

TOWN OF ROCKY MOUNT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

Prepared by the Finance Director/Treasurer

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

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

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**

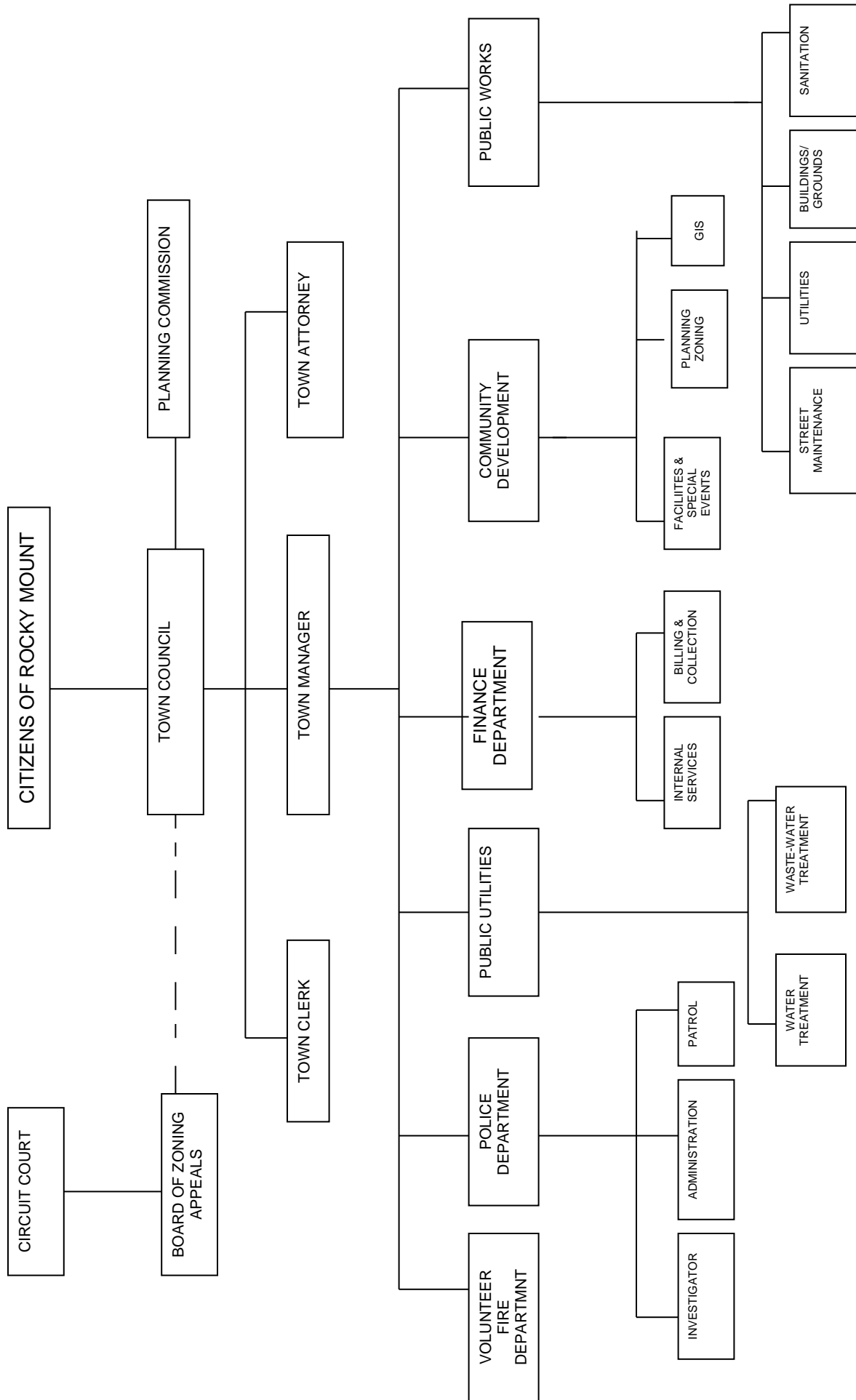
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

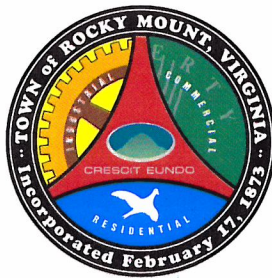
TOWN OF ROCKY MOUNT, VIRGINIA – ORGANIZATIONAL CHART



Town of Rocky Mount
345 Donald Avenue
Rocky Mount, Virginia 24151

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FAX 540.483.8830

E-mail: jervin@rockymountva.org
www.rockymountva.org



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

Bobby M. Cundiff P. Ann Love
Jon W. Snead Bobby L. Moyer
Gregory B. Walker

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

November 12, 2018

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, 2018.

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, 2018, 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, 2018, 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 4,800. 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 by May 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 experiencing growth. Residential growth continues with new single-family construction. Because of these up-turns in 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, 2018 is 3.4%, which is a slight decrease from the annual rate of 4.2% a year ago according to the Virginia Employment Commission. The state's average unemployment rate as of June 30, 2018 is 3.3% and the national average rate is 3.9%. The occupancy rate of the Town's central business district continues to remain high and in demand by service businesses.

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 2018. The last modest increase in the usage fee for water was implemented in February 2016, but none during fiscal years 2017 or 2018. Water consumption has remained stable for the fiscal year.

Rocky Mount is the eastern gateway to the Crooked Road, Virginia's Heritage Music Trail. Five 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 fourth anniversary of operations during this fiscal year and is showing a strong financial position with a full slate of performances and large audiences who spend their dollars at local retail and service businesses. In these four 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. The Harvester Performance Center continues to win awards from various municipal leagues across the country to recognize Town Council's investment in spurring local economic growth. At the end of fiscal year 2018, the Harvester Performance Center showed a small profit meeting its self-sufficiency goal earlier than expected.

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 2018. A total meter replacement project for the Town's water distribution system is scheduled to occur in fiscal year 2019.

Awards and Acknowledgements

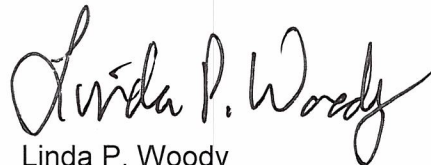
The Government Finance Officers Association (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting for a locality's comprehensive annual financial report (CAFR). In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. The report must also satisfy GAAP and applicable legal requirements. The Town has achieved this prestigious award for eleven years. We believe that our current CAFR will meet the Certificate of Achievement Program's requirements.

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,



C. James Ervin
Town Manager



Linda P. Woody
Town Finance Director

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note 19 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 20 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75 and for the correction of an error. Our opinion is not modified with respect to this matter.

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, 90, and 91-99, 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 November 12, 2018, 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'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.

Polina, Fane, Cox Associates

Blacksburg, Virginia
November 12, 2018

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, 2018. 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 \$28,060,499 (net position). Of this amount, \$6,092,483 (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 \$1,258,512 from prior year report amounts. This decrease is due to a decrease in fund balance used to finance several capital projects and a restatement related to the adoption of an accounting principle and correction of an error.
- As of the close of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$7,620,181, a decrease of \$269,061 in comparison with the prior year. 97.52% 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 \$9,690,592, a decrease of \$43,661 in comparison with the prior year as originally reported (Exhibit 1).
- The Town's total outstanding debt decreased \$606,270 due to the repayment of principal. There was no new bond issue this fiscal year. There was a \$1.5 million issue in the prior fiscal year.
- The net position of the Harvester Performance Center, the component unit, is (\$785,370), a decrease of \$385,098 from the prior fiscal year because of the increase in the amount due to the Town of Rocky Mount (Exhibit 1).
- The general fund revenues were less than the final budgeted amount by \$289,721 (4.2%). Actual expenditures were \$1,042,374 (12.9%) 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 \$28,060,499 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets, \$21,841,006 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 \$6,092,483 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	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 12,521,879	\$ 10,447,724	\$ 2,208,630	\$ 2,373,136	\$ 14,730,509	\$ 12,820,860
Capital assets	14,764,842	14,879,952	11,568,925	11,524,078	26,333,767	26,334,067
Total assets	27,286,721	25,327,676	13,777,555	13,897,214	41,064,276	39,224,890
Deferred outflows	445,620	727,538	185,392	167,580	631,012	895,118
Long-term liabilities	4,893,279	5,124,682	3,951,527	4,086,239	8,844,806	9,210,921
Other liabilities	4,215,488	1,345,618	246,081	141,219	4,461,569	1,486,837
Total liabilities	9,108,767	6,470,300	4,197,608	4,227,458	13,306,375	10,697,758
Deferred inflows	253,667	156	74,747	103,083	328,414	103,239
Net position						
Net Invested in capital assets	13,324,081	13,382,249	8,516,925	8,179,578	21,841,006	21,561,827
Restricted	127,010	451,764	-	-	127,010	451,764
Unrestricted	4,918,816	5,750,745	1,173,667	1,554,675	6,092,483	7,305,420
Total net position	\$ 18,369,907	\$ 19,584,758	\$ 9,690,592	\$ 9,734,253	\$ 28,060,499	\$ 29,319,011

*Amounts do not reflect restatement.

Governmental activities – Governmental activities decreased the Town’s net position by \$1,214,851 because fund balance was used to finance several capital projects and there was a restatement in the current year for the adoption of an accounting principle and correction of an error.

Business-type activities – Business-type activities increased the Town’s net position by \$43,661 because a large portion of capital funds received this fiscal year were set aside for use in future periods.

The Town’s Changes in Net Activities						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 198,433	\$ 200,187	\$ 2,714,441	\$ 2,581,401	\$ 2,912,874	\$ 2,781,588
Operating grants and contributions	1,631,703	1,562,401	-	-	1,631,703	1,562,401
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	1,022,648	1,009,816	-	-	1,022,648	1,009,816
Other taxes	3,291,230	3,151,194	-	-	3,291,230	3,151,194
Intergovernmental revenue unrestricted	241,254	245,240	-	4,000	241,254	249,240
Investment earnings	51,434	52,266	-	-	51,434	52,266
Other	100,590	8,965	-	-	100,590	8,965
Total revenues	6,231,189	6,230,069	2,582,591	2,585,401	8,813,780	8,815,470
Expenses						
General government	936,954	983,926	-	-	936,954	983,926
Public safety	2,440,595	2,374,024	-	-	2,440,595	2,374,024
Public works	2,088,558	1,743,964	-	-	2,088,558	1,743,964
Parks, recreation, and cultural	216,058	161,397	-	-	216,058	161,397
Community development	1,284,101	905,959	-	-	1,284,101	905,959
Interest on long-term debt	58,784	49,285	-	-	58,784	49,285
Water and wastewater	-	-	2,501,509	2,442,424	2,501,509	2,442,424
Total expenses	7,025,050	6,218,555	2,501,509	2,442,424	9,526,559	8,660,979
Increase (decrease) in net position before transfers	(487,758)	11,514	212,932	142,977	(274,826)	154,491
Transfers	144,511	(606,059)	(144,511)	606,059	-	-
Change in net position	\$ (343,247)	\$ (594,545)	\$ 68,421	\$ 749,036	\$ (274,826)	\$ 154,491
Net position, beginning*	18,713,154	20,103,612	9,622,171	8,757,094	28,335,325	28,860,706
Net position, ending	\$ 18,369,907	\$ 19,584,758	\$ 9,690,592	\$ 9,734,253	\$ 28,060,499	\$ 29,319,011
*Amounts restated						

Revenues and Expenses – Governmental Activities

Revenues

For the fiscal year ended June 30, 2018, revenues from governmental activities totaled \$6,537,292, an increase of \$307,223 from the prior fiscal year due to a loan repayment to the general fund from the Economic Development Authority of \$107,734 and small increases in local taxes (meals tax, lodging tax, and real estate taxes).

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 \$3,291,230, an increase of \$140,036 from the prior fiscal year. Property taxes (real estate, personal property, machinery and tools, and public service) were \$1,022,482, an increase of \$12,832 from the prior fiscal year.

Charges for services totaled \$198,433 of the governmental activities. Garbage collection fees (\$94,673) are the largest component of charges for services.

The Town's largest intergovernmental revenue is for street maintenance (\$1,410,026). Other intergovernmental revenues include communications tax (\$179,439) and law enforcement aid (\$111,952).

Business-type revenues consist of charges to customers for water consumption and wastewater treatment. Cell tower rent (\$51,442) also contributes to the water and sewer operating fund.

Component unit revenue consists of Harvester Performance venue sales and sponsorships. The Town of Rocky Mount contributed \$709,364 to the Harvester operations.

Expenses

For the fiscal year ended June 30, 2018, expenses for governmental activities totaled \$7,025,050, a decrease of \$806,495 from the prior fiscal year.

General fund expenses consist of general government (Town Council, Town Manager, Town Attorney, and Finance) and were \$936,954 (13.4%). Public Safety expenses were \$2,440,595 (34.7%). Public Works expenses totaled \$2,088,558 (29.7%). Parks totaled \$216,058 (3.1%). Community Development expenses were \$1,151,040 (16.3%). Interest expense totaled \$58,784 (0.0%).

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.

Component unit expenses consist of performance and operating expenses. The Town's contribution towards operations is \$709,364. 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 \$7,620,181 (Exhibit 3), a decrease of \$269,061 in comparison with the prior year, as restated. 97.6% of the \$7,620,181, 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 \$7,560,402 (Exhibit 3). As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures. The unassigned fund balance represents 105.4% of total general fund expenditures.

The fund balance of the Town's general fund decreased by \$269,061 during the fiscal year. Rather than reserving revenues that exceeded expenditures from prior years to offset future operating costs, the fund balance was used to finance several long-needed capital projects.

The fund balance of the Town's capital projects fund increased by \$2,136 during the year. The increase is due to the repayment of 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 \$1,173,667 (Exhibit 7). This is a \$381,008 decrease from the prior year attributed mostly due to increases in current utility operating expenses.

General Fund Budgetary Highlights

There was an increase of \$1,207,361 between the original budget and the final amended budget for revenues, and an increase of \$1,372,361 between the original and final amended budget for expenditures (Exhibit 10). The increase in expenditure budgets came from \$889,569 in carry-over funds for bond projects and carry-over VDOT funds for paving. Funds for two additional positions in the Police Department for one-half year (\$57,815) was also taken from fund balance. The offsetting budgeted revenue difference is largely from fund balance accumulated from prior fiscal years.

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, 2018, amounts to \$26,333,767 (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 0.27% (a 0.77% decrease for governmental activities and a 0.38% increase 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:

New Impound Lot for the Police Department \$85,776
Municipal Building Security \$68,235
Gilley’s Park bathroom \$48,038
Mary Elizabeth Park court upgrades and fencing \$68,791
New garbage truck \$144,511
Other Public Works equipment \$113,387
Police vehicles (3) \$119,148
Diamond Avenue water line replacement \$528,496
Replace Wastewater Treatment Plant clarifiers \$111,491
Scuffling Hill water tank aerator \$68,155

The Town’s Capital Assets							
	Governmental Activities		Business-Type Activities		Total		
	2018	2017	2018	2017	2018	2017	
Land	\$ 2,598,952	\$ 2,598,952	\$ 189,454	\$ 189,454	\$ 2,788,406	\$ 2,788,406	
Buildings and improvements	7,184,382	7,105,852	-	-	7,184,382	7,105,852	
Public domain infrastructure	13,531,321	12,237,614	-	-	13,531,321	12,237,614	
Distribution/transmission Systems	-	-	21,633,958	21,633,958	21,633,958	21,633,958	
Water and wastewater plants	-	-	7,832,224	7,279,691	7,832,224	7,279,691	
Machinery and equipment	5,566,007	5,142,911	1,690,391	1,428,510	7,256,398	6,571,421	
Construction in progress	23,201	1,146,226	-	-	23,201	1,146,226	
Accumulated depreciation	(14,139,021)	(13,351,603)	(19,777,102)	(19,007,535)	(33,916,123)	(32,359,138)	
Total	\$ 14,764,842	\$ 14,879,952	\$ 11,568,925	\$ 11,524,078	\$ 26,333,767	\$ 26,404,030	

Long-term debt – At the end of the current fiscal year, the Town had total debt outstanding of \$4,919,000. Of this amount, \$3,052,000 comprises debt backed by the full faith and credit of the government, \$1,867,000 is related to notes payable, and there are no capital leases.

<p style="text-align: center;">The Town's Outstanding Debt General Obligation and Notes Payable</p>						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation	\$ 1,867,000	\$ 2,162,000	\$ -	\$ -	\$ 1,867,000	\$ 2,162,000
Revenue bonds	-	-	3,052,000	3,344,500	3,052,000	3,344,500
Capital Lease	-	18,770	-	-	-	18,770
	<u>\$ 1,867,000</u>	<u>\$ 2,180,770</u>	<u>\$ 3,052,000</u>	<u>\$ 3,344,500</u>	<u>\$ 4,919,000</u>	<u>\$ 5,525,270</u>

The Town's total debt decreased by \$606,270 (11.0%) during the fiscal year due to principal payments. 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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 2,578,047	\$ 1,630,024	\$ 4,208,071	\$ 678,723
Investments	7,648,902	-	7,648,902	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	93,629	-	93,629	-
Accounts receivable	265,137	487,928	753,065	6,167
Loans receivable	52,826	-	52,826	-
Long-term receivable	634,956	-	634,956	-
Due from component unit	1,034,300	-	1,034,300	-
Due from other governmental units	85,234	-	85,234	-
Inventories	-	35,658	35,658	-
Prepaid items	1,838	18,620	20,458	-
Restricted assets:				
Cash and cash equivalents	127,010	36,400	163,410	-
Capital assets (net of accumulated depreciation):				
Land	2,598,952	189,454	2,788,406	68,244
Machinery and equipment	1,884,865	925,050	2,809,915	16,110
Distribution/transmission systems	-	6,087,129	6,087,129	-
Buildings and improvements	3,160,246	-	3,160,246	3,016,089
Water and wastewater plants	-	4,367,292	4,367,292	-
Public domain infrastructure	7,097,578	-	7,097,578	-
Construction in progress	23,201	-	23,201	-
Total assets	\$ 27,286,721	\$ 13,777,555	\$ 41,064,276	\$ 3,785,333
DEFERRED OUTFLOWS OF RESOURCES				
OPEB related items	\$ 28,489	\$ 8,053	\$ 36,542	\$ -
Pension related items	417,131	177,339	594,470	-
Total deferred outflows of resources	\$ 445,620	\$ 185,392	\$ 631,012	\$ -
LIABILITIES				
Accounts payable	\$ 375,399	\$ 137,006	\$ 512,405	\$ 4,887
Reconciled overdraft	3,709,499	-	3,709,499	-
Accrued liabilities	64,210	21,967	86,177	-
Customer deposits	-	36,400	36,400	-
Accrued interest payable	21,466	32,088	53,554	-
Amount held for others	44,914	18,620	63,534	-
Long-term liabilities:				
Due within one year	474,268	363,491	837,759	5,147,166
Due in more than one year	4,419,011	3,588,036	8,007,047	-
Total liabilities	\$ 9,108,767	\$ 4,197,608	\$ 13,306,375	\$ 5,152,053
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 129	\$ -	\$ 129	\$ -
OPEB related items	20,556	4,444	25,000	-
Pension related items	232,982	70,303	303,285	-
Total deferred inflows of resources	\$ 253,667	\$ 74,747	\$ 328,414	\$ -
NET POSITION				
Net investment in capital assets	\$ 13,324,081	\$ 8,516,925	\$ 21,841,006	\$ 3,100,443
Restricted				
Debt service	127,010	-	127,010	-
Unrestricted	4,918,816	1,173,667	6,092,483	(4,467,163)
Total net position	\$ 18,369,907	\$ 9,690,592	\$ 28,060,499	\$ (1,366,720)

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

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

Town of Rocky Mount, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,571,094	\$ 6,953	\$ 2,578,047
Investments	7,648,902	-	7,648,902
Receivables (net of allowance for uncollectibles):			
Taxes receivable	93,629	-	93,629
Accounts receivable	265,137	-	265,137
Loans receivable	-	52,826	52,826
Long-term receivable	634,956	-	634,956
Due from component unit	1,034,300	-	1,034,300
Due from other governmental units	85,234	-	85,234
Prepaid items	1,838	-	1,838
Restricted assets:			
Cash and cash equivalents	127,010	-	127,010
Total assets	<u>\$ 12,462,100</u>	<u>\$ 59,779</u>	<u>\$ 12,521,879</u>
LIABILITIES			
Accounts payable	\$ 375,399	\$ -	\$ 375,399
Reconciled overdraft	3,709,499	-	3,709,499
Amounts held for others	44,914	-	44,914
Accrued payroll and related liabilities	64,210	-	64,210
Total liabilities	<u>\$ 4,194,022</u>	<u>\$ -</u>	<u>\$ 4,194,022</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 72,720	\$ -	\$ 72,720
Unavailable revenue - long-term receivable	634,956	-	634,956
Total deferred inflows of resources	<u>\$ 707,676</u>	<u>\$ -</u>	<u>\$ 707,676</u>
FUND BALANCES			
Nonspendable			
Prepaid items	\$ 1,838	\$ -	\$ 1,838
Restricted			
Debt service	127,010	-	127,010
Assigned			
Capital projects	-	59,779	59,779
Unassigned	7,431,554	-	7,431,554
Total fund balances	<u>\$ 7,560,402</u>	<u>\$ 59,779</u>	<u>\$ 7,620,181</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,462,100</u>	<u>\$ 59,779</u>	<u>\$ 12,521,879</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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 7,620,181

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 2,598,952	
Buildings and improvements	3,160,246	
Machinery and equipment	1,884,865	
Public domain infrastructure	7,097,578	
Construction in progress	<u>23,201</u>	14,764,842

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	\$ 72,591	
Unavailable revenue - loan receivable	<u>634,956</u>	707,547

Pension contributions subsequent to the measurement date will be a reduction to the net pension and OPEB liabilities in the next fiscal year and, therefore, are not reported in the funds.

Pension related items	\$ 301,795	
OPEB related items	<u>11,190</u>	312,985

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

Pension related items	\$ 115,336	
OPEB related items	<u>17,299</u>	132,635

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	\$ (1,867,000)	
Accrued interest payable	(21,466)	
Net OPEB liabilities	(791,276)	
Compensated absences	(245,691)	
Net pension liability	<u>(1,989,312)</u>	(4,914,745)

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

Pension related items	\$ (232,982)	
OPEB related items	<u>(20,556)</u>	(253,538)

Net position of governmental activities		<u><u>\$ 18,369,907</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 Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 1,022,482	\$ -	\$ 1,022,482
Other local taxes	3,291,230	-	3,291,230
Permits, privilege fees, and regulatory licenses	21,776	-	21,776
Fines and forfeitures	43,419	-	43,419
Revenue from the use of money and property	49,298	2,136	51,434
Charges for services	133,238	-	133,238
Miscellaneous	208,324	-	208,324
Intergovernmental	1,872,957	-	1,872,957
Total revenues	<u>\$ 6,642,724</u>	<u>\$ 2,136</u>	<u>\$ 6,644,860</u>
EXPENDITURES			
Current:			
General government administration	\$ 723,804	\$ -	\$ 723,804
Public safety	2,277,564	-	2,277,564
Public works	2,144,584	-	2,144,584
Parks, recreation, and cultural	289,807	-	289,807
Community development	1,151,040	-	1,151,040
Nondepartmental	105,204	-	105,204
Debt service:			
Principal retirement	313,770	-	313,770
Interest and other fiscal charges	52,659	-	52,659
Total expenditures	<u>\$ 7,058,432</u>	<u>\$ -</u>	<u>\$ 7,058,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (415,708)</u>	<u>\$ 2,136</u>	<u>\$ (413,572)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>\$ 144,511</u>	<u>\$ -</u>	<u>\$ 144,511</u>
Net change in fund balances	\$ (271,197)	\$ 2,136	\$ (269,061)
Fund balances - beginning, as restated	7,831,599	57,643	7,889,242
Fund balances - ending	<u><u>\$ 7,560,402</u></u>	<u><u>\$ 59,779</u></u>	<u><u>\$ 7,620,181</u></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, 2018

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

Net change in fund balances - total governmental funds	\$	(269,061)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay	\$ 710,533	
Depreciation expense	<u>(787,418)</u>	(76,885)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations, and disposals) is to decrease net position.		(38,225)
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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	\$ 166	
Change in unavailable loan revenue	<u>(107,734)</u>	(107,568)

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.

Principal repayments:		
Principal payments on general obligation bonds	\$ 295,000	
Capital lease	<u>18,770</u>	313,770

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	\$ (6,509)	
Change in accrued interest	(6,125)	
Pension expense	(114,992)	
OPEB expense	<u>(37,652)</u>	(165,278)

Change in net position of governmental activities	\$	<u><u>(343,247)</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, 2018

	Water and Wastewater Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,630,024
Accounts receivable	487,928
Inventories	35,658
Prepaid items	18,620
Total current assets	<u>\$ 2,172,230</u>
Noncurrent assets:	
Restricted assets:	
Customer deposits - cash and cash equivalents	<u>\$ 36,400</u>
Capital assets, net of accumulated depreciation:	
Land	\$ 189,454
Water and wastewater plants	4,367,292
Machinery and equipment	925,050
Distribution/transmission systems	6,087,129
Total capital assets	<u>\$ 11,568,925</u>
Total noncurrent assets	<u>\$ 11,605,325</u>
Total assets	<u>\$ 13,777,555</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related items	\$ 8,053
Pension related items	177,339
Total deferred outflows of resources	<u>\$ 185,392</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 137,006
Accrued payroll and related liabilities	21,967
Customer deposits	36,400
Accrued interest payable	32,088
Amount held for others	18,620
Compensated absences - current portion	61,491
Bonds payable - current portion	302,000
Total current liabilities	<u>\$ 609,572</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 20,497
Bonds payable - net of current portion	2,750,000
Net OPEB liabilities	221,724
Net pension liability	595,815
Total noncurrent liabilities	<u>\$ 3,588,036</u>
Total liabilities	<u>\$ 4,197,608</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB related items	\$ 4,444
Pension related items	70,303
Total deferred inflows of resources	<u>\$ 74,747</u>
NET POSITION	
Net investment in capital assets	\$ 8,516,925
Unrestricted	1,173,667
Total net position	<u><u>\$ 9,690,592</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, 2018

	<u>Water and Wastewater Fund</u>
OPERATING REVENUES	
Charges for services:	
Water service charges and fees	\$ 1,335,989
Sewer service charges and fees	762,995
Capital fund water service charges and fees	289,083
Capital fund sewer service charges and fees	225,110
Capital fund garbage service charges and fees	20,219
Water/sewer penalties	29,603
Other revenues	51,442
Total operating revenues	<u>\$ 2,714,441</u>
OPERATING EXPENSES	
Salaries	\$ 696,603
Fringe benefits	333,479
Maintenance	41,918
Utilities and insurance	203,362
Materials and supplies	206,727
Contractual Services	74,818
Other	95,376
Depreciation	769,567
Total operating expenses	<u>\$ 2,421,850</u>
Operating income (loss)	<u>\$ 292,591</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (79,659)
Total nonoperating revenues (expenses)	<u>\$ (79,659)</u>
Income (loss) before transfers	<u>\$ 212,932</u>
Transfers out	<u>\$ (144,511)</u>
Change in net position	\$ 68,421
Total net position - beginning, as restated	9,622,171
Total net position - ending	<u><u>\$ 9,690,592</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, 2018

	Water and Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,668,844
Payments to suppliers	(514,446)
Payments to employees	(1,031,909)
Net cash provided by (used for) operating activities	<u>\$ 1,122,489</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (144,511)
Net cash provided by (used for) noncapital financing activities	<u>\$ (144,511)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (814,414)
Principal payments on bonds and leases	(292,500)
Interest payments	(82,247)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,189,161)</u>
Net increase (decrease) in cash and cash equivalents	\$ (211,183)
Cash and cash equivalents - beginning (including restricted cash of \$32,125)	1,877,607
Cash and cash equivalents - ending (including restricted cash of \$36,400)	<u><u>\$ 1,666,424</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 292,591</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 769,567
Pension expense	
OPEB expense	
(Increase) decrease in accounts receivable	(52,682)
(Increase) decrease in intergovernmental receivables	2,810
(Increase) decrease in inventories	3,195
(Increase) decrease in deferred outflows of resources	(11,822)
Increase (decrease) in customer deposits	4,275
Increase (decrease) in accounts payable	104,560
Increase (decrease) in accrued payroll and related liabilities	(1,385)
Increase (decrease) in compensated absences	(5,943)
Increase (decrease) in net OPEB liabilities	8,673
Increase (decrease) in net pension liability	36,986
Increase (decrease) in deferred inflow of resources	(28,336)
Total adjustments	<u>\$ 829,898</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,122,489</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, 2018

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, 2018 but its only activity consists of the HPC, whose entities have a December 31, 2017 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, 2018 (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. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including 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, 2018 (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*. Revenues are recognized as soon as 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 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and 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, 2018 (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 funds:

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

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (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 sewer using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$61,742 for property taxes at June 30, 2018. The allowance amounted to approximately \$14,182 for water and sewer at June 30, 2018. An allowance totaling \$767,616 was established for the long-term receivable based on the anticipated payment that will be received.

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, 2018 (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:

<u>Assets</u>	<u>Years</u>
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, 2018 (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). In accordance with the provisions of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, 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, 2018 (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)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program 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. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's 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 Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications 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 constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (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 Equity (Continued)

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation less any outstanding debt related 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 also included in this component of net position.

17. Net Position Flow Assumption

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, 2018 (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, 2018, expenditures did not exceed appropriations in any functions.

C. Deficit fund equity

At June 30, 2018, no funds had negative fund equity.

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TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (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 and certain corporate notes, 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, 2018 (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, 2018, issuers that equal or exceed 5% of the total portfolio are as follows:

	<u>% of Portfolio</u>
Certificates of Deposit	39.32%
Federal Home Loan Mortgage Corporation	9.08%
Federal National Mortgage Association	6.34%
LGIP	45.14%

The Town's rated debt investments as of June 30, 2018 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	AA+	Unrated
Money Market Mutual Funds	\$ -	\$ -	\$ 7,050
Certificates of Deposit	-	-	3,008,241
Federal Home Loan Mortgage Corporation	-	695,281	-
Federal National Mortgage Association	-	485,462	-
LGIP	3,452,868	-	-
Total	<u>\$ 3,452,868</u>	<u>\$ 1,180,743</u>	<u>\$ 3,015,291</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>
	<u>Fair Value</u>	<u>< 1 year</u>	<u>1-5 years</u>	
Money Market Mutual Funds	\$ 7,050	\$ 7,050	\$ -	None
Certificates of Deposit	3,008,241	432,743	2,575,498	None
Federal Home Loan Mortgage Corporation	695,281	-	695,281	6/29/2018 & 6/30/2018
Federal National Mortgage Association	485,462	-	485,462	7/27/2018
LGIP	3,452,868	3,452,868	-	None
Total	<u>\$ 7,648,902</u>	<u>\$ 3,892,661</u>	<u>\$ 3,756,241</u>	

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 3-Deposits and Investments: (Continued)

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.

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 GASB Statement No. 79. 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.

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TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 4-Fair Value Measurements: (Continued)

The Town has the following recurring fair value measurements as of June 30, 2018:

	Fair Value	Level 1
Money Market Mutual Funds	\$ 7,050	\$ 7,050
Certificates of Deposit	3,008,241	3,008,241
Federal Home Loan Mortgage Corporation	695,281	695,281
Federal National Mortgage Association	485,462	485,462
Total investments	<u>\$ 4,196,034</u>	<u>\$ 4,196,034</u>

Note 5-Due from Other Governmental Units:

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

	Governmental Activities
Local Government:	
Franklin County	\$ 7,500
Commonwealth of Virginia:	
Sales Tax	38,426
Communication Tax	14,308
USDA	25,000
Total	<u>\$ 85,234</u>

Note 6-Interfund Transfers:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 144,511	\$ -
Water and Wastewater Fund	-	144,511
Total	<u>\$ 144,511</u>	<u>\$ 144,511</u>

The primary purpose of transfers is to eliminate negative pooled cash amounts due to normal operations.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (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.

<u>Fund</u>	<u>Due from Primary Government/ Component Unit</u>	<u>Due to Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ 1,034,000	\$ -
Component Unit - Economic Development Authority:		
Performance Venue Fund	-	4,512,210
Total	<u>\$ 1,034,000</u>	<u>\$ 4,512,210</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, 2017. The difference results in additional amounts contributed by the Town after that time as well as recognition of contribution 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, 2018 (CONTINUED)

Note 8-Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,598,952	\$ -	\$ -	\$ 2,598,952
Construction in progress	1,146,226	158,958	(1,281,983)	23,201
Total capital assets not being depreciated	<u>\$ 3,745,178</u>	<u>\$ 158,958</u>	<u>\$ (1,281,983)</u>	<u>\$ 2,622,153</u>
Capital assets, being depreciated:				
Public Domain Infrastructure	\$ 12,237,614	\$ 1,331,932	\$ (38,225)	\$ 13,531,321
Buildings and improvements	7,105,852	78,530	-	7,184,382
Machinery and equipment	5,142,911	423,096	-	5,566,007
Total capital assets being depreciated	<u>\$ 24,486,377</u>	<u>\$ 1,833,558</u>	<u>\$ (38,225)</u>	<u>\$ 26,281,710</u>
Accumulated depreciation:				
Public Domain Infrastructure	\$ (6,106,204)	\$ (327,539)	\$ -	\$ (6,433,743)
Buildings and improvements	(3,819,895)	(204,241)	-	(4,024,136)
Machinery and equipment	(3,425,504)	(255,638)	-	(3,681,142)
Total accumulated depreciation	<u>\$ (13,351,603)</u>	<u>\$ (787,418)</u>	<u>\$ -</u>	<u>\$ (14,139,021)</u>
Total capital assets being depreciated, net	<u>\$ 11,134,774</u>	<u>\$ 1,046,140</u>	<u>\$ (38,225)</u>	<u>\$ 12,142,689</u>
Governmental activities capital assets, net	<u>\$ 14,879,952</u>	<u>\$ 1,205,098</u>	<u>\$ (1,320,208)</u>	<u>\$ 14,764,842</u>

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TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 8-Capital Assets: (Continued)

Capital asset activity for the year ended June 30, 2018 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:				
Distributions/transmission systems	\$ 21,633,958	\$ -	\$ -	\$ 21,633,958
Water and wastewater plants	7,279,691	552,533	-	7,832,224
Machinery and equipment	1,428,510	261,881	-	1,690,391
Total capital assets being depreciated	<u>\$ 30,342,159</u>	<u>\$ 814,414</u>	<u>\$ -</u>	<u>\$ 31,156,573</u>
Accumulated depreciation:				
Distributions/transmission systems	(15,072,158)	(474,671)	-	(15,546,829)
Water and wastewater plants	(3,278,520)	(186,412)	-	(3,464,932)
Machinery and equipment	(656,857)	(108,484)	-	(765,341)
Total accumulated depreciation	<u>\$ (19,007,535)</u>	<u>\$ (769,567)</u>	<u>\$ -</u>	<u>\$ (19,777,102)</u>
Total capital assets being depreciated, net	<u>\$ 11,334,624</u>	<u>\$ 44,847</u>	<u>\$ -</u>	<u>\$ 11,379,471</u>
Business-type activities capital assets, net	<u><u>\$ 11,524,078</u></u>	<u><u>\$ 44,847</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,568,925</u></u>

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

Governmental activities:	
General government administration	\$ 92,846
Public safety	195,702
Public works	332,878
Parks, recreation, and culture	43,834
Community development	122,158
Total depreciation expense-governmental activities	<u>\$ 787,418</u>
Business-type activities:	
Water	\$ 342,480
Wastewater	427,087
Total depreciation expense-business-type activities	<u><u>\$ 769,567</u></u>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (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, 2018:

	Balance July 1, 2017, As restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds	\$ 2,162,000	\$ -	\$ (295,000)	\$ 1,867,000
Capital lease	18,770	-	(18,770)	-
Compensated absences	239,182	66,305	(59,796)	245,691
Net OPEB liabilities	768,949	66,758	(44,431)	791,276
Net pension liability	2,417,709	896,323	(1,324,720)	1,989,312
	<u>2,417,709</u>	<u>896,323</u>	<u>(1,324,720)</u>	<u>1,989,312</u>
Total	<u>\$ 5,606,610</u>	<u>\$ 1,029,386</u>	<u>\$ (1,742,717)</u>	<u>\$ 4,893,279</u>

The general government compensated absences, pension obligations, 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,	General obligation bonds	
	Principal	Interest
2019	\$ 290,000	\$ 50,161
2020	288,000	40,652
2021	291,000	31,082
2022	134,000	20,203
2023	136,000	17,273
2024-2028	728,000	40,210
Totals	<u>\$ 1,867,000</u>	<u>\$ 199,581</u>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 9-Long-term Obligations (Continued):

Primary Government - Governmental Activities: (Continued)

Details of long-term obligations:

	Interest Rates	Date Issued	Final Maturity	Original Amount	Amount Outstanding	Amount Due Within One Year
General Obligation Bonds:						
Emergency Services Building	3.70%	12/10	12/21	\$ 1,640,000	\$ 485,000	\$ 165,000
GO Bond Series 2017	2.17%	04/17	08/27	1,512,000	1,382,000	125,000
Total General Obligation Bonds					\$ 1,867,000	\$ 290,000
Other Long-term Obligations:						
Net OPEB liabilities	n/a	n/a	n/a	n/a	\$ 791,276	\$ -
Compensated absences	n/a	n/a	n/a	n/a	245,691	184,268
Net pension liability	n/a	n/a	n/a	n/a	1,989,312	-
Total Other Long-term Obligations					\$ 3,026,279	\$ 184,268
Total Long-term Obligations					\$ 4,893,279	\$ 474,268

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, 2018:

	Balance July 1, 2017, As restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Revenue bonds	\$ 3,344,500	\$ -	\$ (292,500)	\$ 3,052,000
Compensated absences	87,931	16,040	(21,983)	81,988
Net OPEB liabilities	213,051	19,242	(10,569)	221,724
Net pension liability	558,829	433,749	(396,763)	595,815
Total	\$ 4,204,311	\$ 469,031	\$ (721,815)	\$ 3,951,527

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

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 9-Long-term Obligations: (Continued)

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2019	\$ 302,000	\$ 76,013
2020	306,000	69,558
2021	310,000	63,028
2022	317,000	56,434
2023	202,000	49,725
2024-2028	510,000	201,924
2029-2033	585,000	125,117
2034-2037	520,000	37,479
Totals	<u>\$ 3,052,000</u>	<u>\$ 679,278</u>

Details of long-term obligations:

	Interest Rates	Date Issued	Final Maturity	Original Amount	Amount Outstanding	Amount Due Within One Year
Revenue Bonds:						
Virginia Municipal League	2.85%	8/13	02/37	\$ 2,205,000	\$ 2,055,000	\$ 85,000
Virginia Municipal League	1.85%	8/13	8/22	\$ 2,042,500	997,000	217,000
Total Revenue Bonds					<u>\$ 3,052,000</u>	<u>\$ 302,000</u>
Other Long-term Obligations:						
Net OPEB liabilities	n/a	n/a	n/a	n/a	\$ 221,724	\$ -
Compensated absences	n/a	n/a	n/a	n/a	81,988	61,491
Net pension liability	n/a	n/a	n/a	n/a	595,815	-
Total Other Long-term Obligations					<u>\$ 899,527</u>	<u>\$ 61,491</u>
Total Long-term Obligations					<u>\$ 3,951,527</u>	<u>\$ 363,491</u>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-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.

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. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none">• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

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TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is 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.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contribution Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2016 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	42
Inactive members:	
Vested inactive members	12
Non-vested inactive members	11
Inactive members active elsewhere in VRS	<u>17</u>
Total inactive members	40
Active members	<u>61</u>
Total covered employees	<u><u>143</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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 14.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Contributions (Continued)

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 \$392,185 and \$361,992 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The Town's net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% 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% 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.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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.

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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - 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% to 20%

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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% to 15%

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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% 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.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

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

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.

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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

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

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% to 45%

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TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed 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, 2016	\$ 11,852,795	\$ 8,709,505	\$ 3,143,290
Changes for the year:			
Service cost	\$ 346,951	\$ -	\$ 346,951
Interest	809,351	-	809,351
Changes in assumptions	(68,836)	-	(68,836)
Differences between expected and actual experience	(70,973)	-	(70,973)
Contributions - employer	-	385,774	(385,774)
Contributions - employee	-	134,360	(134,360)
Net investment income	-	1,061,541	(1,061,541)
Benefit payments, including refunds of employee contributions	(581,269)	(581,269)	-
Administrative expenses	-	(6,071)	6,071
Other changes	-	(948)	948
Net changes	\$ 435,224	\$ 993,387	\$ (558,163)
Balances at June 30, 2017	\$ 12,288,019	\$ 9,702,892	\$ 2,585,127

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town Net Pension Liability	\$ 4,203,438	\$ 2,585,127	\$ 1,241,820

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

For the year ended June 30, 2018, the Town recognized pension expense of \$384,632. At June 30, 2018, 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	\$ 142,490	\$ 52,296
Change in assumptions	-	50,721
Changes in proportion and differences between employer contributions and proportionate share of contributions	59,795	59,795
Net difference between projected and actual earnings on pension plan investments	-	140,473
Employer contributions subsequent to the measurement date	392,185	-
Total	\$ 594,470	\$ 303,285

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 10-Pension Plan: (Continued)

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

\$392,185 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, 2019. 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>
2019	\$ (37,049)
2020	55,591
2021	(28,689)
2022	(90,853)

Note 11-Other Postemployment Benefits (OPEB):

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, 2018 (CONTINUED)

Note 11-Other Postemployment Benefits (OPEB): (Continued)

Plan Membership

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	59
Total retirees with coverage	<u>5</u>
Total	<u>64</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, 2018 was \$15,000.

Total OPEB Liability

The Town's total OPEB liability was measured as of July 1, 2017. The total OPEB liability was determined by an actuarial valuation as July 1, 2016.

Actuarial Assumptions

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Healthcare Cost Trend Rates	24.80% for fiscal year end 2017, 1.60% for fiscal year end 2018, 7.00% for fiscal year end 2019, decreasing 0.33% per year to an ultimate rate of 5.10%.
Salary Increases	2.50%
Discount Rate	3.56%
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-2017.

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, 2018 (CONTINUED)

Note 11-Other Postemployment Benefits (OPEB): (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 3.56% as of the end of the fiscal year.

Changes in Total OPEB Liability

	Primary Government
	Total OPEB Liability
Balances at June 30, 2017	\$ 730,000
Changes for the year:	
Service cost	48,000
Interest	27,000
Benefit payments	(15,000)
Net changes	60,000
Balances at June 30, 2018	\$ 790,000

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 (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	1% Decrease 2.56%	Rate Current Discount 3.56%	1% Increase 4.56%
Town's proportionate share of the Town's healthcare net OPEB liability	\$ 961,000	\$ 790,000	\$ 659,000

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 11-Other Postemployment Benefits (OPEB): (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 (6.00% decreasing by 0.33% annually to an ultimate rate of 4.10%) or one percentage point higher (8.00% decreasing by 0.33% annually to an ultimate rate of 6.10%) than the current healthcare cost trend rates:

	Rate		
	1% Decrease	Healthcare Cost Trend	1% Increase
	6.00% decreasing to 4.10%	7.00% decreasing to 5.10%	8.00% decreasing to 6.10%
Town's proportionate share of the			
Town's healthcare net OPEB liability	\$ 637,000	\$ 790,000	\$ 995,000

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

For the year ended June 30, 2018, the Town recognized OPEB expense in the amount of \$75,000. At June 30, 2018, 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
Employer contributions subsequent to the measurement date	\$ 15,000	\$ -

\$15,000 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 ended June 30, 2019.

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

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TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program 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.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for the Group Life Insurance Program 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 Group Life Insurance Program 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% ($1.31\% \times 60\%$) and the employer component was 0.52% ($1.31\% \times 40\%$). 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Group Life Insurance Program from the entity were \$14,542 and \$14,248 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of \$223,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.01486% as compared to 0.01443% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$4,000. 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
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Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, 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	\$ -	\$ 5,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	8,000
Change in assumptions	-	12,000
Changes in proportion	7,000	-
Employer contributions subsequent to the measurement date	<u>14,542</u>	<u>-</u>
Total	\$ <u>21,542</u>	\$ <u>25,000</u>

\$14,542 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, 2019. 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>	
2019	\$ (4,000)
2020	(4,000)
2021	(4,000)
2022	(4,000)
2023	(2,000)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

TOWN OF ROCKY MOUNT, VIRGINIA
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JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - General State Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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 match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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 match experience
Salary Scale	No change

Mortality Rates - SPORS 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - VaLORS 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - JRS Employees (Continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality Rates - 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, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 20%

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, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 15%

Mortality Rates - 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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	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% to 45%

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. 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 ending 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. From July 1, 2019 on, employers are assumed 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.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 289,000	\$ 223,000	\$ 170,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13-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

TOWN OF ROCKY MOUNT, VIRGINIA
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JUNE 30, 2018 (CONTINUED)

Note 14-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 \$707,676 is comprised of the following:

Property Taxes - Property tax revenue representing uncollected tax billings not available for funding current expenditures totaled \$72,591.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$129.

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

Note 15-Related Party Transactions:

In 2015, the Town issued an interest free loan in the amount of \$1,287,519 to the Component Unit-Harvester Performance Center. The loan does not have defined repayment terms and is payable to the Town as the Harvester has available funds. As of June 30, 2018, the Harvester had a remaining loan balance of \$634,956.

Note 16-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 17-Surety Bonds:

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

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 18-Commitments and Contingent Liabilities:

At June 30, 2018 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 19-Adoption of Accounting Principles:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in a restatement of net position, reference Note 20.

Note 20-Restatement of Beginning Balances:

	Primary Government	
	General Fund	
Fund balance, July 1, 2017, as previously stated	\$	8,244,533
Record allowance on HPC receivable		(412,934)
Fund balance, July 1, 2017, as restated	\$	7,831,599
	Governmental Activities	Business-type Activities
Net position, July 1, 2017, as previously stated	\$ 19,584,758	\$ 9,734,253
Record allowance on HPC receivable	(412,934)	-
GASB 75 implementation	(458,670)	(112,082)
Net position, July 1, 2017, as restated	\$ 18,713,154	\$ 9,622,171

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 21-Subsequent Events:

On October 26, 2018, the Town issued general obligation bonds totaling \$1,116,500 for the purpose of funding infrastructure improvements, including the installation of piping and water meters, along with related engineering and costs, to interconnect the Town's water system with the Western Virginia Water Authority. Interest on the bonds is fixed at 3.58% until the final maturity on August 1, 2033.

Note 22-Upcoming Pronouncements:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

TOWN OF ROCKY MOUNT, VIRGINIA
FINANCIAL REPORT
JUNE 30, 2018 (CONTINUED)

Note 22-Upcoming Pronouncements: (Continued)

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,006,841	\$ 1,006,841	\$ 1,022,482	\$ 15,641
Other local taxes	3,171,289	3,171,289	3,291,230	119,941
Permits, privilege fees, and regulatory licenses	15,400	15,400	21,776	6,376
Fines and forfeitures	52,700	52,700	43,419	(9,281)
Revenue from the use of money and property	77,955	77,955	49,298	(28,657)
Charges for services	117,791	117,791	133,238	15,447
Miscellaneous	44,725	44,725	208,324	163,599
Intergovernmental:				
Local government	29,632	29,632	29,632	-
Commonwealth	2,391,112	2,391,112	1,802,639	(588,473)
Federal	-	25,000	40,686	15,686
Total revenues	\$ 6,907,445	\$ 6,932,445	\$ 6,642,724	\$ (289,721)
EXPENDITURES				
Current:				
General government administration	\$ 723,004	\$ 726,753	\$ 723,804	\$ 2,949
Public safety	2,263,554	2,371,869	2,277,564	94,305
Public works	2,415,037	3,034,747	2,144,584	890,163
Parks, recreation, and cultural	292,551	396,913	289,807	107,106
Community development	867,811	904,371	1,151,040	(246,669)
Nondepartmental	292,739	292,739	105,204	187,535
Debt service:				
Principal retirement	295,000	313,770	313,770	-
Interest and other fiscal charges	59,644	59,644	52,659	6,985
Total expenditures	\$ 7,209,340	\$ 8,100,806	\$ 7,058,432	\$ 1,042,374
Excess (deficiency) of revenues over (under) expenditures	\$ (301,895)	\$ (1,168,361)	\$ (415,708)	\$ 752,653
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 144,511	\$ 144,511
Net change in fund balances	\$ (301,895)	\$ (1,168,361)	\$ (271,197)	\$ 897,164
Fund balances - beginning, as restated	301,895	1,168,361	7,831,599	6,663,238
Fund balances - ending	\$ -	\$ -	\$ 7,560,402	\$ 7,560,402

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 Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 48,000
Interest	27,000
Benefit payments	(15,000)
Net change in total OPEB liability	\$ 60,000
Total OPEB liability - beginning	730,000
Total OPEB liability - ending	<u>\$ 790,000</u>
 Covered-employee payroll	 \$ 2,616,000
 Town's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	 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
For the Year Ended June 30, 2018

Valuation Date: 7/1/2016
Measurement Date: 7/1/2017

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	3.56%
Inflation	2.50%
Healthcare Trend Rate	24.8% for fiscal year end 2017, 1.60% for fiscal year end 2018 (to reflect actual experience), 7.00% for fiscal year end 2019, decreasing 0.33% per year to an ultimate rate of 5.10%
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-2017

Town of Rocky Mount, Virginia
Schedule of Town's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
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 Program
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
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%
2010	4,353	4,353	-	2,138,409	0.20%
2009	5,847	5,847	-	2,165,663	0.27%

Town of Rocky Mount, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State 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 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 match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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 match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future
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 50% to 35%

Town of Rocky Mount, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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% to 20%

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% to 15%

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	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

Town of Rocky Mount, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
Fiscal Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 346,951	\$ 317,557	\$ 311,299	\$ 271,936
Interest	809,351	717,349	675,381	645,150
Differences between expected and actual experience	(70,973)	201,701	130,521	-
Changes in assumptions	(68,836)	-	-	-
Impact in change of proportion	628,791	(9,646)	-	-
Benefit payments, including refunds of employee contributions	(581,269)	(520,844)	(495,244)	(475,165)
Net change in total pension liability	\$ 1,064,015	\$ 706,117	\$ 621,957	\$ 441,921
Total pension liability - beginning	11,224,001	10,517,884	9,895,927	9,454,006
Total pension liability - ending (a)	<u>\$ 12,288,016</u>	<u>\$ 11,224,001</u>	<u>\$ 10,517,884</u>	<u>\$ 9,895,927</u>
Plan fiduciary net position				
Impact in change of proportion	\$ 462,039	\$ (7,482)	\$ -	\$ -
Contributions - employer	385,774	357,965	349,774	332,610
Contributions - employee	134,360	121,946	119,251	112,574
Net investment income	1,061,541	142,757	360,480	1,070,448
Benefit payments, including refunds of employee contributions	(581,269)	(520,844)	(495,244)	(475,165)
Administrative expense	(6,071)	(5,041)	(4,872)	(5,743)
Other	(948)	(61)	(75)	56
Net change in plan fiduciary net position	\$ 1,455,426	\$ 89,240	\$ 329,314	\$ 1,034,780
Plan fiduciary net position - beginning	8,247,463	8,158,223	7,828,909	6,794,129
Plan fiduciary net position - ending (b)	<u>\$ 9,702,889</u>	<u>\$ 8,247,463</u>	<u>\$ 8,158,223</u>	<u>\$ 7,828,909</u>
Town's net pension liability - ending (a) - (b)	\$ 2,585,127	\$ 2,976,538	\$ 2,359,661	\$ 2,067,018
Plan fiduciary net position as a percentage of the total pension liability	78.96%	73.48%	77.57%	79.11%
Covered payroll	\$ 2,571,152	\$ 2,463,898	\$ 2,398,797	\$ 2,378,594
Town's net pension liability as a percentage of covered payroll	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 Plan
Fiscal Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
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%
2010	250,408	250,408	-	2,138,409	11.71%
2009	253,599	253,599	-	2,165,663	11.71%

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
Fiscal Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - 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% to 20%

Largest 10 - 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 15%

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% to 45%

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, 2018

	<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	\$ -	\$ -	\$ 2,136	\$ 2,136
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 2,136	\$ 2,136
Net change in fund balances	\$ -	\$ -	\$ 2,136	\$ 2,136
Fund balances - beginning, as restated	-	-	57,643	57,643
Fund balances - ending	\$ -	\$ -	\$ 59,779	\$ 59,779

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, 2018

Schedule 1
Page 1 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:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 602,308	\$ 602,308	\$ 589,825	\$ (12,483)
Public service corporation taxes	28,474	28,474	27,733	(741)
Personal Property Tax	237,980	237,980	254,814	16,834
Machinery and tools tax	132,379	132,379	139,352	6,973
Penalties	4,000	4,000	7,218	3,218
Interest	1,700	1,700	3,540	1,840
Total general property taxes	<u>\$ 1,006,841</u>	<u>\$ 1,006,841</u>	<u>\$ 1,022,482</u>	<u>\$ 15,641</u>
Other local taxes:				
Local sales and use taxes	\$ 188,064	\$ 188,064	\$ 187,370	\$ (694)
Consumers' utility taxes	325,033	325,033	330,020	4,987
Business license taxes	692,589	692,589	658,908	(33,681)
Bank stock taxes	216,500	216,500	295,140	78,640
Lodging taxes	163,977	163,977	203,737	39,760
Meals taxes	1,491,812	1,491,812	1,526,284	34,472
Cigarette taxes	93,314	93,314	89,771	(3,543)
Total other local taxes	<u>\$ 3,171,289</u>	<u>\$ 3,171,289</u>	<u>\$ 3,291,230</u>	<u>\$ 119,941</u>
Permits, privilege fees, and regulatory licenses:				
Farmers Market permits	\$ 4,100	\$ 4,100	\$ 3,674	\$ (426)
Welcome Center fees	4,000	4,000	6,350	2,350
Planning and zoning	7,300	7,300	11,752	4,452
Total permits, privilege fees, and regulatory licenses	<u>\$ 15,400</u>	<u>\$ 15,400</u>	<u>\$ 21,776</u>	<u>\$ 6,376</u>
Fines and forfeitures:				
Court fines	\$ 52,500	\$ 52,500	\$ 42,819	\$ (9,681)
Parking fines	100	100	30	(70)
Other fines	100	100	570	470
Total fines and forfeitures	<u>\$ 52,700</u>	<u>\$ 52,700</u>	<u>\$ 43,419</u>	<u>\$ (9,281)</u>
Revenue from use of money and property:				
Interest earned	\$ 73,007	\$ 73,007	\$ 43,923	\$ (29,084)
Revenue from use of property	4,948	4,948	5,375	427
Total revenue from use of money and property	<u>\$ 77,955</u>	<u>\$ 77,955</u>	<u>\$ 49,298</u>	<u>\$ (28,657)</u>
Charges for services:				
Waste collection charges	\$ 90,792	\$ 90,792	\$ 94,673	\$ 3,881
Grave preparation	1,500	1,500	2,625	1,125
Police reports	1,100	1,100	1,182	82
Security services	2,840	2,840	3,855	1,015
Passport services	10,000	10,000	15,419	5,419
Miscellaneous services	11,559	11,559	15,484	3,925
Total charges for services	<u>\$ 117,791</u>	<u>\$ 117,791</u>	<u>\$ 133,238</u>	<u>\$ 15,447</u>
Miscellaneous:				
Donations	\$ -	\$ -	\$ 5	\$ 5
Local contributions and grants	34,000	34,000	34,000	-
Miscellaneous	10,725	10,725	66,585	55,860
Loan repayments	-	-	107,734	107,734
Total miscellaneous	<u>\$ 44,725</u>	<u>\$ 44,725</u>	<u>\$ 208,324</u>	<u>\$ 163,599</u>
Total revenue from local sources	<u>\$ 4,486,701</u>	<u>\$ 4,486,701</u>	<u>\$ 4,769,767</u>	<u>\$ 283,066</u>

Town of Rocky Mount, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
Fiscal Year Ended June 30, 2018

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 local governments:				
County of Franklin, Virginia School Board	\$ 29,632	\$ 29,632	\$ 29,632	\$ -
Revenue from the Commonwealth:				
Noncategorical aid:				
Personal property tax relief funds	\$ 53,861	\$ 53,861	\$ 53,861	\$ -
Communications tax	186,119	186,119	179,439	(6,680)
Litter tax	2,475	2,475	2,480	5
Rolling Stock	3,250	3,250	3,340	90
Other revenue	200	200	2,134	1,934
Total noncategorical aid	\$ 245,905	\$ 245,905	\$ 241,254	\$ (4,651)
Categorical aid:				
Fire programs	\$ 15,210	\$ 15,210	\$ 36,144	\$ 20,934
Highway maintenance	1,421,537	1,421,537	1,410,026	(11,511)
COPS grant	-	-	3,263	3,263
Law enforcement aid	108,460	108,460	111,952	3,492
VDOT grant	600,000	600,000	-	(600,000)
Total other categorical aid	\$ 2,145,207	\$ 2,145,207	\$ 1,561,385	\$ (583,822)
Total revenue from the Commonwealth	\$ 2,391,112	\$ 2,391,112	\$ 1,802,639	\$ (588,473)
Revenue from the federal government:				
Categorical aid:				
DMV mini grant	\$ -	\$ -	\$ 12,505	\$ 12,505
USDA grant	-	25,000	25,000	-
Law enforcement block grant	-	-	3,181	3,181
Total categorical aid	\$ -	\$ 25,000	\$ 40,686	\$ 15,686
Total revenue from the federal government	\$ -	\$ 25,000	\$ 40,686	\$ 15,686
Total General Fund	\$ 6,907,445	\$ 6,932,445	\$ 6,642,724	\$ (289,721)
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Interest earned	\$ -	\$ -	\$ 2,136	\$ 2,136
Total Capital Projects Fund	\$ -	\$ -	\$ 2,136	\$ 2,136
Total Primary Government	\$ 6,907,445	\$ 6,932,445	\$ 6,644,860	\$ (287,585)

Town of Rocky Mount, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
Fiscal Year Ended June 30, 2018

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<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:				
Wages - elected officials	\$ 2,200	\$ 2,200	\$ 2,150	\$ 50
Wages - contractual services	30,450	30,450	27,375	3,075
Fringes/benefits	2,839	2,839	2,614	225
Contractual services	2,704	2,704	852	1,852
Advertising	1,325	1,325	890	435
Printing and binding	2,200	2,200	2,416	(216)
Postage and delivery services	115	115	63	52
Motor fuel expense	3,561	3,561	-	3,561
Communication	-	-	3,361	(3,361)
Uniforms and clothing	-	-	637	(637)
Travel, training, and education	3,500	3,500	3,495	5
Meeting expenses	850	850	661	189
Stipends	900	900	300	600
Dues and professional memberships	10,488	10,488	10,698	(210)
Books and subscriptions	100	100	200	(100)
Office supplies	3,000	3,000	2,385	615
Miscellaneous	14,000	14,000	14,487	(487)
Data processing equipment	600	600	-	600
Total Mayor and Town Council	\$ 78,832	\$ 78,832	\$ 72,584	\$ 6,248
Town Manager:				
Wages	\$ 161,732	\$ 161,732	\$ 156,912	\$ 4,820
Fringes/benefits	65,186	65,186	60,819	4,367
Contractual services	1,295	5,044	8,856	(3,812)
Advertising	-	-	1,804	(1,804)
Printing and binding	40	40	-	40
Postage and delivery services	140	140	147	(7)
Motor fuel expense	500	500	554	(54)
Motor vehicle expense	275	275	286	(11)
Communication	5,868	5,868	6,129	(261)
Uniform and clothing	-	-	306	(306)
Travel, training, and education	6,900	6,900	10,762	(3,862)
Dues and professional memberships	1,100	1,100	1,225	(125)
Books and subscriptions	704	704	695	9
Office supplies	6,000	6,000	8,174	(2,174)
Miscellaneous	-	-	11	(11)
Data processing equipment	1,500	1,500	1,157	343
Total Town Manager	\$ 251,240	\$ 254,989	\$ 257,837	\$ (2,848)
Town Attorney/Legal Services:				
Contractual services	\$ 5,000	\$ 5,000	\$ 3,142	\$ 1,858
Retainer	21,000	21,000	21,000	-
Professional services	10,000	10,000	10,337	(337)
Travel, training, and education	100	100	-	100
Dues and professional memberships	250	250	250	-
Books and subscriptions	395	395	237	158
Total Town Attorney/Legal Services	\$ 36,745	\$ 36,745	\$ 34,966	\$ 1,779

Town of Rocky Mount, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
Fiscal Year Ended June 30, 2018

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<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: (continued)				
General government administration: (continued)				
Finance:				
Wages	\$ 168,592	\$ 168,592	\$ 174,539	\$ (5,947)
Fringes/benefits	72,660	72,660	70,195	2,465
Contractual services	68,500	68,500	65,968	2,532
Advertising	650	650	1,556	(906)
Printing and binding	7,750	7,750	9,931	(2,181)
Postage and delivery services	6,700	6,700	4,886	1,814
Fees	3,250	3,250	5,062	(1,812)
Communications	6,200	6,200	5,754	446
Uniforms	-	-	101	(101)
Travel, training, and education	5,500	5,500	5,714	(214)
Dues and professional memberships	1,470	1,470	839	631
Books and subscriptions	115	115	115	-
Miscellaneous	-	-	4	(4)
Office Supplies	8,900	8,900	7,565	1,335
Furniture and fixtures	-	-	253	(253)
Data processing	3,000	3,000	914	2,086
Total Finance	\$ 353,287	\$ 353,287	\$ 353,396	\$ (109)
Board of elections	\$ 2,900	\$ 2,900	\$ 5,021	\$ (2,121)
Total General Government Administration	\$ 723,004	\$ 726,753	\$ 723,804	\$ 2,949
Public safety:				
Police Department:				
Wages	\$ 1,179,192	\$ 1,213,022	\$ 1,167,241	\$ 45,781
Fringes/benefits	610,870	634,855	585,049	49,806
Contractual services	16,000	16,000	9,304	6,696
Subscription - safety radios	15,600	15,600	-	15,600
Repairs and maintenance	900	900	231	669
Advertising	520	520	1,058	(538)
Printing and binding	880	880	29	851
Postage and delivery services	700	700	758	(58)
Motor fuel expense	36,250	36,250	39,847	(3,597)
Motor vehicle expense	30,000	30,000	27,806	2,194
Communications	26,236	26,236	25,684	552
Purchases-DMV Grants	-	-	233	(233)
Purchases-comm grant	3,186	3,186	2,457	729
Police K-9 unit	9,500	9,500	10,975	(1,475)
SWAT/warrant expenses	100	100	-	100
Uniforms	5,700	5,700	7,142	(1,442)
Travel, training, and education	9,200	9,200	5,689	3,511
Transportation and extraditions	100	100	-	100
Uniform stipend	12,600	12,600	12,700	(100)
Dues and professional memberships	10,600	10,600	9,385	1,215
Books and subscriptions	100	100	-	100
Miscellaneous	100	100	-	100
Office supplies	2,630	2,630	2,559	71
Police supplies	26,377	26,377	23,468	2,909
Land and building	-	-	5,507	(5,507)
Furniture and fixtures	-	-	95	(95)
Data processing	13,000	13,000	3,782	9,218
Motor vehicles	38,000	88,500	119,148	(30,648)
Motor vehicle lease	8,342	8,342	8,222	120

Town of Rocky Mount, Virginia
Schedule of Expenditures - Budget and Actual
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Fiscal Year Ended June 30, 2018

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<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: (continued)				
Public safety: (continued)				
Police Department: (continued)				
Audio and video equipment	27,000	27,000	38,749	(11,749)
Police equipment	-	-	3,500	(3,500)
Lease expense	-	-	15,451	(15,451)
Total Police Department	\$ 2,083,683	\$ 2,191,998	\$ 2,126,069	\$ 65,929
Volunteer Fire Department:				
Fringes/benefits	\$ 6,326	\$ 6,326	\$ 6,813	\$ (487)
Contractual services	1,500	1,500	8,516	(7,016)
Subscription - safety radios	6,000	6,000	-	6,000
Repairs and maintenance	3,000	3,000	9	2,991
Advertising	500	500	451	49
Printing and binding	100	100	-	100
Permits, licenses, and fees	100	100	-	100
Postage and delivery services	30	30	-	30
Motor fuel expense	4,800	4,800	6,217	(1,417)
Motor vehicle expense	11,000	11,000	18,294	(7,294)
Small equipment expense	100	100	75	25
Communications	2,705	2,705	2,802	(97)
Insurance	11,250	11,250	9,551	1,699
Uniforms/turnout gear	11,000	11,000	1,354	9,646
Travel, training, and education	100	100	-	100
Stipends	67,000	67,000	78,311	(11,311)
Dues and professional memberships	1,350	1,350	100	1,250
Books and subscriptions	250	250	138	112
Office supplies	260	260	291	(31)
Fire department supplies	5,000	5,000	1,744	3,256
Data processing	700	700	-	700
Audio and video equipment	-	-	1,875	(1,875)
Fire equipment	39,800	39,800	8,554	31,246
Lease expense	-	-	1,545	(1,545)
Safety equipment	7,000	7,000	-	7,000
DOFP reporting	-	-	4,855	(4,855)
Total Volunteer Fire Department	\$ 179,871	\$ 179,871	\$ 151,495	\$ 28,376
Total public safety	\$ 2,263,554	\$ 2,371,869	\$ 2,277,564	\$ 94,305
Public works:				
Administration:				
Wages	\$ 65,227	\$ 65,227	\$ 66,485	\$ (1,258)
Fringes/benefits	30,816	30,816	27,941	2,875
Contractual services	500	500	301	199
Permits, licenses and fees	-	-	64	(64)
Advertising	100	100	667	(567)
Printing and binding	40	40	-	40
Postage and delivery	8	8	-	8
Communications	3,816	3,816	3,178	638
Uniforms	10,280	10,280	9,562	718
Travel, training, and education	250	250	637	(387)
Dues and professional memberships	-	-	210	(210)
Data processing equipment	-	-	1,005	(1,005)
Books and subscriptions	410	410	693	(283)
Office supplies	275	275	228	47
Total Administration	\$ 111,722	\$ 111,722	\$ 110,971	\$ 751

Town of Rocky Mount, Virginia
Schedule of Expenditures - Budget and Actual
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Fiscal Year Ended June 30, 2018

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<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: (continued)				
Public works: (continued)				
PW Non-VDOT Highway Eligible:				
Uniforms	\$ -	\$ -	\$ 690	\$ (690)
Street Lights:				
Wages	\$ 2,645	\$ 2,645	\$ 107	\$ 2,538
Fringes/benefits	1,538	1,538	183	1,355
Contractual services	4,000	4,000	-	4,000
Repairs and maintenance	450	450	-	450
Utilities	102,000	102,000	106,186	(4,186)
Streets, street lights, sidewalks	2,000	2,000	171	1,829
Capital outlay	-	65,000	-	65,000
Total Street Lights	\$ 112,633	\$ 177,633	\$ 106,647	\$ 70,986
Traffic Control and Parking:				
Wages	\$ 10,582	\$ 10,582	\$ 6,269	\$ 4,313
Fringes/benefits	6,167	6,167	4,359	1,808
Contractual services	20,000	20,000	18,729	1,271
Repairs and maintenance	1,700	1,700	375	1,325
Utilities	11,100	11,100	10,732	368
Motor fuel expense	450	450	808	(358)
Motor vehicle expense	500	500	511	(11)
Small equipment	300	300	-	300
Communications	-	-	2,938	(2,938)
Traffic control/parking supplies	9,000	9,000	(9,906)	18,906
Traffic signals	617,200	617,200	19,721	597,479
Total Traffic Control and Parking	\$ 676,999	\$ 676,999	\$ 54,536	\$ 622,463
Streets:				
Wages	\$ 279,776	\$ 279,776	\$ 285,684	\$ (5,908)
Fringes/benefits	162,000	162,000	161,616	384
Contractual services	373,996	760,996	490,222	270,774
Repairs and maintenance	-	-	128	(128)
Advertising	285	285	-	285
Permits, licenses, fees	750	750	-	750
Motor fuel expense	17,304	17,304	22,386	(5,082)
Motor vehicle expense	20,000	20,000	19,485	515
Travel and training	100	100	150	(50)
Small equipment expense	6,100	6,100	5,836	264
Miscellaneous	100	100	-	100
Agricultural supplies	650	650	-	650
Chemicals and materials	3,800	3,800	5,637	(1,837)
Streets, street lights, sidewalk supplies	32,000	32,000	43,072	(11,072)
Motor vehicles	-	45,154	58,620	(13,466)
Machinery and equipment	8,500	8,500	13,880	(5,380)
Infrastructure	142,999	150,000	67,926	82,074
Total Streets	\$ 1,048,360	\$ 1,487,515	\$ 1,174,642	\$ 312,873
Sidewalks, curbs, and guttering:				
Wages	\$ 5,291	\$ 5,291	\$ 6,398	\$ (1,107)
Fringes/benefits	3,078	3,078	3,888	(810)
Street and sidewalk supplies	2,500	2,500	4,959	(2,459)
Capital outlay	26,000	33,000	-	33,000
Infrastructure	14,000	14,000	51,651	(37,651)
Total Sidewalks, curbs, and guttering	\$ 50,869	\$ 57,869	\$ 66,896	\$ (9,027)

Town of Rocky Mount, Virginia
Schedule of Expenditures - Budget and Actual
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Fiscal Year Ended June 30, 2018

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<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: (continued)				
Public works: (continued)				
Street Cleaning:				
Wages	\$ 10,582	\$ 4,297	\$ 2,722	\$ 1,575
Fringes/benefits	6,156	2,441	2,415	26
Repairs and maintenance	-	-	-	-
Motor fuel expense	650	650	696	(46)
Motor vehicle expense	2,000	1,000	1,779	(779)
Streets, street lights, cleaning, and sidewalk supplies	-	-	105	(105)
Total Street Cleaning	\$ 19,388	\$ 8,388	\$ 7,717	\$ 671
Refuse Collection:				
Wages	\$ 90,547	\$ 90,547	\$ 66,945	\$ 23,602
Fringes/benefits	53,268	53,268	38,344	14,924
Contractual services	536	536	-	536
Repairs and maintenance	-	-	444	(444)
Printing and binding	500	500	-	500
Advertising	700	700	824	(124)
Motor fuel expense	7,000	7,000	7,651	(651)
Motor vehicle expense	6,000	6,000	147,603	(141,603)
Machinery and equipment	-	45,000	36,144	8,856
Refuse collection supplies	1,200	1,200	1,850	(650)
Total Refuse Collection	\$ 159,751	\$ 204,751	\$ 299,805	\$ (95,054)
Snow Removal:				
Wages	\$ 17,936	\$ 3,936	\$ 7,208	\$ (3,272)
Fringes/benefits	5,590	5,590	4,863	727
Motor fuel expense	1,300	1,300	776	524
Motor vehicle expense	1,500	1,500	2,733	(1,233)
Chemicals, materials, supplies	17,000	17,000	17,330	(330)
Streets, street lights, cleaning, and sidewalk supplies	1,000	1,000	879	121
Machinery & equipment	30,260	30,260	26,501	3,759
Total Snow Removal	\$ 74,586	\$ 60,586	\$ 60,290	\$ 296
Municipal Building:				
Wages	\$ -	\$ -	\$ 1,970	\$ (1,970)
Fringes/benefits	-	-	639	(639)
Contractual services	28,500	28,500	15,648	12,852
Repairs and maintenance	1,500	1,500	554	946
Utilities	24,000	24,000	22,317	1,683
Communications	4,200	4,200	4,151	49
Municipal building supplies	1,800	1,800	2,169	(369)
Agricultural supplies	270	270	470	(200)
Janitorial supplies	2,000	2,000	2,144	(144)
Land and buildings	6,242	54,242	76,477	(22,235)
Data processing	1,500	1,500	-	1,500
Total Municipal Building	\$ 70,012	\$ 118,012	\$ 126,539	\$ (8,527)

Town of Rocky Mount, Virginia
Schedule of Expenditures - Budget and Actual
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<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: (continued)				
Public works: (continued)				
Emergency Services Building:				
Wages	\$ -	\$ -	\$ 1,203	\$ (1,203)
Fringes/benefits	-	-	464	(464)
Contractual services	18,900	18,900	23,584	(4,684)
Repairs and maintenance	7,500	7,500	7,958	(458)
Utilities	18,200	18,200	15,263	2,937
Heating fuel expense	6,400	6,400	11,777	(5,377)
Communications	3,924	3,924	3,869	55
Grant purchases	-	4,000	3,999	1
Firefighters memorial	-	18,255	6,852	11,403
Agricultural supplies	180	180	-	180
Janitorial supplies	1,400	1,400	1,226	174
ES building supplies	130	130	759	(629)
Land and buildings	5,778	5,778	11,848	(6,070)
Total Emergency Services Building	\$ 62,412	\$ 84,667	\$ 88,802	\$ (4,135)
Public Works Building:				
Wages	\$ -	\$ -	\$ 1,936	\$ (1,936)
Fringes/benefits	-	-	827	(827)
Contractual services	2,000	2,000	4,741	(2,741)
Repairs and maintenance	300	300	1,616	(1,316)
Utilities	5,927	5,927	5,883	44
Heating fuel expense	3,000	3,000	3,535	(535)
Communications	3,500	3,500	3,595	(95)
Office supplies	100	100	135	(35)
Janitorial supplies	2,600	2,600	3,500	(900)
Agricultural supplies	100	100	-	100
Shop supplies	2,000	10,500	6,342	4,158
Land & buildings	5,778	15,578	9,799	5,779
Furniture & fixtures	-	-	3,640	(3,640)
Data processing	500	500	-	500
Audio video equipment	2,500	2,500	1,500	1,000
Total Public Works Building	\$ 28,305	\$ 46,605	\$ 47,049	\$ (444)
Total public works	\$ 2,415,037	\$ 3,034,747	\$ 2,144,584	\$ 890,163
Parks, recreation, and cultural:				
Cemetery Maintenance:				
Wages	\$ 10,582	\$ 10,582	\$ 12,147	\$ (1,565)
Fringes/benefits	6,171	6,171	7,229	(1,058)
Contractual services	1,000	1,000	-	1,000
Motor fuel expense	495	495	532	(37)
Small equipment expense	600	600	542	58
Agricultural supplies	350	350	340	10
Total Cemetery Maintenance	\$ 19,198	\$ 19,198	\$ 20,790	\$ (1,592)

Town of Rocky Mount, Virginia
Schedule of Expenditures - Budget and Actual
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Fiscal Year Ended June 30, 2018

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<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: (continued)				
Parks, recreation, and cultural: (continued)				
Playgrounds and Parks:				
Wages	\$ 15,873	\$ 15,873	\$ 29,438	\$ (13,565)
Fringes/benefits	9,391	9,391	17,198	(7,807)
Contractual services	2,400	2,400	3,515	(1,115)
Repairs and maintenance	2,000	2,000	1,043	957
Utilities	2,025	2,025	1,544	481
Motor fuel expense	435	435	550	(115)
Small equipment expense	500	500	-	500
Agricultural supplies	250	250	385	(135)
Parks, recreation, cemetery supplies	2,000	2,000	2,472	(472)
Machinery and equipment	28,300	28,300	10,266	18,034
Land & building	-	-	13,678	(13,678)
Furniture & fixtures	-	-	34,360	(34,360)
Total Playgrounds and Parks	\$ 63,174	\$ 63,174	\$ 114,449	\$ (51,275)
Mary Elizabeth Park				
Capital outlay	\$ -	\$ 104,362	\$ 68,791	\$ 35,571
Celeste Park				
Capital outlay	\$ 5,245	\$ 5,245	\$ -	\$ 5,245
Gilley's Park				
Capital outlay	\$ 48,038	\$ 48,038	\$ -	\$ 48,038
Impound Lot				
Wages	-	-	15,776	\$ (15,776)
Fringes/benefits	-	-	8,802	(8,802)
Impound lot	82,216	82,216	61,199	21,017
Total Impound Lot	\$ 82,216	\$ 82,216	\$ 85,777	\$ (3,561)
Veterans Memorial Park				
Infrastructure	\$ 74,680	\$ 74,680	\$ -	\$ 74,680
Total parks, recreation, and cultural	\$ 292,551	\$ 396,913	\$ 289,807	\$ 107,106
Community development:				
Planning and Zoning:				
Wages	\$ 78,260	\$ 78,260	\$ 59,051	\$ 19,209
Fringes/benefits	30,504	30,504	26,584	3,920
Contractual services	7,000	7,000	268	6,732
Advertising	2,500	2,500	3,597	(1,097)
Printing and binding	50	50	-	50
Postage and delivery services	70	70	267	(197)
Motor fuel expense	70	70	-	70
Motor vehicle expense	500	500	-	500
Communications	5,918	5,918	5,490	428
Clothing	-	-	229	(229)
Travel	1,000	1,000	1,001	(1)
Meeting expenses	300	300	41	259
Stipends	8,200	8,200	8,921	(721)
Dues and professional memberships	500	500	306	194
Office Supplies	4,000	4,000	2,287	1,713
Furniture and fixtures	-	-	80	(80)
Data processing equipment	1,500	1,500	2,732	(1,232)
Total Planning and Zoning	\$ 140,372	\$ 140,372	\$ 110,854	\$ 29,518

Town of Rocky Mount, Virginia
Schedule of Expenditures - Budget and Actual
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<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: (continued)				
Community development: (continued)				
Community and Economic Development:				
Wages	\$ 95,086	\$ 95,086	\$ 89,803	\$ 5,283
Fringes/benefits	41,618	41,618	36,201	5,417
Contractual services	25,000	25,000	53,144	(28,144)
Advertising	3,500	3,500	857	2,643
Branding of Town	54,659	66,219	44,788	21,431
Printing and binding	40	40	-	40
Postage and delivery services	620	620	650	(30)
Motor fuel expense	1,700	1,700	1,674	26
Motor vehicle expense	1,500	1,500	2,322	(822)
Communications	2,920	2,920	3,687	(767)
Uniforms and clothing	-	-	212	(212)
Travel, training, and education	5,000	5,000	2,836	2,164
Dues and professional memberships	1,400	1,400	1,807	(407)
Books and subscriptions	480	480	1,300	(820)
Special events/promotions	21,000	21,000	21,461	(461)
Shop local campaign	15,000	15,000	-	15,000
Office supplies	5,900	5,900	6,903	(1,003)
Capital outlay	600	600	-	600
Furniture and fixtures	-	-	176	(176)
Data processing equipment	3,000	3,000	11,772	(8,772)
Audio and video equipment	1,700	1,700	4,440	(2,740)
Town decorations	7,500	7,500	595	6,905
Total Community and Economic Development	\$ 288,223	\$ 299,783	\$ 284,628	\$ 15,155
Citizens' Square:				
Wages	\$ 2,645	\$ 2,645	\$ 736	\$ 1,909
Fringes/benefits	1,538	1,538	679	859
Contractual services	10,160	10,160	8,420	1,740
Repairs and maintenance	1,500	1,500	683	817
Advertising	500	500	-	500
Permits, licenses, fees	40	40	40	-
EBT expense	-	-	468	(468)
Utilities	2,868	2,868	2,339	529
Janitorial supplies	100	100	183	(83)
Citizens' Square/Depot supplies	1,000	1,000	752	248
Infrastructure	-	25,000	-	25,000
Total Citizens' Square	\$ 20,351	\$ 45,351	\$ 14,300	\$ 31,051
Community and Hospitality Center:				
Wages	\$ 14,995	\$ 14,995	\$ 10,584	\$ 4,411
Fringes/benefits	2,483	2,483	1,278	1,205
Contractual services	4,550	4,550	8,139	(3,589)
Repairs and maintenance	2,000	2,000	95	1,905
Advertising	-	-	656	(656)
Utilities	4,500	4,500	3,427	1,073
Communications	985	985	1,000	(15)
Travel, training, and education	150	150	40	110
Office supplies	350	350	111	239
Janitorial supplies	500	500	242	258
Citizens' Square/Depot supplies	500	500	170	330
Total Community and Hospitality Center	\$ 31,013	\$ 31,013	\$ 25,742	\$ 5,271

Town of Rocky Mount, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
Fiscal Year Ended June 30, 2018

Schedule 2
Page 9 of 9

<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: (continued)				
Community development: (continued)				
Passport Program:				
Postage and delivery services	\$ 1,350	\$ 1,350	\$ 1,780	\$ (430)
Office supplies	860	860	807	53
Total Passport Program	<u>\$ 2,210</u>	<u>\$ 2,210</u>	<u>\$ 2,587</u>	<u>\$ (377)</u>
Remediation of Blighted Structures:				
Contractual services	\$ -	\$ -	\$ 1,440	\$ (1,440)
Demolition	15,000	15,000	-	15,000
Total Remediation of Blighted Structures	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 1,440</u>	<u>\$ 13,560</u>
Economic Development Authority:				
Wages	\$ 600	\$ 600	\$ 500	\$ 100
Fringes/benefits	360	360	225	135
Travel and training	1,000	1,000	-	1,000
Stipends	4,000	4,000	1,400	2,600
Land and buildings	10,000	10,000	-	10,000
Total Economic Development Authority	<u>\$ 15,960</u>	<u>\$ 15,960</u>	<u>\$ 2,125</u>	<u>\$ 13,835</u>
Contributions to Harvester Performance Center	<u>\$ 354,682</u>	<u>\$ 354,682</u>	<u>\$ 709,364</u>	<u>\$ (354,682)</u>
Total Community Development	<u>\$ 867,811</u>	<u>\$ 904,371</u>	<u>\$ 1,151,040</u>	<u>\$ (246,669)</u>
General Fund: (continued)				
Nondepartmental:				
Wages	\$ -	\$ -	\$ 14,199	\$ (14,199)
Fringes/benefits	68,057	68,057	11,097	56,960
Insurance	72,524	72,524	64,458	8,066
Contributions to other entities	16,500	16,500	15,450	1,050
Contingency	135,658	135,658	-	135,658
Total Nondepartmental	<u>\$ 292,739</u>	<u>\$ 292,739</u>	<u>\$ 105,204</u>	<u>\$ 187,535</u>
Debt service:				
Principal retirement	\$ 295,000	\$ 313,770	\$ 313,770	\$ -
Interest and fiscal charges	59,644	59,644	52,659	6,985
Total debt service	<u>\$ 354,644</u>	<u>\$ 373,414</u>	<u>\$ 366,429</u>	<u>\$ 6,985</u>
Total General Fund	<u>\$ 7,209,340</u>	<u>\$ 8,100,806</u>	<u>\$ 7,058,432</u>	<u>\$ 1,042,374</u>
Total Primary Government	<u>\$ 7,209,340</u>	<u>\$ 8,100,806</u>	<u>\$ 7,058,432</u>	<u>\$ 1,042,374</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 8,949,640	\$ 9,938,639	\$ 12,308,493	\$ 12,768,337	\$ 12,824,596	\$ 13,421,135	\$ 13,173,384	\$ 13,194,309	\$ 13,382,249	\$ 13,324,081
Restricted	-	-	-	-	-	-	-	-	451,764	127,010
Unrestricted	11,126,647	10,998,693	10,934,072	10,241,470	9,524,633	5,700,375	4,942,843	6,909,303	5,750,745	4,918,816
Total governmental activities net position	\$ 20,076,287	\$ 20,937,332	\$ 23,242,565	\$ 23,009,807	\$ 22,349,229	\$ 19,121,510	\$ 18,116,227	\$ 20,103,612	\$ 19,584,758	\$ 18,369,907
Business-type activities										
Net investment in capital assets	\$ 7,619,260	\$ 7,601,301	\$ 9,435,263	\$ 9,712,564	\$ 9,967,807	\$ 8,910,140	\$ 8,741,269	\$ 8,522,241	\$ 13,324,081	\$ 8,516,925
Restricted for debt service	-	356,642	356,642	280,018	280,018	-	-	-	-	-
Unrestricted	69,501	(192,322)	(1,150,324)	(1,514,916)	(1,379,266)	266,300	22,529	8,757,094	4,918,816	1,173,667
Total business-type activities net position	\$ 7,688,761	\$ 7,765,621	\$ 8,641,581	\$ 8,477,666	\$ 8,868,559	\$ 9,176,440	\$ 8,763,798	\$ 17,279,335	\$ 18,242,897	\$ 9,690,592
Primary Government										
Net investment in capital assets	\$ 16,568,900	\$ 17,539,940	\$ 21,743,756	\$ 22,480,901	\$ 22,792,403	\$ 22,331,275	\$ 21,914,653	\$ 21,716,550	\$ 26,706,330	\$ 21,841,006
Restricted for debt service	-	356,642	356,642	280,018	280,018	-	-	-	451,764	127,010
Unrestricted	11,196,148	10,806,371	9,783,748	8,726,554	8,145,367	5,966,675	4,965,372	7,144,156	10,669,561	6,092,483
Total primary government net position	\$ 27,765,048	\$ 28,702,953	\$ 31,884,146	\$ 31,487,473	\$ 31,217,788	\$ 28,297,950	\$ 26,880,025	\$ 28,860,706	\$ 37,827,655	\$ 28,060,499

		Fiscal Year									
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting)											
Expenses											
Governmental activities:											
General government administration											
Public Safety		\$ 861,445	\$ 798,988	\$ 174,544	\$ 1,310,661	\$ 894,183	\$ 909,202	\$ 931,434	\$ 836,494	\$ 983,976	\$ 936,954
Public Works		1,807,691	1,713,977	2,157,429	2,012,658	1,884,733	2,123,428	2,026,137	2,017,134	2,374,024	2,440,595
Parks, recreation and cultural		1,733,026	1,892,605	1,555,182	1,538,835	1,756,852	1,371,148	1,728,155	1,947,796	1,743,964	2,088,558
Community development		45,676	43,798	112,286	54,320	125,182	113,983	61,642	66,665	161,397	216,058
Interest on long-term debt		257,877	303,876	186,118	581,132	752,701	3,894,611	680,806	778,492	905,959	1,284,101
Total governmental activities expenses		141,919	135,526	185,382	116,630	108,331	104,988	20,876	58,187	49,285	58,784
		\$ 4,847,634	\$ 4,888,770	\$ 4,370,941	\$ 5,614,236	\$ 5,521,982	\$ 8,517,360	\$ 5,449,050	\$ 5,704,768	\$ 6,218,555	\$ 7,025,050
Business-type activities:											
Water and Sewage											
Total business-type activities expenses		\$ 2,403,437	\$ 2,304,052	\$ 2,293,343	\$ 2,286,168	\$ 2,567,771	\$ 2,517,014	\$ 2,392,635	\$ 2,441,711	\$ 2,442,424	\$ 2,501,509
		\$ 2,403,437	\$ 2,304,052	\$ 2,293,343	\$ 2,286,168	\$ 2,567,771	\$ 2,517,014	\$ 2,392,635	\$ 2,441,711	\$ 2,442,424	\$ 2,501,509
Total primary government expenses		\$ 7,251,071	\$ 7,192,822	\$ 6,664,284	\$ 7,900,404	\$ 8,089,753	\$ 11,034,374	\$ 7,841,685	\$ 8,146,479	\$ 8,660,979	\$ 9,526,559
Program Revenues											
Governmental activities:											
Charges for services:											
Public Safety		\$ 49,926	\$ 33,858	\$ 38,121	\$ 34,393	\$ 93,630	\$ 109,983	\$ 89,168	\$ 81,459	\$ 86,852	\$ 85,651
Public Works		86,812	89,694	91,463	91,874	98,136	85,135	92,842	93,420	93,563	94,673
Other activities		23,890	13,887	23,473	15,477	6,569	5,154	3,403	8,040	19,772	18,109
Operating grants and contributions		1,447,387	1,488,707	1,587,192	1,439,839	1,477,830	1,471,561	1,482,557	1,591,163	1,562,401	1,631,703
Capital grants and contributions		630,066	789,122	760,818	156,064	-	-	500,000	-	-	-
Total governmental activities program revenues		\$ 2,238,081	\$ 2,415,268	\$ 2,501,067	\$ 1,737,647	\$ 1,676,165	\$ 1,671,833	\$ 2,167,970	\$ 1,774,082	\$ 1,762,588	\$ 1,830,136
Business-type activities:											
Charges for services:											
Water & Sewer		\$ 1,938,102	\$ 1,829,553	\$ 1,776,905	\$ 1,777,053	\$ 2,034,980	\$ 2,234,095	\$ 2,286,212	\$ 2,468,788	\$ 2,581,401	\$ 2,714,441
Total primary government program revenues		\$ 4,176,183	\$ 4,244,821	\$ 4,277,972	\$ 3,514,700	\$ 3,711,145	\$ 3,905,928	\$ 4,454,182	\$ 4,242,870	\$ 4,343,989	\$ 4,544,577
Net (expense)/revenue:											
Governmental activities		\$ (2,609,553)	\$ (2,473,502)	\$ (1,869,874)	\$ (3,876,589)	\$ (3,845,817)	\$ (6,845,527)	\$ (3,281,080)	\$ (3,930,686)	\$ (4,455,967)	\$ (5,194,914)
Business-type activities		(465,335)	(474,499)	(516,438)	(509,115)	(532,791)	(282,919)	(106,423)	27,077	138,977	212,932
Total primary government net expense		\$ (3,074,888)	\$ (2,948,001)	\$ (2,386,312)	\$ (4,385,704)	\$ (4,378,608)	\$ (7,128,446)	\$ (3,387,503)	\$ (3,903,609)	\$ (4,316,990)	\$ (4,981,982)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 807,283	\$ 791,374	\$ 818,866	\$ 836,746	\$ 849,121	\$ 958,992	\$ 937,781	\$ 1,004,337	\$ 1,009,816	\$ 1,022,648
Sales tax	176,134	184,303	162,650	165,757	170,318	161,774	167,128	172,420	180,099	187,370
Business licenses taxes	582,774	563,079	566,498	727,126	626,570	671,456	625,162	682,104	644,219	658,908
Meals tax	1,075,767	1,057,284	1,093,932	1,163,386	1,192,660	1,247,585	1,352,151	1,403,288	1,483,084	1,526,284
Lodging tax	83,114	84,890	89,232	95,823	86,254	99,690	114,034	123,292	184,230	203,737
Bank stock tax	219,726	207,793	215,996	205,444	211,311	249,226	275,223	222,092	228,304	295,140
Other local taxes	94,061	89,619	86,873	83,426	87,651	2,890	-	-	-	-
Consumers' utility taxes	557,220	526,582	330,044	320,543	322,792	331,258	333,011	328,559	322,765	330,020
Cigarette tax	-	-	-	123,161	100,371	95,814	107,461	89,454	108,493	89,771
Intergovernmental revenue, unrestricted	102,764	65,707	266,795	255,227	244,810	256,745	256,262	250,549	245,240	241,254
Unrestricted revenues from use of money and property	481,979	221,229	320,196	81,198	69,353	62,171	74,136	142,520	52,266	51,434
Other	22,066	41,289	1,094,702	32,619	39,699	71,007	54,238	143,156	8,965	100,590
Transfers	(459,382)	(498,602)	(761,607)	(454,138)	(783,565)	(590,800)	(257,139)	33,781	(606,059)	144,511
Total governmental activities	\$ 3,743,506	\$ 3,334,547	\$ 4,284,177	\$ 3,636,318	\$ 3,217,345	\$ 3,617,808	\$ 4,039,448	\$ 4,595,552	\$ 3,861,422	\$ 4,851,667
Business-type activities:										
Other	\$ 41,628	\$ 52,757	\$ 74,961	\$ 45,166	\$ 167,468	\$ -	\$ 258	\$ -	\$ 4,000	\$ -
Unrestricted revenues from use of money and property	15,563	-	-	18	-	-	-	-	-	-
Transfers	459,382	498,602	761,607	454,138	783,565	590,800	257,139	(33,781)	606,059	(144,511)
Total business-type activities	\$ 516,573	\$ 551,359	\$ 836,568	\$ 499,322	\$ 951,033	\$ 590,800	\$ 257,397	\$ (33,781)	\$ 610,059	\$ (144,511)
Total primary government	\$ 4,260,079	\$ 3,885,906	\$ 5,120,745	\$ 4,135,640	\$ 4,168,378	\$ 4,208,608	\$ 4,296,845	\$ 4,561,771	\$ 4,471,481	\$ 4,707,156
Change in Net Position										
Governmental activities	\$ 1,133,953	\$ 861,045	\$ 2,414,303	\$ (240,271)	\$ (628,472)	\$ (3,227,719)	\$ 758,368	\$ 664,866	\$ (594,545)	\$ (343,247)
Business-type activities	51,238	76,860	320,130	(9,793)	418,242	307,881	150,974	(6,704)	749,036	68,421
Total primary government	\$ 1,185,191	\$ 937,905	\$ 2,734,433	\$ (250,064)	\$ (210,230)	\$ (2,919,838)	\$ 909,342	\$ 658,162	\$ 154,491	\$ (274,826)

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

	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,550	\$ 1,550	\$ -	\$ 10,145	\$ 1,838
Restricted	-	-	-	-	-	-	-	-	451,764	127,010
Reserved	45,617	2,293	-	-	-	-	-	-	-	-
Unreserved	10,874,461	10,799,062	-	-	-	-	-	-	-	-
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
Total general fund	\$ 10,920,078	\$ 10,801,355	\$ 11,897,728	\$ 11,323,032	\$ 10,704,059	\$ 6,411,034	\$ 6,980,486	\$ 8,150,074	\$ 8,244,533	\$ 7,560,402
All other governmental funds										
Nonspendable										
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,721	\$ 2,790	\$ 57,643	\$ -
Reserved	554,444	1,438,537	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Capital Projects	149,074	(1,013,171)	-	-	-	-	-	-	-	-
Assigned, reported in:										
Capital Projects	-	-	-	-	-	-	-	-	-	59,779
Unassigned, reported in:										
Capital Projects	-	-	(680,288)	(775,601)	(795,086)	(321,815)	-	-	-	-
Total all other governmental funds	\$ 703,518	\$ 425,366	\$ (680,288)	\$ (775,601)	\$ (795,086)	\$ (321,815)	\$ 16,721	\$ 2,790	\$ 57,643	\$ 59,779

(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)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 3,560,999	\$ 3,507,462	\$ 3,386,948	\$ 3,719,978	\$ 3,640,251	\$ 3,799,794	\$ 3,911,550	\$ 4,012,405	\$ 4,161,830	\$ 4,313,712
Licenses and permits	21,890	13,387	14,788	5,945	12,861	26,593	17,001	17,007	20,158	21,776
Fines and forfeitures	46,676	28,709	32,263	28,467	53,037	57,805	52,787	51,040	48,858	43,419
Use of money & property	481,979	221,229	320,196	81,198	69,353	62,171	74,136	142,520	52,266	51,434
Charges for services	92,062	95,343	106,006	107,332	132,437	115,874	115,625	114,872	131,171	133,238
Other	22,066	41,289	410,795	189,296	43,513	112,966	57,422	692,271	43,969	208,324
Intergovernmental	2,180,217	2,343,536	2,614,805	1,695,066	1,722,640	1,728,306	2,238,819	1,841,712	1,807,641	1,872,957
Total revenues	\$ 6,405,889	\$ 6,250,955	\$ 6,885,801	\$ 5,827,282	\$ 5,674,092	\$ 5,903,509	\$ 6,467,340	\$ 6,871,827	\$ 6,265,893	\$ 6,644,860
Expenditures										
General government administration	\$ 734,668	\$ 675,930	\$ 581,529	\$ 824,164	\$ 627,291	\$ 639,357	\$ 695,392	\$ 679,772	\$ 689,682	\$ 723,804
Public safety	1,881,914	1,468,653	2,239,784	1,764,573	1,609,022	1,957,098	1,976,129	1,896,243	2,158,484	2,277,564
Public works	1,273,449	2,193,364	1,308,836	1,457,358	1,465,808	1,400,360	1,564,856	2,017,661	1,794,250	2,144,584
Parks, recreation and cultural	70,730	75,782	107,660	69,802	118,091	136,981	51,633	74,202	1,265,614	289,807
Community development	226,764	263,795	271,900	374,620	631,578	378,721	495,568	700,736	769,785	1,151,040
Nondepartmental	206,272	132,627	201,300	398,734	176,669	188,939	163,654	154,046	189,047	105,204
Capital outlay	484,432	1,066,717	1,817,788	845,734	598,258	2,779,365	191,440	-	-	-
Debt service:										
Principal	129,840	134,766	1,666,248	189,300	189,300	134,557	184,792	181,879	182,799	313,770
Interest	143,815	137,594	167,135	126,381	112,968	158,116	51,989	45,412	48,552	52,659
Bond Issuance Costs	-	-	-	-	-	7,357	-	-	-	-
Total expenditures	\$ 5,151,884	\$ 6,149,228	\$ 8,362,180	\$ 6,050,666	\$ 5,528,985	\$ 7,780,851	\$ 5,375,453	\$ 5,749,951	\$ 7,098,213	\$ 7,058,432
Excess of revenues over (under) expenditures	\$ 1,254,005	\$ 101,727	\$ (1,476,379)	\$ (223,384)	\$ 145,107	\$ (1,877,342)	\$ 1,091,887	\$ 1,121,876	\$ (832,320)	\$ (413,572)
Other financing sources (uses)										
Transfers in	\$ 178,472	\$ 557	\$ -	\$ 592,219	\$ 395,346	\$ 3,629,816	\$ -	\$ 33,781	\$ 6,188,100	\$ 144,511
Transfers out	(637,854)	(499,159)	(761,607)	(1,046,357)	(1,178,911)	(5,579,585)	(257,139)	-	(6,794,159)	-
Issuance of debt	-	-	1,640,000	-	-	1,190,700	-	-	1,512,000	-
Capital leases	-	-	-	-	-	-	73,240	-	-	-
Other	-	-	697,775	-	-	(1,183,343)	-	-	-	-
Total other financing sources (uses)	\$ (459,382)	\$ (498,602)	\$ 1,576,168	\$ (454,138)	\$ (783,565)	\$ (1,942,412)	\$ (183,899)	\$ 33,781	\$ 905,941	\$ 144,511
Net change in fund balances	\$ 794,623	\$ (396,875)	\$ 99,789	\$ (677,522)	\$ (638,458)	\$ (3,819,754)	\$ 907,988	\$ 1,155,657	\$ 73,621	\$ (269,061)
Debt service as a percentage of noncapital expenditures	6.61%	5.66%	28.01%	6.07%	6.13%	5.86%	4.57%	4.20%	4.22%	5.77%

Table 5

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

Fiscal Year	Real Estate							Machinery and Tools	Public Service Companies	Total	Total Direct Tax Rate (1)
	Single Family Homes	Multi-Family Homes	Commercial and Industrial	Agriculture	Personal Property						
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
2010	247,373,500	18,205,800	189,646,700	3,631,600	36,599,174	64,006,873	23,530,708	582,994,355			0.14
2009	244,576,200	18,205,800	189,438,200	3,928,500	41,366,265	60,580,689	22,152,956	580,248,610			0.18

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 2018			Fiscal Year 2009		
	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	9,635,600	1	2.11%	9,904,200	2	2.17%
Southgate Associates II LP (Tanyard Rd)	9,513,400	2	2.08%	10,346,300	1	2.27%
Rocky Mount Development Company LLC (Old Franklin)	9,474,000	3	2.07%	9,876,300	3	2.17%
Franklin Memorial Hospital	8,631,700	4	1.89%	9,154,300	5	2.01%
Franklin County (Technology Park)	8,322,100	5	1.82%			
Lowes Home Centers Inc.	8,321,500	6	1.82%	8,357,400	6	1.83%
Trinity Packaging Corporation	7,586,400	7	1.66%	6,305,800	7	1.38%
PG Multi-16 LP/Ply Gem	6,825,600	8	1.49%	9,471,500	4	2.08%
OHI Asset (VA) Rocky Mount LLC/Trinity Mission	6,820,100	9	1.49%	4,286,900	13	0.94%
L & M Properties LLC	5,880,800	10	1.29%	5,143,900	11	1.13%
Medical Facilities of Virginia/Franklin Health Care	5,189,200	11	1.13%	5,084,800	12	1.11%
Champion Modular Inc./Mod-U-Kraf	5,159,400	12	1.13%	6,293,600	8	1.38%
AZ Rocky Mount LLC/Walgreen #13013	4,269,600	13	0.93%			
Danny M. Perdue Living Trust	3,776,300	14	0.83%	2,626,000	17	0.58%
Ferguson Land & Lumber Inc.	3,641,700	15	0.80%	2,466,300	20	0.54%
	<u>\$ 103,047,400</u>		<u>22.54%</u>	<u>\$ 89,317,300</u>		<u>19.59%</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
2018	\$ 1,003,273	\$ 976,276	97.31%	\$ -	\$ 976,276	97.31%
2017	962,620	909,453	94.48%	2,612	909,453	94.48%
2016	959,038	903,099	94.17%	24,724	903,099	94.17%
2015	902,443	842,340	93.34%	38,232	880,572	97.58%
2014	901,325	879,708 A	97.60%	7,630	887,338	98.45%
2013	903,558	820,174	90.77%	74,401	894,575	99.01%
2012	899,388	870,261	96.76%	25,643	895,904	99.61%
2011	884,213	869,431	98.33%	13,292	882,723	99.83%
2010	869,573	866,613	99.66%	1,786	868,399	99.86%
2009	890,915	852,065	95.64%	38,163	890,228	99.92%

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

	Fiscal Year 2018			Fiscal Year 2009		
	Monthly Average Consumption	Rank	Percentage of Total Billed Monthly Average Consumption	Monthly Average Consumption	Rank	Percentage of Total Billed Monthly Average Consumption
Taxpayer						
Ronile	1,826,090	1	8.20%	3,147,334	1	15.07%
PlyGem Windows	1,424,602	2	6.40%	865,857	3	4.15%
Trinity Mission (Rocky Mount Rehabilitation)	772,117	3	3.47%	701,038	4	3.36%
Medical Facilities of America (Franklin Health Care)	515,283	4	2.31%	330,767	7	1.58%
Franklin County High School	489,784	5	2.20%	294,574	8	1.41%
Home Town Ice	431,146	6	1.94%			
Franklin County Middle School	417,983	7	1.88%	458,076	5	2.19%
Candlewood Apartments	251,414	8	1.13%	337,597	6	1.62%
Tanyard Village	199,633	9	0.90%			
Greater Southern Wood Preservers/Rocky Top	186,226	10	0.84%	145,501	19	0.70%
Property Mgt / Windy Lane	184,188	11	0.83%			
Rocky Mount Comfort Inn	180,870	12	0.81%			
Ferguson Land & Lumber	170,327	13	0.76%			
Trinity Packaging	169,771	14	0.76%			
Rocky Mount Development (Kroger)	160,805	15	0.72%			

Source: Average Consumption Report from Utility Billing System

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
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
2010	170,017	529,578	563,079	207,793	84,890	1,057,284	-	2,612,641
2009	161,848	543,095	582,774	219,726	83,114	1,075,767	-	2,666,324

Source: Schedule 1

Table 10

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 45,614,870	\$ 45,821,418	\$ 46,188,130	\$ 46,785,910	\$ 43,394,060	\$ 44,457,800	\$ 43,234,180	\$ 43,234,180	\$ 45,484,290	\$ 45,728,970
Total net debt applicable to limit	10,926,856	10,113,684	7,431,900	6,576,568	5,700,063	5,164,500	4,778,500	4,778,500	5,506,500	4,919,000
Legal debt margin	34,688,014	35,707,734	38,756,230	40,209,342	37,693,997	39,293,300	38,455,680	38,455,680	39,977,790	40,809,970
Total net debt applicable to the limit as a percentage of debt limit	24%		22%	16.1%	14.1%	13.1%	11.6%	11.1%	12.1%	10.8%
Legal Debt Margin Calculated for Fiscal Year 2018										
Assessed value	\$ 457,289,700									
Debt limit (10% of assessed value)	\$ 45,728,970									
Debt applicable to limit:										
Revenue Bonds	3,052,000									
Other Long-Term Obligations	1,867,000									
Total net applicable to limit	4,919,000									
Legal debt margin	\$ 40,809,970									

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 Per Capita	Net Bonded Debt to Taxable Value
	General Obligation Bonds	Revenue Bonds	Capital Lease	General Obligation Bonds	Revenue Bonds					
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
2010	1,641,948	1,275,548	-	6,211,736	1,086,578	10,215,810	0.59%	2,917,496	645	5.00
2009	1,755,113	1,299,223	-	6,871,743	1,106,745	11,032,824	8.88%	3,054,336	672	5.26

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
2018	4,764			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%
2011	4,799	32,626	1,840,735	7,325	8.00%
2010	4,525	33,116	1,719,502	7,120	7.60%
2009	4,544	33,420	1,728,877	7,285	4.90%

(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 2018			Fiscal Year 2009		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Franklin County Public Schools	1,288	1	4.92%	1,200	1	4.69%
Ply Gem Manufacturers Inc.	950	2	3.63%	1,020	2	3.99%
Franklin County	348	3	1.33%	350	4	1.37%
Trinity Packaging Inc.	322	4	1.23%	288	6	1.13%
Wal-mart	300	5	1.14%	400	3	1.56%
Carilion Franklin Memorial Hospital	275	6	1.05%	347	5	1.36%
Fleetwood Homes of Virginia	162	7	0.62%	70	14	0.27%
Franklin Health Care	146	8	0.56%			
Ronile Inc.	123	9	0.47%	211	8	0.82%
Rocky Mount Rehabilitation & Health	121	10	0.46%	232	7	0.91%
	<u>4,035</u>			<u>4,118</u>		

Source: Virginia Employment Commission & employer human resource offices

Table 14

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

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government										
Management services										
Finance	3	3	3	2	2	2	2	2	2	2
Planning & Community Development	5	5	5	5	5	5	5	5	5	5
Building	6	6	5	5	5	5	5	5	5	4
Police	0	0	0	0	0	0	0	0	0	1
Officers	22	21	20	20	20	20	20	20	20	20
Civilians	2	2	2	2	2	2	2	2	2	2
Other public works										
Other	16	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	4	4	4	4	4	4
Total	65	65	63	62	61	61	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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Fleet										
Pieces of equipment maintained	61	54	53	53	52	56	56	56	56	56
Public safety										
Police										
Criminal arrests	655	713	744	461	587	622	498	694	516	693
Traffic violations	1,532	1,282	1,453	1,217	1,209	1,172	754	730	653	820
Fire										
Emergency responses	493	468	470	418	423	427	380	379	308	289
Public works										
Other public works										
Street resurfacing (miles)	4	4	4	4	4	4	5	3	5	5
Water										
Number of customer accounts	2,911	2,914	2,891	2,895	2,872	2,855	2,836	2,824	2,813	2,801
Miles of distribution lines										
Volume pumped (million gallons per day average)	742,200	716,871	753,000	745,361	897,444	820,333	895,083	866,694	858,556	917,166
Sewer										
Number of customer accounts	2,078	2,067	2,051	2,049	2,034	2,009	2,003	2,001	1,998	1,982
Waste/Water treated (million gallons per day)	772,750	793,969	937,225	671,128	801,031	703,833	740,817	738,611	856,844	816,199

Source: Council reports, utility reports, highway reports.

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

<u>Function/Program</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>	<u>2010</u>	<u>2009</u>
Public safety										
Law enforcement vehicles	30	28	26	26	25	21	19	15	14	14
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

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2018, 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 November 12, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness (2018-001).

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government 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.


Blacksburg, Virginia
November 12, 2018

Town of Rocky Mount, Virginia

Schedule of Findings and Responses
Fiscal Year Ended June 30, 2018

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

2018-001

Criteria:	Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls.
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.