

TOWN OF ROLESVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

And Report of Independent Auditor

TOWN OF ROLESVILLE, NORTH CAROLINA

Mayor

Ronnie Currin

Mayor Pro-Tem

Michelle Medley

Commissioners

April Sneed
Sheilah Sutton
Paul Vilga
Jacky Wilson

Town Manager

Kelly Arnold

Town Clerk

Robin Peyton

Attorney

Dave Neill

TOWN OF ROLESVILLE, NORTH CAROLINA
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Report of Independent Auditor

To the Honorable Mayor and Members
of the Board of Commissioners
Town of Rolesville
Rolesville, 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 Rolesville, North Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 *Government 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 Town'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 Town'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 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 as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental financial data as listed in the table of contents 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. The individual fund schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and schedules and other schedules are the responsibility of management and were derived from and relate 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, the information is 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 October 20, 2020 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Town's internal control over financial reporting and compliance.

Chery Bekaert LLP

Raleigh, North Carolina
October 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF ROLESVILLE, NORTH CAROLINA MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

As management of the Town of Rolesville, we offer readers of the Town of Rolesville's financial statements this narrative overview and analysis of the financial activities of the Town of Rolesville for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

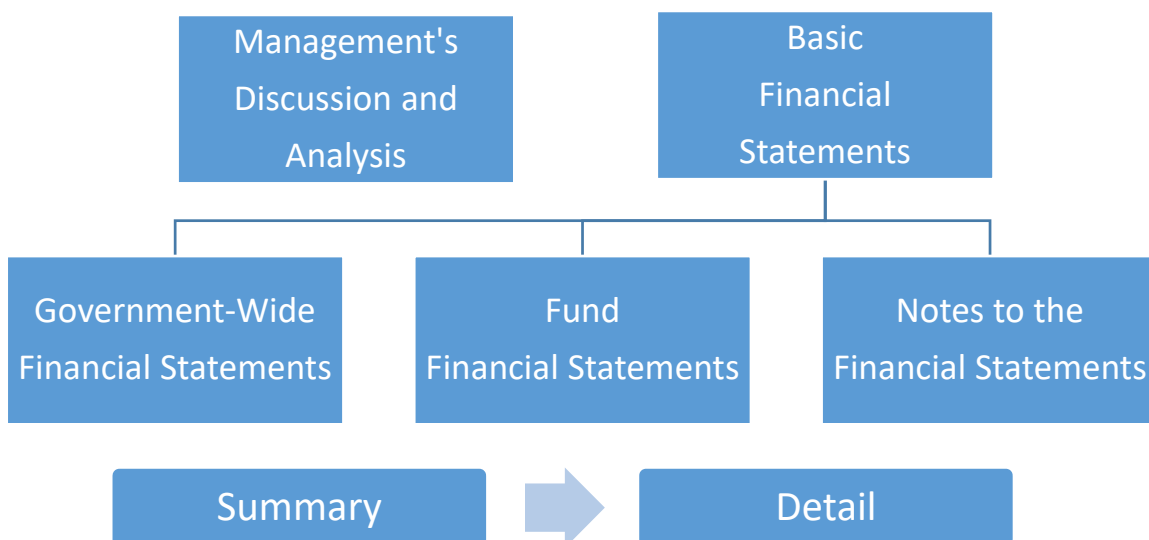
- The assets and deferred outflows of resources of the Town of Rolesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$44,135,169 (net position).
- The government's total net position increased by \$4,033,633, primarily due to an increase ad valorem taxes collected and sales tax distributions received.
- As of the close of the current fiscal year, the Town of Rolesville's governmental funds reported combined ending fund balances of \$12,621,413, an increase of \$1,621,592 in comparison with the prior year. Approximately 40.1% of this total amount, or \$5,057,458, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,208,150 or 73.2% of total general fund expenditures for the fiscal year. This is an increase of \$255,258 in unassigned fund balance from the prior year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



TOWN OF ROLESVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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 6) 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 contain the governmental activities. The governmental activities include 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.

TOWN OF ROLESVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Rolesville, 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 the Town of Rolesville are governmental funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which 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 Rolesville 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 begin on page 16 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'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.

**TOWN OF ROLESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2020

Government-Wide Financial Analysis

The following summaries are provided for comparative analysis:

**Net Position
Figure 2**

	Governmental Activities	
	2020	2019
Current and other assets	\$ 13,333,524	\$ 11,493,431
Capital assets	37,222,967	34,835,796
Deferred outflows of resources	685,549	600,651
Total assets and deferred outflows of resources	51,242,040	46,929,878
Current and other liabilities	1,000,400	836,143
Long-term liabilities outstanding	5,619,274	5,597,358
Deferred inflows of resources	487,197	394,841
Total liabilities and deferred inflows of resources	7,106,871	6,828,342
Net position:		
Net investment in capital assets	34,148,467	31,690,303
Restricted	1,704,264	1,171,781
Unrestricted	8,282,438	7,239,452
Total Net Position	\$ 44,135,169	\$ 40,101,536

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 Rolesville exceeded liabilities and deferred inflows by \$44,135,169 as of June 30, 2020. The Town's net position increased by \$4,033,633 for the fiscal year ended June 30, 2020. However, the largest portion (77.37%) 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 Rolesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Rolesville'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 Rolesville's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,282,438 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.79%.
- Increased sales tax revenues, ad valorem taxes, building permits, and environmental protection fees due to economic growth in the Town.

TOWN OF ROLESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Changes in Net Position
Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charges for services	\$ 2,793,758	\$ 1,991,668
Operating grants and contributions	176,660	39,243
Capital grants and contributions	651,694	2,649,542
General Revenues:		
Property taxes	5,156,515	4,739,794
Other taxes	2,199,715	1,930,151
Other	210,966	249,163
Total Revenues	<u>11,189,308</u>	<u>11,599,561</u>
Expenses:		
General government	706,250	1,808,683
Public safety	2,438,859	2,266,277
Environmental protection	613,585	542,517
Cultural and recreation	856,501	750,724
Public works	2,448,810	2,217,185
Interest on long-term debt	91,670	96,085
Total Expenses	<u>7,155,675</u>	<u>7,681,471</u>
Increase in net position	4,033,633	3,918,090
Net position, beginning of year	<u>40,101,536</u>	<u>36,183,446</u>
Net position	<u>\$ 44,135,169</u>	<u>\$ 40,101,536</u>

Governmental Activities - Governmental activities increased the Town's net position by \$4,033,633, which represents the entire growth in the net position of the Town of Rolesville. Key elements of this increase are as follows:

- Ad valorem tax revenues increased approximately \$416,721 over prior year.
- Infrastructure increased by \$1,087,262.

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town of Rolesville'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 Rolesville's financing requirements.

**TOWN OF ROLESVILLE, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS**

JUNE 30, 2020

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town’s fund balance available in the General Fund was \$5,741,150, while total fund balance reached \$7,116,495. The Town currently has an available fund balance of 73.0% of general fund expenditures, while total fund balance represents 90.6% of the same amount.

At June 30, 2020, the governmental funds of the Town of Rolesville reported a combined fund balance of \$12,621,413 with a net increase in fund balance of \$1,621,592.

General Fund Budgetary Highlights - During the fiscal year, the Town revised the budget on several occasions. 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.

Expenditures were under budget due to planned reductions.

Capital Asset and Debt Administration

Capital Assets - The Town of Rolesville’s investment in capital assets for its governmental activities as of June 30, 2020 totals \$37,222,967 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

**Capital Assets (net of depreciation)
Figure 4**

	Governmental Activities	
	2020	2019
Land	\$ 12,598,206	\$ 12,188,362
Constuction in progress	700,917	-
Buildings and system	1,341,147	1,238,572
Improvements other than buildings	1,043,239	982,538
Equipment	288,825	321,636
Vehicles and motorized equipment	401,443	342,760
Infrastructure	20,849,190	19,761,928
	\$ 37,222,967	\$ 34,835,796

Additional information on the Town’s capital assets can be found in Note 2.4 of the Basic Financial Statements.

Long-Term Debt - As of June 30, 2020, the Town of Rolesville had total bonded debt outstanding of \$308,500, which is debt backed by the full faith and credit of the Town. The Town of Rolesville also had installment debt outstanding of \$2,766,000 which is collateralized by certain capital assets of the Town.

The Town of Rolesville’s total debt decreased by \$399,994 (11.5%) during the past fiscal year primarily due to principal paydowns.

North Carolina general statues limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Rolesville is \$84,889,401.

Additional information regarding the Town of Rolesville’s long-term debt can be found in Note 2.6.B beginning on page 37 of this report.

TOWN OF ROLESVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Economic Factors and Next Year's Budgets and Rates

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

- Economic growth in the region continues to be strong, and building permits continue to be steady as new subdivisions create lots available for construction. The Town approved residential developments containing approximately 1,500 new lots in early 2020.
- Tax base growth continues to increase. Two mixed-use developments are currently under review.
- There continues to be interest in Rolesville from the development community. The Town is in a good position with water, sewer, natural gas, electricity, and roadway infrastructures.

Budget Highlights for the Fiscal Year Ending June 30, 2021

The Town Board of Commissioners and staff continue to budget conservatively in order to steadily increase the fund balance needed for this rapidly growing community. In addition, the unknown economic impact of the COVID-19 response caused the Town to take an even more conservative approach for the fiscal year 2020-2021 budget.

The new fiscal year budget continues to reflect the growth of the community.

- Funding is included for capital projects to address Town facility needs over the next three to five years.
- The budget includes a commitment for the implementation of the Main Street Vision Plan by providing funding for the final engineering and all other associated work necessary to start construction on the streetscape and road realignment projects.
- The property tax rate was adjusted from 48 cents to 46 cents. The two new cents of levy, which are above the revenue-neutral rate of 44 cents, will allow the Town to use some of the valuation growth to help fund future projects and adjust to post COVID-19 impacts.
- The overall operating budget allows the Town to emerge from COVID-19 in a fashion that will maintain the current level of service.
- Employee staffing and compensation continues to be a significant focus with performance pay that keeps the Town's pay plan competitive with surrounding communities.

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 the Director of Finance, Town of Rolesville, 502 Southtown Circle, Rolesville, North Carolina 27571.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF ROLESVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	11,629,260
Taxes receivable, net	44,211
Accounts receivable, net	123,970
Due from other governments	834,527
Restricted cash and cash equivalents	701,556
Total Current Assets	<u>13,333,524</u>
Capital Assets (Note 1):	
Land, nondepreciable improvements	13,299,123
Other capital assets, net of depreciation	23,923,844
Total Capital Assets	<u>37,222,967</u>
Total Assets	<u>50,556,491</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals - LGERS	612,505
Pension deferrals - LEO	64,660
OPEB deferrals	8,384
Total Deferred Outflows of Resources	<u>685,549</u>
LIABILITIES	
Current Liabilities:	
Accounts and taxes payable	667,900
Current portion of long-term liabilities	332,500
Total Current Liabilities	<u>1,000,400</u>
Long-Term Liabilities:	
Net pension liability - LGERS	960,738
Total pension liability - LEO	374,857
Total OPEB liability	1,324,409
Due in more than one year	2,959,270
Total Long-Term Liabilities	<u>5,619,274</u>
Total Liabilities	<u>6,619,674</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals - LGERS	18,355
Pension deferrals - LEO	109,838
OPEB deferrals	359,004
Total Deferred Inflows of Resources	<u>487,197</u>
NET POSITION	
Net investment in capital assets	34,148,467
Restricted for:	
Stabilization by state statute	1,002,708
Streets - Powell Bill	624,423
Debt service - USDA	40,465
Police funds	36,668
Unrestricted	8,282,438
Total Net Position	<u>\$ 44,135,169</u>

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

TOWN OF ROLESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Program	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants	Capital Grants Contributions	Revenue and Changes in Net Position
					Primary Government
Primary Government:					
Governmental Activities:					
General government	706,250	\$ 1,925,151	\$ 176,660	\$ 442,314	\$ 1,837,875
Public safety	2,438,859	-	-	-	(2,438,859)
Environmental protection	613,585	716,909	-	-	103,324
Cultural and recreation	856,501	151,698	-	-	(704,803)
Public works	2,448,810	-	-	209,380	(2,239,430)
Interest on long-term debt	91,670	-	-	-	(91,670)
Total Governmental Activities (see Note 1)	<u>\$ 7,155,675</u>	<u>\$ 2,793,758</u>	<u>\$ 176,660</u>	<u>\$ 651,694</u>	<u>(3,533,563)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					5,156,515
Other taxes					2,199,715
Unrestricted investment earnings					150,380
Miscellaneous					60,586
Total General Revenues					<u>7,567,196</u>
Change in net position					4,033,633
Net position, beginning of year					<u>40,101,536</u>
Net position, end of year					<u>\$ 44,135,169</u>

FUND FINANCIAL STATEMENTS

TOWN OF ROLESVILLE, NORTH CAROLINA
BALANCE SHEET –
GOVERNMENTAL FUNDS

JUNE 30, 2020

	Major Funds			Total Governmental Funds
	General	Capital Projects Fund	Utility Reserve	
ASSETS				
Cash and cash equivalents	\$ 6,231,876	\$ 3,600,734	\$ 1,796,650	\$ 11,629,260
Receivables:				
Taxes	44,211	-	-	44,211
Accounts	8,770	115,200	-	123,970
Due from other governments	620,808	213,719	-	834,527
Restricted cash and cash equivalents	701,556	-	-	701,556
Total Assets	<u>\$ 7,607,221</u>	<u>\$ 3,929,653</u>	<u>\$ 1,796,650</u>	<u>\$ 13,333,524</u>
LIABILITIES				
Accounts payable and taxes payable	<u>\$ 446,515</u>	<u>\$ 221,385</u>	<u>\$ -</u>	<u>\$ 667,900</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	<u>44,211</u>	<u>-</u>	<u>-</u>	<u>44,211</u>
FUND BALANCES				
Restricted:				
Stabilization by State Statute	673,789	328,919	-	1,002,708
Streets - Powell Bill	624,423	-	-	624,423
Debt service - USDA	40,465	-	-	40,465
Police funds	36,668	-	-	36,668
Committed:				
Parks	-	1,935,962	-	1,935,962
Thoroughfare	-	1,594,079	-	1,594,079
Utility	-	-	1,796,650	1,796,650
Assigned:				
Future Capital Projects	533,000	-	-	533,000
Unassigned	<u>5,208,150</u>	<u>(150,692)</u>	<u>-</u>	<u>5,057,458</u>
Total Fund Balances	<u>7,116,495</u>	<u>3,708,268</u>	<u>1,796,650</u>	<u>12,621,413</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,607,221</u>	<u>\$ 3,929,653</u>	<u>\$ 1,796,650</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	37,222,967
Net pension liability	(960,738)
Total pension liability	(374,857)
Total OPEB liability	(1,324,409)
Deferred outflows of resources related to OPEB and pensions	685,549
Liabilities for earned revenues considered deferred inflows of resources in fund statements	44,211
Some liabilities, including bond payable, are not due and payable in the current period and, therefore, are not reported in the funds	(3,291,770)
Deferred inflows of resources related to OPEB and pensions	(487,197)
Net Position of Governmental Activities	<u>\$ 44,135,169</u>

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

TOWN OF ROLESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

	Major Funds			Total Governmental Funds
	General	Capital Projects Fund	Utility Reserve	
REVENUES				
Ad valorem taxes	\$ 5,172,259	\$ -	\$ -	\$ 5,172,259
Other taxes	1,668,744	-	-	1,668,744
Unrestricted intergovernmental	530,971	89,106	-	620,077
Restricted intergovernmental	424,635	403,719	-	828,354
Permits and fees	179,576	1,656,470	-	1,836,046
Sales and services	868,607	-	-	868,607
Investment earnings	87,227	39,095	24,058	150,380
Miscellaneous	60,588	-	-	60,588
Total Revenues	<u>8,992,607</u>	<u>2,188,390</u>	<u>24,058</u>	<u>11,205,055</u>
EXPENDITURES				
Current:				
General government	2,799,234	-	-	2,799,234
Public safety	2,510,664	-	-	2,510,664
Culture and recreation	784,073	-	-	784,073
Environmental protection	613,585	-	-	613,585
Public works	913,267	1,468,483	-	2,381,750
Debt Service:				
Principal	183,994	216,000	-	399,994
Interest and other charges	50,968	43,195	-	94,163
Total Expenditures	<u>7,855,785</u>	<u>1,727,678</u>	<u>-</u>	<u>9,583,463</u>
Revenues Over (Under) Expenditures	<u>1,136,822</u>	<u>460,712</u>	<u>24,058</u>	<u>1,621,592</u>
Other Financing Sources:				
Transfers	<u>(350,000)</u>	<u>350,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	786,822	810,712	24,058	1,621,592
Fund balances, beginning of year	<u>6,329,673</u>	<u>2,897,556</u>	<u>1,772,592</u>	<u>10,999,821</u>
Fund balances, end of year	<u>\$ 7,116,495</u>	<u>\$ 3,708,268</u>	<u>\$ 1,796,650</u>	<u>\$ 12,621,413</u>

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

TOWN OF ROLESVILLE, NORTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

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

Net changes in fund balances - total governmental funds \$ 1,621,592

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. 2,387,171

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund:
 Change in deferred revenues for tax revenues (15,743)

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 402,487

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 the governmental funds.

Compensated absences	\$	(41,939)	
Pension expense - LGERS		(206,147)	
Pension expense - LEO		(23,465)	
Other postemployment benefits		(90,323)	(361,874)
		(90,323)	(361,874)
Total Changes in Net Position of Governmental Activities			\$ 4,033,633

TOWN OF ROLESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Ad valorem taxes	\$ 4,886,800	\$ 4,946,800	\$ 5,172,259	\$ 225,459
Other taxes	1,401,640	1,401,640	1,668,744	267,104
Unrestricted intergovernmental	493,980	493,980	530,971	36,991
Restricted intergovernmental	307,785	447,843	424,635	(23,208)
Permits and fees	137,100	137,100	179,576	42,476
Sales and services	895,450	895,450	868,607	(26,843)
Investment earnings	95,000	95,000	87,227	(7,773)
Miscellaneous	424,000	57,000	60,588	3,588
Total Revenues	<u>8,641,755</u>	<u>8,474,813</u>	<u>8,992,607</u>	<u>517,794</u>
EXPENDITURES				
Current:				
General government	3,331,715	3,047,315	2,799,234	248,081
Public safety	2,578,265	2,648,423	2,510,664	137,759
Culture and recreation	969,780	1,091,780	784,073	307,707
Environmental protection	624,000	624,000	613,585	10,415
Public works	902,100	1,088,226	913,267	174,959
Debt Service:				
Principal	184,500	184,500	183,994	506
Interest and other charges	51,395	51,395	50,968	427
Total Expenditures	<u>8,641,755</u>	<u>8,735,639</u>	<u>7,855,785</u>	<u>879,854</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>(260,826)</u>	<u>1,136,822</u>	<u>1,397,648</u>
Other Financing Sources (Uses)				
Transfers to capital projects fund	<u>-</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
Appropriated fund balance	<u>-</u>	<u>610,826</u>	<u>-</u>	<u>(610,826)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>786,822</u>	<u>\$ 786,822</u>
Fund balances, beginning of year			<u>6,329,673</u>	
Fund balances, end of year			<u>\$ 7,116,495</u>	

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

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies

The accounting policies of the Town of Rolesville (the “Town”) 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 Rolesville is a municipal corporation which is governed by an elected mayor and a five-member council.

B. *Basis of Presentation* –

1. *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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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.

2. *Fund Financial Statements* – The fund financial statements provide information about the Town’s funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major governmental funds. The Town reports the following major governmental funds:

- a. *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 sanitation services.

- b. *Capital Projects Fund* – This fund is used for the acquisition or construction of capital projects.

- c. *Utility Reserve Capital Projects Fund* – This fund is used for the acquisition or construction of water and wastewater projects.

3. *Reclassification* – Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications included certain capital assets from infrastructure to construction in progress and had no effect on the previously reported net position.

C. *Measurement Focus and Basis of Accounting* – In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

1. *Government-Wide Financial Statements* – The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are 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. Non-exchange 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.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

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.

2. *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 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered shared revenue for the Town of Rolesville because the tax is levied by Wake County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 are 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 by general revenues.

- D. *Budgetary Data* – The Town's budgets are 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. Project ordinances are adopted for the Capital Projects Fund and Utility 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. The Budget Officer is authorized to transfer appropriations within a fund up to \$5,000; however, any revisions that alter the total expenditures of any fund or exceed \$5,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of 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. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. *Cash and Cash Equivalents* – The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.
3. *Restricted Cash* –The Town has established a restricted cash account to cover one year of debt service on its Waste Water Bond as required by the United States Department of Agriculture Rural Development. The Town also records Powell Bill funds and Drug Forfeiture funds as restricted cash.

General Fund

Waste Water Bond	\$ 40,465
Powell Bill	624,423
Police Funds	36,668
	<u>\$ 701,556</u>

4. *Ad Valorem Taxes Receivable* – In accordance with State law ([G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.
5. *Allowance 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 all overdue account balances at the end of the fiscal year.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

6. *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, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$3,000. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives is not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Buildings	25 years
Improvements	25 years
Vehicles	5 years
Furniture and equipment	5 years

7. *Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of net 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 three items that meet this criterion: pension plan deferrals, special separation allowance deferrals, and other post-employment benefit obligation deferrals. In addition to liabilities, the statement of net 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 four items that meet the criterion for this category: property taxes receivable, pension plan deferrals, special separation allowance deferrals, and other post-employment benefit obligation deferrals.
8. *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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

9. *Compensated Absences* – The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, 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 Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at 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.

10. *Net Position/Fund Balance* –

Net Position

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

The governmental fund types classify fund balances as follows:

- a. *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.
- b. *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 for State statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." 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.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

- *Restricted for Debt Service – USDA* – Portion of fund balance restricted by the United States Department of Agriculture Rural Development to cover one year of debt service on the Town’s Waste Water Bond.
- *Restricted for Police Funds* – Portion of fund balance that is restricted by revenue source for allowable law enforcement purposes.
- c. *Committed Fund Balance* – Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town’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.
 - *Committed for Thorough Fare* – Portion of fund balance that the town has committed to street projects.
 - *Committed for Parks* – Portion of fund balance that the Town has committed to park projects.
 - *Committed for Utility Reserve* – Portion of fund balance that the Town has committed to utility projects.
- d. *Assigned Fund Balance* – Portion of fund balance that the Town intends to use for specific purposes.
- e. *Assigned Future Capital Projects* – Portion of fund balance that has been budgeted by the Board for future capital project needs.
- f. *Unassigned Fund Balance* – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Rolesville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance, classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

11. *Pensions* – For the 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 Rolesville’s employer contributions are recognized when due and the Town of Rolesville 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.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—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 agents in these units' names. 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 agents in their names. 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$85,927 and a bank balance of \$536,080. \$250,000 was covered by federal depository insurance, the remaining was collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. At June 30, 2020, the Town's petty cash fund totaled \$1,950.

2. *Investments* – At June 30, 2020, the Town had \$12,242,939 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.
 - a. *Interest Rate Risk* – The Town has no formal investment policy regarding interest rate risk.
 - b. *Credit Rate Risk* – The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020.

3. *Receivables* – Accounts receivable consists of amounts due for garbage collection.

An allowance for doubtful accounts with a balance of \$32,110 has been established for the garbage collection receivable. The allowance is based on management's estimate of the uncollectible portion.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

4. *Capital Assets* –

Primary Government

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,188,362	\$ 409,844	\$ -	\$ 12,598,206
Construction in progress	1,669,401	439,578	1,408,062	700,917
Capital assets being depreciated:				
Buildings	1,488,797	167,607	-	1,656,404
Other improvements	2,002,187	138,050	-	2,140,237
Equipment	624,057	91,174	-	715,231
Vehicles and motorized equipment	893,111	227,070	45,524	1,074,657
Infrastructure	26,461,382	3,753,700	-	30,215,082
Total capital assets being depreciated	<u>31,469,534</u>	<u>4,377,601</u>	<u>45,524</u>	<u>35,801,611</u>
Less accumulated depreciation for:				
Buildings	250,225	65,032	-	315,257
Other improvements	1,019,649	77,349	-	1,096,998
Equipment	302,421	123,985	-	426,406
Vehicles and motorized equipment	550,351	168,387	45,524	673,214
Infrastructure	8,368,855	997,037	-	9,365,892
Total accumulated depreciation	<u>10,491,501</u>	<u>1,431,790</u>	<u>45,524</u>	<u>11,877,767</u>
Total capital assets being depreciated, net	<u>20,978,033</u>	<u>2,945,811</u>	<u>-</u>	<u>23,923,844</u>
Governmental activities capital assets, net	<u>\$ 34,835,796</u>	<u>\$ 3,795,233</u>	<u>\$ 1,408,062</u>	<u>\$ 37,222,967</u>

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

General government	\$ 1,099,603
Public safety	224,698
Cultural and recreational	107,489
	<u>\$ 1,431,790</u>

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

B. Liabilities –

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System:

Plan Description – The Town of Rolesville is a participating employer in the statewide 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 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 on the member's contributions.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued):

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rolesville 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 Rolesville's contractually required contribution rate for the year ended June 30, 2020 was 9.70% of compensation for law enforcement officers and 9.060% 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 Rolesville were \$229,365 for the year ended June 30, 2020.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Town reported a liability of \$960,738 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.03518%, which was an increase of 0.00543% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$435,512. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 164,503	
Changes of assumptions	156,584	
Net difference between projected and actual earnings on pension plan investments	23,433	
Changes in proportion and differences between Town contributions and proportionate share of contributions	38,620	18,355
Town contributions subsequent to the measurement date	229,365	
	<u>\$ 612,505</u>	<u>\$ 18,355</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued):

\$229,365 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30</u>	
2021	\$ 176,264
2022	53,970
2023	99,201
2024	35,350
	<u>\$ 364,785</u>

Actuarial Assumptions – The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued):

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 forgoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figure. 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.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued):

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%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the Net Pension Liability (Asset)	\$ 2,197,384	\$ 960,738	\$ (67,165)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

b. Law Enforcement Officer's Special Separation Allowance:

Plan Description – The Town of Rolesville 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% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	1	0
Active plan members	12	18
	<u>13</u>	<u>18</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officer's Special Separation Allowance (continued):

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 following criteria which are outlined in GASB Statements 73.

Actuarial Assumptions – The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.50% to 7.35%, including inflation and productivity factor
Discount rate	3.26%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index determined as of December 31, 2018.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions – The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City'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 City paid \$-0- as benefits came due for the reporting period.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officer's Special Separation Allowance (continued):

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

At June 30, 2020, the town reported a total pension liability of \$374,857. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporation the actuarial assumptions. For the year ended June 30, 2020, the town recognized pension expense of \$23,465.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,618	\$ 97,152
Changes of assumptions and other inputs	26,042	12,686
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
	<u>\$ 64,660</u>	<u>\$ 109,838</u>

\$-0- reported as deferred outflows related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30

2021	\$ (11,831)
2022	(11,831)
2023	(11,139)
2024	(10,897)
2025	(7,649)
Thereafter	8,169
	<u>\$ (45,178)</u>

\$-0- paid as benefits came due and \$-0- of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officer's Special Separation Allowance (continued):

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate – The following presents the Town's total pension liability calculated using the discount rate of 3.26%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.26%) or one percentage point higher (4.26%) than the current rate:

	<u>1% Decrease</u> <u>(2.26%)</u>	<u>Discount Rate</u> <u>(3.26%)</u>	<u>1% Increase</u> <u>(4.26%)</u>
Town's proportionate share of the Net Pension Liability (Asset)	\$ 414,359	\$ 374,857	\$ 338,811

Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2020

Beginning balance	<u>\$ 280,368</u>
Changes for the year:	
Service cost	25,091
Interest on the total pension liability	10,205
Difference between expected and actual experience	45,097
Changes in assumptions or other inputs	<u>14,096</u>
Net change	<u>94,489</u>
Ending balance of the total pension liability	<u><u>\$ 374,857</u></u>

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officer's Special Separation Allowance (continued):

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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 435,512	\$ 23,465	\$ 458,977
Pension liability	960,738	374,857	810,369
Proportionate share of the net pension liability	0.03518%	N/A	
Deferred of Outflows of Resources:			
Differences between expected and actual experience	164,503	38,618	203,121
Changes of assumptions	156,584	26,042	182,626
Net difference between projected and actual earnings on plan investments	23,433	-	23,433
Changes in proportion and differences between contributions and proportionate share of contributions	38,620	-	38,620
Benefit payments and administrative costs paid subsequent to the measurement date	229,365	-	229,365
Deferred of Inflows of Resources:			
Differences between expected and actual experience	-	97,152	97,152
Changes of assumptions	-	12,686	12,686
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	18,355	-	18,355

c. Supplemental Retirement Income Plan:

Plan Description – The Town contributes to the Supplemental Retirement Income Plan (the “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 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.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (concluded)

c. Supplemental Retirement Income Plan (continued):

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. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020, were \$88,181, which consisted of \$64,144 from the Town and \$24,037 from the law enforcement officers. The Town also contributes 5% of the salary of employees not engaged in law enforcement to this plan.

2. Other Postemployment Benefit

Plan Description – Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided – The Town pays 50% of premiums for employees retiring at age 55 or later, who have at least ten years of service. The Town pays 100% of premiums for employees retiring at age 55 or later, who have at least fifteen years of service. At age 65, the Town subsidizes a Medicare supplement. The Town obtains health care coverage through private insurers.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Retirees receiving benefits	3
Active plan members	36
	39
	39

Total OPEB Liability – The Town’s total OPEB liability of \$1,324,409 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 7.75%, including inflation
Discount rate	3.50%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2020

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

2. Other Postemployment Benefit (continued)

Changes in the Total OPEB Liability

Balance at July 1, 2019	<u>\$ 1,361,150</u>
Changes for the year:	
Service cost	98,320
Interest	52,735
Changes of benefit terms	(5,101)
Differences between expected and actual experience	(142,330)
Changes in assumptions or other inputs	(29,268)
Benefit payments	<u>(11,097)</u>
Net changes	<u>(36,741)</u>
Balance at June 30, 2020	<u><u>\$ 1,324,409</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.50%)</u>	<u>Discount Rate</u> <u>(3.50%)</u>	<u>1% Increase</u> <u>(4.50%)</u>
Total OPEB Liability	\$ 1,652,457	\$ 1,324,409	\$ 1,076,434

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Detail notes on all funds (continued)

2. Other Postemployment Benefit (concluded)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Pre-Medicare 6.00%	Current Discount Rate Pre-Medicare 7.00%	Pre-Medicare 8.00%
	Medicare 4.00%	Medicare 5.00%	Medicare 6.00%
Total OPEB Liability	\$ 1,043,475	\$ 1,324,409	\$ 1,708,461

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the Town recognized OPEB expense of \$98,247. At June 30, 2020, the town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 460	\$ 128,349
Changes of assumptions	-	230,655
Benefit payments and administrative costs made subsequent to the measurement	7,924	-
	<u>\$ 8,384</u>	<u>\$ 359,004</u>

\$7,924 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30</u>	
2021	\$ (43,508)
2022	(43,508)
2023	(43,508)
2024	(43,508)
2025	(43,508)
Thereafter	(133,080)
	<u>\$ (350,620)</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 3—Other employment benefit

The Town has elected to provide death benefits to law enforcement 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 months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

Note 4—Deferred outflows and inflows of resources

The Town has several deferred inflows and outflows of resources which are disclosed in Note 1. Deferred inflows of resources in the General Fund are comprised of the following:

	<u>Amount</u>
Tax receivable, less penalties (General Fund)	\$ 44,211

Note 5—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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$5 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial insurance for all other risks of loss. 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 does not carry flood insurance due to the low risk of flooding in its geographical area.

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 and tax collector are each bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are covered under an employee dishonesty declaration for \$15,000 per occurrence.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6—Long-term obligations

A. *Lease Commitments* – The Town leases the copier, a skidsteer, a backhoe, and police department office space under operating leases. For the year ended June 30, 2020, total lease payments were \$122,258. The following is a schedule of future minimum lease payments required under these leases:

<u>Years Ending June 30</u>	
2021	\$ 122,258
2022	119,214
2023	120,514
2024	106,486
2025	82,524
	<u>\$ 550,996</u>

B. *Notes Payable* – In October 2017, the Town entered into a loan agreement with BB&T Bank to finance the purchase of a lot. The note payable to BB&T has a balance due at June 30, 2020 of \$1,721,000 due in two annual payments of \$216,000 followed by seven annual payments of \$215,000 plus interest at 2.23%. A final payment of all outstanding principal and interest in September 2027. The loan is secured by the property.

In December 2015, the Town entered into a loan agreement with BB&T Bank to finance the purchase of the town hall building. The note payable to BB&T has a balance at June 30, 2020 of \$1,045,000 due in annual installments of \$95,000 plus interest at 2.77%. A final payment of all outstanding principal and interest in December 2030. The loan is secured by the property.

In July 2015, the Town entered into a loan agreement with BB&T Bank to finance the purchase of a lot. A final payment of all outstanding principal and interest was paid July 2020.

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 311,000	\$ 67,325
2022	310,000	59,877
2023	310,000	52,451
2024	310,000	45,025
2025	310,000	37,599
Thereafter	1,215,000	84,027
	<u>\$ 2,766,000</u>	<u>\$ 346,304</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6—Long-term obligations (continued)

C. *General Obligation Indebtedness* – The Town’s general obligation bonds issued to finance the construction of facilities utilized in the operations of the sewer system and which are being retired by its resources, are reported in the statement of net position. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. In agreement with the Transfer Agreement of the Water and Sewer operations between the City of Raleigh and the Town of Rolesville, this debt is paid by the City of Raleigh.

Bonds payable at June 30, 2020 are comprised of the following individual issue:

\$600,000 1994 Sewer bonds due in annual installments through June 1, 2033; interest at 5.5%	<u>\$ 308,500</u>
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At June 30, 2020, the Town had no bonds authorized but unissued and a legal debt margin of \$84,889,401.

Annual debt source requirements to maturity for general obligation bonds including interest are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 21,500	\$ 16,968	\$ 38,468
2022	23,000	15,785	38,785
2023	24,000	14,520	38,520
2024	24,000	13,200	37,200
2025	24,000	11,880	35,880
Thereafter	192,000	47,520	239,520
	<u>\$ 308,500</u>	<u>\$ 119,873</u>	<u>\$ 428,373</u>

D. *Changes in Long-Term Liabilities* –

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Portion</u>
					<u>of Balance</u>
Governmental activities:					
Notes payable	\$ 3,145,494	\$ -	\$ 379,494	\$ 2,766,000	\$ 311,000
General obligation bonds	329,000	-	20,500	308,500	21,500
Compensated absences	175,331	41,939	-	217,270	-
Total OPEB liability	1,361,150	-	36,741	1,324,409	-
Net pension liability (LGERS)	706,009	254,729	-	960,738	-
Total pension liability (LEO)	280,368	94,489	-	374,857	-
Governmental activities long-term liabilities	<u>\$ 5,997,352</u>	<u>\$ 391,157</u>	<u>\$ 436,735</u>	<u>\$ 5,951,774</u>	<u>\$ 332,500</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6—Long-term obligations (continued)

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	\$ 7,116,495
Less:	
Stabilization by State statute	673,789
Streets - Powell Bill	624,423
Debt Covenant - USDA	40,465
Police Funds	36,668
Future Capital Projects	<u>533,000</u>
Remaining fund balance	<u><u>\$ 5,208,150</u></u>

Note 7—Contingencies

Federal and State Assisted Programs – The Town has received proceeds from several 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 agreements. 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 monies.

During 2020 an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Town’s revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

Note 8—Subsequent events

Management of the Town of Rolesville evaluated subsequent events through October 20, 2020, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF ROLESVILLE, NORTH CAROLINA

SCHEDULE OF CHANGES IN THE TOTAL OPEN LIABILITY AND RELATED RATIOS

LAST THREE FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service costs	\$ 98,320	\$ 104,609	\$ 119,031
Interest on the total pension liability	52,735	46,761	40,144
Changes in benefit terms	(5,101)		
Differences between expected and actual experience	(142,330)	279	331
Changes of assumptions	(29,268)	(100,894)	(173,686)
Benefit payments	<u>(11,097)</u>	<u>(6,179)</u>	<u>(5,819)</u>
Net change in total OPEB liability	(36,741)	44,576	(19,999)
Total OPEB liability, beginning of year	<u>1,361,150</u>	<u>1,316,574</u>	<u>1,336,573</u>
Total OPEB liability, end of year	<u>\$ 1,324,409</u>	<u>\$ 1,361,150</u>	<u>\$ 1,316,574</u>
Covered payroll	\$ 2,246,937	\$ 1,597,230	1,597,230
Total OPEB liability as a percentage of covered payroll	58.94%	85.22%	82.43%

Note to Schedule

Changes of Assumptions – Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

*This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

TOWN OF ROLESVILLE, NORTH CAROLINA
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF NET POSITION LIABILITY (ASSET)

LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Rolesville's proportion of the net pension liability (asset) (%)	0.03518%	0.02976%	0.03041%	0.03199%	0.02505%	-0.02420%	0.10760%
Rolesville's proportion of the net pension liability (asset) (\$)	\$ 960,738	\$ 706,009	\$ 464,581	\$ 678,935	\$ 112,423	\$ (142,719)	\$ 22,148
Rolesville's covered-employee payroll	\$ 2,128,329	\$ 1,759,967	\$ 1,672,632	\$ 1,533,212	\$ 1,317,493	\$ 1,047,054	\$ 911,050
Rolesville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.14%	40.11%	27.78%	44.28%	8.53%	-13.63%	23.29%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	94.00%	94.18%	91.47%	98.09%	102.64%	94.35%

The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

*This will be the same percentage for all participant employers in the LGERS plan.

*This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

TOWN OF ROLESVILLE, NORTH CAROLINA
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS

LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 229,365	\$ 174,085	\$ 139,968	\$ 128,443	\$ 106,508	\$ 95,820	\$ 75,358
Contributions in relation to the contractually required contribution	229,365	174,085	139,968	128,443	106,508	95,820	75,358
Contribtuion deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rolesville's covered-employee payroll	\$ 2,440,998	\$ 2,128,329	\$ 1,759,967	\$ 1,672,632	\$ 1,533,212	\$ 1,317,493	\$ 1,047,054
Contributions as a percentage of covered-employee payroll	9.40%	8.18%	7.95%	7.68%	6.95%	7.27%	7.20%

*This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

TOWN OF ROLESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 280,368	\$ 382,809	\$ 340,904	\$ 328,651
Service cost	25,091	22,743	20,537	21,218
Interest on the total pension liability	10,205	12,097	13,159	11,528
Difference between expected and actual experience	45,097	(124,211)	(17,279)	-
Changes in assumptions or other inputs	14,096	(13,070)	25,488	(8,996)
Benefit payments				<u>(11,497)</u>
Ending Balance of the Total Pension Liability	<u>\$ 374,857</u>	<u>\$ 280,368</u>	<u>\$ 382,809</u>	<u>\$ 340,904</u>

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

*This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

TOWN OF ROLESVILLE, NORTH CAROLINA

LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 374,857	\$ 280,368	\$ 382,809	\$ 340,904
Covered payroll	\$ 1,101,978	\$ 1,035,648	\$ 969,967	\$ 929,972
Total pension liability as a percentage of covered payroll	34.02%	27.07%	39.47%	36.66%

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

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

*This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

INDIVIDUAL FUND SCHEDULES

TOWN OF ROLESVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current and prior years	\$ 4,946,800	\$ 5,172,259	\$ 225,459
Other Taxes and Licenses:			
Wake County sales tax		1,668,659	
Privilege licenses		85	
Total Other Taxes and Licenses	1,401,640	1,668,744	267,104
Unrestricted Intergovernmental:			
Franchise tax		443,668	
Beer and wine		28,550	
Wake County ABC revenue		54,036	
Court fees		2,214	
Other intergovernmental		2,503	
Total Unrestricted Intergovernmental	493,980	530,971	36,991
Restricted Intergovernmental:			
Powell Bill allocation		209,380	
Grants		215,255	
Total Restricted Intergovernmental	447,843	424,635	(23,208)
Permits and Fees:			
Building permits	137,100	179,576	42,476
Sales and Services:			
Recreation fees and concessions		151,698	
Environmental protection fees		716,909	
Total Sales and Services	895,450	868,607	(26,843)
Investment earnings	95,000	87,227	(7,773)
Miscellaneous:			
Miscellaneous		(80,715)	
Utility fees		38,595	
Zoning and subdivision fees		102,708	
Total Miscellaneous	57,000	60,588	3,588
Total Revenues	8,474,813	8,992,607	517,794

TOWN OF ROLESVILLE, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL (CONTINUED)**

YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government:			
Governing body:			
Salaries	\$ 57,800	\$ 53,761	\$ 4,039
Administration:			
Salaries and employee benefits		925,941	
Operating expenses		1,803,494	
Capital outlay		16,038	
Total Administration	<u>2,989,515</u>	<u>2,745,473</u>	<u>244,042</u>
Total General Government	<u>3,047,315</u>	<u>2,799,234</u>	<u>248,081</u>
Public Safety:			
Salaries and employee benefits		1,797,865	
Operating expenses		434,921	
Capital outlay		277,878	
Total Public Safety	<u>2,648,423</u>	<u>2,510,664</u>	<u>137,759</u>
Recreation:			
Salaries and employee benefits		380,786	
Operating expenses		263,545	
Capital outlay		139,742	
Total Recreation	<u>1,091,780</u>	<u>784,073</u>	<u>307,707</u>
Environmental Protection:			
Contracted services	<u>624,000</u>	<u>613,585</u>	<u>10,415</u>
Public Works:			
Salaries and employee benefits		253,624	
Operating expenses		357,952	
Capital outlay		301,691	
Total Public Works	<u>1,088,226</u>	<u>913,267</u>	<u>174,959</u>
Debt Service:			
Principal retirement	184,500	183,994	
Interest and other charges	51,395	50,968	
Total Debt Service	<u>235,895</u>	<u>234,962</u>	<u>933</u>
Total Expenditures	<u>8,735,639</u>	<u>7,855,785</u>	<u>879,854</u>

TOWN OF ROLESVILLE, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL (CONTINUED)**

YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues Over (Under) Expenditures	<u>\$ (260,826)</u>	<u>\$ 1,136,822</u>	<u>\$ 1,397,648</u>
Other Financing Sources (Uses):			
Transfer to capital project fund	<u>(350,000)</u>	<u>(350,000)</u>	<u> </u>
Total Other Financing Sources (Uses)	<u>(350,000)</u>	<u>(350,000)</u>	<u> -</u>
Appropriated fund balance	<u>610,826</u>	<u> -</u>	<u>(610,826)</u>
Net change in fund balance	<u>\$ -</u>	<u>786,822</u>	<u>\$ 786,822</u>
Fund balances, beginning of year		<u>6,329,673</u>	
Fund balances, end of year		<u>\$ 7,116,495</u>	

TOWN OF ROLESVILLE, NORTH CAROLINA
CAPITAL PROJECTS FUND – PARKS AND RECREATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL

FROM INCEPTION AND YEAR ENDED JUNE 30, 2020

	Project	Prior	Actual	Total to	Variance
	Authorization	Year	Current	Date	Positive
			Year		(Negative)
Revenues:					
Park fees	\$ -	\$ 403,730	\$ 593,600	\$ 997,330	\$ 997,330
Street fees	1,124,000	1,101,683	1,062,870	2,164,553	1,040,553
Intergovernmental	-	-	492,825	492,825	492,825
Investment earnings	-	77,881	39,095	116,976	116,976
Total Revenues	1,124,000	1,583,294	2,188,390	3,771,684	2,647,684
Expenditures:					
Capital outlay	3,170,000	2,339,733	1,468,483	3,808,216	638,216
Debt Service:					
Principal retirement	-	-	216,000	216,000	216,000
Interest and other charges	-	-	43,195	43,195	43,195
Total Debt Service	-	-	259,195	259,195	259,195
Total Expenditures	3,170,000	2,339,733	1,727,678	4,067,411	897,411
Revenues under expenditures	(2,046,000)	(756,439)	460,712	(295,727)	1,750,273
Other Financing Sources:					
Transfer from general fund	350,000	-	350,000	-	-
Appropriation of fund balance	1,676,000	-	-	-	1,676,000
Total Other Financing Sources	2,046,000	-	350,000	-	1,676,000
Net change in fund balance	\$ -	\$ (756,439)	810,712	\$ (295,727)	\$ (295,727)
Fund balance, beginning of year			2,897,556		
Fund balance, end of year			\$ 3,708,268		

TOWN OF ROLESVILLE, NORTH CAROLINA
CAPITAL PROJECTS FUND – UTILITY RESERVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL

FROM INCEPTION AND YEAR ENDED JUNE 30, 2020

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -	\$ 38,480	\$ 24,058	\$ 62,538	\$ 62,538
Total Revenues	<u>-</u>	<u>38,480</u>	<u>24,058</u>	<u>62,538</u>	<u>62,538</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Under Expenditures	<u>\$ -</u>	<u>\$ 38,480</u>	<u>24,058</u>	<u>\$ 62,538</u>	<u>\$ 62,538</u>
Fund balance, beginning of year			<u>1,772,592</u>		
Fund balance, end of year			<u>\$ 1,796,650</u>		

OTHER SCHEDULES

TOWN OF ROLESVILLE, NORTH CAROLINA
GENERAL FUND –
SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019 - 2020	\$ -	\$ 5,111,874	\$ 5,101,219	\$ 10,655
2018 - 2019	4,819	-	2,571	2,248
2017 - 2018	727	-	159	568
2016 - 2017	709	-	39	670
2015 - 2016	226	-	-	226
2014 - 2015	415	-	-	415
2013 - 2014	2,210	-	1	2,209
2012 - 2013	3,007	-	48	2,959
2011 - 2012	2,723	-	-	2,723
2010 - 2011	2,121	-	-	2,121
2009 and prior	19,397	-	(20)	19,417
	<u>\$ 36,354</u>	<u>\$ 5,111,874</u>	<u>\$ 5,104,017</u>	<u>\$ 44,211</u>

Reconciliation with revenue:

Ad valorem taxes - General Fund	\$ 5,172,259
Reconciling items:	
Rebates, refunds, and other fees paid to the NC Division of Motor Vehicles	<u>(68,242)</u>
Total Collections and Credits	<u>\$ 5,104,017</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY

YEAR ENDED JUNE 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 1,064,973,765	0.48	\$ 5,111,874	\$ 4,634,978	\$ 476,896
Registered motor vehicles taxes at prior year's rate	-		-	-	-
Total	<u>\$ 1,064,973,765</u>		5,111,874	4,634,978	476,896
Uncollected taxes at June 30, 2020			(10,655)	(10,655)	-
Current year's taxes collected			<u>\$ 5,101,219</u>	<u>\$ 4,624,323</u>	<u>\$ 476,896</u>
Current levy collection percentage			<u>99.79%</u>	<u>99.77%</u>	<u>100.00%</u>

COMPLIANCE SECTION

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

To the Honorable Mayor and Members
of the Board of Commissioners
Town of Rolesville
Rolesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rolesville, North Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") as a basis of designing 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'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chemy Bekaert LLP

Raleigh, North Carolina
October 20, 2020