Financial Statements for the Town of Rockwell in North Carolina

For the Fiscal Year Ended June 30, 2019

Town Board Members:
Beauford Taylor, Mayor
Chuck Bowman, Mayor Pro Tem
Justin Crews
Stephenie Walker
Bobby Moore
Chris Stiller

Administrative and Financial Staff:
Marlene Dunn, Town Clerk/Finance Officer
Cherie Lefler, Deputy Clerk

SHERRILL & SMITH
Certified Public Accountants
A Professional Association
Salisbury, North Carolina

TOWN OF ROCKWELL
NORTH CAROLINA
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June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Board of Alderman
Town of Rockwell, North Carolina

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Rockwell, North Carolina as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprises the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Rockwell, North Carolina as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-13, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability on page 40 and Contributions on page 41, and the Law Enforcement Officer's Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Rockwell, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2019 on our consideration of the Town of Rockwell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Rockwell's internal control over financial reporting and compliance.

Sherrill & Smith, CPAs, PA
Salisbury, North Carolina
November 18, 2019

Management's Discussion and Analysis
June 30, 2019

As management of the Town of Rockwell, we offer readers of the Town of Rockwell's financial statements this narrative overview and analysis of the financial activities of the Town of Rockwell for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

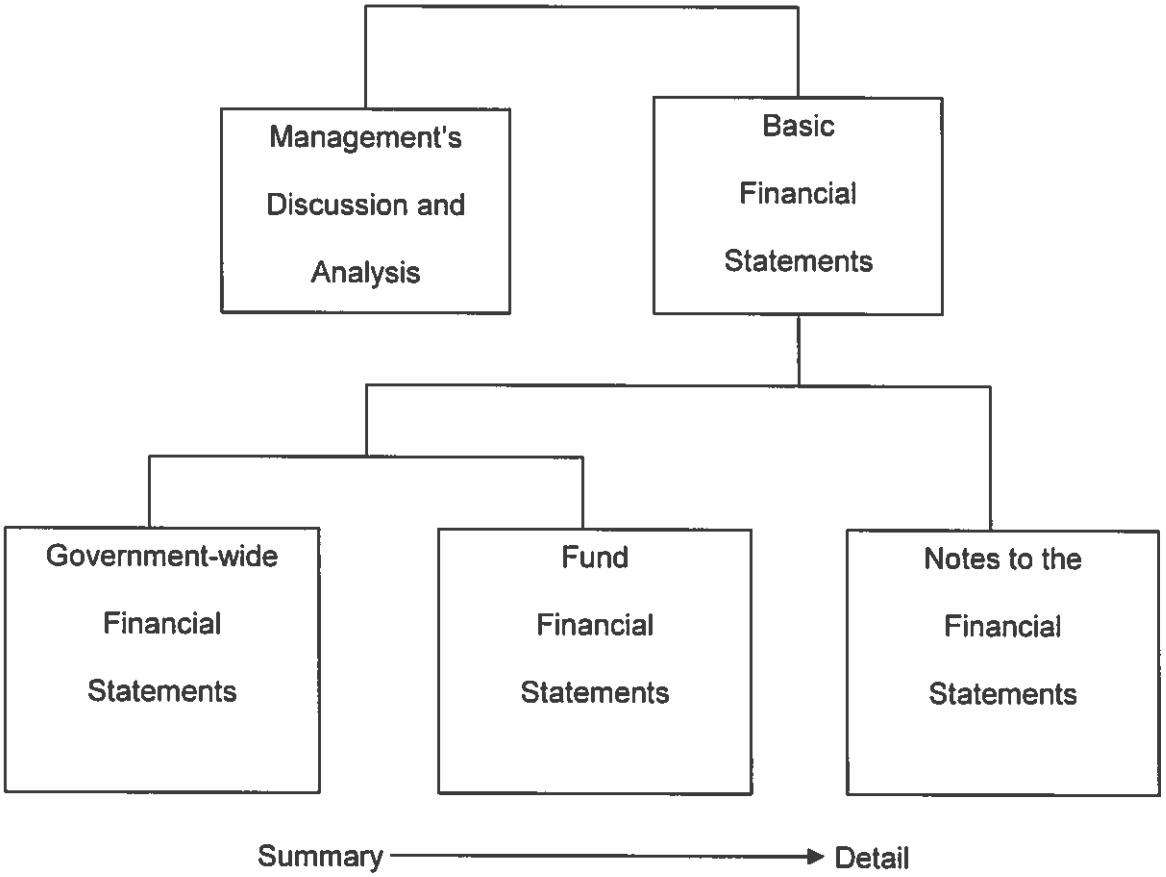
- The assets and deferred outflows of resources of the Town of Rockwell exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $3,241,025 (net position).
- The government's total net position increased by $90,634 primarily due to increases in the governmental type activities net position.
- As of the close of the current fiscal year, the Town of Rockwell's governmental funds reported combined ending fund balances of $2,240,517 with a net change of $137,952 in fund balance. Approximately 18.00 percent of this total amount or $410,389 is restricted and assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $1,830,128 or 127.15 percent of total general fund expenditures for the fiscal year.
- The Town of Rockwell's total debt decreased by $54,165 during the current fiscal year. The key factors in this decrease were due to decreases in payments on the debt of a fire truck and leased copier. Compensated absences and pension liabilities for the LGERS plan and LEO plan increased by $40,021.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Rockwell's basic financial statements. The Town basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Rockwell.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements
The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Rockwell, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Rockwell can be divided into one category: governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Rockwell adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 21-39 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Rockwell's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 40 of this report.

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

Government-Wide Financial Analysis

The Town of Rockwell's Net Position
Figure 2

	Governmental Activities		Total	
	2019	2018	2019	2018
Current and other assets	$ 2,287,093	$ 2,145,880	$ 2,287,093	$ 2,145,880
Capital assets	1,412,422	1,507,607	1,412,422	1,507,607
Deferred outflows of resources	113,823	83,158	113,823	83,158
Total assets and deferred outflows of resources	3,813,338	3,736,645	3,813,338	2,229,038
Long-term liabilities outstanding	444,755	463,665	444,755	463,665
Other liabilities	120,216	114,122	120,216	114,122
Deferred inflows of resources	7,342	8,467	7,342	8,467
Total liabilities and deferred inflows of resources	572,313	586,254	572,313	586,254
Net position:				
Net investment in capital assets	1,124,697	1,165,717	1,124,697	1,165,717
Restricted	360,389	356,620	360,389	356,620
Unrestricted	1,755,939	1,628,054	1,755,939	1,628,054
Total net position	$ 3,241,025	$ 3,150,391	$ 3,241,025	$ 3,150,391

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Rockwell exceeded liabilities and deferred inflows by $3,241,025 as of June 30, 2019. The Town's net position increased by $90,634 for the fiscal year ended June 30, 2019. However, the largest portion 34.70% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Rockwell uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Rockwell's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Rockwell's net position of $360,389 or 11.12% represents resources that are subject to external restrictions on how they may be used. The remaining balance of $1,755,939 or 54.18% is unrestricted.

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

1. The continuation of Rowan County's handling of billing and collection of Town property taxes have assisted in a positive growth rate.
2. NCDMV collection of vehicle taxes has continued to reflect an excellent collection rate.
3. Our State revenues such as Local Option Sales Tax were on a rise this budget year.
4. As the completion of the new 104 house subdivision, Alexander Glen, is progressing we have seen an increase in zoning fee collection and will see an increase in tax base as well.

Town of Rockwell's Changes in Net Position
Figure 3

	Governmental Activities 2019	Governmental Activities 2018	Total 2019	Total 2018
Revenues:				
Program revenues:				
Charges for services	$ 9,410	$ 4,040	$ 9,410	$ 4,040
Operating grants and contributions	61,144	61,792	61,144	61,792
General revenues:				
Property taxes	769,829	751,074	769,829	751,074
Grants and contributions not restricted to specific programs	652,953	617,509	652,953	617,509
Unrestricted investment earnings	8,627	5,357	8,627	5,357
Other	75,651	76,135	75,651	76,135
Total revenues	1,577,614	1,515,907	1,577,614	1,515,907
Expenses:				
General government	378,058	359,327	378,058	359,327
Public safety	720,863	773,911	720,863	773,911
Transportation	236,378	173,594	236,378	173,594
Environmental protection	110,189	108,947	110,189	108,947
Cultural and recreational	17,091	14,035	17,091	14,035
Planning	17,195	15,861	17,195	15,861
Interest on long-term debt	7,206	8,539	7,206	8,539
Total expenses	1,486,980	1,454,214	1,486,980	1,454,214
Increase in net position	90,634	61,693	90,634	61,693
Net position, beginning,	3,150,391	3,088,698	3,150,391	3,088,698
Net position, June 30	$ 3,241,025	$ 3,150,391	$ 3,241,025	$ 3,150,391

Governmental activities. Governmental activities increased the Town net position by $90,634. Key element of this increase are as follows:

Property and vehicle tax collection were in line with prior year, Sales and Use Tax showed an increase, Alcohol Beverage Tax collection was up, Town rental locations such as park shelters, civic building, and Legion building were on the rise again this year, and zoning permits were on the rise due to a new housing development under construction in the Town.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Rockwell's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Rockwell's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Rockwell. At the end of the current fiscal year, Town of Rockwell's fund balance available in the General Funds was $1,830,128, while total fund balance reached $2,240,517. The Town currently has an available fund balance of 127.15 percent of total general fund expenditures.

At June 30, 2019 the governmental funds of the Town of Rockwell reported a combined fund balance of $2,240,517 a 6.16 percent increase over last year.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget. However there was one department that was over expended the original budget that was passed. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Department Heads always try and work within the proposed budget. The transfer to capital project-capital reserve fund was overspent as a result of an amount received in the current year related to a prior year sale of a fire truck in which the Board intended for the proceeds of the sale to be transferred to the capital reserve fund, but failed to budget the amount received in the current year as a transfer.

Long-Term Debt. As of June 30, 2019, the Town of Rockwell had total loans outstanding of $287,725. Of this $287,725 is debt backed by the full faith and credit of the Town.

Outstanding Liabilities
Town of Rockwell's Outstanding Debt

Figure 5

	Governmental Activities		Total	
	2019	2018	2019	2018
Lease purchase fire truck	$ 282,012	$ 334,270	$ 282,012	$ 334,270
Lease purchase copier	5,713	7,620	5,713	7,620
Compensated absences	23,795	20,282	23,795	20,282
Pension related debt (LGERS)	84,930	61,262	84,930	61,262
Pension related debt (LEO)	128,307	115,467	128,307	115,467
Total	$ 524,757	$ 538,901	$ 524,757	$ 538,901

The Town of Rockwell's total debt decreased by $54,165 during the year primarily due to decrease in payments on debt for a fire truck and leased copier, while compensated absences increased, as well as an increase in the net pension liability for the LGERS plan and an increase in the total pension liability for the LEO plan occurred. The legal debt margin for the Town of Rockwell is $13,137,000.

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

Economic Factors and Next Year's Budgets and Rates

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

1. State Revenues
2. Tax Revenues
3. The construction of new residential development

Budget Highlights for the Fiscal Year Ending June 30, 2019

Government Activities

All of the Department Heads have been mindful of their budgets and were conservative on purchasing needed supplies. Only capital items budgeted are being purchased.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Marlene Dunn, Town Clerk/Treasurer, Town of Rockwell, and PO Box 506, Rockwell, NC 28138-0506.

TOWN OF ROCKWELL, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

Exhibit 1

Assets	Governmental Activities	Total
Current assets:		
Cash and cash equivalents	$ 1,913,138	$ 1,913,138
Taxes receivable (net)	10,273	10,273
Accrued interest receivable on taxes	3,031	3,031
Accounts receivable (net)	34,959	34,959
Due from other governments	145,490	145,490
Restricted cash and cash equivalents	180,202	180,202
Total current assets	2,287,093	2,287,093
Noncurrent assets:		
Capital assets:		
Land and non-depreciable improvements	389,669	389,669
Other capital assets, net of depreciation	1,022,753	1,022,753
Total capital assets	1,412,422	1,412,422
Total assets	3,699,515	3,699,515
Deferred Outflows of Resources		
Pension deferrals	113,823	113,823
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	33,010	33,010
Accrued interest payable	7,204	7,204
Current portion of long-term liabilities	80,002	80,002
Total current liabilities	120,216	120,216
Long-term liabilities:		
Pension deferrals	213,237	213,237
Due in more than one year	231,518	231,518
Total liabilities	564,971	564,971
Deferred Inflow of Resources		
Prepaid taxes	262	262
Pension deferrals	7,080	7,080
Total deferred inflows of resources	7,342	7,342
Net Position		
Net investment in capital assets	1,124,697	1,124,697
Restricted for:		
Stabilization by State Statute	180,187	180,187
Other purposes	180,202	180,202
Unrestricted	1,755,939	1,755,939
Total net position	$ 3,241,025	$ 3,241,025

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

Exhibit 2

TOWN OF ROCKWELL, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary government:						
Governmental Activities:						
General government	378,058	$ 9,410	$ -	$ -	$ (368,648)	$ (368,648)
Public safety	720,863	-	-	-	(720,863)	(720,863)
Transportation	236,378	-	59,537	-	(176,841)	(176,841)
Environmental protection	110,189	-	1,607	-	(108,582)	(108,582)
Cultural and recreational	17,091	-	-	-	(17,091)	(17,091)
Planning	17,195	-	-	-	(17,195)	(17,195)
Interest on long-term debt	7,206	-	-	-	(7,206)	(7,206)
Total governmental activities (See Note 1)	$ 1,486,980	$ 9,410	$ 61,144	$ -	(1,416,426)	(1,416,426)
General revenues:						
Taxes:						
Property taxes, levied for general purpose					769,829	769,829
Grants and contributions not restricted to specific programs					652,953	652,953
Unrestricted investment earnings					8,627	8,627
Miscellaneous					75,651	75,651
Total general revenues					1,507,060	1,507,060
Change in net position					90,634	90,634
Net position, beginning					3,150,391	3,150,391
Net position, ending					$ 3,241,025	$ 3,241,025

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

Exhibit 3

TOWN OF ROCKWELL, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Capital Reserve Fund	Governmental Funds
Assets:			
Cash and cash equivalents	$ 1,913,138	$ -	$ 1,913,138
Restricted cash	83,022	97,180	180,202
Receivables, net:			
Taxes	10,273	-	10,273
Accounts	34,959	-	34,959
Due from other governments	145,490	-	145,490
Total assets	2,186,882	97,180	2,284,062
Liabilities:			
Accounts payable and accrued liabilities	33,010	-	33,010
Total liabilities	33,010		33,010
Deferred Inflows of Resources:			
Property taxes receivable	10,273		10,273
Prepaid taxes	262	-	262
Total deferred inflows of resources	10,535	-	10,535
Fund balances:			
Restricted			
Stabilization by State Statute	180,187	-	180,187
Streets	81,606	-	81,606
Drug Enforcement	1,416	-	1,416
Capital Reserve	-	97,180	97,180
Assigned			
Subsequent year's expenditures	50,000	-	50,000
Unassigned	1,830,128	-	1,830,128
Total fund balances	2,143,337	97,180	2,240,517
Total liabilities, deferred inflows of resources and fund balances	$ 2,186,882	$ 97,180	$ 2,284,062

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

TOWN OF ROCKWELL, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

Exhibit 3

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

Total Fund Balance, Governmental Funds		$ 2,240,517
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	$ 3,232,322	
Accumulated depreciation	(1,819,900)	1,412,422
Deferred outflows of resources related to pensions are not reported in funds		113,823
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		3,031
Earned revenues considered deferred inflows of resources in fund statements.		10,273
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(311,520)	
Net pension liability	(84,930)	
Total pension liability	(128,307)	(524,757)
Deferred inflows of resources related to pensions are not reported in the funds		(7,080)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(7,204)
Net position of governmental activities		$ 3,241,025

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

Exhibit 4

TOWN OF ROCKWELL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUND
For the Year Ended June 30, 2019

	General Fund	Capital Reserve Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	$ 769,494	$ -	$ 769,494
Other taxes and licenses	9,410	-	9,410
Unrestricted intergovernmental	652,952	-	652,952
Restricted intergovernmental	61,144	-	61,144
Investment earnings	8,058	569	8,627
Miscellaneous	71,850	-	71,850
Total revenues	1,572,908	569	1,573,477
Expenditures:			
Current:			
General government	368,974	-	368,974
Public safety	641,249	-	641,249
Transportation	224,230	-	224,230
Environmental protection	110,189	-	110,189
Cultural and recreational	14,783	-	14,783
Planning	17,195	-	17,195
Debt service:			
Principal	54,165	-	54,165
Interest and other charges	8,541	-	8,541
Total expenditures	1,439,326	-	1,439,326
Excess (deficiency) of revenues over expenditures	133,582	569	134,151
Other financing sources (uses)			
Transfer to capital project-capital reserve fund	(35,000)	-	(35,000)
Transfer from general fund	-	35,000	35,000
Insurance proceeds	1,001	-	1,001
Sale of assets	2,800	-	2,800
Total other financing sources (uses)	(31,199)	35,000	3,801
Fund balance appropriated	-	-	-
Net change in fund balances	102,383	35,569	137,952
Fund balances, beginning	2,040,954	61,611	2,102,565
Fund balances, ending	$ 2,143,337	$ 97,180	$ 2,240,517

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

TOWN OF ROCKWELL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUND
For the Year Ended June 30, 2019

Exhibit 4

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental fund		$ 137,952
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	$ 36,471	
Depreciation expense for governmental assets	(131,656)	(95,185)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		35,966
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		10
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt	54,165	
Decrease in accrued interest payable	1,661	55,826
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	$ (3,513)	
Pension expense (LGERS)	(30,414)	
Net pension obligation (LEOSSA)	(10,008)	(43,935)
Total changes in net position of governmental activities		$ 90,634

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

Exhibit 5

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	General Fund			
	Budget		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Ad valorem taxes	$ 734,950	$ 734,950	$ 769,494	$ 34,544
Other taxes and licenses	3,000	3,000	9,410	6,410
Unrestricted intergovernmental	582,000	582,000	652,952	70,952
Restricted intergovernmental	69,080	68,680	61,144	(7,536)
Investment earnings	5,000	5,400	8,058	2,658
Miscellaneous	87,155	87,155	71,850	(15,305)
Total revenues	1,481,185	1,481,185	1,572,908	91,723
Expenditures:				
General government	454,070	377,321	368,974	8,347
Public safety	686,503	681,503	641,249	40,254
Transportation	226,812	242,312	224,230	18,082
Environmental protection	109,940	111,190	110,189	1,001
Cultural and recreational	16,960	14,960	14,783	177
Planning	21,000	20,000	17,195	2,805
Principal retirement	-	54,959	54,165	794
Interest and other charges	-	8,540	8,541	(1)
Total expenditures	1,515,285	1,510,785	1,439,326	71,459
Revenues over (under) expenditures	(34,100)	(29,600)	133,582	163,182
Other financing sources (uses)				
Transfer to capital project-capital reserve fund	-	(35,000)	(35,000)	-
Insurance proceeds	-	-	1,001	1,001
Sale of assets	2,500	2,500	2,800	300
Total other financing sources (uses)	2,500	(32,500)	(31,199)	1,301
Fund Balance appropriated	31,600	62,100	-	(62,100)
Net change in fund balance	$ -	$ -	102,383	$ 102,383
Fund balances, beginning			2,040,954	
Fund balances, ending			$ 2,143,337	

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Rockwell conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements- The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town does not currently have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Towns' governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements- The fund financial statements provide information about the Town's funds. Separate statements for each fund category-governmental, proprietary, and fiduciary- are presented, when applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and environmental protection.

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

C. Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statement is reported using the economic resources measurement focus. The government-wide financial statement is reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales tax are considered a shared revenue for the Town of Rockwell because the tax is levied by Rowan County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

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

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. At June 30, 2019, the Town owned none of these investments.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Rockwell Restricted Cash

Governmental Activities	
General Fund	
Restricted for street maintenance	$ 81,606
Police drug account	1,416
Capital Reserve Fund	97,180
Total restricted cash	$180,202

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, $10,000; buildings, improvements, substations, lines, and other plant and distribution systems, $10,000; infrastructure, $20,000; furniture and equipment, $5,000; and vehicles, $5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	40
Improvements	20
Vehicles	5-20
Furniture and equipment	10
Computer equipment	5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category-prepaid taxes, and pension deferrals.

9. Long-Term Obligations

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

10. Compensated Absences

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

Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classification designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance-This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance-This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute- North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statue". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand*

at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislature." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Drug Enforcement- Funds seized in drug enforcement operations to be used only for drug enforcement related expenses.

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

Committed Fund Balance- portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Rockwell's governing body (highest level of decision making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Subsequent year's expenditures-portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the clerk to modify the appropriations by resource or appropriation within funds up to $1,000.

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

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Rockwell's employer contributions are recognized when due and the Town of Rockwell has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes: None.

2. Contractual Violations: None.

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

C. Excess of Expenditures over Appropriations: None

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of $2,093,340 and bank balances of $2,105,849 of which $500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled $200.

2. Investments

As discussed in Note I, G.S. 159-30(c) authorizes the Town to own certain types of investments. At June 30, 2019, the Town owned no investments. The Town has no policy regarding credit risk.

3. Receivables-Allowance for Doubtful Accounts

The taxes receivable presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of an allowance for doubtful accounts in the amount of $5,244.

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	$ 389,669	$ -	$ -	$ 389,669
Total capital assets not being depreciated	389,669	-	-	389,669
Capital assets being depreciated:				
Buildings	730,246	-	-	730,246
Other improvements	60,512	-	-	60,512
Equipment	403,005	-	-	403,005
Vehicles and motorized equipment	1,634,471	36,471	22,052	1,648,890
Total capital assets being depreciated	2,828,234	36,471	22,052	2,842,653
Less accumulated depreciation for:				
Buildings	426,083	18,256	-	444,339
Other improvements	38,492	1,513	-	40,005
Equipment	336,964	18,906	-	355,870
Vehicles and motorized equipment	908,757	92,981	22,052	979,686
Total accumulated depreciation	1,710,296	$ 131,656	$ 22,052	1,819,900
Total capital assets being depreciated, net	1,117,938			1,022,753
Governmental activity capital assets, net	$1,507,607			$1,412,422

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

General government	$ 9,771
Public safety	105,775
Transportation	13,803
Cultural and recreational	2,307
Total depreciation expense	$131,656

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description- The Town of Rockwell is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing, multiple employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454,or at www.osc.nc.gov.

Benefits Provided- LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions- Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rockwell employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Rockwell's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Rockwell were $35,966 for the year ended June 30, 2019.

Refunds of Contributions- Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of $84,930 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00358%, which was a decrease of 0.00043% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of $30,414. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,103	$ 440
Changes of assumptions	22,537	-
Net difference between projected and actual earnings on pension plan investments	11,658	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,473	541
Town contributions subsequent to the measurement date	35,966	-
Total	$ 103,737	$ 981

$35,966 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2020 Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	$ 29,217
2020	21,550
2021	7,434
2022	8,590
2023	-
Thereafter	-
	$66,791

Actuarial Assumption- The total pension liability in the December 31, 2017 actuarial valuation as determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate- The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate- The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	$ 204,009	$ 84,930	$ (14,574)

Pension plan fiduciary net position- Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017 the Separation Allowance's membership consisted of:

Inactive Members Currently Receiving Benefits	0
Active plan members	6
Total	6

2. Summary of Significant Accounting Policies-

Basis of Accounting- The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure the TPL is the S & P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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

4. Contributions- The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis appropriations made in the General Fund operating budget. There were no contributions made by the employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid no amounts as benefits for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of $128,307. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of $10,329.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,555	$ 3,036
Changes of assumptions	4,531	3,063
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	$ 10,086	$ 6,099

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

Year ended June 30:	
2020	$ 2,698
2021	2,652
2022	749
2023	-
2024	-
Thereafter	-
	$ 6,099

Sensitivity of the Town's total pension liability to changes in the discount rate: The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	**Discount Rate (3.64%)**	**1% Increase (4.64%)**
Total pension liability	$ 135,206	$ 128,307	$ 121,778

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

	2019
Beginning balance	$115,467
Service Cost	4,827
Interest on the total pension liability	3,649
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	7,628
Changes of assumptions or other inputs	(3,264)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	$128,307

The plan currently uses mortality tables that vary with age and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

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

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

	LGERS	LEOSSA	TOTAL
Pension Expense	$ 30,414	$ 10,329	$ 40,743
Pension Liability	84,930	128,307	213,237
Proportionate share of the net pension liability	.00358%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	13,103	5,555	18,658
Changes of assumptions	22,537	4,531	27,068
Net difference between projected and actual earnings on plan investments	11,658	-	11,658
Changes in proportion and differences between contributions and proportionate share of contributions	20,473	-	20,473
Benefit payments and administrative costs paid subsequent to the measurement date	35,966	-	35,966
Deferred of Inflows of Resources			
Differences between expected and actual experience	440	3,036	3,476
Changes of assumptions	-	3,063	3,063
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	541	-	541

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

Plan Description- The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy- Article 12E of G.S.Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. The Town made contributions of $14,097 for the reporting year. No amounts were forfeited.

The Town contributes each month an amount equal to five percent of other employees' salary, and all amounts contributed are vested immediately. The other employees may also make voluntary contributions to the plan. The Town made contributions of $7,948 for the reporting year. No amounts were forfeited.

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed $50,000 or be less than $25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

	Exhibit 1
Differences between expected and actual experience	$ 18,658
Changes of assumptions	27,068
Net difference between projected and actual earnings on pension plan investments	11,658
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,473
Town contributions subsequent to the measurement date	35,966
Total	$ 113,823

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

	Exhibit 1	Exhibit 3
Property taxes receivable	$ -	$ 10,273
Prepaid taxes	262	262
Differences between expected and actual experience	3,476	-
Changes in assumptions	3,063	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	541	-
Total	$ 7,342	$ 10,535

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through the pool the Town obtains worker's compensation coverage up to the statutory limits.

The Town carries commercial coverage for general liability, auto coverage, and property coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries no flood insurance.

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

5. Reconciliation of Powell Bill Expenditures

The following is a reconciliation of Powell Bill expenditures:

Per financial statements	$90,037
Per Powell Bill report	$90,037

6. Long-Term Obligations

a. Capital Lease-Fire Truck

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

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 are as follows:

Year Ending June 30	Lease Payments
2020	$ 60,798
2021	60,798
2022	60,798
2023	60,798
2024	60,798
Thereafter	-
Total minimum lease payments	303,990
Less: amount representing interest	21,978
	$ 282,012

b. Capital Lease-Copier

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

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 are as follows:

Year Ending June 30	Lease Payments
2020	$ 2,613
2021	3,100
Total minimum lease payments	5,713
Less: amount representing interest	-
	$ 5,713

The following is an analysis of the assets recorded under capital leases at June 30, 2019:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	$ 12,411	$ 7,033	$ 5,378
Vehicle and motorized equipment	720,070	207,020	513,050
Total	$732,481	$214,053	$518,428

At June 30, 2019 the Town of Rockwell, North Carolina had a legal debt margin of $13,137,000.

c. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Lease purchase-fire truck	$ 334,270	$ -	$ 52,258	$282,012	$ 53,594
Lease purchase-copier	7,620	-	1,907	5,713	2,613
Compensated Absences	20,282	3,513	-	23,795	23,795
Net pension liability (LGERS)	61,262	23,668	-	84,930	-
Total pension liability (LEO)	115,467	12,840	-	128,307	
Governmental activities long-term liabilities	$ 538,901	$ 40,021	$ 54,165	$524,757	$ 80,002

C. Interfund Balances and Activity

Transfer to/from other funds during the year ended June 30, 2019 consisted of the General Fund transferring $35,000 to the Capital Project-Capital Reserve Fund.

D. Net Investment in Capital Assets

	Governmental
Capital assets	$1,412,422
Less: long-term debt	287,725
Net investment in capital assets	$1,124,697

E. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance-General Fund	$2,143,337
Less:	
Stabilization of State Statute	180,187
Streets-Powell Bill	81,606
Drug Enforcement	1,416
Subsequent year's expenditures	50,000
Remaining Fund Balance	$1,830,128

The Town has not adopted a minimum fund balance policy.

IV. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums, which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2018, the Town did not report any revenues and expenditures for these payments because no benefit payments were made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2018. The Firemen's Relief Fund does not issue separate audited financial statements. Instead the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreement. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VI. Subsequent Events

Management has evaluated the subsequent events through November 18, 2019, the date the financial statements were available to be issued.

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

Local Government Employees' Retirement System

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

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

Local Government Employees' Retirement System

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

TOWN OF ROCKWELL, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018
Beginning balance	$ 115,467	$ 103,480
Service Cost	4,827	5,074
Interest	3,649	3,994
Changes of benefit terms	-	-
Difference between expected and actual experience	7,628	(5,926)
Changes of assumptions and other inputs	(3,264)	8,845
Benefit payments	-	-
Other	-	-
Ending balance of the total pension liability	$ 128,307	$ 115,467

The amount presented for the fiscal year was determined as of the prior year ending December 31.

TOWN OF ROCKWELL, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018
Total pension liability	$ 128,307	$ 115,467
Covered payroll	245,446	236,860
Total pension liability as a percentage of covered payroll	52.28%	48.75%

Notes to the schedule:
The Town of Rockwell does not have a special funding situation.

The Town of Rockwell has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 nor does the Plan provide pay related benefits.

Changes in actuarial assumptions or other inputs:

December 31, 2018 Measurement Date:
The Municipal Bond Index Rate increased from 3.16% to 3.64%.

December 31, 2017 Measurement Date:
The Municipal Bond Index Rate decreased from 3.86% to 3.16%.

December 31, 2016 Measurement Date:
The Municipal Bond Index Rate increased from 3.57% to 3.86%.

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

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

Revenues	Budget	Actual	Variance Positive (Negative)
Ad valorem taxes			
Taxes	$ 732,950	$ 766,618	$ 33,668
Penalties and interest	2,000	2,876	876
Total	734,950	769,494	34,544
Other taxes and licenses			
Privilege licenses	3,000	9,410	6,410
Total	3,000	9,410	6,410
Unrestricted intergovernmental			
Local option sales tax	470,000	509,730	39,730
Telecommunications sales tax	-	19,537	19,537
Utility sales tax	100,000	84,113	(15,887)
Piped natural gas sales tax	-	9,446	9,446
Video franchise tax	-	14,145	14,145
Beer and wine tax	12,000	15,981	3,981
Total	582,000	652,952	70,952
Restricted intergovernmental			
Powell Bill allocation	60,000	59,537	(463)
Police grants	2,140	-	(2,140)
On-behalf of payments - Fire and Rescue	5,000	-	(5,000)
Solid waste disposal tax	1,540	1,607	67
Total	68,680	61,144	(7,536)
Investment earnings	5,400	8,058	2,658
Miscellaneous			
Garbage collection	45,000	45,702	702
Other	42,155	26,148	(16,007)
Total	87,155	71,850	(15,305)
Total revenues	$ 1,481,185	$ 1,572,908	$ 91,723

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

Expenditures	Budget	Actual	Variance Positive (Negative)
General government			
Governing body			
Salary-Mayor	$ 2,500	$ 2,500	$ -
Salary-Aldermen	7,727	7,727	-
Mayor and board expenses	1,000	785	215
Membership dues	5,200	5,551	(351)
Professional services	17,950	16,280	1,670
	34,377	32,843	1,534
Administration			
Salaries and wages	77,563	77,563	-
Social security	5,933	5,921	12
Retirement	9,889	9,869	20
Group insurance	132,000	141,794	(9,794)
Service contracts	6,000	4,750	1,250
Office expense	2,500	1,532	968
Printing and postage	800	582	218
Telephone	7,000	3,928	3,072
Utilities-building	7,700	6,209	1,491
Internet services	2,040	2,513	(473)
Website	600	540	60
Utilities-street lights	27,000	21,623	5,377
Insurance and bonding	39,000	38,065	935
Training	600	-	600
Maintenance and repairs	1,800	1,455	345
Miscellaneous	7,119	2,464	4,655
Tax collection costs	9,900	14,048	(4,148)
Economic Development Commission	3,300	3,275	25
Capital outlay-office equipment	1,200	-	1,200
Capital outlay-building	1,000	-	1,000
	342,944	336,131	6,813
Total general government	$ 377,321	$ 368,974	$ 8,347

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

Expenditures	Budget	Actual	Variance Positive (Negative)
Public safety			
Fire department			
Firefighting expenses	$ 31,110	$ 22,821	$ 8,289
Salaries	106,000	100,188	5,812
Social security	8,109	7,560	549
Pension	960	1,040	(80)
Supplies	3,400	1,921	1,479
Utilities	5,500	4,371	1,129
On-behalf of benefits	5,000	-	5,000
Capital outlay			
Equipment	46,072	44,322	1,750
Total fire department	206,151	182,223	23,928
Police department			
Salaries	298,297	304,785	(6,488)
Social security	22,820	23,232	(412)
Retirement	38,920	37,743	1,177
Radio service	4,200	2,762	1,438
Gas and maintenance	19,500	19,375	125
Supplies,training, dues, etc.	35,250	20,585	14,665
Utilities	7,350	4,933	2,417
Building maintenance	3,500	3,064	436
Other	9,015	300	8,715
Capital outlay			
Equipment	36,500	42,247	(5,747)
Total police department	475,352	459,026	16,326
Total public safety	$ 681,503	$ 641,249	$ 40,254

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

Expenditures	Budget	Actual	Variance Positive (Negative)
Transportation			
Streets and highways			
Salaries and wages	$ 88,723	$ 88,389	$ 334
Social security	7,170	6,694	476
Retirement	10,419	10,399	20
Truck and tractor expense	16,400	13,267	3,133
Gas-warehouse and lab	3,000	2,943	57
Radio service	300	301	(1)
Street maintenance-other	20,000	10,293	9,707
Street maintenance-Powell expenses	90,900	90,037	863
Miscellaneous	3,200	1,506	1,694
Laundry and uniforms	1,200	251	949
Capital outlay-equipment	1,000	150	850
Total transportation	242,312	224,230	18,082
Environmental protection			
Contract trash hauling	99,440	98,940	500
Other operating expenses	11,750	11,249	501
Total environmental protection	111,190	110,189	1,001
Cultural and recreational			
Rockwell Historic Foundation	2,500	2,500	-
Rufty-Holmes Center	750	750	-
Appearance commission	4,000	4,385	(385)
Park maintenance	6,710	6,975	(265)
Capital outlay-park	1,000	173	827
Total cultural and recreational	14,960	14,783	177
Planning			
Planning and zoning-salaries	1,000	435	565
Planning and zoning-N-Focus	14,000	12,692	1,308
Planning and zoning-advertising	1,000	799	201
Planning and zoning-code enforcement	4,000	3,269	731
Total plannning	$ 20,000	$ 17,195	$ 2,805

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

Expenditures	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal retirement	$ 54,959	$ 54,165	$ 794
Interest	8,540	8,541	(1)
Total debt service	63,499	62,706	793
Total expenditures	1,510,785	1,439,326	71,459
Revenues over (under) expenditures	(29,600)	133,582	163,182
Other financing sources (uses)			
Transfer to capital project-capital reserve fund	(35,000)	(35,000)	-
Insurance proceeds	-	1,001	1,001
Sale of assets	2,500	2,800	300
Total other financing sources (uses)	(32,500)	(31,199)	1,301
Fund balance appropriated	62,100	-	(62,100)
Net change in fund balance	$ -	102,383	$ 102,383
Fund balance, beginning		2,040,954	
Fund balance, ending		$ 2,143,337	

TOWN OF ROCKWELL, NORTH CAROLINA
CAPITAL PROJECT-CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2019

	Budget	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
Revenues					
Interest	$ 100	$ 111	569	$ 680	$ 580
Total revenues	100	111	569	680	580
Other financing sources (uses)					
Transfer from General Fund	300,000	61,500	35,000	96,500	(203,500)
Transfer to General Fund	(300,100)	-	-	-	300,100
Total other financing sources (uses)	(100)	61,500	35,000	96,500	96,600
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ 61,611	$ 35,569	$ 97,180	$ 97,180

TOWN OF ROCKWELL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	$ -	$ 774,103	$ 766,426	$ 7,677
2017-2018	8,200		5,344	2,856
2016-2017	2,816	-	810	2,006
2015-2016	1,014	-	116	898
2014-2015	340	-	260	80
2013-2014	403	-	59	344
2012-2013	519	-	10	509
2011-2012	428	-		428
2010-2011	357	-		357
2009-2010	362	-		362
2008-2009	290	-	290	-
	$ 14,729	$ 774,103	$ 773,315	15,517

Less allowance for uncollectible accounts:	
General Fund	5,244
Ad valorem taxes receivable-net	10,273
Reconcilement with revenues:	
Ad valorem taxes - General Fund	769,494
Reconciling items	
Interest and fees collected	(2,876)
Discounts allowed	5,143
Taxes written off	1,554
Total collections and credits	$ 773,315

TOWN OF ROCKWELL, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2019

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	$ 168,096,991	$.46	$ 774,567	$ 694,845	$ 79,722
Penalties	-		888	888	-
Total	168,096,991		775,455	695,733	79,722
Abatements	(293,913)		(1,352)	(773)	(579)
Total property valuation	$ 167,803,078				
Net levy			774,103	694,960	79,143
Uncollected taxes at June 30, 2019			(7,677)	(7,421)	(256)
Current year's taxes collected			$ 766,426	$ 687,539	$ 78,887
Current levy collection percentage			99.01%	98.93%	99.68%

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each major fund of the Town of Rockwell, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises the Town of Rockwell's basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Town of Rockwell's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Rockwell's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the following to be significant deficiencies in internal control.

Monitoring Service Provider
The Town has chosen Rowan County to provide significant services in preparing the tax scroll, creating the tax levy and tax bills, collection of taxes, and preparation of the detailed underlying accounting for this process. Monitoring is a process that assesses whether the controls used by the service provider are operating as intended, modification of controls at the Town as appropriate for changed conditions, reviewing monthly reports received, and reconcile and record information in the Town's accounting system to reflect the activity that transpires. Because limited monitoring activities now occur, the Town should develop a monitoring plan to accomplish the above objective. The Town agrees with this finding.

Provide Oversight of the Preparation of Financial Statements
Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). The Town does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in municipalities of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost. The Town agrees with this finding.

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

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

Sherrill and Smith, CPAs, PA

Salisbury, North Carolina
November 18, 2019