

***CITY OF ROCKINGHAM, NORTH CAROLINA***

***FINANCIAL STATEMENTS***

***For the fiscal year ended June 30, 2020***

CITY OF ROCKINGHAM, NORTH CAROLINA

CITY OFFICIALS

JUNE 30, 2020

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

JENNIFER LAMBETH

FINANCE OFFICER

BENNY SHARPE

CITY ATTORNEY

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## **FINANCIAL SECTION**



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Seven Lakes, North Carolina  
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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, 2020, 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, 2020, 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.

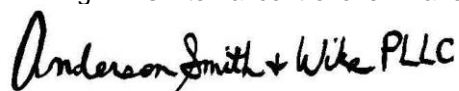
### **Supplementary and Other Information**

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 and budgetary schedules as well as the accompanying schedule of expenditures of federal and state awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act*, are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and the schedule of expenditures of federal and state awards 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 the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2020 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 21, 2020

## 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, 2020. 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

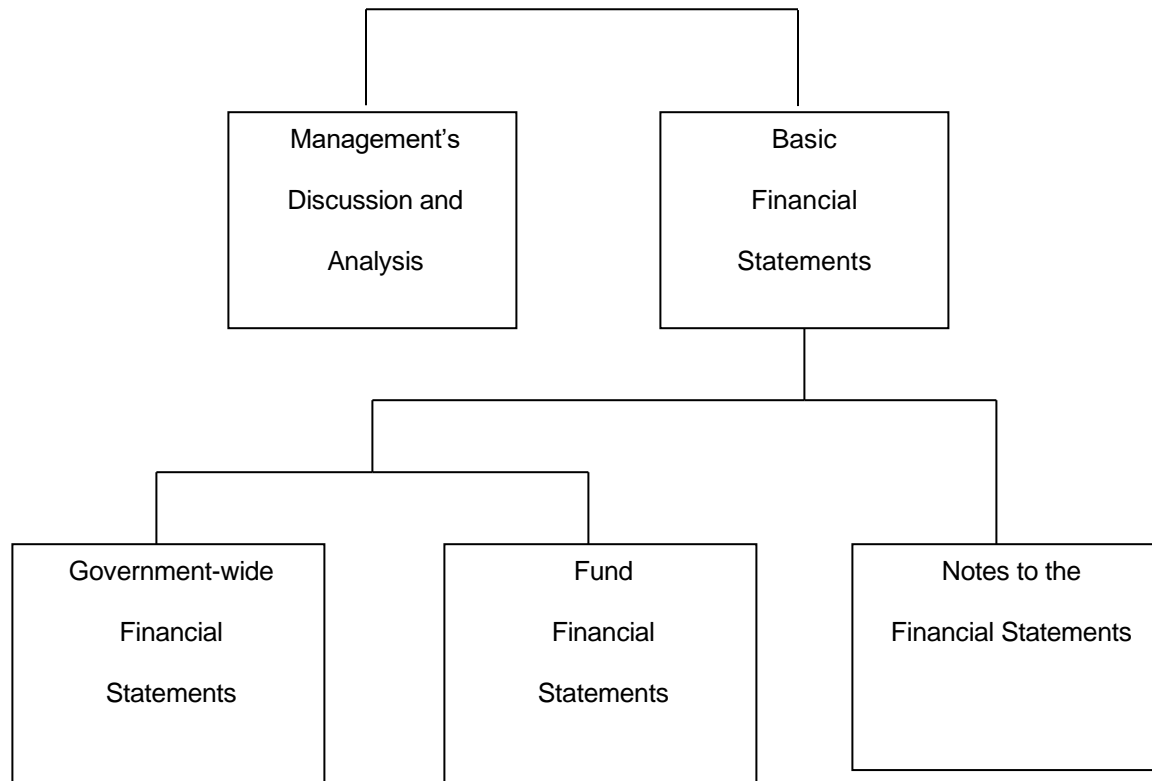
- The assets and deferred outflows of resources of the City of Rockingham exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$35,856,409 (*net position*).
- The government's total net position decreased by \$9,536, due to expenditures exceeding revenues in the Water/Sewer fund.
- As of the close of the current fiscal year, the City of Rockingham's governmental funds reported combined ending fund balances of \$7,172,867 a decrease of \$474,090 in comparison with the prior year. Approximately 38.4 percent of fund balance, or \$2,756,825, 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 \$2,756,825, or 28.6 percent of total general fund expenditures for the fiscal year.
- The City of Rockingham's total debt increased by \$4,349,677 (93.8%) 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 → 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 8,510,348	\$ 8,356,047	\$ 3,021,115	\$ 3,915,316	\$ 11,531,463	\$ 12,271,363
Capital assets	27,142,420	20,888,187	14,308,127	14,162,219	41,450,547	35,050,406
Deferred outflows of resources	1,274,965	1,447,574	293,511	339,063	1,568,476	1,786,637
Total assets and deferred outflows of resources	36,927,733	30,691,808	17,622,753	18,416,598	54,550,486	49,108,406
Long-term liabilities outstanding	15,058,464	10,461,280	1,274,960	1,210,414	16,333,424	11,671,694
Other liabilities	1,403,000	670,991	402,276	475,504	1,805,276	1,146,495
Deferred inflows of resources	468,327	359,458	87,050	64,814	555,377	424,272
Total liabilities and deferred inflows of resources	16,929,791	11,491,729	1,764,286	1,750,732	18,694,077	13,242,461
Net position						
Net investment in capital assets	18,157,442	16,252,886	14,308,127	14,162,219	32,465,569	30,415,105
Restricted	4,527,960	4,854,962	-	-	4,527,960	4,854,962
Unrestricted	(2,687,460)	(1,907,769)	1,550,340	2,503,647	(1,137,120)	595,878
Total net position	\$ 19,997,942	\$ 19,200,079	\$ 15,858,467	\$ 16,665,866	\$ 35,856,409	\$ 35,865,945

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 \$35,856,409 as of June 30, 2020. The City's net position decreased by \$9,536 for the fiscal year ended June 30, 2020. The largest portion (90.5%) 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, \$4,527,960 represents resources that are subject to external restrictions on how they may be used. The other portion of fund balance of \$(1,137,120) and 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 99.38%, which is above the statewide average of 97.0%.
- Transfers from business-type activities were approximately \$1,138,271
- 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:

<b>The City of Rockingham's Changes in Net Position</b>						
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 821,051	\$ 893,554	\$ 6,576,021	\$ 6,879,258	\$ 7,397,072	\$ 7,772,812
Operating grants and contributions	459,377	2,246,587	-	-	459,377	2,246,587
Capital grants and contributions	1,600,000	-	39,829	58,413	1,639,829	58,413
General revenues:						
Property taxes	3,264,593	3,274,803	-	-	3,264,593	3,274,803
Other taxes	3,533,172	3,586,040	-	-	3,533,172	3,586,040
Other	259,664	356,565	42,550	12,904	302,214	369,469
Total revenues	<u>9,937,857</u>	<u>10,357,549</u>	<u>6,658,400</u>	<u>6,950,575</u>	<u>16,596,257</u>	<u>17,308,124</u>
<b>Expenses</b>						
General governments	2,331,686	2,463,260	-	-	2,331,686	2,463,260
Public Safety	5,093,623	4,816,662	-	-	5,093,623	4,816,662
Transportation	741,795	752,177	-	-	741,795	752,177
Economic development	139,425	25,786	-	-	139,425	25,786
Environmental protection	1,107,697	1,092,133	-	-	1,107,697	1,092,133
Culture and recreation	820,546	966,931	-	-	820,546	966,931
Interest on long-term debt	43,493	42,421	-	-	43,493	42,421
Water and sewer	-	-	6,327,528	5,973,064	6,327,528	5,973,064
Total expenses	<u>10,278,265</u>	<u>10,159,370</u>	<u>6,327,528</u>	<u>5,973,064</u>	<u>16,605,793</u>	<u>16,132,434</u>
Increase in net position before transfers	(340,408)	198,179	330,872	977,511	(9,536)	1,175,690
Transfers	<u>1,138,271</u>	<u>1,759,280</u>	<u>(1,138,271)</u>	<u>(1,759,280)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	797,863	1,957,459	(807,399)	(781,769)	(9,536)	1,175,690
Net position, beginning as restated	<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>
Net position, ending	<u>\$ 19,997,942</u>	<u>\$ 19,200,079</u>	<u>\$ 15,858,467</u>	<u>\$ 16,665,866</u>	<u>\$ 35,856,409</u>	<u>\$ 35,865,945</u>

**Governmental activities:** Governmental activities increased the City's net position by \$797,863

Key elements of this decrease are as follows:

- Transfers decreased by \$621,009
- Expenditures increased by \$118,895

**Business-type activities:** Business-type activities decreased the City's net position by \$807,399

Key elements of this decrease are as follows:

- Expenditures increased by \$354,464 from prior year.

## 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 \$2,756,825 while total fund balance reached \$4,809,896. 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 28.6% of general fund expenditures, while total fund balance represents 49.9% of the same amount.

At June 30, 2020, the governmental funds of City of Rockingham reported a combined fund balance of \$7,172,867, a 6.2 percent decrease over last year. Included in this change in fund balance is an increase in the fund balance of the General Fund of \$136,080 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 \$1,550,340. The total decrease in net position was \$807,399.

## 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, 2020, totals \$41,450,547 (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 \$6,478,340.

### City of Rockingham's Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Non-depreciable assets						
Land	\$ 1,671,347	\$ 1,757,184	\$ 567,266	\$ 562,866	\$ 2,238,613	\$ 2,320,050
Construction in progress	12,682,940	6,624,774	-	327,634	12,682,940	6,952,408
Depreciable assets						
Buildings and distribution system	8,915,271	8,747,523	253,967	280,404	9,169,238	9,027,927
Improvements other than buildings	961,548	967,971	-	-	961,548	967,971
Machinery, vehicles and motorized equipment	2,091,196	1,913,152	1,647,174	1,130,519	3,738,370	3,043,671
Infrastructure	820,118	877,583	11,839,720	11,860,796	12,659,838	12,738,379
Total	<u>\$ 27,142,420</u>	<u>\$ 20,888,187</u>	<u>\$14,308,127</u>	<u>\$14,162,219</u>	<u>\$ 41,450,547</u>	<u>\$ 35,050,406</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, 2020, the City of Rockingham had total bonded debt outstanding of \$0.

### City of Rockingham's Outstanding Debt General Obligation Bonds

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
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 \$45,622,689.

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

### **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the changes for the City:

- In April 2020, Richmond County voted to change the sales tax allocation method from per capita to an ad valorem allocation. As a result, the sales tax percentage allocation for the City was reduced from 14.396% to 9.345% effective July 2020.
- Richmond Community College Capital Project will be completed in the 2020/2021 fiscal year.

### **Impact of Coronavirus on City**

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the City. While it is unknown how long these conditions will last and what the complete financial impact will be, the City is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities:** The governmental funds' primary revenue resources are property taxes and unrestricted intergovernmental revenues. For the fiscal year ending June 30, 2021, the budget expenditures in the General Fund will decrease \$727,052 or 6.8 percent.

Budgeted revenues are expected to be \$9,980,417.

**Business – type Activities:** The business-type funds budgeted revenue will decrease for the fiscal year ending June 30, 2021 by 13.2% or 1,047,437.

Budgeted expenses are expected to be \$6,870,000.

### **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	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 6,733,546	\$ 2,384,145	\$ 9,117,691	\$ 644,562
Taxes receivables (net)	58,473	-	58,473	-
Accounts receivable (net)	174,499	478,966	653,465	-
Due from other governments	706,737	-	706,737	-
Due from component unit	242,256	-	242,256	-
Notes receivable - current (net)	27,852	-	27,852	-
Inventories	8,961	158,004	166,965	360,143
Prepaid expense	-	-	-	5,381
Restricted cash and cash equivalents	<u>383,972</u>	<u>-</u>	<u>383,972</u>	<u>-</u>
Total current assets	<u>8,336,296</u>	<u>3,021,115</u>	<u>11,357,411</u>	<u>1,010,086</u>
Non-current assets				
Capital assets				
Land, improvements and construction in progress	14,354,287	567,266	14,921,553	50,007
Other capital assets, net of depreciation	<u>12,788,133</u>	<u>13,740,861</u>	<u>26,528,994</u>	<u>53,707</u>
Total capital assets	<u>27,142,420</u>	<u>14,308,127</u>	<u>41,450,547</u>	<u>103,714</u>
Other Assets				
Notes receivable- noncurrent (net)	<u>174,052</u>	<u>-</u>	<u>174,052</u>	<u>-</u>
Total assets	<u>35,652,768</u>	<u>17,329,242</u>	<u>52,982,010</u>	<u>1,113,800</u>
Deferred outflows of Resources				
Pension deferrals - LGERS	1,124,822	281,205	1,406,027	32,429
Pension deferrals - LEO	100,918	-	100,918	-
OPEB deferrals	<u>49,225</u>	<u>12,306</u>	<u>61,531</u>	<u>-</u>
Total deferred outflows of resources	<u>1,274,965</u>	<u>293,511</u>	<u>1,568,476</u>	<u>32,429</u>
Total assets and deferred outflows of resources	<u>\$ 36,927,733</u>	<u>\$ 17,622,753</u>	<u>\$ 54,550,486</u>	<u>\$ 1,146,229</u>

	Primary Government			City of Rockingham ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,062,180	\$ 202,857	\$ 1,265,037	\$ 357,097
Bank overdraft	-	-	-	-
Due to primary government	-	-	-	242,256
Due to primary government	-	-	-	-
Customer deposits	-	123,680	123,680	-
Compensated absences	252,029	75,739	327,768	-
Installment notes payable - current	88,791	-	88,791	-
Total current liabilities	<u>1,403,000</u>	<u>402,276</u>	<u>1,805,276</u>	<u>599,353</u>
Long-term liabilities				
Compensated absences	252,029	75,739	327,768	18,310
Net pension liability-LGERS	1,877,345	469,336	2,346,681	50,795
Total pension liability-LEO	1,113,362	-	1,113,362	-
Total OPEB liability	2,919,541	729,885	3,649,426	-
Installment notes payable	8,896,187	-	8,896,187	-
Total long-term liabilities	<u>15,058,464</u>	<u>1,274,960</u>	<u>16,333,424</u>	<u>69,105</u>
Total liabilities	<u>\$ 16,461,464</u>	<u>\$ 1,677,236</u>	<u>\$ 18,138,700</u>	<u>\$ 668,458</u>
Deferred inflows of Resources				
Prepaid taxes	14,924	-	14,924	-
Pension deferrals-LGERS	35,282	8,821	44,103	881
Pension deferrals-LEO	105,206	-	105,206	-
OPEB deferrals	312,915	78,229	391,144	-
Total deferred inflows of resources	<u>468,327</u>	<u>87,050</u>	<u>555,377</u>	<u>881</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 18,157,442	\$ 14,308,127	\$ 32,465,569	\$ 103,714
Restricted for				
Stabilization by State Statute	1,123,492	-	1,123,492	-
Powell Bill	326,480	-	326,480	-
Other functions	741,757	-	741,757	116,242
Economic and Physical Development	2,336,231	-	2,336,231	-
Unrestricted	<u>(2,687,460)</u>	<u>1,550,340</u>	<u>(1,137,120)</u>	<u>256,934</u>
Total net position	<u>\$ 19,997,942</u>	<u>\$ 15,858,467</u>	<u>\$ 35,856,409</u>	<u>\$ 476,890</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 36,927,733</u>	<u>\$ 17,622,753</u>	<u>\$ 54,550,486</u>	<u>\$ 1,146,229</u>

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2020**

**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	\$ 2,331,686	\$ 12,790	\$ 38,298	\$ -	\$ (2,280,598)	\$ -	\$ (2,280,598)	\$ -
Public safety	5,093,623	35,577	34,092	-	(5,023,954)	-	(5,023,954)	-
Transportation	741,795	-	257,132	-	(484,663)	-	(484,663)	-
Economic and physical development	139,425	70,974	29,199	1,600,000	1,560,748	-	1,560,748	-
Environmental protection	1,107,697	668,810	6,886	-	(432,001)	-	(432,001)	-
Cultural and recreational	820,546	32,900	93,770	-	(693,876)	-	(693,876)	-
Interest on long-term debt	43,493	-	-	-	(43,493)	-	(43,493)	-
Total governmental activities	10,278,265	821,051	459,377	1,600,000	(7,397,837)	-	(7,397,837)	-
Business-type activities								
Water and sewer	6,327,528	6,576,021	39,829	-	-	288,322	288,322	-
Total primary government	\$ 16,605,793	\$ 7,397,072	\$ 499,206	\$ 1,600,000	(7,397,837)	288,322	(7,109,515)	-
Component unit								
Rockingham ABC Board	\$ 3,070,241	\$ 3,080,228	\$ -	\$ -	-	-	-	9,987
General revenues								
Taxes								
Property taxes, levied for general purposes					3,264,593	-	3,264,593	-
Other taxes					3,533,172	-	3,533,172	-
Grants and contributions - unspecific					67,873	-	67,873	-
Unrestricted investment earnings					66,147	37,419	103,566	13
Miscellaneous					125,644	5,131	130,775	-
Transfers					1,138,271	(1,138,271)	-	-
Total general revenues and transfers					8,195,700	(1,095,721)	7,099,979	13
Change in net position					797,863	(807,399)	(9,536)	10,000
Net position beginning					19,200,079	16,665,866	35,865,945	466,890
Net position end of year					\$ 19,997,942	\$ 15,858,467	\$ 35,856,409	\$ 476,890

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

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**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

**Exhibit 3**

	Major Funds			Total	Total
	General	Urban Development Action Grant Fund	RCC Downtown Satellite Campus Project Fund	Non-major Governmental Funds	Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 3,619,145	\$ 595,581	\$ 2,492,080	\$ 26,740	\$ 6,733,546
Restricted cash and cash equivalents	383,972	-	-	-	\$ 383,972
Receivables, net					
Taxes	58,473	-	-	-	58,473
Accounts	62,581	-	-	-	62,581
Due from other governments	706,737	-	111,918	-	818,655
Due from component unit	242,256	-	-	-	242,256
Notes receivable	-	201,904	-	-	201,904
Inventories	8,961	-	-	-	8,961
<b>Total assets</b>	<b>\$ 5,082,125</b>	<b>\$ 797,485</b>	<b>\$ 2,603,998</b>	<b>\$ 26,740</b>	<b>\$ 8,510,348</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 198,832	\$ -	\$ 863,348	\$ -	\$ 1,062,180
<b>Total liabilities</b>	<b>198,832</b>	<b>-</b>	<b>863,348</b>	<b>-</b>	<b>1,062,180</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes	14,924	-	-	-	14,924
Tax receivable	58,473	-	-	-	58,473
Note receivable	-	201,904	-	-	201,904
<b>Total deferred inflows of resources</b>	<b>73,397</b>	<b>201,904</b>	<b>-</b>	<b>-</b>	<b>275,301</b>
<b>Fund balances</b>					
Non-spendable					
Inventories	8,961	-	-	-	8,961
Restricted					
Stabilization by State Statute	1,011,574	-	-	-	1,011,574
Streets - Powell Bill	326,480	-	-	-	326,480
USDA - Fire	57,492	-	-	-	57,492
Committed					
Economic Development	-	595,581	1,740,650	-	2,336,231
Assigned					
Subsequent year's expenditures	648,564	-	-	-	648,564
Parks and Recreation	-	-	-	26,740	26,740
Unassigned	2,756,825	-	-	-	2,756,825
<b>Total fund balances</b>	<b>4,809,896</b>	<b>595,581</b>	<b>1,740,650</b>	<b>26,740</b>	<b>7,172,867</b>
<b>Total liabilities, inflows of resources and fund balances</b>	<b>\$ 5,082,125</b>	<b>\$ 797,485</b>	<b>\$ 2,603,998</b>	<b>\$ 26,740</b>	<b>\$ 8,510,348</b>
<b>Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities</b>					
Fund balance as reported in the balance sheet - governmental funds					\$ 7,172,867
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					27,142,420
Contributions to the LGERS pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position					1,124,822
Benefit payments and administrative expenses subsequent to the measurement date-LEO					100,918
Benefit payments and administrative expenses subsequent to the measurement date-OPEB					49,225
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds					260,377
Compensated absences not expected to be materially liquidated with expendable available resources					(504,058)
Net pension liability					(1,877,345)
Total pension liability					(1,113,362)
Total OPEB liability					(2,919,541)
Deferred inflows of resources related to pensions are not reported in the fund - LGERS & LEO					(140,488)
Deferred inflows of resources related to OPEB are not reported in the fund					(312,915)
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					(8,984,978)
<b>Net position reported as governmental activities</b>					<b>\$ 19,997,942</b>

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

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## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## GOVERNMENTAL FUNDS

June 30, 2020

	Major Funds				
		Urban	RCC Downtown	Total	Total
	General	Development	Satellite	Non-major	Governmental
		Action Grant	Campus	Governmental	Governmental
		Fund	Project	Funds	Funds
			Fund		
Revenues					
Ad valorem taxes	\$3,275,295	\$ -	\$ -	\$ -	\$ 3,275,295
Other taxes and licenses	63,971	-	-	-	63,971
Unrestricted intergovernmental	3,469,201	-	-	-	3,469,201
Restricted intergovernmental	415,426	29,199	1,600,000	-	2,044,625
Permits and fees	70,974	-	-	-	70,974
Sales and services	750,077	32,500	-	-	782,577
Investment earnings	64,285	1,862	-	-	66,147
Miscellaneous	164,869	10,900	-	-	175,769
Total revenues	8,274,098	74,461	1,600,000	-	9,948,559
Expenditures					
Current					
General government	2,197,153	-	-	-	2,197,153
Public safety	4,655,610	-	-	-	4,655,610
Transportation	646,357	-	-	-	646,357
Economic and physical development	-	139,425	6,259,033	-	6,398,458
Environmental protection	1,370,894	-	-	-	1,370,894
Cultural and recreational	598,632	-	-	-	598,632
Debt service					
Principal retirement	126,630	-	-	-	126,630
Interest and other charges	43,493	-	-	-	43,493
Total expenditures	9,638,769	139,425	6,259,033	-	16,037,227
Excess (deficiency) of revenues over expenditures	(1,364,671)	(64,964)	(4,659,033)	-	(6,088,668)
Other financing sources (uses)					
Interim financing proceeds	362,480	-	4,113,827	-	4,476,307
Transfers from (to) Enterprise fund	1,138,271	-	-	-	1,138,271
Total other financing sources (uses) - net	1,500,751	-	4,113,827	-	5,614,578
Net change in fund balances	136,080	(64,964)	(545,206)	-	(474,090)
Fund balances - beginning of year	4,673,816	660,545	2,285,856	26,740	7,646,957
Fund balances - end of year	\$4,809,896	\$ 595,581	\$ 1,740,650	\$ 26,740	\$ 7,172,867

**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, 2020**

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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		\$ (474,090)
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	7,004,874	
Depreciation	(744,245)	
Disposal of Land	(6,396)	
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	16,201	
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	556,270	
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	15,174	
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	-	
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	32,112	
Pension expense-LGERS	(894,632)	
Total pension expense-LEO	(84,200)	
OPEB plan expense	(246,626)	
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.		
		(26,902)
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	126,630	
Issuance of new debt	(4,476,307)	
		<u>(4,349,677)</u>
Total change in net position of governmental activities		<u>\$ 797,863</u>

## 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, 2020

	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	\$3,306,482	\$3,341,507	\$3,275,295	\$ (66,212)	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	35,300	59,300	63,971	4,671	-	-	-	-
Unrestricted intergovernmental	3,419,320	3,525,900	3,469,201	(56,699)	-	-	-	-
Restricted intergovernmental	464,738	402,840	415,426	12,586	30,230	30,230	29,199	(1,031)
Permits and fees	21,500	80,000	70,974	(9,026)	-	-	-	-
Sales and services	965,117	809,300	750,077	(59,223)	30,000	30,000	32,500	2,500
Investment earnings	60,000	60,000	64,285	4,285	180	180	1,862	1,682
Miscellaneous	127,000	134,500	164,869	30,369	-	-	10,900	10,900
Total revenues	<u>8,399,457</u>	<u>8,413,347</u>	<u>8,274,098</u>	<u>(139,249)</u>	<u>60,410</u>	<u>60,410</u>	<u>74,461</u>	<u>14,051</u>
Expenditures								
Current								
General government	2,446,203	2,459,203	2,197,153	262,050	-	-	-	-
Public safety	4,762,627	4,938,627	4,655,610	283,017	-	-	-	-
Transportation	925,977	1,011,742	646,357	365,385	-	-	-	-
Economic and physical development	-	-	-	-	730,894	730,894	139,425	591,469
Environmental protection	1,136,918	1,419,398	1,370,894	48,504	-	-	-	-
Cultural and recreational	803,376	708,376	598,632	109,744	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Principal retirement	109,098	126,630	126,630	-	-	-	-	-
Interest and other charges	60,000	43,493	43,493	-	-	-	-	-
Total expenditures	<u>10,244,199</u>	<u>10,707,469</u>	<u>9,638,769</u>	<u>1,068,700</u>	<u>730,894</u>	<u>730,894</u>	<u>139,425</u>	<u>591,469</u>
Revenues over (under) expenditures	<u>(1,844,742)</u>	<u>(2,294,122)</u>	<u>(1,364,671)</u>	<u>929,451</u>	<u>(670,484)</u>	<u>(670,484)</u>	<u>(64,964)</u>	<u>605,520</u>
Other financing sources (uses)								
Loan proceeds	-	362,480	362,480	-	-	-	-	-
Transfer (to) from other funds	<u>1,138,271</u>	<u>1,138,271</u>	<u>1,138,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,138,271</u>	<u>1,500,751</u>	<u>1,500,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(706,471)</u>	<u>(793,371)</u>	<u>136,080</u>	<u>929,451</u>	<u>(670,484)</u>	<u>(670,484)</u>	<u>(64,964)</u>	<u>605,520</u>
Appropriated fund balance	<u>706,471</u>	<u>793,371</u>	<u>-</u>	<u>(793,371)</u>	<u>670,484</u>	<u>670,484</u>	<u>-</u>	<u>(670,484)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>136,080</u>	<u>\$ 136,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(64,964)</u>	<u>\$ (64,964)</u>
Fund balance - beginning of year			<u>4,673,816</u>				<u>660,545</u>	
Fund balance - end of year			<u>\$4,809,896</u>				<u>\$595,581</u>	

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2020**

**Exhibit 7**

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,384,145
Accounts receivable	478,966
Inventories	<u>158,004</u>
Total current assets	<u>3,021,115</u>
Non-current assets	
Capital assets	
Land, improvements and construction in progress	567,266
Other capital assets, net of depreciation	<u>13,740,861</u>
Total capital assets, net	<u>14,308,127</u>
Total non-current assets	<u>14,308,127</u>
Total assets	<u>\$ 17,329,242</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals-LGERS	281,205
OPEB - deferrals	<u>12,306</u>
Total deferred outflows of resources	<u>293,511</u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	\$ 202,857
Customer deposits	123,680
Compensated absences payable - current	<u>75,739</u>
Total current liabilities	<u>402,276</u>
Noncurrent liabilities	
Compensated absences payable - noncurrent	75,739
Net pension liability-LGERS	469,336
Total OPEB liability	<u>729,885</u>
Total noncurrent liabilities	<u>1,274,960</u>
Total liabilities	<u>\$ 1,677,236</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals-LGERS	8,821
OPEB deferrals	<u>78,229</u>
Total deferred inflows of resources	<u>87,050</u>
Net position	
Net investment of capital assets	\$ 14,308,127
Unrestricted	<u>1,550,340</u>
Total net position	<u>\$ 15,858,467</u>

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

*Page 18*



**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2020**

**Exhibit 8**

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues	
Charges for services	\$ 6,563,413
Water and sewer taps	12,608
Other operating revenues	<u>39,829</u>
Total operating revenues	<u>6,615,850</u>
Operating expenses	
Administration	635,030
Maintenance	1,038,592
Water plant	937,037
Sewer plant	2,621,921
Depreciation and amortization	<u>1,094,948</u>
Total operating expenses	<u>6,327,528</u>
Operating income	<u>288,322</u>
Nonoperating revenues (expenses)	
Investment earnings	37,419
Miscellaneous	<u>5,131</u>
Total nonoperating revenues (expenses), net	<u>42,550</u>
Income before contributions and transfers	330,872
Transfer to General Fund	<u>(1,138,271)</u>
Change in net position	(807,399)
Net position	<u>16,665,866</u>
Net position, end of year	<u>\$ 15,858,467</u>

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 9**  
**Page 1 of 2**

	Enterprise Fund Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 6,840,784
Cash paid for goods and services	(3,232,965)
Cash paid to or on behalf of employees for services	(2,039,549)
Customer deposits received	6,077
Customer deposits returned	(1,754)
Other operating revenues	<u>39,829</u>
Net cash provided by operating activities	<u>1,612,422</u>
Cash flows from noncapital financing activities	
Transfers to other funds	(1,138,271)
Miscellaneous revenues	<u>5,131</u>
Net cash (used) from noncapital financing activities	<u>(1,133,140)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	<u>(1,240,856)</u>
Net cash (used) by capital and related financing activities	<u>(1,240,856)</u>
Cash flows from investing activities	
Interest on investments	<u>37,419</u>
Net decrease in cash and cash equivalents	(724,155)
Balances - beginning of year	<u>3,108,300</u>
Balances - end of year	<u>\$ 2,384,145</u>

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit 9**  
**Page 2 of 2**

	Enterprise Fund Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 288,322
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	1,094,948
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	204,763
(Increase) decrease in inventory	(34,717)
Increase (decrease) in accounts payable and accrued liabilities	(88,705)
Increase (decrease) in customer deposits	4,323
Increase (decrease) in compensated absences payable	22,308
(Increase) decrease in deferred outflows of resources-pensions	57,858
(Increase) decrease in deferred outflows of resources-OPEB	(12,306)
Increase (decrease) in net pension liability	36,431
Increase (decrease) in OPEB liability	16,961
Increase (decrease) in deferred inflows of resources-OPEB	2,156
Increase (decrease) in deferred inflows of resources-pensions	20,080
Total adjustments	1,324,100
Net cash provided by operating activities	\$ 1,612,422

## **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, 2020**

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**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, 2020**

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**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.

**Capital Project 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, 2020**

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**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, 2019, 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, 2019 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 and the enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Recreation Complex Capital Project Fund and the RCC Downtown Satellite Campus 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, 2020**

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**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 NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 \$326,480 for a total of \$383,972.



**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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**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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2019.

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, 2020**

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**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 2020 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, 2020**

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**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 an 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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation."* RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for 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.

Restricted for Public Safety – portion of fund balance that is restricted for USDA debt maturities for the City's fire department.

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

***F. Assets, Liabilities and Fund Equity (Continued)***

Fund Balances (Continued)

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.

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, 2020**

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**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, 2020, the City's deposits had a carrying amount of \$3,899,345 and a bank balance of \$3,960,257. 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 \$643,142 and the bank balance was \$648,650. Of the bank balance \$250,000 was covered by federal depository insurance. At June 30, 2020, the City's petty cash fund totaled \$850 and the ABC Board's petty cash fund totaled \$1,420.

Investments

At June 30, 2020, the City had \$5,601,468 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 six notes receivable for loans made for economic development purposes and housing rehabilitation purposes as of June 30, 2020, as follows:

Installment note receivable for economic development, in monthly installments of \$2,750 including interest at 5% until May 2018 when a final payment of \$2,719 is due. The note is secured by real estate and equipment. Note is in arrears.	\$ 124,974
Installment note receivable for economic development, receivable in monthly installments of \$229.06 including interest at 2% until November 2022. The note is secured by equipment.	6,508
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.	1,390

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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**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. 33,860

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. 15,752

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. 19,420

	201,904
Less current portion	27,852
Noncurrent portion	<u>\$ 174,052</u>

Scheduled maturities of the notes receivable are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 27,852
2022	27,104
2023	25,809
2024	24,976
2025	25,269
Thereafter	70,894
	<u>\$ 201,904</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	30,000
Total	<u>\$ 80,000</u>

Due from Other Governmental Agencies

At June 30, 2020, funds due from other governmental agencies consisted of the following:

	<u>General</u>
Local option sales tax	\$ 260,405
Sales tax refund	180,223
State shared revenue - taxes	197,327
Property taxes on vehicles collected by County	56,987
Payment in lieu of taxes	11,795
	<u>\$ 706,737</u>

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**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, 2020, was as follows:

Primary Government

	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,757,184	\$ -	\$ 85,837	\$ 1,671,347
Construction in progress	<u>6,624,774</u>	<u>6,478,340</u>	<u>420,174</u>	<u>12,682,940</u>
Total Capital assets not being depreciated	<u>8,381,958</u>	<u>6,478,340</u>	<u>506,011</u>	<u>14,354,287</u>
Capital assets being depreciated				
Buildings	12,398,226	462,046	-	12,860,272
Other improvements	1,369,682	37,382	-	1,407,064
Equipment, vehicles				
and motorized equipment	8,274,360	526,721	117,059	8,684,022
Infrastructure	<u>1,769,022</u>	<u>-</u>	<u>-</u>	<u>1,769,022</u>
Total Capital assets being depreciated	<u>23,811,290</u>	<u>1,026,149</u>	<u>117,059</u>	<u>24,720,380</u>
Less accumulated depreciation				
Buildings	3,650,703	294,298	-	3,945,001
Other improvements	401,711	43,805	-	445,516
Equipment, vehicles				
and motorized equipment	6,361,208	348,677	117,059	6,592,826
Infrastructure	<u>891,439</u>	<u>57,465</u>	<u>-</u>	<u>948,904</u>
Total accumulated depreciation	<u>11,305,061</u>	<u>744,245</u>	<u>117,059</u>	<u>11,932,247</u>
Depreciable assets – net	<u>12,506,229</u>	<u>281,904</u>	<u>-</u>	<u>12,788,133</u>
Total Governmental Activities				
Capital assets – net	<u>\$ 20,888,187</u>	<u>\$ 6,755,969</u>	<u>\$ 506,011</u>	<u>\$ 27,142,420</u>

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

General government	\$ 139,769
Public safety	187,841
Transportation	95,438
Environmental protection	99,283
Cultural and recreational	<u>221,914</u>
Total depreciation expense	<u>\$ 744,245</u>

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

Capital Assets (Continued)

	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 562,866	\$ 4,400	\$ -	\$ 567,266
Construction in progress	<u>327,634</u>	<u>427,607</u>	<u>755,241</u>	<u>-</u>
Total Capital assets not being depreciated	<u>890,500</u>	<u>432,007</u>	<u>755,241</u>	<u>567,266</u>
Capital assets being depreciated				
Buildings	1,141,203	-	-	1,141,203
Plant and distribution system	33,796,034	755,241	-	34,551,275
Furniture, maintenance equipment and vehicles	<u>3,363,022</u>	<u>808,849</u>	<u>-</u>	<u>4,171,871</u>
Total Capital assets being depreciated	<u>38,300,259</u>	<u>1,564,090</u>	<u>-</u>	<u>39,864,349</u>
Less accumulated depreciation				
Buildings	860,799	26,437	-	887,236
Plant and distribution system	21,935,238	776,317	-	22,711,555
Furniture, maintenance equipment and vehicles	<u>2,232,503</u>	<u>292,194</u>	<u>-</u>	<u>2,524,697</u>
Total accumulated depreciation	<u>25,028,540</u>	<u>1,094,948</u>	<u>-</u>	<u>26,123,488</u>
Depreciable assets – net	<u>13,271,719</u>	<u>440,206</u>	<u>-</u>	<u>13,740,861</u>
Capital Assets – net	<u>\$ 14,162,219</u>	<u>\$ 872,213</u>	<u>\$ 755,241</u>	<u>\$ 14,308,127</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</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>5,800</u>	<u>-</u>	<u>10,300</u>
Total Capital assets being depreciated	<u>411,492</u>	<u>5,800</u>	<u>-</u>	<u>417,292</u>
Less accumulated depreciation				
Land improvements	31,774	718	-	32,492
Building	156,546	3,796	-	160,342
Store equipment	33,250	1,275	-	34,525
Office equipment	128,980	1,973	-	130,953
Vehicles	<u>4,500</u>	<u>773</u>	<u>-</u>	<u>5,273</u>
Total accumulated depreciation	<u>355,050</u>	<u>8,535</u>	<u>-</u>	<u>363,585</u>
Depreciable assets, net	<u>56,442</u>	<u>(2,735)</u>	<u>-</u>	<u>53,707</u>
Total ABC Board capital assets, net	<u>\$ 106,449</u>	<u>\$ (2,735)</u>	<u>\$ -</u>	<u>\$ 103,714</u>



**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2020, were as follows:

	<u>Vendors and Contractors</u>	<u>Salaries and Benefits</u>	<u>Accrual Interest</u>	<u>Total</u>
Governmental activities:				
General	\$ 908,558	\$ 153,622	\$ -	\$ 1,062,180
Business-type activities:				
Water and sewer	\$ 158,889	\$ 43,968	\$ -	\$ 202,857
Discretely presented component unit:				
Rockingham ABC Board	\$ 357,097	\$ 18,310	\$ -	\$ 375,407

**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, 2020**

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**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, 2020 was 9.7% of compensation for law enforcement officers and 8.95% 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 \$556,270 for the year ended June 30, 2020.

*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, 2020, the Board reported a liability of \$2,346,681 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension asset was based on a projection of the City'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, 2019 (measurement date), the City's proportion was 0.08593%, which was a decrease of 0.00531% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$1,031,892. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 401,811	\$ -
Changes of assumptions	382,470	-
Net difference between projected and actual earnings on pension plan investments	57,239	-
Changes in proportion and differences between City contributions and proportionate share of contributions	8,237	44,103
City contributions subsequent to the measurement date	556,270	-
Total	<u>\$ 1,406,027</u>	<u>\$ 44,103</u>

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**2. Pension Plan Obligations (Continued)**

\$556,270 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:**

2020	\$	405,260
2021		121,012
2022		222,302
2023		57,081
2024		-
Thereafter		-
Total	\$	<u>805,655</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 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, 2018 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, 2019 are summarized in the following table:

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**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 2018 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)	\$ 5,367,289	\$ 2,346,681	\$ (164,056)

*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, 2020**

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**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 City law enforcement officers are covered by the Separation Allowance.  
At December 31, 2018, 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>33</u>
Total	<u>35</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, 2018 valuation. The total pension liability in the December 31, 2018 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	3.26 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, 2018.

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, 2020**

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**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 \$21,323 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, 2020, the City reported a total pension liability of \$1,113,362. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$84,200.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 12,547	\$ 56,555
Changes of assumptions	73,197	48,651
County benefit payments and plan administrative expense made subsequent to the measurement date	15,174	-
Total	<u>\$ 100,918</u>	<u>\$ 105,206</u>

\$15,174 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$ (3,686)
2022	(3,686)
2023	(3,686)
2024	(1,348)
2025	(5,827)
Thereafter	(1,229)

\$14,728 paid as benefits came due and \$446 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, 2020**

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**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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 1,222,737	\$ 1,113,362	\$1,014,172

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

Beginning balance	\$ 1,060,582
Service Cost	49,223
Interest on the total pension liability	38,217
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(52,192)
Changes of assumptions or other inputs	38,855
Benefit payments	(21,323)
Other changes	-
Ending balance of the total pension liability	\$ 1,113,362

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, 2018 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, 2020**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**2. Pension Plan Obligations (Continued)**

	<b>LGERS</b>	<b>LEOSSA</b>	<b>TOTAL</b>
Pension Expense	\$ 1,031,892	\$ 84,200	\$ 1,116,092
Pension Liability	2,346,681	1,113,362	3,460,043
Proportionate share of the net pension liability	0.08593%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	401,811	12,547	414,358
Changes of assumptions	382,470	73,197	455,667
Net difference between projected and actual earnings on plan investments	57,239	-	57,239
Changes in proportion and differences between contributions and proportionate share of contributions	8,237	-	8,237
Benefit payments and administrative costs paid subsequent to the measurement date	556,270	15,174	571,444
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	56,555	56,555
Changes of assumptions	-	48,651	48,651
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	44,103	-	44,103

**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, 2020 were \$338,806, which consisted of \$193,273 from the City and \$145,533 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, 2020**

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**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, 2020, the State contributed \$18,302,000 to the plan. The City of Rockingham's proportionate share of the State's contribution is \$19,415.

*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, 2020, 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 \$38,298. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2020, the City recognized pension expense of \$10,222 and revenue of \$10,222 for support provided by the State. At June 30, 2020, 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, 2018 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	7.00 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, 2020**

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**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, 2019, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	9	2
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	98	33
Total	<u>107</u>	<u>35</u>

**Total OPEB Liability**

The City's total OPEB liability of \$3,649,426 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2019 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, 2020**

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**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	3.5 percent
Healthcare cost trend rates	Medical – 7.0%
	Prescription – 7.0%
	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**

	<b>Total OPEB Liability</b>
<b>Balance at 7/01/2018</b>	3,564,622
<b>Changes for the year</b>	
Service cost	167,618
Interest	136,295
Changes of benefit terms	-
Differences between expected and actual experience	(166,219)
Changes in assumptions or other inputs	70,065
Benefit payments	(122,955)
<b>Net changes</b>	84,804
<b>Balance at 6/30/2019</b>	3,649,426

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<b>1% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Total OPEB liability	\$ 4,032,329	\$ 3,649,426	\$ 3,309,304

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, 2020**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

	<b>1% Decrease (Medical - 6.00%, Prescription - 6.00%, Admin Expenses - 2.00%)</b>	<b>Discount Rate (Medical - 7.00%, Prescription - 7.00%, Admin Expenses - 3.00%)</b>	<b>1% Increase (Medical - 8.00%, Prescription - 8.00%, Admin Expenses - 4.00%)</b>
Total OPEB liability	\$ 3,233,394	\$ 3,649,426	\$ 4,148,152

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$246,626. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 173,679
Changes of assumptions	61,531	217,465
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	\$ 61,531	\$ 391,144

\$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, 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	\$ (57,287)
2021	(57,287)
2022	(57,287)
2023	(57,287)
2024	(57,009)
Thereafter	(43,456)

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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**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 deferrals-LGERS	\$ 1,406,027
Pension deferrals-LEO	100,918
OPEB deferrals	61,531
Total	<u>\$ 1,568,476</u>

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

Prepaid taxes (General)	\$ 14,924
Pension deferrals-LGERS	44,103
Pension deferrals-LEO (General)	105,206
OPEB deferrals	391,144
Total	<u>\$ 555,377</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, 2020**

**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, 2020 consist of the following:

	Serviced by	
	Governmental Activities	Business-type Activities
<u>Installment Purchases</u>		
Fire station renovations; due in annual installments of \$57,492 including interest at 4.125%, maturing July 2047.	\$ 944,037	\$ -
2 Refuse trucks; due in semi-annual installments of \$38,029 including interest @ 2.1%; maturing March 2024.	289,941	-
In October 2019 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.	7,751,000	-
Total installment purchases	8,984,978	-
Less current portion	88,791	-
	<u>\$ 8,896,187</u>	<u>\$ -</u>

At June 30, 2020, the City of Rockingham had a legal debt margin of \$45,622,689.

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**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, 2020:

	Balances June 30, 2019	Increases	Decreases	Balances June 30, 2020	Due Within One Year
Governmental activities:					
Installment purchases	\$ 4,635,301	\$ 4,476,307	\$ 126,630	\$ 8,984,978	\$ 88,791
Compensated absences	471,946	39,648	7,536	504,058	252,029
Net pension liability (LGERS)	1,731,620	145,725	-	1,877,345	-
Total pension liability (LEO)	1,060,582	52,780	-	1,113,362	-
Total OPEB liability	<u>2,851,698</u>	<u>67,843</u>	<u>-</u>	<u>2,919,541</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 10,751,147</u>	<u>\$ 4,782,303</u>	<u>\$ 134,166</u>	<u>\$ 15,399,284</u>	<u>\$ 340,820</u>
Business-type activities:					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	129,170	26,867	4,559	151,478	75,739
Net pension liability (LGERS)	432,905	36,431	-	469,336	-
Total OPEB liability	<u>712,924</u>	<u>16,961</u>	<u>-</u>	<u>729,885</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,274,999</u>	<u>\$ 80,259</u>	<u>\$ 4,559</u>	<u>\$ 1,350,699</u>	<u>\$ 75,739</u>

**Maturities of long-term debt**

The annual requirements to retire all debt outstanding, other than compensated absences, at June 30, 2020, including interest, are as follows:

	Bond obligation		Installment purchases		Total debt due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities						
2021	\$ -	\$ -	\$ 88,791	\$ 44,759	\$ 88,791	\$ 44,759
2022	-	-	7,842,060	42,490	7,842,060	42,490
2023	-	-	93,392	40,158	93,392	40,158
2024	-	-	95,584	37,760	95,584	37,760
2025	-	-	21,796	35,696	21,796	35,696
2026-2030	-	-	123,234	164,226	123,234	164,226
Thereafter	<u>-</u>	<u>-</u>	<u>720,121</u>	<u>314,224</u>	<u>720,121</u>	<u>314,224</u>
	<u>-</u>	<u>-</u>	<u>8,984,978</u>	<u>679,313</u>	<u>8,984,978</u>	<u>679,313</u>
Business-type activities						
2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026-2030	<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>\$ 8,984,978</u>	<u>\$ 679,313</u>	<u>\$ 8,984,978</u>	<u>\$ 679,313</u>

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**C. Interfund Balances and Activity**

Transfers to/from other funds for the year ended June 30, 2020, consist of the following:

From the Enterprise Fund to the General Fund – financing sources	\$ 1,138,271
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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, 2020 the City of Rockingham has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$10,222 for the 21 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 \$38,298 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, 2020. 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, 2020. 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, 2020, the City reported revenues and expenditures for the payments of \$28,076 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, 2020. 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, 2020**

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**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.

Impact of Corona Virus on City

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

**NOTE 6 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

Richmond County decided to switch from a per capita share of distribution of sales tax to an ad valorem share of distribution effective in April, 2020, resulting in a significant decrease in the City's percent of distribution. The actual change took place beginning with May, 2020 collections, which were received in July. Under the previous per capital method, the City received a 14.39601% share of sales tax revenues. Under the ad valorem method, the City receives a 9.34532% share of sales tax revenues. Comparing actuals from recent years, the City is expected to face an annual loss of \$800,000 to \$900,000 if total collections remain comparable to prior years. Therefore, it is projected that this change will decrease the City's sales tax revenue by approximately 35%.

**NOTE 7 – 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>\$4,809,896</u>
Less:	
Inventories	8,961
Stabilization by State Statute	1,011,574
Streets – Powell Bill	326,480
USDA – Fire	57,492
Subsequent year's expenditures	648,564
Remaining Fund Balance	2,756,825

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**

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

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- 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 Seven Fiscal Years \***

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	<b>Local Government Employees' Retirement System</b>						
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Rockingham's proportion of the net pension liability (asset) (%)	0.08593%	0.09124%	0.09088%	0.09379%	0.09649%	0.09380%	0.09060%
Rockingham's proportion of the net pension liability (asset) (\$)	\$ 2,346,681	\$ 2,164,525	\$ 1,388,395	\$ 1,990,538	\$ 433,041	\$ (553,123)	\$ 1,092,078
Rockingham's covered-employee payroll	\$ 5,954,020	\$ 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	39.41%	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%	99.07%	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 Seven Fiscal Years \***

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**Local Government Employees' Retirement System**

	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Contractually required contribution	\$ 556,270	\$ 477,379	\$ 463,801	\$ 431,144	\$ 379,152	\$ 378,618	\$ 364,574
Contributions in relation to the contractually required contribution	<u>556,270</u>	<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>	<u>\$ -</u>
Rockingham's covered-employee payroll	\$6,034,380	\$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	9.22%	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 Six Fiscal Years \***

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**Firefighters' and Rescue Squad Workers' Pension**

	<u>2020</u>	<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%	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>36,621</u>	<u>33,240</u>	<u>27,431</u>	<u>23,775</u>	<u>23,602</u>	<u>16,874</u>
Total	<u>\$ 36,621</u>	<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	\$612,703	\$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	5.98%	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%	92.76%

\* The amounts presented for the fiscal year ending June 30, 2020 were determined as of June 30, 2019.

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**JUNE 30, 2020, 2019, 2018 and 2017**

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,060,582	\$ 1,032,330	\$ 926,798	\$ 899,188
Service cost	49,223	54,934	45,807	49,997
Interest on the total pension liability	38,217	32,220	35,284	31,647
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience				
in the measurement of the total pension liability	(52,192)	17,807	(21,862)	-
Changes of assumptions or other inputs	38,855	(51,286)	71,726	(28,611)
Benefits payments	(21,323)	(25,423)	(25,423)	(25,423)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 1,113,362</u>	<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, 2020, 2019, 2018 and 2017**

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	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Total pension liability	\$ 1,113,362	\$ 1,060,582	\$ 1,032,330	\$ 926,798
Covered Payroll	1,623,881	1,630,750	1,589,292	1,657,165
Total pension liability as a percentage of covered payroll	68.56%	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, 2020, 2019 and 2018**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service cost	167,618	174,425	190,572
Interest	136,295	123,176	104,882
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(166,219)	(20,765)	(19,438)
Changes of assumptions	70,065	(121,101)	(202,836)
Benefit payments	(122,955)	(101,354)	(94,116)
<b>Net change in total OPEB liability</b>	<u>84,804</u>	<u>54,381</u>	<u>(20,936)</u>
<b>Total OPEB liability - beginning</b>	<u>3,564,622</u>	<u>3,510,241</u>	<u>3,531,177</u>
<b>Total OPEB liability - ending</b>	<u>3,649,426</u>	<u>3,564,622</u>	<u>3,510,241</u>
 <b>Covered payroll</b>	 5,270,192	 5,152,775	 5,152,775
<b>Total OPEB liability as a percentage of covered payroll</b>	69.25%	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>
2020	3.50%



**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.

***Capital Project 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 Community Foundation.

	2020		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 3,230,567	\$ -
Prior years	-	26,757	-
Penalties and interest	-	17,971	-
Total	<u>3,341,507</u>	<u>3,275,295</u>	<u>(66,212)</u>
Other taxes and licenses			
Motor vehicle licenses	-	32,245	-
Gross receipts tax on short-term rental property	-	30,717	-
Privilege licenses	-	1,009	-
Total	<u>59,300</u>	<u>63,971</u>	<u>4,671</u>
Unrestricted intergovernmental revenues			
Local option sales tax	-	1,687,992	-
Hold Harmless	-	569,033	-
Payments in lieu of taxes - outside sources	-	11,795	-
Telecommunications sales tax	-	119,784	-
Utilities sales tax	-	645,346	-
Piped natural gas sales tax	-	31,322	-
Video franchise fees	-	97,163	-
Beer and wine tax	-	39,135	-
ABC profit distribution	-	267,631	-
Total	<u>3,525,900</u>	<u>3,469,201</u>	<u>(56,699)</u>
Restricted intergovernmental revenue			
Powell Bill allocation	-	257,132	-
Controlled Substance tax	-	3,777	-
County contributions	-	67,873	-
State and federal grants	-	32,995	-
Drug asset forfeitures	-	8,465	-
On-behalf of payments - Fire	-	38,298	-
Solid waste disposal tax	-	6,886	-
Total	<u>402,840</u>	<u>415,426</u>	<u>12,586</u>
Permits and fees			
Building permits and rezoning fees	<u>80,000</u>	<u>70,974</u>	<u>(9,026)</u>

	2020		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues (continued)			
Sales and services			
Garbage fees	-	668,810	-
Fire protection fees	-	35,577	-
Recreation department revenues	-	32,900	-
Rents	-	12,790	-
Total	<u>809,300</u>	<u>750,077</u>	<u>(59,223)</u>
Investment earnings	<u>60,000</u>	<u>64,285</u>	<u>4,285</u>
Miscellaneous			
Contribution from Community Theater	-	9,500	-
Arrest and witness fees	-	1,097	-
Tourism reimbursement	-	93,770	-
Sale of fixed assets	-	9,000	-
Other general revenues	-	51,502	-
Total	<u>134,500</u>	<u>164,869</u>	<u>30,369</u>
Total revenues	<u>8,413,347</u>	<u>8,274,098</u>	<u>(139,249)</u>
Expenditures			
General government			
Governing body			
Salaries and employees benefits	-	137,512	-
Professional services	-	57,079	-
Other operating expenditures	-	16,473	-
Contributions	-	64,000	-
Total	<u>304,744</u>	<u>275,064</u>	<u>29,680</u>
Administration			
Salaries and employees benefits	-	423,350	-
Other operating expenditures	-	49,186	-
Total	<u>493,049</u>	<u>472,536</u>	<u>20,513</u>

	2020		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
General government (continued)			
Finance			
Salaries and employees benefits	-	374,427	-
Vehicle tax collection fees	-	12,100	-
Other operating expenditures	-	33,812	-
Total	<u>449,025</u>	<u>420,339</u>	<u>28,686</u>
Public buildings and grounds			
Salaries and employees benefits	-	203,069	-
Contracted services	-	107,234	-
Other operating expenditures	-	98,687	-
Capital outlay	-	87,015	-
Total	<u>599,598</u>	<u>496,005</u>	<u>103,593</u>
Cemeteries			
Salaries and employees benefits	-	104,350	-
Other operating expenditures	-	15,858	-
Capital outlay	-	7,738	-
Total	<u>138,937</u>	<u>127,946</u>	<u>10,991</u>
General and administrative			
Salaries and employees benefits	-	5,161	-
Contracted services	-	15,384	-
Other operating expenditures	-	384,718	-
	<u>473,850</u>	<u>405,263</u>	<u>68,587</u>
Total general government	<u>2,459,203</u>	<u>2,197,153</u>	<u>262,050</u>
Public safety			
Police department			
Salaries and employees benefits	-	2,548,085	-
Other operating expenditures	-	426,011	-
Capital outlay	-	144,456	-
Total	<u>3,339,322</u>	<u>3,118,552</u>	<u>220,770</u>

	2020		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Public safety (continued)			
Fire department			
Salaries and employees benefits	-	983,914	-
Other operating expenditures	-	149,962	-
On-behalf payments	-	38,298	-
Capital outlay	-	6,286	-
Total	<u>1,218,989</u>	<u>1,178,460</u>	<u>40,529</u>
Planning and inspections			
Salaries and employees benefits	-	301,267	-
Other operating expenditures	-	57,331	-
Total	<u>380,316</u>	<u>358,598</u>	<u>21,718</u>
Total public safety	<u>4,938,627</u>	<u>4,655,610</u>	<u>283,017</u>
Transportation			
Maintenance shop			
Salaries and employees benefits	-	109,078	-
Other operating expenditures	-	19,773	-
Total	<u>147,528</u>	<u>128,851</u>	<u>18,677</u>
Streets - regular			
Salaries and employees benefits	-	248,352	-
Other operating expenditures	-	40,659	-
Total	<u>313,711</u>	<u>289,011</u>	<u>24,700</u>
Streets - Powell Bill			
Salaries and employees benefits	-	190,882	-
Other operating expenditures	-	37,613	-
Total	<u>550,503</u>	<u>228,495</u>	<u>322,008</u>
Total transportation	<u>1,011,742</u>	<u>646,357</u>	<u>365,385</u>

	2020		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Environmental protection			
Sanitation			
Salaries and employees benefits	-	847,661	-
Landfill disposal charges	-	757	-
Other operating expenditures	-	159,996	-
Capital outlay	-	362,480	-
Total environmental protection	<u>1,419,398</u>	<u>1,370,894</u>	<u>48,504</u>
Cultural and recreational			
Recreation			
Salaries and employees benefits	-	285,802	-
Contracted services	-	14,595	-
Other operating expenditures	-	176,477	-
Total	<u>572,917</u>	<u>476,874</u>	<u>96,043</u>
Cultural and library			
Salaries and employees benefits	-	12,000	-
Other operating expenditures	-	13,763	-
Total	<u>33,347</u>	<u>25,763</u>	<u>7,584</u>
Tourism			
Salaries and employees benefits	-	92,967	-
Other operating expenditures	-	3,028	-
Total	<u>102,112</u>	<u>95,995</u>	<u>6,117</u>
Total cultural and recreational	<u>708,376</u>	<u>598,632</u>	<u>109,744</u>
Debt service			
Principal retirement	126,630	126,630	-
Interest and other charges	<u>43,493</u>	<u>43,493</u>	-
Total debt service	<u>170,123</u>	<u>170,123</u>	-
Total expenditures	<u>10,707,469</u>	<u>9,638,769</u>	<u>1,068,700</u>

	2020		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Revenues over (under) expenditures	(2,294,122)	(1,364,671)	929,451
Other financing sources			
Loan proceeds	362,480	362,480	-
Transfer from Enterprise fund	<u>1,138,271</u>	<u>1,138,271</u>	-
	<u>1,500,751</u>	<u>1,500,751</u>	-
Revenues and other financing sources over (under) expenditures	(793,371)	136,080	929,451
Appropriated fund balance	<u>793,371</u>	<u>-</u>	<u>(793,371)</u>
Net change in fund balance	<u>\$ -</u>	136,080	<u>\$ 136,080</u>
Fund balance			
Beginning of year, July 1		<u>4,673,816</u>	
End of year, June 30		<u>\$ 4,809,896</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, 2020**

**Exhibit A-2**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Restricted intergovernmental revenues			
Incentive loan repayments	\$ 30,230	\$ 29,199	\$ (1,031)
Rental income	30,000	32,500	2,500
Miscellaneous revenue	-	10,900	10,900
Investment earnings	<u>180</u>	<u>1,862</u>	<u>1,682</u>
Total revenues	<u>60,410</u>	<u>74,461</u>	<u>14,051</u>
Expenditures			
Current			
Economic and physical development			
CDBG activities	1,590	1,559	31
Recreation facilities	50,000	-	50,000
Professional services	100,000	-	100,000
Facade improvement loans	125,000	-	125,000
Industrial incentive loans (capital outlay)	379,304	137,866	241,438
Commercial incentive loans	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total expenditures	<u>730,894</u>	<u>139,425</u>	<u>591,469</u>
Revenues over expenditures	<u>\$ (670,484)</u>	<u>\$ (64,964)</u>	<u>\$ 605,520</u>
Appropriated fund balance	<u>670,484</u>	<u>-</u>	<u>(670,484)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures	<u>\$ 670,484</u>	<u>(64,964)</u>	<u>\$ (670,484)</u>
Fund balance			
Beginning of year, July 1		<u>660,545</u>	
End of year, June 30		<u>\$ 595,581</u>	

## CAPITAL PROJECT 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, 2020

	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	1,602,500	700,000	2,302,500	(1,925,000)
Richmond Community Foundation	4,227,500	1,602,500	700,000	2,302,500	(1,925,000)
Levine Foundation	1,000,000	-	200,000	200,000	(800,000)
RCC Bond Funds	1,000,000	500,000	-	500,000	(500,000)
Cannon Foundation	100,000	-	-	-	(100,000)
Total revenues	10,649,340	3,799,340	1,600,000	5,399,340	(5,250,000)
Expenditures					
Economic Development					
Construction	13,007,035	5,150,657	6,259,033	11,409,690	1,597,345
Contingency	173,522	-	-	-	173,522
Total expenditures	13,180,557	5,150,657	6,259,033	11,409,690	1,770,867
Revenues (under) expenditures	<u>\$ (2,531,217)</u>	<u>\$ (1,351,317)</u>	<u>\$ (4,659,033)</u>	<u>\$ (6,010,350)</u>	<u>\$ (7,020,867)</u>
Other financing sources					
USDA loan proceeds	2,531,217	3,637,173	4,113,827	7,751,000	5,219,783
Total financing sources	2,531,217	3,637,173	4,113,827	7,751,000	5,219,783
Net change in fund balance	-	2,285,856	(545,206)	1,740,650	(545,206)
Fund balance					
Beginning of year, July 1			2,285,856		
End of year, June 30			<u>\$ 1,740,650</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, 2020**

**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

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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.

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***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, 2020**

**Exhibit C-1**  
**Page 1 of 3**

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for services			
Water and sewer charges	\$ 6,900,000	\$ 6,563,413	\$ (336,587)
Water and sewer taps	12,000	12,608	608
Total charges for services	6,912,000	6,576,021	(335,979)
Other operating revenues	51,000	39,829	(11,171)
Total operating revenues	6,963,000	6,615,850	(347,150)
Nonoperating revenues			
Interest earned on investments	38,000	37,419	(581)
Miscellaneous	8,000	5,131	(2,869)
Total nonoperating revenues	46,000	42,550	(3,450)
Total revenues	7,009,000	6,658,400	(350,600)
Expenditures			
Administration			
Salaries and employees benefits	-	378,450	-
Supplies	-	5,767	-
Other operating expenditures	-	102,723	-
Professional services	-	120,110	-
Total	613,052	607,050	6,002
Maintenance			
Salaries and employees benefits	-	692,250	-
Supplies	-	75,550	-
Other operating expenditures	-	80,256	-
Professional services	-	139,454	-
Total	1,013,587	987,510	26,077
Water plant			
Salaries and employees benefits	-	356,674	-
Chemicals and supplies	-	140,829	-
Water purchases	-	152,277	-
Utilities	-	196,396	-
Other operating expenditures	-	43,123	-
Professional services	-	21,479	-
Total	1,113,621	910,778	202,843

**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, 2020**

**Exhibit C-1**  
**Page 2 of 3**

	Budget	Actual	Variance Positive (Negative)
Expenditures (continued)			
Sewer plant			
Salaries and employees benefits	-	513,229	-
Chemicals and supplies	-	1,064,833	-
Utilities	-	533,374	-
Other operating expenditures	-	185,100	-
Professional services	-	287,217	-
Total	<u>2,702,444</u>	<u>2,583,753</u>	<u>118,691</u>
Capital outlay			
Administration	350,000	334,974	-
Maintenance	221,000	191,723	
Water	171,700	204,684	
Sewer plant	<u>593,762</u>	<u>509,475</u>	<u>-</u>
Total	<u>1,336,462</u>	<u>1,240,856</u>	<u>95,606</u>
Total expenditures	<u>6,779,166</u>	<u>6,329,947</u>	<u>449,219</u>
Revenues over expenditures	<u>229,834</u>	<u>328,453</u>	<u>98,619</u>
Other financing sources (uses)			
Transfer to General Fund	<u>(1,138,271)</u>	<u>(1,138,271)</u>	<u>-</u>
Total other financing (uses)	<u>(1,138,271)</u>	<u>(1,138,271)</u>	<u>-</u>
Revenues and other financing sources (under) expenditures	<u>(908,437)</u>	<u>(809,818)</u>	<u>98,619</u>
Appropriated fund balance	<u>908,437</u>	<u>-</u>	<u>(908,437)</u>
Revenues, other financing sources and appropriated fund balance (under) expenditures	<u>\$ -</u>	<u>\$ (809,818)</u>	<u>\$ (809,818)</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, 2020**

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**Exhibit C-1**  
**Page 3 of 3**

Reconciliation from budgetary basis  
(modified accrual) to full accrual

Revenues and other financing sources  
(under) expenditures (prior page) \$ (809,818)

Reconciling items:

Capital outlay	1,240,855
Depreciation	(1,094,948)
(Increase) in accrued leave time	(22,308)
Increase (Decrease) in deferred outflows of resources for pensions	(57,858)
Increase (Decrease) in deferred outflows of resources for OPEB	12,306
(Increase) Decrease in net pension liabilities	(36,431)
(Increase) Decrease in OPEB liabilities	(16,961)
(Increase) Decrease in deferred inflows of resources for pensions	(2,156)
(Increase) Decrease in deferred inflows of resources for OPEB	<u>(20,080)</u>

Total reconciling items 2,419

Change in net position - Exhibit 8 \$ (807,399)



## Other Schedules

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This section includes additional information on property taxes.

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- *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, 2020**

**Exhibit D-1**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 3,283,070	\$ 3,262,812	20,257
2018-2019	18,990	-	9,082	9,908
2017-2018	13,697	-	4,604	9,093
2016-2017	9,313	-	2,085	7,227
2015-2016	8,951	-	1,413	7,538
2014-2015	8,706	-	1,166	7,541
2013-2014	14,170	-	1,054	13,116
2012-2013	15,081	-	1,039	14,042
2011-2012	10,889	-	873	10,016
2010-2011	10,508	-	773	9,735
2009-2010	9,801	-	9,801	-
2008-2009	4,568	-	4,568	-
	<u>\$ 124,674</u>	<u>\$ 3,283,070</u>	<u>\$ 3,299,270</u>	<u>\$ 108,473</u>
Less: Allowance for uncollectible accounts General Fund				<u>50,000</u>
Ad valorem taxes receivable - net				<u>\$ 58,473</u>
Reconcilement with revenues Ad valorem taxes - General Fund				<u>\$ 3,275,295</u>
Reconciling items:				
Interest collected				(17,971)
Releases/adjustments				27,577
Taxes written off				<u>14,369</u>
				<u>23,975</u>
Total collections and credits				<u>\$ 3,299,270</u>

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**CITY-WIDE LEVY**  
**For the Fiscal Year Ended June 30, 2020**

**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	\$ 657,949,167	\$ 0.48	\$ 3,158,156	\$ 2,835,133	\$ 323,023
Penalties	-		1,653	1,653	-
Total	<u>657,949,167</u>		<u>3,159,809</u>	<u>2,836,786</u>	<u>323,023</u>
Discoveries:					
Current year taxes	<u>26,997,500</u>	0.48	<u>129,588</u>	<u>129,588</u>	<u>-</u>
Abatements:					
Current year taxes	<u>(2,350,833)</u>	0.48	<u>(11,284)</u>	<u>(6,327)</u>	<u>-</u>
Total property valuation	<u>\$ 682,595,833</u>				
Net levy			3,283,070	2,960,047	323,023
Uncollected taxes at June 30, 2020			<u>20,257</u>	<u>20,257</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,262,813</u>	<u>\$ 2,939,790</u>	<u>\$ 323,023</u>
Current levy collection percentage			<u>99.38%</u>	<u>99.32%</u>	<u>100.00%</u>

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**PRINCIPAL TAXPAYERS (UNAUDITED)**  
**June 30, 2020**

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**Exhibit D-3**

<u>Taxpayer</u>	<u>Business</u>	2019 Assessed <u>Valuation</u>	Percentage of Total Assessed <u>Valuation</u>
Perdue Foods, Inc.	Food processing	\$ 26,571,522	4.04%
Wal Mart Real Estate Business	Real Estate & Retail	14,440,295	2.19%
Duke Energy Progress	Utility	12,353,231	1.88%
Tri City, Inc.	Real estate development	8,524,004	1.30%
Piedmont Natural Gas Co., Inc.	Utility	8,518,656	1.29%
Tri City Rockingham LLC	Commercial real estate	7,537,779	1.15%
LIDL US Operations, LLC	Grocery	5,670,970	0.86%
Triledo Investment LLC	Retail	5,422,172	0.82%
Staywell Hotels, Inc	Hospitality	4,547,911	0.69%
Green Rock Investments, Inc	Investments	<u>4,453,069</u>	<u>0.68%</u>
 TOTAL		 <u>\$ 98,039,609</u>	 <u>14.90%</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, 2020, 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 21, 2020. 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 21, 2020

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 Compliance for Each Major Federal Program; Report on Internal Control Over Compliance;  
with OMB Uniform Guidance  
and the State Single Audit Implementation Act

### **Independent Auditor's Report**

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

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Rockingham, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect<sup>1</sup> on each of the City of Rockingham's major federal programs for the year ended June 30, 2020. The City of Rockingham's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Rockingham's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rockingham's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Rockingham's compliance.



## Opinion on Each Major Federal Program

In our opinion, the City of Rockingham complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## Report on Internal Control Over Compliance

Management of the City of Rockingham is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Rockingham's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rockingham, NC  
October 21, 2020

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**SCHEDULE OF QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2020**

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**Section I - Summary of Auditors' Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified *None Reported*

Noncompliance material to financial statements noted? *No*

**Federal Awards**

Internal control over major Federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified *None Reported*

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? *No*

Identification of major Federal program:

<u>CFDA Numbers</u>	<u>Names of Federal Program</u>
10.766	USDA-Communities Facilities Loans and Grants

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

Auditee qualified as low-risk auditee? *No*

**Section II – Federal Award Findings and Questioned Costs**

None reported

**Section III – State Award Findings and Questioned Costs**

None reported

**CITY OF ROCKINGHAM, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<b>Grantor/Pass-through Grantor/Program title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Federal Direct &amp; - Pass-through Expenditures</b>	<b>State Expenditures</b>	<b>Local Expenditures</b>
<u>U.S. Department of Agriculture</u> Communities Facilities Loans and Grants	10.766		4,659,033	-	-
<u>U.S. Department of Justice</u> Edward Byrne Memorial Justice Assistance Grant Program	16.738		22,893	-	-
<b>Total assistance federal programs</b>			<u>4,681,926</u>	<u>-</u>	<u>-</u>
<b>STATE GRANTS</b>					
<u>N.C. Department of Transportation</u> Powell Bill	N/A	9.9000	-	228,496	-
<u>N.C. Department of Public Safety</u> North Carolina Department of Transportation Governors Highway Safety Program	N/A	22019.6.16	-	5,992	-
<b>Total assistance state programs</b>			<u>-</u>	<u>234,488</u>	<u>-</u>
<b>Total assistance</b>			<u>\$ 4,681,926</u>	<u>\$ 234,488</u>	<u>\$ -</u>

**Notes to the Schedule of Expenditures of Federal and State Financial Awards:**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Rockingham under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The informaton in this SEFSA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the City of Rockingham, it is not intended to and does not present the financials position, changes in net position or cash flows of the City of Rockingham.

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Rockingham has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.