in the basic financial statements as discussed. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Rockingham’s progress in funding its obligation to provide pension benefits to its employees. Also, combining required supplementary information can be found beginning on page 51 of this report.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole. The following table provides a summary of the City’s net position:

	The City of Rockingham's Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 8,356,047	\$ 6,844,182	\$ 3,915,316	\$ 4,786,739	\$ 12,271,363	\$ 11,630,921
Capital assets	20,888,187	16,441,900	14,162,219	14,249,207	35,050,406	30,691,107
Deferred outflows of resources	<u>1,447,574</u>	<u>957,957</u>	<u>339,063</u>	<u>217,827</u>	<u>1,786,637</u>	<u>1,175,784</u>
Total assets and deferred outflows of resources	<u>30,691,808</u>	<u>24,244,039</u>	<u>18,416,598</u>	<u>19,253,773</u>	<u>49,108,406</u>	<u>43,497,812</u>
Long-term liabilities outstanding	10,461,280	6,199,401	1,210,414	1,046,257	11,671,694	7,245,658
Other liabilities	670,991	538,843	475,504	706,749	1,146,495	1,245,592
Deferred inflows of resources	<u>359,458</u>	<u>263,175</u>	<u>64,814</u>	<u>53,132</u>	<u>424,272</u>	<u>316,307</u>
Total liabilities and deferred inflows of resources	<u>11,491,729</u>	<u>7,001,419</u>	<u>1,750,732</u>	<u>1,806,138</u>	<u>13,242,461</u>	<u>8,807,557</u>
Net position						
Net investment in capital assets	16,252,886	15,335,239	14,162,219	14,249,207	30,415,105	29,584,446
Restricted	4,854,962	3,185,094	-	-	4,854,962	3,185,094
Unrestricted	<u>(1,907,769)</u>	<u>(1,277,713)</u>	<u>2,503,647</u>	<u>3,198,428</u>	<u>595,878</u>	<u>1,920,715</u>
Total net position	<u>\$ 19,200,079</u>	<u>\$ 17,242,620</u>	<u>\$ 16,665,866</u>	<u>\$ 17,447,635</u>	<u>\$ 35,865,945</u>	<u>\$ 34,690,255</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the City of Rockingham exceeded liabilities and deferred inflows by \$35,865,945 as of June 30, 2019. The City’s net position increased by \$1,175,690 for the fiscal year ended June 30, 2019. The largest portion (84.8%) reflects the City’s net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Rockingham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Rockingham’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Rockingham’s net position, \$4,854,962 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$595,878 is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.42%, which is above the statewide average of 97.0%.
- Transfers from business-type activities were approximately \$1,759,280
- Continued low cost of debt due to the City's high bond rating

The following table provides a summary of the City's changes in net position:

The City of Rockingham's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 893,554	\$ 1,005,057	\$ 6,879,258	\$ 6,641,602	\$ 7,772,812	\$ 7,646,659
Operating grants and contributions	2,246,587	938,776	-	-	2,246,587	938,776
Capital grants and contributions	-	-	58,413	57,453	58,413	57,453
General revenues:						
Property taxes	3,274,803	3,255,585	-	-	3,274,803	3,255,585
Other taxes	3,586,040	3,306,693	-	-	3,586,040	3,306,693
Other	356,565	342,694	12,904	160,768	369,469	503,462
Total revenues	<u>10,357,549</u>	<u>8,848,805</u>	<u>6,950,575</u>	<u>6,859,823</u>	<u>17,308,124</u>	<u>15,708,628</u>
Expenses						
General governments	2,463,260	2,037,888	-	-	2,463,260	2,037,888
Public Safety	4,816,662	4,807,054	-	-	4,816,662	4,807,054
Transportation	752,177	733,267	-	-	752,177	733,267
Economic development	25,786	111,980	-	-	25,786	111,980
Environmental protection	1,092,133	1,181,060	-	-	1,092,133	1,181,060
Culture and recreation	966,931	995,622	-	-	966,931	995,622
Interest on long-term debt	42,421	46,722	-	-	42,421	46,722
Water and sewer	-	-	5,973,064	5,778,530	5,973,064	5,778,530
Total expenses	<u>10,159,370</u>	<u>9,913,593</u>	<u>5,973,064</u>	<u>5,778,530</u>	<u>16,132,434</u>	<u>15,692,123</u>
Increase in net position before transfers	198,179	(1,064,788)	977,511	1,081,293	1,175,690	16,505
Transfers	<u>1,759,280</u>	<u>2,031,542</u>	<u>(1,759,280)</u>	<u>(2,031,542)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	1,957,459	966,754	(781,769)	(950,249)	1,175,690	16,505
Net position, beginning as previously reported	<u>17,242,620</u>	<u>18,015,859</u>	<u>17,447,635</u>	<u>18,832,882</u>	<u>34,690,255</u>	<u>36,848,741</u>
Restatement (Note 8)	-	(1,739,993)	-	(434,998)	-	(2,174,991)
Net position, beginning as restated	<u>17,242,620</u>	<u>16,275,866</u>	<u>17,447,635</u>	<u>18,397,884</u>	<u>34,690,255</u>	<u>34,673,750</u>
Net position, end of year	<u>\$ 19,200,079</u>	<u>\$ 17,242,620</u>	<u>\$ 16,665,866</u>	<u>\$ 17,447,635</u>	<u>\$ 35,865,945</u>	<u>\$ 34,690,255</u>

Governmental activities: Governmental activities increased the City's net position by \$1,957,459

Key elements of this decrease are as follows:

- Revenues increased by \$1,508,744
- Expenditures decreased by \$245,777

Business-type activities: Business-type activities decreased the City's net position by \$781,769

Key elements of this decrease are as follows:

- Expenditures increased by \$194,534 from prior year.

Business-type activities: Business-type activities decreased the City of Rockingham's net position by \$781,769. Key elements of this increase are as follows:

- Transfers to the Governmental funds were \$1,759,280.

Financial Analysis of the City's Funds

As noted earlier, the City of Rockingham uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Rockingham's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Rockingham's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Rockingham. At the end of the current fiscal year, City of Rockingham's fund balance available in the General Fund was \$2,791,995 while total fund balance reached \$4,673,816. The Governing Body of the City of Rockingham has determined that the City should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the City. The City currently has an available fund balance of 27.0% of general fund expenditures, while total fund balance represents 45.2% of the same amount.

At June 30, 2019, the governmental funds of City of Rockingham reported a combined fund balance of \$7,646,957, a 21.5 percent increase over last year. Included in this change in fund balance is an increase in the fund balance of the General Fund of \$1,565,174 over prior year.

General Fund Budgetary Highlights: During the fiscal year, the City 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.

Revenues were less than the budgeted amounts primarily because the City did not receive some of the unrestricted intergovernmental funds that it expected. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The City of Rockingham's proprietary fund provides 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 amounted to \$2,503,647. The total decrease in net position was \$781,769.

Capital Asset and Debt Administration

Capital assets. The City of Rockingham’s investment in capital assets for its governmental and business–type activities as of June 30, 2019, totals \$35,050,406 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Construction in Progress for the government funds increased by \$6,122,709.

City of Rockingham’s Capital Assets Net of Accumulated Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Non-depreciable assets						
Land	\$ 1,757,184	\$ 1,750,789	\$ 562,866	\$ 537,866	\$ 2,320,050	\$ 2,288,655
Construction in progress	6,624,774	2,209,093	327,634	1,139,663	6,952,408	3,348,756
Depreciable assets						
Buildings and distribution system	8,747,523	9,037,009	12,141,200	11,760,984	20,888,723	20,797,993
Improvements other than buildings	967,971	853,604	-	-	967,971	853,604
Machinery, vehicles and motorized equipment	1,913,152	1,671,267	1,130,519	810,694	3,043,671	2,481,961
Infrastructure	<u>877,583</u>	<u>920,138</u>	<u>-</u>	<u>-</u>	<u>877,583</u>	<u>920,138</u>
Total	<u>\$ 20,888,187</u>	<u>\$16,441,900</u>	<u>\$14,162,219</u>	<u>\$14,249,207</u>	<u>\$ 35,050,406</u>	<u>\$ 30,691,107</u>

Additional information on the City’s capital assets can be found in NOTE 2.A. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, the City of Rockingham had total bonded debt outstanding of \$0.

City of Rockingham’s Outstanding Debt General Obligation Bonds

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Rockingham's Outstanding Debt

As mentioned in the financial highlights section of this document, the City of Rockingham maintained its A bond rating from Moody's Investment Service, Standard and Poor's Corporation and the North Carolina Municipal Council, a division of the Carolinas Advisory Council. This bond rating is an indication of the sound financial condition of the City of Rockingham. This achievement is a factor in keeping interest costs low on the City's outstanding debt.

North Carolina general statutes limit 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 City of Rockingham is \$50,088,932.

Additional information regarding the City of Rockingham's long-term debt can be found in NOTE 2.b.6. of the Basic Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The governmental funds' primary revenue resources are property taxes and unrestricted intergovernmental revenues. For the fiscal year ending June 30, 2020, the budget revenues are expected to remain approximately the same as the prior year. The City will use these revenues to finance programs currently in place.

Budgeted expenditures in the General Fund will decrease for the fiscal year ending June 30, 2019 by \$685,243 over fiscal year ended June 30, 2020.

Budgeted are revenues will decrease to \$10,244,199.

Business – type Activities: The business-type funds budgeted revenue will decrease for the fiscal year ending June 30, 2019 over fiscal year ended June 30, 2020.

Budgeted expenses are expected to be \$7,483,967.

Revenues and expenditures are budgeted below the prior year by approximately 10.15% due to a decrease in expenditures and water revenues.

Requests for Information

This report is designed to provide an overview of the City'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, City of Rockingham, 514 Rockingham Road, Rockingham, North Carolina 28379.

BASIC FINANCIAL STATEMENTS

	Primary Government			City of Rockingham ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,613,254	\$ 3,108,300	\$ 9,721,554	\$ 402,736
Taxes receivables (net)	74,674	-	74,674	-
Accounts receivable (net)	56,641	683,729	740,370	-
Due from other governments	870,640	-	870,640	-
Due from component unit	148,168	-	148,168	-
Notes receivable - current (net)	28,099	-	28,099	-
Inventories	13,001	123,287	136,288	351,276
Prepaid expense	-	-	-	3,507
Restricted cash and cash equivalents	<u>350,863</u>	<u>-</u>	<u>350,863</u>	<u>-</u>
Total current assets	<u>8,155,340</u>	<u>3,915,316</u>	<u>12,070,656</u>	<u>757,519</u>
Non-current assets				
Capital assets				
Land, improvements and construction in progress	8,381,958	890,500	9,272,458	50,007
Other capital assets, net of depreciation	<u>12,506,229</u>	<u>13,271,719</u>	<u>25,777,948</u>	<u>56,442</u>
Total capital assets	<u>20,888,187</u>	<u>14,162,219</u>	<u>35,050,406</u>	<u>106,449</u>
Other Assets				
Notes receivable- noncurrent (net)	<u>200,707</u>	<u>-</u>	<u>200,707</u>	<u>-</u>
Total assets	<u>29,244,234</u>	<u>18,077,535</u>	<u>47,321,769</u>	<u>863,968</u>
Deferred outflows of Resources				
Pension deferrals - LGERS	1,356,252	339,063	1,695,315	39,128
Pension deferrals - LEO	<u>91,322</u>	<u>-</u>	<u>91,322</u>	<u>-</u>
Total deferred outflows of resources	<u>1,447,574</u>	<u>339,063</u>	<u>1,786,637</u>	<u>39,128</u>
Total assets and deferred outflows of resources	<u>\$ 30,691,808</u>	<u>\$ 18,416,598</u>	<u>\$ 49,108,406</u>	<u>\$ 903,096</u>

	Primary Government			City of Rockingham ABC Board
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	\$ 381,124	\$ 291,562	\$ 672,686	\$ 180,494
Bank overdraft	-	-	-	-
Due to primary government	-	-	-	189,491
Due to primary government	-	-	-	-
Customer deposits	-	119,357	119,357	-
Compensated absences	235,973	64,585	300,558	-
Installment notes payable - current	53,894	-	53,894	-
Total current liabilities	<u>670,991</u>	<u>475,504</u>	<u>1,146,495</u>	<u>369,985</u>
Long-term liabilities				
Compensated absences	235,973	64,585	300,558	15,470
Net pension liability-LGERS	1,731,620	432,905	2,164,525	48,870
Total pension liability-LEO	1,060,582	-	1,060,582	-
Total OPEB liability	2,851,698	712,924	3,564,622	-
Installment notes payable	4,581,407	-	4,581,407	-
Total long-term liabilities	<u>10,461,280</u>	<u>1,210,414</u>	<u>11,671,694</u>	<u>64,340</u>
Total liabilities	<u>\$ 11,132,271</u>	<u>\$ 1,685,918</u>	<u>\$ 12,818,189</u>	<u>\$ 434,325</u>
Deferred inflows of Resources				
Prepaid taxes	24,486	-	24,486	-
Pension deferrals-LEO	75,710	-	75,710	-
Pension deferrals-LGERS	26,665	6,665	33,330	1,881
OPEB deferrals	232,597	58,149	290,746	-
Total deferred inflows of resources	<u>359,458</u>	<u>64,814</u>	<u>424,272</u>	<u>1,881</u>
NET POSITION				
Net investment in capital assets	\$ 16,252,886	\$ 14,162,219	\$ 30,415,105	\$ 106,449
Restricted for				
Stabilization by State Statute	1,075,449	-	1,075,449	-
Other functions	833,112	-	833,112	95,512
Economic and Physical Development	2,946,401	-	2,946,401	-
Unrestricted	<u>(1,907,769)</u>	<u>2,503,647</u>	<u>595,878</u>	<u>264,929</u>
Total net position	<u>\$ 19,200,079</u>	<u>\$ 16,665,866</u>	<u>\$ 35,865,945</u>	<u>\$ 466,890</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 30,691,808</u>	<u>\$ 18,416,598</u>	<u>\$ 49,108,406</u>	<u>\$ 903,096</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			City of Rockingham ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
<i>The accompanying notes are an integral part of the financial statements.</i>								
Governmental activities								
General government	\$ 2,463,260	\$ 17,006	\$ 37,764	\$ -	\$ (2,408,490)	\$ -	\$ (2,408,490)	\$ -
Public safety	4,816,662	34,526	39,988	-	(4,742,148)	-	(4,742,148)	-
Transportation	752,177	-	260,814	-	(491,363)	-	(491,363)	-
Economic and physical development	25,786	85,438	1,776,502	-	1,836,154	-	1,836,154	-
Environmental protection	1,092,133	696,129	6,811	-	(389,193)	-	(389,193)	-
Cultural and recreational	966,931	60,455	124,708	-	(781,768)	-	(781,768)	-
Interest on long-term debt	42,421	-	-	-	(42,421)	-	(42,421)	-
Total governmental activities	<u>10,159,370</u>	<u>893,554</u>	<u>2,246,587</u>	<u>-</u>	<u>(7,019,229)</u>	<u>-</u>	<u>(7,019,229)</u>	<u>-</u>
Business-type activities								
Water and sewer	<u>5,973,064</u>	<u>6,879,258</u>	<u>58,413</u>	<u>-</u>	<u>-</u>	<u>964,607</u>	<u>964,607</u>	<u>-</u>
Total primary government	<u>\$ 16,132,434</u>	<u>\$ 7,772,812</u>	<u>\$ 2,305,000</u>	<u>\$ -</u>	<u>(7,019,229)</u>	<u>964,607</u>	<u>(6,054,622)</u>	<u>-</u>
Component unit								
Rockingham ABC Board	<u>\$ 2,712,394</u>	<u>\$ 2,722,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
General revenues								
Taxes								
Property taxes, levied for general purposes					3,274,803	-	3,274,803	-
Other taxes					3,586,040	-	3,586,040	-
Grants and contributions - unspecific					67,788	-	67,788	-
Unrestricted investment earnings					74,426	12,660	87,086	-
Miscellaneous					214,351	244	214,595	-
Transfers					<u>1,759,280</u>	<u>(1,759,280)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>8,976,688</u>	<u>(1,746,376)</u>	<u>7,230,312</u>	<u>-</u>
Change in net position					1,957,459	(781,769)	1,175,690	10,000
Net position beginning					<u>17,242,620</u>	<u>17,447,635</u>	<u>34,690,255</u>	<u>456,890</u>
Net position end of year					<u>\$ 19,200,079</u>	<u>\$ 16,665,866</u>	<u>\$ 35,865,945</u>	<u>\$ 466,890</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	Major Funds			Total Non-major Governmental Funds	Total Governmental Funds
	General	Urban Development Action Grant Fund	RCC Downtown Satellite Campus Project Fund		
Assets					
Cash and cash equivalents	\$ 3,442,812	\$ 660,545	\$ 2,483,157	\$ 26,740	\$ 6,613,254
Restricted cash and cash equivalents	350,863	-	-	-	\$ 350,863
Receivables, net					
Taxes	74,674	-	-	-	74,674
Accounts	56,641	-	-	-	56,641
Due from other governments	870,640	-	-	-	870,640
Due from component unit	148,168	-	-	-	148,168
Notes receivable	-	228,806	-	-	228,806
Inventories	13,001	-	-	-	13,001
Total assets	\$ 4,956,799	\$ 889,351	\$ 2,483,157	\$ 26,740	\$ 8,356,047
Liabilities and fund balances					
Liabilities					
Accounts payable and accrued liabilities	\$ 183,823	\$ -	\$ 197,301	\$ -	\$ 381,124
Total liabilities	183,823	-	197,301	-	381,124
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	24,486	-	-	-	24,486
Tax receivable	74,674	-	-	-	74,674
Note receivable	-	228,806	-	-	228,806
Total deferred inflows of resources	99,160	228,806	-	-	327,966
Fund balances					
Non-spendable					
Inventories	13,001	-	-	-	13,001
Restricted					
Stabilization by State Statute	1,075,449	-	-	-	1,075,449
Streets - Powell Bill	293,371	-	-	-	293,371
Committed					
Economic Development	-	660,545	2,285,856	-	2,946,401
Assigned					
Subsequent year's expenditures	500,000	-	-	-	500,000
Parks and Recreation	-	-	-	26,740	26,740
Unassigned	2,791,995	-	-	-	2,791,995
Total fund balances	4,673,816	660,545	2,285,856	26,740	7,646,957
Total liabilities, inflows of resources and fund balances	\$ 4,956,799	\$ 889,351	\$ 2,483,157	\$ 26,740	\$ 8,356,047
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities					
Fund balance as reported in the balance sheet - governmental funds					\$ 7,646,957
Amounts reported for governmental activities in the statement of net position are different because					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					20,888,187
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position					1,356,252
Benefit payments and administrative expenses subsequent to the measurement date-LEO					91,322
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds					303,480
Compensated absences not expected to be materially liquidated with expendable available resources					(471,946)
Net pension liability					(1,731,620)
Total pension liability					(1,060,582)
Total OPEB liability					(2,851,698)
Deferred inflows of resources related to pensions are not reported in the fund - LGERS & LEO					(102,375)
Deferred inflows of resources related to OPEB are not reported in the fund					(232,597)
Long-term liabilities, principally installment purchases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds					(4,635,301)
Net position reported as governmental activities					<u>\$ 19,200,079</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
June 30, 2019

Exhibit 4

	Major Funds				
	General	Urban Development Action Grant Fund	RCC Downtown Satellite Campus Project Fund	Total Non-major Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes	\$3,277,342	\$ -	\$ -	\$ -	\$ 3,277,342
Other taxes and licenses	65,952	-	-	-	65,952
Unrestricted intergovernmental	3,520,088	-	-	-	3,520,088
Restricted intergovernmental	425,134	31,920	1,600,000	-	2,057,054
Permits and fees	85,438	-	-	-	85,438
Sales and services	808,116	27,500	-	-	835,616
Investment earnings	74,426	182	-	-	74,608
Miscellaneous	327,090	116,900	-	-	443,990
Total revenues	8,583,586	176,502	1,600,000	-	10,360,088
Expenditures					
Current					
General government	2,870,709	-	-	-	2,870,709
Public safety	4,475,803	-	-	-	4,475,803
Transportation	708,360	-	-	-	708,360
Economic and physical development	-	25,786	4,034,682	-	4,060,468
Environmental protection	1,388,116	-	-	-	1,388,116
Cultural and recreational	748,910	-	-	-	748,910
Debt service					
Principal retirement	108,533	-	-	-	108,533
Interest and other charges	42,421	-	-	-	42,421
Total expenditures	10,342,852	25,786	4,034,682	-	14,403,320
Excess (deficiency) of revenues over expenditures	(1,759,266)	150,716	(2,434,682)	-	(4,043,232)
Other financing sources (uses)					
Interium financing proceeds	-	-	3,637,173	-	3,637,173
Transfers from (to) Enterprise fund	1,759,280	-	-	-	1,759,280
Total other financing sources (uses) - net	1,759,280	-	3,637,173	-	5,396,453
Net change in fund balances	14	150,716	1,202,491	-	1,353,221
Fund balances - beginning of year	4,673,802	509,829	1,083,365	26,740	6,293,736
Fund balances - end of year	\$4,673,816	\$ 660,545	\$ 2,285,856	\$ 26,740	\$ 7,646,957

CITY OF ROCKINGHAM, NORTH CAROLINA
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, 2019

Exhibit 5

Reconciliation of net change in fund balance in the statement of revenues, expenditures, and changes in fund balances - governmental funds to change in net assets - governmental activities		
Net changes in fund balances - total governmental funds		\$ 1,353,221
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. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal		
	Capital outlay	5,169,281
	Depreciation	(722,994)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
	Taxes including interest and penalties	26,363
Contributions to the pension plan in the current fiscal year are not included on the statement of activities		
		477,379
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		
		25,423
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		
	Compensated absences	(28,122)
	Pension expense-LGERS	(579,526)
	Total pension expense-LEO	(85,486)
	OPEB plan expense	(120,538)
The issuance of long-term notes receivable consumes current financial resources to governmental funds, while the repayment of the principal of long-term notes receivable provides 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 notes receivable and related items.		
		(28,902)
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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
	Principal payments on long-term debt	108,533
	Issuance of new debt	(3,637,173)
		(3,528,640)
Total change in net position of governmental activities		<u>\$ 1,957,459</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2019

Exhibit 6

	General Fund				Urban Development Action Grant Fund			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
Revenues								
Ad valorem taxes	\$3,240,269	\$3,322,269	\$3,277,342	\$ (44,927)	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	35,200	103,200	65,952	(37,248)	-	-	-	-
Unrestricted intergovernmental	3,321,630	3,428,770	3,520,088	91,318	-	-	-	-
Restricted intergovernmental	466,054	413,462	425,134	11,672	30,000	30,000	31,920	1,920
Permits and fees	100,000	100,000	85,438	(14,562)	-	-	-	-
Sales and services	2,884,388	920,300	808,116	(112,184)	30,000	30,000	27,500	(2,500)
Investment earnings	65,000	65,000	74,426	9,426	250	250	182	(68)
Miscellaneous	231,500	259,520	327,090	67,570	165,333	165,333	116,900	(48,433)
Total revenues	<u>10,344,041</u>	<u>8,612,521</u>	<u>8,583,586</u>	<u>(28,935)</u>	<u>225,583</u>	<u>225,583</u>	<u>176,502</u>	<u>(49,081)</u>
Expenditures								
Current								
General government	2,685,628	2,955,628	2,870,709	84,919	-	-	-	-
Public safety	4,627,258	4,543,258	4,475,803	67,455	-	-	-	-
Transportation	969,515	996,916	708,360	288,556	-	-	-	-
Economic and physical development	-	-	-	-	834,018	834,018	25,786	808,232
Environmental protection	1,397,558	1,455,558	1,388,116	67,442	-	-	-	-
Cultural and recreational	804,128	827,128	748,910	78,218	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Principal retirement	108,533	108,533	108,533	-	-	-	-	-
Interest and other charges	42,421	42,421	42,421	-	-	-	-	-
Total expenditures	<u>10,635,041</u>	<u>10,929,442</u>	<u>10,342,852</u>	<u>586,590</u>	<u>834,018</u>	<u>834,018</u>	<u>25,786</u>	<u>808,232</u>
Revenues over (under) expenditures	<u>(291,000)</u>	<u>(2,316,921)</u>	<u>(1,759,266)</u>	<u>557,655</u>	<u>(608,435)</u>	<u>(608,435)</u>	<u>150,716</u>	<u>759,151</u>
Other financing sources (uses)								
Transfer (to) from other funds	-	1,759,280	1,759,280	-	-	-	-	-
Total other financing sources (uses)	-	<u>1,759,280</u>	<u>1,759,280</u>	-	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	(291,000)	(557,641)	14	557,655	(608,435)	(608,435)	150,716	759,151
Appropriated fund balance	<u>291,000</u>	<u>557,641</u>	-	<u>(557,641)</u>	<u>608,435</u>	<u>608,435</u>	-	<u>(608,435)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	14	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ -</u>	150,716	<u>\$ 150,716</u>
Fund balance - beginning of year			<u>4,673,802</u>				<u>509,829</u>	
Fund balance - end of year			<u>\$4,673,816</u>				<u>\$660,545</u>	

CITY OF ROCKINGHAM, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019

Exhibit 7

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,108,300
Accounts receivable	683,729
Inventories	<u>123,287</u>
Total current assets	<u>3,915,316</u>
Non-current assets	
Capital assets	
Land, improvements and construction in progress	890,500
Other capital assets, net of depreciation	<u>13,271,719</u>
Total capital assets, net	<u>14,162,219</u>
Total non-current assets	<u>14,162,219</u>
Total assets	<u>\$ 18,077,535</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals-LGERS	<u>339,063</u>
Total deferred outflows of resources	<u>339,063</u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	\$ 291,562
Customer deposits	119,357
Compensated absences payable - current	<u>64,585</u>
Total current liabilities	<u>475,504</u>
Noncurrent liabilities	
Compensated absences payable - noncurrent	64,585
Total OPEB liability	712,924
Net pension liability-LGERS	<u>432,905</u>
Total noncurrent liabilities	<u>1,210,414</u>
Total liabilities	<u>\$ 1,685,918</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	6,665
OPEB deferrals	<u>58,149</u>
Total deferred inflows of resources	<u>64,814</u>
Net position	
Net investment of capital assets	\$ 14,162,219
Unrestricted	<u>2,503,647</u>
Total net position	<u>\$ 16,665,866</u>

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

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CITY OF ROCKINGHAM, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2019

Exhibit 8

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues	
Charges for services	\$ 6,848,146
Water and sewer taps	31,112
Other operating revenues	<u>58,413</u>
Total operating revenues	<u>6,937,671</u>
Operating expenses	
Administration	583,162
Maintenance	1,029,503
Water plant	988,318
Sewer plant	2,331,665
Depreciation and amortization	<u>1,040,416</u>
Total operating expenses	<u>5,973,064</u>
Operating income	<u>964,607</u>
Nonoperating revenues (expenses)	
Investment earnings	12,660
Miscellaneous	<u>244</u>
Total nonoperating revenues (expenses), net	<u>12,904</u>
Income before contributions and transfers	977,511
Transfer to General Fund	<u>(1,759,280)</u>
Change in net position	(781,769)
Net position	<u>17,447,635</u>
Net position, end of year	<u>\$ 16,665,866</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2019

Exhibit 9
Page 1 of 2

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 6,520,200
Cash paid for goods and services	(3,032,638)
Cash paid to or on behalf of employees for services	(1,847,351)
Customer deposits received	5,303
Customer deposits returned	(1,826)
Other operating revenues	<u>58,413</u>
Net cash provided by operating activities	<u>1,702,101</u>
Cash flows from noncapital financing activities	
Transfers to other funds	(1,759,280)
Miscellaneous revenues	<u>244</u>
Net cash (used) from noncapital financing activities	<u>(1,759,036)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	<u>(953,428)</u>
Net cash (used) by capital and related financing activities	<u>(953,428)</u>
Cash flows from investing activities	
Interest on investments	<u>12,660</u>
Net decrease in cash and cash equivalents	(997,703)
Balances - beginning of year	<u>4,106,003</u>
Balances - end of year	<u>\$ 3,108,300</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2019

Exhibit 9
Page 2 of 2

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ <u>964,607</u>
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	1,040,416
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(151,603)
(Increase) decrease in inventory	25,323
Increase (decrease) in accounts payable and accrued liabilities	(232,778)
Increase (decrease) in customer deposits	3,477
Increase (decrease) in compensated absences payable	(3,889)
(Increase) decrease in deferred outflows of resources-pensions	(121,236)
Increase (decrease) in net pension liability	155,226
Increase (decrease) in OPEB liability	10,876
Increase (decrease) in deferred inflows of resources-OPEB	19,258
Increase (decrease) in deferred inflows of resources-pensions	<u>(7,576)</u>
Total adjustments	<u>737,494</u>
Net cash provided by operating activities	\$ <u>1,702,101</u>

NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Rockingham, North Carolina and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Rockingham, North Carolina, is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally-separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Rockingham Alcoholic Beverage Control Board (ABC Board)

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by state statute to distribute its surpluses to the general fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative office at City of Rockingham Alcoholic Beverage Control Board, 642 East Broad Avenue, Rockingham, North Carolina 28379.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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 City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary services such as investment earnings.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts 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, and sanitation services.

Urban Development Action Grant Fund. This fund is used to account for the loan repayment proceeds of economic development loans that are being used for economic development projects and loans to businesses within the City.

Special Revenue Fund – RCC Downtown Satellite Campus Project – This fund is used to account for the remodeling of a building to be used by Richmond Community College. This project is financed with contributions from the Cole Foundation and Richmond County Foundation.

The City reports the following non-major governmental funds:

Recreation Complex Capital Project Fund. This fund is used to account for the construction of the recreational complex. This project is financed by various contributions and grants.

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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 City 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 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 for the City enterprise funds are charges to customers for sales and services. The City 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

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Government-wide and Proprietary Fund Financial Statements (Continued)

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. Proceeds of general long-term debt and acquisitions under installment purchases are reported as other financing sources.

The City 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, 2018, 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, 2018 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 utilities franchise tax collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Rockingham because the tax is levied by Richmond County and then 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City'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 City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general fund, the Urban Development Action Grant Fund, the Special Revenue Fund RCC Downtown Satellite Campus Project and the enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Recreation Complex Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The city manager is authorized to effect interdepartmental transfers, in the same fund, provided that no departmental budget shall be reduced by more than ten percent without the prior approval of the governing board. Any such transfers must be reported to the governing board at its next regular meeting and be entered into the minutes of the meeting. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Statement of Cash Flows

All cash and investments of the enterprise funds are maintained in cash and investment pools. Funds are available on demand from the pools. Accordingly, all cash and investments are considered cash and cash equivalents in the statement of cash flows.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the City and of the ABC Board are made in board-designated official depositories and are secured as required by state law [G.S. 159-31]. The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and the ABC Board 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

The City and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Cash

Cash is restricted to comply with a sinking fund requirement for a USDA loan in conjunction with the prior fire station renovation project of \$57,492 and Powell Bill cash of \$293,371 for a total of \$350,863..

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the city 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, 2018.

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.

Inventories

The inventories of the City and the ABC Board are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's Enterprise Fund and those of the City of Rockingham ABC Board consist of materials and supplies held for subsequent use or sale. The cost of these inventories is expensed when consumed or sold rather than when purchased.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Buildings, improvements, substations, lines, and other plant and distribution systems, \$50,000; infrastructure, \$25,000; and furniture and equipment, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2016 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2016 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980.

The road network is reported at historical costs as reported to the North Carolina Department of Transportation under the Powell Bill program and the water and sewer system assets are reported at their historical costs. 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Other Improvements	20-30
Furniture and equipment	3-10
Vehicles and motorized equipment	5-15
Infrastructure	30

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
F. Assets, Liabilities and Fund Equity (Continued)

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	15
Building	40
Office equipment	5-10
Store equipment	5-10
Vehicles	5

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 City has one item that meets this criterion, contributions made to the pension plan in the 2019 fiscal year. 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 City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, a note receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

Long-Term Obligations

In the government-wide financial statements, and 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 premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. 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 fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The combined leave time (vacation and sick leave) policy of the City provides for the accumulation of up to forty-five (45) days earned combined leave time (vacation and sick leave) for employees hired prior to January 15, 1992 with such leave being fully vested when earned. Employees hired after January 14, 1992 may accumulate up to thirty (30) days. ABC Board employees may accumulate up to thirty (30) days earned vacation and such leave is fully vested when earned. For the City's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. For the ABC Board, the current portion of the accumulated vacation is not considered to be material.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Fund Equity (Continued)

Compensated Absences (Continued)

ABC Board employees can accumulate an unlimited amount of 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 ABC Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position

Net position in government-wide and proprietary fund financial statements are 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, or laws or regulations of other governments or imposed by law through state statute.

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.

Inventories – portion of fund balance that is not and available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Rockingham’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.

Committed for Economic Development - portion of fund balance as signed by the Board of Economic Development.

Assigned fund balance – portion of fund balance that City of Rockingham intends to use for specific purpose.

Assigned for Parks and Recreation – portion of fund balance that has been budgeted by the Board for construction of a Recreation Complex.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Fund Equity (Continued)

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. The governing body approves the appropriation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Rockingham 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-city funds, City 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 City.

G. Other

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

H. Pensions

For purposes of measuring the net pension asset, 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 City of Rockingham's employer contributions are recognized when due and the City of Rockingham has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All the deposits of the City and the ABC Board 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 City's or the ABC Board's agents in these units' 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 City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for noninterest 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 City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City or the ABC Board 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 under the Pooling Method. The City and the ABC Board have no policy regarding custodial credit risk for 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 City and the ABC Board comply with the provisions of G.S.159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the City's deposits had a carrying amount of \$8,751,635 and a bank balance of \$9,568,664. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of the deposits for the ABC Board was \$401,536 and the bank balance was \$428,549. Of the bank balance \$250,000 was covered by federal depository insurance. At June 30, 2019, the City's petty cash fund totaled \$850 and the ABC Board's petty cash fund totaled \$1,200.

Investments

At June 30, 2019, the City had \$1,319,931 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAA by Standard and Poor's. The City has no policy regarding credit risk.

Notes Receivable

The City holds nine notes receivable for loans made for economic development purposes and housing rehabilitation purposes as of June 30, 2019, as follows:

Installment note receivable for economic development, in monthly installments of \$2,750 including interest at 5% until May 2019 when a final payment of \$2,719 is due. The note is secured by real estate and equipment. Note is in arrears.	\$ 135,570
Installment note receivable for economic development, receivable in monthly installments of \$143.94 including interest at 2% until March 2019. The note is secured by equipment.	9,051
Installment note receivable for economic development, receivable in monthly installments of \$140.23 including interest at 2% until April 2021 when final payment of \$140.37 is due.	3,027

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Notes Receivable (Continued)

Installment note receivable for economic development, receivable in monthly installments of \$506.07 including interest at 2% until May 2026 when final payment of \$398.48 is due.	39,198
Installment note receivable for economic development, receivable in monthly installments of \$231.00 including interest at 2% until July 2026 when final payment of \$102.57 is due.	18,182
Installment note receivable for economic development, receivable in monthly installments of \$231.00 including interest at 2% until December 2026 when final payment of \$102.74 is due.	<u>21,778</u>
	228,806
Less current portion	<u>28,099</u>
Noncurrent portion	<u>\$ 200,707</u>

Scheduled maturities of the notes receivable are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 28,099
2021	27,810
2022	27,110
2023	25,815
2024	24,982
Thereafter	<u>94,990</u>
	<u>\$ 228,806</u>

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Governmental activities	
General fund:	
Taxes receivable	\$ 50,000
Business-type activities	<u>30,000</u>
Total	<u>\$ 65,000</u>

Due from Other Governmental Agencies

At June 30, 2019, funds due from other governmental agencies consisted of the following:

	<u>General</u>
Local option sales tax	\$ 422,207
Sales tax refund	160,145
State shared revenue - taxes	221,733
Property taxes on vehicles collected by County	58,586
Payment in lieu of taxes	<u>7,969</u>
	<u>\$ 870,640</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2019, was as follows:

Primary Government

	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,750,789	\$ 6,395	\$ -	\$ 1,757,184
Construction in progress	<u>2,209,093</u>	<u>4,571,492</u>	<u>155,811</u>	<u>6,624,774</u>
Total Capital assets not being depreciated	<u>3,959,882</u>	<u>4,577,887</u>	<u>155,811</u>	<u>8,381,958</u>
Capital assets being depreciated				
Buildings	12,398,226	-	-	12,398,226
Other improvements	1,213,871	155,811	-	1,369,682
Equipment, vehicles and motorized equipment	7,848,673	576,484	150,797	8,274,360
Infrastructure	<u>1,754,112</u>	<u>14,910</u>	<u>-</u>	<u>1,769,022</u>
Total Capital assets being depreciated	<u>23,214,882</u>	<u>747,205</u>	<u>150,797</u>	<u>23,811,290</u>
Less accumulated depreciation				
Buildings	3,361,217	289,486	-	3,650,703
Other improvements	360,267	41,444	-	401,711
Equipment, vehicles and motorized equipment	6,177,406	334,599	150,797	6,361,208
Infrastructure	<u>833,974</u>	<u>57,465</u>	<u>-</u>	<u>891,439</u>
Total accumulated depreciation	<u>10,732,864</u>	<u>722,994</u>	<u>-</u>	<u>11,305,061</u>
Depreciable assets – net	<u>12,482,018</u>	<u>24,211</u>	<u>155,811</u>	<u>12,506,229</u>
Total Governmental Activities				
Capital assets – net	<u>\$ 16,441,900</u>	<u>\$ 4,602,098</u>	<u>\$ 155,811</u>	<u>\$ 20,888,187</u>

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

General government	\$ 128,681
Public safety	203,239
Transportation	95,438
Environmental protection	64,855
Cultural and recreational	<u>230,781</u>
 Total depreciation expense	 <u>\$ 722,994</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets (Continued)

	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 537,866	\$ 25,000	\$ -	\$ 562,866
Construction in progress	<u>1,139,663</u>	<u>373,655</u>	<u>1,185,684</u>	<u>327,634</u>
Total Capital assets not being depreciated	<u>1,677,529</u>	<u>398,655</u>	<u>1,185,684</u>	<u>890,500</u>
Capital assets being depreciated				
Buildings	1,141,203	-	-	1,141,203
Plant and distribution system	32,572,949	1,223,085	-	33,796,034
Furniture, maintenance equipment and vehicles	<u>2,940,379</u>	<u>517,372</u>	<u>94,729</u>	<u>3,363,022</u>
Total Capital assets being depreciated	<u>36,654,531</u>	<u>1,740,457</u>	<u>94,729</u>	<u>38,300,259</u>
Less accumulated depreciation				
Buildings	834,362	26,437	-	860,799
Plant and distribution system	21,118,806	816,432	-	21,935,238
Furniture, maintenance equipment and vehicles	<u>2,129,685</u>	<u>197,547</u>	<u>94,729</u>	<u>2,232,503</u>
Total accumulated depreciation	<u>24,082,853</u>	<u>1,040,416</u>	<u>94,729</u>	<u>25,028,540</u>
Depreciable assets – net	<u>12,571,678</u>	<u>700,041</u>	<u>1,185,684</u>	<u>13,271,719</u>
Total Business-type Activities				
Capital Assets – net	<u>\$ 14,249,207</u>	<u>\$ 1,098,696</u>	<u>\$ 1,185,684</u>	<u>\$ 14,162,219</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Capital assets not being depreciated				
Land	\$ 50,007	\$ -	\$ -	\$ 50,007
Capital assets being depreciated				
Land improvements	33,470	-	-	33,470
Building	202,923	-	-	202,923
Office equipment	35,955	-	-	35,955
Store equipment	134,644	-	-	134,644
Vehicles	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>4,500</u>
Total Capital assets being depreciated	<u>411,492</u>	<u>-</u>	<u>-</u>	<u>411,492</u>
Less accumulated depreciation				
Land improvements	31,057	717	-	31,774
Building	152,750	3,796	-	156,546
Store equipment	31,975	1,275	-	33,250
Office equipment	119,245	9,735	-	128,980
Vehicles	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>4,500</u>
Total accumulated depreciation	<u>339,527</u>	<u>15,523</u>	<u>-</u>	<u>355,050</u>
Depreciable assets, net	<u>71,965</u>	<u>(15,523)</u>	<u>-</u>	<u>56,442</u>
Total ABC Board capital assets, net	<u>\$ 121,972</u>	<u>\$ (15,523)</u>	<u>\$ -</u>	<u>\$ 106,449</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019, were as follows:

	<u>Vendors and Contractors</u>	<u>Salaries and Benefits</u>	<u>Accrual Interest</u>	<u>Total</u>
Governmental activities:				
General	\$ 256,531	\$ 124,593	\$ -	\$ 381,124
Business-type activities:				
Water and sewer	\$ 259,030	\$ 32,532	\$ -	\$ 291,562
Discretely presented component unit:				
Rockingham ABC Board	\$ 180,494	\$ 15,470	\$ -	\$ 195,964

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Rockingham and the ABC Board are participating employers 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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.

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. 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 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

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

2. Pension Plan Obligations (Continued)

are available to eligible beneficiaries of LEO members who die while in active service or 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 Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Rockingham employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Rockingham's contractually required contribution rate for the year ended June 30, 2019 was 8.5% of compensation for law enforcement officers and 7.75% of compensation for general employees, 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 City of Rockingham were \$463,801 for the year ended June 30, 2019

Refunds of Contributions. Board 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, 2019, the Board reported a liability of \$2,164,525 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension asset was based on a projection of the Board'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, 2018, the Board's proportion was 0.09124%, which was a decrease of 0.00036% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$602,667. At June 30, 2019, the City 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	\$ 333,935	\$ 11,205
Changes of assumptions	74,381	-
Net difference between projected and actual earnings on pension plan investments	297,125	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,495	22,125
City contributions subsequent to the measurement date	<u>477,379</u>	<u>-</u>
Total	<u>\$ 1,695,315</u>	<u>\$ 33,330</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

2. Pension Plan Obligations (Continued)

\$477,379 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	571,351
2020		370,072
2021		67,924
2022		175,259
2023		-
Thereafter		-
Total	<u>\$</u>	<u>1,184,606</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors 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 of return for each major asset class as of June 30, 2018 are summarized in the following table:

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

2. Pension Plan Obligations (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.0 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.00%)</u>
City of Rockingham's proportionate share of the net pension liability (asset)	\$ 5,199,376	\$ 2,164,525	\$ (371,444)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The City of Rockingham, NC administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 County law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>34</u>
Total	<u>36</u>

Summary of Significant Accounting Policies

Basis of Accounting. The City 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 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 criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$25,423 as benefits came due for the reporting period.

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

At June 30, 2019, the City reported a total pension liability of \$1,060,582. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$85,703.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,177	\$ 15,460
Changes of assumptions	50,722	60,250
County benefit payments and plan administrative expense made subsequent to the measurement date	25,423	-
Total	<u>\$ 91,322</u>	<u>\$ 75,710</u>

\$25,423 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 14,800
2021	14,800
2022	14,800
2023	14,800
2024	10,674
Thereafter	5,836

\$25,206 paid as benefits came due and \$217 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease <u>(2.64%)</u>	Discount Rate <u>(3.64%)</u>	1% Increase <u>(4.64%)</u>
Total pension liability	\$ 1,170,245	\$ 1,060,582	\$ 961,404

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

Beginning balance	<u>\$ 1,032,330</u>
Service Cost	54,934
Interest on the total pension liability	32,220
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	17,807
Changes of assumptions or other inputs	(51,286)
Benefit payments	(25,423)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,060,582</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 602,667	\$ 85,703	\$ 688,370
Pension Liability	2,164,525	1,060,582	3,225,107
Proportionate share of the net pension liability	0.09124%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	333,935	15,177	349,112
Changes of assumptions	574,381	50,722	625,103
Net difference between projected and actual earnings on plan investments	297,125	-	297,125
Changes in proportion and differences between contributions and proportionate share of contributions	12,495	-	12,495
Benefit payments and administrative costs paid subsequent to the measurement date	477,379	25,423	502,802
Deferred of Inflows of Resources			
Differences between expected and actual experience	11,205	15,460	26,665
Changes of assumptions	-	60,250	60,250
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	22,125	-	22,125

c. Supplemental Retirement Income Plan for Regular and Law Enforcement Officers

Plan Description. The City 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 employees of the City. 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The States CAFR 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 City to contribute each month an amount equal to five percent of law enforcement officer's salary, and all amounts contributed are vested immediately. Also, law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$377,847, which consisted of \$188,907 from the City and \$188,940 from the law enforcement officers.

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Rockingham, NC to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. 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.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$17,952,000 to the plan. The City of Rockingham's proportionate share of the State's contribution is \$12,218

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2018, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$33,240. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2017 and at June 30, 2016 was 0%.

For the year ended June 30, 2019, the City recognized pension expense of \$9,453 and revenue of \$9,453 for support provided by the State. At June 30, 2019, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina

e. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City 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. Prior to July 1, 2007, retirees qualified for benefits similar to those of employees after a minimum of five years of creditable service with the City. The City pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the City's group rates. Employees hired on or after July 1, 2007 who retire with a minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the City's group rate. Employees hired on or after July 1, 2007 who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	8	2
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	101	34
Total	<u>109</u>	<u>36</u>

Total OPEB Liability

The City's total OPEB liability of \$3,564,622 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Medical – 6.5%
	Prescription – 7.25%
	Admin Expenses – 3.00%

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 7/01/2018	3,510,241
Changes for the year	
Service cost	174,425
Interest	123,176
Changes of benefit terms	-
Differences between expected and actual experience	(20,765)
Changes in assumptions or other inputs	(121,101)
Benefit payments	(101,354)
Net changes	54,381
Balance at 6/30/2019	3,564,622

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 3,946,806	\$ 3,564,622	\$ 3,225,911

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City'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:

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

	1% Decrease (Medical - 5.5%, Prescription -6.25%, Admin Expenses - 2.00%)	Discount Rate (Medical - 6.5%, Prescription - 7.25%, Admin Expenses - 3.00%)	1% Increase (Medical - 7.5%, Prescription - 8.25%, Admin Expenses - 4.00%)
Total OPEB liability	\$ 3,123,538	\$ 3,564,622	\$ 4,095,602

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$252,026. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 32,738
Changes of assumptions	-	258,008
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	\$ -	\$ 290,746

\$0 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (45,575)
2020	(45,575)
2021	(45,575)
2022	(45,575)
2023	(45,575)
Thereafter	(62,871)

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan Obligations (Continued)

f. Other Employment Benefits

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental 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 or 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The City had several deferred outflows of resources. Deferred outflows of resources are comprised on the following:

<u>Source</u>	<u>Amount</u>
Pension deferral-LGERS	\$ 1,695,315
Pension deferral-LEO	91,322
Total	<u>\$ 1,786,637</u>

Deferred inflows of resources at year-end is comprised of the following:

Prepaid taxes (General)	\$ 24,486
Pension deferral-LEO (General)	75,710
OPEB deferrals	290,746
Pension deferral-LGERS	33,330
Total	<u>\$ 424,272</u>

4. Risk Management

The City 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 City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' 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 City upon request.

The City carries commercial coverage for employee health coverage with a preferred provider organization (PPO). The coverage provides for unlimited lifetime coverage for in-network providers and a \$2,000,000 lifetime limit for out-of-network providers.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Risk Management (Continued)

The City does not carry flood insurance as none of their buildings are located in flood prone areas.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$75,000 and \$25,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

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.

City of Rockingham ABC Board 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 ABC Board has property, general liability, auto liability, workers' compensation, and employee's health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage in the prior year.

5. Commitments

The City and the ABC Board have elected to pay direct costs of employment security benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following discharge of employees.

6. Long-Term Debt

Long-term debt obligations of the City at June 30, 2019 consist of the following:

	<u>Serviced by</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
<u>Installment Purchases</u>		
Fire station renovations; due in annual installments of \$57,492 including interest at 4.125%, maturing July 2047.	\$ 962,042	\$ -
Rear loader truck; due in a semi-annual installments of \$18,303 Including interest @ 1.89%; maturing April 2020.	36,086	
In October 2018 the City entered into interim financing with BB&T for construction of RCC downtown satellite campus project. Interest at 2.64%. This note will be converted to USDA Financing upon completion of the project.	<u>3,637,173</u>	<u>-</u>
Total installment purchases	<u>4,635,301</u>	<u>-</u>
Less current portion	<u>53,894</u>	<u>-</u>
	<u>\$ 4,581,407</u>	<u>\$ -</u>

At June 30, 2019, the City of Rockingham had a legal debt margin of \$50,088,932.

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Debt (Continued)

Changes in long-term debt

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2019:

	Balances June 30, 2018	Increases	Decreases	Balances June 30, 2019	Due Within One Year
Governmental activities:					
Installment purchases	\$ 1,106,661	\$ 3,637,173	\$ 108,533	\$ 4,635,301	\$ 53,894
Compensated absences	500,068	11,526	39,648	471,946	235,973
Total pension liability (LEO)	1,032,330	28,252	-	1,060,582	-
Net pension liability (LGERS)	1,110,716	620,904	-	1,731,620	-
Total OPEB liability	<u>2,808,193</u>	<u>43,505</u>	<u>-</u>	<u>2,851,698</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 6,557,968</u>	<u>\$ 4,341,360</u>	<u>\$ 148,181</u>	<u>\$ 10,751,147</u>	<u>\$ 289,867</u>
Business-type activities:					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	133,059	2,978	6,867	129,170	64,585
Net pension liability (LGERS)	277,679	155,226	-	432,905	-
Total OPEB liability	<u>702,048</u>	<u>10,876</u>	<u>-</u>	<u>712,924</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,112,786</u>	<u>\$ 169,080</u>	<u>\$ 6,867</u>	<u>\$ 1,274,999</u>	<u>\$ 64,585</u>

Maturities of long-term debt

The annual requirements to retire all debt outstanding, other than compensated absences, at June 30, 2019, including interest, are as follows:

	<u>Bond obligation</u>		<u>Installment purchases</u>		<u>Total debt due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Governmental activities						
2019	\$ -	\$ -	\$ 53,894	\$ 40,204	\$ 53,894	\$ 40,204
2020	-	-	3,655,715	38,950	3,655,715	38,950
2021	-	-	19,307	38,185	19,307	38,285
2022	-	-	20,104	37,388	20,104	37,388
2023	-	-	20,933	36,559	20,933	36,559
2024-2028	-	-	118,352	169,108	118,352	169,108
Thereafter	<u>-</u>	<u>-</u>	<u>746,996</u>	<u>345,039</u>	<u>746,996</u>	<u>345,039</u>
	<u>-</u>	<u>-</u>	<u>4,635,301</u>	<u>705,433</u>	<u>4,635,301</u>	<u>705,433</u>
Business-type activities						
2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024-2028	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,635,301</u>	<u>\$ 705,433</u>	<u>\$4,635,301</u>	<u>\$ 705,433</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2019, consist of the following:

From the Enterprise Fund to the General Fund – financing sources	\$ 1,759,280
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The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. Revenues, Expenditures and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2019 the City of Rockingham has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$9,453 for the 26 employed firefighter who perform firefighting duties for the City's fire department. The volunteers and employees elected to be members of the Firefighter's Pension Fund, a cost-sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a state appropriation.

Also, the City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$37,764 for the salary supplement and stipend benefits paid to eligible firefighter by the local board of trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2019. 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 firefighter or their departments.

NOTE 3 - JOINT VENTURES

The City participates in a joint venture to operate a regional library with Richmond County and two other municipalities. Each participating government appoints board members to the ten-member board of the Library, with the City appointing three members. The City has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$50,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 412 East Franklin Street, Rockingham, North Carolina 28379.

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the state. The state passes these monies to the local board of the Firefighter's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for supplemental retirement benefits made to retired firefighter and for dues paid to the Fireman's and Rescue Squad Worker's Pension Plan on-behalf of the volunteer and employee members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the City reported revenues and expenditures for the payments of \$28,453 made through the Fireman's Relief Fund.

The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828

CITY OF ROCKINGHAM, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 4 - RELATED ORGANIZATION

The governing board of the City of Rockingham Housing Authority is appointed by the City of Rockingham's governing board. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The City 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 monies 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 monies.

NOTE 6 – 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	<u>\$4,673,816</u>
Less:	
Inventories	13,001
Stabilization by State Statute	1,075,449
Streets – Powell Bill	293,371
Appropriated Fund balance in 2020 budget	500,000
Remaining Fund Balance	<u>2,791,995</u>

The City of Rockingham has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability

CITY OF ROCKINGHAM, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Rockingham's proportion of the net pension liability (asset) (%)	0.09124%	0.09088%	0.09379%	0.09649%	0.09380%	0.09060%
Rockingham's proportion of the net pension liability (asset) (\$)	\$ 2,164,525	\$ 1,388,395	\$ 1,990,538	\$ 433,041	\$ (553,123)	\$ 1,092,078
Rockingham's covered-employee payroll	\$ 5,988,991	\$ 5,753,815	\$ 5,521,173	\$ 5,521,162	\$ 5,316,178	\$ 5,235,821
Rockingham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.14%	24.13%	36.05%	7.84%	(10.40%)	20.86%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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.

CITY OF ROCKINGHAM, NORTH CAROLINA
City of Rockingham's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 477,379	\$ 463,801	\$ 431,144	\$ 379,152	\$ 378,618	\$ 364,574
Contributions in relation to the contractually required contribution	<u>477,379</u>	<u>463,801</u>	<u>431,144</u>	<u>379,152</u>	<u>378,618</u>	<u>364,574</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rockingham's covered-employee payroll	\$ 5,954,020	\$ 5,988,991	\$ 5,753,815	\$ 5,521,173	\$ 5,521,162	\$ 5,316,178
Contributions as a percentage of covered-employee payroll	8.02%	7.74%	7.49%	6.87%	6.85%	6.86%

CITY OF ROCKINGHAM, NORTH CAROLINA
City of Rockingham's Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Five Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Rockingham's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Rockingham's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Rockingham	<u>33,240</u>	<u>27,431</u>	<u>23,775</u>	<u>23,602</u>	<u>16,874</u>
Total	<u>\$ 33,240</u>	<u>\$ 27,431</u>	<u>\$ 23,775</u>	<u>\$ 23,602</u>	<u>\$ 16,874</u>
Rockingham's covered-employee payroll	\$664,853	\$673,022	\$665,394	\$654,410	\$596,621
Rockingham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.00%	4.08%	3.57%	3.61%	2.83%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.35%	84.94%	91.40%	93.42%

* The amounts presented for the fiscal year ending June 30, 2019 were determined as of June 30, 2018.

CITY OF ROCKINGHAM, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,032,330	\$ 926,798	\$ 899,188
Service cost	54,934	45,807	49,997
Interest on the total pension liability	32,220	35,284	31,647
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	17,807	(21,862)	-
Changes of assumptions or other inputs	(51,286)	71,726	(28,611)
Benefits payments	(25,423)	(25,423)	(25,423)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 1,060,582</u>	<u>\$ 1,032,330</u>	<u>\$ 926,798</u>

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

CITY OF ROCKINGHAM, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,060,582	\$ 1,032,330	\$ 926,798
Covered Payroll	1,630,750	1,589,292	1,657,165
Total pension liability as a percentage of covered payroll	65.04%	64.96%	55.93%

Notes to the schedules:

The City of Rockingham has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

CITY OF ROCKINGHAM, NORTH CAROLINA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	174,425	190,572
Interest	123,176	104,882
Changes of benefit terms	-	-
Differences between expected and actual experience	(20,765)	(19,438)
Changes of assumptions	(121,101)	(202,836)
Benefit payments	(101,354)	(94,116)
Net change in total OPEB liability	<u>54,381</u>	<u>(20,936)</u>
Total OPEB liability - beginning	<u>3,510,241</u>	<u>3,531,177</u>
Total OPEB liability - ending	<u><u>3,564,622</u></u>	<u><u>3,510,241</u></u>
Covered payroll	5,152,775	5,152,775
Total OPEB liability as a percentage of covered payroll	69.18%	68.12%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects 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>
2019	3.56%-3.89%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

MAJOR GOVERNMENTAL FUNDS

General Fund – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Urban Development Action Grant Fund – This fund is used to account for the loan repayment proceeds of an economic development loan that are being used for economic development projects and loans to businesses within the City.

Special Revenue Fund – RCC Downtown Satellite Campus Project – This fund is used to account for the remodeling of a building to be used by Richmond Community College. This project is financed with contributions from the Cole Foundation and Richmond County Foundation.

CITY OF ROCKINGHAM, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

Exhibit A-1
Page 1 of 6

	2019		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 3,233,913	\$ -
Prior years	-	29,322	-
Penalties and interest	-	14,107	-
Total	<u>3,322,269</u>	<u>3,277,342</u>	<u>(44,927)</u>
Other taxes and licenses			
Motor vehicle licenses	-	32,742	-
Gross receipts tax on short-term rental property	-	32,053	-
Privilege licenses	-	1,157	-
Total	<u>103,200</u>	<u>65,952</u>	<u>(37,248)</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	1,721,741	-
Hold Harmless	-	600,888	-
Payments in lieu of taxes - outside sources	-	7,969	-
Telecommunications sales tax	-	148,752	-
Utilities sales tax	-	656,203	-
Piped natural gas sales tax	-	37,708	-
Video franchise fees	-	100,293	-
Beer and wine tax	-	39,609	-
ABC profit distribution	-	206,925	-
Total	<u>3,428,770</u>	<u>3,520,088</u>	<u>91,318</u>
Restricted intergovernmental revenue			
Powell Bill allocation	-	260,814	-
Controlled Substance tax	-	7,991	-
County contributions	-	67,788	-
State and federal grants	-	38,600	-
Drug asset forfeitures	-	5,366	-
On-behalf of payments - Fire	-	37,764	-
Solid waste disposal tax	-	6,811	-
Total	<u>413,462</u>	<u>425,134</u>	<u>11,672</u>
Permits and fees			
Building permits and rezoning fees	<u>100,000</u>	<u>85,438</u>	<u>(14,562)</u>

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2019

	2019		Variance Positive (Negative)
	Budget	Actual	
Revenues (continued)			
Sales and services			
Garbage fees	-	696,129	-
Fire protection fees	-	34,526	-
Recreation department revenues	-	60,455	-
Sale of fixed assets	-	-	-
Rents	-	17,006	-
Total	<u>920,300</u>	<u>808,116</u>	<u>(112,184)</u>
Investment earnings	<u>65,000</u>	<u>74,426</u>	<u>9,426</u>
Miscellaneous			
Contribution from Community Theater	-	9,500	-
Arrest and witness fees	-	1,388	-
Tourism reimbursement	-	124,708	-
Other general revenues	-	191,494	-
Total	<u>259,520</u>	<u>327,090</u>	<u>67,570</u>
Total revenues	<u>8,612,521</u>	<u>8,583,586</u>	<u>(28,935)</u>
Expenditures			
General government			
Governing body			
Salaries and employees benefits	-	132,879	-
Professional services	-	55,637	-
Other operating expenditures	-	11,937	-
Contributions	-	64,000	-
Total	<u>294,820</u>	<u>264,453</u>	<u>30,367</u>
Administration			
Salaries and employees benefits	-	402,315	-
Other operating expenditures	-	49,315	-
Capital outlay	-	65,816	-
Total	<u>534,362</u>	<u>517,446</u>	<u>16,916</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	2019		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
General government (continued)			
Finance			
Salaries and employees benefits	-	277,433	-
Vehicle tax collection fees	-	11,679	-
Other operating expenditures	-	35,981	-
Total	<u>343,573</u>	<u>325,093</u>	<u>18,480</u>
Public buildings and grounds			
Salaries and employees benefits	-	220,828	-
Contracted services	-	152,493	-
Other operating expenditures	-	113,411	-
Capital outlay	-	726,447	-
Total	<u>1,213,922</u>	<u>1,213,179</u>	<u>743</u>
Cemeteries			
Salaries and employees benefits	-	101,096	-
Other operating expenditures	-	10,709	-
Total	<u>114,951</u>	<u>111,805</u>	<u>3,146</u>
General and administrative			
Salaries and employees benefits	-	623	-
Contracted services	-	19,171	-
Other operating expenditures	-	418,939	-
Total	<u>454,000</u>	<u>438,733</u>	<u>15,267</u>
Total general government	<u>2,955,628</u>	<u>2,870,709</u>	<u>84,919</u>
Public safety			
Police department			
Salaries and employees benefits	-	2,506,300	-
Other operating expenditures	-	353,324	-
Capital outlay	-	72,928	-
Total	<u>2,960,352</u>	<u>2,932,552</u>	<u>27,800</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	2019		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Public safety (continued)			
Fire department			
Salaries and employees benefits	-	956,392	-
Other operating expenditures	-	167,362	-
On-behalf payments	-	37,764	-
Total	<u>1,184,763</u>	<u>1,161,518</u>	<u>23,245</u>
Planning and inspections			
Salaries and employees benefits	-	287,820	-
Other operating expenditures	-	93,913	-
Total	<u>398,143</u>	<u>381,733</u>	<u>16,410</u>
Total public safety	<u>4,543,258</u>	<u>4,475,803</u>	<u>67,455</u>
Transportation			
Maintenance shop			
Salaries and employees benefits	-	110,501	-
Other operating expenditures	-	26,212	-
Capital outlay	-	5,545	-
Total	<u>150,300</u>	<u>142,258</u>	<u>8,042</u>
Streets - regular			
Salaries and employees benefits	-	246,816	-
Other operating expenditures	-	47,117	-
Capital outlay	-	31,165	-
Total	<u>325,161</u>	<u>325,098</u>	<u>63</u>
Streets - Powell Bill			
Salaries and employees benefits	-	182,682	-
Other operating expenditures	-	43,412	-
Capital outlay	-	14,910	-
Total	<u>521,455</u>	<u>241,004</u>	<u>280,451</u>
Total transportation	<u>996,916</u>	<u>708,360</u>	<u>288,556</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

Exhibit A-1
Page 5 of 6

	2019		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Environmental protection			
Sanitation			
Salaries and employees benefits	-	841,429	-
Landfill disposal charges	-	19,880	-
Other operating expenditures	-	165,969	-
Capital outlay	-	360,838	-
	<u>1,455,558</u>	<u>1,388,116</u>	<u>67,442</u>
Total environmental protection			
Cultural and recreational			
Recreation			
Salaries and employees benefits	-	334,298	-
Contracted services	-	13,179	-
Other operating expenditures	-	190,545	-
Capital outlay	-	12,760	-
Total	<u>623,746</u>	<u>550,782</u>	<u>72,964</u>
Cultural and library			
Salaries and employees benefits	-	17,047	-
Contributions to library	-	50,000	-
Other operating expenditures	-	12,975	-
Total	<u>80,100</u>	<u>80,022</u>	<u>78</u>
Tourism			
Salaries and employees benefits	-	115,790	-
Other operating expenditures	-	2,316	-
Total	<u>123,282</u>	<u>118,106</u>	<u>5,176</u>
Total cultural and recreational	<u>827,128</u>	<u>748,910</u>	<u>78,218</u>
Debt service			
Principal retirement	108,533	108,533	-
Interest and other charges	42,421	42,421	-
Total debt service	<u>150,954</u>	<u>150,954</u>	<u>-</u>
Total expenditures	<u>10,929,442</u>	<u>10,342,852</u>	<u>586,590</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

Exhibit A-1
Page 6 of 6

	2019		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues over (under) expenditures	(2,316,921)	(1,759,266)	557,655
Other financing sources			
Transfer from Enterprise fund	<u>1,759,280</u>	<u>1,759,280</u>	-
	<u>1,759,280</u>	<u>1,759,280</u>	-
Revenues and other financing sources over (under) expenditures	(557,641)	14	557,655
Appropriated fund balance	<u>557,641</u>	-	<u>(557,641)</u>
Net change in fund balance	<u>\$ -</u>	14	<u>\$ 14</u>
Fund balance			
Beginning of year, July 1		<u>4,673,802</u>	
End of year, June 30		<u>\$ 4,673,816</u>	

CITY OF ROCKINGHAM, NORTH CAROLINA
URBAN DEVELOPMENT ACTION GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

Exhibit A-2

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Restricted intergovernmental revenues			
Incentive loan repayments	\$ 30,000	\$ 31,920	\$ 1,920
Rental income	30,000	27,500	(2,500)
Miscellaneous revenue	165,333	116,900	(48,433)
Investment earnings	<u>250</u>	<u>182</u>	<u>(68)</u>
Total revenues	<u>225,583</u>	<u>176,502</u>	<u>(49,081)</u>
Expenditures			
Current			
Economic and physical development			
CDBG activities	1,590	1,546	44
Recreation facilities	50,000	-	50,000
Professional services	100,000	10,965	89,035
Facade improvement loans	125,000	-	125,000
Industrial incentive loans (capital outlay)	482,428	13,275	469,153
Commercial incentive loans	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total expenditures	<u>834,018</u>	<u>25,786</u>	<u>808,232</u>
Net change in fund balance	<u>\$ (608,435)</u>	<u>\$ 150,716</u>	<u>\$ 759,151</u>
Revenues over expenditures after other financing resources	<u>(608,435)</u>	<u>150,716</u>	<u>759,151</u>
Appropriated fund balance	<u>608,435</u>	<u>-</u>	<u>(608,435)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>150,716</u>	<u>\$ 150,716</u>
Fund balance			
Beginning of year, July 1		<u>509,829</u>	
End of year, June 30		<u>\$ 660,545</u>	

CITY OF ROCKINGHAM, NORTH CAROLINA
SPECIAL REVENUE FUND - RCC DOWNTOWN SATELLITE CAMPUS PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2019

Exhibit A-3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Contributions					
NC State contribution	94,340	94,340	-	94,340	-
Cole Foundation grant	4,227,500	902,500	700,000	1,602,500	(2,625,000)
Richmond County Foundation	4,227,500	902,500	700,000	1,602,500	(2,625,000)
Levine Foundation	1,000,000	-	-	-	(1,000,000)
RCC Bond Funds	1,000,000	300,000	200,000	500,000	(500,000)
Cannon Foundation	100,000	-	-	-	(100,000)
Total revenues	10,649,340	2,199,340	1,600,000	3,799,340	(6,850,000)
Expenditures					
Economic Development					
Construction	13,007,035	1,115,975	4,034,682	5,150,657	7,856,378
Contingency	173,522	-	-	-	173,522
Total expenditures	13,180,557	1,115,975	4,034,682	5,150,657	8,029,900
Net change in fund balance	<u>\$(2,531,217)</u>	<u>\$ 1,083,365</u>	<u>\$(2,434,682)</u>	<u>\$(1,351,317)</u>	<u>\$(14,879,900)</u>
Other financing sources					
USDA loan proceeds	2,531,217	-	3,637,173	3,637,173	1,105,956
Total financing sources	2,531,217	-	3,637,173	3,637,173	1,105,956
Revenues over expenditures after other financing resources	-	1,083,365	1,202,491	2,285,856	1,202,491
Fund balance					
Beginning of year, July 1			1,083,365		
End of year, June 30			<u>\$ 2,285,856</u>		

NON-MAJOR GOVERNMENTAL FUNDS

Recreation Complex Project Fund – This fund is used to account for the construction of the Recreation Complex. This project is financed by various contributions and grants.

CITY OF ROCKINGHAM, NORTH CAROLINA
CAPITAL PROJECT FUND - RECREATION COMPLEX CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2019

Exhibit B-1

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Contributions					
Cole Foundation grant	\$ 400,000	\$ 425,000	\$ -	\$ 425,000	\$ 25,000
Total revenues	<u>400,000</u>	<u>425,000</u>	<u>-</u>	<u>425,000</u>	<u>25,000</u>
Expenditures					
Cultural and recreational					
Contracted services	8,750	8,480	-	8,480	270
Land acquisition	<u>766,250</u>	<u>764,780</u>	<u>-</u>	<u>764,780</u>	<u>1,470</u>
Total expenditures	<u>775,000</u>	<u>773,260</u>	<u>-</u>	<u>773,260</u>	<u>1,740</u>
Revenues over (under) expenditures	(375,000)	(348,260)	-	(348,260)	26,740
Other financing sources					
Operating transfers - in					
Transfer from Capital Reserve Fund	<u>375,000</u>	<u>375,000</u>	<u>-</u>	<u>375,000</u>	<u>-</u>
Total other financing sources	<u>375,000</u>	<u>375,000</u>	<u>-</u>	<u>375,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 26,740</u>	<u>\$ -</u>	<u>\$ 26,740</u>	<u>\$ 26,740</u>
Fund balance					
Beginning of year, July 1			<u>26,740</u>		
End of year, June 30			<u>\$ 26,740</u>		

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund - This fund is used to account for the City's water and sewer operations.

CITY OF ROCKINGHAM, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for services			
Water and sewer charges	\$ 6,800,000	\$ 6,848,146	\$ 48,146
Water and sewer taps	5,000	31,112	26,112
Total charges for services	6,805,000	6,879,258	74,258
Other operating revenues	59,000	58,413	(587)
Total operating revenues	6,864,000	6,937,671	73,671
Nonoperating revenues			
Interest earned on investments	4,000	12,660	8,660
Miscellaneous	4,000	244	(3,756)
Total nonoperating revenues	8,000	12,904	4,904
Total revenues	6,872,000	6,950,575	78,575
Expenditures			
Administration			
Salaries and employees benefits	-	343,245	-
Supplies	-	6,336	-
Other operating expenditures	-	86,779	-
Professional services	-	137,548	-
Total	760,287	573,908	186,379
Maintenance			
Salaries and employees benefits	-	659,976	-
Supplies	-	104,775	-
Other operating expenditures	-	92,175	-
Professional services	-	162,336	-
Total	1,085,557	1,019,262	66,295
Water plant			
Salaries and employees benefits	-	360,306	-
Chemicals and supplies	-	135,300	-
Water purchases	-	219,988	-
Utilities	-	195,985	-
Other operating expenditures	-	44,221	-
Professional services	-	22,276	-
Total	1,294,937	978,076	316,861

CITY OF ROCKINGHAM, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures (continued)			
Sewer plant			
Salaries and employees benefits	-	483,824	-
Chemicals and supplies	-	998,924	-
Utilities	-	527,592	-
Other operating expenditures	-	182,268	-
Professional services	-	116,135	-
Total	<u>2,327,516</u>	<u>2,308,743</u>	<u>18,773</u>
Capital outlay			
Water	610,000	769,828	-
Maintenance	5,800	13,895	-
Sewer plant	486,100	169,705	-
Total	<u>1,101,900</u>	<u>953,428</u>	<u>148,472</u>
Total expenditures	<u>6,570,197</u>	<u>5,833,417</u>	<u>736,780</u>
Revenues over expenditures	<u>301,803</u>	<u>1,117,158</u>	<u>815,355</u>
Other financing sources (uses)			
Transfer to General Fund	<u>(1,759,280)</u>	<u>(1,759,280)</u>	-
Total other financing (uses)	<u>(1,759,280)</u>	<u>(1,759,280)</u>	-
Revenues and other financing sources (under) expenditures	<u>(1,457,477)</u>	<u>(642,122)</u>	<u>815,355</u>
Appropriated fund balance	<u>1,457,477</u>	<u>-</u>	<u>(1,457,477)</u>
Revenues, other financing sources and appropriated fund balance (under) expenditures	<u>\$ -</u>	<u>\$ (642,122)</u>	<u>\$ (642,122)</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2019

Reconciliation from budgetary basis
(modified accrual) to full accrual

Revenues and other financing sources
(under) expenditures (prior page) \$ (642,122)

Reconciling items:

Capital outlay	953,428
Depreciation	(1,040,416)
Decrease in accrued leave time	3,889
Increase (Decrease) in deferred outflows of resources for pensions	121,236
(Increase) Decrease in net pension liabilities	(155,226)
(Increase) Decrease in OPEB liabilities	(10,876)
(Increase) Decrease in deferred inflows of resources for pensions	7,576
(Increase) Decrease in deferred inflows of resources for OPEB	<u>(19,258)</u>

Total reconciling items (139,647)

Change in net position - Exhibit 8 \$ (781,769)

Other Schedules

This section includes additional information on property taxes.

- *Schedule of Ad Valorem Taxes Receivable*
- *Analysis of Current Tax Levy*
- *Principal Taxpayers*

CITY OF ROCKINGHAM, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

Exhibit D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 3,285,603	\$ 3,266,613	18,990
2017-2018	27,616	-	13,919	13,697
2016-2017	18,636	-	9,324	9,312
2015-2016	15,124	-	6,172	8,952
2014-2015	12,894	-	4,188	8,706
2013-2014	17,452	-	3,281	14,171
2012-2013	18,603	-	3,522	15,081
2011-2012	13,878	-	2,989	10,889
2010-2011	12,855	-	2,347	10,508
2009-2010	12,037	-	2,237	9,800
2008-2009	11,713	-	7,145	4,568
2007-2008	5,229	-	5,229	-
	<u>\$ 166,037</u>	<u>\$ -</u>	<u>\$ 3,326,966</u>	<u>\$ 124,674</u>
Less: Allowance for uncollectible accounts General Fund				<u>50,000</u>
Ad valorem taxes receivable - net				<u>\$ 74,674</u>
Reconcilement with revenues				
Ad valorem taxes - General Fund				<u>\$ 3,277,342</u>
Reconciling items:				
Interest collected				(14,107)
Releases/adjustments				58,502
Taxes written off				<u>5,229</u>
				<u>49,624</u>
Total collections and credits				<u>\$ 3,326,966</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2019

Exhibit D-2

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxes at current and prior year's rate	\$ 658,602,500	\$ 0.48	\$ 3,161,292	\$ 2,830,539	\$ 330,753
Penalties	-		2,149	2,149	-
Total	<u>658,602,500</u>		<u>3,163,441</u>	<u>2,832,688</u>	<u>330,753</u>
Discoveries:					
Current year taxes	<u>26,768,542</u>	0.48	<u>128,489</u>	<u>128,489</u>	-
Abatements:					
Current year taxes	<u>(1,318,125)</u>	0.48	<u>(6,327)</u>	<u>(6,327)</u>	-
Total property valuation	<u>\$ 684,052,917</u>				
Net levy			3,285,603	2,954,850	330,753
Uncollected taxes at June 30, 2019			<u>18,990</u>	<u>18,990</u>	-
Current year's taxes collected			<u>\$ 3,266,613</u>	<u>\$ 2,935,860</u>	<u>\$ 330,753</u>
Current levy collection percentage			<u>99.42%</u>	<u>99.36%</u>	<u>100.00%</u>

CITY OF ROCKINGHAM, NORTH CAROLINA
PRINCIPAL TAXPAYERS (UNAUDITED)
June 30, 2019

Exhibit D-3

<u>Taxpayer</u>	<u>Business</u>	2012 <u>Assessed</u> <u>Valuation</u>	Percentage of Total Assessed <u>Valuation</u>
Perdue Foods, Inc.	Food processing	\$ 28,018,872	4.25%
Wal Mart Real Estate Business	Real Estate & Retail	14,440,295	2.19%
Duke Energy Progress	Utility	12,171,264	1.85%
Tri City, Inc.	Real estate development	9,668,328	1.47%
Tri City Rockingham LLC	Commercial real estate	8,524,004	1.29%
Piedmont Natural Gas Co., Inc.	Utility	6,757,418	1.03%
Triledo Investment LLC	Retail	5,189,621	0.79%
Staywell Hotels, Inc.	Hospitality	4,547,911	0.69%
Perdue Real Estate Holding, Inc.	Real Estate & Retail	4,364,333	0.66%
Richmond City Inc.	Commercial real estate	<u>4,306,695</u>	<u>0.65%</u>
TOTAL		<u>\$ 97,988,741</u>	<u>14.88%</u>

COMPLIANCE SECTION

220 East Washington Street
 Post Office Box 697
 Rockingham, North Carolina 28380
 (910) 557-1176

Other Office Locations:
 Seven Lakes, North Carolina
 Gastonia, North Carolina
 Statesville, North Carolina

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 Auditor’s Report

To the Honorable Mayor and
 Members of the City Council
 City of Rockingham, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of the City of Rockingham, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the City of Rockingham, North Carolina’s basic financial statements, and have issued our report thereon dated October 17, 2019. The financial statements of the City of Rockingham ABC Board were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rockingham’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rockingham’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rockingham's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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 Audit Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Anderson Smith + Wike PLLC". The signature is written in a cursive, flowing style.

Rockingham, NC
October 17, 2019