

TOWN OF ROCKWELL, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2020

TOWN OF ROCKWELL, NORTH CAROLINA

TOWN BOARD MEMBERS

Beauford Taylor- Mayor

Chuck Bowman

Justin Crews

Lizz Johnson

Stephenie Walker

Chris Cranford - Mayor Pro-Tem

OFFICIALS

Marlene Dunn

Town Clerk/Finance Officer

Cherie Lefler

Deputy Clerk

TOWN OF ROCKWELL, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Rockwell, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rockwell, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Rockwell
Page Two

entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of China Grove, North Carolina as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General 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 4 through 14, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 42 and 43, respectively, and 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 44 and 45 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and
Members of the Board of Aldermen
Town of China Grove
Page Three

Supplementary and Other Information

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

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

A handwritten signature in black ink, reading "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina
January 5, 2021

Management's Discussion and Analysis

June 30, 2020

As management of the Town of Rockwell (the "Town"), we offer readers of the Town of Rockwell's financial statements this narrative overview and analysis of the financial activities of the Town of Rockwell 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 Town's financial statements, which follow this narrative.

Financial Highlights

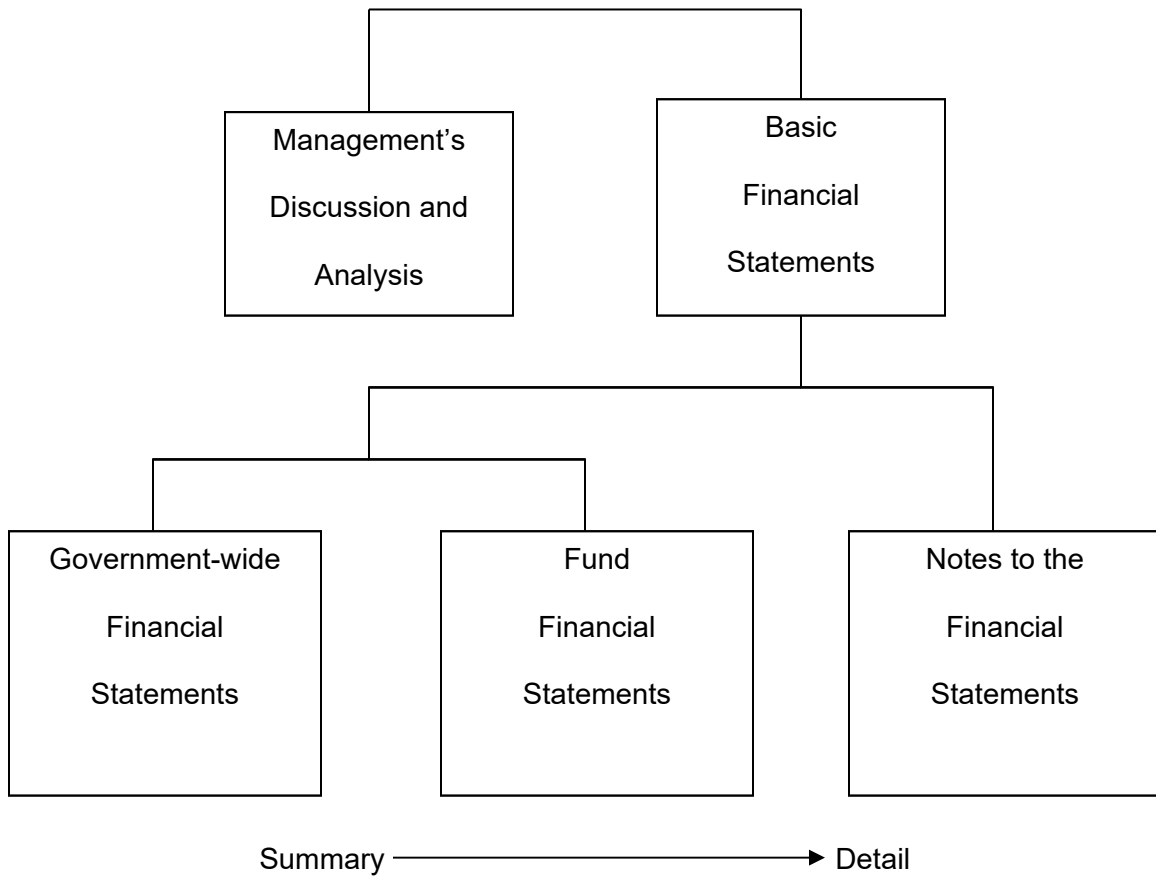
- The assets and deferred outflows of resources of the Town of Rockwell exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,417,345 (net position).
- The government's total net position increased by \$176,320 primarily due to increases in the governmental-type activities net position.
- As of the close of the current fiscal year, the Town of Rockwell's governmental funds reported combined ending fund balances of \$2,349,200 with a net change of \$108,683 in fund balance. Approximately 28.00 percent of this total amount or \$656,858 is restricted and assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,692,342 or 106.63 percent of total general fund expenditures for the fiscal year.
- The Town of Rockwell's total debt decreased by \$56,961 during the current fiscal year. The key factors in this decrease were due to payments on the debt of a fire truck and leased copier. Compensated absences and pension liabilities for the LGERS plan and LEO plan increased by \$54,281.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Management Discussion and Analysis

Town of Rockwell

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 Town's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison 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 Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Analysis

The government-wide financial statements are designed to provide the reader with a broad overview of the Town'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 Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town'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 Town's financial condition.

The government-wide statements include one category-governmental activity. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town'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 Town of Rockwell, 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 Town's budget ordinance. All of the funds of Town of Rockwell can be divided into one category: governmental funds.

Management Discussion and Analysis

Town of Rockwell

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town'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* that 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 Town'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 Town of Rockwell 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 Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town 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.

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 22-41 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Rockwell's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 42 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Management Discussion and Analysis
Town of Rockwell

Government-Wide Financial Analysis

The Town of Rockwell's Net Position
Figure 2

Current and other assets	\$ 2,415,589	\$ 2,287,093	\$ 2,415,589	\$ 2,287,093
Capital assets	1,451,280	1,412,422	1,451,280	1,412,422
Deferred outflows of resources	130,459	113,823	130,459	113,823
Total assets and deferred outflows of resources	<u>3,997,328</u>	<u>3,813,338</u>	<u>3,997,328</u>	<u>3,813,338</u>
Long-term liabilities outstanding	440,974	444,755	440,974	444,755
Other liabilities	133,919	120,216	133,919	120,216
Deferred inflows of resources	5,090	7,342	5,090	7,342
Total liabilities and deferred inflows of resources	<u>579,983</u>	<u>572,313</u>	<u>579,983</u>	<u>572,313</u>
Net position:				
Net investment in capital assets	1,219,762	1,124,697	1,219,762	1,124,697
Restricted	376,348	360,389	376,348	360,389
Unrestricted	1,821,235	1,755,939	1,821,235	1,755,939
Total net position	<u>\$ 3,417,345</u>	<u>\$ 3,241,025</u>	<u>\$ 3,417,345</u>	<u>\$ 3,241,025</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Rockwell exceeded liabilities and deferred inflows by \$3,417,345 as of June 30, 2020. The Town's net position increased by \$176,320 for the fiscal year ended June 30, 2020. However, the largest portion 35.69% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Rockwell uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Rockwell's net investment in its 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 Town of Rockwell's net position of \$376,348 or 11.01% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,821,235 or 53.30% is unrestricted.

Management Discussion and Analysis
Town of Rockwell

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

1. State revenues such as Local Option Sales Tax were once again on the rise this budget year.
2. Zoning fee collection was up considerably due to permits for Alexander Glen Subdivision and various zoning requests.
3. Rowan County's handling of billing and collection of Town property taxes have continued to assist in a positive growth rate.
4. The collection of vehicle taxes through NCDMV has continued to reflect an excellent collection rate.
5. Garbage revenue was up with the addition of residents moving in Alexander Glen Subdivision.

Management Discussion and Analysis
Town of Rockwell

Town of Rockwell's Changes in Net Position
 Figure 3

	Governmental Activities 2020	Governmental Activities 2019	Total 2020	Total 2019
Revenues:				
Program revenues:				
Charges for services	\$ 9,950	\$ 9,410	\$ 9,950	\$ 9,410
Operating grants and contributions	67,353	61,144	67,353	61,144
General revenues:				
Property taxes	860,812	769,829	860,812	769,829
Grants and contributions not restricted to specific programs	673,767	652,953	673,767	652,953
Unrestricted investment earnings	8,526	8,627	8,526	8,627
Other	82,798	75,651	82,798	75,651
Total revenues	<u>1,703,206</u>	<u>1,577,614</u>	<u>1,703,206</u>	<u>1,577,614</u>
Expenses:				
General government	410,868	378,058	410,868	378,058
Public safety	765,119	720,863	765,119	720,863
Transportation	190,665	236,378	190,665	236,378
Environmental protection	118,312	110,189	118,312	110,189
Cultural and recreational	17,269	17,091	17,269	17,091
Planning	17,569	17,195	17,569	17,195
Interest on long-term debt	7,084	7,206	7,084	7,206
Total expenses	<u>1,526,886</u>	<u>1,486,980</u>	<u>1,526,886</u>	<u>1,486,980</u>
Increase in net position	176,320	90,634	176,320	90,634
Net position, beginning,	<u>3,241,025</u>	<u>3,150,391</u>	<u>3,241,025</u>	<u>3,150,391</u>
Net position, June 30	<u>\$ 3,417,345</u>	<u>\$ 3,241,025</u>	<u>\$ 3,417,345</u>	<u>\$ 3,241,025</u>

Management Discussion and Analysis Town of Rockwell

Governmental activities. Governmental activities increased the Town net position by \$176,320. Key element of this increase are as follows:

Property and vehicle tax collections were up some from the previous year, Sales and Use Tax showed an increase, Alcohol Beverage Tax collection was up, Zoning Permits were on the rise due to a new housing development in the Town, Garbage fees increased due to new residents in Alexander Glen.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Rockwell's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Rockwell'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 Town of Rockwell. At the end of the current fiscal year, Town of Rockwell's fund balance available in the General Funds was \$1,692,342, while total fund balance reached \$2,290,824. The Town currently has an available fund balance of 106.63 percent of total general fund expenditures.

At June 30, 2020, the governmental funds of the Town of Rockwell reported a combined fund balance of \$2,349,200 a 4.85 percent increase over last year.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget. 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. Department Heads always try and work within the proposed budget.

Management Discussion and Analysis
Town of Rockwell

Capital Asset and Debt Administration

Capital assets. The Town of Rockwell's investment in capital assets for its governmental activities as of June 30, 2020, totals \$1,451,280 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions and deletions:

- Additions of equipment and a vehicle in the transportation department and an addition of a vehicle in the police department and the start of a building for the police department shown as construction in progress.

**Town of Rockwell's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Governmental Activities		Total	
	2020		2019		2020	
Land	\$	389,669	\$	389,669	\$	389,669
Buildings and systems		353,403		285,907		285,907
Improvements other than buildings		18,994		20,507		20,507
Machinery and equipment		43,541		47,135		47,135
Vehicles and motorized equipment		645,673		669,204		669,204
Total	\$	1,451,280	\$	1,412,422	\$	1,451,280

Additional information on the Town's capital assets can be found in note III.A.4 of the Basic Financial Statements.

Management Discussion and Analysis
Town of Rockwell

Long-Term Debt. As of June 30, 2020, the Town of Rockwell had total loans outstanding of \$231,518.

Outstanding Debt
Town of Rockwell's Outstanding Debt

Figure 5

	Governmental Activities		Total	
	2020	2019	2020	2019
Lease purchase fire truck	\$ 228,419	\$ 282,012	\$ 228,419	\$ 282,012
Lease purchase copier	3,099	5,713	3,099	5,713
Compensated absences	23,041	23,795	23,041	23,795
Net pension liability (LGERs)	129,446	84,930	129,446	84,930
Total pension liability (LEO)	138,072	128,307	138,072	128,307
Total	\$ 522,077	\$ 524,757	\$ 522,077	\$ 524,757

The Town of Rockwell's total debt decreased by \$56,961 during the year primarily due to payments on debt for a fire truck and leased copier, while compensated absences increased, as well as an increase in the net pension liability for the LGERs plan and an increase in the total pension liability for the LEO plan occurred. The legal debt margin for the Town of Rockwell is \$14,903,050.

Additional information regarding the Town of Rockwell's long-term debt can be found in Note III.B.6a of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

1. Property and Vehicle Tax
2. State Revenues
3. Growth due to new residents in Alexander Glen Subdivision

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

The Department Heads watch their prospective budgets very closely and have shown conservative purchasing of supplies. Every effort was made to stay within their original budgeted amounts.

Requests for Information

This report is designed to provide an overview of the Town'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 Marlene Dunn, Town Clerk/Treasurer, Town of Rockwell, PO Box 506, Rockwell, NC 28138-0506.

TOWN OF ROCKWELL, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020

Exhibit 1

Assets	Governmental Activities	Total
Current assets:		
Cash and cash equivalents	\$ 2,018,583	\$ 2,018,583
Taxes receivable (net)	16,434	16,434
Accrued interest receivable on taxes	4,224	4,224
Accounts receivable (net)	32,612	32,612
Due from other governments	152,609	152,609
Restricted cash and cash equivalents	191,127	191,127
	<u>2,415,589</u>	<u>2,415,589</u>
Total current assets		
Noncurrent assets:		
Capital assets:		
Land and non-depreciable improvements	389,669	389,669
Other capital assets, net of depreciation	1,061,611	1,061,611
	<u>1,451,280</u>	<u>1,451,280</u>
Total capital assets		
Total assets	<u>3,866,869</u>	<u>3,866,869</u>
Deferred Outflows of Resources		
Pension deferrals	130,459	130,459
	<u>130,459</u>	<u>130,459</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	45,731	45,731
Accrued interest payable	7,085	7,085
Current portion of long-term liabilities	81,103	81,103
	<u>133,919</u>	<u>133,919</u>
Total current liabilities		
Long-term liabilities:		
Net pension liability	129,446	129,446
Total pension liability	138,072	138,072
Due in more than one year	173,456	173,456
	<u>440,974</u>	<u>440,974</u>
Total long-term liabilities		
Total liabilities	<u>574,893</u>	<u>574,893</u>
Deferred Inflow of Resources		
Pension deferrals	5,090	5,090
	<u>5,090</u>	<u>5,090</u>
Total deferred inflows of resources		
	<u>5,090</u>	<u>5,090</u>
Net Position		
Net investment in capital assets	1,219,762	1,219,762
Restricted for:		
Stabilization by State Statute	185,221	185,221
Other purposes	191,127	191,127
Unrestricted	1,821,235	1,821,235
	<u>1,821,235</u>	<u>1,821,235</u>
Total net position	<u>\$ 3,417,345</u>	<u>\$ 3,417,345</u>

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

TOWN OF ROCKWELL, 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	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	410,868	\$ 9,950	\$ -	\$ -	\$ (400,918)	\$ (400,918)
Public safety	765,119	-	6,505	-	(758,614)	(758,614)
Transportation	190,665	-	59,203	-	(131,462)	(131,462)
Environmental protection	118,312	-	1,645	-	(116,667)	(116,667)
Cultural and recreational	17,269	-	-	-	(17,269)	(17,269)
Planning	17,569	-	-	-	(17,569)	(17,569)
Interest on long-term debt	7,084	-	-	-	(7,084)	(7,084)
 Total governmental activities (See Note 1)	 \$ 1,526,886	 \$ 9,950	 \$ 67,353	 \$ -	 (1,449,583)	 (1,449,583)
General revenues:						
Taxes:						
Property taxes, levied for general purpose					860,812	860,812
Grants and contributions not restricted to specific programs					673,767	673,767
Unrestricted investment earnings					8,526	8,526
Miscellaneous					82,798	82,798
Total general revenues					1,625,903	1,625,903
Change in net position					176,320	176,320
Net position, beginning					3,241,025	3,241,025
Net position, ending					\$ 3,417,345	\$ 3,417,345

TOWN OF ROCKWELL, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

Exhibit 3

	<u>Major</u>	<u>Non-major</u>	
	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 2,018,583	\$ -	\$ 2,018,583
Restricted cash	132,751	58,376	191,127
Receivables, net:			
Taxes	16,434	-	16,434
Accounts	32,612	-	32,612
Due from other governments	152,609	-	152,609
Total assets	<u>2,352,989</u>	<u>58,376</u>	<u>2,411,365</u>
Liabilities:			
Accounts payable and accrued liabilities	45,731	-	45,731
Total liabilities	<u>45,731</u>	<u>-</u>	<u>45,731</u>
Deferred Inflows of Resources:			
Property taxes receivable	16,434	-	16,434
Total deferred inflows of resources	<u>16,434</u>	<u>-</u>	<u>16,434</u>
Fund balances:			
Restricted			
Stabilization by State Statute	185,221	-	185,221
Streets	131,335	-	131,335
Drug Enforcement	1,416	-	1,416
Capital Reserve	-	58,376	58,376
Assigned			
Subsequent year's expenditures	280,510	-	280,510
Unassigned	1,692,342	-	1,692,342
Total fund balances	<u>2,290,824</u>	<u>58,376</u>	<u>2,349,200</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,352,989</u>	<u>\$ 58,376</u>	<u>\$ 2,411,365</u>

TOWN OF ROCKWELL, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

Exhibit 3
(cont)

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 2,349,200
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	3,357,302	
Accumulated depreciation	<u>(1,906,022)</u>	1,451,280
Deferred outflows of resources related to pensions are not reported in funds		130,459
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds.		4,224
Earned revenues considered deferred inflows of resources in fund statements.		16,434
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(254,559)	
Net pension liability	(129,446)	
Total pension liability	<u>(138,072)</u>	(522,077)
Deferred inflows of resources related to pensions are not reported in the funds		(5,090)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(7,085)</u>
Net position of governmental activities		<u><u>\$ 3,417,345</u></u>

TOWN OF ROCKWELL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

Exhibit 4

		Capital	Total
	General Fund	Reserve Fund	Governmental Funds
Revenues:			
Ad valorem taxes	\$ 853,460	\$ -	\$ 853,460
Other taxes and licenses	9,950	-	9,950
Unrestricted intergovernmental	673,767	-	673,767
Restricted intergovernmental	67,353	-	67,353
Investment earnings	8,195	331	8,526
Miscellaneous	76,132	-	76,132
Total revenues	<u>1,688,857</u>	<u>331</u>	<u>1,689,188</u>
Expenditures:			
Current:			
General government	398,228	-	398,228
Public safety	763,990	-	763,990
Transportation	210,700	-	210,700
Environmental protection	118,312	-	118,312
Cultural and recreational	14,962	-	14,962
Planning	17,569	-	17,569
Debt service:			
Principal	56,206	-	56,206
Interest and other charges	7,204	-	7,204
Total expenditures	<u>1,587,171</u>	<u>-</u>	<u>1,587,171</u>
Excess (deficiency) of revenues over expenditures	<u>101,686</u>	<u>331</u>	<u>102,017</u>
Other financing sources (uses)			
Transfer from capital project-capital reserve fund	46,346	-	46,346
Transfer to capital project-capital reserve fund	(7,211)	-	(7,211)
Transfer from general fund	-	7,211	7,211
Transfer to general fund	-	(46,346)	(46,346)
Sale of assets	6,666	-	6,666
Total other financing sources (uses)	<u>45,801</u>	<u>(39,135)</u>	<u>6,666</u>
Net change in fund balances	147,487	(38,804)	108,683
Fund balances, beginning	<u>2,143,337</u>	<u>97,180</u>	<u>2,240,517</u>
Fund balances, ending	<u>\$ 2,290,824</u>	<u>\$ 58,376</u>	<u>\$ 2,349,200</u>

TOWN OF ROCKWELL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

Exhibit 4
(cont)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances- total governmental funds	\$	108,683
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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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 173,035	
Depreciation expense for governmental assets	<u>(134,177)</u>	38,858

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		44,669
--	--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		7,353
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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. 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	56,207	
Decrease in accrued interest payable	<u>120</u>	56,327

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	\$ 754	
Pension expense	<u>(80,324)</u>	<u>(79,570)</u>

Total changes in net position of governmental activities	\$	<u><u>176,320</u></u>
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TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Year Ended June 30, 2020

Exhibit 5

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual	
	Original	Final	Amounts	
Revenues:				
Ad valorem taxes	\$ 821,000	\$ 821,000	\$ 853,460	\$ 32,460
Other taxes and licenses	4,000	4,000	9,950	5,950
Unrestricted intergovernmental	630,000	630,000	673,767	43,767
Restricted intergovernmental	77,272	77,272	67,353	(9,919)
Investment earnings	6,000	6,000	8,195	2,195
Miscellaneous	78,215	85,426	76,132	(9,294)
Total revenues	1,616,487	1,623,698	1,688,857	65,159
Expenditures:				
Current:				
General government	430,726	430,726	398,228	32,498
Public safety	783,247	823,247	763,990	59,257
Transportation	272,465	274,595	210,700	63,895
Environmental protection	123,600	123,600	118,312	5,288
Cultural and recreational	22,850	22,850	14,962	7,888
Planning	21,500	21,500	17,569	3,931
Debt service:				
Principal retirement	56,394	56,394	56,206	188
Interest and other charges	7,205	7,205	7,204	1
Total expenditures	1,717,987	1,760,117	1,587,171	172,946
Revenues over (under) expenditures	(101,500)	(136,419)	101,686	238,105
Other financing sources (uses)				
Transfer from capital project-capital reserve fund	45,000	47,130	46,346	(784)
Transfer to capital project-capital reserve fund	-	(7,211)	(7,211)	-
Sale of assets	6,500	6,500	6,666	166
Total other financing sources (uses)	51,500	46,419	45,801	(618)
Fund Balance appropriated	50,000	90,000	-	(90,000)
Net change in fund balance	\$ -	\$ -	147,487	\$ 147,487
Fund balances, beginning			2,143,337	
Fund balances, ending			\$ 2,290,824	

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Rockwell 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 Town of Rockwell is a municipal corporation that is governed by an elected mayor and a five-member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present financial information of the Town.

B. Basis of Presentation

Government-wide Statements- The statement of net position and the statement of activities display information about the primary government. 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 Town. 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 Town does not currently have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Towns' governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific 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 specific 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 Town's funds. Separate statements for each fund category are presented, when applicable. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. 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 environmental protection.

The Town reports the following non-major governmental fund:

Capital Project- Capital Reserve Fund- This fund is used to accumulate cash for future capital purchases.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

C. Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statement is reported using the economic resources measurement focus. The government-wide financial statement is 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. Nonexchange transactions, in which the Town 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.

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 capital leases are reported as other financing sources.

The Town 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 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, 2013, 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, 2013 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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Rockwell because the tax is levied by Rowan 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

D. Budgetary Data

The Town's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for the Capital Reserve Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. 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.

E. Assets, Liabilities, Deferred Outflows/Inflows or Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository; any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 Town 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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. At June 30, 2020, the Town owned none of these investments.

2. Cash and Cash Equivalents

The Town considers all cash to be cash and cash equivalents.

3. Restricted Assets

Cash in a Police drug account is classified as restricted cash because its use is restricted for specific purposes. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4. Cash in the Capital Reserve Fund is restricted and this fund is used to accumulate cash for future capital purchases.

Town of Rockwell Restricted Cash

Governmental Activities	
General Fund	
Restricted for street maintenance	\$ 131,335
Police drug account	1,416
Capital Reserve Fund	<u>58,376</u>
Total restricted cash	<u><u>\$191,127</u></u>

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. 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.

6. Prepaid Items

Certain payments to vendors may reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. 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: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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>
Infrastructure	30-40
Buildings	40
Improvements	20
Vehicles	5-20
Furniture and equipment	5-20
Computer equipment	5

8. 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 Town has one item that meets this criterion, pension deferrals for 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 Town has one item that meets the criterion for this category- pension deferrals.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

10. Compensated Absences

The vacation policy of the Town provides each salaried employee occupying a permanently established budgeted position shall earn vacation leave in accordance with the following schedule of total service: zero to five years-four hours per pay period; five to fifteen years-six hours per pay period; and fifteen and above-eight hours per pay period. Vacation leave may be accumulated up to a maximum of eighty hours available during one year for employees and department heads may accumulate up to one hundred and twenty hours available during one year. Cumulative leave in excess of eighty hours or the one hundred and twenty for department heads not used shall be added to sick leave. Upon submission of a resignation an employee shall be paid for vacation leave accumulated to the date of separation provided the employee has completed at least twelve months of continuous service and submitted a written notice to the immediate supervisor at least two weeks prior to the effective date of separation. For the Town's government-wide fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town 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.

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 Town has no obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is 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 classification designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable 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.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 legislature." RSS is reduced by inventories and prepaids as they are classified as nonspendable. 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 Drug Enforcement - Funds seized in drug enforcement operations to be used only for drug enforcement related expenses.

Restricted for Capital Reserve - Funds set aside in a capital reserve fund to be used only for capital purchases.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Rockwell'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.

Assigned Fund Balance - portion of fund balance that the Town of Rockwell intends to use for specific purposes.

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; however the budget ordinance authorizes the clerk to modify the appropriations by resource or appropriation within funds up to \$1,000.

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

The Town has not yet adopted a revenue spending policy nor have they adopted a minimum fund balance policy as yet.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, 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 Town of Rockwell's employer contributions are recognized when due and the Town of Rockwell 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.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

The Town's Powell Bill Fund checks are missing the disbursement certificate on the face of the checks in violation of G.S. 159-28(d). The Town will stamp the disbursement certificate on the Powell Bill Fund checks in the future.

2. Contractual Violations: None.

B. Deficit in Fund Balance or Net Position of Individual Funds: None.

C. Excess of Expenditures over Appropriations: None

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town 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 Town's agent in the Town's name. 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 Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest 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 Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 Town has no formal 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 Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$2,209,710 and bank balances of \$2,229,021 of which \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$200.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

2. Investments

As discussed in Note I, G.S. 159-30(c) authorizes the Town to own certain types of investments. At June 30, 2020, the Town owned no investments. The Town has no policy regarding credit risk.

3. Receivables-Allowance for Doubtful Accounts

The taxes receivable presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 is net of an allowance for doubtful accounts in the amount of \$7,263.

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 389,669	\$ -	\$ -	\$ 389,669
Total capital assets not being depreciated	389,669	-	-	389,669
Capital assets being depreciated:				
Buildings	730,246	85,752	-	815,998
Other improvements	60,512	-	-	60,512
Equipment	403,005	8,800	7,400	404,405
Vehicles and motorized equipment	1,648,890	78,483	40,655	1,686,718
Total capital assets being depreciated	2,842,653	173,035	48,055	2,967,633
Less accumulated depreciation for:				
Buildings	444,339	18,256	-	462,595
Other improvements	40,005	1,513	-	41,518
Equipment	355,870	12,394	7,400	360,864
Vehicles and motorized equipment	979,686	102,014	40,655	1,041,045
Total accumulated depreciation	1,819,900	\$ 134,177	\$ 48,055	1,906,022
Total capital assets being depreciated, net	1,022,753			1,061,611
Governmental activity capital assets, net	\$1,412,422			\$1,451,280

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

General government	\$ 9,017
Public safety	101,281
Transportation	21,572
Cultural and recreational	2,307
Total depreciation expense	<u>\$134,177</u>

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description- The Town of Rockwell is a participating employer 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, or at www.osc.nc.gov.

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 (age 55 for firefighters). 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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) 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 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. Town of Rockwell employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Rockwell's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, 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 Town of Rockwell were \$44,669 for the year ended June 30, 2020.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

Refunds of Contributions- Town 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 Town reported a liability of \$129,446 for its proportionate share of the net pension liability. 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 Town's proportion of the net pension liability was based on a projection of the Town'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 Town's proportion was 0.00474%, which was a increase of 0.00116% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$69,221. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,164	\$ -
Changes of assumptions	21,098	-
Net difference between projected and actual earnings on pension plan investments	3,157	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	31,632	-
Town contributions subsequent to the measurement date	44,669	-
Total	<u>\$ 122,720</u>	<u>\$ -</u>

\$44,669 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 34,491
2022	16,464
2023	18,941
2024	8,155
2025	-
Thereafter	-

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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	3.50 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 Town's proportionate share of the net pension liability to changes in the discount rate- The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town'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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 296,066	\$ 129,446	\$ (9,050)

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.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the Town'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 .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 law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Inactive Members Currently Receiving Benefits	0
Active plan members	7
Total	<u>7</u>

2. Summary of Significant Accounting Policies-

Basis of Accounting- The Town 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 and refunds 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 Statements 73.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

3. 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 used to measure the total pension liability (TPL) is the S & P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the RP-2014 base rates projected to the valuation date using MP-2015.

4. Contributions- The Town 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 the employees. The Town'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 Town paid no benefits 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 Town reported a total pension liability of \$138,072. 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 Town recognized pension expense of \$11,103.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,482	\$ 3,280
Changes of assumptions	4,257	1,810
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 7,739</u>	<u>\$ 5,090</u>

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 1,646
2022	945
2023	58
2024	-
2025	-
Thereafter	-

Sensitivity of the Town's total pension liability to changes in the discount rate: The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town'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	\$ 145,004	\$ 138,072	\$ 131,507

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

	<u>2020</u>
Beginning balance	\$128,307
Service Cost	4,833
Interest on the total pension liability	4,670
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,275)
Changes of assumptions or other inputs	2,537
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$138,072</u>

The plan currently uses mortality tables that vary with 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 ending January 1, 2010 through December 31, 2014.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

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

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 69,221	\$ 11,103	\$ 80,324
Pension Liability	129,446	138,072	267,518
Proportionate share of the net pension liability	.00474%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	22,164	3,482	25,646
Changes of assumptions	21,098	4,257	25,355
Net difference between projected and actual earnings on plan investments	3,157	-	3,157
Changes in proportion and differences between contributions and proportionate share of contributions	31,632	-	31,632
Benefit payments and administrative costs paid subsequent to the measurement date	44,669	-	44,669
Deferred Inflows of Resources			
Differences between expected and actual experience	-	3,280	3,280
Changes of assumptions	-	1,810	1,810
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

Plan Description- The Town 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 law enforcement officers employed by the Town. 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 State's 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 Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. The Town made contributions of \$14,236 for the reporting year. No amounts were forfeited.

The Town contributes each month an amount equal to five percent of other employees' salary, and all amounts contributed are vested immediately. The other employees may also make voluntary contributions to the plan. The Town made contributions of \$9,583 for the reporting year. No amounts were forfeited.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

2. Other Employment Benefit

The Town has 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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town 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. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Source	Amount
Differences between expected and actual experience	\$ 25,646
Changes of assumptions	25,355
Net difference between projected and actual earnings on pension plan investments	3,157
Changes in proportion and differences between Town contributions and proportionate share of contributions	31,632
Town contributions subsequent to the measurement date	44,669
Total	<u>\$ 130,459</u>

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

	Statement of Net Position (Exhibit 1)	General Fund Balance Sheet (Exhibit 3)
Property taxes receivable	\$ -	\$ 16,434
Differences between expected and actual experience	3,280	-
Changes in assumptions	1,810	-
Total	<u>\$ 5,090</u>	<u>\$ 16,434</u>

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

4. Risk Management

The Town 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 Town participates in a self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through the pool the Town obtains worker's compensation coverage up to the statutory limits.

The Town carries commercial coverage for general liability, auto coverage, and property coverage. 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.

The Town carries no flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The Town does not have a bond on the tax collector in that they have outsourced tax collection to Rowan County. The remaining employees that have access to funds are bonded under a blanket bond for \$15,000.

5. Reconciliation of Powell Bill Expenditures

The following is a reconciliation of Powell Bill expenditures:

Per financial statements	<u>\$10,308</u>
Per Powell Bill report	<u>\$10,308</u>

6. Long-Term Obligations

a. Capital Lease-Fire Truck

The Town has entered into an agreement to lease a fire truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The agreement was executed on September 9, 2012 to lease a 2014 KME Custom Rear Mount Aerial Ladder Truck and requires 10 annual payments of \$60,798. The Town has the option at the end of the agreement to purchase the fire truck for the bargain purchase price of \$1.00.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

Year Ending June 30	Lease Payments
2021	\$ 60,798
2022	60,798
2023	60,798
2024	<u>60,798</u>
Total minimum lease payments	243,192
Less: amount representing interest	<u>14,773</u>
Present value of the minimum lease payments	<u>\$ 228,419</u>

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

b. Capital Lease-Copier

The Town has entered into an agreement to lease a copier. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The agreement was executed on May 17, 2016 to lease a Xerox 7830 WC copier. The lease requires 3 months at a payment of zero and 57 minimum monthly payments of \$217.73 beginning in September 2016. The copier agreement allows for the purchase of the copier at the end of the lease for fair market value.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

Year Ending June 30	Lease Payments
2021	\$ 3,099
Total minimum lease payments	3,099
Less: amount representing interest	-
Present value of the minimum lease payments	\$ 3,099

The following is an analysis of the assets recorded under capital leases at June 30, 2020:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 12,411	\$ 9,515	\$ 2,896
Vehicle and motorized equipment	720,070	243,024	477,046
Total	\$732,481	\$252,539	\$479,942

At June 30, 2020 the Town of Rockwell, North Carolina had a legal debt margin of \$14,903,050.

c. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Lease purchase-fire truck	\$ 282,012	\$ -	\$ 53,593	\$228,419	\$ 54,963
Lease purchase-copier	5,713	-	2,614	3,099	3,099
Compensated Absences	23,795	-	754	23,041	23,041
Net pension liability (LGERS)	84,930	44,516	-	129,446	-
Total pension liability (LEO)	128,307	9,765	-	138,072	
Governmental activities long-term liabilities	\$ 524,757	\$ 54,281	\$ 56,961	\$522,077	\$ 81,103

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

C. Interfund Balances and Activity

Transfer to/from other funds during the year ended June 30, 2020 consisted of the General Fund transferring \$7,211 to the Capital Project-Capital Reserve Fund to close out a recreation account and the Capital Project-Capital Reserve Fund transferring \$46,346 to the General Fund to purchase items in the Public Works department.

D. Net Investment in Capital Assets

	<u>Governmental</u>
Capital assets	\$1,451,280
Less: long-term liabilities	<u>231,518</u>
Net investment in capital assets	<u><u>\$1,219,762</u></u>

E. 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	\$2,290,824
Less:	
Stabilization of State Statute	185,221
Streets-Powell Bill	131,335
Drug Enforcement	1,416
Appropriated Fund Balance in 2021 Budget	<u>280,510</u>
Remaining Fund Balance	<u><u>\$1,692,342</u></u>

The Town has not adopted a minimum fund balance policy.

IV. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen'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 moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2020, the Town did not report any revenues and expenditures for these payments because no benefit payments were made through the Firemen'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 Firemen's Relief Fund does not issue separate audited financial statements. Instead the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

TOWN OF ROCKWELL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from 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 agreement. Such audits could result in the refund of grant moneys 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 moneys.

VI. Subsequent Events

Subsequent to year end the Town paid off the capital lease of the fire truck on July 1, 2020 (see Note III.B.6.a.). The total amount paid was \$235,504 which consisted of the principal amount of \$228,419 and interest of \$7,085.

On September 14, 2020, an agreement was signed with a contractor to build a new police department building at a cost of \$1,457,000.

Management has evaluated the subsequent events through January 5, 2021, the date the financial statements were available to be issued.

TOWN OF ROCKWELL, NORTH CAROLINA
TOWN OF ROCKWELL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
Last Seven Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Rockwell's proportion of the net pension liability (asset) (%)	0.00474%	0.00358%	0.00401%	0.00344%	0.00323%	0.00467%	0.00500%
Rockwell's proportion of the net pension liability (asset) (\$)	\$129,446	\$ 84,930	\$ 61,262	\$ 73,008	\$ 14,496	\$ (27,541)	\$ 60,269
Rockwell's covered-employee payroll	\$437,154	\$386,964	\$370,580	\$354,473	\$314,210	\$312,640	\$316,526
Rockwell's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29.61%	21.95%	16.53%	20.60%	4.61%	(8.77%)	19.04%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

TOWN OF ROCKWELL, NORTH CAROLINA
TOWN OF ROCKWELL'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
Last Seven Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 44,669	\$ 35,966	\$ 30,813	\$ 28,592	\$ 24,613	\$ 22,792	\$ 22,461
Contributions in relation to the contractually required contribution	<u>44,669</u>	<u>35,966</u>	<u>30,813</u>	<u>28,592</u>	<u>24,613</u>	<u>22,792</u>	<u>22,461</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rockwell's covered-employee payroll	\$ 475,234	\$ 437,154	\$ 386,964	\$ 370,580	\$ 354,473	\$ 314,210	\$ 312,640
Contributions as a percentage of covered-employee payroll	9.40%	8.23%	7.96%	7.72%	6.94%	7.25%	7.18%

TOWN OF ROCKWELL, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018	2017
Beginning balance	\$ 128,307	\$ 115,467	\$ 103,480	\$ 97,194
Service Cost	4,833	4,827	5,074	4,600
Interest on the total pension liability	4,670	3,649	3,994	3,470
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,275)	7,628	(5,926)	-
Changes of assumptions and other inputs	2,537	(3,264)	8,845	(1,784)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 138,072</u>	<u>\$ 128,307</u>	<u>\$ 115,467</u>	<u>\$ 103,480</u>

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

TOWN OF ROCKWELL, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018	2017
Total pension liability	\$ 138,072	\$ 128,307	\$ 115,467	\$ 103,480
Covered payroll	289,167	245,446	236,860	207,310
Total pension liability as a percentage of covered payroll	47.75%	52.28%	48.75%	49.92%

Notes to the schedule:

The Town of Rockwell does not have a special funding situation.

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

Changes in actuarial assumptions or other inputs:

December 31, 2019 Measurement Date:

The Municipal Bond Index Rate decreased from 3.64% to 3.26%.

December 31, 2018 Measurement Date:

The Municipal Bond Index Rate increased from 3.16% to 3.64%.

December 31, 2017 Measurement Date:

The Municipal Bond Index Rate decreased from 3.86% to 3.16%.

The assumed inflation rate has been reduced from 3.00% to 2.50% and assumed wage inflation has been increased from 0.5% to 1.0%.

December 31, 2016 Measurement Date:

The Municipal Bond Index Rate increased from 3.57% to 3.86%.

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

Revenues	Budget	Actual	Variance Positive (Negative)
Ad valorem taxes			
Taxes	\$ 818,000	\$ 851,334	\$ 33,334
Penalties and interest	3,000	2,126	(874)
Total	821,000	853,460	32,460
Other taxes and licenses			
Privilege licenses	4,000	9,950	5,950
Total	4,000	9,950	5,950
Unrestricted intergovernmental			
Local option sales tax	495,000	537,664	42,664
Telecommunications sales tax	-	15,891	15,891
Utilities sales tax	120,000	82,094	(37,906)
Piped natural gas sales tax	-	7,782	7,782
Video franchise tax	-	13,648	13,648
Beer and wine tax	15,000	16,688	1,688
Total	630,000	673,767	43,767
Restricted intergovernmental			
Powell Bill allocation	59,500	59,203	(297)
Police grants	2,140	-	(2,140)
Fire grants	7,292	6,505	(787)
Fireman Relief	1,840	-	(1,840)
On-behalf of payments - Fire and Rescue	5,000	-	(5,000)
Solid waste disposal tax	1,500	1,645	145
Total	77,272	67,353	(9,919)
Investment earnings	6,000	8,195	2,195
Miscellaneous			
Garbage collection	45,000	47,515	2,515
Other	40,426	28,617	(11,809)
Total	85,426	76,132	(9,294)
Total revenues	\$ 1,623,698	\$ 1,688,857	\$ 65,159

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

Expenditures	Budget	Actual	Variance Positive (Negative)
General government			
Governing body			
Salary-Mayor	\$ 2,500	\$ 2,500	\$ -
Salary-Aldermen	7,730	7,727	3
Mayor and board expenses	1,000	434	566
Membership dues	5,600	5,085	515
Professional services	18,000	14,912	3,088
	<u>34,830</u>	<u>30,658</u>	<u>4,172</u>
Administration			
Salaries and wages	80,025	80,654	(629)
Social security	6,122	6,114	8
Retirement	11,165	11,149	16
Group insurance	161,505	157,592	3,913
Service contracts	6,000	4,947	1,053
Office expense	2,500	2,408	92
Printing and postage	500	609	(109)
Telephone	3,000	2,490	510
Utilities-building	8,000	6,755	1,245
Internet services	4,350	4,320	30
Website	600	560	40
Utilities-street lights	24,000	21,363	2,637
Insurance and bonding	40,000	43,146	(3,146)
Training	600	-	600
Maintenance and repairs	1,800	1,739	61
Miscellaneous	24,939	1,711	23,228
Election expense	1,500	2,748	(1,248)
Tax collection costs	13,500	14,363	(863)
Economic Development Commission	3,590	3,590	-
Capital outlay-office equipment	1,200	1,312	(112)
Capital outlay-building	1,000	-	1,000
	<u>395,896</u>	<u>367,570</u>	<u>28,326</u>
Total general government	<u>\$ 430,726</u>	<u>\$ 398,228</u>	<u>\$ 32,498</u>

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

Expenditures	Budget	Actual	Variance Positive (Negative)
Public safety			
Fire department			
Firefighting expenses	\$ 33,885	\$ 34,626	\$ (741)
Salaries	151,160	127,111	24,049
Social security	11,565	9,605	1,960
Pension	5,247	4,338	909
Supplies	1,200	742	458
Utilities	5,700	4,842	858
On-behalf of benefits	5,000	-	5,000
Capital outlay-equipment	28,934	25,425	3,509
Total fire department	242,691	206,689	36,002
Police department			
Salaries	303,810	309,891	(6,081)
Social security	23,241	23,615	(374)
Retirement	43,190	41,855	1,335
Radio service	4,200	3,803	397
Gas and maintenance	19,500	14,868	4,632
Supplies,training, dues, etc.	35,250	23,764	11,486
Utilities	6,850	5,188	1,662
Building maintenance	3,500	273	3,227
Other	9,015	-	9,015
Capital outlay			
Building	90,000	85,753	4,247
Equipment	42,000	48,291	(6,291)
Total police department	580,556	557,301	23,255
Total public safety	\$ 823,247	\$ 763,990	\$ 59,257

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

Expenditures	Budget	Actual	Variance Positive (Negative)
Transportation			
Streets and highways			
Salaries and wages	\$ 100,205	\$ 96,292	\$ 3,913
Social security	7,630	7,384	246
Retirement	11,930	11,866	64
Truck and tractor expense	16,500	20,174	(3,674)
Gas-warehouse and lab	3,500	2,966	534
Radio service	300	240	60
Street maintenance-other	22,000	12,347	9,653
Street maintenance-Powell expenses	60,500	10,308	50,192
Miscellaneous	1,700	856	844
Laundry and uniforms	1,200	515	685
Capital outlay-equipment/vehicles	49,130	47,752	1,378
Total transportation	274,595	210,700	63,895
Environmental protection			
Contract trash hauling	110,600	104,514	6,086
Other operating expenses	13,000	13,798	(798)
Total environmental protection	123,600	118,312	5,288
Cultural and recreational			
Rockwell Historic Foundation	2,500	2,500	-
Rufty-Holmes Center	750	-	750
Appearance commission	7,000	3,503	3,497
Park maintenance	11,600	8,849	2,751
Capital outlay-park	1,000	110	890
Total cultural and recreational	22,850	14,962	7,888
Planning			
Planning and zoning-salaries	1,000	780	220
Planning and zoning-N-Focus	15,500	14,726	774
Planning and zoning-advertising	1,000	258	742
Planning and zoning-code enforcement	4,000	1,805	2,195
Total planning	\$ 21,500	\$ 17,569	\$ 3,931

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

Expenditures	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal retirement	\$ 56,394	\$ 56,206	\$ 188
Interest	7,205	7,204	1
	<u>63,599</u>	<u>63,410</u>	<u>189</u>
Total debt service			
	<u>1,760,117</u>	<u>1,587,171</u>	<u>172,946</u>
Total expenditures			
Revenues over (under) expenditures	<u>(136,419)</u>	<u>101,686</u>	<u>238,105</u>
Other financing sources (uses)			
Transfer from capital project-capital reserve fund	47,130	46,346	(784)
Transfer to capital project-capital reserve fund	(7,211)	(7,211)	-
Sale of assets	<u>6,500</u>	<u>6,666</u>	<u>166</u>
Total other financing sources (uses)	<u>46,419</u>	<u>45,801</u>	<u>(618)</u>
Fund balance appropriated	90,000	-	(90,000)
Net change in fund balance	<u>\$ -</u>	147,487	<u>\$ 147,487</u>
Fund balance, beginning		<u>2,143,337</u>	
Fund balance, ending		<u>\$ 2,290,824</u>	

TOWN OF ROCKWELL, NORTH CAROLINA
CAPITAL PROJECT-CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2020

	Budget	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Interest	\$ -	\$ 680	331	\$ 1,011	\$ 1,011
Total revenues	-	680	331	1,011	1,011
Other financing sources (uses)					
Transfer from General Fund	300,000	96,500	7,211	103,711	(196,289)
Transfer to General Fund	(300,000)	-	(46,346)	(46,346)	253,654
Total other financing sources (uses)	-	96,500	(39,135)	57,365	57,365
Net change in fund balance	\$ -	\$ 97,180	\$ (38,804)	\$ 58,376	\$ 58,376
Fund balance, beginning			97,180		
Fund balance, ending			\$ 58,376		

TOWN OF ROCKWELL, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 867,109	\$ 856,201	\$ 10,908
2018-2019	7,677	-	1,440	6,237
2017-2018	2,856	-	359	2,497
2016-2017	2,006	-	563	1,443
2015-2016	898	-	-	898
2014-2015	80	-	-	80
2013-2014	344	-	-	344
2012-2013	509	-	4	505
2011-2012	428	-	-	428
2010-2011	357	-	-	357
2009-2010	362	-	362	-
	<u>\$ 15,517</u>	<u>\$ 867,109</u>	<u>\$ 858,929</u>	<u>23,697</u>

Less: allowance for uncollectible accounts:
General Fund

7,263

Ad valorem taxes receivable-net

16,434

Reconcilement with revenues:

Ad valorem taxes - General Fund

853,460

Reconciling items

Interest and fees collected

(2,126)

Discounts allowed

6,993

Taxes written off

602

Total collections and credits

\$ 858,929

TOWN OF ROCKWELL, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
June 30, 2020

	Town-wide			Total Levy	
	Property Valuation	Rate	Total levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 189,458,864	\$.46	\$ 867,997	\$ 786,823	\$ 81,174
Penalties	-		386	386	-
Total	189,458,864		868,383	787,209	81,174
Discoveries:					
Current year taxes	173,478	.46	798	798	
Total	173,478		798	798	-
Abatements	(450,435)		(2,072)	(1,419)	(653)
Total property valuation	<u>\$ 189,181,907</u>				
Net levy			867,109	786,588	80,521
Uncollected taxes at June 30, 2020			(10,908)	(10,908)	-
Current year's taxes collected			<u>\$ 856,201</u>	<u>\$ 775,680</u>	<u>\$ 80,521</u>
Current levy collection percentage			<u>98.74%</u>	<u>98.61%</u>	<u>100.00%</u>