

TOWN OF ROCKY MOUNT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

Prepared by the Finance Director/Treasurer

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INTRODUCTORY SECTION

TOWN OF ROCKY MOUNT, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2010

TOWN COUNCIL

Steven C. Angle, Mayor
Posey W. Dillon, Vice Mayor
Jerry W. Greer
John H. Lester
Roger M. Seale
Robert W. Strickler
Gregory B. Walker

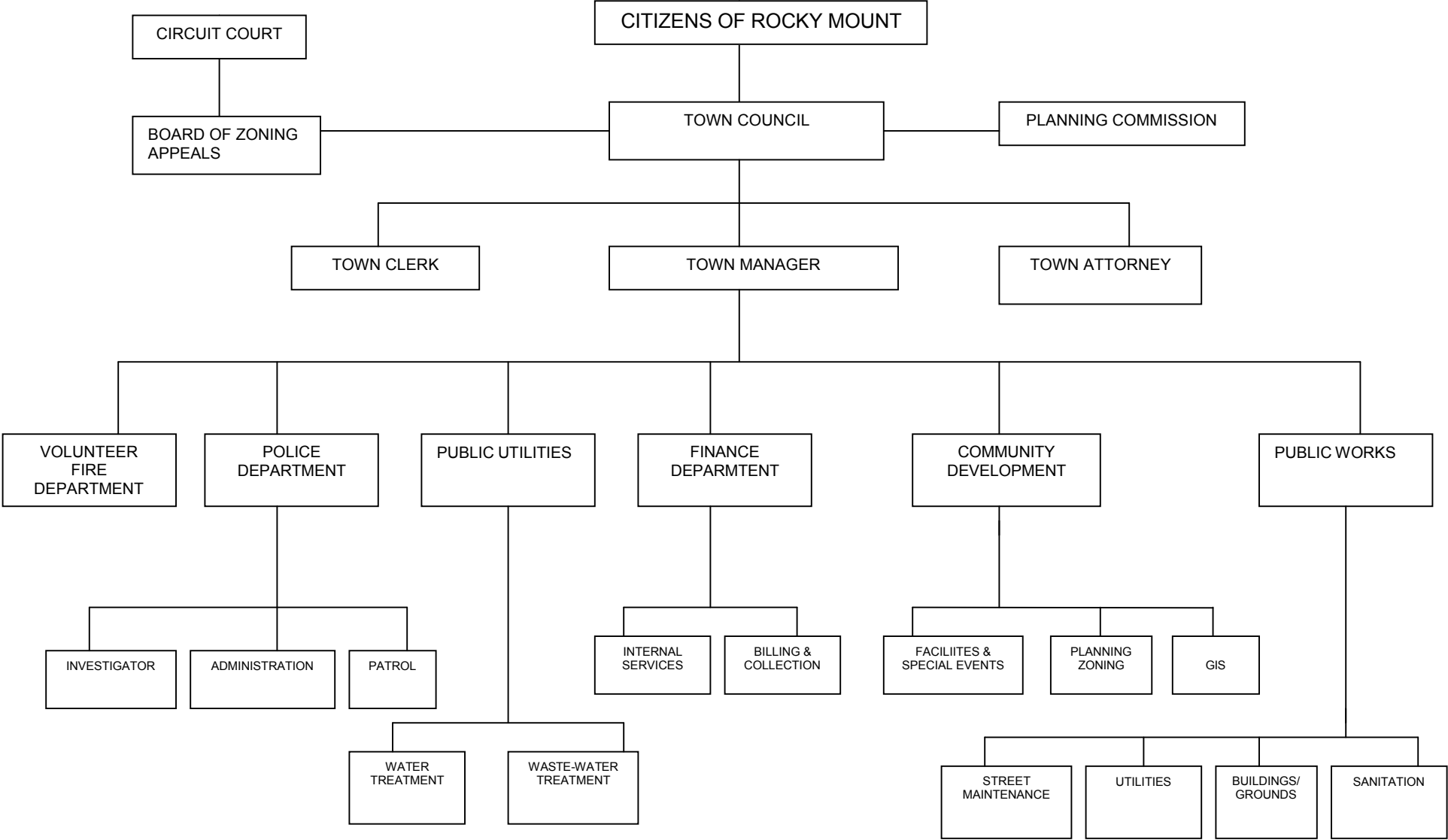
APPOINTED OFFICIALS

C. James Ervin Town Manager
John T. Boitnott..... Town Attorney
Linda P. Woody Finance Director/Treasurer
Patricia H. Keatts Town Clerk

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

TOWN OF ROCKY MOUNT, VIRGINIA – ORGANIZATIONAL CHART



345 Donald Ave.
Rocky Mount, Virginia 24151

540.483.7660
FAX 540.483.8830

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



TOWN COUNCIL
Steven C. Angle, *Mayor*

Bobby M. Cundiff
Jerry W. Greer, Sr.
P. Ann Love

Bobby M. Moyer
Robert W. Strickler
Gregory B. Walker

C. James Ervin, *Town Manager*

November 3, 2010

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. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Rocky Mount for the fiscal year ended June 30, 2010.

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 Brown, Edwards & Company, L.L.P., 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, 2010, 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 there was a reasonable basis for rendering an unqualified opinion that the Town of Rocky Mount's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with 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 6.4 square miles and boasts a population of approximately 4,600. The Town of Rocky Mount is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

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 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, 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.

Local economy. After experiencing a period of economic downturn due to the loss of jobs in its' traditional textile and furniture manufacturing industries, other long-term manufacturers within the Town have experienced some degree of stability during these declining economic times. On a high note, Empire Foods has opened their manufacturing plant and Trinity Packaging has announced expansion plans. The Town continues to enjoy growth in the retail and service businesses that serve and are supported by town residents and county residents. Residential growth continues with new single-family housing developments.

The Town is also mindful of how the slow-down in the local economy has affected its citizens. Accordingly, Town Council decreased the Town's budget by 10.9% for fiscal year 2010 and presented no increases in taxes or fees to its citizens. The budget was reduced an additional 3.5% for fiscal year 2011. No fee increases for water production or sewer collection has taken effect since July 1, 2007.

Long-term financial planning and economic improvement projects. The Town of Rocky Mount continues to methodically plan for future growth by investing resources in infrastructure improvements and expansion. The Town is vigorously pursuing the development of the Cox property for industrial clients. The Town, with funding help from the Virginia Tobacco Commission, the Commonwealth Transportation Board, and Franklin County, has completed the nearly \$1,000,000 access road and utility line extensions into the expanded industrial park (the Cox property). The Town is working with the Virginia Tobacco Commission on extending rail lines within the property.

The \$2.1 million Uptown Revitalization project will improve streetscape and redevelop the uptown business district. Grants from the Department of Housing and Community Development (\$666,648) and the Department of Transportation (\$405,000) are partially funding the project. The Town hopes to achieve the same success shown from the similar Downtown Improvement Project completed eight years ago. Construction began in the spring of 2010 with an expected completion date of December 31, 2010.

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. Due to the slow-down in the local economy, funding for fiscal year 2010 and fiscal year 2011 have been scaled back.

The \$1.3 million project to extend Old Fort Road and water and sewer lines to serve a planned 249-home development known as The Oaks at Rakes Tavern was completed during fiscal year 2010. In the same area of the Town, Scuffling Hill Road was improved during fiscal year 2007 to eliminate flooding problems and enhance the nearby Veteran's Memorial Park. Work has begun in fiscal year 2011 on phase I of the Pigg River Heritage Trail which will connect Lynch Park with the Veteran's Memorial Park.

The Town of Rocky Mount is very excited to be an anchor on the Crooked Road - Virginia's Heritage Music Trail. It provides an opportunity to showcase the area's cultural assets. Funds were set aside by Town Council in fiscal year 2008 to develop a community cultural venue to better showcase the talents of local citizens and activities associated with the Crooked Road's musical heritage and the 'Round the Mountain's artesian heritage. Conceptual architectural plans are complete for an outdoor amphitheater in the central business district to accommodate arts and cultural events. The Town intends to pursue grant opportunities to fund the construction of the amphitheater.

Cash management policies and practices. Cash temporarily idle during the year was invested in obligations of the U.S. Treasury and the State Treasurer's investment pool. The maturities of the investments range from 3 years to 5 years. The average yield on investments was 2.3% for the government amid national declining rates. Investment income is affected by prevailing interest rates and the appreciation or depreciation in the fair value of investments. The decreases in interest rates during fiscal year 2010, however, do not necessarily represent trends that will continue on investments the government intends to hold to maturity.

Risk management. The government is a member of the Virginia Municipal Liability Pool which is open to Virginia local political subdivisions. Additional information on the Town of Rocky Mount's risk management activity can be found in Note 10 of the notes to the financial statements.

Pension and other postemployment benefits. The Town of Rocky Mount provides pension benefits for its employees through a state-wide plan managed by the Virginia Retirement System. The Town of Rocky Mount has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the Virginia Retirement System.

Every two years, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the Town of Rocky Mount must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the Town of Rocky Mount fully funds each year's annual required contribution to the pension plan as determined by the actuary. As a result of the Town of Rocky Mount's conservative funding policy, the Town of Rocky Mount has succeeded as of June 30, 2009, in funding 78.05% of the present value of the projected benefits earned by employees. Any remaining unfunded amount would be systematically funded over 20 years or less, as part of the annual required contribution calculated by the actuary.

The Town of Rocky Mount also provides post-retirement health and dental care benefits for certain retirees and their spouses. Participants must pay 100% of the premium.

Additional information on the Town of Rocky Mount's pension arrangements and post-employment benefits can be found in Notes 8 and 9 in the notes to the financial statements.

AWARDS AND ACKNOWLEDGEMENTS

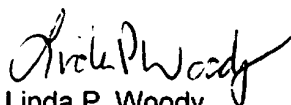
The Government Finance Officers Association (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting for a locality's comprehensive annual financial report (CAFR). In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. The report must also satisfy GAAP and applicable legal requirements. 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 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

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Members of Town Council
Town of Rocky Mount, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Rocky Mount, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the Town's 2009 financial statements and, in our report dated November 19, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund of the Town of Rocky Mount, Virginia, as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9 to the financial statements, the Town adopted the provisions of GASB Statement No. 45, *Financial Reporting for Post-Employment Benefits Other Than Pension Plans* in 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2010, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budget comparison information on pages 3a through 3h and 33 through 45 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 3, 2010

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, 2010. 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 on pages iii through vi of this report.

Financial Highlights

- The total assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$28,702,953 (net assets). Of this amount, \$11,163,013 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$937,905. This increase is due to the CIP retirement of and placement into service of two fixed asset projects – the Needmore housing redevelopment and the Weaver Street Extension into the expanded industrial park.
- As of the close of the current fiscal year, the Town's governmental funds reported an ending fund balance of \$11,226,721, a decrease of \$396,875 in comparison with the prior year. Approximately 87% of this total amount, or \$9,785,891, constitutes an unreserved fund balance, which is available for spending at the government's discretion.

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 assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

Overview of the Financial Statements (Continued)

Government-wide Financial Statements (Continued)

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.

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 and capital project funds. Budgetary comparison statements have been provided for the general fund and capital project funds to demonstrate compliance with these budgets.

Proprietary Funds – The Town maintains one type of proprietary fund. *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.

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.

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 statement.

Other 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$28,702,953 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets, \$17,539,940 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.

The Town's Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2010	2009*	2010	2009*	2010	2009*
Current and other assets	\$ 11,928,478	\$ 12,302,561	\$ 822,167	\$ 1,259,158	\$ 12,750,645	\$ 13,561,719
Capital assets	12,821,417	11,662,347	14,513,400	14,613,273	27,334,817	26,275,620
Total assets	24,749,895	23,964,908	15,335,567	15,872,431	40,085,462	39,837,339
Long-term liabilities						
Outstanding	3,129,208	3,229,296	7,354,691	8,029,712	10,483,899	11,259,008
Other liabilities	683,355	659,325	215,255	153,958	898,610	813,283
Total liabilities	3,812,563	3,888,621	7,569,946	8,183,670	11,382,509	12,072,291
Net assets						
Invested in capital assets, net of related debt	9,938,639	8,949,640	7,601,301	7,619,260	17,539,940	16,568,900
Unrestricted	10,998,693	11,126,647	164,320	69,501	11,163,013	11,196,148
Total net assets	\$ 20,937,332	\$ 20,076,287	\$ 7,765,621	\$ 7,688,761	\$ 28,702,953	\$ 27,765,048

*Restated. See Note 13.

Unrestricted net assets of \$11,163,013 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net assets.

Government-wide Financial Analysis (Continued)

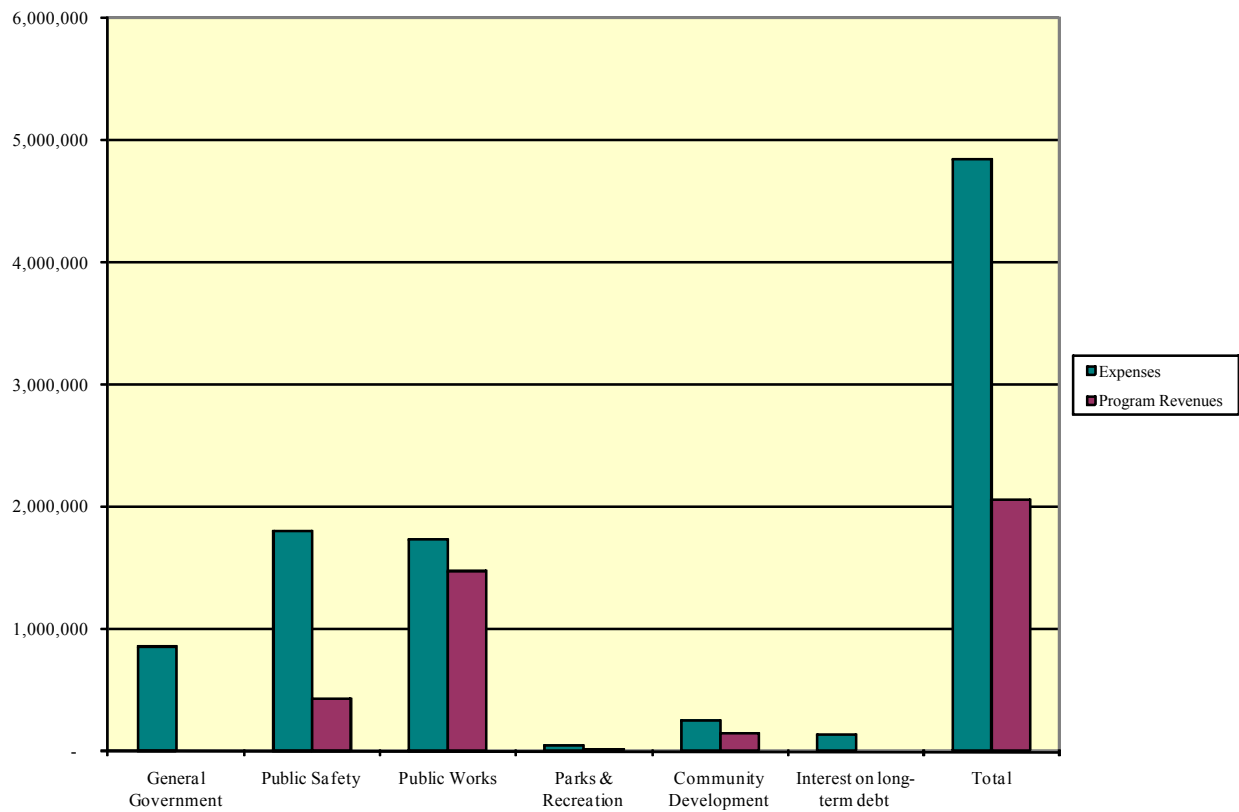
Governmental activities – Governmental activities increased the Town’s net assets by \$861,045.

Business-type activities – Business-type activities increased the Town’s net assets by \$76,860.

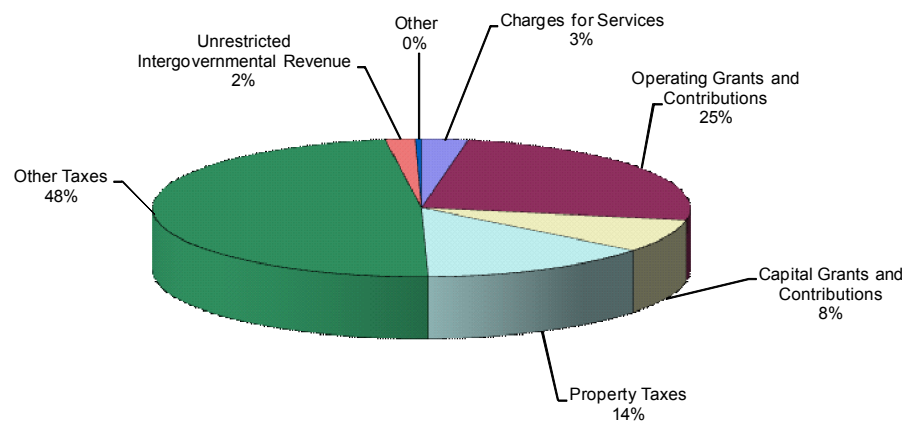
	The Town’s Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$ 137,439	\$ 160,628	\$ 1,829,553	\$ 1,909,870	\$ 1,966,992	\$ 2,070,498
Operating grants and contributions	1,488,707	1,447,387	-	-	1,488,707	1,447,387
Capital grants and contributions	789,122	450,502	-	-	789,122	450,502
General revenues						
Property taxes	791,374	807,283	-	-	791,374	807,283
Other taxes	2,713,550	2,788,796	-	-	2,713,550	2,788,796
Intergovernmental revenue unrestricted	65,707	102,764	-	-	65,707	102,764
Investment earnings	221,229	481,979	-	15,563	221,229	497,542
Other	41,289	22,066	52,757	41,628	94,046	63,694
Total revenues	6,248,417	6,261,405	1,882,310	1,967,061	8,130,727	8,228,466
Expenses						
General government	798,988	861,445	-	-	798,988	861,445
Public safety	1,713,977	1,807,691	-	-	1,713,977	1,807,691
Public works	1,892,605	1,733,026	-	-	1,892,605	1,733,026
Parks, recreation, and cultural	43,798	45,676	-	-	43,798	45,676
Community development	303,876	257,877	-	-	303,876	257,877
Interest on long-term debt	135,526	141,919	-	-	135,526	141,919
Water and wastewater	-	-	2,304,052	2,435,684	2,304,052	2,435,684
Total expenses	4,888,770	4,847,634	2,304,052	2,435,684	7,192,822	7,283,318
Increase (decrease) in net assets before transfers	1,359,647	1,413,771	(421,742)	(468,623)	937,905	945,148
Transfers	(498,602)	(459,382)	498,602	459,382	-	-
Change in net assets	\$ 861,045	\$ 954,389	\$ 76,860	\$ (9,241)	\$ 937,905	\$ 945,148

Government-wide Financial Analysis (Continued)

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



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 balances *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 \$11,226,721, a decrease of \$396,875 in comparison with the prior year. Approximately 87% of this total amount, \$9,785,891, constitutes an *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to capital projects, liquidate contracts, and purchase orders of the prior period totaling \$1,440,830.

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 \$10,801,355. 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 unreserved fund balance represents 212% of total general fund expenditures.

The fund balance of the Town's general fund decreased by \$118,723 during the fiscal year. The key factor to this decrease is from exceeding VDOT reimbursements to synchronize traffic signals at major intersections and along the 40 East corridor.

The fund balance of the Town's capital projects fund decreased by \$278,152 during the year. The key factor to this decrease is from beginning the Uptown Revitalization project which is on a reimbursement basis.

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 assets of the water and wastewater departments at the end of the year amounted to \$164,320. The total increase in net assets was \$76,860.

General Fund Budgetary Highlights

There was an increase of \$476,052 between the original budget and the final amended budget for both revenues and expenditures.

There were multiple significant variances between the final budget and the actual final results for the year including the over-spending in the public works function category of \$523,844. They can be briefly summarized as follows:

The Town had two major street extensions during the year which were partially funded through a combination of VDOT and Tobacco Commission grants. The net cost of the Town amounted to about \$555,000 for the Weaver Street extension into the industrial park and for the Old Fort Road extension.

Capital Asset and Debt Administration

Capital assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$27,334,817 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, infrastructure, machinery and equipment. The total increase in the Town’s investment in capital assets for the current fiscal year was 4% (a 10% increase for governmental activities and a 1% decrease for business-type activities). Additional information on the Town’s capital assets can be found in Note 6 of this report.

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

- Traffic signal upgrades – \$73,250
- Old Fort Road extension – \$528,713
- Oaks sewer project – \$522,879
- Uptown redevelopment – \$515,080
- Cox property access road – \$552,040

	The Town’s Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,612,333	\$ 2,585,117	\$ 189,454	\$ 189,454	\$ 2,801,787	\$ 2,774,571
Buildings and improvements	6,857,424	6,849,759	-	-	6,857,424	6,849,759
Public domain infrastructure	8,193,520	6,452,868	-	-	8,193,520	6,452,868
Distribution/transmission Systems	-	-	22,066,464	21,246,414	22,066,464	21,246,414
Water and wastewater plants	-	-	5,704,864	5,704,864	5,704,864	5,704,864
Machinery and equipment	3,279,382	3,334,037	771,085	771,085	4,050,467	4,105,122
Construction in progress	836,965	901,658	-	252,625	836,965	1,154,283
Accumulated depreciation	(8,958,207)	(8,461,092)	(14,218,467)	(13,551,169)	(23,176,674)	(22,012,261)
Total	\$ 12,821,417	\$ 11,662,347	\$ 14,513,400	\$ 14,613,273	\$ 27,334,817	\$ 26,275,620

Long-term debt – At the end of the current fiscal year, the Town had total debt outstanding of \$10,113,684. Of this amount, \$8,471,736 comprises debt backed by the full faith and credit of the government, and \$1,641,948 is related to notes payable.

	The Town’s Outstanding Debt General Obligation and Notes Payable					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ -	\$ -	\$ 6,211,736	\$ 6,871,743	\$ 6,211,736	\$ 6,871,743
Revenue bonds	1,220,400	1,242,000	1,039,600	1,058,000	2,260,000	2,300,000
Notes payable	1,641,948	1,755,113	-	-	1,641,948	1,755,113
	\$ 2,862,348	\$ 2,997,113	\$ 7,251,336	\$ 7,929,743	\$ 10,113,684	\$ 10,926,856

Capital Asset and Debt Administration (Continued)

Long-term debt (Continued)

The Town's total debt decreased by \$813,172 (7%) during the fiscal year. Additional information on the Town's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Franklin County (no statistics are available for the Town individually) as of June 30, 2010 is 7.6%, which is a small decrease from the annual rate of 7.9% a year ago according to the Virginia Employment Commission as reported in the Roanoke Times. The state's average unemployment rate as of June 30, 2010 is 7.0% and the national average rate as of June 30, 2010 is 9.5%.

The occupancy rate of the Town's central business district continues to remain high.

Inflationary trends in the region compare favorably to national indices.

Water consumption continues to decrease due to conservation efforts by both residents and industries. This, in turn, affects the volume of water produced and sold to customers.

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. 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.

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BASIC FINANCIAL STATEMENTS

TOWN OF ROCKY MOUNT, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government				
	Governmental Activities	Business-Type Activities	Totals		
			2010	(For Comparative Purposes Only) 2009*	
ASSETS					
Cash and cash equivalents (Note 2)	\$ 2,892,025	\$ 327,557	\$ 3,219,582	\$ 3,003,003	
Cash and cash equivalents, restricted (Note 2)	-	356,642	356,642	1,326,104	
Investments (Note 2)	8,148,513	-	8,148,513	8,188,317	
Receivables, net (Note 3)	305,279	326,698	631,977	666,901	
Prepays	2,293	-	2,293	3,181	
Internal balances (Note 5)	233,035	(233,035)	-	-	
Due from other governmental units (Note 4)	347,333	-	347,333	338,243	
Inventories	-	44,305	44,305	35,970	
Capital assets: (Note 6)					
Not depreciated	3,449,298	189,454	3,638,752	3,928,854	
Depreciated, net	9,372,119	14,323,946	23,696,065	22,346,766	
Total assets	24,749,895	15,335,567	40,085,462	39,837,339	
LIABILITIES					
Accounts payable and accrued liabilities	557,076	99,612	656,688	520,088	
Accrued payroll and related liabilities	89,243	24,616	113,859	164,229	
Accrued interest payable	37,036	63,552	100,588	103,916	
Customer deposits	-	27,475	27,475	25,050	
Noncurrent liabilities: (Note 7)					
Due within one year	147,744	710,428	858,172	898,173	
Due in more than one year	2,981,464	6,644,263	9,625,727	10,360,835	
Total liabilities	3,812,563	7,569,946	11,382,509	12,072,291	
NET ASSETS					
Invested in capital assets, net of related debt	9,938,639	7,601,301	17,539,940	16,568,900	
Unrestricted	10,998,693	164,320	11,163,013	11,196,148	
Total net assets	\$ 20,937,332	\$ 7,765,621	\$ 28,702,953	\$ 27,765,048	

TOWN OF ROCKY MOUNT, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Totals	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		2010	(For Comparative Purposes Only) 2009
					Governmental Activities	Business- Type Activities		
Governmental activities								
General government administration	\$ 798,988	\$ -	\$ -	\$ -	\$ (798,988)		\$ (798,988)	\$ (861,445)
Public safety	1,713,977	33,858	232,511	-	(1,447,608)		(1,447,608)	(1,374,011)
Public works	1,892,605	89,694	1,256,196	566,777	20,062		20,062	(256,855)
Parks, recreation, and cultural	43,798	500	-	-	(43,298)		(43,298)	(43,676)
Community development	303,876	13,387	-	222,345	(68,144)		(68,144)	68,353
Interest on long-term debt	135,526	-	-	-	(135,526)		(135,526)	(141,919)
Total governmental activities	4,888,770	137,439	1,488,707	789,122	(2,473,502)		(2,473,502)	(2,609,553)
Business-type activities								
Water and wastewater	2,304,052	1,829,553	-	-		(474,499)	(474,499)	(465,335)
Total business-type activities	2,304,052	1,829,553	-	-		(474,499)	(474,499)	(465,335)
Total primary government	\$ 7,192,822	\$ 1,966,992	\$ 1,488,707	\$ 789,122	(2,473,502)	(474,499)	(2,948,001)	(3,074,888)
General revenues:								
Property taxes					791,374	-	791,374	807,283
Sales tax					184,303	-	184,303	176,134
Meals tax					1,057,284	-	1,057,284	1,075,767
Utilities tax					526,582	-	526,582	557,220
Business license taxes					563,079	-	563,079	582,774
Bank stock taxes					207,793	-	207,793	219,726
Lodging					84,890	-	84,890	83,114
Other local taxes					89,619	-	89,619	94,061
Intergovernmental revenue, unrestricted					65,707	-	65,707	102,764
Investment income					221,229	-	221,229	497,542
Other					41,289	52,757	94,046	63,694
Transfers (Note 5)					(498,602)	498,602	-	-
Total general revenues and transfers					3,334,547	551,359	3,885,906	4,260,079
Change in net assets					861,045	76,860	937,905	1,185,191
NET ASSETS AT JULY 1, as restated (Note 13)					20,076,287	7,688,761	27,765,048	26,579,857
NET ASSETS AT JUNE 30					\$ 20,937,332	\$ 7,765,621	\$ 28,702,953	\$ 27,765,048

The Notes to Financial Statements are
an integral part of this statement.

TOWN OF ROCKY MOUNT, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

			Totals	
			Governmental Funds	
	General	Capital Projects	2010	(For Comparative Purposes Only) 2009 *
ASSETS				
Cash and cash equivalents	\$ 1,797,199	\$ 1,094,826	\$ 2,892,025	\$ 2,231,245
Cash and cash equivalents, restricted	-	-	-	341,629
Investments	8,148,513	-	8,148,513	8,188,317
Receivables, net	305,279	-	305,279	339,975
Due from other funds (Note 5)	861,425	-	861,425	861,425
Due from other governmental units (Note 4)	45,424	301,909	347,333	336,789
Prepays	2,293	-	2,293	3,181
Total assets	<u>\$ 11,160,133</u>	<u>\$ 1,396,735</u>	<u>\$ 12,556,868</u>	<u>\$ 12,302,561</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 214,097	\$ 342,979	\$ 557,076	\$ 485,285
Accrued payroll and related liabilities	89,243	-	89,243	135,705
Deferred revenue (Note 3)	55,438	-	55,438	57,975
Due to other funds (Note 4)	-	628,390	628,390	-
Total liabilities	<u>358,778</u>	<u>971,369</u>	<u>1,330,147</u>	<u>678,965</u>
FUND BALANCES				
Reserved for:				
Encumbrances	-	1,438,537	1,438,537	596,880
Prepays	2,293	-	2,293	3,181
Unreserved:				
General fund, undesignated	10,799,062	-	10,799,062	10,874,461
Capital projects fund, undesignated	-	(1,013,171)	(1,013,171)	149,074
Total fund balances	<u>10,801,355</u>	<u>425,366</u>	<u>11,226,721</u>	<u>11,623,596</u>
Total liabilities and fund balances	<u>\$ 11,160,133</u>	<u>\$ 1,396,735</u>		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,821,417	11,662,347
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	55,438	57,975
Long-term liabilities, including other post-employment benefits, bonds payable, compensated absences, and related accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds	(3,166,244)	(3,267,631)
Net assets of governmental activities	<u>\$ 20,937,332</u>	<u>\$ 20,076,287</u>

* Restated, see Note 13.

TOWN OF ROCKY MOUNT, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Capital Projects	Totals	
			Governmental Funds	
			(For Comparative Purposes Only)	
			2010	2009
REVENUES				
General property taxes	\$ 805,202	\$ -	\$ 805,202	\$ 800,614
Other local taxes	2,702,260	-	2,702,260	2,760,385
Permits, privilege fees, and regulatory licenses	13,387	-	13,387	21,890
Fines and forfeitures	28,709	-	28,709	46,676
Revenue from use of money and property	219,705	1,524	221,229	481,979
Charges for services	95,343	-	95,343	92,062
Intergovernmental	1,554,414	789,122	2,343,536	2,180,217
Other	41,289	-	41,289	22,066
Total revenues	5,460,309	790,646	6,250,955	6,405,889
EXPENDITURES				
Current:				
General government administration	675,930	-	675,930	734,668
Public safety	1,468,653	-	1,468,653	1,881,914
Public works	2,193,364	-	2,193,364	1,273,449
Parks, recreation, and cultural	75,782	-	75,782	70,730
Community development	263,795	-	263,795	226,764
Non-departmental	132,627	-	132,627	206,272
Capital outlay	-	1,066,717	1,066,717	484,432
Debt service:				
Principal retirement	134,765	-	134,765	129,840
Interest and fiscal charges	137,595	-	137,595	143,815
Total expenditures	5,082,511	1,066,717	6,149,228	5,151,884
Excess (deficiency) of revenues over expenditures	377,798	(276,071)	101,727	1,254,005
OTHER FINANCING SOURCES (USES)				
Transfers in	557	-	557	178,472
Transfers out	(497,078)	(2,081)	(499,159)	(637,854)
Total other financing sources (uses)	(496,521)	(2,081)	(498,602)	(459,382)
Net change in fund balance	(118,723)	(278,152)	(396,875)	794,623
FUND BALANCES AT JULY 1, as restated (Note 13)	10,920,078	703,518		
FUND BALANCES AT JUNE 30	\$ 10,801,355	\$ 425,366		
Adjustments for the Statement of Activities:				
Governmental funds report capital outlays (2010 - \$1,715,840, 2009 - \$740,278) as expenditures while governmental activities report depreciation expense (2010 - \$556,770, 2009 - \$533,899) to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded or was less than depreciation in the current period and plus or minus gains/losses on disposal of assets (2010 - \$0, 2009 - \$46,545).			1,159,070	159,834
The net effect of the change in revenues in the Statement of Activities that do not provide current financial resources are not reported in the funds.			(2,537)	35,080
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these difference in the treatment of long-term debt and related items.			135,534	130,609
Some expenses reported in the Statement of Activities, such as compensated absences, other post-employment benefits, and accrued interest payable, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			(34,147)	13,807
Change in net assets of governmental activities			\$ 861,045	\$ 1,133,953

The Notes to Financial Statements are
an integral part of this statement.

TOWN OF ROCKY MOUNT, VIRGINIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2010

	Business-Type Activities Enterprise Fund Water and Wastewater	
	(For Comparative Purposes Only)	
	2010	2009*
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 327,557	\$ 771,758
Cash and cash equivalents, restricted	356,642	984,475
Receivables, net	326,698	326,926
Due from other funds (Note 5)	628,390	-
Due from other governments (Note 4)	-	1,454
Inventories	44,305	35,970
Total current assets	1,683,592	2,120,583
Noncurrent assets:		
Capital assets:		
Not depreciated	189,454	442,078
Depreciated, net	14,323,946	14,171,195
Total noncurrent assets	14,513,400	14,613,273
Total assets	16,196,992	16,733,856
LIABILITIES		
Current liabilities:		
Accounts payable	99,612	34,803
Accrued payroll and related liabilities	24,616	28,524
Accrued interest payable	63,552	65,581
Customer deposits	27,475	25,050
Due to other funds (Note 5)	861,425	861,425
Current portion of noncurrent liabilities	710,428	696,366
Total current liabilities	1,787,108	1,711,749
Noncurrent liabilities:		
Due in more than one year	6,644,263	7,333,346
Total noncurrent liabilities	6,644,263	7,333,346
Total liabilities	8,431,371	9,045,095
NET ASSETS		
Invested in capital assets, net of related debt	7,601,301	7,619,260
Unrestricted	164,320	69,501
Total net assets	\$ 7,765,621	\$ 7,688,761

TOWN OF ROCKY MOUNT, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

Year Ended June 30, 2010

	Business-Type Activities	
	Enterprise Fund	
	Water and Wastewater	
	(For Comparative Purposes Only)	
	2010	2009
OPERATING REVENUES		
Water service charges and fees	\$ 1,119,055	\$ 1,185,701
Sewer service charges and fees	673,876	718,357
Water/sewer penalties	21,092	23,471
Metered water from County	15,530	10,573
Other revenue	52,757	41,628
Total operating revenues	1,882,310	1,979,730
OPERATING EXPENSES		
Salaries	548,465	599,637
Fringe benefits	240,872	227,040
Maintenance	23,139	44,801
Utilities and insurance	210,227	183,258
Materials and supplies	99,794	146,980
Contractual services	113,342	87,246
Other	91,582	145,520
Depreciation	667,298	664,354
Total operating expenses	1,994,719	2,098,836
Operating loss	(112,409)	(119,106)
NONOPERATING REVENUES (EXPENSES)		
Interest income	-	15,563
Interest expense	(309,333)	(304,601)
Net nonoperating expenses	(309,333)	(289,038)
Loss before transfers	(421,742)	(408,144)
TRANSFERS IN	498,602	531,932
TRANSFERS OUT	-	(72,550)
Change in net assets	76,860	51,238
NET ASSETS AT JULY 1 as restated (Note 13)	7,688,761	7,637,523
NET ASSETS AT JUNE 30	\$ 7,765,621	\$ 7,688,761

The Notes to Financial Statements are
an integral part of this statement.

TOWN OF ROCKY MOUNT, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010

	Business-Type Activities	
	Enterprise Fund	
	Water and Wastewater	
	(For Comparative Purposes Only)	
	2010	2009
OPERATING ACTIVITIES		
Receipts from customers	\$ 1,883,992	\$ 2,044,577
Payments to suppliers	(492,305)	(613,172)
Payments to employees	(789,205)	(828,384)
Change in customer deposits	2,425	(8,625)
Net cash provided by operating activities	604,907	594,396
NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	498,602	531,932
Transfers to other funds	-	(72,550)
Interfund borrowing	(628,390)	861,425
Net cash (used in) provided by financing activities	(129,788)	1,320,807
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(556,730)	(165,246)
Principal paid on debt	(678,407)	(659,214)
Interest paid on capital debt	(312,016)	(345,939)
Net cash used in capital and related financing activities	(1,547,153)	(1,170,399)
INVESTING ACTIVITIES		
Interest received	-	15,563
Net (decrease) increase in cash and cash equivalents	(1,072,034)	760,367
CASH AND CASH EQUIVALENTS		
Beginning at July 1	1,756,233	995,866
Ending at June 30	\$ 684,199	\$ 1,756,233
RECONCILIATION TO EXHIBIT 5		
Cash and cash equivalents	\$ 327,557	\$ 771,758
Cash and cash equivalents, restricted	356,642	984,475
	\$ 684,199	\$ 1,756,233
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (112,409)	\$ (119,106)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	667,298	664,354
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	1,682	64,847
Inventories	(8,335)	18,090
Increase (decrease) in:		
Accounts payable and accrued liabilities	54,114	(23,457)
Accrued payroll and related liabilities	8,842	5,105
Customer deposits	2,425	(8,625)
Compensated absences	(8,710)	(6,812)
Net cash provided by operating activities	\$ 604,907	\$ 594,396
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets purchases financed by accounts payable	\$ 30,305	\$ 19,610

The Notes to Financial Statements are an integral part of this statement.

TOWN OF ROCKY MOUNT, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Town of Rocky Mount (the “Town”) was established in 1873. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Town Council consists of a mayor and six other council members. The Town is part of Franklin County 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 and also provides some funding for the County-wide volunteer rescue squad services.

These financial statements present the Town as the primary government. The Town has no component units – that is, entities for which the primary government is considered to be financially accountable. Furthermore, the Town has no related or jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. 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 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 the proprietary fund. Major individual government funds and enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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.

Government-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 Town 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary fund:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

TOWN OF ROCKY MOUNT, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds 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 water and wastewater enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

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

- 1) Prior to June 30, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget for the general fund is legally enacted through passage of an Appropriations Ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 4) The Appropriations Ordinance 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 budget data presented is the final revised budget.
- 9) The public works function overspent the budget by \$523,844 and parks and recreation overspent the budget by \$8,320 for the year ended June 30, 2010.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the general fund. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

F. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased.

G. Investments

Investments are stated at fair value.

H. Inventories

Inventories consist of expendable supplies held for consumption. Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

I. 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.

J. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible taxes using historical collection data and specific account analysis. Management considers all accounts receivable related to business-type activities to be fully collectible and accordingly, no allowance for doubtful accounts is considered necessary.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

K. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. *Capital assets* are defined by the Town as assets with an initial, individual cost of more than \$5,000 and a useful life of at least two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives 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. During the current year, no interest was capitalized in the Water and Sewer Fund. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Public domain infrastructure	40 years
Buildings and improvements	30-40 years
Machinery and equipment	5-10 years
Distribution/transmission systems	40-50 years
Water and wastewater plants	40-50 years

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. and include all activity since July 1, 2001. The retroactive reporting of general infrastructure is optional and the Town has chosen not to report these assets.

L. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *deferred revenue* consisted solely of delinquent property taxes and other taxes not collected within 45 days of year end.

M. Compensated Absences

The Town has policies which allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary financial statements. A liability is reported in governmental funds when the leave is due and payable.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

N. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, *long-term debt* and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, 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 as well as bond issuance costs, during the period in which they occur. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

P. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Q. Comparative data

Comparative total data for the year ended June 30, 2009 has been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Deposits and Investments

Deposits

At year end, the Town's bank balance was \$3,219,582. Of this balance, \$3,208,397 is collateralized in accordance with the Virginia Security for Public Deposits Act §2.2-4400 *et Seq.* of the *Code of Virginia*. The remaining \$11,185 was not maintained in accounts collateralized in accordance with the Virginia Security of Public Deposits Act; however, the balance at year end was covered by Federal Depository Insurance.

Investments

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, a 2a-7 like pool). 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 shares (i.e., the LGIP maintains a stable net asset 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:

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.

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.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk: (Continued)

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

	<u>% of Portfolio</u>
Federal Home Loan Banks	50%
Federal Home Loan Mortgage Corporation	15%
Federal National Mortgage Association	10%
Money Market Funds	5%
Money Market Funds – Virginia LGIP	20%

Interest Rate Risk:

As of June 30, the carrying values and weighted average maturity investments were as follows:

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity*
Money Market Funds – Virginia LGIP	\$ 2,050,308	AAAm	-
Money Market Funds	475,502	AAA	-
Federal Home Loan Banks	5,190,494	AAA	3.08
Federal Home Loan Mortgage Corporation	1,513,280	AAA	4.43
Federal National Mortgage Association	969,237	AAA	3.08
Total investments	<u>\$ 10,198,821</u>		
Portfolio weighted average maturity			3.31

* Weighted average maturity in years.

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.

	<u>Fair Value</u>
Investments	\$ 10,198,821
Deposits	<u>1,525,566</u>
Total deposits and investments	<u>\$ 11,724,387</u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents, excluding \$350 cash on hand	\$ 3,219,232
Cash and cash equivalents, restricted	356,642
Investments	<u>8,148,513</u>
Total deposits and investments	<u>\$ 11,724,387</u>

Restricted cash and cash equivalents consist primarily of unused bond proceeds.

(Continued)

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 3. Receivables and Deferred Revenue

Receivables for individual major funds are as follows:

	<u>General</u>	<u>Water and Wastewater</u>	<u>Total</u>
Receivables			
Taxes	\$ 259,464	\$ -	\$ 259,464
Accounts	57,980	326,698	384,678
	<u>317,444</u>	<u>326,698</u>	<u>644,142</u>
Gross receivables	317,444	326,698	644,142
Less: allowance for uncollectibles	(12,165)	-	(12,165)
	<u>\$ 305,279</u>	<u>\$ 326,698</u>	<u>\$ 631,977</u>

Included in receivables:

Delinquent property taxes	\$ 38,318
Communication sales tax	17,120
	<u>55,438</u>
Total deferred revenue	<u>\$ 55,438</u>

Note 4. Due from Other Governmental Units

A summary of funds due from other governmental units follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Franklin County	\$ 9,054	\$ -	\$ 9,054
State Government			
Community development black grant	-	301,909	301,909
Virginia Department of Transportation	36,370	-	36,370
	<u>\$ 45,424</u>	<u>\$ 301,909</u>	<u>\$ 347,333</u>

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Interfund Receivables, Payables, and Transfers

Amounts due from/to other funds consist of the following at June 30:

Receivable Fund	Payable Fund	Amount
General	Water and Wastewater	\$ 861,425
Water and Sewer	Capital Projects	\$ 628,390

The primary purpose of the due from/to amount is for the fund's portion of pooled cash that is negative.

Interfund transfers are as follows:

Transfers Out Fund	Transfers In Fund	Amount
General	Water and Wastewater	\$ 497,078
Capital Projects	General	\$ 557
Capital Projects	Water and Wastewater	\$ 1,524

The primary purpose of transfers is to pay the current year debt payments in the water and wastewater fund and eliminate negative pooled cash amounts due to normal operations.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Capital Assets

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 2,585,117	\$ 27,216	\$ -	\$ 2,612,333
Construction in progress	901,658	1,070,120	1,134,813	836,965
	<u>3,486,775</u>	<u>1,097,336</u>	<u>1,134,813</u>	<u>3,449,298</u>
Capital assets, depreciated:				
Public domain infrastructure	6,452,868	1,740,652	-	8,193,520
Buildings and improvements	6,849,759	7,665	-	6,857,424
Machinery and equipment	3,334,037	5,000	59,655	3,279,382
	<u>16,636,664</u>	<u>1,753,317</u>	<u>59,655</u>	<u>18,330,326</u>
Less accumulated depreciation for:				
Public domain infrastructure	4,141,044	169,823	-	4,310,867
Buildings and improvements	2,211,992	202,316	-	2,414,308
Machinery and equipment	2,108,056	184,631	59,655	2,233,032
	<u>8,461,092</u>	<u>556,770</u>	<u>59,655</u>	<u>8,958,207</u>
Capital assets, depreciated, net	<u>8,175,572</u>	<u>1,196,547</u>	<u>-</u>	<u>9,372,119</u>
Governmental activities capital assets, net	<u>\$ 11,662,347</u>	<u>\$ 2,293,883</u>	<u>\$ 1,134,813</u>	<u>\$ 12,821,417</u>
Business-Type Activities				
Capital assets, not depreciated:				
Land	\$ 189,454	\$ -	\$ -	\$ 189,454
Construction in progress	252,625	522,879	775,504	-
	<u>442,079</u>	<u>522,879</u>	<u>775,504</u>	<u>189,454</u>
Capital assets, depreciated:				
Distribution/transmission systems	21,246,414	820,050	-	22,066,464
Water and wastewater plants	5,704,864	-	-	5,704,864
Machinery and equipment	771,085	-	-	771,085
	<u>27,722,363</u>	<u>820,050</u>	<u>-</u>	<u>28,542,413</u>
Less accumulated depreciation	<u>13,551,169</u>	<u>667,298</u>	<u>-</u>	<u>14,218,467</u>
Capital assets, depreciated, net	<u>14,171,194</u>	<u>152,752</u>	<u>-</u>	<u>14,323,946</u>
Business-type activities capital assets, net	<u>\$ 14,613,273</u>	<u>\$ 675,631</u>	<u>\$ 775,504</u>	<u>\$ 14,513,400</u>

(Continued)

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 97,082
Public safety	189,814
Public works	236,486
Parks, recreation, and cultural	4,626
Community development	28,762
	<u>\$ 556,770</u>

Business-type activities:

Water	\$ 268,871
Wastewater	398,427
	<u>\$ 667,298</u>

Construction Commitments

	<u>Spent to Date</u>	<u>Remaining Balance</u>
Uptown Revitalization	\$ 836,965	\$ 1,438,537

Note 7. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Revenue bonds	\$ 1,242,000	\$ -	\$ 21,600	\$ 1,220,400	\$ 24,300
Notes payable	1,755,113	-	113,165	1,641,948	58,500
Compensated absences	210,984	64,237	67,041	208,180	64,944
Other post-employment benefits	-	45,000	6,750	38,250	-
Adjust for deferred amounts:					
Issuance premium	57,223	-	2,075	55,148	-
Issuance cost	(36,024)	-	(1,306)	(34,718)	-
	<u>\$ 3,229,296</u>	<u>\$ 109,237</u>	<u>\$ 209,325</u>	<u>\$ 3,129,208</u>	<u>\$ 147,744</u>
<u>Business-Type Activities</u>					
General obligation bonds	\$ 6,871,743	\$ -	\$ 660,007	\$ 6,211,736	\$ 666,241
Revenue bonds	1,058,000	-	18,400	1,039,600	20,700
Compensated absences	81,910	15,947	24,657	73,200	23,487
Other post-employment benefits	-	15,000	2,250	12,750	-
Adjust for deferred amounts:					
Issuance premium	48,745	-	1,767	46,978	-
Issuance cost	(30,686)	-	(1,113)	(29,573)	-
	<u>\$ 8,029,712</u>	<u>\$ 30,947</u>	<u>\$ 705,968</u>	<u>\$ 7,354,691</u>	<u>\$ 710,428</u>

(Continued)

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Long-Term Liabilities (Continued)

Governmental activities compensated absences are generally liquidated by the general fund. Debt was issued to fund capital projects.

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

Fiscal Year	Governmental Activities				Business-Type Activities				Totals	
	Revenue Bonds		Note Payable		Revenue Bonds		General Obligation Bond			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 24,300	\$ 58,953	\$ 58,500	\$ 36,943	\$ 20,700	\$ 50,219	\$ 666,241	\$ 256,133	\$ 769,741	\$ 402,248
2012	24,300	58,017	115,000	76,797	20,700	49,421	698,222	233,318	858,222	417,553
2013	24,300	57,019	130,000	64,366	20,700	48,572	724,185	209,445	899,185	379,402
2014	27,000	60,612	130,000	60,336	23,000	51,632	524,280	184,629	704,280	357,209
2015	27,000	59,481	135,000	55,006	23,000	50,669	255,103	162,945	440,103	328,101
2016-2020	156,600	255,073	790,000	170,868	133,400	217,284	1,438,915	640,223	2,518,915	1,283,448
2021-2025	199,800	210,803	283,448	9,180	170,200	179,573	1,104,790	326,276	1,758,238	725,832
2026-2030	256,500	154,170	-	-	218,500	131,330	650,000	144,733	1,125,000	430,233
2031-2035	326,700	81,709	-	-	278,300	69,604	150,000	7,838	755,000	159,151
2036	153,900	8,404	-	-	131,100	7,159	-	-	285,000	15,563
	\$ 1,220,400	\$ 1,004,241	\$ 1,641,948	\$ 473,496	\$ 1,039,600	\$ 855,463	\$ 6,211,736	\$ 2,165,540	\$ 10,113,684	\$ 4,498,740

Subsequent to year end, the Town refinanced the note payable for the emergency services building by issuing bonds at an interest rate of 2.69%, maturing in February 2021. The first payment is due December 2010.

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity	Original Amount	Governmental Activities	Business-Type Activities
Revenue Bonds:						
Virginia Municipal League	4.57%	02-07	02-37	\$ 2,380,000	\$ 1,220,400	\$ 1,039,600
Less deferred costs					(34,718)	(29,573)
Add bond premium					55,148	46,978
					<u>\$ 1,240,830</u>	<u>\$ 1,057,005</u>
Other Long-Term Debt:						
Note, Payable Emergency Services Building	4.50%	05-01	05-11	\$ 2,500,000	<u>\$ 1,641,948</u>	<u>\$ -</u>
General Obligation Bonds:						
Virginia Resource Authority	3.0%	06-92	01-14	\$ 7,931,455	\$ -	\$ 1,696,656
Virginia Resource Authority	4.1%	06-01	04-31	2,395,000	-	2,010,000
Virginia Resource Authority	4.0%	07-01	11-23	3,451,906	-	2,505,080
					<u>\$ -</u>	<u>\$ 6,211,736</u>

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 8. Defined Benefit Pension Plan and Deferred Compensation Plan

Plan Description

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating law enforcement officers and firefighters), or at age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service (1.85%, if the employer elects, for employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available at the VRS website at <http://www.varetire.org/pdf/Publications/2008annurept.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2010 was 17.6% of annual covered payroll. The Town's contribution rate includes the employee's share of 5% paid by the employer.

Annual Pension Cost

For fiscal year 2010, the Town's annual pension cost of \$357,844 for VRS was equal to the Town's required and actual contributions. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers and firefighters, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2007 actuarial valuation was 20 years.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 8. Defined Benefit Pension Plan and Deferred Compensation Plan (Continued)

Annual Pension Cost (Continued)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 354,256	100%	\$ -
June 30, 2009	\$ 361,882	100%	\$ -
June 30, 2010	\$ 357,844	100%	\$ -

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 78.05% funded. The actuarial accrued liability for benefits was \$8,142,963, and the actuarial value of assets was \$6,355,574, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,787,390. The covered payroll (annual payroll of active employees covered by the plan) was \$2,152,021, and ratio of the UAAL to the covered payroll was 83.06%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 9. Other Post-employment Benefits

The Governmental Accounting Standards Board (GASB) Statement No. 45, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The Town prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010. Recognition of the liability accumulated from prior years is being phased in over 30 years, commencing with the 2010 liability.

Plan Description

The Town provides post-employment medical and dental coverage for retired employees through a single-employer defined benefit plan. The plan is established under the authority of Town Council, which may also amend the plan as deemed appropriate. The plan does not issue a publicly available financial report.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 9. Other Post-employment Benefits (Continued)

Plan Description (Continued)

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.

The number of participants at July 1, 2008 was as follows:

Retirees currently receiving benefits	7
Active employees	59
	<hr/>
Total	66
	<hr/> <hr/>

Funding Policy

The Town currently funds postemployment health care benefits on a pay-as-you-go basis and the retiree pays 100% of the premiums.

Annual Other Post-employment Benefit Cost and Net OPEB Obligation

For 2010, the Town's OPEB costs were equal to the Annual Required Contribution (ARC).

Annual required contribution	\$ 60,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
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Annual OPEB cost	60,000
Contributions made	9,000
	<hr/>
Increase in net OPEB obligation	51,000
Net OPEB obligation – beginning of year	-
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Net OPEB obligation – end of year	\$ 51,000
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TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 9. Other Post-employment Benefits (Continued)

Annual Other Post-employment Benefit Cost and Net OPEB Obligation (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. Since 2010 is the Town's first year for implementing GASB No. 45, the Town cannot report the same information for the preceding two years.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 60,000	15%	\$ 51,000

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2008 was as follows:

Actuarial Accrued Liability (AAL)	\$ 480,000
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 480,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 2,152,021
UAAL as a Percentage of Covered Payroll	4.48%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 9. Other Post-employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

In the July 1, 2008, actuarial valuation, the projected unit credit actuarial cost method, was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 2.5% inflation rate, 4.0% investment rate of return, and a health care trend rate of 10.0% graded to 5.0% over 10 years. The unfunded accrued liability is being amortized over 30 years, commencing with the 2010 liability.

Note 10. 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; however, Town vehicle decals may not be issued to any individuals having outstanding personal property taxes.

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	\$	0.12
Personal property	\$	0.51
Machinery and tools	\$	0.17

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 11. Risk Management

The Town is insured for Workers' Compensation, General Liability, Health, and other risks. The Risk Management Programs are as follows:

Workers' Compensation Insurance is provided through the Virginia Municipal League. During 2009-2010, total premiums paid were approximately \$57,498. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience.

General liability and other insurance are provided through policies with the Virginia Municipal League. General liability and business automobile coverage have a \$1,000,000 limit per occurrence. Boiler and machinery has a \$10,000,000 limit. Property insurance is covered per statement of values and is approximately \$37,000,000. Police professional liability and public officials' liability insurance with a \$1,000,000 limit are covered through a policy with the Commonwealth of Virginia. Total premiums paid for these policies were approximately \$87,941.

Healthcare coverage is provided for employees through a policy with Anthem. The Town contributes a percentage of the required premium amount for single coverage for each employee. The Town also pays a percentage of the coverage for dependents and spouses of employees. Total premiums paid for the year ended June 30 were approximately \$544,144.

There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

Note 12. Commitments and Contingencies

Litigation

The Town has been named in a lawsuit concerning personal injury from a water line extension project. Management and the attorney feel that there will be no liability in excess of the Town's insurance policy coverage.

Special Purpose Grants

In 2004, the Town purchased and renovated a home for approximately \$70,000 using Community Development Block Grant funds to be used as relocation house for individuals whose home was being rehabilitated as part of the same Community Development Block Grant. If the Town elects to retain ownership of the home so that it can be used as a relocation house for future rehabilitation projects, they will be required to pay back the cost of this project to the Department of Housing and Community Development. Currently, the grant is still open and the Town and the Department of Housing and Community Development are reviewing options for the best use of this property.

TOWN OF ROCKY MOUNT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 13. Restatement of Fund Balance and Net Assets

	<u>Capital Projects Fund Balance</u>	<u>Governmental Activities Net Assets</u>	<u>Water and Wastewater Net Assets</u>
Fund balance and net assets, June 30, 2009, as previously stated	\$ 523,954	\$ 19,896,723	\$ 7,628,282
Adjustment for accrued interest payable	-	-	32,247
Record service receivables in arrears	-	-	28,232
Record amount due from other governments	<u>179,564</u>	<u>179,564</u>	<u>-</u>
Fund balance and net assets, June 30, 2009, as restated	<u>\$ 703,518</u>	<u>\$ 20,076,287</u>	<u>\$ 7,688,761</u>

Note 14. New Accounting Standards

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Management has not yet evaluated the effects, if any, of adopting this standard but **does not expect them to be material**. This statement will be effective for the year ending June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
General property taxes:				
Real property taxes	\$ 530,719	\$ 530,719	\$ 538,279	\$ 7,560
Public service corporation taxes	26,002	26,002	28,435	2,433
Personal property taxes	120,544	120,544	124,590	4,046
Machinery and tools taxes	90,742	90,742	107,732	16,990
Penalties and interest on delinquent taxes	4,000	4,000	6,166	2,166
Total general property taxes	772,007	772,007	805,202	33,195
Other local taxes:				
Meals taxes	980,500	980,500	1,057,284	76,784
Lodging taxes	84,700	84,700	84,890	190
Consumer utility taxes	539,208	539,208	529,578	(9,630)
Local sales and use taxes	134,000	134,000	170,017	36,017
Business license taxes	434,102	434,102	563,079	128,977
Motor vehicle licenses	95,700	95,700	89,619	(6,081)
Bank stock tax	172,312	172,312	207,793	35,481
Total other local taxes	2,440,522	2,440,522	2,702,260	261,738
Permits, privilege fees, and regulatory licenses:				
Farmers Market permits	1,500	1,500	2,635	1,135
Welcome Center fees	4,000	4,000	3,491	(509)
Planning and zoning	8,500	8,500	7,221	(1,279)
Other permits and fees	-	-	40	40
Total permits and privilege fees	14,000	14,000	13,387	(613)
Fines and forfeitures:				
Court fines	30,000	30,000	28,069	(1,931)
Parking fines	450	450	640	190
Total fines and forfeitures	30,450	30,450	28,709	(1,741)
Revenue from use of money and property:				
Interest earned	246,744	246,744	254,645	7,901
Sale of property	6,000	6,000	3,763	(2,237)
Other revenue	1,140	1,140	1,100	(40)
Loss on investments	-	-	(39,803)	(39,803)
Total revenue from use of money and property	253,884	253,884	219,705	(34,179)
(Continued)				

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Continued)				
Charges for services:				
Waste collection charges	\$ 88,900	\$ 88,900	\$ 88,510	\$ (390)
Grave preparation	1,000	1,000	500	(500)
Police reports	1,200	1,200	1,159	(41)
Security services	1,500	1,500	3,990	2,490
Miscellaneous services	400	400	1,184	784
Total charges for services	93,000	93,000	95,343	2,343
Other revenues:				
Donations	-	1,500	2,845	1,345
Merchandise sales	-	-	30	30
Recoveries	-	-	7,676	7,676
Miscellaneous	145,642	157,163	30,738	(126,425)
Total other revenues	145,642	158,663	41,289	(117,374)
Total revenue from local sources	3,749,505	3,762,526	3,905,895	143,369
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax reimbursement	53,861	53,861	53,861	-
Rolling stock	2,167	2,167	3,222	1,055
Other revenue	5,000	5,000	8,624	3,624
Fire programs	10,000	10,000	11,218	1,218
Litter tax	2,429	2,429	2,169	(260)
Total non-categorical aid	73,457	73,457	79,094	5,637
Categorical aid:				
Other:				
Drug asset forfeiture	-	-	44	44
County tourism funds	15,000	15,000	-	(15,000)
Total other categorical aid	15,000	15,000	44	(14,956)

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Highway and street maintenance grant	\$ 1,063,633	\$ 1,063,633	\$ 1,068,947	\$ 5,314
DMV mini grant	5,000	28,515	15,724	(12,791)
Law enforcement aid	124,103	283,569	159,126	(124,443)
COPS grant	-	21,783	16,149	(5,634)
Fire grant	30,000	30,000	30,250	250
Juvenile justice grant	60,512	318,779	185,080	(133,699)
Total categorical aid	1,283,248	1,746,279	1,475,276	(271,003)
Total intergovernmental revenues	1,371,705	1,834,736	1,554,414	(280,322)
Total general fund revenues	\$ 5,121,210	\$ 5,597,262	\$ 5,460,309	\$ (136,953)
Other financing sources:				
Transfers in from:				
Capital project fund	\$ -	\$ -	\$ 557	\$ 557
Total other financing sources	\$ -	\$ -	\$ 557	\$ 557

Note to Required Supplementary Information.

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

TOWN OF ROCKY MOUNT, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures				
General government administration:				
Mayor and Town Council:				
Wages - elected officials	\$ 32,100	\$ 32,100	\$ 32,750	\$ (650)
Wages - contractual services	2,500	2,500	2,350	150
Fringes/benefits	28,877	28,877	27,662	1,215
Contractual services	3,937	3,937	2,038	1,899
Advertising	1,000	1,000	1,473	(473)
Printing and binding	200	200	44	156
Postage and delivery services	200	200	217	(17)
Travel, training, and education	5,580	5,580	4,175	1,405
Meeting expenses	-	-	295	(295)
Stipends	1,000	1,000	1,075	(75)
Dues and professional memberships	7,982	7,982	7,548	434
Books and subscriptions	-	-	150	(150)
Office supplies	1,650	1,650	1,444	206
Data processing equipment	-	-	360	(360)
Miscellaneous	9,250	9,250	7,124	2,126
Total Mayor and Town Council	94,276	94,276	88,705	5,571
Town Manager:				
Wages	118,198	118,198	118,198	-
Fringes/benefits	43,304	43,304	43,278	26
Contractual services	3,379	3,379	498	2,881
Advertising	400	400	37	363
Printing and binding	50	50	25	25
Postage and delivery services	375	375	534	(159)
Motor fuel expense	700	700	587	113
Motor vehicle expense	185	185	170	15
Communications	4,500	4,500	6,431	(1,931)
Travel, training, and education	3,000	3,000	4,856	(1,856)
Dues and professional memberships	2,621	2,621	2,007	614
Books and subscriptions	375	375	790	(415)
Office supplies	1,600	1,600	2,084	(484)
Data processing equipment	-	-	1,069	(1,069)
Miscellaneous	-	-	214	(214)
Total Town Manager	178,687	178,687	180,778	(2,091)

(Continued)

TOWN OF ROCKY MOUNT, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures (Continued)				
General government administration: (Continued)				
Town Attorney/legal services:				
Contractual services	\$ 8,000	\$ 8,000	\$ 2,586	\$ 5,414
Retainer	15,000	15,000	15,000	-
Professional services	15,000	15,000	10,194	4,806
Travel, training, and education	300	300	-	300
Dues and professional memberships	240	240	220	20
Books and subscriptions	500	500	391	109
Total Town Attorney/legal services	39,040	39,040	28,391	10,649
Finance:				
Wages	135,181	135,181	134,236	945
Fringes/benefits	54,801	54,801	55,853	(1,052)
Contractual services	81,105	81,105	65,045	16,060
Advertising	400	400	110	290
Printing and binding	5,800	5,800	5,608	192
Postage and delivery services	5,000	5,000	3,982	1,018
Motor fuel expense	300	300	-	300
Motor vehicle expense	200	200	-	200
Communications	3,750	3,750	4,249	(499)
Travel, training, and education	5,000	5,000	2,122	2,878
Dues and professional memberships	1,150	1,150	1,421	(271)
Books and subscriptions	2,000	2,000	108	1,892
Office supplies	8,900	8,900	6,085	2,815
Data processing equipment	-	-	930	(930)
Miscellaneous	-	-	36	(36)
Total Finance	303,587	303,587	279,785	23,802
Planning and Zoning:				
Wages	87,407	87,407	49,982	37,425
Fringes/benefits	41,533	41,533	22,304	19,229
Contractual services	1,903	1,903	6,083	(4,180)
Repairs and maintenance	-	-	283	(283)
Advertising	2,700	2,700	1,444	1,256
Printing and binding	500	500	-	500
Postage and delivery services	1,400	1,400	723	677
Motor fuel expense	620	620	545	75
Motor vehicle expense	500	500	127	373
Communications	1,770	1,770	1,554	216
Travel, training, and education	4,000	4,000	3,575	425
Meeting expenses	-	-	239	(239)
Stipends	10,200	10,200	8,475	1,725
(Continued)				

TOWN OF ROCKY MOUNT, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
General government administration: (Continued)				
Planning and Zoning: (Continued)				
Dues and professional memberships	\$ 1,000	\$ 1,000	\$ 344	\$ 656
Books and subscriptions	500	500	581	(81)
Miscellaneous	200	200	187	13
Office supplies	1,500	1,500	1,033	467
Furniture and fixtures	-	-	160	(160)
Data processing equipment	1,500	1,500	632	868
Total Planning and Zoning	157,233	157,233	98,271	58,962
Total General government administration	772,823	772,823	675,930	96,893
Public safety:				
Police Department:				
Wages	875,175	963,699	813,797	149,902
Fringes/benefits	412,593	436,231	377,027	59,204
Contractual services	12,000	17,032	9,180	7,852
Repairs and maintenance	250	250	97	153
Advertising	800	800	3,470	(2,670)
Printing and binding	1,900	1,900	2,138	(238)
Postage and delivery services	675	675	638	37
Motor fuel expense	30,000	30,000	28,660	1,340
Motor vehicle expense	12,000	12,000	19,062	(7,062)
Communications	18,024	18,024	21,638	(3,614)
Purchases - DMV mini grants	5,000	5,000	5,129	(129)
Asset forfeiture expenses	-	-	2,500	(2,500)
Uniforms	12,500	12,500	8,439	4,061
Travel, training, and education	14,000	17,895	9,654	8,241
Uniform stipend	12,000	12,000	10,650	1,350
Dues and professional memberships	900	900	600	300
Books and subscriptions	750	750	290	460
Office supplies	5,000	5,000	4,043	957
Police supplies	19,500	25,669	13,613	12,056
Data processing equipment	-	-	40,966	(40,966)
Audio and video equipment	1,000	17,994	811	17,183
Miscellaneous	1,000	1,000	2,644	(1,644)
Total Police Department	1,435,067	1,579,319	1,375,046	204,273
Police special account:				
Police supplies	-	1,500	-	1,500
Total Police special account	-	1,500	-	1,500
(Continued)				

TOWN OF ROCKY MOUNT, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Variance with Final Budget Positive (Negative)	
	Original	Final	Actual	
Expenditures (Continued)				
Public safety: (Continued)				
Volunteer Fire Department:				
Fringes/benefits	\$ 1,017	\$ 1,017	\$ 547	\$ 470
Contractual services	1,600	1,600	1,795	(195)
Repairs and maintenance	2,500	2,500	662	1,838
Printing and binding	150	150	-	150
Postage and delivery services	45	45	17	28
Motor fuel expense	7,500	7,500	4,038	3,462
Motor vehicle expense	16,000	16,000	16,680	(680)
Small equipment expense	325	325	428	(103)
Communications	3,500	3,500	3,744	(244)
Insurance	5,000	5,000	5,469	(469)
Uniforms/turnout gear	10,000	10,000	5,611	4,389
Travel, training, and education	3,000	3,000	1,125	1,875
Stipends	45,000	45,000	46,380	(1,380)
Dues and professional memberships	250	250	777	(527)
Books and subscriptions	750	750	806	(56)
Miscellaneous	1,000	1,000	-	1,000
Office supplies	650	650	241	409
Fire department supplies	9,000	9,000	1,249	7,751
Capital outlay	-	-	4,038	(4,038)
Furniture and fixtures	1,000	1,000	-	1,000
Data processing equipment	1,000	1,000	-	1,000
Total Volunteer Fire Department	109,287	109,287	93,607	15,680
Total Public safety	1,544,354	1,690,106	1,468,653	221,453
Public works:				
Administration:				
Fringes/benefits	-	-	34	(34)
Contractual services	900	900	493	407
Advertising	250	250	-	250
Communications	1,150	1,150	2,050	(900)
Uniforms	11,900	11,900	10,979	921
Travel, training, and education	100	100	-	100
Books and subscriptions	-	-	185	(185)
Miscellaneous	100	100	99	1
Office supplies	240	240	356	(116)
Total Administration	14,640	14,640	14,196	444
Non-VDOT highway eligible:				
Uniforms	-	-	2,317	(2,317)
Total non-VDOT highway eligible	-	-	2,317	(2,317)
(Continued)				

TOWN OF ROCKY MOUNT, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Public works: (Continued)				
Street lights:				
Wages	\$ -	\$ -	\$ 763	\$ (763)
Fringes/benefits	-	-	635	(635)
Contractual services	-	-	1,735	(1,735)
Utilities	81,000	81,000	102,629	(21,629)
Streets, street lights, sidewalk supplies	300	300	20	280
Total street lights	81,300	81,300	105,782	(24,482)
Traffic control and parking:				
Wages	10,825	10,825	14,435	(3,610)
Fringes/benefits	6,000	6,000	7,142	(1,142)
Contractual services	16,116	16,116	46,173	(30,057)
Repairs and maintenance	-	-	4,413	(4,413)
Utilities	7,500	7,500	7,892	(392)
Motor fuel expense	750	750	450	300
Motor vehicle expense	200	200	49	151
Miscellaneous	100	100	-	100
Traffic control/parking supplies	9,000	9,000	9,603	(603)
Traffic signals	-	-	73,250	(73,250)
Total traffic control and parking	50,491	50,491	163,407	(112,916)
Streets:				
Wages	282,501	282,501	277,499	5,002
Fringes/benefits	155,958	155,958	140,916	15,042
Contractual services	355,019	355,019	473,760	(118,741)
Advertising	430	430	124	306
Motor fuel expense	29,000	29,000	24,136	4,864
Motor vehicle expense	10,000	10,000	18,715	(8,715)
Small equipment expense	1,500	1,500	1,916	(416)
Miscellaneous	100	100	132	(32)
Agricultural supplies	300	300	457	(157)
Chemicals and materials	3,000	3,000	2,635	365
Streets, street lights, sidewalk supplies	30,000	30,000	27,935	2,065
Machinery and equipment	3,000	3,000	6,529	(3,529)
Total streets	870,808	870,808	974,754	(103,946)
Sidewalks, curb, and guttering:				
Wages	2,701	2,701	13,452	(10,751)
Fringes/benefits	1,529	1,500	9,639	(8,139)
Small equipment expense	200	200	176	24
Street/sidewalk supplies	2,500	2,529	4,964	(2,435)
Machinery and equipment	-	8,500	-	8,500
Total sidewalks, curb, and guttering	6,930	15,430	28,231	(12,801)
(Continued)				

TOWN OF ROCKY MOUNT, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Variance with Final Budget Positive (Negative)	
	Original	Final	Actual	
Expenditures (Continued)				
Public works: (Continued)				
Street cleaning:				
Wages	\$ 9,454	\$ 9,454	\$ 12,481	\$ (3,027)
Fringes/benefits	5,249	5,249	7,590	(2,341)
Motor fuel expense	1,000	1,000	905	95
Motor vehicle expense	3,102	3,102	2,709	393
Total street cleaning	18,805	18,805	23,685	(4,880)
Refuse collection:				
Wages	81,035	81,035	76,062	4,973
Fringes/benefits	44,993	44,993	39,505	5,488
Advertising	300	300	283	17
Motor fuel expense	5,000	5,000	5,500	(500)
Motor vehicle expense	3,000	3,000	3,486	(486)
Refuse collection supplies	1,370	1,370	83	1,287
Machinery and equipment	-	-	6,429	(6,429)
Total refuse collection	135,698	135,698	131,348	4,350
Snow removal:				
Wages	2,701	2,701	28,176	(25,475)
Fringes/benefits	1,500	1,500	11,028	(9,528)
Motor fuel expense	750	750	3,165	(2,415)
Motor vehicle expense	1,000	1,000	2,331	(1,331)
Chemicals/materials/supplies	10,029	10,029	19,587	(9,558)
Streets, street lights, sidewalk supplies	400	400	1,008	(608)
Total snow removal	16,380	16,380	65,295	(48,915)
Municipal building:				
Wages	16,814	16,814	2,147	14,667
Fringes/benefits	1,435	1,435	1,412	23
Contractual services	25,000	25,000	29,159	(4,159)
Repairs and maintenance	500	500	6,187	(5,687)
Advertising	-	-	88	(88)
Utilities	16,000	16,000	29,644	(13,644)
Miscellaneous	-	-	25	(25)
Municipal building supplies	600	600	1,557	(957)
Agricultural supplies	50	50	-	50
Janitorial supplies	550	550	750	(200)
Total municipal building	60,949	60,949	70,969	(10,020)
Emergency services building:				
Wages	-	-	1,082	(1,082)
Fringes/benefits	119	119	420	(301)
Contractual services	28,000	28,000	12,876	15,124
Repairs and maintenance	2,500	2,500	16,680	(14,180)
Utilities	14,100	14,100	18,160	(4,060)
Heating fuel expense	14,000	14,000	15,937	(1,937)
Agricultural supplies	50	50	-	50
Janitorial supplies	1,000	1,000	1,712	(712)
ES building supplies	350	350	406	(56)
Total emergency services building	60,119	60,119	67,273	(7,154)
(Continued)				

TOWN OF ROCKY MOUNT, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Public works: (Continued)				
Public works building:				
Wages	\$ -	\$ -	\$ 1,345	\$ (1,345)
Fringes/benefits	-	-	1,076	(1,076)
Contractual services	1,300	1,300	1,041	259
Repairs and maintenance	500	500	81	419
Utilities	3,050	3,050	5,092	(2,042)
Heating fuel expense	2,200	2,200	2,493	(293)
Small equipment expense	-	-	8	(8)
Communications	2,350	2,350	2,418	(68)
Janitorial supplies	2,400	2,400	1,639	761
Shop supplies	2,800	2,800	2,201	599
Total public works building	14,600	14,600	17,394	(2,794)
Old Fort Road Extension:				
Infrastructure	-	330,300	528,713	(198,413)
Total Old Fort Road extension	-	330,300	528,713	(198,413)
Total Public works	1,330,720	1,669,520	2,193,364	(523,844)
Parks, recreation, and cultural:				
Cemetery maintenance:				
Wages	6,753	6,753	6,961	(208)
Fringes/benefits	3,750	3,750	3,836	(86)
Motor fuel expense	1,260	1,260	668	592
Small equipment expense	600	600	120	480
Agricultural supplies	200	200	-	200
Parks/recreation/cemetery supplies	173	173	590	(417)
Machinery and equipment	-	-	459	(459)
Total cemetery maintenance	12,736	12,736	12,634	102
Playgrounds and parks:				
Wages	10,805	10,805	11,800	(995)
Fringes/benefits	6,116	6,000	6,641	(641)
Repairs and maintenance	200	200	603	(403)
Utilities	1,650	1,650	2,948	(1,298)
Motor fuel expense	1,300	1,300	683	617
Motor vehicle expense	100	100	-	100
Small equipment expense	400	400	33	367
Miscellaneous	17,500	17,500	8,162	9,338
Agricultural supplies	200	200	-	200
Janitorial supplies	-	-	479	(479)
Parks/recreation/cemetery supplies	300	416	1,202	(786)
Total playgrounds and parks	38,571	38,571	32,551	6,020
(Continued)				

TOWN OF ROCKY MOUNT, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures (Continued)				
Parks, recreation, and cultural: (Continued)				
Celeste Park:				
Wages	\$ -	\$ -	\$ 6,060	\$ (6,060)
Fringes/benefits	-	-	2,414	(2,414)
Contractual services	7,500	7,500	13,190	(5,690)
Office supplies	-	-	5,055	(5,055)
Total Celeste Park	7,500	7,500	26,719	(19,219)
Pigg River Heritage trail:				
Contractual services	8,655	8,655	3,878	4,777
Total Pigg River Heritage trail	8,655	8,655	3,878	4,777
Total parks, recreation, and cultural	67,462	67,462	75,782	(8,320)
Community Development:				
Community and Economic Development:				
Wages	76,433	76,433	78,970	(2,537)
Fringes/benefits	28,369	28,369	23,524	4,845
Contractual services	51,500	51,500	43,679	7,821
Repairs and maintenance	-	-	283	(283)
Advertising	1,000	1,000	1,340	(340)
Printing and binding	750	750	285	465
Postage and delivery services	750	750	605	145
Motor fuel expense	320	320	228	92
Motor vehicle expense	300	300	306	(6)
Communications	1,950	1,950	1,852	98
Travel, training, and education	7,500	7,500	2,397	5,103
Dues and professional memberships	1,000	1,000	1,379	(379)
Books and subscriptions	350	350	539	(189)
Special events/promotions	16,500	16,500	12,100	4,400
Music grants	15,000	15,000	-	15,000
Office supplies	2,100	2,100	2,259	(159)
Capital outlay	7,500	7,500	2,145	5,355
Furniture and fixtures	-	-	160	(160)
Miscellaneous	-	-	226	(226)
Data processing equipment	-	-	1,034	(1,034)
Town decorations	-	-	1,260	(1,260)
Audio and video equipment	-	-	60	(60)
Total Community and Economic Development	211,322	211,322	174,631	36,691
Citizens' Square:				
Wages	-	-	213	(213)
Fringes/benefits	-	-	53	(53)
Contractual services	7,450	7,450	7,943	(493)
Repairs and maintenance	500	500	28	472
Advertising	3,500	3,500	1,950	1,550
Permits, licenses, fees	40	40	415	(375)
Utilities	1,150	1,150	1,807	(657)
Special events/promotions	1,500	1,500	-	1,500
Janitorial supplies	1,000	1,000	772	228
Citizen's square/Depot supplies	350	350	80	270
Total Citizen's Square	15,490	15,490	13,261	2,229
(Continued)				

TOWN OF ROCKY MOUNT, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Community Development: (Continued)				
Main street Program:				
Wages	\$ 29,564	\$ 29,564	\$ 31,837	\$ (2,273)
Fringes/benefits	18,259	18,259	13,437	4,822
Contractual services	-	-	1,500	(1,500)
Miscellaneous	-	24,500	13,296	11,204
Total Main Street Program	47,823	72,323	60,070	12,253
Community and hospitality center:				
Wages	-	-	496	(496)
Fringes/benefits	-	-	170	(170)
Contractual services	5,000	5,000	4,264	736
Repairs and maintenance	750	750	165	585
Advertising	2,900	2,900	2,600	300
Utilities	7,600	7,600	6,797	803
Communications	2,000	2,000	1,106	894
Special events/promotions	450	450	-	450
Janitorial supplies	396	396	228	168
Citizen's square/depot supplies	-	-	7	(7)
Furniture and fixtures	400	400	-	400
Total community and hospitality center	19,496	19,496	15,833	3,663
Total Community Development	294,131	318,631	263,795	54,836
Non-departmental:				
Wages	22,496	22,496	5,750	16,746
Fringes/benefits	44,721	44,721	26,757	17,964
Insurance	72,375	72,375	67,068	5,307
Miscellaneous	-	-	1,352	(1,352)
Contributions to other entities	44,700	41,700	31,700	10,000
Contingency	30,000	-	-	-
Total non-departmental	214,292	181,292	132,627	48,666
Debt service:				
Principal retirement	134,765	134,765	134,765	-
Interest and other fiscal charges	138,135	138,135	137,595	540
Total debt service	272,900	272,900	272,360	540
Total general fund expenditures	\$ 4,496,682	\$ 4,972,734	\$ 5,082,511	\$ (109,777)
Other financing uses:				
Transfers out to:				
Proprietary fund types	\$ 497,078	\$ 497,078	\$ 497,078	\$ -
Capital projects fund	127,450	127,450	-	127,450
Total other financing uses	\$ 624,528	\$ 624,528	\$ 497,078	127,450

Note to Required Supplementary Information.

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

TOWN OF ROCKY MOUNT, VIRGINIA

EXHIBIT 10

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 1,524	\$ 1,524
Contributions	108,800	108,800	100,000	(8,800)
Appropriated fund balance	1,524,886	1,524,886	-	(1,524,886)
Intergovernmental	1,535,500	1,535,500	689,122	(846,378)
Total revenues	3,169,186	3,169,186	790,646	(2,378,540)
Expenditures				
Capital outlay	3,169,186	3,169,186	1,066,717	2,102,469
Total expenditures	3,169,186	3,169,186	1,066,717	2,102,469
Excess of expenditures over revenues	-	-	(276,071)	(276,071)
Other financing uses				
Transfers out	-	-	(2,081)	(2,081)
Total other financing uses	-	-	(2,081)	(2,081)
Net change in fund balance	\$ -	\$ -	\$ (278,152)	\$ (278,152)

TOWN OF ROCKY MOUNT, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2010

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2009	\$ 6,355,574	\$ 8,142,963	\$ 1,787,390	78.05%	\$ 2,152,021	83.06%
June 30, 2008	\$ 6,225,925	\$ 7,544,344	\$ 1,318,419	82.52%	\$ 2,095,521	62.92%
June 30, 2007	\$ 5,624,396	\$ 6,831,725	\$ 1,207,329	82.33%	\$ 1,596,153	75.64%

TOWN OF ROCKY MOUNT, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
June 30, 2010

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as Percentage of Covered Payroll</u>
Town of Rocky Mount	July 1, 2008	\$ -	\$ 480,000	\$ 480,000	0%	\$ 2,152,021	4.48%

STATISTICAL SECTION

This part of the Town of Rocky Mount'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 Town's overall financial health.

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property taxes and utility revenues.	5-8
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	9-10
Demographic and Economic Information 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 comparison over time and with other governments.	11-12
Operating Information 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.	13-15

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Town implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

TABLE 1

TOWN OF ROCKY MOUNT, VIRGINIA

Net Assets by Component
Last Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal Year							
	2010	2009*	2008	2007	2006	2005	2004	2003
Governmental activities								
Invested in capital assets, net of related debt	\$ 9,938,639	\$ 8,949,640	\$ 8,691,806	\$ 8,993,343	\$ 8,684,358	\$ 7,256,721	\$ 7,304,254	\$ 7,489,865
Unrestricted	10,998,693	11,126,647	10,250,528	8,650,317	8,520,171	9,211,250	10,679,179	11,560,065
Total governmental activities net assets	20,937,332	20,076,287	18,942,334	17,643,660	17,204,529	16,467,971	17,983,433	19,049,930
Business-type activities								
Invested in capital assets, net of related debt	7,601,301	7,619,260	7,499,720	7,296,079	7,200,687	6,807,564	7,484,666	5,758,408
Unrestricted	164,320	69,501	137,803	647,436	346,132	1,067,691	980,441	1,743,535
Total business-type activities net assets	7,765,621	7,688,761	7,637,523	7,943,515	7,546,819	7,875,255	8,465,107	7,501,943
Primary government								
Invested in capital assets, net of related debt	17,539,940	16,568,900	16,191,526	16,289,422	15,885,045	14,064,285	14,788,920	13,248,273
Unrestricted	11,163,013	11,196,148	10,388,331	9,297,753	8,866,303	10,278,941	11,659,620	13,303,600
Total primary government net assets	<u>\$28,702,953</u>	<u>\$27,765,048</u>	<u>\$26,579,857</u>	<u>\$25,587,175</u>	<u>\$24,751,348</u>	<u>\$24,343,226</u>	<u>\$26,448,540</u>	<u>\$26,551,873</u>

Note: The Town began to report accrual information when it completed GASB Statement 34 in fiscal year 2003.

Source: Exhibit 1

* Restated, see Note 13.

TOWN OF ROCKY MOUNT, VIRGINIA

TABLE 2

Change in Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2010	2009*	2008	2007	2006	2005	2004	2003
Expenses								
Governmental activities								
General government	\$ 798,988	\$ 861,445	\$ 900,371	\$ 781,917	\$ 785,139	\$ 743,098	\$1,182,416	\$ 622,596
Public safety	1,713,977	1,807,691	1,768,618	1,537,911	1,392,997	1,384,718	1,137,657	986,217
Public works	1,892,605	1,733,026	1,370,547	1,358,733	1,315,391	1,422,522	1,008,084	888,603
Parks, recreation, and cultural	43,798	45,676	45,521	51,572	65,612	36,727	109,667	26,906
Community development	303,876	257,877	295,389	667,003	666,294	653,820	406,701	332,967
Nondepartmental	-	-	-	-	86,386	162,708	-	-
Interest on long-term debt	135,526	141,919	147,012	115,963	95,625	100,297	104,235	190,887
Total governmental activities	4,888,770	4,847,634	4,527,458	4,513,099	4,407,444	4,503,890	3,948,760	3,048,176
Business-type activities								
Water and Sewage	2,304,052	2,403,437	2,436,316	2,332,418	2,330,510	2,200,532	3,161,731	2,200,607
Total business-type activities expense	2,304,052	2,403,437	2,436,316	2,332,418	2,330,510	2,200,532	3,161,731	2,200,607
Total primary government expenses	7,192,822	7,251,071	6,963,774	6,845,517	6,737,954	6,704,422	7,110,491	5,248,783
Program revenues								
Governmental activities								
Charges for services								
General government administration	-	-	13,350	19,833	-	-	-	-
Public safety	33,858	49,926	71,740	26,456	31,835	39,669	5,440	3,038
Public works	89,694	86,812	76,398	104,706	68,882	75,132	58,374	100,727
Other activities	13,887	23,890	2,504	4,078	19,173	28,736	20,287	43,149
Operating grants and contributions	1,488,707	1,447,387	1,251,767	1,171,642	1,115,737	1,167,909	1,086,178	994,316
Capital grants and contributions	789,122	630,066	112,137	282,524	450,603	161,180	-	-
Total governmental activities program revenues	2,415,268	2,238,081	1,527,896	1,609,239	1,686,230	1,472,626	1,170,279	1,141,230
Business-type activities								
Charges for services								
Water and Sewage	1,829,553	1,938,102	2,146,201	2,201,679	2,060,120	2,065,801	1,592,326	1,409,942
Total business-type activities program revenues	1,829,553	1,938,102	2,146,201	2,201,679	2,060,120	2,065,801	1,592,326	1,409,942
Total primary government program revenues	4,244,821	4,176,183	3,674,097	3,810,918	3,746,350	3,538,427	2,762,605	2,551,172
Net (expense) revenue								
Governmental activities	(2,473,502)	(2,609,553)	(2,999,562)	(2,903,860)	(2,721,214)	(3,031,264)	(2,778,481)	(1,906,946)
Business-type activities	(474,499)	(465,335)	(290,115)	(130,739)	(270,390)	(134,731)	(1,569,405)	(790,665)
Total primary government net expense	(2,948,001)	(3,074,888)	(3,289,677)	(3,034,599)	(2,991,604)	(3,165,995)	(4,347,886)	(2,697,611)

(Continued)

* Restated, see Note 13.

TOWN OF ROCKY MOUNT, VIRGINIA

TABLE 2

Change in Net Assets by Component
Last Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal Year							
	2010	2009*	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 791,374	\$ 807,283	\$ 755,957	\$ 721,612	\$ 695,450	\$ 559,560	\$ 474,969	\$ 595,947
Sales taxes	184,303	176,134	179,058	183,684	176,670	159,916	234,236	135,572
Business license tax	563,079	582,774	558,239	570,178	535,410	527,936	446,553	468,988
Meals tax	1,057,284	1,075,767	1,092,531	850,261	801,058	764,505	737,520	602,894
Lodging tax	84,890	83,114	103,205	190,129	69,643	48,000	-	-
Bank stock tax	207,793	219,726	227,005	95,338	256,295	203,750	-	-
Other taxes	89,619	94,061	99,734	164,415	95,588	95,351	381,914	373,649
Utility taxes	526,582	557,220	558,085	448,272	525,833	526,386	374,710	348,695
Intergovernmental revenue, unrestricted	65,707	102,764	83,213	99,055	61,842	63,608	24,495	2,036
Investment income	221,229	481,979	564,770	476,029	177,654	308,783	268,069	418,093
Other	41,289	22,066	13,857	71,453	4,283	3,499	144,693	375,633
Transfers	(498,602)	(459,382)	62,582	(527,435)	58,046	(514,278)	88,046	-
Total governmental activities	3,334,547	3,743,506	4,298,236	3,342,991	3,457,772	2,747,016	3,175,205	3,321,507
Business-type activities:								
Other	52,757	41,628	23,267	-	-	-	-	-
Investment income	-	15,563	23,438	-	-	-	-	-
Transfers	498,602	459,382	(62,582)	527,435	(58,046)	514,278	523,317	533,478
Total business-type activities	551,359	516,573	(15,877)	527,435	(58,046)	514,278	523,317	533,478
Total primary government	3,885,906	4,260,079	4,282,359	3,870,426	3,399,726	3,261,294	3,698,522	3,854,985
Changes in Net Assets								
Governmental activities	861,045	1,133,953	1,298,674	439,131	736,558	(284,248)	396,724	1,414,561
Business-type activities	76,860	51,238	(305,992)	396,696	(328,436)	379,547	(1,046,088)	(257,187)
Total primary government	\$ 937,905	\$1,185,191	\$ 992,682	\$ 835,827	\$ 408,122	\$ 95,299	\$ (649,364)	\$1,157,374

Note: The Town began to report accrual information when it completed GASB Statement 34 in fiscal year 2003.

Source: Exhibit 2

* Restated, see Note 13.

TABLE 3

TOWN OF ROCKY MOUNT, VIRGINIA

Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2010</u>	<u>2009*</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund										
Reserved	\$ 2,293	\$ 45,617	\$ 112,378	\$ 8,998,010	\$ -	\$ 60,445	\$ -	\$ -	\$ -	\$ -
Unreserved	10,799,062	10,874,461	10,311,101	-	8,712,713	11,064,355	10,960,414	10,250,442	10,119,634	10,528,329
Total general fund	<u>\$ 10,801,355</u>	<u>\$ 10,920,078</u>	<u>\$ 10,423,479</u>	<u>\$ 8,998,010</u>	<u>\$ 8,712,713</u>	<u>\$ 11,124,800</u>	<u>\$ 10,960,414</u>	<u>\$ 10,250,442</u>	<u>\$ 10,119,634</u>	<u>\$ 10,528,329</u>
All Other Governmental Funds										
Reserved	\$ 1,438,537	\$ 554,444	\$ 405,494	\$ 404,056	\$ 18,007	\$ 174,569	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital projects funds	(1,013,171)	149,074	-	-	(47,589)	(1,927,955)	(150,945)	1,385,061	1,729,605	3,763,190
Total all other governmental funds	<u>\$ 425,366</u>	<u>\$ 703,518</u>	<u>\$ 405,494</u>	<u>\$ 404,056</u>	<u>\$ (29,582)</u>	<u>\$ (1,753,386)</u>	<u>\$ (150,945)</u>	<u>\$ 1,385,061</u>	<u>\$ 1,729,605</u>	<u>\$ 3,763,190</u>

Source: Exhibit 3

* Restated, see Note 13.

TABLE 4

TOWN OF ROCKY MOUNT, VIRGINIA

Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2009*	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Taxes	\$ 3,507,462	\$ 3,560,999	\$ 3,577,520	\$ 3,220,470	\$ 3,145,115	\$ 2,896,082	\$ 2,586,700	\$ 2,505,416	\$ 2,358,292	\$ 2,261,654
Permits, privilege fees, and regulatory licenses	13,387	21,890	14,178	21,447	19,173	28,736	64,096	56,001	54,361	58,083
Fines and forfeitures	28,709	46,676	68,423	24,527	26,620	35,853	26,801	26,769	24,651	24,266
Revenue from use of money and property	221,229	481,979	564,770	476,029	179,074	310,122	378,310	566,173	646,501	680,094
Charges for services	95,343	92,062	81,392	109,099	73,803	78,839	68,723	105,064	77,501	71,998
Other	41,289	22,066	13,857	50,925	10,065	1,342	27,268	167,586	61,302	936
Intergovernmental	2,343,536	2,180,217	1,447,116	1,553,221	1,522,174	1,231,644	1,060,361	1,008,645	1,049,495	970,165
Total revenues	<u>6,250,955</u>	<u>6,405,889</u>	<u>5,767,256</u>	<u>5,455,718</u>	<u>4,976,024</u>	<u>4,582,618</u>	<u>4,212,259</u>	<u>4,435,654</u>	<u>4,272,103</u>	<u>4,067,196</u>
Expenditures										
General government administration	675,930	734,668	703,880	708,230	694,406	669,360	559,776	466,388	624,649	515,193
Public safety	1,468,653	1,881,914	1,580,176	1,345,698	1,350,191	1,323,905	1,059,203	964,873	1,003,132	926,283
Public works	2,193,364	1,273,449	1,175,851	1,461,998	1,233,980	1,266,245	956,872	889,651	844,433	766,146
Parks, recreation, and cultural	75,782	70,730	37,757	44,023	58,017	32,486	37,017	26,906	55,539	55,090
Community development	263,795	226,764	186,456	264,438	337,640	202,628	242,887	332,967	217,364	132,931
Non-departmental	132,627	206,272	218,550	182,804	182,099	224,008	554,134	347,095	316,625	92,447
Capital outlay	1,066,717	484,432	226,902	1,439,615	1,675,133	-	180,444	20,297	16,156	46,815
Debt service										
Principal	134,766	129,840	125,129	99,023	94,713	90,590	-	-	-	-
Interest	137,594	143,815	148,230	131,044	96,174	100,297	-	-	-	-
Total expenditures	<u>6,149,228</u>	<u>5,151,884</u>	<u>4,402,931</u>	<u>5,676,873</u>	<u>5,722,353</u>	<u>3,909,519</u>	<u>3,590,333</u>	<u>3,048,177</u>	<u>3,077,898</u>	<u>2,534,905</u>
Excess of revenues over (under) expenditures	<u>101,727</u>	<u>1,254,005</u>	<u>1,364,325</u>	<u>(221,155)</u>	<u>(746,329)</u>	<u>673,099</u>	<u>621,926</u>	<u>1,387,477</u>	<u>1,194,205</u>	<u>1,532,291</u>
Other Financing Sources (Uses)										
Sale of general capital assets	-	-	-	120,088	-	164,846	-	-	-	-
Issuance of debt	-	-	-	1,347,437	-	-	-	-	-	-
Transfers in	557	178,472	229,247	3,829,086	3,560,719	-	602,324	-	-	-
Transfers out	(499,159)	(637,854)	(166,665)	(4,356,521)	(3,502,673)	(514,278)	(514,278)	(1,256,669)	(1,602,900)	(1,138,234)
Total other financing sources (uses)	<u>(498,602)</u>	<u>(459,382)</u>	<u>62,582</u>	<u>940,090</u>	<u>58,046</u>	<u>(349,432)</u>	<u>88,046</u>	<u>(1,256,669)</u>	<u>(1,602,900)</u>	<u>(1,138,234)</u>
Net change in fund balances	<u>\$ (396,875)</u>	<u>\$ 794,623</u>	<u>\$ 1,426,907</u>	<u>\$ 718,935</u>	<u>\$ (688,283)</u>	<u>\$ 323,667</u>	<u>\$ 709,972</u>	<u>\$ 130,808</u>	<u>\$ (408,695)</u>	<u>\$ 394,057</u>
Debt service as a percentage of noncapital expenditures	<u>5.66%</u>	<u>6.61%</u>	<u>7.24%</u>	<u>5.43%</u>	<u>4.72%</u>	<u>4.88%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Source: Exhibit 4

*Restated, see Note 13.

TABLE 5

TOWN OF ROCKY MOUNT, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	Total Assessed Value	Total Direct Tax Rate(1)
2010	\$ 458,214,180	\$ 36,599,174	\$ 64,006,873	\$ 23,530,708	\$ 582,350,935	\$ 0.14
2009	456,148,700	41,366,265	60,580,689	22,152,956	580,248,610	\$ 0.18
2008	359,968,000	38,620,252	57,168,380	15,834,646	471,591,278	\$ 0.15
2007	349,161,452	38,586,708	46,910,297	17,332,564	451,991,021	\$ 0.15
2006	315,680,500	35,428,426	45,725,163	19,869,910	416,703,999	\$ 0.16
2005	321,495,591	32,671,587	35,013,902	22,583,076	411,764,156	\$ 0.15
2004	249,089,267	33,337,893	30,444,763	22,079,727	334,951,650	\$ 0.16
2003	250,602,735	30,249,489	34,201,436	21,603,744	336,657,404	\$ 0.17
2002	269,763,302	45,181,493	31,696,400	22,905,522	369,546,717	\$ 0.17
2001	244,461,175	39,732,467	34,181,088	12,604,513	330,979,243	\$ 0.17

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: .12

Personal Property: .51

Machinery and Tools: .17

Source: Real estate and personal property tax assessments.

TABLE 6

TOWN OF ROCKY MOUNT, VIRGINIA

Principal Property Taxpayers
Current Year and Ten Years Ago

Taxpayer	Fiscal Year 2010			Fiscal Year 2000		
	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Southgate Associates II LP	\$ 10,346,300	1	2.25%	\$ 5,951,900	5	2.98%
Wal-Mart Real Estate Business Trust	9,904,200	2	2.16%	10,199,800	1	5.11%
Rocky Mount Development Company LLC	9,876,300	3	2.15%	-	-	-
PG Multi-16 LP/M W Manufacturers Inc.	9,471,500	4	2.06%	8,023,000	3	4.02%
Franklin Memorial Hospital/Carilion	9,154,300	5	2.00%	-	-	-
Lowes Home Centers Inc.	8,327,400	6	1.81%	-	-	-
Trinity Packaging Corporation	6,305,800	7	1.37%	2,622,100	9	1.31%
Mod-U-Kraf Homes Inc.	6,293,600	8	1.37%	3,248,300	8	1.63%
Rocky Mount Orchard Avenue LLC	6,207,800	9	1.35%	7,717,200	4	3.87%
Fleetwood Homes of Virginia	5,190,200	10	1.13%	4,529,100	6	2.27%
L & M Properties LLC	5,142,900	11	1.12%	8,070,900	2	4.04%
Medical Facilities of Virginia	5,084,800	12	1.11%	1,771,100	16	0.89%
Eldercare Inc./Trinity Mission of Rocky Mount	4,286,900	13	0.93%	3,878,400	7	1.94%
Franklin County Lodging	3,506,400	14	0.76%	-	-	-
Rocky Mount Limited Liability Co.	3,399,500	15	0.74%	1,887,700	15	0.95%
Danny Perdue	3,006,200	16	0.66%	-	-	-
Arrington Development Inc.	2,687,000	17	0.59%	-	-	-
Newbold Construction	2,563,200	18	0.56%	2,279,200	11	1.14%
Windy Lane Associates Limited	2,559,900	19	0.56%	-	-	-
Ferguson Land & Lumber Co. Inc.	2,466,300	20	0.54%	2,234,200	12	1.12%
Solomon Beacon Inn/Comfort Inn	2,329,900	21	0.51%	2,189,900	13	1.10%
W-D Rocky Mount Va. Partners	-	-	-	2,505,400	10	1.25%
Virginia Apparel Corp.	-	-	-	1,889,500	14	0.95%
	<u>\$ 118,110,400</u>		<u>25.73%</u>	<u>\$68,997,700</u>		<u>34.57%</u>

TABLE 7

TOWN OF ROCKY MOUNT, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2010	\$ 869,573	\$ 869,099	99.95%	\$ 892,494	102.64%
2009	890,915	852,065	95.64%	855,309	96.00%
2008	813,789	804,657	98.88%	813,959	100.02%
2007	788,293	757,667	96.11%	757,667	96.11%
2006	730,218	724,135	99.17%	724,135	99.17%
2005	603,696	590,127	97.75%	606,103	100.40%
2004	537,765	520,577	96.80%	532,353	98.99%
2003	539,589	536,159	99.36%	547,369	101.14%
2002	553,933	532,902	96.20%	546,835	98.72%
2001	482,161	448,533	93.03%	461,673	95.75%

Source: Detailed Town property tax records.

Note: Amount collected includes any penalties and interest on late payments.

TABLE 8

TOWN OF ROCKY MOUNT, VIRGINIA

PRINCIPAL UTILITY CUSTOMERS
(Largest Own-Source Revenue)
Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2010			Fiscal Year 2001		
	Monthly Average Consumption	Rank	Percentage of Total Billed Monthly Average Consumption	Monthly Average Consumption	Rank	Percentage of Total Billed Monthly Average Consumption
Ronile	2,147,621	1	9.83%	631,050	2	2.99%
PlyGem Windows	853,500	2	3.91%	1,289,864	1	6.12%
Trinity Mission	710,633	3	3.25%	579,683	4	2.75%
Franklin County High School	421,026	4	1.93%	-	-	-
Franklin County Middle School	345,628	5	1.58%	-	-	-
Candlewood Apartments	335,082	6	1.53%	-	-	-
Medical Facilities of America	313,592	7	1.44%	157,225	10	0.75%
Home Town Ice	227,202	8	1.04%	-	-	-
Carilion Franklin Memorial Hospital	212,855	9	0.97%	211,892	7	1.00%
Franklin County Government Center	175,472	10	0.80%	-	-	-
All American Auto Spa	164,667	11	0.75%	-	-	-
Tanyard Village	151,723	12	0.69%	-	-	-
Mountain View Apartments	151,633	13	0.69%	-	-	-
Ferguson Land & Lumber	141,244	14	0.65%	608,633	3	2.89%
Holiday Inn Express	138,622	15	0.63%	-	-	-
The Lane Company	-	-	-	553,050	5	2.62%
Wal-mart	118,998	18	0.54%	228,957	6	1.09%
Franklin Ready Mix	-	-	-	168,800	8	0.80%
Sheilee Laundry	101,000	24	0.46%	159,825	9	0.76%

TOWN OF ROCKY MOUNT, VIRGINIA

TABLE 9

**LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt limit	\$ 45,821,418	\$45,614,870	\$35,725,585	\$35,280,530	\$31,568,050	\$32,149,559	\$33,927,976	\$33,665,740	\$36,954,671	\$33,097,924
Total net debt applicable to limit	10,113,684	10,926,856	11,715,910	12,476,680	2,065,905	2,160,618	2,251,208	2,337,855	2,420,731	2,500,000
Legal debt margin	<u>\$ 35,707,734</u>	<u>\$34,688,014</u>	<u>\$24,009,675</u>	<u>\$22,803,850</u>	<u>\$29,502,145</u>	<u>\$29,988,941</u>	<u>\$31,676,768</u>	<u>\$31,327,885</u>	<u>\$34,533,940</u>	<u>\$30,597,924</u>
Total net debt applicable to the limit as a percentage of debt limit	22%	24%	33%	35%	7%	7%	7%	7%	7%	8%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	<u>\$ 458,214,180</u>
Debt limit (10% of assessed value)	\$ 45,821,418
Less debt applicable to limit:	
General obligation bonds	6,211,736
Program revenue bonds	2,260,000
Other long-term obligations	<u>1,641,948</u>
Legal debt margin	<u>\$ 55,935,102</u>

Source: Real estate tax assessments and Note 7.

TABLE 10

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	Per Capita
	Notes Payable	Revenue Bonds	General Obligation Bonds	Revenue Bonds			
2010	\$ 1,641,948	\$ 1,220,400	\$ 6,211,736	\$ 1,039,600	\$ 10,113,684	6.67%	\$ 2,235.07
2009	1,755,113	1,242,000	6,871,743	1,058,000	10,926,856	8.88%	2,404.68
2008	1,863,353	1,263,600	7,512,557	1,076,400	11,715,910	10.09%	2,567.03
2007	1,966,882	1,285,200	8,129,798	1,094,800	12,476,680	10.26%	2,731.32
2006	2,065,905	-	8,729,067	-	10,794,972	9.39%	2,363.17
2005	2,160,618	-	9,502,629	-	11,663,247	10.14%	2,560.54
2004	2,251,208	-	10,056,897	-	12,308,105	10.99%	2,702.11
2003	2,337,855	-	10,595,042	-	12,932,897	11.88%	2,855.57
2002	2,420,731	-	10,997,500	-	13,418,231	12.32%	2,968.64
2001	2,500,000	-	7,897,418	-	10,397,418	9.80%	2,297.26

Source: Note 7

TABLE 11

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
2010	4,525	\$ -	\$ -	7,120	7.60%
2009	4,544	33,420	151,860	7,285	4.90%
2008	4,564	28,893	131,867	7,185	4.70%
2007	4,564	27,082	123,602	7,256	3.40%
2006	4,568	26,622	121,609	7,146	3.20%
2005	4,555	25,249	115,009	7,074	3.40%
2004	4,555	25,249	115,009	7,110	3.60%
2003	4,529	24,727	111,989	6,996	4.50%
2002	4,520	24,089	108,882	6,975	6.20%
2001	4,526	23,436	106,071	9,674	5.30%

(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 City Planning Department.

(3) Source: Bureau of Economic Analysis (for Franklin County). Current year information is unavailable until December 3

TABLE 12

TOWN OF ROCKY MOUNT, VIRGINIA

PRINCIPAL EMPLOYERS
Current Year and Five Years Ago

Employer	Fiscal Year 2010			Fiscal Year 2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Franklin County Public Schools	1,200	1	25.34%	1,094	2	23.30%
M W Manufacturers Inc.	1,020	2	21.54%	1,367	1	29.12%
Wal-mart	400	3	8.45%	343	3	7.31%
Franklin County	328	4	6.93%	272	6	5.79%
Trinity Packaging Inc.	300	5	6.34%	300	4	6.39%
Ronile Inc.	300	6	6.34%	289	5	6.16%
Carilion Franklin Memorial Hospital	270	7	5.70%	270	7	5.75%
Trinity Mission Healthcare	232	8	4.90%	200	10	4.26%
Arrington Enterprises	155	9	3.27%	-	-	-
Lowe's	105	10	2.22%	-	-	-
Mod-U-Kraf Homes Inc.	100	11	2.11%	245	8	5.22%
Kroger	90	12	1.90%	115	12	2.45%
YMCA	90	13	1.90%	-	-	-
McDonald's	80	14	1.69%	-	-	-
Fleetwood Homes of Virginia	65	15	1.37%	200	9	4.26%
	<u>4,735</u>			<u>4,695</u>		

Note: 2005 was the first year this data was accumulated.

Source: Virginia Employment Commission & employer human resource offices

TABLE 13

TOWN OF ROCKY MOUNT, VIRGINIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General government										
Management services	2	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	4
Planning & Community Devel	5	4	4	4	4	4	4	3	3	3
Building	0	1	1	1	1	1	1	1	1	1
Police										
Officers	20	20	20	17	15	15	15	15	15	15
Civilians	2	2	2	2	2	2	2	1	1	1
Fire										
Other	17	17	18	18	18	18	18	18	18	18
Parks, recreation, and cultural										
Water	6	6	6	6	4	4	4	4	4	4
Sewer	4	4	4	4	4	4	4	4	4	4
Total	<u>61</u>	<u>61</u>	<u>62</u>	<u>59</u>	<u>55</u>	<u>55</u>	<u>55</u>	<u>53</u>	<u>53</u>	<u>52</u>

Source: Town's Adopted Operating Budget

TABLE 14

TOWN OF ROCKY MOUNT, VIRGINIA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government										
Fleet										
Pieces of equipment maintained	56	56	56	56	56	56	56	50	50	50
Public safety										
Police										
Criminal arrests	516	693	815	393	376	445	356	273	368	-
Traffic violations	653	820	1,658	908	756	991	810	850	956	-
Fire										
Emergency responses	308	289	328	343	312	283	259	237	-	-
Public works										
Other public works										
Street resurfacing (miles)	5	5	3	6	9	9	8	6	7	6
Water										
Number of customer accounts	2,813	2,801	2,799	2,727	2,697	2,636	2,608	2,538	2,396	2,377
Volume pumped (million gallons per day average)	858,556	917,166	1,002,931	976,739	1,098,713	987,000	841,163	799,853	856,443	818,013
Sewer										
Number of customer accounts	1,998	1,982	1,980	1,956	1,917	1,884	1,882	1,880	1,480	1,476
Waste/Water treated (million gallons per day)	856,844	816,199	773,034	837,685	798,000	680,000	769,000	907,000	509,333	636,400

Source: Council reports, utility reports, highway reports.

TABLE 15

TOWN OF ROCKY MOUNT, VIRGINIA

CAPITAL ASSETS AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Public safety										
Law enforcement vehicles	14	14	14	13	13	13	12	12	12	12
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	29
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	65	65	65	61	59	56	46
Sanitary sewers (miles)	64	64	64	64	64	64	64	60	60	60

Source: Equipment schedules, highway reports, GIS system.

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COMPLIANCE SECTION

**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**

Honorable Members of Town Council
Town of Rocky Mount, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Rocky Mount, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 3, 2010. 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 *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be material weaknesses.

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. **We consider Items 08-1 and 08-2 described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are reported as Items 10-1 and 10-2 in the accompanying schedule of findings and responses.**

We noted certain other matters that we reported to management of the Town in a separate letter dated November 3, 2010.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, state and federal awarding agencies, pass-through entities, and the Rocky Mount Town Council, and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 3, 2010

TOWN OF ROCKY MOUNT, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2010

As more fully described in the 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*, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Debt Provisions
Local Retirement Systems
Procurement Laws
Uniform Disposition of Unclaimed Property Act

State Agency Requirements:

Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF ROCKY MOUNT, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

A. FINDINGS – FINANCIAL STATEMENT AUDIT

08-1: Segregation of Duties (Material Weakness)

Condition:

In general, internal control is designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept of internal control is the separation of duties. The basic premise of this concept is that no one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. Due to the limited size of the Finance Department, a proper separation of duties has not been established and maintained.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response: *Significant steps have been taken to segregate duties within the Finance Department with the addition of the second accounting technician position.*

08-2: Auditor Adjustments (Material Weakness)

Condition:

We noted several errors related to capital assets, receivables, and employee benefit transactions, which required significant audit adjustments.

Recommendation:

Steps should be taken to ensure these items are properly recorded during the year.

Management's Response: *The Auditee concurs and is taking steps to address this issue.*

B. FINDINGS – COMMONWEALTH OF VIRGINIA

10-1: General Fund Budget Appropriations

Condition:

Two general fund expenditure functional categories exceeded budgeted appropriations.

Recommendation:

Steps should be taken to ensure budgetary compliance.

Management Response: *The auditee concurs with this finding.*

TOWN OF ROCKY MOUNT, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

B. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)

10-2: Virginia Security for Public Deposits Act

Condition:

Two cash deposits were not marked as public funds held in a qualified depository.

Recommendation:

Procedures should be implemented to ensure all public deposits and amounts held for others are marked as public funds with a qualified depository in accordance with the Virginia Security for Public Deposits Act.

Management's Response: *The auditee concurs with this recommendation; however, both of these accounts and total deposits with these custodians remained below the FDIC limits throughout the year.*