

TOWN OF ROCKY MOUNT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020

Prepared by the Finance Director/Treasurer

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020

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FINANCIAL REPORT
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INTRODUCTORY SECTION

TOWN OF ROCKY MOUNT, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Steven C. Angle, Mayor
Billie W. Stockton, Vice Mayor
Bobby M. Cundiff
Bobby M. Moyer
Mark H. Newbill
Jon W. Snead
Gregory B. Walker

APPOINTED OFFICIALS

C. James ErvinTown Manager
John T. Boitnott Town Attorney
Linda P. WoodyFinance Director/Treasurer
Rebecca H. Dillon..... Town Clerk



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Rocky Mount
Virginia**

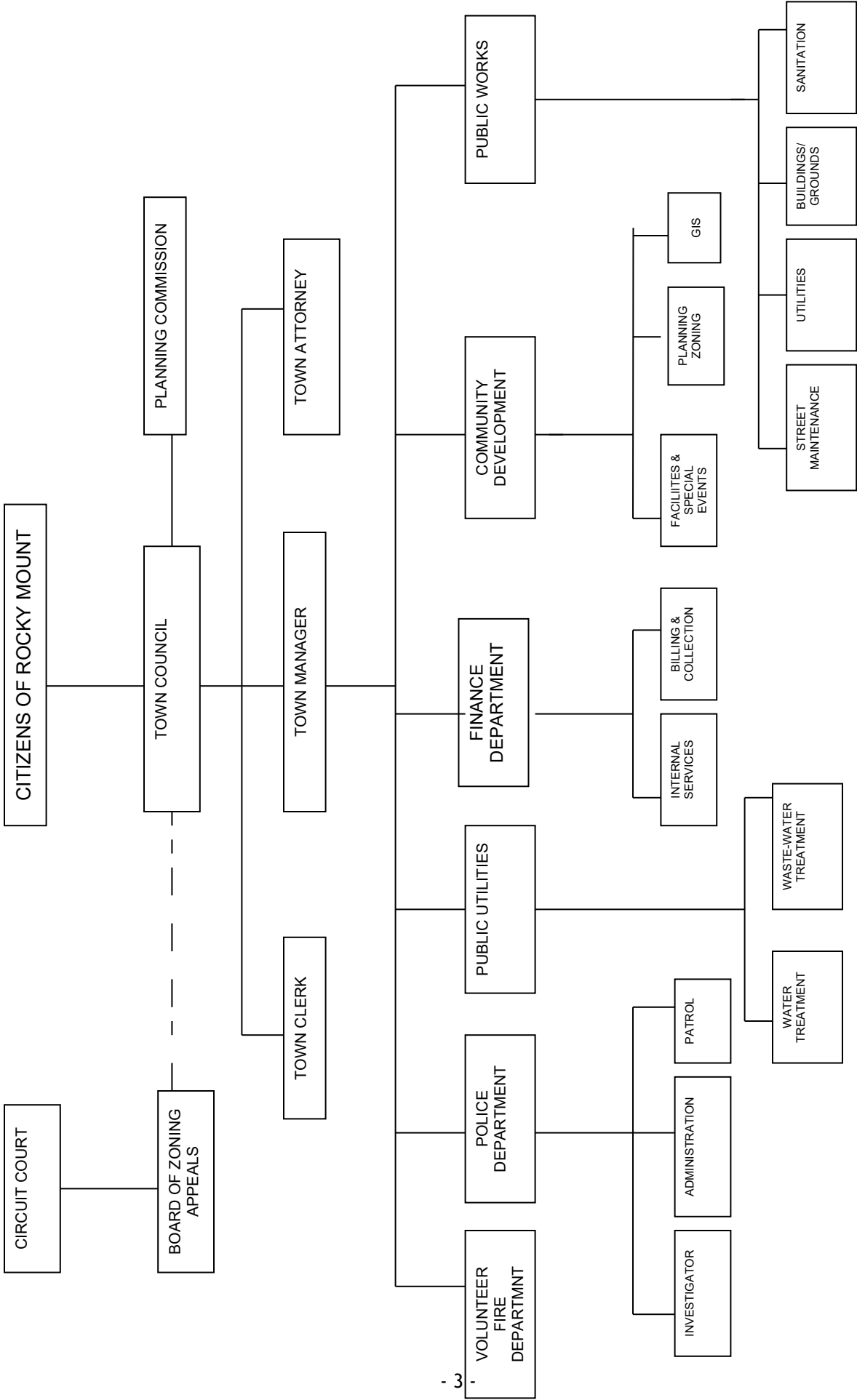
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

TOWN OF ROCKY MOUNT, VIRGINIA – ORGANIZATIONAL CHART



Town of Rocky Mount
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Rocky Mount, Virginia 24151

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TOWN COUNCIL
Steven C. Angle, Mayor
Billie W. Stockton, Vice Mayor

Bobby M. Cundiff
Jon W. Snead
Mark H. Newbill
Bobby L. Moyer
Gregory B. Walker

C. James Ervin, Town Manager
Linda Woody, Finance Director

November 24, 2021

To the Honorable Mayor, Council Members, and Citizens of the Town of Rocky Mount:

State Law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. We are pleased to submit the Town's comprehensive annual financial report for the fiscal year ended June 30, 2020. The report is late due to the complexities of a new software package and the burdens created by the COVID pandemic.

This report consists of management's representations concerning the finances of the Town of Rocky Mount. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Rocky Mount has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Town of Rocky Mount's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Rocky Mount's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Rocky Mount's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Rocky Mount for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that the financial statements present fairly, in all material respects, the financial position of the Town of Rocky Mount for the fiscal year ended June 30, 2020, in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Rocky Mount, incorporated in 1873, is located in the rolling hills of the western Blue Ridge Mountains and serves as the seat of Franklin County's government, service, and

business center. The Town of Rocky Mount currently occupies a land area of 4.6 square miles and boasts a population of 4,900. The Town of Rocky Mount is empowered to levy a property tax on both real and personal properties located within its boundaries

The Town of Rocky Mount has operated under the council-manager form of government since 1989. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing the Planning Commission, and hiring the government's manager, attorney, and clerk. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected at large. The Town of Rocky Mount holds municipal elections in May of even-numbered years. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a four-year term.

The Town of Rocky Mount provides a full range of services, including police and volunteer fire protection; the construction and maintenance of streets, sidewalks, water and sewer lines, and other infrastructure; zoning and land use management; recreational parks; and community and cultural events. The Town of Rocky Mount also provides water and wastewater services to both town and county residents and businesses. The Harvester Performance Center (HPC) is a part of this reporting entity as a component unit.

The annual budget serves as the foundation for the Town of Rocky Mount's financial planning and control. All departments of the Town of Rocky Mount are required to submit requests for appropriation to the government's manager during the annual budget process. The government's manager uses these requests as the starting point for developing a proposed budget. The Town Manager then presents this proposed budget to the Council for review around April 1. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the Town of Rocky Mount's fiscal year. The appropriated budget is prepared by fund (e.g. general fund), function (e.g. public safety), and department (e.g. police). Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Rocky Mount operates.

The Town of Rocky Mount serves as the central business and education hub for Franklin County. The Town continues to enjoy growth in the retail and service businesses that serve and are supported by town residents and county residents. Long-term manufacturers within the Town limits are holding their own during the current COVID pandemic. Residential growth continues with new single-family construction. Because of the status quo of the Town's employment and housing opportunities, Town residents are continuing to feel the security of a positive local economy.

The unemployment rate for Franklin County (no statistics are available for the Town individually) as of June 30, 2020 is on par with the State's unemployment rate and the national unemployment rate. The occupancy rate of the Town's central business district continues to remain high and in demand by service businesses. The Town's employers remain stable during this COVID pandemic.

Inflationary trends in the region compare favorably to national indices. Town Council has continued its dedication to citizens and businesses by not increasing taxes or fees during fiscal year 2020. Town Council has also waived penalties and disconnection of water service during

the pandemic. The last modest increase in the usage fee for water was implemented in February 2019. Water consumption has remained stable for the fiscal year.

Rocky Mount is the eastern gateway to the Crooked Road, Virginia's Heritage Music Trail. Seven years ago, the Town invested \$2.7 million in the transformation of the old Lynch Hardware Building in the central business district into a performance venue. Funding from federal and state historic tax credits and from a state Tobacco Commission grant was used to fund about half the costs of the renovation. The Harvester Performance Center celebrated its sixth anniversary of operations during this fiscal year and is anticipating continuing with live shows once the audience social distancing restrictions of the pandemic cease. In these six years of economic stimulation, the Town has seen an increase in job creation, meals tax revenue, and lodging tax revenue. The Town anticipates a continued large impact on the local economy from the Harvester patrons once the doors re-open. The Harvester Performance Center has won awards from various municipal leagues across the country to recognize Town Council's investment in spurring local economic growth.

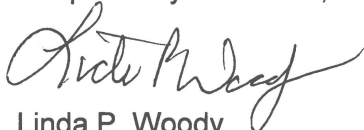
The Town of Rocky Mount continues to methodically plan for future growth by investing resources in infrastructure improvements and expansion. The governing Council of the Town of Rocky Mount, in planning for future residential and commercial needs, continues to fund water and sewer line improvements and expansions within the Town's utility system. With the revised utility rate structure introduced in mid-fiscal year 2013 to include a capital recovery fee for meters greater than 5/8" to be used to fund utility capital needs, projects to further the lives of the Water Treatment Plant, the Wastewater Treatment Plant, the existing water distribution lines, and the existing sewer collection lines have seen a modest increase in funding for fiscal year 2020. A total meter replacement project for the Town's water distribution system began during fiscal year 2019 and was completed in fiscal year 2020.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting for a locality's comprehensive annual financial report (CAFR). In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. The report must also satisfy GAAP and applicable legal requirements. The Town has achieved this prestigious award for thirteen years. Our current CAFR will not be entered for the Certificate of Achievement Program because of the year long delay.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance and Town Manager's offices as well as the Town's department heads. We would like to express our appreciation to all members of the Town staff who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Council for their unfailing support for maintaining the highest standard of professionalism in the management of the Town of Rocky Mount's finances.

Respectively submitted,



Linda P. Woody
Town Finance Director

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**To the Honorable Members of Town Council
Town of Rocky Mount, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Rocky Mount, Virginia, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Rocky Mount, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof 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, budgetary comparison information, and schedules related to pension and OPEB funding on pages 10-17, 74 and 75-82, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rocky Mount, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021, on our consideration of the Town of Rocky Mount, Virginia's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Rocky Mount, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Rocky Mount, Virginia, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates

Blacksburg, Virginia
September 24, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Rocky Mount, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The total assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,029,381 (net position). Of this amount, \$7,024,785 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors (Exhibit 1).
- The Town's total net position decreased by \$1,278,805 from prior year report amounts. This decrease is due to a deferment in the collection of local tax revenue and an increase in expenses (grants) to local small businesses to ease the effects of the pandemic on the local economy.
- As of the close of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$8,177,986, an increase of \$214,155 in comparison with the prior year. 99.2% of the Town's fund balance constitutes an unassigned fund balance, which is available for spending at the government's discretion (Exhibit 3).
- As of the close of the current fiscal year, the Town's proprietary funds reported an ending net position of \$8,735,169, a decrease of \$1,004,422 in comparison with the prior year as originally reported (Exhibit 1).
- The Town's total outstanding debt increased \$105,007 due to a new capital lease to purchase four police vehicles. There was no new bond issue this fiscal year.
- The net position of the Harvester Performance Center, the component unit, is (\$573,754), a decrease of \$223,856 from the prior fiscal year because of the accumulated depreciation on the capital asset investments (Exhibit 1).
- The general fund revenues were greater than the final budgeted amount by \$610,364 (8.3%). Actual expenditures were \$285,813 (3.6%) less than the final budget (Exhibit 10).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result only in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, community development, parks, recreation and cultural, and non-departmental. The business-type activities of the Town are the water and wastewater departments.

The government-wide financial statements include the Town (known as the primary government) as well as funds of the Economic Development Authority (EDA) and its component unit the Harvester Performance Center (HPC) (known as the component unit). Financial information for this component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements – 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town adopts annual appropriated budgets for its general, capital project, and Harvester Performance Center funds. Budgetary comparison statements have been provided for the general fund and the capital project fund to demonstrate compliance with these budgets.

Proprietary Funds – The Town maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its water and wastewater departments. The second type of proprietary fund is a *utility capital projects fund* to finance water and wastewater projects.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater departments along with its utility capital projects department.

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.

Required supplementary information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This information further explains and supports the information in the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,029,381 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets, \$20,004,596 reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net assets of \$7,024,785 may be used to meet the government's obligations to citizens and creditors.

The Town's Net Position						
	Governmental Activities		Business-Type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 9,212,419	\$ 9,300,292	\$ 2,604,725	\$ 2,604,857	\$ 11,817,144	\$ 11,905,149
Capital assets	13,895,995	14,291,076	11,784,169	12,020,932	25,680,164	26,312,008
Total assets	23,108,414	23,591,368	14,388,894	14,625,789	37,497,308	38,217,157
Deferred outflows	918,687	726,349	328,224	269,672	1,246,911	996,021
Long-term liabilities	5,141,064	4,979,907	5,737,749	4,902,362	10,878,813	9,882,269
Other liabilities	238,809	560,286	147,800	194,506	386,609	754,791
Total liabilities	5,379,873	5,540,192	5,885,549	5,096,868	11,265,422	9,882,269
Deferred inflows	353,016	208,930	96,400	59,002	449,416	267,932
Net position						
Net Invested in capital assets	12,801,217	13,013,305	7,203,379	8,307,375	20,004,596	21,320,680
Restricted	-	-	-	152,943	-	152,943
Unrestricted	5,492,995	5,555,290	1,531,790	1,279,273	7,024,785	6,834,563
Total net position	\$ 18,294,212	\$ 18,568,595	\$ 8,735,169	\$ 9,739,591	\$ 27,029,381	\$ 28,308,186

Governmental activities – Governmental activities decreased the Town’s net position by \$274,383 because of acquiring several new capital items.

Business-type activities – Business-type activities decreased the Town’s net position by \$1,004,422 because of payments beginning on a new bond issue for meter replacement.

The Town’s Changes in Net Activities						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 195,129	\$ 215,660	\$ 3,195,101	\$ 2,716,967	\$ 3,390,230	\$ 2,932,627
Operating grants and contributions	2,752,221	1,665,336	-	-	2,752,221	1,665,336
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	1,013,077	1,050,197	-	-	1,013,077	1,050,197
Other taxes	3,334,865	3,429,812	-	-	3,334,865	3,429,812
Intergovernmental revenue unrestricted	233,557	262,570	-	-	233,557	262,570
Investment earnings	204,881	265,366	-	-	204,881	265,366
Other	9,891	64,048	-	-	9,891	64,048
Total revenues	7,743,621	6,952,989	3,195,101	2,716,967	10,938,722	9,669,956
Expenses						
General government	1,552,093	1,122,515	-	-	1,552,093	1,122,515
Public safety	2,998,531	2,463,378	-	-	2,998,531	2,463,378
Public works	2,165,821	2,156,048	-	-	2,165,821	2,156,048
Parks, recreation, and cultural	162,068	193,722	-	-	162,068	193,722
Community development	1,200,003	619,565	-	-	1,200,003	619,565
Interest on long-term debt	37,839	46,130	-	-	37,839	46,130
Water and wastewater	-	-	4,101,172	2,820,911	4,101,172	2,820,911
Total expenses	8,116,355	6,601,358	4,101,172	2,820,911	12,217,527	9,422,269
Increase (decrease) in net position before transfers	(372,734)	351,631	(906,071)	(103,944)	(1,278,805)	247,687
Transfers	98,351	(152,943)	(98,351)	152,943	-	-
Change in net position	\$ (274,383)	\$ 198,688	\$ (1,004,422)	\$ 48,999	\$ (1,278,805)	\$ 247,687
Net position, beginning	18,568,595	18,369,907	9,739,591	9,690,592	28,308,186	28,060,499
Net position, ending	\$18,294,212	\$18,568,595	\$ 8,735,169	\$ 9,739,591	\$27,029,381	\$28,308,186

Revenues and Expenses – Governmental Activities

Revenues

For the fiscal year ended June 30, 2020, revenues from governmental activities totaled \$7,743,621, an increase of \$790,632 from the prior fiscal year due to a VDOT grant of \$359,421 to repair the Angle Bridge and the CARES federal grant of \$606,567. These two one-time grants offset the decrease in local revenue collections caused by the COVID-19 pandemic.

Other local taxes include meals tax, business license taxes, consumer utility taxes, bank stock tax, local sales tax, lodging tax, and cigarette taxes. Other local taxes, which are the Town's largest general fund revenue source, were \$3,334,865, a decrease of \$94,947 from the prior fiscal year. Property taxes (real estate, personal property, machinery and tools, and public service) were \$1,013,077, a decrease of \$37,120 from the prior fiscal year.

Charges for services totaled \$195,129 of the governmental activities, a decrease of \$20,531 from the prior fiscal year. Garbage collection fees (\$123,934) are the largest component of charges for services.

The Town's largest intergovernmental revenue is for street maintenance (\$1,452,129). Other intergovernmental revenues include communications tax (\$161,452) and law enforcement aid (\$120,620).

Business-type revenues consist of charges to customers for water consumption and wastewater treatment. Cell tower rent (\$144,437) also contributes to the water and sewer operating fund.

Component unit revenue consists of Harvester Performance venue ticket and concession sales. The Town of Rocky Mount contributed \$373,484 to the Harvester operations.

Expenses

For the fiscal year ended June 30, 2020, expenses for governmental activities totaled \$8,116,355, an increase of \$1,514,997 from the prior fiscal year due to expenses related to the federal CARES grant of \$606,000 and implementation costs for new financial software of \$265,000 and costs to repair the Angle Bridge of \$350,000.

General fund expenses consist of general government (Town Council, Town Manager, Town Attorney, and Finance) and were \$1,552,093 (19.1%). Public Safety expenses were \$2,998,531 (36.9%). Public Works expenses totaled \$2,165,821 (26.7%). Parks totaled \$162,068 (2.0%). Community Development expenses were \$1,200,003 (14.8%). Interest expense totaled \$37,839 (0.5%).

Business-type activities account for the operating and capital expenses of the Town's water production and distribution system and the Town's wastewater treatment plant and operations. The Town's \$1,077,530 contribution to the Western Virginia Water Authority for the interconnect is shown this year.

Component unit expenses consist of performance and operating expenses. The Town's contribution towards operations is \$373,484. The Town does not contribute to the performance expenses.

Financial Analysis of the Government's Funds

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

Governmental funds – The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,242,350 (Exhibit 3), an increase of \$216,698 in comparison with the prior year. 98.5% of the \$8,242,350, constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance of the general fund was \$8,177,986 (Exhibit 3). As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. The unassigned fund balance represents 105.2% of total general fund expenditures.

The fund balance of the Town's general fund increased by \$214,155 during the fiscal year. There were a few more capital expenditures during the current fiscal year than the prior fiscal year.

The fund balance of the Town's capital projects fund increased by \$2,543 during the year. The increase is due to the repayment of principal on microenterprise loans.

Proprietary funds – The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and wastewater departments at the end of the year amounted to \$1,531,790 (Exhibit 7). This is a \$252,517 increase from the prior year attributed mostly due to a slight decrease in operating expenses.

General Fund Budgetary Highlights

There was an increase of \$496,469 between the original budget and the final amended budget for revenues, and an increase of \$1,147,991 between the original and final amended budget for expenditures (Exhibit 10). The increase in the revenue budget is due to a state VDOT grant for the repair of the Angle Bridge and the receipt of federal CARES funds. The increase in expenditure budgets came from \$265,000 in carry-over funds for the Finance software implementation, \$449,000 in carry-over VDOT street

maintenance funds for a traffic light project, and \$101,000 for grants to small businesses through the pandemic funded by the CARES federal grant.

Capital Asset and Debt Administration

Capital assets – The Town’s net investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$25,680,164 (Exhibit 1). This investment in capital assets includes land, buildings, building improvements, infrastructure, machinery, and equipment. The total decrease in the Town’s investment in capital assets for the current fiscal year was 2.4% (a 2.7% decrease for governmental activities and a .02% decrease for business-type activities). Additional information on the Town’s capital assets can be found in Note 8 of this report.

Major capital asset events during the current fiscal year included the following:

Seven vehicles for Police, Public Works, Water \$239,000

Loader \$163,000

Grading, roadway, and storm drainage in Industrial Park \$90,000

Security at Water and Wastewater Plants \$62,000

The Town’s Capital Assets						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,553,014	\$ 2,598,952	\$ 189,454	\$ 189,454	\$ 2,742,468	\$ 2,788,406
Buildings and improvements	7,190,881	7,190,881	-	-	7,190,881	7,190,881
Public domain infrastructure	13,549,301	13,538,765	-	-	13,549,301	13,538,765
Water and Wastewater plants	-	-	21,814,520	21,645,077	21,814,520	21,645,077
Distribution / transmission Systems	-	-	7,978,149	7,978,149	7,978,149	7,978,149
Machinery and equipment	6,216,076	5,759,735	3,189,403	2,776,627	9,405,479	8,536,362
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(15,613,277)	(14,797,257)	(21,387,357)	(20,568,375)	(37,000,634)	(35,365,632)
Total	\$ 13,895,995	\$ 14,291,076	\$ 11,784,169	\$ 12,020,932	\$ 25,680,164	\$ 26,312,008

Long-term debt – At the end of the current fiscal year, the Town had total debt outstanding of \$5,974,797. The entire debt is backed by the full faith and credit of the government. There are no notes payable.

The Town's Outstanding Debt
General Obligation and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation	\$ 1,289,000	\$ 1,577,000	\$ -	\$ -	\$ 1,289,000	\$ 1,577,000
Revenue bonds	-	-	4,580,790	3,866,500	4,580,790	3,866,500
Notes payable	-	-	-	-	-	-
Capital Lease	105,007	-	-	-	105,007	-
	<u>\$ 1,394,007</u>	<u>\$ 1,577,000</u>	<u>\$ 4,580,790</u>	<u>\$ 3,866,500</u>	<u>\$ 5,974,797</u>	<u>\$ 5,443,500</u>

The Town's total debt increased by \$531,297 (9.7%) during the fiscal year due to a new capital lease of \$105,007 for four police vehicles and a bond issue from the Western Virginia Water Authority for the interconnect of \$1,119,083. Principal payments totaled \$692,793. Additional information on the Town's long-term debt can be found in Note 9 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. The Town strives to demonstrate its accountability for the resources it receives and their uses. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Rocky Mount, 345 Donald Avenue, Rocky Mount, Virginia 24151. The Town's website is www.rockymountva.org.

Basic Financial Statements

Town of Rocky Mount, Virginia
Statement of Net Position
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 320,572	\$ 2,035,479	\$ 2,356,051	\$ 687,774
Investments	6,329,630	-	6,329,630	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	118,708	-	118,708	-
Accounts receivable	238,202	466,910	705,112	-
Loans receivable	58,020	-	58,020	-
Long-term receivable	634,956	-	634,956	-
Due from component unit	747,075	-	747,075	-
Due from other governmental units	702,840	-	702,840	-
Inventories	-	29,506	29,506	-
Prepaid items	62,416	18,620	81,036	-
Restricted assets:				
Cash and cash equivalents	-	54,210	54,210	-
Capital assets (net of accumulated depreciation):				
Land	2,553,014	189,454	2,742,468	68,244
Machinery and equipment	2,110,426	2,140,021	4,250,447	8,055
Distribution/transmission systems	-	4,123,799	4,123,799	-
Buildings and improvements	2,758,965	-	2,758,965	2,843,167
Water and wastewater plants	-	5,330,895	5,330,895	-
Public domain infrastructure	6,473,590	-	6,473,590	-
Total assets	\$ 23,108,414	\$ 14,388,894	\$ 37,497,308	\$ 3,607,240
DEFERRED OUTFLOWS OF RESOURCES				
OPEB related items	\$ 114,594	\$ 35,375	\$ 149,969	\$ -
Pension related items	804,093	292,849	1,096,942	-
Total deferred outflows of resources	\$ 918,687	\$ 328,224	\$ 1,246,911	\$ -
LIABILITIES				
Accounts payable	\$ 87,342	\$ 19,138	\$ 106,480	\$ 12,453
Accrued liabilities	117,709	5,256	122,965	-
Customer deposits	-	54,210	54,210	-
Accrued interest payable	15,012	50,576	65,588	-
Amount held for others	18,746	18,620	37,366	-
Long-term liabilities:				
Due within one year	631,977	498,816	1,130,793	4,168,541
Due in more than one year	4,509,087	5,238,933	9,748,020	-
Total liabilities	\$ 5,379,873	\$ 5,885,549	\$ 11,265,422	\$ 4,180,994
DEFERRED INFLOWS OF RESOURCES				
OPEB related items	\$ 78,325	\$ 24,574	\$ 102,899	\$ -
Pension related items	274,691	71,826	346,517	-
Total deferred inflows of resources	\$ 353,016	\$ 96,400	\$ 449,416	\$ -
NET POSITION				
Net investment in capital assets	\$ 12,801,217	\$ 7,203,379	\$ 20,004,596	\$ 2,919,466
Unrestricted	5,492,995	1,531,790	7,024,785	(3,493,220)
Total net position	\$ 18,294,212	\$ 8,735,169	\$ 27,029,381	\$ (573,754)

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

Town of Rocky Mount, Virginia
Statement of Activities
Fiscal Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Economic Development Authority
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,552,093	\$ -	\$ 29,632	\$ -	\$ (1,522,461)	\$ (1,522,461)		
Public safety	2,998,531	54,865	1,270,460	-	(1,673,206)	(1,673,206)		
Public works	2,165,821	123,934	1,452,129	-	(589,758)	(589,758)		
Parks, recreation, and cultural	162,068	-	-	-	(162,068)	(162,068)		
Community development	1,200,003	16,330	-	-	(1,183,673)	(1,183,673)		
Interest on long-term debt	37,839	-	-	-	(37,839)	(37,839)		
Total governmental activities	\$ 8,116,355	\$ 195,129	\$ 2,752,221	\$ -	\$ (5,169,005)	\$ (5,169,005)		
Business-type activities:								
Water and wastewater	\$ 4,101,172	\$ 3,195,101	\$ -	\$ -	\$ (906,071)	\$ (906,071)		
Total business-type activities	\$ 4,101,172	\$ 3,195,101	\$ -	\$ -	\$ (906,071)	\$ (906,071)		
Total primary government	\$ 12,217,527	\$ 3,390,230	\$ 2,752,221	\$ -	\$ (5,169,005)	\$ (6,075,076)	\$ -	
COMPONENT UNIT:								
Economic Development Authority	\$ 2,748,905	\$ 1,859,874	\$ -	\$ -		\$ (889,031)		
Total component unit	\$ 2,748,905	\$ 1,859,874	\$ -	\$ -		\$ (889,031)		
General revenues:								
General property taxes					\$ 1,013,077	\$ -	\$ 1,013,077	\$ -
Other local taxes:								
Bank stock taxes					314,393	-	314,393	-
Business license taxes					654,609	-	654,609	-
Consumers' utility taxes					315,910	-	315,910	-
Local sales and use taxes					224,205	-	224,205	-
Lodging taxes					178,589	-	178,589	-
Meals taxes					1,559,916	-	1,559,916	-
Cigarette taxes					87,243	-	87,243	-
Unrestricted revenues from the use of money and property					204,881	-	204,881	-
Miscellaneous					9,891	-	9,891	-
Contributions from Town of Rocky Mount, Virginia					-	-	-	227,861
Grants and contributions not restricted to specific programs					233,557	-	233,557	437,314
Transfers					98,351	(98,351)	-	-
Total general revenues and transfers					\$ 4,894,622	\$ (98,351)	\$ 4,796,271	\$ 665,175
Change in net position					\$ (274,383)	\$ (1,004,422)	\$ (1,278,805)	\$ (223,856)
Net position - beginning					18,568,595	9,739,591	28,308,186	(349,898)
Net position - ending					\$ 18,294,212	\$ 8,735,169	\$ 27,029,381	\$ (573,754)

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

Town of Rocky Mount, Virginia
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 314,228	\$ 6,344	\$ 320,572
Investments	6,329,630	-	6,329,630
Receivables (net of allowance for uncollectibles):			
Taxes receivable	118,708	-	118,708
Accounts receivable	238,202	-	238,202
Loans receivable	-	58,020	58,020
Long-term receivable	634,956	-	634,956
Due from component unit	747,075	-	747,075
Due from other governmental units	702,840	-	702,840
Prepaid items	62,416	-	62,416
Total assets	<u>\$ 9,148,055</u>	<u>\$ 64,364</u>	<u>\$ 9,212,419</u>
LIABILITIES			
Accounts payable	\$ 87,342	\$ -	\$ 87,342
Amounts held for others	18,746	-	18,746
Accrued payroll and related liabilities	117,709	-	117,709
Total liabilities	<u>\$ 223,797</u>	<u>\$ -</u>	<u>\$ 223,797</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 111,316	\$ -	\$ 111,316
Unavailable revenue - long-term receivable	634,956	-	634,956
Total deferred inflows of resources	<u>\$ 746,272</u>	<u>\$ -</u>	<u>\$ 746,272</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 62,416	\$ -	\$ 62,416
Assigned:			
Capital projects	-	64,364	64,364
Unassigned	8,115,570	-	8,115,570
Total fund balances	<u>\$ 8,177,986</u>	<u>\$ 64,364</u>	<u>\$ 8,242,350</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,148,055</u>	<u>\$ 64,364</u>	<u>\$ 9,212,419</u>

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

Town of Rocky Mount, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,242,350
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 2,553,014	
Machinery and equipment	2,110,426	
Buildings and improvements	2,758,965	
Public domain infrastructure	<u>6,473,590</u>	13,895,995

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Unavailable revenue - property taxes	\$ 111,316	
Unavailable revenue - loan receivable	<u>634,956</u>	746,272

Deferred outflows or resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 804,093	
OPEB related items	<u>114,594</u>	918,687

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (1,289,000)	
Capital lease	(105,007)	
Accrued interest payable	(15,012)	
Compensated absences	(427,811)	
Net OPEB liabilities	(879,276)	
Net pension liability	<u>(2,439,970)</u>	(5,156,076)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (274,691)	
OPEB related items	<u>(78,325)</u>	(353,016)

Net position of governmental activities	\$	<u>18,294,212</u>
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The notes to the financial statements are an integral part of this statement.

Town of Rocky Mount, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 996,032	\$ -	\$ 996,032
Other local taxes	3,334,865	-	3,334,865
Permits, privilege fees, and regulatory licenses	17,174	-	17,174
Fines and forfeitures	16,099	-	16,099
Revenue from the use of money and property	202,338	2,543	204,881
Charges for services	161,856	-	161,856
Miscellaneous	9,891	-	9,891
Recovered costs	1,092	-	1,092
Intergovernmental	2,985,778	-	2,985,778
Total revenues	<u>\$ 7,725,125</u>	<u>\$ 2,543</u>	<u>\$ 7,727,668</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,166,992	\$ -	\$ 1,166,992
Public safety	2,706,413	-	2,706,413
Public works	2,188,807	-	2,188,807
Parks, recreation, and cultural	115,201	-	115,201
Community development	986,258	-	986,258
Nondepartmental	222,313	-	222,313
Debt service:			
Principal retirement	288,000	-	288,000
Interest and other fiscal charges	40,344	-	40,344
Total expenditures	<u>\$ 7,714,328</u>	<u>\$ -</u>	<u>\$ 7,714,328</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10,797</u>	<u>\$ 2,543</u>	<u>\$ 13,340</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 98,351	\$ -	\$ 98,351
Issurance of capital lease	105,007	-	105,007
Total other financing sources (uses)	<u>\$ 203,358</u>	<u>\$ -</u>	<u>\$ 203,358</u>
Net change in fund balances	\$ 214,155	\$ 2,543	\$ 216,698
Fund balances - beginning	7,963,831	61,821	8,025,652
Fund balances - ending	<u>\$ 8,177,986</u>	<u>\$ 64,364</u>	<u>\$ 8,242,350</u>

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

Town of Rocky Mount, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$	216,698
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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 depreciation expense exceeded capital outlays in the current period.

Capital outlay	\$ 435,739	
Depreciation expense	<u>(821,797)</u>	(386,058)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations, and disposals) is to decrease net position.		(9,023)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		17,045
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The issuance of long-term debt (e.g. bonds, leases) 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, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Capital lease	\$ (105,007)	
Principal repayments:		
Principal payments on general obligation bonds	<u>288,000</u>	182,993

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.

Change in compensated absences	\$ (173,081)	
Change in accrued interest	2,505	
Change in pension related items	(88,379)	
Change in OPEB related items	<u>(37,083)</u>	(296,038)

Change in net position of governmental activities	\$	<u><u>(274,383)</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Rocky Mount, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2020

	Water and Wastewater Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,035,479
Accounts receivable	466,910
Inventories	29,506
Prepaid items	18,620
Total current assets	<u>\$ 2,550,515</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents - customer deposits	<u>\$ 54,210</u>
Capital assets, net of accumulated depreciation:	
Land	\$ 189,454
Water and wastewater plants	5,330,895
Machinery and equipment	2,140,021
Distribution/transmission systems	4,123,799
Total capital assets	<u>\$ 11,784,169</u>
Total noncurrent assets	<u>\$ 11,838,379</u>
Total assets	<u>\$ 14,388,894</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related items	\$ 35,375
Pension related items	292,849
Total deferred outflows of resources	<u>\$ 328,224</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 19,138
Accrued payroll and related liabilities	5,256
Customer deposits	54,210
Accrued interest payable	50,576
Amount held for others	18,620
Compensated absences - current portion	86,681
Bonds payable - current portion	412,135
Total current liabilities	<u>\$ 646,616</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 28,894
Bonds payable - net of current portion	4,168,655
Net OPEB liabilities	275,882
Net pension liability	765,502
Total noncurrent liabilities	<u>\$ 5,238,933</u>
Total liabilities	<u>\$ 5,885,549</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB related items	\$ 24,574
Pension related items	71,826
Total deferred inflows of resources	<u>\$ 96,400</u>
NET POSITION	
Net investment in capital assets	\$ 7,203,379
Unrestricted	1,531,790
Total net position	<u><u>\$ 8,735,169</u></u>

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

Town of Rocky Mount, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2020

	<u>Water and Wastewater Fund</u>
OPERATING REVENUES	
Charges for services:	
Water service charges and fees	\$ 1,780,694
Sewer service charges and fees	1,230,157
Water/sewer penalties	17,295
Capital fund garbage service charges and fees	20,239
Other revenues	146,716
Total operating revenues	<u>\$ 3,195,101</u>
OPERATING EXPENSES	
Salaries	\$ 805,375
Fringe benefits	457,838
Maintenance	40,745
Utilities and insurance	212,719
Materials and supplies	161,408
Contractual Services	188,629
Other	175,010
Depreciation	818,982
Total operating expenses	<u>\$ 2,860,706</u>
Operating income (loss)	<u>\$ 334,395</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	<u>\$ (162,936)</u>
Income (loss) before transfers and capital contributions	<u>\$ 171,459</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS	
Capital contributions to WVWA	\$ (1,077,530)
Transfers out	(98,351)
Total transfers and capital contributions	<u>\$ (1,175,881)</u>
Change in net position	\$ (1,004,422)
Total net position - beginning	9,739,591
Total net position - ending	<u><u>\$ 8,735,169</u></u>

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

Town of Rocky Mount, Virginia
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2020

	<u>Water and Wastewater Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,238,460
Payments to suppliers	(816,297)
Payments to employees	(1,184,983)
Net cash provided by (used for) operating activities	<u>\$ 1,237,180</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>\$ (98,351)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (582,219)
Proceeds from issuance of debt	1,119,083
Principal payments on bonds	(404,793)
Capital contributions	(1,077,530)
Interest payments	(158,420)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,103,879)</u>
Net increase (decrease) in cash and cash equivalents	\$ 34,950
Cash and cash equivalents - beginning (including restricted cash of \$196,768)	2,054,739
Cash and cash equivalents - ending (including restricted cash of \$54,210)	<u><u>\$ 2,089,689</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 334,395</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 818,982
(Increase) decrease in accounts receivable	32,974
(Increase) decrease in inventories	2,108
(Increase) decrease in deferred outflows of resources	(58,552)
Increase (decrease) in customer deposits	10,385
Increase (decrease) in accounts payable	(39,894)
Increase (decrease) in accrued payroll and related liabilities	(21,713)
Increase (decrease) in compensated absences	22,640
Increase (decrease) in net OPEB liabilities	38,357
Increase (decrease) in net pension liability	60,100
Increase (decrease) in deferred inflows of resources	37,398
Total adjustments	<u>\$ 902,785</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,237,180</u></u>

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

TOWN OF ROCKY MOUNT, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town of Rocky Mount, Virginia conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial Reporting Entity:

The Town of Rocky Mount, Virginia (the “Town”) was established in 1873. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. These financial statements present the Town as the primary government. The Town Council consists of a mayor and six other council members. The Town is part of County of Franklin, Virginia and has taxing powers subject to statewide restrictions and tax limits.

The Town provides a full range of municipal services including police, refuse collection, public improvements, planning and zoning, general administrative services, recreation, and water and wastewater services. The Town provides substantial operating funding for its Volunteer Fire Department.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit - None

Discretely Presented Component Unit - The Economic Development Authority (the “EDA”) was created for the purposes of promoting economic development within the Town. Its component unit, the Harvester Performance Center (the “HPC”) is a mid-sized music venue for purposes of industrial and economic development in the Rocky Mount community. Because the Town owns the EDA which in turn owns the building housing the Harvester, the Town has its own operating budget for the HPC consisting of utilities, building and grounds maintenance, and other building related expenses. The HPC has a separate operating budget to cover performance expenses. Neither the Town nor the EDA can override the HPC’s performance budget or setting of rates. The HPC is fiscally dependent on the EDA and Town as the Town is responsible for funding any operating/performing deficits. As the HPC is not self-sustaining, this dependency creates a financial burden for the EDA and Town. The EDA has a year end of June 30, 2020 but its only activity consists of the HPC, whose entities have a December 31, 2019 year end. The EDA issues separate financial statements which include the operations of the HPC and can be obtained by contacting the Town’s administrative office.

Related Organizations - None

Jointly Governed Organizations - None

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (Continued)

B. Government-wide and fund financial statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison presents the original budget and a comparison of final budget and actual results.

C. Measurement focus, basis of accounting, and financial statement presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds.

The *capital projects fund* is used to account for and report financial resources to be used for the construction of major capital facilities, other than those financed by proprietary funds.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

The Town reports the following major proprietary fund:

The *enterprise fund* accounts for the financing of services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges, or where management has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for management control, accountability or other purposes. The enterprise fund consists of the water and wastewater fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the Town's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance:

1. Cash and cash equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance:
(Continued)

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

4. Inventories

Inventories consist of expendable supplies held for consumption. Inventories are presented at cost and are expended when used.

5. Prepaid Items

Payments to vendors for services that will benefit future periods are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense when the services are consumed.

6. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable on February 28. The Town bills and collects its own property taxes.

7. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts for taxes and water and wastewater using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$86,511 for property taxes at June 30, 2020. The allowance amounted to approximately \$13,718 for water and wastewater at June 30, 2020.

8. Use of Estimates

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

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance:
(Continued)

9. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	30-40
Machinery and Equipment	5-10
Distribution/Transmission Systems	40-50
Water and Wastewater Plants	40-50
Infrastructure	20-40

10. 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(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liabilities and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liabilities and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance:
(Continued)

10. Deferred Outflows/Inflows of Resources (Continued)

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid are deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid are reported as deferred inflows of resources. Long-term receivables are also reported in the governmental funds as deferred inflows of resources when the underlying revenues are considered unavailable as a result of a nonexchange transaction. In addition, certain items related to the measurement of the net pension liabilities and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

11. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund only if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

12. Pensions

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 Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance:
(Continued)

13. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

15. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance:
(Continued)

15. Fund Balance (Continued)

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

16. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Capital Projects Fund, and the Water and Wastewater Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budgets for the general, capital projects, and the water and wastewater funds are legally enacted through passage of an Appropriations Resolution. Town Council may, from time to time, amend the budgets, providing for additional expenditures and the means for financing them.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Management can over-expend at the line item level without approval of Town Council.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted utilizing the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented is the final revised budget.

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2020, expenditures exceeded appropriations in all functions with the exception of public works.

C. Deficit fund balance

At June 30, 2020, no funds had negative fund balance.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 3-Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Investment Policy

In accordance with the Code of Virginia and other applicable law, including regulations, the Town’s investment policy (Policy) permits investments in U.S. treasury securities, U.S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker’s acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U.S. treasury/agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer’s Local Government Investment Pool (the Virginia LGIP). Pursuant to Sec.2.1-234.7 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool share (i.e., the LGIP maintains a stable net position value of \$1 per share). The LGIP investment policy specifies that no investment may have a maturity greater than one year from the date of purchase.

The Policy limits investment maturities to five years maximum maturity for any negotiable certificate of deposit or any sovereign government obligation excluding those of the United States; to 15 years for any single corporate security; and five years for any single asset-backed security.

Credit Risk of Debt Securities

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, and Fitch Investors Service, provided that the issuing corporation has a net worth of at least \$50 million and its long term debt is rated “A” or better by Moody’s and Standard & Poor’s.

Banker’s acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 3-Deposits and Investments: (Continued)

Credit Risk of Debt Securities (Continued)

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the policy places no limit on the amount the Town may invest in any one issuer.

As of June 30, 2020, issuers that equal or exceed 5% of the total portfolio are as follows:

	<u>% of Portfolio</u>
Certificates of Deposit	38.92%
Money Market	3.87%
LGIP	57.21%

The Town's rated debt investments as of June 30, 2020 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

Town's Rated Debt Investment Value		
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	AAAm	Unrated
Money Market Mutual Funds	\$ -	\$ 245,031
Certificates of Deposit	-	2,463,749
LGIP	3,620,850	-
Total	<u>\$ 3,620,850</u>	<u>\$ 2,708,780</u>

Interest Rate Risk

All Town investments must be in securities maturing within five years.

<u>Investment Type</u>	<u>Investment Maturities</u>			<u>Call options</u>
	Fair Value	< 1 year	1-5 years	
Money Market Mutual Funds	\$ 245,031	\$ 245,031	\$ -	None
Certificates of Deposit	2,463,749	974,337	1,489,412	None
LGIP	3,620,850	3,620,850	-	None
Total	<u>\$ 6,329,630</u>	<u>\$ 4,840,218</u>	<u>\$ 1,489,412</u>	

Custodial Credit Risk

The Policy requires that all investment securities shall be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the Code of Virginia, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all of the Town's investments are held in a bank's trust department in the Town's name.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 3-Deposits and Investments: (Continued)

External Investment Pool

The fair value of the positions held in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of accounting standards. There are no withdrawal limitations or restrictions imposed on participants.

Note 4-Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Town maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 4-Fair Value Measurements: (Continued)

The Town has the following recurring fair value measurements as of June 30, 2020:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Fair Value</u> <u>Level 1</u>	<u>Net Asset</u> <u>Value (NAV)</u>
Money Market Mutual Funds	\$ 245,031	\$ 245,031	n/a
Certificates of Deposit	2,463,749	2,463,749	n/a
Total investments	<u>\$ 2,708,780</u>	<u>\$ 2,708,780</u>	<u>\$ -</u>

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	<u>Governmental</u> <u>Activities</u>
Local Government:	
Franklin County	\$ 7,500
Franklin County - CRF	606,567
Commonwealth of Virginia:	
Sales Tax	45,356
Communication Tax	13,188
School Resource Officer	30,229
Total	<u>\$ 702,840</u>

Note 6-Interfund Transfers:

Interfund transfers for the year ended June 30, 2020 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 98,351	\$ -
Water and Wastewater Fund	-	98,351
Total	<u>\$ 98,351</u>	<u>\$ 98,351</u>

The primary purpose of transfers is to ensure that cash balances are reported in the appropriate fund(s).

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 7-Component-Unit Obligations:

At year end, the component-unit Economic Development Authority carries a liability to the Town's general fund for monies advanced during the year to cover expenses of the Harvester Performance Center.

Fund	Due from Primary Government/ Component Unit	Due to Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 747,075	\$ -
Component Unit - Economic Development Authority:		
Performance Venue Fund	-	4,168,541
Total	<u>\$ 747,075</u>	<u>\$ 4,168,541</u>

Amounts above differ as the EDA's activity is comprised solely of its component unit's, the Harvester Performance Center, activity. The Harvester Performance Center has a calendar year end and information is presented as of December 31, 2019. The difference results in additional amounts contributed by the Town after that time as well as recognition of contribution of buildings and improvements. Further, an allowance has been established by the Town to reflect the realizable amount on the receivable while the Harvester Performance Center reflects the amounts due in full as they have not been forgiven by the Town.

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TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 8-Capital Assets:

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,598,952	\$ 45,770	\$ (91,708)	\$ 2,553,014
Capital assets, being depreciated:				
Public Domain Infrastructure	\$ 13,538,765	\$ 10,536	\$ -	\$ 13,549,301
Buildings and improvements	7,190,881	-	-	7,190,881
Machinery and equipment	5,759,735	471,141	(14,800)	6,216,076
Total capital assets being depreciated	<u>\$ 26,489,381</u>	<u>\$ 481,677</u>	<u>\$ (14,800)</u>	<u>\$ 26,956,258</u>
Accumulated depreciation:				
Public Domain Infrastructure	\$ (6,750,813)	\$ (324,898)	\$ -	\$ (7,075,711)
Buildings and improvements	(4,226,716)	(205,200)	-	(4,431,916)
Machinery and equipment	(3,819,728)	(291,699)	5,777	(4,105,650)
Total accumulated depreciation	<u>\$ (14,797,257)</u>	<u>\$ (821,797)</u>	<u>\$ 5,777</u>	<u>\$ (15,613,277)</u>
Total capital assets being depreciated, net	<u>\$ 11,692,124</u>	<u>\$ (340,120)</u>	<u>\$ (9,023)</u>	<u>\$ 11,342,981</u>
Governmental activities capital assets, net	<u>\$ 14,291,076</u>	<u>\$ (294,350)</u>	<u>\$ (100,731)</u>	<u>\$ 13,895,995</u>

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TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 8-Capital Assets: (Continued)

Capital asset activity for the year ended June 30, 2020 was as follows: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 189,454	\$ -	\$ -	\$ 189,454
Capital assets being depreciated:				
Water and wastewater plants	\$ 21,645,077	\$ 169,443	\$ -	\$ 21,814,520
Distributions/transmission systems	7,978,149	-	-	7,978,149
Machinery and equipment	2,776,627	412,776	-	3,189,403
Total capital assets being depreciated	<u>\$ 32,399,853</u>	<u>\$ 582,219</u>	<u>\$ -</u>	<u>\$ 32,982,072</u>
Accumulated depreciation:				
Water and wastewater plants	\$ (16,019,681)	\$ (463,944)	\$ -	\$ (16,483,625)
Distributions/transmission systems	(3,659,274)	(195,076)	-	(3,854,350)
Machinery and equipment	(889,420)	(159,962)	-	(1,049,382)
Total accumulated depreciation	<u>\$ (20,568,375)</u>	<u>\$ (818,982)</u>	<u>\$ -</u>	<u>\$ (21,387,357)</u>
Total capital assets being depreciated, net	<u>\$ 11,831,478</u>	<u>\$ (236,763)</u>	<u>\$ -</u>	<u>\$ 11,594,715</u>
Business-type activities capital assets, net	<u>\$ 12,020,932</u>	<u>\$ (236,763)</u>	<u>\$ -</u>	<u>\$ 11,784,169</u>

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

Governmental activities:

General government administration	\$ 94,860
Public safety	43,954
Public works	209,166
Parks, recreation, and cultural	356,490
Community development	117,327

Total depreciation expense-governmental activities \$ 821,797

Business-type activities:

Water	\$ 355,228
Wastewater	463,754

Total depreciation expense-business-type activities \$ 818,982

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 9-Long-term Obligations:

Primary Government - Governmental Activities:

The following is a summary of long-term obligations transactions of the Town for the year ended June 30, 2020:

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Direct Borrowings and Placements:				
General obligation bonds	\$ 1,577,000	\$ -	\$ (288,000)	\$ 1,289,000
Capital lease	-	105,007	-	105,007
Compensated absences	254,730	236,764	(63,683)	427,811
Net OPEB liabilities	792,975	186,014	(99,713)	879,276
Net pension liability	2,355,202	1,275,346	(1,190,578)	2,439,970
 Total	 <u>\$ 4,979,907</u>	 <u>\$ 1,803,131</u>	 <u>\$ (1,641,974)</u>	 <u>\$ 5,141,064</u>

The general government compensated absences, pension liability, and postemployment benefits are generally liquidated by the general fund.

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30,	Direct Borrowings and Placements	
	General Obligation Bonds	
	Principal	Interest
2021	\$ 291,000	\$ 31,082
2022	134,000	20,203
2023	136,000	17,273
2024	139,000	14,289
2025	142,000	11,241
2026-2028	447,000	14,680
Totals	<u>\$ 1,289,000</u>	<u>\$ 108,768</u>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 9-Long-term Obligations (Continued):

Primary Government - Governmental Activities: (Continued)

Details of long-term obligations:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Direct borrowings and placements:						
General Obligation Bonds:						
Emergency Services Building	3.70%	12/10	12/21	\$ 1,640,000	\$ 160,000	\$ 160,000
GO Bond Series 2017	2.17%	04/17	08/27	1,512,000	1,129,000	131,000
Total Direct Borrowings and Placements					<u>\$ 1,289,000</u>	<u>\$ 291,000</u>
Other Long-term Obligations:						
Capital lease	2.146%	09/19	09/25	\$ 105,007	\$ 105,007	\$ 20,119
Net OPEB liabilities	n/a	n/a	n/a	n/a	879,276	-
Compensated absences	n/a	n/a	n/a	n/a	427,811	320,858
Net pension liability	n/a	n/a	n/a	n/a	2,439,970	-
Total Other Long-term Obligations					<u>\$ 3,852,064</u>	<u>\$ 340,977</u>
Total Long-term Obligations					<u>\$ 5,141,064</u>	<u>\$ 631,977</u>

In the event of default on the Emergency Services Building GO Bond, the lender may take whatever action under law which may appear necessary or desirable to collect amounts then due and thereafter to become due under the loan agreement. In the event of default on the GO Bond Series 2017 issuance, the unpaid principal amount shall bear interest at the rate of 12 percent per annum or the maximum rate permitted by applicable law, whichever is less while the default exists.

Primary Government - Business-type Activities:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2020</u>
Direct Borrowings and Placements:				
Revenue bonds	\$ 3,866,500	\$ 1,119,083	\$ (404,793)	\$ 4,580,790
Compensated absences	92,935	45,874	(23,234)	115,575
Net OPEB liabilities	237,525	66,946	(28,589)	275,882
Net pension liability	705,402	425,624	(365,524)	765,502
Total	<u>\$ 4,902,362</u>	<u>\$ 1,657,527</u>	<u>\$ (822,140)</u>	<u>\$ 5,737,749</u>

The business-type activities' compensated absences, pension liability, and postemployment benefits are generally liquidated by the enterprise fund.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 9-Long-term Obligations: (Continued)

Primary Government - Business-type Activities: (Continued)

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	Direct Borrowings and Placements	
	Revenue Bonds	
	Principal	Interest
2021	\$ 412,135	\$ 131,892
2022	422,590	121,842
2023	311,174	111,559
2024	212,867	104,166
2025	211,691	97,492
2026-2030	1,185,513	382,071
2031-2035	1,279,762	185,414
2036-2038	545,058	30,942
Totals	<u>\$ 4,580,790</u>	<u>\$ 1,165,378</u>

Details of long-term obligations:

	Interest Rates	Date Issued	Final Maturity	Original Amount	Amount Outstanding	Amount Due Within One Year
Direct Borrowings and Placements:						
Revenue Bonds:						
Virginia Municipal League	2.85%	8/13	02/37	\$2,205,000	\$1,885,000	\$ 85,000
Virginia Municipal League	1.85%	8/13	08/22	2,042,500	559,000	225,000
General Obligation Bond	3.58%	10/18	08/23	1,116,500	1,059,260	59,330
WVWA Project 1	3.00%	12/18	12/39	687,833	662,294	26,310
WVWA Project 2	3.00%	12/18	12/39	431,250	415,236	16,495
Total Direct Borrowings and Placements					<u>\$4,580,790</u>	<u>\$412,135</u>
Other Long-term Obligations:						
Net OPEB liabilities	n/a	n/a	n/a	n/a	\$ 275,882	\$ -
Compensated absences	n/a	n/a	n/a	n/a	115,575	86,681
Net pension liability	n/a	n/a	n/a	n/a	765,502	-
Total Other Long-term Obligations					<u>\$1,156,959</u>	<u>\$ 86,681</u>
Total Long-term Obligations					<u>\$5,737,749</u>	<u>\$498,816</u>

In the event of default, the unpaid principal amount of the Virginia Municipal League issuances and the GO Bond issuance shall bear interest at the rate of 12 percent per annum or 9 percent per annum, respectively, or the maximum rate permitted under applicable law, whichever is less, while the event of default exists.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 10-Capital Lease:

The Town has entered into a lease purchase agreement for the purchase of vehicles. Total assets acquired through the capital lease are as follows:

Vehicles	\$ 104,627
Accumulated depreciation	<u>(1,761)</u>
Net book value of assets	<u><u>\$ 102,866</u></u>

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

Year Ending June 30,	Amount
2021	\$ 22,372
2022	22,373
2023	22,373
2024	22,372
2025	22,373
Subtotal	<u>\$ 111,863</u>
Less: Amount representing interest	<u>(6,856)</u>
Present value of lease agreement	<u><u>\$ 105,007</u></u>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 11-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 11-Pension Plan: (Continued)

Benefit Structures: (Continued)

- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 11-Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	49
Inactive members:	
Vested inactive members	11
Non-vested inactive members	13
Inactive members active elsewhere in VRS	<u>17</u>
Total inactive members	41
Active members	<u>63</u>
Total covered employees	<u><u>153</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required employer contribution rate for the year ended June 30, 2020 was 15.92% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$512,612 and \$469,551 for the years ended June 30, 2020 and June 30, 2019, respectively.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 11-Pension Plan: (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town of Rocky Mount Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% if rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)**

Note 11-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town of Rocky Mount Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 11-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related
Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 11-Pension Plan: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges 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 asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 11-Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 13,334,787	\$ 10,274,183	\$ 3,060,604
Changes for the year:			
Service cost	\$ 353,665	-	\$ 353,665
Interest	909,859	-	909,859
Changes in assumptions	404,866	-	404,866
Differences between expected and actual experience	(230,200)	-	(230,200)
Contributions - employer	-	469,551	(469,551)
Contributions - employee	-	144,682	(144,682)
Net investment income	-	686,165	(686,165)
Benefit payments, including refunds of employee contributions	(673,612)	(673,612)	-
Administrative expenses	-	(6,641)	6,641
Other changes	-	(435)	435
Net changes	\$ 764,578	\$ 619,710	\$ 144,868
Balances at June 30, 2019	\$ 14,099,365	\$ 10,893,893	\$ 3,205,472

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 11-Pension Plan: (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town			
Net Pension Liability	\$ 5,029,730	\$ 3,205,472	\$ 1,750,793

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

For the year ended June 30, 2020, the Town recognized pension expense of \$654,472. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 233,620	\$ 179,930
Change in assumptions	290,175	14,491
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,535	60,535
Net difference between projected and actual earnings on pension plan investments	-	91,561
Employer contributions subsequent to the measurement date	512,612	-
Total	\$ 1,096,942	\$ 346,517

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 11-Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$512,612 was reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

	<u>Year ended June 30</u>	<u>Primary Government</u>
	2021	\$ 161,141
	2022	46,308
	2023	24,220
	2024	6,144

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12-Other Postemployment Benefits (OPEB) - Healthcare:

Plan Description

In addition to the pension benefits described in Note 10, the Town administers a single-employer defined benefit healthcare plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the Town's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The plan will provide retiring employees the option to continue health and dental insurance offered by the Town. Participants in the Town's OPEB plan must have attained 5 years of service and must have attained the age of 55, or 10 years of service and attained age 50 to be eligible and may remain on the Town's policy until death. Members who retire from the Town are also eligible after 5 years of service and attained the age of 65.

Health benefits include medical and dental. Participating retirees pay 100% of monthly premiums to continue with the Town's insurance plans.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 12-Other Postemployment Benefits (OPEB) - Healthcare: (Continued)

Plan Membership

At July 1, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	63
Total retirees with coverage	<u>3</u>
Total	<u><u>66</u></u>

Contributions

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town Council. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2020 was \$13,500.

Total OPEB Liability

The Town's total OPEB liability was measured as of July 1, 2019. The total OPEB liability was determined by an actuarial valuation as July 1, 2018.

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Healthcare Cost Trend Rates	0.00% for fiscal year end 2019 (to reflect actual experience), then 6.67% for fiscal year end 2020, decreasing 0.33% per year to an ultimate rate of 5.00%
Salary Increases	2.50%
Discount Rate	3.13%
Investment Rate of Return	N/A

The mortality rates for active and healthy retirees was calculated using the RP-2014 Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 12-Other Postemployment Benefits (OPEB) - Healthcare: (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is from a 20-Year tax exempt general obligation municipal bond with an average rating of AA/Aa or higher. Since the plan has no assets, the discount rate is equal to the Fidelity Index's "20-year Municipal GO AA Index" as of the measurement date. The final equivalent single discount rate used for this year's valuation is 3.13% as of the end of the fiscal year.

Changes in Total OPEB Liability

		Primary Government
		Total OPEB Liability
Balances at June 30, 2019	\$	807,500
Changes for the year:		
Service cost	\$	54,400
Interest		31,000
Difference between expected and actual experience		(57,900)
Contributions - employer		(13,500)
Other changes		85,500
Net changes	\$	99,500
Balances at June 30, 2020	\$	907,000

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

	Rate		
	1% Decrease 2.13%	Current Discount 3.13%	1% Increase 4.13%
Town's proportionate share of the			
Town's total OPEB liability	\$ 1,117,200	\$ 907,000	\$ 749,800

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 12-Other Postemployment Benefits (OPEB) - Healthcare: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.67% decreasing by 0.33% annually to an ultimate rate of 4.00%) or one percentage point higher (7.67% decreasing by 0.33% annually to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

	Rate		
	Healthcare Cost		
	1% Decrease 5.67% decreasing to 4.00%	Trend 6.67% decreasing to 5.00%	1% Increase 7.67% decreasing to 6.00%
Town's proportionate share of the Town's total OPEB liability	\$ 724,300	\$ 907,000	\$ 1,157,600

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

For the year ended June 30, 2020, the Town recognized OPEB expense in the amount of \$85,800. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 53,900
Changes in assumptions	75,400	33,200
Employer contributions subsequent to the measurement date	13,500	-
Total	\$ 88,900	\$ 87,100

\$13,500 reported as deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability in the fiscal year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Primary Government
2021	\$ (2,400)
2022	(2,400)
2023	(2,400)
2024	(2,400)
2025	(2,400)
Thereafter	300

Additional disclosures on changes in total OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$17,042 and \$15,542 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2020, the entity reported a liability of \$248,158 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.01525% as compared to 0.01471% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$8,446. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,504	\$ 3,219
Net difference between projected and actual earnings on GLI OPEB plan investments	-	5,097
Change in assumptions	15,667	7,483
Changes in proportion	11,856	-
Employer contributions subsequent to the measurement date	<u>17,042</u>	<u>-</u>
Total	<u>\$ 61,069</u>	<u>\$ 15,799</u>

\$17,042 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 3,589
2022	3,589
2023	5,748
2024	6,978
2025	6,458
Thereafter	1,866

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups. Salary increases and mortality rates included herein are for the relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	\$ 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges 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 asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	3.00%	8.77%	1.23%
MAPS - Mult-Asset Public Strategies	14.00%	3.52%	0.21%
PIP - Private Investment Partnership	6.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 326,011	\$ 248,158	\$ 185,022

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 14-Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to DHRM. DHRM assumes all liability for the Town's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through DHRM. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2020 was \$41,664.

Note 15-Aggregate OPEB Information:

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan	\$ 61,069	\$ 15,799	\$ 248,158	\$ 8,446
Town Stand-Alone Plan	88,900	87,100	907,000	85,800
Totals	<u>\$ 149,969</u>	<u>\$ 102,899</u>	<u>\$ 1,155,158</u>	<u>\$ 94,246</u>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 16-Property Taxes:

The major sources of property taxes are real estate and personal property taxes. The assessments are the responsibility of Franklin County, while billing and collection are the Town's responsibilities.

Property taxes are levied annually on assessed values as of January 1 and are due by February 28 of the following calendar year. Personal property taxes do not create a lien on property.

The annual assessment for real estate is based on 100% of the assessed fair market value. A penalty of 10% of the unpaid tax is due for late payment. Interest is accrued at 10% for the initial year of delinquency, and thereafter at the maximum annual rate authorized by the *Internal Revenue Code* Section 6621(b). The effective tax rates per \$100 of assessed value for the year ended June 30 were as follows:

Real estate	\$ 0.13
Personal Property	\$ 0.51
Machinery and Tools	\$ 0.17

Note 17-Unavailable/Deferred Revenue:

Unavailable/deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Unavailable revenue totaling \$746,272 is comprised of the following:

Property Taxes - Property tax revenue representing uncollected tax billings not available for funding current expenditures totaled \$111,316.

Unavailable Long-Term Receivable - Unearned revenue representing uncollected long-term receivable amounts not available for funding current expenditures totaled \$634,956.

	Government-wide		Balance Sheet
	Statements		
	Governmental Activities		Governmental Funds
Unavailable long-term receivable	\$	-	\$ 634,956
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures		-	111,316
Total	\$	-	\$ 746,272

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 18-Related Party Transactions:

In 2015, the Town issued an interest free loan in the amount of \$1,287,519 to the Component Unit-Economic Development Authority. The loan does not have defined repayment terms and is payable to the Town as the Harvester has available funds. As of June 30, 2020, the Harvester had a remaining loan balance of \$634,956.

Note 19-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 with other localities in a public entity risk pool for their coverage of general liability, property, crime, machinery and auto insurance with the Virginia Municipal League. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal League contributions and assessments which are deposited into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 20-Surety Bonds:

<i>VML Insurance Programs</i>	
Employee Dishonesty	\$ 1,000,000

Note 21-Commitments and Contingent Liabilities:

At June 30, 2020, there were no significant matters of litigation pending involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

Note 22-Subsequent Events:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 22-Subsequent Events: (Continued)

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Town's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Note 23-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2020 (CONTINUED)

Note 23-Upcoming Pronouncements: (Continued)

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

Town of Rocky Mount, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Fiscal Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 1,039,433	\$ 1,039,433	\$ 996,032	\$ (43,401)
Other local taxes	3,465,226	3,465,226	3,334,865	(130,361)
Permits, privilege fees, and regulatory licenses	21,200	21,200	17,174	(4,026)
Fines and forfeitures	49,250	49,250	16,099	(33,151)
Revenue from the use of money and property	159,242	159,242	202,338	43,096
Charges for services	130,964	130,964	161,856	30,892
Miscellaneous	400	400	9,891	9,491
Recovered costs	-	-	1,092	1,092
Intergovernmental:				
Commonwealth	1,926,435	2,317,861	2,295,706	(22,155)
Federal	29,500	29,500	690,072	660,572
Total revenues	\$ 6,821,650	\$ 7,213,076	\$ 7,725,125	\$ 512,049
EXPENDITURES				
Current:				
General government administration	\$ 789,070	\$ 1,105,607	\$ 1,166,992	\$ (61,385)
Public safety	2,442,464	2,615,320	2,706,413	(91,093)
Public works	2,146,815	2,643,307	2,188,807	454,500
Parks, recreation, and cultural	64,562	109,623	115,201	(5,578)
Community development	844,249	944,584	986,258	(41,674)
Nondepartmental	236,338	253,048	222,313	30,735
Debt service:				
Principal retirement	288,000	288,000	288,000	-
Interest and other fiscal charges	40,652	40,652	40,344	308
Total expenditures	\$ 6,852,150	\$ 8,000,141	\$ 7,714,328	\$ 285,813
Excess (deficiency) of revenues over (under) expenditures	\$ (30,500)	\$ (787,065)	\$ 10,797	\$ 797,862
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 98,351	\$ 98,351
Issuance of capital lease	-	105,043	105,007	(36)
Total other financing sources (uses)	\$ -	\$ 105,043	\$ 203,358	\$ 98,315
Net change in fund balances	\$ (30,500)	\$ (682,022)	\$ 214,155	\$ 896,177
Fund balances - beginning	30,500	682,022	7,963,831	7,281,809
Fund balances - ending	\$ -	\$ -	\$ 8,177,986	\$ 8,177,986

Note 1: The budget is prepared on the modified accrual basis of accounting.

Town of Rocky Mount, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Fiscal Years Ended June 30, 2018 through June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 54,400	\$ 48,700	\$ 48,000
Interest	31,000	29,600	27,000
Differences between expected and actual experience	(57,900)	(3,900)	-
Contributions - employer	(13,500)	(13,500)	(15,000)
Other changes	85,500	(43,400)	-
Net change in total OPEB liability	\$ 99,500	\$ 17,500	\$ 60,000
Total OPEB liability - beginning	807,500	790,000	730,000
Total OPEB liability - ending	<u>\$ 907,000</u>	<u>\$ 807,500</u>	<u>\$ 790,000</u>
 Covered-employee payroll	 \$ 2,920,000	 \$ 2,920,000	 \$ 2,616,000
 Town's total OPEB liability (asset) as a percentage of covered-employee	 31.06%	 27.65%	 30.20%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Town of Rocky Mount, Virginia
Notes to Required Supplementary Information - OPEB
Fiscal Year Ended June 30, 2020

Valuation Date: 7/1/2018
Measurement Date: 7/1/2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	3.13%
Inflation	2.50%
Healthcare Trend Rate	0.00% for fiscal year end 2019 (to reflect actual experience), then 6.67% for fiscal year end 2020, decreasing 0.33% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019

Town of Rocky Mount, Virginia
Schedule of Town's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2019	0.01525%	\$ 248,158	\$ 2,988,681	8.30%	52.00%
2018	0.01471%	223,000	2,798,748	7.97%	51.22%
2017	0.01486%	223,000	2,740,066	8.14%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Town of Rocky Mount, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
Fiscal Years Ended June 30, 2011 through June 30, 2020

Date	Contributions in Relation to				Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
2020	\$ 17,042	\$ 17,042	\$ -	\$ 3,277,245	0.52%
2019	15,542	15,542	-	2,988,681	0.52%
2018	14,542	14,542	-	2,798,748	0.52%
2017	14,248	14,248	-	2,740,066	0.52%
2016	12,449	12,449	-	2,593,577	0.48%
2015	12,148	12,148	-	2,530,860	0.48%
2014	11,492	11,492	-	2,394,076	0.48%
2013	10,639	10,639	-	2,216,459	0.48%
2012	5,673	5,673	-	2,026,143	0.28%
2011	5,564	5,564	-	1,987,073	0.28%

Town of Rocky Mount, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Town of Rocky Mount, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 353,665	\$ 358,440	\$ 346,951	\$ 317,557	\$ 311,299	\$ 271,936
Interest	909,859	836,876	809,351	717,349	675,381	645,150
Differences between expected and actual experience	(230,200)	516,739	(70,973)	201,701	130,521	-
Changes of assumptions	404,866	-	(68,836)	-	-	-
Impact in change of proportion	-	-	628,791	(9,646)	-	-
Benefit payments	(673,612)	(665,284)	(581,269)	(520,844)	(495,244)	(475,165)
Net change in total pension liability	\$ 764,578	\$ 1,046,771	\$ 1,064,015	\$ 706,117	\$ 621,957	\$ 441,921
Total pension liability - beginning	13,334,787	12,288,016	11,224,001	10,517,884	9,895,927	9,454,006
Total pension liability - ending (a)	\$ 14,099,365	\$ 13,334,787	\$ 12,288,016	\$ 11,224,001	\$ 10,517,884	\$ 9,895,927
Plan fiduciary net position						
Impact in change of proportion	\$ -	\$ -	\$ 462,039	\$ (7,482)	\$ -	\$ -
Contributions - employer	469,551	392,185	385,774	357,965	349,774	332,610
Contributions - employee	144,682	136,306	134,360	121,946	119,251	112,574
Net investment income	686,165	714,891	1,061,541	142,757	360,480	1,070,448
Benefit payments	(673,612)	(665,284)	(581,269)	(520,844)	(495,244)	(475,165)
Administrator charges	(6,641)	(6,166)	(6,071)	(5,041)	(4,872)	(5,743)
Other	(435)	(638)	(948)	(61)	(75)	56
Net change in plan fiduciary net position	\$ 619,710	\$ 571,294	\$ 1,455,426	\$ 89,240	\$ 329,314	\$ 1,034,780
Plan fiduciary net position - beginning	10,274,183	9,702,889	8,247,463	8,158,223	7,828,909	6,794,129
Plan fiduciary net position - ending (b)	\$ 10,893,893	\$ 10,274,183	\$ 9,702,889	\$ 8,247,463	\$ 8,158,223	\$ 7,828,909
Town's net pension liability - ending (a) - (b)	\$ 3,205,472	\$ 3,060,604	\$ 2,585,127	\$ 2,976,538	\$ 2,359,661	\$ 2,067,018
Plan fiduciary net position as a percentage of the total pension liability	77.27%	77.05%	78.96%	73.48%	77.57%	79.11%
Covered payroll	\$ 2,988,681	\$ 2,796,491	\$ 2,571,152	\$ 2,463,898	\$ 2,398,797	\$ 2,378,594
Town's net pension liability as a percentage of covered payroll	107.25%	109.44%	100.54%	120.81%	98.37%	86.90%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Town of Rocky Mount, Virginia
Schedule of Employer Contributions
Pension Plans

Fiscal Years Ended June 30, 2011 through June 30, 2020

		Contributions in Relation to					Contributions
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll		as a % of Covered Payroll	
Date	(1)	(2)	(3)	(4)		(5)	
Primary Government							
2020	\$ 512,612	\$ 512,612	\$ -	\$ 3,277,245		15.64%	
2019	469,551	469,551	-	2,988,681		15.71%	
2018	392,185	392,185	-	2,796,491		14.02%	
2017	361,992	361,992	-	2,571,152		14.08%	
2016	357,965	357,965	-	2,463,898		14.53%	
2015	349,775	349,775	-	2,398,797		14.58%	
2014	351,081	351,081	-	2,378,594		14.76%	
2013	327,149	327,149	-	2,216,459		14.76%	
2012	258,333	258,333	-	2,026,143		12.75%	
2011	253,352	253,352	-	1,987,073		12.75%	

Current year contributions are from Town records and prior year contributions are from the VRS actuarial valuation performed each year.

Town of Rocky Mount, Virginia
Notes to Required Supplementary Information
Pension Plans
Fiscal Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Other Supplementary Information

Town of Rocky Mount, Virginia
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,543	\$ 2,543
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 2,543	\$ 2,543
Net change in fund balances	\$ -	\$ -	\$ 2,543	\$ 2,543
Fund balances - beginning	-	-	61,821	61,821
Fund balances - ending	\$ -	\$ -	\$ 64,364	\$ 64,364

Note 1: The budget is prepared on the modified accrual basis of accounting.

Town of Rocky Mount, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
Fiscal Year Ended June 30, 2020

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 612,001	\$ 612,001	\$ 556,770	\$ (55,231)
Public service corporation taxes	27,500	27,500	26,066	(1,434)
Personal Property Tax	239,963	239,963	256,273	16,310
Machinery and tools tax	150,469	150,469	147,123	(3,346)
Penalties	6,300	6,300	6,180	(120)
Interest	3,200	3,200	3,620	420
Total general property taxes	\$ 1,039,433	\$ 1,039,433	\$ 996,032	\$ (43,401)
Other local taxes:				
Local sales and use taxes	\$ 216,371	\$ 216,371	\$ 224,205	\$ 7,834
Consumers' utility taxes	330,100	330,100	315,910	(14,190)
Business license taxes	682,518	682,518	654,609	(27,909)
Bank stock taxes	322,000	322,000	314,393	(7,607)
Lodging taxes	207,671	207,671	178,589	(29,082)
Meals taxes	1,625,566	1,625,566	1,559,916	(65,650)
Cigarette taxes	81,000	81,000	87,243	6,243
Total other local taxes	\$ 3,465,226	\$ 3,465,226	\$ 3,334,865	\$ (130,361)
Permits, privilege fees, and regulatory licenses:				
Farmers Market permits	\$ 4,500	\$ 4,500	\$ 5,861	\$ 1,361
Welcome Center fees	6,400	6,400	5,623	(777)
Solicitor fees	-	-	20	20
Zoning permits	10,300	10,300	5,670	(4,630)
Total permits, privilege fees, and regulatory licenses	\$ 21,200	\$ 21,200	\$ 17,174	\$ (4,026)
Fines and forfeitures:				
Court fines	\$ 49,000	\$ 49,000	\$ 15,874	\$ (33,126)
Parking fines	100	100	215	115
Other fines	150	150	10	(140)
Total fines and forfeitures	\$ 49,250	\$ 49,250	\$ 16,099	\$ (33,151)
Revenue from use of money and property:				
Interest earned	\$ 157,000	\$ 157,000	\$ 150,334	\$ (6,666)
Revenue from use of property	2,242	2,242	1,062	(1,180)
Gains (Losses) on investments	-	-	50,942	50,942
Total revenue from use of money and property	\$ 159,242	\$ 159,242	\$ 202,338	\$ 43,096
Charges for services:				
Waste collection charges	\$ 96,874	\$ 96,874	\$ 123,934	\$ 27,060
Police reports	1,300	1,300	1,363	63
Security services	3,930	3,930	7,550	3,620
Passport services	15,300	15,300	12,679	(2,621)
Miscellaneous services	13,560	13,560	16,330	2,770
Total charges for services	\$ 130,964	\$ 130,964	\$ 161,856	\$ 30,892
Miscellaneous:				
Donations	\$ -	\$ -	\$ 1,545	\$ 1,545
Miscellaneous	400	400	8,346	7,946
Total miscellaneous	\$ 400	\$ 400	\$ 9,891	\$ 9,491
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 1,092	\$ 1,092
Total revenue from local sources	\$ 4,865,715	\$ 4,865,715	\$ 4,739,347	\$ (126,368)

Town of Rocky Mount, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
Fiscal Year Ended June 30, 2020

Schedule 1
Page 2 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Personal property tax relief funds	\$ 53,861	\$ 53,861	\$ 53,861	\$ -
Communications tax	179,245	179,245	161,452	(17,793)
Litter tax	2,750	2,750	2,164	(586)
Rolling Stock	3,340	3,340	3,337	(3)
Other revenue	21,000	21,000	12,743	(8,257)
Total noncategorical aid	<u>\$ 260,196</u>	<u>\$ 260,196</u>	<u>\$ 233,557</u>	<u>\$ (26,639)</u>
Categorical aid:				
Other categorical aid:				
Fire programs	\$ 46,611	\$ 46,611	\$ 51,494	\$ 4,883
Highway maintenance	1,473,904	1,473,904	1,452,129	(21,775)
Law enforcement block grant	116,092	116,092	120,620	4,528
Disaster Recovery	-	-	17,649	17,649
Law enforcement aid	-	33,957	31,204	(2,753)
VDOT grant	-	357,469	359,421	1,952
Other categorical aid	29,632	29,632	29,632	-
Total other categorical aid	<u>\$ 1,666,239</u>	<u>\$ 2,057,665</u>	<u>\$ 2,062,149</u>	<u>\$ 4,484</u>
Total revenue from the Commonwealth	<u>\$ 1,926,435</u>	<u>\$ 2,317,861</u>	<u>\$ 2,295,706</u>	<u>\$ (22,155)</u>
Revenue from the federal government:				
Categorical aid:				
DMV ground transportation safety grant	\$ -	\$ -	\$ 9,021	\$ 9,021
CARES Act Funding	-	-	606,567	606,567
FEMA grants	29,500	29,500	74,484	44,984
Total categorical aid	<u>\$ 29,500</u>	<u>\$ 29,500</u>	<u>\$ 690,072</u>	<u>\$ 660,572</u>
Total revenue from the federal government	<u>\$ 29,500</u>	<u>\$ 29,500</u>	<u>\$ 690,072</u>	<u>\$ 660,572</u>
Total General Fund	<u>\$ 6,821,650</u>	<u>\$ 7,213,076</u>	<u>\$ 7,725,125</u>	<u>\$ 512,049</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Interest earned	\$ -	\$ -	\$ 2,543	\$ 2,543
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,543</u>	<u>\$ 2,543</u>
Total Primary Government	<u>\$ 6,821,650</u>	<u>\$ 7,213,076</u>	<u>\$ 7,727,668</u>	<u>\$ 514,592</u>

Town of Rocky Mount, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
Fiscal Year Ended June 30, 2020

Schedule 2
Page 1 of 1

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General Government Administration:				
Mayor and Town Council	\$ 77,841	\$ 94,841	\$ 102,282	\$ (7,441)
Town Manager	286,789	321,094	317,832	3,262
Town Attorney/Legal Services	42,899	42,899	79,944	(37,045)
Finance	381,541	646,773	666,934	(20,161)
Total General Government Administration	<u>\$ 789,070</u>	<u>\$ 1,105,607</u>	<u>\$ 1,166,992</u>	<u>\$ (61,385)</u>
Public Safety:				
Police Department	\$ 2,273,169	\$ 2,446,025	\$ 2,544,481	\$ (98,456)
Volunteer Fire Department	169,295	169,295	161,932	7,363
Total Public Safety	<u>\$ 2,442,464</u>	<u>\$ 2,615,320</u>	<u>\$ 2,706,413</u>	<u>\$ (91,093)</u>
Public Works:				
Street Lights	\$ 117,430	\$ 109,098	\$ 100,954	\$ 8,144
Traffic Control and Parking	525,421	526,321	132,246	394,075
Streets	987,486	1,436,955	1,353,413	83,542
Sidewalks, Curbs, and Guttering	51,699	33,865	30,951	2,914
Angle Bridge	-	-	9,218	(9,218)
Street Cleaning	7,507	4,507	5,496	(989)
Refuse Collection	136,119	136,119	142,859	(6,740)
Snow Removal	44,919	4,919	448	4,471
Administration	100,474	145,806	155,690	(9,884)
PW Non-VDOT Highway Eligible	-	3,000	2,326	674
Municipal Building	80,781	89,779	90,213	(434)
Emergency Services Building	65,625	65,625	69,151	(3,526)
Public Works Building	29,354	87,313	95,842	(8,529)
Total Public Works	<u>\$ 2,146,815</u>	<u>\$ 2,643,307</u>	<u>\$ 2,188,807</u>	<u>\$ 454,500</u>
Parks, Recreation, and Cultural:				
Cemetery Maintenance	\$ 6,267	\$ 12,613	\$ 13,379	\$ (766)
Playgrounds and Parks	58,295	97,010	101,822	(4,812)
Total Parks, Recreation, and Cultural	<u>\$ 64,562</u>	<u>\$ 109,623</u>	<u>\$ 115,201</u>	<u>\$ (5,578)</u>
Community Development:				
Planning and Zoning	\$ 127,473	\$ 144,107	\$ 154,596	\$ (10,489)
Community and Economic Development	283,065	384,788	406,130	(21,342)
Citizens' Square	22,333	15,987	20,526	(4,539)
Community and Hospitality Center	28,839	18,839	18,109	730
Passport Program	3,000	3,324	2,351	973
Economic Development Authority	4,055	4,055	2,250	1,805
FEMA Economic Stimulus	-	-	8,812	(8,812)
Remediation of blighted structures	20,000	-	-	-
Contributions to Harvester Performance Center	355,484	373,484	373,484	-
Total Community Development	<u>\$ 844,249</u>	<u>\$ 944,584</u>	<u>\$ 986,258</u>	<u>\$ (41,674)</u>
Nondepartmental	<u>\$ 236,338</u>	<u>\$ 253,048</u>	<u>\$ 222,313</u>	<u>\$ 30,735</u>
Debt Service:				
Principal retirement	\$ 288,000	\$ 288,000	\$ 288,000	\$ -
Interest and fiscal charges	40,652	40,652	40,344	308
Total debt service	<u>\$ 328,652</u>	<u>\$ 328,652</u>	<u>\$ 328,344</u>	<u>\$ 308</u>
Total General Fund	<u>\$ 6,852,150</u>	<u>\$ 8,000,141</u>	<u>\$ 7,714,328</u>	<u>\$ 285,813</u>
Total Primary Government	<u>\$ 6,852,150</u>	<u>\$ 8,000,141</u>	<u>\$ 7,714,328</u>	<u>\$ 285,813</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Town of Rocky Mount, Virginia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends	1-4
<i>These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	
Revenue Capacity	5-9
<i>These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property taxes and utility revenues.</i>	
Debt Capacity	10-11
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	12-13
<i>These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	14-16
<i>These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

Table 1

Town of Rocky Mount, Virginia
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 12,308,493	\$ 12,768,337	\$ 12,824,596	\$ 13,421,135	\$ 13,173,384	\$ 13,194,309	\$ 13,382,249	\$ 13,324,081	\$ 13,013,305	\$ 12,801,217
Restricted	-	-	-	-	-	-	451,764	127,010	-	-
Unrestricted	10,934,072	10,241,470	9,524,633	5,700,375	4,942,843	6,909,303	5,750,745	4,918,816	5,555,290	5,492,995
Total governmental activities net position	\$ 23,242,565	\$ 23,009,807	\$ 22,349,229	\$ 19,121,510	\$ 18,116,227	\$ 20,103,612	\$ 19,584,758	\$ 18,369,907	\$ 18,568,595	\$ 18,294,212
Business-type activities										
Net investment in capital assets	\$ 9,435,263	\$ 9,712,564	\$ 9,967,807	\$ 8,910,140	\$ 8,741,269	\$ 8,522,241	\$ 12,801,217	\$ 8,516,925	\$ 8,307,375	\$ 7,203,379
Restricted for debt service	356,642	280,018	280,018	-	-	-	-	-	152,943	-
Unrestricted	(1,150,324)	(1,514,916)	(1,379,266)	266,300	22,529	8,757,094	5,492,995	1,173,667	1,279,273	1,531,790
Total business-type activities net position	\$ 8,641,581	\$ 8,477,666	\$ 8,868,559	\$ 9,176,440	\$ 8,763,798	\$ 17,279,335	\$ 18,294,212	\$ 9,690,592	\$ 9,739,591	\$ 8,735,169
Primary Government										
Net investment in capital assets	\$ 21,743,756	\$ 22,480,901	\$ 22,792,403	\$ 22,331,275	\$ 21,914,653	\$ 21,716,550	\$ 26,183,466	\$ 21,841,006	\$ 21,320,680	\$ 20,004,596
Restricted for debt service	356,642	280,018	280,018	-	-	-	451,764	127,010	152,943	-
Unrestricted	9,783,748	8,726,554	8,145,367	5,966,675	4,965,372	7,144,156	11,243,740	6,092,483	6,834,563	7,024,785
Total primary government net position	\$ 31,884,146	\$ 31,487,473	\$ 31,217,788	\$ 28,297,950	\$ 26,880,025	\$ 28,860,706	\$ 37,878,970	\$ 28,060,499	\$ 28,308,186	\$ 27,029,381

Town of Rocky Mount, Virginia
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government administration	\$ 174,544	\$ 1,310,661	\$ 894,183	\$ 909,202	\$ 931,434	\$ 836,494	\$ 983,926	\$ 936,954	\$ 1,122,515	\$ 1,552,093
Public Safety	2,157,429	2,012,658	1,884,733	2,123,428	2,026,137	2,017,134	2,374,024	2,440,595	2,463,378	2,998,531
Public Works	1,555,182	1,538,835	1,756,852	1,371,148	1,728,155	1,947,796	1,743,964	2,088,558	2,156,048	2,165,821
Parks, recreation and cultural	112,286	54,320	125,182	113,983	61,642	66,665	161,397	216,058	193,722	162,068
Community development	186,118	581,132	752,701	3,894,611	680,806	778,492	905,959	1,284,101	619,565	1,200,003
Interest on long-term debt	185,382	116,630	108,331	104,988	20,876	58,187	49,285	58,784	46,130	37,839
Total governmental activities expenses	\$ 4,370,941	\$ 5,614,236	\$ 5,521,982	\$ 8,517,360	\$ 5,449,050	\$ 5,704,768	\$ 6,218,555	\$ 7,025,050	\$ 6,601,358	\$ 8,116,355
Business-type activities:										
Water and Sewage	\$ 2,293,343	\$ 2,286,168	\$ 2,567,771	\$ 2,517,014	\$ 2,392,635	\$ 2,441,711	\$ 2,442,424	\$ 2,501,509	\$ 2,820,911	\$ 4,101,172
Total business-type activities expenses	\$ 2,293,343	\$ 2,286,168	\$ 2,567,771	\$ 2,517,014	\$ 2,392,635	\$ 2,441,711	\$ 2,442,424	\$ 2,501,509	\$ 2,820,911	\$ 4,101,172
Total primary government expenses	\$ 6,664,284	\$ 7,900,404	\$ 8,089,753	\$ 11,034,374	\$ 7,841,685	\$ 8,146,479	\$ 8,660,979	\$ 9,526,559	\$ 9,422,269	\$ 12,217,527
Program Revenues										
Governmental activities:										
Charges for services:										
Public Safety	\$ 38,121	\$ 34,393	\$ 93,630	\$ 109,983	\$ 89,168	\$ 81,459	\$ 86,852	\$ 85,651	\$ 95,333	\$ 54,865
Public Works	91,463	91,874	98,136	85,135	92,842	93,420	93,563	94,673	104,777	123,934
Other activities	23,473	15,477	6,569	5,154	3,403	8,040	19,772	18,109	15,550	16,330
Operating grants and contributions	1,587,192	1,439,839	1,477,830	1,471,561	1,482,557	1,591,163	1,562,401	1,631,703	1,665,336	2,752,221
Capital grants and contributions	760,818	156,064	-	-	500,000	-	-	-	-	-
Total governmental activities program revenues	\$ 2,501,067	\$ 1,737,647	\$ 1,676,165	\$ 1,671,833	\$ 2,167,970	\$ 1,774,082	\$ 1,762,588	\$ 1,830,136	\$ 1,880,996	\$ 2,947,350
Business-type activities:										
Charges for services:										
Water & Sewer	\$ 1,776,905	\$ 1,777,053	\$ 2,034,980	\$ 2,234,095	\$ 2,286,212	\$ 2,468,788	\$ 2,581,401	\$ 2,714,441	\$ 2,716,967	\$ 3,195,101
Total primary government program revenues	\$ 4,277,972	\$ 3,514,700	\$ 3,711,145	\$ 3,905,928	\$ 4,454,182	\$ 4,242,870	\$ 4,343,989	\$ 4,544,577	\$ 4,597,963	\$ 6,142,451
Net (expense)/revenue:										
Governmental activities	\$ (1,869,874)	\$ (3,876,589)	\$ (3,845,817)	\$ (6,845,527)	\$ (3,281,080)	\$ (3,930,686)	\$ (4,455,967)	\$ (5,194,914)	\$ (4,720,362)	\$ (5,169,005)
Business-type activities	(516,438)	(509,115)	(532,791)	(282,919)	(106,423)	27,077	138,977	212,932	(103,944)	(906,071)
Total primary government net expense	\$ (2,386,312)	\$ (4,385,704)	\$ (4,378,608)	\$ (7,128,446)	\$ (3,387,503)	\$ (3,903,609)	\$ (4,316,990)	\$ (4,981,982)	\$ (4,824,306)	\$ (6,075,076)

Town of Rocky Mount, Virginia
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 818,866	\$ 836,746	\$ 849,121	\$ 958,992	\$ 937,781	\$ 1,004,337	\$ 1,009,816	\$ 1,022,648	\$ 1,050,197	\$ 1,013,077
Sales tax	162,650	165,757	170,318	161,774	167,128	172,420	180,099	187,370	219,461	224,205
Business licenses taxes	566,498	727,126	626,570	671,456	625,162	682,104	644,219	658,908	703,410	654,609
Meals tax	1,093,932	1,163,386	1,192,660	1,247,585	1,352,151	1,403,288	1,483,084	1,526,284	1,564,903	1,559,916
Lodging tax	89,232	95,823	86,254	99,690	114,034	123,292	184,230	203,737	212,306	178,589
Bank stock tax	215,996	205,444	211,311	249,226	275,223	222,092	228,304	295,140	319,352	314,393
Other local taxes	86,873	83,426	87,651	2,890	-	-	-	-	-	-
Consumers' utility taxes	330,044	320,543	322,792	331,258	333,011	328,559	322,765	330,020	323,155	315,910
Cigarette tax	-	123,161	100,371	95,814	107,461	89,454	108,493	89,771	87,225	87,243
Intergovernmental revenue, unrestricted	266,795	255,227	244,810	256,745	256,262	250,549	245,240	241,254	262,570	233,557
Unrestricted revenues from use of money and property	320,196	81,198	69,353	62,171	74,136	142,520	52,266	51,434	265,366	204,881
Other	1,094,702	32,619	39,699	71,007	54,238	143,156	8,965	100,590	64,048	9,891
Transfers	(761,607)	(454,138)	(783,565)	(590,800)	(257,139)	33,781	(606,059)	144,511	(152,943)	98,351
Total governmental activities	\$ 4,284,177	\$ 3,636,318	\$ 3,217,345	\$ 3,617,808	\$ 4,039,448	\$ 4,595,552	\$ 3,861,422	\$ 4,851,667	\$ 4,919,050	\$ 4,894,622
Business-type activities:										
Other	\$ 74,961	\$ 45,166	\$ 167,468	\$ -	\$ 258	\$ -	\$ 4,000	\$ -	\$ -	\$ -
Unrestricted revenues from use of money and property	-	18	-	-	-	-	-	-	-	-
Transfers	761,607	454,138	783,565	590,800	257,139	(33,781)	606,059	(144,511)	152,943	(98,351)
Total business-type activities	\$ 836,568	\$ 499,322	\$ 951,033	\$ 590,800	\$ 257,397	\$ (33,781)	\$ 610,059	\$ (144,511)	\$ 152,943	\$ (98,351)
Total primary government	\$ 5,120,745	\$ 4,135,640	\$ 4,168,378	\$ 4,208,608	\$ 4,296,845	\$ 4,561,771	\$ 4,471,481	\$ 4,707,156	\$ 5,071,993	\$ 4,796,271
Change in Net Position										
Governmental activities	\$ 2,414,303	\$ (240,271)	\$ (628,472)	\$ (3,227,719)	\$ 758,368	\$ 664,866	\$ (594,545)	\$ (343,247)	\$ 198,688	\$ (274,383)
Business-type activities	320,130	(9,793)	418,242	307,881	150,974	(6,704)	749,036	68,421	48,999	(1,004,422)
Total primary government	\$ 2,734,433	\$ (250,064)	\$ (210,230)	\$ (2,919,838)	\$ 909,342	\$ 658,162	\$ 154,491	\$ (274,826)	\$ 247,687	\$ (1,278,805)

Table 3

Town of Rocky Mount, Virginia
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011 (1)	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 1,550	\$ 1,550	\$ -	\$ 10,145	\$ 1,838	\$ 76,140	\$ 62,416
Restricted	-	-	-	-	-	-	451,764	127,010	-	-
Unassigned	11,897,728	11,323,032	10,704,059	6,409,484	6,978,936	8,150,074	7,782,624	7,431,554	7,887,691	8,115,570
Total general fund	\$ 11,897,728	\$ 11,323,032	\$ 10,704,059	\$ 6,411,034	\$ 6,980,486	\$ 8,150,074	\$ 8,244,533	\$ 7,560,402	\$ 7,963,831	\$ 8,177,986
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 16,721	\$ 2,790	\$ 57,643	\$ -	\$ -	\$ -
Assigned, reported in:										
Capital Projects	-	-	-	-	-	-	-	59,779	61,821	64,364
Unassigned, reported in:										
Capital Projects	(680,288)	(775,601)	(795,086)	(321,815)	-	-	-	-	-	-
Total all other governmental funds	\$ (680,288)	\$ (775,601)	\$ (795,086)	\$ (321,815)	\$ 16,721	\$ 2,790	\$ 57,643	\$ 59,779	\$ 61,821	\$ 64,364

(1) The Town implemented GASB Statement No. 54 during fiscal year 2011.

Table 4

Town of Rocky Mount, Virginia
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes										
Licenses and permits	\$ 3,386,948	\$ 3,719,978	\$ 3,640,251	\$ 3,799,794	\$ 3,911,550	\$ 4,012,405	\$ 4,161,830	\$ 4,313,712	\$ 4,458,329	\$ 4,330,897
Fines and forfeitures	14,788	5,945	12,861	26,593	17,001	17,007	20,158	21,776	22,128	17,174
Use of money & property	320,196	81,198	69,353	62,171	74,136	142,520	52,266	51,434	265,366	16,099
Charges for services	106,006	107,332	132,437	115,874	115,625	114,872	131,171	133,238	143,485	204,881
Other	410,795	189,296	43,513	112,966	57,422	692,271	43,969	208,324	67,185	161,856
Intergovernmental	2,614,805	1,695,066	1,722,640	1,728,306	2,238,819	1,841,712	1,807,641	1,872,957	1,927,906	2,985,778
Total revenues	\$ 6,885,801	\$ 5,827,282	\$ 5,674,092	\$ 5,903,509	\$ 6,467,340	\$ 6,871,827	\$ 6,265,893	\$ 6,644,860	\$ 6,934,446	\$ 7,727,668
Expenditures										
General government administration										
Public safety	\$ 581,529	\$ 824,164	\$ 627,291	\$ 639,357	\$ 695,392	\$ 679,772	\$ 689,682	\$ 723,804	\$ 913,382	\$ 1,166,992
Public works	2,239,784	1,764,573	1,609,022	1,957,098	1,976,129	1,896,243	2,158,484	2,277,564	2,340,342	2,706,413
Parks, recreation and cultural	1,308,836	1,457,358	1,465,808	1,400,360	1,564,856	2,017,661	1,794,250	2,144,584	1,984,217	2,188,807
Community development	107,660	69,802	118,091	136,981	51,633	74,202	1,265,614	289,807	153,857	115,201
Nondepartmental	271,900	374,620	631,578	378,721	495,568	700,736	769,785	1,151,040	504,627	986,258
Capital outlay	201,300	398,734	176,669	188,939	163,654	154,046	189,047	105,204	139,528	222,313
Debt service:	1,817,788	845,734	598,258	2,779,365	191,440	-	-	-	-	-
Principal	1,666,248	189,300	189,300	134,557	184,792	181,879	182,799	313,770	290,000	288,000
Interest	167,135	126,381	112,968	158,116	51,989	45,412	48,552	52,659	50,079	40,344
Bond Issuance Costs	-	-	-	7,357	-	-	-	-	-	-
Total expenditures	\$ 8,362,180	\$ 6,050,666	\$ 5,528,985	\$ 7,780,851	\$ 5,375,453	\$ 5,749,951	\$ 7,098,213	\$ 7,058,432	\$ 6,376,032	\$ 7,714,328
Excess of revenues over (under) expenditures	\$ (1,476,379)	\$ (223,384)	\$ 145,107	\$ (1,877,342)	\$ 1,091,887	\$ 1,121,876	\$ (832,320)	\$ (413,572)	\$ 558,414	\$ 13,340
Other financing sources (uses)										
Transfers in	\$ -	\$ 592,219	\$ 395,346	\$ 3,629,816	\$ -	\$ 33,781	\$ 6,188,100	\$ 144,511	\$ -	\$ 98,351
Transfers out	(761,607)	(1,046,357)	(1,178,911)	(5,579,585)	(257,139)	-	(6,794,159)	-	(152,943)	-
Issuance of debt	1,640,000	-	-	1,190,700	-	-	1,512,000	-	-	105,007
Capital leases	-	-	-	-	73,240	-	-	-	-	-
Other	697,775	-	-	(1,183,343)	-	-	-	-	-	-
Total other financing sources (uses)	\$ 1,576,168	\$ (454,138)	\$ (783,565)	\$ (1,942,412)	\$ (183,899)	\$ 33,781	\$ 905,941	\$ 144,511	\$ (152,943)	\$ 203,358
Net change in fund balances	\$ 99,789	\$ (677,522)	\$ (638,458)	\$ (3,819,754)	\$ 907,988	\$ 1,155,657	\$ 73,621	\$ (269,061)	\$ 405,471	\$ 216,698
Debt service as a percentage of noncapital expenditures	28.01%	6.07%	6.13%	5.86%	4.57%	4.20%	4.22%	5.77%	5.61%	4.51%

Table 5

Town of Rocky Mount, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate					Personal Property	Machinery and Tools	Public Service Companies	Total	Total Direct Tax Rate (1)
	Single Family Homes	Multi-Family Homes	Commercial and Industrial	Agriculture						
2020	\$ 223,728,200	\$ 18,685,200	\$ 215,855,400	\$ 3,192,900	\$ 48,503,614	\$ 89,698,334	\$ 19,724,581	\$ 619,388,229	0.13	
2019	222,407,900	18,685,200	215,363,000	3,153,900	56,858,823	87,864,583	20,494,198	624,827,604	0.13	
2018	222,212,800	18,685,200	212,716,700	3,675,000	46,837,096	82,603,648	21,333,422	608,063,866	0.16	
2017	219,812,800	18,685,200	212,669,900	3,675,000	42,899,086	78,265,472	21,936,930	597,944,388	0.16	
2016	217,736,000	23,249,400	199,809,100	3,068,400	44,044,980	76,089,912	22,587,129	586,584,921	0.16	
2015	216,079,400	23,881,500	189,316,500	3,064,400	40,148,381	62,411,333	21,894,698	556,796,212	0.16	
2014	214,696,200	23,881,500	202,935,900	3,064,400	39,049,218	57,535,342	21,048,808	562,211,368	0.13	
2013	213,160,884	24,813,316	193,538,300	2,428,100	46,464,623	61,607,537	21,406,026	563,418,786	0.13	
2012	255,899,900	18,205,800	190,568,700	3,184,700	40,503,524	61,910,094	22,415,323	592,688,041	0.14	
2011	249,922,100	18,205,800	190,568,700	3,184,700	39,741,741	60,122,533	21,769,051	583,514,625	0.14	

Notes: Property is assessed at full market value. Properties are reassessed once every 4 years.

(1) Per \$1,000 of assessed value.

Components of the Direct Tax Rate include:

Real Estate and Public Service Corporation: \$0.13

Personal Property: \$0.51

Machinery and Tools: \$0.17

Source: Real estate and personal property tax assessments.

Table 6

Town of Rocky Mount, Virginia
Principal Property Taxpayers
Current Year and Nine Years Ago

	Fiscal Year 2020			Fiscal Year 2011		
	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Wal-Mart Real Estate Business Trust	\$ 9,800,400	1	2.13%	\$ 9,985,400	2	2.16%
Southgate Associates II LP (Tanyard Rd)	9,513,400	2	2.07%	10,422,700	1	2.26%
Rocky Mount Development Company LLC (Old Franklin)	9,474,000	3	2.06%	9,876,300	3	2.14%
Franklin Memorial Hospital	8,631,700	4	1.88%	9,210,600	5	1.99%
Franklin County (Technology Park)	8,481,500	5	1.85%			
Lowes Home Centers Inc.	8,321,500	6	1.81%	8,327,400	6	1.80%
Trinity Packaging Corporation	7,586,400	7	1.65%	6,305,800	7	1.37%
PG Multi-16 LP/Ply Gem	6,825,600	8	1.49%	9,471,500	4	2.05%
OHI Asset (VA) Rocky Mount LLC/Trinity Mission	6,820,100	9	1.48%	4,286,900	13	0.93%
L & M Properties LLC	5,880,800	10	1.28%	5,142,900	11	1.11%
Champion Modular Inc./Mod-U-Kraf	5,582,500	11	1.21%	6,290,900	8	1.36%
Medical Facilities of Virginia/Franklin Health Care	5,189,200	12	1.13%	5,084,800	12	1.10%
820 Thompson Development Co./Walgreen #13013	4,269,600	13	0.93%			
Danny M. Perdue Living Trust	3,776,300	14	0.82%	2,835,200	16	0.61%
Ferguson Land & Lumber Inc.	3,640,000	15	0.79%	2,517,300	19	0.55%
	<u>\$ 103,793,000</u>		<u>22.58%</u>	<u>\$ 89,757,700</u>		<u>19.43%</u>

Source: Real estate tax assessments

Table 7

**Town of Rocky Mount, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years**

Year Ended June 30	Taxes Levied	Collected within the Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2020	\$ 1,026,813	\$ 981,194	95.56%	\$ 39,031	\$ 1,020,225	99.36%
2019	1,092,275	1,051,437	96.26%	-	1,051,437	96.26%
2018	1,084,974	1,030,137	94.95%	7,222	1,037,359	95.61%
2017	962,620	909,453	94.48%	18,561	928,014	96.41%
2016	959,038	903,099	94.17%	30,921	934,020	97.39%
2015	902,443	842,340	93.34%	40,872	883,212	97.87%
2014	901,325	879,708 A	97.60%	8,871	888,579	98.59%
2013	903,558	820,174	90.77%	75,192	895,366	99.09%
2012	899,388	870,261	96.76%	27,452	897,713	99.81%
2011	884,213	869,431	98.33%	13,379	882,810	99.84%

Note A: Vehicle license fees were added to the personal property tax bills for the first time in fiscal year 2014 since physical decals are no longer required. The license fees are, therefore, added to tax collections.

Source: Detailed Town property tax records.

Note: Amount collected does not include any penalties and interest on late payments.

Table 8

Town of Rocky Mount, Virginia
Principal Utility Customers
(Largest Own-Source Revenue)
Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2020			Fiscal Year 2011		
	Monthly Average Consumption	Rank	Percentage of Total Billed Monthly Average Consumption	Monthly Average Consumption	Rank	Percentage of Total Billed Monthly Average Consumption
PlyGem Windows	2,513,832	1	11.04%	909,463	2	4.42%
Ronile	1,651,813	2	7.26%	2,255,992	1	10.97%
On the Rocks	670,069	3	2.94%			
Home Town Ice	586,054	4	2.57%	267,850	9	1.30%
Rocky Mount Health & Rehab (Trinity Mission)	453,759	5	1.99%	719,808	3	3.50%
Medical Facilities of America (Franklin Health Care)	396,194	6	1.74%	342,717	7	1.67%
Franklin County High School	325,953	7	1.43%	385,850	4	1.88%
Greater Southern Wood Preservers/Rocky Top	250,739	8	1.10%			
Rocky Mount VIPZ N MDS LLC (Comfort Inn)	241,110	9	1.06%	135,917	17	0.66%
Franklin County Courthouse Complex	197,780	10	0.87%	159,925	11	0.78%
Franklin County Middle School	197,205	11	0.87%	378,910	5	1.84%
Rocky Mount Development (Kroger)	196,517	12	0.86%	152,194	13	0.74%
Carilion Franklin Memorial Hospital	193,330	13	0.85%	149,833	14	0.73%
Property Mgt / Windy Lane	161,528	14	0.71%	147,026	15	0.71%
All American Auto Spa	154,811	15	0.68%	158,417	12	0.77%

Source: Average Consumption Report from Utility Billing System

Table 9

Town of Rocky Mount, Virginia
General Government Local Taxes
Last Ten Fiscal Years

Fiscal Year Ended June 30	Local Sales & Use Tax	Consumer Utility Tax	Business License Taxes	Bank Stock Taxes	Lodging Taxes	Meals Tax	Cigarette Taxes	Total
2020	\$ 224,205	\$ 315,910	\$ 654,609	\$ 314,393	\$ 178,589	\$ 1,559,916	\$ 87,243	\$ 3,334,865
2019	219,461	323,155	703,410	319,352	212,306	1,564,903	87,225	3,429,812
2018	187,370	330,020	658,908	295,140	203,737	1,526,284	89,771	3,291,230
2017	180,099	322,765	644,219	228,304	184,230	1,483,084	108,493	3,151,194
2016	172,420	328,559	682,104	222,092	123,292	1,403,288	89,454	3,021,209
2015	167,128	333,011	625,162	275,223	114,034	1,352,151	107,461	2,974,170
2014	161,774	331,258	671,456	249,226	99,690	1,247,585	95,814	2,856,803
2013	170,318	322,792	626,570	211,311	86,254	1,192,660	100,371	2,710,276
2012	165,757	320,543	727,126	205,444	95,823	1,163,386	123,161	2,801,240
2011	162,650	330,044	566,498	215,996	89,232	1,093,932	-	2,458,352

Source: Schedule 1

Table 10

Town of Rocky Mount, Virginia
Computation of Legal Debt Margin
Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 46,188,130	\$ 46,785,910	\$ 43,394,060	\$ 44,457,800	\$ 43,234,180	\$ 43,234,180	\$ 45,484,290	\$ 45,728,970	\$ 45,728,970	\$ 46,146,170
Total net debt applicable to limit	7,431,900	6,576,568	5,700,063	5,164,500	4,778,500	4,778,500	5,506,500	4,919,000	4,919,000	5,974,797
Legal debt margin	38,756,230	40,209,342	37,693,997	39,293,300	38,455,680	38,455,680	39,977,790	40,809,970	40,809,970	40,171,373
Total net debt applicable to the limit as a percentage of debt limit	16.1%	14.1%	13.1%	11.6%	11.1%	11.1%	12.1%	10.8%	10.8%	12.9%
Legal Debt Margin Calculated for Fiscal Year 2019										
Assessed value	\$ 461,461,700									
Debt limit (10% of assessed value)	\$ 46,146,170									
Debt applicable to limit:										
Revenue Bonds	2,444,000									
Other Long-Term Obligations	3,530,797									
Total net applicable to limit	\$ 5,974,797									
Legal debt margin	\$ 40,171,373									

Table 11

Town of Rocky Mount, Virginia
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	Net Bonded Debt	Net Bonded Debt	Net Bonded Debt to
	General Obligation Bonds	Revenue Bonds	Capital Lease	General Obligation Bonds	Revenue Bonds				Per Capita	Taxable Value
2020	\$ 1,289,000	\$ -	\$ 105,007	\$ 1,059,260	\$ 3,521,530	\$ 5,974,797	0.27%	\$ 1,394,007	\$ 294	\$ 2.25
2019	1,577,000	-	-	1,116,500	2,750,000	5,443,500	0.26%	1,577,000	329	2.52
2018	1,867,000	-	-	-	3,052,000	4,919,000	0.24%	1,867,000	389	3.07
2017	2,162,000	-	18,770	-	3,344,500	5,525,270	0.27%	2,180,770	455	3.65
2016	815,000	-	36,569	-	3,573,500	4,425,069	0.23%	851,569	177	1.45
2015	980,000	-	53,448	-	3,798,500	4,831,948	0.25%	1,033,448	215	1.86
2014	1,145,000	-	-	-	4,019,500	5,164,500	0.27%	1,145,000	238	2.04
2013	1,310,000	1,196,423	-	2,265,063	1,019,177	5,790,663	0.30%	2,506,423	520	4.45
2012	1,475,000	1,222,798	-	2,931,568	1,041,644	6,671,010	0.36%	2,697,798	560	4.55
2011	1,640,000	1,249,173	-	3,576,900	1,064,111	7,530,184	0.44%	2,889,173	602	4.95

Source: Note 9

Table 12

**Town of Rocky Mount, Virginia
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year Ended (1)	Population (2)	Per Capita Personal Income (3)	Total Personal Income Thousands of Dollars (3)	Public School Enrollment	Unemployment Rate
2020	4,722	\$ 41,866	\$ 2,341,229	6,526	3.20%
2019	4,748	40,512	2,224,168	6,668	3.10%
2018	4,764	38,707	2,184,835	6,832	3.40%
2017	4,799	37,300	2,091,380	6,885	4.10%
2016	4,799	36,668	2,063,114	6,952	4.30%
2015	4,798	34,586	1,949,205	7,098	5.20%
2014	4,830	35,374	1,992,780	7,095	5.50%
2013	4,821	26,872	1,926,513	7,080	5.70%
2012	4,820	34,614	1,952,632	7,278	6.20%

(1) Population, school enrollment and unemployment figures are based on fiscal years ending June 30. Per Capita Income is as of December 31.

(2) Population is based on figures available from the Weldon Cooper Center, University of Virginia and the Town Planning Department.

(3) Source: Bureau of Economic Analysis (for Franklin County). Current year information is not yet available.

Table 13

Town of Rocky Mount, Virginia
Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2020			Fiscal Year 2011		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Franklin County Public Schools	1,313	1	8.91%	1,500	1	31.11%
Ply Gem Manufacturers Inc.	1,000	2	6.78%	800	2	16.59%
Wal-mart	400	3	2.71%	400	3	8.30%
Franklin County	306	4	2.08%	400	4	8.30%
Trinity Packaging Inc.	300	5	2.04%	305	5	6.33%
Carilion Franklin Memorial Hospital	270	6	1.83%	280	6	5.81%
Fleetwood Homes of Virginia	160	7	1.09%	65	15	1.35%
Franklin Health Care	138	8	0.94%			
Ronile Inc.	123	9	0.83%	206	8	4.27%
Rocky Mount Rehabilitation & Health	121	10	0.82%	220	7	4.56%
	<u>4,131</u>			<u>4,176</u>		

Source: Virginia Employment Commission & employer human resource offices

Town of Rocky Mount, Virginia
Full-time Equivalent Town Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government										
Management services	3	3	3	3	3	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	5
Planning & Community Development	7	7	6	6	5	5	5	5	5	5
Police										
Officers	24	24	22	21	20	20	20	20	20	20
Civilians	2	2	2	2	2	2	2	2	2	2
Other public works										
Other	17	17	17	17	17	17	17	17	17	17
Parks, recreation, and cultural										
Water	6	6	6	6	6	6	6	6	6	6
Sewer	5	5	5	5	5	5	4	4	4	4
Total	69	69	66	65	63	62	61	61	61	61

Source: Town's Adopted Operating Budget

Table 15

Town of Rocky Mount, Virginia
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government										
Fleet										
Pieces of equipment maintained	66	61	61	54	53	53	52	56	56	56
Public safety										
Police										
Criminal arrests	639	792	655	713	744	461	587	622	498	694
Traffic violations	1,028	1,911	1,532	1,282	1,453	1,217	1,209	1,172	754	730
Fire										
Emergency responses	497	540	493	468	470	418	423	427	380	379
Public works										
Other public works										
Street resurfacing (miles)	2	4	4	4	4	4	4	4	5	3
Water										
Number of customer accounts	2,958	2,926	2,911	2,914	2,891	2,895	2,872	2,855	2,836	2,824
Miles of distribution lines										
Volume pumped (million gallons per day average)	744,333	757,727	742,200	716,871	753,000	745,361	897,444	820,333	895,083	866,694
Sewer										
Number of customer accounts	2,012	2,079	2,078	2,067	2,051	2,049	2,034	2,009	2,003	2,001
Waste/Water treated (million gallons per day)	1,024,000	1,223,136	772,750	793,969	937,225	671,128	801,031	703,833	740,817	738,611

Source: Council reports, utility reports, highway reports.

Table 16

Town of Rocky Mount, Virginia
Capital Assets and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Public safety										
Law enforcement vehicles	35	31	30	28	26	26	25	21	19	15
Fire stations	2	2	2	2	2	2	2	2	2	2
Public works										
Primary streets (lane miles)	9	9	9	9	9	9	9	9	9	9
Secondary streets (lane miles)	31	31	31	31	31	31	31	31	31	31
Parks, recreation, and cultural										
Community centers	2	2	2	2	2	2	2	2	2	2
Parks/athletic fields	3	3	3	3	3	3	3	3	3	3
Water and sewage										
Water treatment plants	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	66	66	66	66	66	66	66	66	66	66
Storm sewers (miles)										
Sanitary sewers (miles)	64	64	64	64	64	64	64	64	64	64

Source: Equipment schedules, highway reports, GIS system.

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Honorable Members of Town Council
Town of Rocky Mount, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Rocky Mount, Virginia as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Rocky Mount, Virginia's basic financial statements and have issued our report thereon dated September 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Rocky Mount, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Rocky Mount, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Rocky Mount, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Rocky Mount, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Rocky Mount, Virginia's Response to Findings

Town of Rocky Mount, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Rocky Mount, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox, Associates
Blacksburg, Virginia
September 24, 2021

Town of Rocky Mount, Virginia

Schedule of Findings and Responses
Fiscal Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2020-001

Criteria:	Per auditing standards, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards.
Condition:	The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Town's internal controls over financial reporting.
Cause of Condition:	The Town does not have proper controls in place to detect and correct adjustments in closing their year end financial statements.
Recommendation:	The Town should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The Town will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Town of Rocky Mount, Virginia

Schedule of Findings and Responses
Fiscal Year Ended June 30, 2020 (Continued)

Section II - Financial Statement Findings (Continued)

2020-002

Criteria: Bank reconciliations should be prepared in a timely manner each month and reviewed by someone outside of the collecting or disbursing functions. The bank reconciliations should be reconciled to the ledger and any discrepancies should be investigated.

Condition: Bank activity for each month was compared to the detailed general ledger, but a formal bank reconciliation was not prepared and reviewed to ensure that the balances reported were accurate.

Effect of Condition: There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Town's internal controls over financial reporting.

Cause of Condition: The Town does not have proper controls in place to ensure that monthly bank reconciliations are prepared and reviewed in a timely manner.

Recommendation: A process should be put in place to ensure that reconciliations are prepared monthly. Same should be reviewed and such review should be documented with a signature or initials on the bank reconciliation. Documentation should be maintained for audit purposes.

Management's Response: Bank reconciliations are given a cursory review upon arrival and any unusual items are investigated immediately. Formal bank reconciliations (reconciling checks cleared and deposits posted) occur within the month or next month, depending on other work tasks.

Section III - Status of Prior Audit Findings and Responses

2019-001

This finding is repeated in the current year as 2020-001.

2019-002

This finding is repeated in the current year as 2020-002.