



# ROWAN COUNTY

## NORTH CAROLINA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017



# ROWAN COUNTY NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017

PREPARED BY THE ROWAN COUNTY FINANCE DEPARTMENT

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COUNTY**

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NORTH CAROLINA

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*Be an original.*

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# INTRODUCTORY SECTION





February 16, 2018

To the Board of Commissioners and the  
Citizens of Rowan County, North Carolina

Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to those requirements, the annual financial report of Rowan County (the County) is hereby issued for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, County management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh the benefits, the County's internal control structure has been designed to provide reasonable, rather than

absolute, assurance that the financial statements will be free from material misstatement. Rowan County management asserts, to the best of its knowledge and belief, that this financial report is complete and reliable in all material respects.

Martin Starnes & Associates, CPAs, P.A., a firm of licensed certified public accountants, has audited the County's financial statements for the fiscal year ended June 30, 2017. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and State grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. Results of the Single Audit can be found in the compliance section of this report.

The County is required to present a Management's Discussion and Analysis (MD&A) section as an introduction to the financial information. This section immediately follows the auditor's opinion and provides an overview and analysis of the County's significant transactions in fiscal year 2017. This letter of transmittal is written to complement the MD&A.

## PROFILE OF ROWAN COUNTY

Rowan County was established in 1753 and is located in the southern piedmont section of the State. It occupies 511 square miles and lies approximately fifty miles southwest of Greensboro and forty-two miles northeast of Charlotte. The County's location offers quick access to international airports in each of these Cities. The County is bounded on the west by Iredell County, on the north by Davie and Davidson Counties, and on the south by Cabarrus and Stanly Counties.



The County's population of 140,970 ranks twenty-first among the State's one hundred counties. Approximately 45 percent of the population resides within the borders of ten municipalities. The largest municipality located totally within the County is the City of Salisbury, with a population of 34,459. The other municipalities are China Grove, Cleveland, East Spencer, Faith, Granite Quarry, Kannapolis, Landis, Rockwell and Spencer. A unique mix of urban and rural areas distinguishes Rowan from other counties and provides something for every lifestyle.

The County operates under the Commission-Manager form of government. Policy-making and legislative authority are vested in a governing board consisting of five commissioners. The governing board is responsible for, among other things, approving ordinances, adopting a balanced budget, appointing committees, and hiring the County's manager, attorney and tax administrator. The board is elected on a partisan basis. Board members serve four-year staggered terms, with new members (two or three) elected every two years. The County's manager serves at the pleasure of the board as the County's chief executive officer. The manager's responsibilities include carrying out the policies and ordinances of the governing board, overseeing the daily operations of the government, appointing the directors of the various departments, and submitting the annual budget to the board for consideration.

The County provides a wide range of services, such as public safety, human services, cultural and recreational activities, and general administrative services, as well as funds for education. Additionally, the County owns and operates an airport and landfill. This annual report includes all funds of the County, including all activities considered to be part of (controlled by or dependent on) the County.

The budget serves as the foundation for the County's financial planning and control. As required by the North Carolina Budget and Fiscal Control Act, the County adopts an annual budget for all governmental and proprietary operating funds, except those authorized by project ordinances that are multi-year in nature. The budget is prepared by fund, function (e.g., public safety) and department (e.g., law enforcement). The County's manager may transfer amounts between objects of expenditures and revenues within a fund without limitation. However, the governing board must approve transfers between funds and appropriations that increase or decrease a fund's total budget.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

Ideally situated between the Charlotte and Piedmont Triad metro regions of North Carolina, Rowan County is part of the growing corridor along Interstate-85 (I-85). The County's economy has evolved over the last 30 years from a primarily agricultural and textile-based economy to a diverse mix of agriculture, manufacturing, commercial, energy and service sectors.

As has occurred nationally, the economy in the County continued to strengthen in fiscal year 2017. The labor market continues to show encouraging signs of recovery from the Great Recession. The County's unemployment rate for the year ended June 30, 2017 is 4.3 percent, which is slightly higher than the State rate of 4.2 percent, but lower than the national rate of 4.5 percent. This 4.3 percent rate is 26.0 percent less than it was at the end of the previous fiscal year. Retail sales also continued to grow. Sales tax collections increased by 5.5 percent during fiscal year 2017.

The County's average wage is currently \$19.95, the third highest among counties in the Charlotte metro region and fourteenth overall amid the State's 100 counties. This average wage reflects growth of 2.5 percent from the previous year.

In March 2017, the County received a bond rating upgrade from AA to AA+ from Fitch Ratings. Fitch cited the County's low long-term liability burden, superior financial resilience, stable economy, flexible labor conditions and a willingness to raise revenues to support the County's ability to maintain solid reserves as factors of the upgrade.

Rowan County will continue to pursue new business investments, while placing a renewed emphasis on growing its existing industries. The County will specifically focus on ensuring that adequate industrial building and land product is available to support additional growth with the expectation of continued positive economic trends in the near future. The following significant projects were announced, under construction or completed during fiscal year 2017:

- ↳ Speculative Buildings - Construction is underway for the first of two Class-A industrial buildings in Granite Quarry. This modern, 150,000 square-foot facility should be completed in the spring of 2018. Work on a second, 100,000 square-foot building is scheduled to begin in the summer of 2018. Easter Creek Partners LLC, a Welcome, NC-based commercial and industrial development company, purchased land in the County's new Granite Industrial Park for the new buildings. These will be the first speculative buildings constructed in the County in several years and should allow more opportunities for business development, as well as provide millions of dollars in investment.
- ↳ R+L Carriers - The international trucking company announced plans to expand its terminal in China Grove and invest \$7.0 million in improvements to the facility. As part of the expansion, R+L Carriers will create 40 jobs over the next five years.
- ↳ FillTech - FillTech is a Rockwell-based company whose primary focus is turn-key, private label product development and manufacturing. The Company provides items such as high quality lip balms, sunscreens, hand sanitizers and other personal care products for leading retailers such as Food Lion, Walmart, Dollar Tree, CVS and Walgreens. FillTech is currently building a new 40,000 square-foot facility in Rockwell in order to consolidate operations and streamline its manufacturing process. The Company is investing \$4.0 million for the new facility and plans to create 23 new jobs by the end of 2019.
- ↳ Amrep, Inc. - Construction is currently underway in the County on a 40,000 square-foot facility for this Ontario, CA-based manufacturer of refuse equipment. Amrep is considered a premier refuse body company due to its introduction of numerous innovations to the waste-hauling industry. The Company plans to invest \$1.5 million for the new manufacturing facility and create 40 new jobs by the end of 2020.

- ✦ Royce Apparel - The Kannapolis-based producer of casual clothing and licensed collegiate sports apparel under the brand names of Pressbox, Buoy and Royce relocated its corporate headquarters to an existing Rowan County facility in July 2016. The Company also recently announced the launching of its first on-line store. Royce Apparel plans to employ 30 people at the newly renovated facility.
- ✦ Boral Composites - This independent subsidiary of Boral Brick manufactures building composites, comprised of recycled and rapidly-renewable materials, used for home exteriors. The Company has announced plans to expand its current operations in the County. Boral Composites will create 15 new jobs, distributed among its East Spencer and Salisbury facilities, as part of this expansion. The Company will also invest approximately \$5.0 million in equipment and improvements for these facilities.
- ✦ Makson Incorporated – Makson is a locally-based general contracting and development company that provides qualified project managers in the areas of commercial plumbing, HVAC, fire protection, and alarm and electrical design. The Company purchased land from the County to build a 20,000 square-foot warehouse and a 30,000 square-foot corporate headquarters. Makson plans to invest approximately \$1.5 million in the new facilities and add 12 to 15 new jobs each year for the next five years.

RowanWORKS was established by the County and municipalities to coordinate the recruitment of businesses and jobs to the County. A goal of the recruitment process is to maintain business diversification, whereby no single industry dominates the job market and materially affects the County's economic future with changing business cycles. To provide guidance for this effort, the County has adopted a Land Use Plan. With strategic transportation access, availability of infrastructure, a well-trained workforce, nationally recognized educational institutions and local financial incentives, Rowan County is actively engaged in attracting and assisting businesses seeking to relocate or expand within the County.

**Long-Term Capital Planning and Major Initiatives**

Infrastructure management and systematic capital improvements are cornerstones of the County's long-term capital planning process. As with any successful planning process, the source of funding for improvements is given a great deal of consideration. With the exceptions noted below, the Board of Commissioners has traditionally met capital funding requirements through the use of existing revenues within the General Fund, primarily from growth in the County's tax base and sales tax collections.

In North Carolina, counties are required by State statutes to provide adequate public school and judicial facilities. In these two areas, the Board has had to identify additional funds because the costs of capital projects often exceed the County's ability to absorb the required debt service. County citizens have responded favorably to improving educational facilities by passing bond referendums in 1993, 2002 and 2010, which allowed the County to incur indebtedness and increase the tax rate as needed for payment of the bonds.

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In June 2016, the Board of Commissioners entered into a contract with Shelter Guardians, Inc. to construct a new canine intake and surgery facility at the Rowan County Animal Shelter. The facility allows incoming canines to be examined upon arrival by the staff veterinarian and the Shelter to operate an in-house spay and neuter program for adopted animals. Shelter Guardians, Inc., agreed to complete the project and pay all associated costs. The facility was completed in January 2017 and donated to the County as a charitable contribution.

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The County has continued its investment in the Mid-Carolina Regional Airport, which is owned and operated by the County. During the year, the County completed construction of a 15,000 square-foot corporate hangar. Engineering fees and construction costs were \$2.3 million. The new hangar is currently leased by Med-Trans Corporation to house its medical transport helicopter that is used primarily by Novant Health Rowan Medical Center.

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There were also significant capital investments to support education. In fiscal year 2016, the County borrowed \$2.5 million for Rowan-Cabarrus Community College capital improvements. Funded projects included the design and construction of a central chiller plant to serve the air conditioning needs of five campus buildings and dental improvements for the Health Science Program. The HVAC improvements will reduce operating (energy) costs and provide redundancy for all serviced buildings at the College's North Campus. Construction was completed during fiscal year 2017.

For the Rowan-Salisbury School System, contracts were let for security improvements and roofing renovation projects at ten schools during the 2017 fiscal year. The roofing projects were approximately 50 percent complete at year end. The County borrowed \$6.5 million to finance these improvements.

The County and the School System also moved forward with a consolidated elementary school project. The new school will be located in the western part of the County to serve the Woodleaf and Cleveland communities. A site has been selected and purchased and the design work by SFL&A Architects finalized. Construction is scheduled to begin in the fall of 2017. The County will borrow \$27.5 million for this project.

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In September 2015, the County received a Water and Sewer Study prepared by McGill Associates. The Study evaluated the feasibility and costs of providing water and sewer services to potential industrial and commercial sites, as well as residential customers, in north and south targeted areas of the County. The County has entered into a Master Services Agreement and Task Orders with McGill to provide design, bidding and construction administration services for a Long Ferry Road to Dukeville Road water main in northeastern Rowan County. Construction is scheduled to begin in 2018. The project will include 6,800 linear feet of 12-inch diameter water lines, together with valves, hydrants and associated appurtenances. It is assumed that the project will be constructed entirely within the existing NCDOT right-of-way. McGill Associates is also under contract with the County to prepare an Interstate-85 South Corridor Land Use Master Plan and provide guidance in establishing a Water and Sewer Enterprise Fund for fiscal year 2019.

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The County completed construction of a new Emergency Medical Services station in Rockwell during the fiscal year. The station is needed to decrease emergency response times in Rockwell and the surrounding areas. The cost of the new station was \$0.6 million. The station will be operational during the 2018 fiscal year.



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The County has contracted with Ramsay Burgin Smith Architects to design a new library to provide services in western Rowan County. The County will consider repurposing the existing Cleveland Elementary School media center after the consolidation of Cleveland and Woodleaf Elementary Schools into a new West Rowan Elementary School. Construction of the new library is proposed to begin in 2018.

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During fiscal year 2017, construction of a new landfill gas collection and control system (GCCS) at the Rowan County Landfill was substantially completed at a cost of \$1.1 million. Revenues generated from normal landfill operations paid for this project. The GCCS will allow the County to eliminate nuisance landfill gas odors, successfully achieve compliance initiatives and evaluate the potential for future landfill gas-to-energy projects.

**Relevant Financial Policies and Practices**

The investment policy of the County is guided to a large extent by State statutes. The County believes strongly in making the best possible use of idle cash resources and, as a result, investments have been made in securities to take advantage of market fluctuations, while ensuring ample funds are available as needed to meet disbursement requirements. This approach allows the County to maximize financial return within the parameters of acceptable risk.

As noted earlier, the County adopts a balanced annual operating budget (i.e., estimated revenues, other financing sources and appropriated fund balance equal to expenditure appropriations and other financing uses) each year. At the beginning of the fiscal year, budgeted General Fund revenues and other financing sources were less than appropriations and other financing uses (\$136.7 million v. \$146.3 million). Fund balance was appropriated to close the gap. The amount necessary for this purpose in the original budget was \$9.6 million, which increased to \$13.7 million in the final amended budget. These reserves were budgeted, in part, to fund capital projects such as a new EMS station in the eastern part of the County and roofing improvements, saving interest and other financing costs. Due to the County’s practices of conservatively budgeting revenues and constantly monitoring departmental spending, total fund balance during the year actually increased by \$1.0 million.

***OTHER ACCOMPLISHMENTS***

Under the leadership of the Rowan County Board of Commissioners, the County Manager and the Information Technology Department, Rowan County put into motion goals to create a County-wide social media presence and develop a new County website. These efforts resulted in the County receiving top-ten status in the 2017 Digital Counties Survey through the National Association of Counties and the Center for Digital Government. The honor is awarded to counties that undertake initiatives that streamline delivery of services, encourage collaboration and shared services, enhance cybersecurity and reduce carbon emissions. Rowan County was the only North Carolina County selected among those with a population of less than 150,000.

Catawba College was named one of the 20 Best Value Small Colleges for an Environmental Science degree in 2016-2017. Catawba ranks eighth on the list of twenty institutions cited by Best Value Schools. The College was recognized in part for offering specializations “that only a handful of schools in the entire Country offer including environmental and outdoor education, natural resource management, and sustainable planning and leadership.” Best Value Schools cited Catawba’s on-campus, nearly 200-acre Stanback Ecological Preserve with its waterfowl impoundment as a frequent site for undergraduate field research, as well as its greenhouse and science exploratorium and study center. Catawba was also recognized for managing a 300-acre wildlife refuge located within seven miles of its campus.

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Once again, the *Carolina Field Trips* magazine named four Rowan County attractions in its 2016-2017 school year survey of North Carolina’s most attended field trip destinations:

- ★ Lazy 5 Ranch was named the State’s second largest field trip attraction. The Ranch offers a 3.5-mile tour by car or horse-drawn wagon of over 750 animals from all over the world.
- ★ Dan Nicholas Park was named the State’s fourth largest field trip attraction. The activities at this 425-acre, County-owned park include a petting zoo, nature center, fresh water aquarium, train, carousel, gem mine, lake for paddle boats and fishing, picnic shelters, playgrounds, tennis courts, ball fields, miniature golf course and 79 camp sites.
- ★ Patterson Farm was ranked 21<sup>st</sup> on the State’s list of field trip attractions. The third-generation produce and plant farm offers tours and educates visitors about North Carolina farming. The farm also allows visitors to pick their own strawberries, tomatoes and pumpkins.
- ★ Tiger World was ranked 24<sup>th</sup> on the State’s list of field trip attractions. Tiger World is a nonprofit animal conservation and educational center dedicated to the rescue, rehabilitation and preservation of exotic animals. The organization offers guided tours that provide hands-on experience.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Certificate of Achievement for Excellence in Financial Reporting**

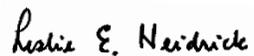
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rowan County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the fifteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

I appreciate the assistance and dedication of the Finance Department staff throughout the year, especially during the preparation of this report. I would like to thank the County's independent certified public accountants, Martin Starnes & Associates, CPAs, P.A., for their assistance and each County department for their cooperation as we work together to conduct the County's financial operations. I would also like to express my appreciation to the members of the Board of Commissioners and the County Manager for their continued support and guidance in planning and conducting the financial activities of the County in a responsible and progressive manner. The County's excellent financial status is a tribute to that involvement.

Respectfully submitted,



Leslie E. Heidrick  
Assistant County Manager/Finance Director

**ROWAN COUNTY, NORTH CAROLINA**  
**LIST OF PRINCIPAL OFFICIALS**  
**ELECTED AND DESIGNATED**  
**June 30, 2017**

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***Board of County Commissioners***

Chairman	Greg Edds
Vice-Chairman	Jim Greene
Member	Mike Caskey
Member	Judy Klusman
Member	Craig Pierce

***Other Elected Officials***

Register of Deeds	John Brindle
Sheriff	Kevin Auten

***County Manager***

Aaron Church

***Assistant County Manager/Finance Director***

Leslie Heidrick

***Clerk to the Board/Assistant to the County Manager***

Carolyn Barger

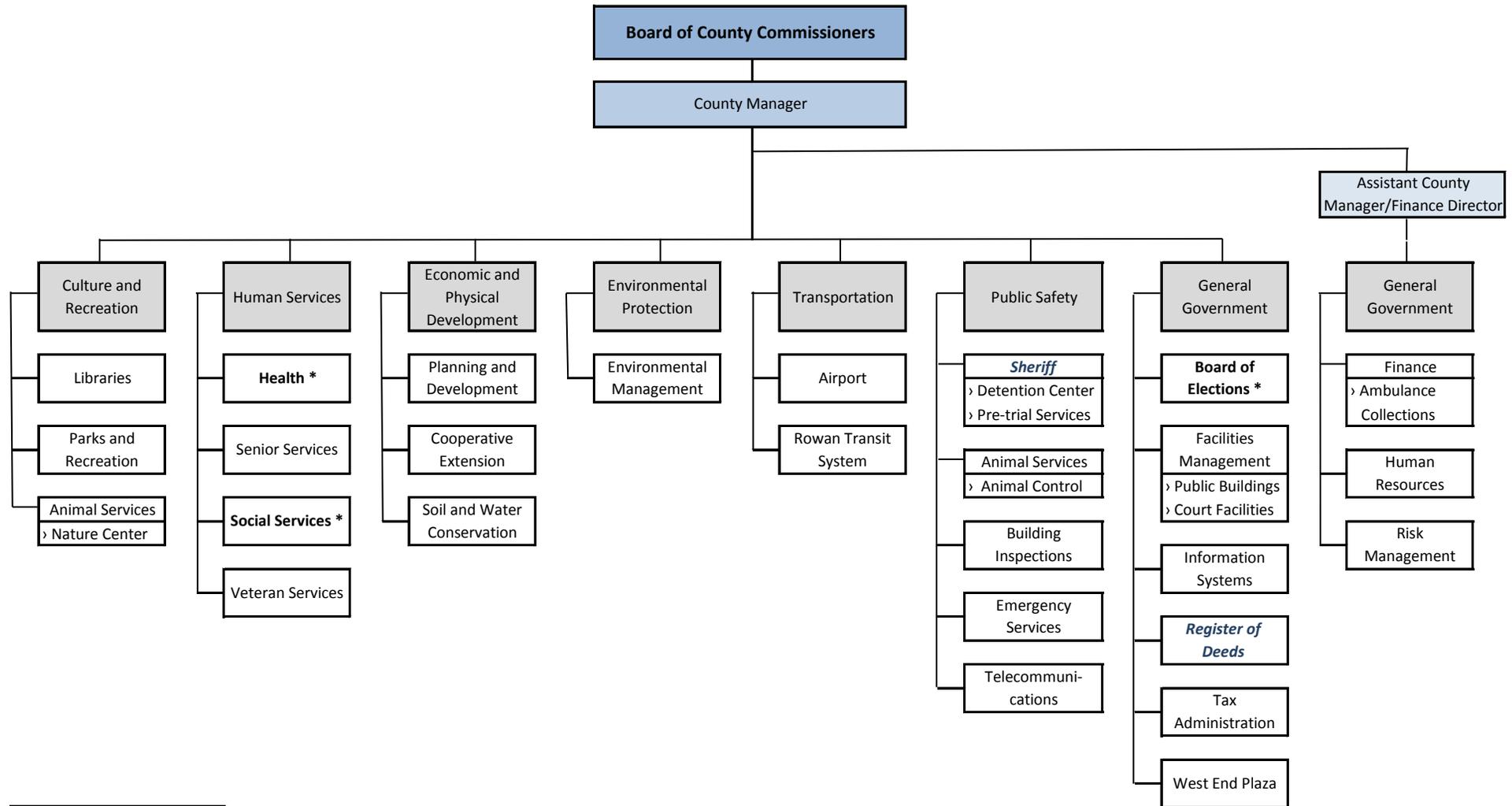
***County Attorney***

John W. "Jay" Dees, II

***County Department Directors***

Airport	Thad Howell
Animal Services	Bob Pendergrass
Board of Elections	Nancy Evans
Building Inspections	Thomas O'Kelly
Cooperative Extension	Amy-Lynn Albertson
Emergency Services	Frank Thomason
Environmental Management	Caleb Sinclair
Facilities Management	Don Bringle
Finance	Leslie Heidrick
Health	Nina Oliver
Human Resources	Darlene Boling
Information Systems	Randy Cress
Libraries	Jeff Hall
Parks and Recreation	Don Bringle
Planning and Development	Ed Muire
Rowan Transit System	Gary Price
Social Services	Donna Fayko
Soil and Water Conservation	Chris Sloop
Tax Administration	Kelvin Byrd
Telecommunications	Allen Cress
Veterans Services	Gary Price
West End Plaza	Don Bringle

**ROWAN COUNTY, NORTH CAROLINA  
ORGANIZATIONAL CHART  
(FUNDED BY COUNTY)**



**LEGEND**

*Elected Officials*

\* Appointed in whole or in part by others



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Rowan County  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

# FINANCIAL SECTION

**ROWAN  
COUNTY**

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NORTH CAROLINA

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*Be an original.*

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Independent Auditor's Report**

To the Board of Commissioners  
Rowan County, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rowan County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County'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 did not audit the financial statements of Rowan County Tourism Development Authority, which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rowan County Tourism Development Authority, is based solely on the report of the other auditors. 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 from material misstatement. The financial statements of the Rowan County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rowan County, North Carolina, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, 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.

### ***Change in Accounting Principle***

As discussed in Note 8 to the financial statements, for fiscal year ended June 30, 2017, Rowan County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability (Asset) and County Contributions, the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We and the other auditors 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 Rowan County's basic financial statements. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical tables, as well as the Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018, on our consideration of Rowan County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rowan County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rowan County's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
February 16, 2018

## ROWAN COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Rowan County, North Carolina (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

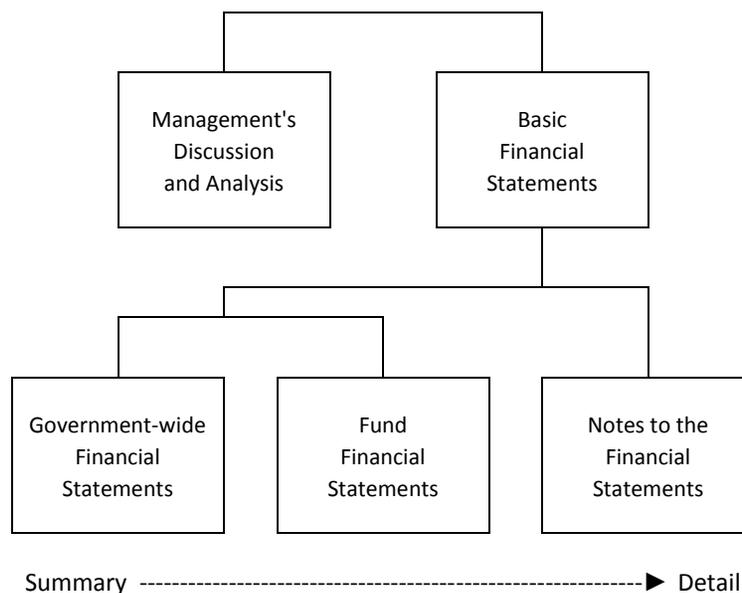
- On the government-wide statement of net position, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$94.0 million (*net position*). The County's net position is impacted considerably by the debt the County has issued on behalf of the School Systems and Community College to fund school capital outlay. Under North Carolina law, the County is responsible for providing capital funding for schools. The County has chosen to meet its legal obligation by issuing general obligation and installment purchase debt. The capital assets are funded by the County; however, they are titled to and utilized by the School Systems and Community College. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, the outstanding balance of school-related debt was \$43.3 million.
- The County's total net position increased by \$8.8 million, primarily due to the retirement of general obligation bonds issued for school capital needs and management's focus on monitoring spending and maximizing revenue collection. Furthermore, net position decreased by \$1.9 million due to a prior period adjustment to record beginning pension liability as it relates to the implementation of GASB Statement 73.
- As of the close of the 2017 fiscal year, the County's governmental funds reported combined ending fund balances of \$55.8 million. Approximately 44.3 percent of this total amount, or \$24.7 million, is restricted or nonspendable.
- At the end of the 2017 fiscal year, total fund balance, available fund balance and unassigned fund balance for the General Fund were \$51.5 million, \$34.9 million and \$18.5 million, respectively. These fund balance amounts represent 36.5 percent, 24.7 percent and 13.1 percent of General Fund expenditures and transfers out.
- The County's general obligation and installment financing debt decreased by \$6.7 million, or 10.3 percent, during the 2017 fiscal year. The key factor in this decrease was the retirement of \$8.5 million of general obligation debt.
- During the fiscal year, Fitch Ratings raised its underlying rating on the County's outstanding general obligation bonds from AA to AA+. The County also maintained its Aa2 bond rating from Moody's Investors Service for the seventh consecutive year and its AA- bond rating from Standard and Poor's Corporation for the eighth consecutive year. These bond ratings are clear indications of the sound financial condition of the County.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The basic financial statements consist of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County 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 County.

### Required Components of Annual Financial Report

Figure 1



## Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. The statements provide both short and long-term information about the County's financial status, using the full-accrual basis of accounting in a manner similar to a private-sector business.

The two government-wide statements report the County's net position and how it has changed. Net position reported on the *statement of net position* is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition. The *statement of activities* presents information showing how the County's net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The two government-wide statements are each divided into two categories: governmental activities and business-type activities. The governmental activities include most of the County's basic services such as education, human services, public safety, culture and recreation, and general government services. Property and other taxes, as well as State and federal grant funds, finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the aviation and landfill services offered by the County.

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

The next statements within the basic financial statements are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government at a more detailed level than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statement; 3) the proprietary funds statements; and 4) the fiduciary funds statement.

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 County, 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 County's budget ordinance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. Governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a current financial resources focus. 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 County adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County 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 variance between the final budget and the actual resources and charges.

**Proprietary Funds** - The County has three proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its airport and landfill activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County uses an internal service fund to account for its risk management activity. Because this operation benefits both governmental and business-type activities, the internal service fund has been allocated between these activities in the government-wide financial statements.

**Fiduciary Funds** - The County has one type of fiduciary funds. *Agency Funds* are used to account for assets the County holds on behalf of others. The County has three agency funds that are used to account for a) monies held by the Rowan County Department of Social Services on behalf of clients, b) property taxes collected for and remitted to municipalities within the County, and c) fines, forfeitures and fees that are collected from citizens and disbursed to the School Systems or the State Treasurer as required by North Carolina law.

The fund financial statements are on Exhibits 3 through 9 of this report.

The final section of the basic financial statements is the **Notes to the Financial Statements**. The notes are essential to a full understanding of the data provided in the government-wide and fund financial statements because they explain in detail some of the data contained in those statements. The notes to the financial statements can be found on pages 2-37 through 2-95 of this report.

After the notes, this report presents certain required supplemental information concerning the County's progress in funding its obligation to provide pension and other postemployment benefits. The combining statements are then provided to show details about the County's major and non-major governmental funds, as well as enterprise, internal service and agency funds. Budgetary information required by the General Statutes also can be found in this part of the report. Finally, other schedules are provided to detail ad valorem tax information.

#### Government-wide Financial Analysis

	<b>Rowan County's Net Position</b>					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 77,954,343	\$ 72,176,007	\$ 19,742,086	\$ 19,154,247	\$ 97,696,429	\$ 91,330,254
Capital assets	71,205,860	71,546,161	20,655,368	17,893,758	91,861,228	89,439,919
Total assets	<u>149,160,203</u>	<u>143,722,168</u>	<u>40,397,454</u>	<u>37,048,005</u>	<u>189,557,657</u>	<u>180,770,173</u>
Total deferred outflows of resources	<u>9,625,771</u>	<u>2,917,554</u>	<u>362,721</u>	<u>99,033</u>	<u>9,988,492</u>	<u>3,016,587</u>
Long-term liabilities outstanding	75,369,382	71,489,985	15,666,836	14,843,790	91,036,218	86,333,775
Other liabilities	<u>12,609,617</u>	<u>10,635,555</u>	<u>1,250,058</u>	<u>377,123</u>	<u>13,859,675</u>	<u>11,012,678</u>
Total liabilities	<u>87,978,999</u>	<u>82,125,540</u>	<u>16,916,894</u>	<u>15,220,913</u>	<u>104,895,893</u>	<u>97,346,453</u>
Total deferred inflows of resources	<u>666,116</u>	<u>1,187,921</u>	<u>14,576</u>	<u>51,833</u>	<u>680,692</u>	<u>1,239,754</u>
Net position:						
Net investment in capital assets	59,370,374	53,420,102	18,657,038	17,744,659	78,027,412	71,164,761
Restricted	15,368,822	17,600,587	-	-	15,368,822	17,600,587
Unrestricted	<u>(4,598,337)</u>	<u>(7,694,428)</u>	<u>5,171,667</u>	<u>4,129,633</u>	<u>573,330</u>	<u>(3,564,795)</u>
Total net position	<u>\$ 70,140,859</u>	<u>\$ 63,326,261</u>	<u>\$ 23,828,705</u>	<u>\$ 21,874,292</u>	<u>\$ 93,969,564</u>	<u>\$ 85,200,553</u>

The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$94.0 million as of June 30, 2017, with an increase in net position of \$8.8 million for the fiscal year and a decrease in net position of \$1.9 million due to a prior period adjustment to record beginning pension liability as it relates to the implementation of GASB Statement 73. Net position is reported in three categories: net investment in capital assets, restricted and unrestricted.

The County's largest portion of net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt still outstanding that was issued to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of 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. The amount reported as net investment in capital assets increased from \$71.2 million in the prior year to \$78.0 million at June 30, 2017. The increase is mainly attributable to the County's governmental activities.

The second reported category of net position is restricted net position. This category represents resources that are subject to specific external legal restrictions that limit the County's ability to access and use these funds beyond the purpose for which they were provided. Restricted net position totaled \$15.4 million at June 30, 2017, a \$2.2 million decrease from prior year.

The third category of the County's net position is reported as unrestricted. The balance is to be used to meet the government's ongoing obligation to citizens and creditors. At June 30, 2017, the County reported an unrestricted net position of \$0.6 million. This amount is impacted by the portion of the County's outstanding debt incurred for Rowan-Salisbury and Kannapolis City Boards of Education and Rowan-Cabarrus Community College. Even though the debt was issued to finance school capital outlay, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it does not finance assets that are owned by the County. At June 30, 2017, \$43.3 million of the outstanding debt on the County's financial statements was related to assets included on the School Systems' and Community College's financial statements. If this debt was not reported as a reduction of net position, the balance of unrestricted net position would be \$43.9 million.

The impact of the inclusion of the School Systems' and Community College's debt, without the corresponding assets, was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage above 98.0 percent
- Increased charges for services revenue due to growth in the use of County facilities
- Continued low cost of debt due to the County's high bond ratings and the prevailing interest rate environment
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget

**Rowan County's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 16,606,509	\$ 16,260,485	\$ 6,795,556	\$ 6,339,483	\$ 23,402,065	\$ 22,599,968
Operating grants and contributions	21,689,123	22,436,750	366,656	304,779	22,055,779	22,741,529
Capital grants and contributions	1,697,108	1,670,851	884,516	149,905	2,581,624	1,820,756
General revenues:						
Property taxes	80,524,893	79,444,559	-	-	80,524,893	79,444,559
Local option sales taxes	23,650,002	20,430,780	-	-	23,650,002	20,430,780
Other taxes and licenses	1,357,826	1,302,297	-	-	1,357,826	1,302,297
Grants and contributions not restricted to specific programs	534,188	509,250	-	-	534,188	509,250
Other	1,013,095	600,339	61,972	113,186	1,075,067	713,525
Total revenues	<u>147,072,744</u>	<u>142,655,311</u>	<u>8,108,700</u>	<u>6,907,353</u>	<u>155,181,444</u>	<u>149,562,664</u>
<b>Expenses:</b>						
General government	12,498,476	12,201,293	-	-	12,498,476	12,201,293
Public safety	34,898,380	31,927,956	-	-	34,898,380	31,927,956
Transportation	1,323,721	1,240,356	-	-	1,323,721	1,240,356
Economic and physical development	4,646,484	4,725,802	-	-	4,646,484	4,725,802
Human services	29,074,603	27,998,582	-	-	29,074,603	27,998,582
Culture and recreation	5,915,089	5,622,903	-	-	5,915,089	5,622,903
Education	47,873,349	47,261,881	-	-	47,873,349	47,261,881
Interest on long-term debt	1,362,442	1,747,718	-	-	1,362,442	1,747,718
Airport	-	-	1,792,989	1,601,470	1,792,989	1,601,470
Landfill	-	-	5,115,998	5,445,300	5,115,998	5,445,300
Total expenses	<u>137,592,544</u>	<u>132,726,491</u>	<u>6,908,987</u>	<u>7,046,770</u>	<u>144,501,531</u>	<u>139,773,261</u>
Increase in net position before transfers	9,480,200	9,928,820	1,199,713	(139,417)	10,679,913	9,789,403
Transfers	(754,700)	(72,409)	754,700	72,409	-	-
Increase in net position after transfers	<u>8,725,500</u>	<u>9,856,411</u>	<u>1,954,413</u>	<u>(67,008)</u>	<u>10,679,913</u>	<u>9,789,403</u>
Net position, beginning, previously reported	63,326,261	53,469,850	21,874,292	21,941,300	85,200,553	75,411,150
Restatement	(1,910,902)	-	-	-	(1,910,902)	-
Net position, beginning, restated	<u>61,415,359</u>	<u>53,469,850</u>	<u>21,874,292</u>	<u>21,941,300</u>	<u>83,289,651</u>	<u>75,411,150</u>
Net position, ending	<u>\$ 70,140,859</u>	<u>\$ 63,326,261</u>	<u>\$ 23,828,705</u>	<u>\$ 21,874,292</u>	<u>\$ 93,969,564</u>	<u>\$ 85,200,553</u>

**Governmental activities.** Governmental activities increased the County's net position by \$8.7 million, accounting for 81.7 percent of the total growth in the net position of the County. The majority of this increase is attributable to the retirement of general obligation bonds issued for the school construction program. Because the School Systems and Community College, not the County, capitalize these construction costs, as debt is retired liabilities decrease without a corresponding decrease in assets. As indicated on the previous page, the majority of the County's expenses were related to education (\$47.9 million, 34.8 percent), public safety (\$34.9 million, 25.4 percent) and human services (\$29.1 million, 21.1 percent).

**Business-type activities.** Business-type activities increased the County's net position by \$2.0 million, or 18.3 percent of the total growth in the net position of the County. Key elements of this increase include continued diligence in Landfill revenue collection and a \$0.8 million transfer from governmental activities to supplement funding for Airport capital projects. Landfill and Airport expenses equaled \$5.1 million and \$1.8 million for the fiscal year, or 74.0 percent and 26.0 percent, respectively, of total business-type expenses.

### **Financial Analysis of the County's Funds**

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

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the County's fund balance available for appropriation in the General Fund was \$34.9 million, while total fund balance reached \$51.5 million. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures and transfers out. At fiscal year-end, available fund balance represented 24.7 percent of total General Fund expenditures and transfers out, while total fund balance represented 36.5 percent of that same amount. The County has an informal policy that available fund balance should equal or exceed 21.0 percent of General Fund expenditures and transfers out in order to meet the cash flow needs of the County and to react to unforeseen needs or opportunities.

General Fund fund balance at June 30, 2017 increased by \$1.0 million from the prior year. This increase was primarily due to three factors:

- Ad valorem property taxes exceeded budgeted expectations by \$1.7 million (2.1 percent).
- Local option sales taxes exceeded budgeted expectations by \$1.2 million (5.1 percent).
- Operational efficiencies resulted in reduced expenditures.

The other governmental funds of the County, comprised of Special Revenue Funds and Capital Projects Funds, reported a combined fund balance of \$4.3 million, an increase of \$2.3 million from the prior year. This increase was primarily due to the receipt of \$6.5 million of debt proceeds during the year, which was offset by capital expenditures of only \$4.5 million, in the Public Schools Capital Projects Fund.

**Proprietary Funds.** The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Airport and Landfill Funds at the end of the fiscal year amounted to \$2.3 million and \$3.7 million, respectively. The Airport and Landfill Funds experienced increases in net position of \$1.1 million and \$0.9 million, respectively, during the fiscal year. Other factors concerning the finances of these Funds have already been addressed in the discussion of the County's business-type activities.

### **General Fund Budgetary Highlights**

The County revised the budget on several occasions during the 2017 fiscal year. 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. Total amendments to the General Fund increased budgeted expenditures by \$4.9 million, a 3.4 percent increase. The majority of this increase occurred in public safety and general government services, and was offset in part by budgeted increases in restricted intergovernmental revenues.

Actual revenues exceeded the amounts projected in the final budget by \$2.7 million, or 1.9 percent, during the 2017 fiscal year. The revenue overages occurred primarily in property taxes and local option sales taxes. Both the County's property tax levy and collection percentage exceeded budgeted expectations. Sales tax revenue growth also exceeded expectations.

Actual expenditures and transfers out were \$11.6 million, or 7.6 percent, less than appropriations as of June 30, 2017. Unspent program funds within the general government, public safety and human services functions contributed to this favorable variance.

### **Capital Asset and Debt Administration**

**Capital Assets.** The County's capital assets for its governmental and business-type activities as of June 30, 2017 totaled \$91.9 million (net of accumulated depreciation). These assets include land, buildings, other improvements, equipment, vehicles and construction in progress.

Major capital asset transactions during the year included:

- Construction of a new EMS Station
- Purchase of three ambulances and 13 vehicles for Emergency Services and the Sheriff's Office, respectively
- Construction of a new hangar at the County Airport
- Rehabilitation of the north apron and expansion of the south apron at the County Airport
- Construction of a methane gas control system at the County Landfill

<b>Rowan County's Capital Assets (Net of Depreciation)</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 10,686,627	\$ 10,836,757	\$ 4,433,518	\$ 4,272,842	\$ 15,120,145	\$ 15,109,599
Buildings	36,552,424	36,857,694	6,964,895	5,088,169	43,517,319	41,945,863
Other improvements	6,647,016	7,402,679	8,025,853	6,924,223	14,672,869	14,326,902
Equipment	7,199,478	7,698,014	349,184	353,240	7,548,662	8,051,254
Vehicles and motorized equipment	3,851,839	3,281,683	881,918	1,255,284	4,733,757	4,536,967
Construction in progress	<u>6,268,476</u>	<u>5,469,334</u>	<u>-</u>	<u>-</u>	<u>6,268,476</u>	<u>5,469,334</u>
Total	<u>\$ 71,205,860</u>	<u>\$ 71,546,161</u>	<u>\$ 20,655,368</u>	<u>\$ 17,893,758</u>	<u>\$ 91,861,228</u>	<u>\$ 89,439,919</u>

Additional information on the County's capital assets can be found in Note 2.A.5 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2017, the County's general obligation debt, secured by the full faith and credit of the County, totaled \$26.7 million. Installment financings totaled \$32.2 million. A summary of outstanding debt is shown below.

<b>Rowan County's Outstanding Debt</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 26,744,695	\$ 35,250,413	\$ -	\$ -	\$ 26,744,695	\$ 35,250,413
Installment financing	30,003,754	27,997,096	2,167,665	2,400,000	32,171,419	30,397,096
Other	<u>18,620,933</u>	<u>10,153,378</u>	<u>13,499,171</u>	<u>12,443,790</u>	<u>32,120,104</u>	<u>22,597,168</u>
Total	<u>\$ 75,369,382</u>	<u>\$ 73,400,887</u>	<u>\$ 15,666,836</u>	<u>\$ 14,843,790</u>	<u>\$ 91,036,218</u>	<u>\$ 88,244,677</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8.0 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the County is \$913.4 million. The County had no bonds authorized, but unissued, at June 30, 2017.

The County's total long-term debt increased by \$2.8 million, or 3.2 percent, during the 2017 fiscal year. Major debt activity for the year included:

- Retirement of \$8.5 million of general obligation debt issued for school capital needs
- Issuance of \$6.5 million of installment financing debt for school roofing renovations and security improvements
- Retirement of \$6.1 million of existing installment financing debt
- Increase in the Local Governmental Employees' Retirement System (LERS) net pension liability of \$8.0 million

As mentioned in the financial highlights section of this document, the County received an upgrade to AA+ in its bond rating from Fitch Ratings. The County also maintained its Aa2 and AA- ratings from Moody's Investor Services and Standard and Poor's Corporation, respectively. These bond ratings are a clear indication of the sound financial condition of Rowan County and are a primary factor in keeping interest costs low on the County's outstanding debt.

Additional information regarding the County's long-term debt can be found in Note 2.B.8 of the Basic Financial Statements.

#### **Economic Factors and Next Year's Budgets and Rates**

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

- The unemployment rate in the County was 4.3 percent at June 30, 2017, comparable with federal and State rates of 4.3 percent and 4.2 percent, respectively. The rate for Rowan County was 5.8 percent at end of the 2016 fiscal year.
- Fiscal year 2017 local option sales tax receipts were \$3.2 million greater than those received in the prior year.
- Ad valorem taxes grew by \$1.2 million in fiscal year 2017, due primarily to a 1.4 percent increase in taxable property valuation.
- Investment interest rates are expected to continue to rise during fiscal year 2018.
- The County is home to a diversified business base. Management believes this diversity helped buffer the effects of the economic recession that affected other regions in the State.

These factors, as well as others, were considered when management prepared the County's budget ordinances for the 2018 fiscal year.

## **Budget Highlights for the Fiscal Year Ending June 30, 2018**

### **Governmental Activities**

The County's approved General Fund budget for fiscal year 2018 totals \$149.4 million, which represents a \$3.1 million, or 2.1 percent, increase from the original budget adopted for the 2017 fiscal year. Ad valorem taxes and local option sales taxes provide two of the largest funding streams. Ad valorem taxes are budgeted to increase by 2.1 percent, or \$1.7 million, due to growth in the tax base and an improved collection percentage. The property tax rate for fiscal year 2018 remains \$.6625 per \$100 of assessed value. Sales tax revenue is projected to increase by \$1.4 million, or 6.3 percent, indicative of continued growth in the sales tax base. Substantial increases in General Fund expenditures are budgeted in the areas of public safety, education and general government.

At the close of the 2017 fiscal year, the County's General Fund available fund balance was \$34.9 million. The County has appropriated \$9.9 million of this amount into the 2018 fiscal year budget, although management believes that increased revenues and continued restrictions on spending will maintain the County's financial position. As the County considers future revenue sources and expenditures, it will weigh the benefit of increasing the property tax rate against the cost to citizens and potential businesses.

### **Business-type Activities**

For the 2018 fiscal year, the County budgeted amounts in two enterprise funds, the Airport Fund and the Landfill Fund. It is important to note that enterprise revenues are used only in the operations of the enterprises and are not used to fund general County operations.

In the Airport function, the County budgeted a 7.5 percent increase in charges for services. This increase is primarily due to growth in fuel sales and hangar rentals. Budgeted expenditures increased by \$1.3 million, to \$6.4 million. The County will complete a grant-funded runway overlay project during fiscal year 2018.

Charges for services in the Landfill function are budgeted to increase by 3.5 percent to reflect an increase in solid waste tonnage. Budgeted expenditures have been reduced by \$0.7 million, to \$6.6 million, primarily due to completion of a major capital project in the 2017 fiscal year.

### **Requests for Information**

This report is designed to provide an overview of the County'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 Leslie Heidrick, Assistant County Manager/Finance Director, Rowan County, 130 West Innes Street, Salisbury, NC 28144. You can also call 704-216-8170 or visit our website at [www.rowancountync.gov](http://www.rowancountync.gov) for more information.

# BASIC FINANCIAL STATEMENTS

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

**EXHIBIT 1**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rowan County Tourism Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 52,354,486	\$ 18,706,691	\$ 71,061,177	\$ 2,430
Receivables (net)	8,067,023	491,548	8,558,571	-
Due from other governments	6,533,150	1,162,969	7,696,119	-
Due from primary government	-	-	-	38,487
Inventories	57,094	56,161	113,255	-
Notes receivable	3,250,000	-	3,250,000	-
Internal balances	844,618	(844,618)	-	-
Restricted cash and cash equivalents	6,606,164	169,335	6,775,499	-
Net pension asset	241,808	-	241,808	-
Capital assets:				
Land and construction in progress	16,955,103	4,433,518	21,388,621	-
Other capital assets (net of depreciation)	54,250,757	16,221,850	70,472,607	2,553,185
<b>Total assets</b>	<b>149,160,203</b>	<b>40,397,454</b>	<b>189,557,657</b>	<b>2,594,102</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,625,771</b>	<b>362,721</b>	<b>9,988,492</b>	<b>14,849</b>

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

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

**EXHIBIT 1 (Continued)**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rowan County Tourism Development Authority
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 12,220,942	\$ 1,250,058	\$ 13,471,000	\$ 4,130
Accrued interest payable	350,188	-	350,188	-
Due to component unit	38,487	-	38,487	-
Long-term liabilities:				
Net pension liability - LGERS	10,142,272	413,798	10,556,070	15,493
Total pension liability - LEOSSA	3,237,793	-	3,237,793	-
Due within one year	16,157,111	330,519	16,487,630	-
Due in more than one year	45,832,206	14,922,519	60,754,725	8,384
Total liabilities	87,978,999	16,916,894	104,895,893	28,007
DEFERRED INFLOWS OF RESOURCES	666,116	14,576	680,692	13,593
<b>NET POSITION</b>				
Net investment in capital assets	59,370,374	18,657,038	78,027,412	2,553,185
Restricted:				
Stabilization by State statute	13,581,089	-	13,581,089	38,487
Education	359,482	-	359,482	-
Public safety	1,010,742	-	1,010,742	-
Register of Deeds	108,221	-	108,221	-
Register of Deeds' pension plan	309,288	-	309,288	-
Unrestricted (deficit)	(4,598,337)	5,171,667	573,330	(24,321)
Total net position	\$ 70,140,859	\$ 23,828,705	\$ 93,969,564	\$ 2,567,351

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

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 2**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Rowan County Tourism Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 12,498,476	\$ 2,142,407	\$ 119,514	\$ -	\$ (10,236,555)	\$ -	\$ (10,236,555)	
Public safety	34,898,380	12,201,099	1,522,038	-	(21,175,243)	-	(21,175,243)	
Transportation	1,323,721	273,094	570,989	297,108	(182,530)	-	(182,530)	
Economic and physical development	4,646,484	89,122	361,065	-	(4,196,297)	-	(4,196,297)	
Human services	29,074,603	383,510	18,742,656	-	(9,948,437)	-	(9,948,437)	
Culture and recreation	5,915,089	1,517,277	371,495	-	(4,026,317)	-	(4,026,317)	
Education	47,873,349	-	1,366	1,400,000	(46,471,983)	-	(46,471,983)	
Interest on long-term debt	1,362,442	-	-	-	(1,362,442)	-	(1,362,442)	
Total governmental activities	<u>137,592,544</u>	<u>16,606,509</u>	<u>21,689,123</u>	<u>1,697,108</u>	<u>(97,599,804)</u>	<u>-</u>	<u>(97,599,804)</u>	
Business-type activities:								
Airport	1,792,989	1,203,902	17,633	884,516	-	313,062	313,062	
Landfill	5,115,998	5,591,654	349,023	-	-	824,679	824,679	
Total business-type activities	<u>6,908,987</u>	<u>6,795,556</u>	<u>366,656</u>	<u>884,516</u>	<u>-</u>	<u>1,137,741</u>	<u>1,137,741</u>	
Total primary government	<u>\$ 144,501,531</u>	<u>\$ 23,402,065</u>	<u>\$ 22,055,779</u>	<u>\$ 2,581,624</u>	<u>(97,599,804)</u>	<u>1,137,741</u>	<u>(96,462,063)</u>	
<b>Component unit:</b>								
Rowan County Tourism Development Authority	<u>\$ 562,391</u>	<u>\$ 118,485</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (443,906)</u>

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

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 2 (Continued)**

Net (Expense) Revenue and Changes in Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rowan County Tourism Development Authority
General revenues:				
Taxes:				
Property taxes, levied for general purpose	\$ 80,524,893	\$ -	\$ 80,524,893	\$ -
Local option sales taxes	23,650,002	-	23,650,002	-
Other taxes and licenses	1,357,826	-	1,357,826	416,011
Grants and contributions not restricted to specific programs	534,188	-	534,188	-
Investment earnings, unrestricted	443,413	61,972	505,385	-
Miscellaneous, unrestricted	569,682	-	569,682	4,844
Total general revenues, excluding transfers	107,080,004	61,972	107,141,976	420,855
Transfers	(754,700)	754,700	-	-
Total general revenues and transfers	106,325,304	816,672	107,141,976	420,855
Change in net position	8,725,500	1,954,413	10,679,913	(23,051)
Net position, beginning of year, July 1, as previously reported	63,326,261	21,874,292	85,200,553	2,590,402
Restatement	(1,910,902)	-	(1,910,902)	-
Net position, beginning of year, July 1, as restated	61,415,359	21,874,292	83,289,651	2,590,402
Net position, end of year, June 30	\$ 70,140,859	\$ 23,828,705	\$ 93,969,564	\$ 2,567,351

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

**ROWAN COUNTY, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

**EXHIBIT 3**

	Major		Nonmajor	Total Governmental Funds
	General Fund	Public Schools Capital Projects Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 44,061,891	\$ 25	\$ 2,833,244	\$ 46,895,160
Restricted cash	1,737,323	4,868,841	-	6,606,164
Receivables (net)	7,839,260	-	220,130	8,059,390
Due from other funds	157,617	-	-	157,617
Due from other governments	6,316,940	-	216,210	6,533,150
Inventories	57,094	-	-	57,094
Notes receivable	3,250,000	-	-	3,250,000
<b>Total assets</b>	<b>\$ 63,420,125</b>	<b>\$ 4,868,866</b>	<b>\$ 3,269,584</b>	<b>\$ 71,558,575</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 8,342,780	\$ 2,719,972	\$ 550,262	\$ 11,613,014
Due to other funds	-	-	157,617	157,617
Due to component unit	38,487	-	-	38,487
Contract retainage	-	124,178	22,445	146,623
<b>Total liabilities</b>	<b>8,381,267</b>	<b>2,844,150</b>	<b>730,324</b>	<b>11,955,741</b>
Deferred inflows of resources	3,579,101	-	225,010	3,804,111

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

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

**EXHIBIT 3 (Continued)**

	Major		Nonmajor	Total Governmental Funds
	General Fund	Public Schools Capital Projects Fund	Other Governmental Funds	
Fund balances:				
Nonspendable:				
Inventories	\$ 57,094	\$ -	\$ -	\$ 57,094
Noncurrent notes receivable	3,137,500	-	-	3,137,500
Restricted:				
Stabilization by State statute	13,364,879	-	216,210	13,581,089
Education capital	359,482	4,868,841	-	5,228,323
Emergency telephone	-	-	978,783	978,783
Future capital projects	1,613,933	-	-	1,613,933
Law enforcement	31,959	-	-	31,959
Register of Deeds	108,221	-	-	108,221
Committed:				
Future capital projects	1,762,160	-	1,291,928	3,054,088
Tax revaluation	123,390	-	-	123,390
Assigned:				
Subsequent year's expenditures	9,915,665	-	-	9,915,665
Agricultural extension	47,986	-	-	47,986
Animal services	102,131	-	-	102,131
Economic Development	692,323	-	-	692,323
Health	921,457	-	-	921,457
Law enforcement	322,924	-	-	322,924
Libraries	24,650	-	-	24,650
Recreation	263,649	-	-	263,649
Social services	142,728	-	-	142,728
Unassigned	18,467,626	(2,844,125)	(172,671)	15,450,830
Total fund balances	<u>51,459,757</u>	<u>2,024,716</u>	<u>2,314,250</u>	<u>55,798,723</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 63,420,125</u>	<u>\$ 4,868,866</u>	<u>\$ 3,269,584</u>	<u>\$ 71,558,575</u>

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

Continued on next page.

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (EXHIBIT 1) ARE DIFFERENT BECAUSE:

Fund balance - total governmental funds	\$ 55,798,723
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	71,205,860
Net pension asset	241,808
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the statement of net position.	2,310,950
Benefit payments and pension administrative costs of LEOSSA are deferred outflows of resources on the statement of net position.	117,400
Charges related to advance refunding bond issues	541,095
An internal service fund is used by management to charge the costs of risk management to individual funds. The assets and liabilities of this internal service fund are included in governmental activities on the statement of net position.	5,005,654
Internal balances due from business-type activities to governmental activities	844,618
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.	(75,719,570)
Pension related deferrals	6,237,907
Deferred inflows of resources for taxes and ambulance receivables	<u>3,556,414</u>
Net position of governmental activities	<u><u>\$ 70,140,859</u></u>

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

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 4**

	Major		Nonmajor	Total Governmental Funds
	General Fund	Public Schools Capital Projects Fund	Other Governmental Funds	
REVENUES:				
Ad valorem taxes	\$ 80,640,487	\$ -	\$ 5,626,843	\$ 86,267,330
Local option sales taxes	23,650,002	-	-	23,650,002
Other taxes and licenses	1,357,826	-	-	1,357,826
Unrestricted intergovernmental	534,188	-	-	534,188
Restricted intergovernmental	22,492,617	-	687,847	23,180,464
Permits and fees	1,747,736	-	-	1,747,736
Sales and services	8,742,223	-	-	8,742,223
Investment earnings	398,298	541	15,741	414,580
Miscellaneous	641,033	-	-	641,033
Total revenues	<u>140,204,410</u>	<u>541</u>	<u>6,330,431</u>	<u>146,535,382</u>
EXPENDITURES:				
Current:				
General government	12,400,001	-	-	12,400,001
Public safety	28,006,191	-	6,127,856	34,134,047
Transportation	1,435,464	-	-	1,435,464
Economic and physical development	3,716,834	-	266,873	3,983,707
Human services	28,746,323	-	-	28,746,323
Culture and recreation	5,540,601	-	-	5,540,601
Intergovernmental:				
Education	43,083,405	-	-	43,083,405
Capital outlay	-	4,475,825	1,113,261	5,589,086

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

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 4 (Continued)**

	Major		Nonmajor	Total Governmental Funds
	General Fund	Public Schools Capital Projects Fund	Other Governmental Funds	
EXPENDITURES (Continued):				
Debt service:				
Principal retirement	\$ 14,091,342	\$ -	\$ -	\$ 14,091,342
Interest and other charges	1,396,376	-	-	1,396,376
Total expenditures	<u>138,416,537</u>	<u>4,475,825</u>	<u>7,507,990</u>	<u>150,400,352</u>
Excess (deficiency) of revenues over expenditures	<u>1,787,873</u>	<u>(4,475,284)</u>	<u>(1,177,559)</u>	<u>(3,864,970)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	-	1,474,260	1,474,260
Transfers to other funds	(2,703,960)	-	-	(2,703,960)
Installment purchase obligations issued	1,325,000	6,500,000	-	7,825,000
Sale of capital assets	557,843	-	-	557,843
Total other financing sources (uses)	<u>(821,117)</u>	<u>6,500,000</u>	<u>1,474,260</u>	<u>7,153,143</u>
Net change in fund balances	966,756	2,024,716	296,701	3,288,173
FUND BALANCES:				
Beginning of year, July 1	50,500,569	-	2,017,549	52,518,118
Decrease in inventories	(7,568)	-	-	(7,568)
End of year, June 30	<u>\$ 51,459,757</u>	<u>\$ 2,024,716</u>	<u>\$ 2,314,250</u>	<u>\$ 55,798,723</u>

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

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 4 (Continued)**

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES (EXHIBIT 2) ARE DIFFERENT BECAUSE:

Net change in fund balance - total governmental funds	\$ 3,288,173
Change in fund balance due to change in reserve for inventory	(7,568)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(166,953)
Cost of capital assets disposed of during the year, not recognized on the modified accrual basis	(173,348)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,270
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	2,310,950
Benefit payments and administration costs for LEOSSA in the current fiscal year are not included on the statement of activities.	117,400
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect 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.	6,280,323
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(3,305,707)
Net expense of internal service fund determined to be governmental-type	<u>378,960</u>
Change in net position of governmental activities	<u><u>\$ 8,725,500</u></u>

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

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 5**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>REVENUES:</b>				
Ad valorem taxes	\$ 78,950,969	\$ 78,950,969	\$ 80,640,487	\$ 1,689,518
Local option sales taxes	22,200,000	22,493,815	23,650,002	1,156,187
Other taxes and licenses	1,210,000	1,250,000	1,357,826	107,826
Unrestricted intergovernmental	535,000	647,500	646,688	(812)
Restricted intergovernmental	22,126,475	23,584,315	22,492,617	(1,091,698)
Permits and fees	1,368,770	1,459,370	1,747,736	288,366
Sales and services	8,299,091	8,536,658	8,742,223	205,565
Investment earnings	200,050	200,050	398,298	198,248
Miscellaneous	467,795	532,028	641,033	109,005
Total revenues	<u>135,358,150</u>	<u>137,654,705</u>	<u>140,316,910</u>	<u>2,662,205</u>
<b>EXPENDITURES:</b>				
Current:				
General government	14,457,594	15,874,368	12,400,001	3,474,367
Public safety	26,891,073	29,805,479	28,006,191	1,799,288
Transportation	1,671,589	1,725,485	1,435,464	290,021
Economic and physical development	6,002,633	5,235,044	3,716,834	1,518,210
Human services	30,425,937	31,104,888	28,746,323	2,358,565
Culture and recreation	5,666,020	6,277,430	5,540,601	736,829
Intergovernmental:				
Education	42,816,445	43,210,260	43,083,405	126,855
Debt service:				
Principal retirement	14,901,290	14,907,449	14,091,342	816,107
Interest and other charges	2,250,740	1,830,215	1,396,376	433,839
Total expenditures	<u>145,083,321</u>	<u>149,970,618</u>	<u>138,416,537</u>	<u>11,554,081</u>
Revenues over (under) expenditures	<u>(9,725,171)</u>	<u>(12,315,913)</u>	<u>1,900,373</u>	<u>14,216,286</u>

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

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 5 (Continued)**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	\$ (1,190,000)	\$ (2,703,960)	\$ (2,703,960)	\$ -
Installment purchase obligations issued	1,325,000	1,325,000	1,325,000	-
Sale of capital assets	-	37,850	557,843	519,993
Total other financing sources (uses)	<u>135,000</u>	<u>(1,341,110)</u>	<u>(821,117)</u>	<u>519,993</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(9,590,171)	(13,657,023)	1,079,256	14,736,279
APPROPRIATED FUND BALANCE	<u>9,590,171</u>	<u>13,657,023</u>	-	<u>(13,657,023)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,079,256	<u>\$ 1,079,256</u>
RECONCILIATION FROM BUDGETARY BASIS OF ACCOUNTING TO MODIFIED ACCRUAL BASIS:				
Current year note receivable payments			<u>(112,500)</u>	
Net change in fund balance - modified accrual			966,756	
FUND BALANCE:				
Beginning of year, July 1			50,500,569	
Decrease in inventories			<u>(7,568)</u>	
End of year, June 30			<u>\$ 51,459,757</u>	

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

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

**EXHIBIT 6**

	Major			Internal
	Airport Fund	Landfill Fund	Total	Service Fund Risk Management Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,932,244	\$ 16,774,447	\$ 18,706,691	\$ 5,459,326
Receivables (net)	2,158	489,390	491,548	7,633
Due from other governments	1,078,346	84,623	1,162,969	-
Inventories	56,161	-	56,161	-
Total current assets	<u>3,068,909</u>	<u>17,348,460</u>	<u>20,417,369</u>	<u>5,466,959</u>
Noncurrent assets:				
Restricted cash and cash equivalents	169,335	-	169,335	-
Capital assets (net, where applicable, of accumulated depreciation)	<u>11,478,070</u>	<u>9,177,298</u>	<u>20,655,368</u>	<u>-</u>
Total noncurrent assets	<u>11,647,405</u>	<u>9,177,298</u>	<u>20,824,703</u>	<u>-</u>
Total assets	<u>14,716,314</u>	<u>26,525,758</u>	<u>41,242,072</u>	<u>5,466,959</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>35,162</u>	<u>327,559</u>	<u>362,721</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	659,386	490,134	1,149,520	1,807
Claims payable	-	-	-	459,498
Compensated absences	5,168	116,069	121,237	-
Contract retainage	76,060	24,478	100,538	-
Notes payable	<u>209,282</u>	<u>-</u>	<u>209,282</u>	<u>-</u>
Total current liabilities	<u>949,896</u>	<u>630,681</u>	<u>1,580,577</u>	<u>461,305</u>

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

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

**EXHIBIT 6 (Continued)**

	Major		Total	Internal
	Airport Fund	Landfill Fund		Service Fund Risk Management Fund
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	\$ -	\$ 12,754,387	\$ 12,754,387	\$ -
Compensated absences	4,819	-	4,819	-
Net pension liability	40,113	373,685	413,798	-
Other postemployment benefits	27,198	177,732	204,930	-
Notes payable	1,958,383	-	1,958,383	-
Total noncurrent liabilities	<u>2,030,513</u>	<u>13,305,804</u>	<u>15,336,317</u>	<u>-</u>
Total liabilities	<u>2,980,409</u>	<u>13,936,485</u>	<u>16,916,894</u>	<u>461,305</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,436</u>	<u>13,140</u>	<u>14,576</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	9,479,740	9,177,298	18,657,038	-
Unrestricted	<u>2,289,891</u>	<u>3,726,394</u>	<u>6,016,285</u>	<u>5,005,654</u>
Total net position	<u>\$ 11,769,631</u>	<u>\$ 12,903,692</u>	24,673,323	<u>\$ 5,005,654</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(844,618)</u>	
Net position of business-type activities			<u>\$ 23,828,705</u>	

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

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 7**

	Major			Internal
	Airport Fund	Landfill Fund	Total	Service Fund Risk Management Fund
OPERATING REVENUES:				
Charges for services	\$ 1,203,902	\$ 5,591,654	\$ 6,795,556	\$ 685,758
OPERATING EXPENSES:				
Administration	-	-	-	171,142
Airport operations	1,220,345	-	1,220,345	-
Landfill operations	-	3,210,582	3,210,582	-
Premiums and claims	-	-	-	808,815
Landfill closure and postclosure care costs	-	707,011	707,011	-
Depreciation	566,770	1,163,285	1,730,055	-
Total operating expenses	1,787,115	5,080,878	6,867,993	979,957
Operating income (loss)	(583,213)	510,776	(72,437)	(294,199)
NONOPERATING REVENUES:				
Scrap tire disposal tax	-	187,604	187,604	-
Solid waste disposal tax	-	64,416	64,416	-
White goods disposal tax	-	55,098	55,098	-
Other grants and revenue	17,633	41,905	59,538	-
Investment earnings	20,779	41,193	61,972	45,115
Insurance settlements	-	-	-	112,050
Total nonoperating revenues	38,412	390,216	428,628	157,165

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

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 7 (Continued)**

	Major		Total	Internal
	Airport Fund	Landfill Fund		Service Fund Risk Management Fund
Income (loss) before contributions and transfers	\$ (544,801)	\$ 900,992	\$ 356,191	\$ (137,034)
CAPITAL CONTRIBUTIONS	884,516	-	884,516	-
TRANSFERS FROM OTHER FUNDS	754,700	-	754,700	475,000
Change in net position	1,094,415	900,992	1,995,407	337,966
TOTAL NET POSITION:				
Beginning of year, July 1	10,675,216	12,002,700		4,667,688
End of year, June 30	<u>\$ 11,769,631</u>	<u>\$ 12,903,692</u>		<u>\$ 5,005,654</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(40,994)	
Change in net position - business-type activities			<u>\$ 1,954,413</u>	

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

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 8**

	Major			Internal
	Airport Fund	Landfill Fund	Total	Service Fund Risk Management Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 1,210,882	\$ 5,726,564	\$ 6,937,446	\$ 689,260
Cash paid for goods and services	(1,013,753)	(1,602,430)	(2,616,183)	(901,159)
Cash paid to employees for services	(252,764)	(1,496,162)	(1,748,926)	(71,448)
Net cash provided (used) by operating activities	(55,635)	2,627,972	2,572,337	(283,347)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Noncapital grants and other subsidies	150,000	338,353	488,353	-
Transfers in	754,700	-	754,700	475,000
Net cash provided by noncapital financing activities	904,700	338,353	1,243,053	475,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on notes payable	(232,335)	-	(232,335)	-
Acquisition and construction of capital assets	(2,550,885)	(1,104,552)	(3,655,437)	-
Proceeds from insurance settlements	-	-	-	112,050
Net cash provided (used) by capital and related financing activities	(2,783,220)	(1,104,552)	(3,887,772)	112,050
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received on investments	20,779	41,193	61,972	45,115
Net increase (decrease) in cash and investments	(1,913,376)	1,902,966	(10,410)	348,818
CASH AND CASH EQUIVALENTS, July 1	4,014,955	14,871,481	18,886,436	5,110,508
CASH AND CASH EQUIVALENTS, June 30	\$ 2,101,579	\$ 16,774,447	\$ 18,876,026	\$ 5,459,326

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

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT 8 (Continued)**

	Major		Total	Internal
	Airport Fund	Landfill Fund		Service Fund Risk Management Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED)				
BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (583,213)	\$ 510,776	\$ (72,437)	\$ (294,199)
Adjustments to reconcile operating income (loss) to net cash provided (used)				
by operating activities:				
Depreciation	566,770	1,163,285	1,730,055	-
Landfill closure and postclosure care costs	-	707,011	707,011	-
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Decrease in receivables (net)	7,530	134,910	142,440	3,502
Increase in inventory	(18,864)	-	(18,864)	-
Increase in deferred outflows of resources - pensions	(25,914)	(237,774)	(263,688)	-
Increase in net pension liability	30,806	284,374	315,180	-
Decrease in deferred inflows of resources - prepaid rents	(550)	-	(550)	-
Decrease in deferred inflows of resources - pensions	(3,427)	(33,280)	(36,707)	-
Increase (decrease) in accounts payable and accrued liabilities	(28,370)	65,077	36,707	(49)
Increase in claims payable	-	-	-	7,399
Increase (decrease) in compensated absences payable	(2,250)	21,406	19,156	-
Increase in other postemployment benefits payable	1,847	12,187	14,034	-
Total adjustments	527,578	2,117,196	2,644,774	10,852
Net cash provided (used) by operating activities	\$ (55,635)	\$ 2,627,972	\$ 2,572,337	\$ (283,347)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
Acquisition of capital assets payable to vendors	\$ 578,912	\$ -	\$ 578,912	\$ -
Acquisition of capital assets to be reimbursed through capital contributions	\$ 884,516	\$ -	\$ 884,516	\$ -

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

**ROWAN COUNTY, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2017**

**EXHIBIT 9**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 424,756
Accounts receivable	<u>44,398</u>
Total assets	<u><u>\$ 469,154</u></u>
<b>LIABILITIES</b>	
Intergovernmental payables:	
Rowan-Salisbury Schools	\$ 45,276
Kannapolis City Schools	2,962
State of North Carolina	9,157
Rowan County Municipalities	382,259
Miscellaneous liabilities	<u>29,500</u>
Total liabilities	<u><u>\$ 469,154</u></u>

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

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Rowan County, North Carolina (the County) and its component units 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 County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The Rowan County Industrial Facilities and Pollution Control Financing Authority (the Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Rowan County Tourism Development Authority (the TDA), which has a June 30 year-end, is presented as if it is a separate governmental-type fund of the County (discrete presentation).

<b>Component Unit</b>	<b>Reporting Method</b>	<b>Criteria for Inclusion</b>	<b>Separate Financial Statements</b>
Rowan County Industrial Facilities and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board that is appointed by the County Commissioners. The County can remove any member with or without cause.	None issued
Rowan County Tourism Development Authority	Discrete	The TDA is governed by an eleven-member board, ten of whom are appointed by the County Commissioners. The TDA, which provides a financial benefit to the County, was established to receive the proceeds of the room occupancy tax levied pursuant to Session Law 1987-379. The TDA is authorized to spend these proceeds to promote travel, tourism and conventions within the County.	Rowan County TDA 204 E. Innes St., Suite 120 Salisbury, NC 28144

**B. Basis of Presentation, Basis of Accounting**

**Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government's (the County's) net position. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, although interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued)**

**Basis of Presentation (Continued)**

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

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

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

The County reports the following major governmental funds:

*General Fund.* This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Public Schools Capital Projects Fund.* This fund accounts for funds used in the planning, design and construction of capital improvements for the Rowan-Salisbury School System.

The County reports the following major enterprise funds:

*Airport Fund.* This fund accounts for the operations, maintenance and development of the Rowan County Airport.

*Landfill Fund.* This fund accounts for the operations, maintenance and development of the County's landfill and disposal sites.

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued)**

**Basis of Presentation (Continued)**

The County reports the following fund types:

*Internal Service Fund.* Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the County on a cost-reimbursement basis. The County has one internal service fund, the Risk Management Fund.

*Agency Funds.* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Rowan-Salisbury and Kannapolis City Boards of Education and the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage that the County is required to remit to the State Treasurer on a monthly basis; and the Municipal Tax Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County.

*Nonmajor Funds.* The County maintains six legally budgeted nonmajor funds. The Community Development Fund, the Emergency Telephone System Fund and the Fire District Fund are reported as nonmajor special revenue funds. The RCCC Facilities Capital Projects Fund, the Water Infrastructure Capital Projects Fund and the West End Plaza Capital Projects Fund are reported as nonmajor capital projects funds.

**Measurement Focus, Basis of Accounting**

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

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary and fiduciary fund 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 County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements 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, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued)**

**Measurement Focus, Basis of Accounting (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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*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 County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. 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 County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued)**

**Measurement Focus, Basis of Accounting (Continued)**

Under the terms of grant agreements, the County 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 County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**C. Budgetary Data**

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone System and Fire District Special Revenue Funds, the Enterprise Funds and the Internal Service Fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Community Development Special Revenue Fund and the Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The County Manager is authorized by the budget ordinance to transfer appropriations within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

1. Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by North Carolina General Statute 159-31. The County may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County 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 County 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).

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

1. Deposits and Investments (Continued)

The majority of the County's investments are carried at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The County pools monies 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 Assets

The unexpended installment purchase loan proceeds are classified as restricted assets within the General Fund, Public Schools Capital Projects Fund and Airport Fund because their use is completely restricted to the purpose for which the loans were originally issued. Unspent money allocated for tax revaluation is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

<u>Rowan County Restricted Cash</u>		
Governmental Activities:		
General Fund	Unexpended loan proceeds	\$ 1,613,933
General Fund	Tax revaluation	123,390
Public Schools Capital Projects Fund	Unexpended loan proceeds	<u>4,868,841</u>
Total governmental activities		6,606,164
Business-type Activities:		
Airport Fund	Unexpended loan proceeds	<u>169,335</u>
Total restricted cash		<u>\$ 6,775,499</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories

The inventories of the County are valued at cost, which approximates market, using the first-in, first-out method. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the County's enterprise funds consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed or sold.

7. Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. The minimum capitalization cost is \$5,000 for all capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Rowan-Salisbury Board of Education and Rowan-Cabarrus Community College properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education and Community College give the Board of Education and Community College full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education and Community College, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Rowan-Salisbury Board of Education and the Rowan-Cabarrus Community College.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

7. Capital Assets (Continued)

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	
Office and other	30-50
Airport hangars	25-40
Recycling centers	15
Land improvements	10-15
Machinery and equipment	5-20
Furniture and fixtures	7
Computer software	7
Vehicles and motorized equipment	5-10
Computer equipment	3-6

8. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow 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 County has several items that meet this criterion – a deferred charge on refunding, pension related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of net position can also 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 County has five items that meet the criterion for this category – prepaid taxes, prepaid rents, taxes receivable, ambulance receivable and other pension related deferrals.

9. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

10. Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty days of earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

11. Net Position

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

12. 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:

***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.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Noncurrent notes receivable – portion of fund balance that is not an available resource because it represents the portion of notes receivable that will not be collected in the next fiscal year and, therefore, is not a spendable resource.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

12. Fund Balances (Continued)

**Restricted Fund Balance:** This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for stabilization by State statute – portion of fund balance that is restricted by State statute [G.S. 159-8(a)].

Restricted for education capital – portion of fund balance that is restricted by revenue source for school capital expenditures.

Restricted for emergency telephone – portion of fund balance that is restricted for expenditures to enhance the State’s 911 system.

Restricted for future capital projects – portion of fund balance that is restricted by revenue source for future capital projects.

Restricted for law enforcement – portion of fund balance that is restricted by revenue source for law enforcement expenditures [G.S. 105-113.105].

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for automation enhancement improvements in the Register of Deeds’ office.

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the amount of unexpended loan proceeds of \$6,482,774 (\$1,613,933 + \$4,868,841) and Register of Deeds’ pension plan of \$309,288 for a net difference of \$(6,173,486).

**Committed Fund Balance:** Portion of fund balance that can only be used for the specific purposes determined by formal action of the government’s highest level of decision-making authority (the County Board of Commissioners). The County Board of Commissioners can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation.

Committed for future capital projects – portion of fund balance that has been committed by the governing body for future capital projects.

Committed for tax revaluation – portion of fund balance that can only be used for tax revaluation.

**Assigned Fund Balance:** Portion of fund balance that the County’s governing body has budgeted.

Assigned for subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Budget Officer to transfer appropriations within a fund, except from a contingency appropriation.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

12. Fund Balances (Continued)

Assigned for agricultural extension – portion of fund balance that has been budgeted by the governing body for agricultural extension expenditures.

Assigned for animal services – portion of fund balance that has been budgeted by the governing body for nature center expenditures.

Assigned for economic development – portion of fund balance that has been budgeted by the governing body for economic development expenditures.

Assigned for health – portion of fund balance that has been budgeted by the governing body for Health Department expenditures.

Assigned for law enforcement – portion of fund balance that has been budgeted by the governing body for law enforcement expenditures.

Assigned for libraries – portion of fund balance that has been budgeted by the governing body for library expenditures.

Assigned for recreation – portion of fund balance that has been budgeted by the governing body for recreation expenditures.

Assigned for social services – portion of fund balance that has been budgeted by the governing body for Department of Social Services expenditures.

**Unassigned Fund Balance:** Portion of fund balance that has not been restricted, committed or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance.

The County has an informal revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond or installment purchase proceeds, federal funds, State funds, local non-County funds and County 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 Director has the authority to deviate from this informal policy if it is in the best interest of the County or when required by grant or other contractual agreements.

The County also has an informal fund balance policy for the General Fund that instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 21.0 percent of expenditures and transfers out. Any portion of the General Fund available fund balance in excess of 21.0 percent may be appropriated for any purpose.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

13. Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State: the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

**E. Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**F. Reconciliation of Government-wide and Fund Financial Statements**

1. Explanation of the differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$14,342,136 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	\$ 134,740,651
Less accumulated depreciation	<u>(63,534,791)</u>
Net capital assets	<u>71,205,860</u>
Net pension asset	<u>241,808</u>
Contributions to the pension plan in the current fiscal year	<u>2,310,950</u>
Benefit payments and pension administration costs for LEOSSA in the current fiscal year	<u>117,400</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Reconciliation of Government-wide and Fund Financial Statements (Continued)**

1. (Continued)

Deferred charges related to advance refunding bonds issued are included on the government-wide statement of net position but are not current financial resources.	\$ 541,095
Net position of the internal service fund, incorporated into the government-wide statements, is not recorded in the governmental funds statements.	<u>5,005,654</u>
Internal balances due from business-type activities to governmental activities recorded in the government-wide statements are not recorded in the governmental funds statements.	<u>844,618</u>
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds and installment financings	(56,748,449)
Accrued interest payable	(350,188)
Compensated absences	(3,378,716)
Net pension liability (LGERS)	(10,142,272)
Net pension obligation (LEOSSA)	(3,237,793)
Other postemployment benefits	<u>(1,862,152)</u>
	<u>(75,719,570)</u>
Pension related deferrals	<u>6,237,907</u>
Deferred inflows of resources for taxes and ambulance receivables are reported in the fund statements but not in the government-wide statements.	<u>3,556,414</u>
Total adjustment	<u>\$ 14,342,136</u>

2. Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net change in fund balance - total governmental funds* and *change in net position - governmental activities* as reported in the government-wide statement of activities. Several elements comprise the total adjustment of \$5,437,327 as follows:

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Reconciliation of Government-wide and Fund Financial Statements (Continued)**

2. (Continued)

Cost of net inventories consumed during the year, recognized as a change in fund balance in the fund statements but not in the statement of activities.	\$ (7,568)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	4,618,817
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	<u>(4,785,770)</u>
	<u>(166,953)</u>
Cost of capital assets disposed of during the year, recognized on the modified accrual basis in the fund statements, but recorded using the accrual basis on the statement of activities.	<u>(173,348)</u>
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Decrease in deferred inflows of resources - taxes receivable - for the year ended June 30, 2017	(115,594)
Increase in deferred inflows of resources - ambulance receivable - for the year ended June 30, 2017	<u>118,864</u>
	<u>3,270</u>
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	<u>2,310,950</u>
Benefit payments and administration costs for LEOSA are not included on the statement of activities.	<u>117,400</u>
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position.	
Installment purchase obligations	(7,825,000)
Principal payments on debt owed and costs of issuing debt are recorded as uses of funds on the fund statements but affect only the statement of net position in the government-wide statements.	
Principal repayments:	
General obligation debt	8,273,000
Installment financing	5,818,342
Amortization of bond premium	232,718
Amortization of deferred outflows of resources - charge on refunding	<u>(218,737)</u>
	<u>6,280,323</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Reconciliation of Government-wide and Fund Financial Statements (Continued)**

2. (Continued)

Expenses reported in the statement of activities that do not require the use of current resources are not recorded as expenditures in the fund statements.

Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	\$ 19,953
Compensated absences	(135,829)
Pension expense (LGERS)	(2,761,725)
Pension expense (LEOSSA)	(189,207)
Other postemployment benefits	<u>(238,899)</u>
	<u>(3,305,707)</u>

An internal service fund is reported in the fund statements. Only the change in net position of the fund associated with governmental activities is recorded in the statement of activities.

Total adjustment	<u>\$ 5,437,327</u>
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**NOTE 2 - DETAIL NOTES ON ALL FUNDS**

**A. Assets**

1. Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agents in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by its agents in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, 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.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

1. Deposits (Continued)

The County has no formal policy regarding custodial 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 County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the County's deposits had a carrying amount of \$8,939,857 and a bank balance of \$10,319,393. Of the bank balance, \$500,000 was covered by federal depository insurance and \$9,819,393 in interest-bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2017, the County had \$9,430 cash on hand.

2. Investments

As of June 30, 2017, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
US Government Treasuries	Fair Value - Level 1	\$ 3,971,720	\$ -	\$ -	\$ 3,971,720
US Government Agencies	Fair Value - Level 2	34,290,553	7,096,541	11,578,236	15,615,776
Commercial Paper	Fair Value - Level 2	14,633,019	11,665,302	2,967,717	-
NC Capital Management Trust - Government Portfolio	Amortized Cost	1,104,756	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio *	Fair Value - Level 1	<u>15,312,097</u>	<u>15,312,097</u>	-	-
<b>Total</b>		<u>\$ 69,312,145</u>	<u>\$ 34,073,940</u>	<u>\$ 14,545,953</u>	<u>\$ 19,587,496</u>

\* Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than six months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

2. Investments (Continued)

Level of fair value hierarchy: Level 1 - debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 - debt securities valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

*Credit Risk.* The County limits 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. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2017, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US Government and Agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The County's investments in US Government Agencies are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

*Concentration of Credit Risk.* The County places no limit on the amount that the County may invest in any one issuer. More than five percent of the County's investments are in Federal National Mortgage Association securities, Federal Farm Credit Bank securities, Federal Home Loan Mortgage Corporation securities, Federal Home Loan Bank securities and Bank Tokyo commercial paper. These investments are 14.4 percent, 14.2 percent, 13.5 percent, 7.4 percent and 5.8 percent, respectively, of the County's total investments.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

3. Property Tax - Use-Value Assessment on Certain Lands (Continued)

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,980,466	\$ 1,182,861	\$ 6,163,327
2015	5,294,585	780,951	6,075,536
2016	5,313,987	305,554	5,619,541
2017	<u>5,337,212</u>	<u>-</u>	<u>5,337,212</u>
Total	<u>\$ 20,926,250</u>	<u>\$ 2,269,366</u>	<u>\$ 23,195,616</u>

4. Receivables

a. Government-wide Receivables

Receivables at the government-wide level at June 30, 2017 were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Total</u>
<b>Governmental activities:</b>			
General	\$ 11,760,060	\$ 3,850,309	\$ 15,610,371
Other Governmental	<u>-</u>	<u>220,131</u>	<u>220,130</u>
Total receivables	11,760,060	4,070,440	15,830,501
Allowance for doubtful accounts	<u>(6,300,000)</u>	<u>(1,463,477)</u>	<u>(7,763,478)</u>
Total governmental activities	<u>\$ 5,460,060</u>	<u>\$ 2,606,963</u>	<u>\$ 8,067,023</u>
<b>Business-type activities:</b>			
Airport	\$ 2,158	\$ -	\$ 2,158
Landfill	<u>542,714</u>	<u>-</u>	<u>542,714</u>
Total receivables	544,872	-	544,872
Allowance for doubtful accounts	<u>(53,324)</u>	<u>-</u>	<u>(53,324)</u>
Total business-type activities	<u>\$ 491,548</u>	<u>\$ -</u>	<u>\$ 491,548</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

4. Receivables (Continued)

a. Government-wide Receivables (Continued)

The *due from other governments* that is owed to the County consists of the following:

<b>Governmental activities:</b>	
Local option sales tax	\$ 6,214,261
Franchise fees	102,679
Community Development Block grant	15,054
HOME grants	157,617
Emergency 911 fees	<u>43,539</u>
Total governmental activities	<u>\$ 6,533,150</u>
<b>Business-type activities:</b>	
Aviation grants	\$ 1,078,346
Scrap tire disposal tax	49,872
White goods disposal tax	13,501
Solid waste disposal tax	15,415
Waste reduction grant	<u>5,835</u>
Total business-type activities	<u>\$ 1,162,969</u>

b. Notes Receivable

During fiscal year 2012, the County sold the assets in the Sports Authority Fund to the City of Kannapolis, North Carolina, for a \$3,000,000 note receivable. The note receivable was donated to the General Fund upon closure of the Sports Authority Fund. During fiscal years 2012 and 2013, the County received interest payments of \$1,800 and \$3,600, respectively. Effective fiscal year 2014, no further interest will be charged and 48 principal payments of \$62,500 become due annually on April 1. The balance of this note receivable at June 30, 2017 was \$2,750,000.

The County and the City of Salisbury entered into an interlocal cooperative agreement during fiscal year 2012 for the consolidation of emergency 911 dispatch services. Effective July 1, 2013, the City's Police Communications Department merged with the County's Telecommunications Department. The City has agreed to pay the County \$50,000 annually for ten years to partially offset the initial cost of consolidation. At June 30, 2017, the balance of this note receivable was \$300,000.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

4. Receivables (Continued)

b. Notes Receivable (Continued)

During fiscal year 2013, the County sold land, improvements and equipment to The Rowan County Agricultural and Industrial Fair Association, Inc., for \$298,120 in cash and a \$200,000 note receivable. The Association will make installment payments sufficient in the aggregate to repay the note within seven years. Interest-only payments, calculated at the Prime Rate on any unpaid principal, are due annually on September 17. The full amount of unpaid principal and interest are payable no later than September 17, 2019. At June 30, 2017, the balance of this note receivable was \$200,000.

5. Capital Assets

a. Primary Government

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 10,836,757	\$ -	\$ (150,130)	\$ -	\$ 10,686,627
Construction in progress	<u>5,469,334</u>	<u>799,142</u>	<u>-</u>	<u>-</u>	<u>6,268,476</u>
Total capital assets not being depreciated	<u>16,306,091</u>	<u>\$ 799,142</u>	<u>\$ (150,130)</u>	<u>\$ -</u>	<u>16,955,103</u>
Capital assets being depreciated:					
Buildings	58,739,526	\$ 964,199	\$ (1,308,687)	\$ -	58,395,038
Other improvements	22,827,545	135,499	-	-	22,963,044
Equipment	22,392,829	877,770	-	-	23,270,599
Vehicles and motorized equipment	<u>11,314,660</u>	<u>1,842,207</u>	<u>-</u>	<u>-</u>	<u>13,156,867</u>
Total capital assets being depreciated	<u>115,274,560</u>	<u>\$ 3,819,675</u>	<u>\$ (1,308,687)</u>	<u>\$ -</u>	<u>117,785,548</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

5. Capital Assets (Continued)

a. Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Governmental activities (Continued):</b>					
Less accumulated depreciation for:					
Buildings	\$ 21,881,832	\$ 1,246,251	\$ (1,285,469)	\$ -	\$ 21,842,614
Other improvements	15,424,866	891,162	-	-	16,316,028
Equipment	14,694,815	1,376,306	-	-	16,071,121
Vehicles and motorized equipment	<u>8,032,977</u>	<u>1,272,051</u>	<u>-</u>	<u>-</u>	<u>9,305,028</u>
Total accumulated depreciation	<u>60,034,490</u>	<u>\$ 4,785,770</u>	<u>\$ (1,285,469)</u>	<u>\$ -</u>	<u>63,534,791</u>
Total capital assets being depreciated, net	<u>55,240,070</u>				<u>54,250,757</u>
Governmental activity capital assets, net	<u>\$ 71,546,161</u>				<u>\$ 71,205,860</u>

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

General government	\$ 879,156
Public safety	2,357,583
Transportation	222,505
Economic and physical development	671,396
Human services	209,502
Cultural and recreational	<u>445,628</u>
Total depreciation expense - governmental activities	<u>\$ 4,785,770</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

5. Capital Assets (Continued)

a. Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>					
<b>Airport</b>					
Capital assets not being depreciated:					
Land	\$ 2,871,045	\$ _____ -	\$ _____ -	\$ _____ -	\$ 2,871,045
Capital assets being depreciated:					
Buildings	7,960,170	\$ 2,147,002	\$ -	\$ -	10,107,172
Other improvements	12,230,101	982,795	-	-	13,212,896
Equipment	266,379	-	-	-	266,379
Vehicles and motorized equipment	<u>71,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,413</u>
Total capital assets being depreciated	<u>20,528,063</u>	<u>\$ 3,129,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>23,657,860</u>
Less accumulated depreciation for:					
Buildings	3,299,471	\$ 250,347	\$ -	\$ -	3,549,818
Other improvements	11,006,622	286,667	-	-	11,293,289
Equipment	106,559	29,756	-	-	136,315
Vehicles and motorized equipment	<u>71,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,413</u>
Total accumulated depreciation	<u>14,484,065</u>	<u>\$ 566,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,050,835</u>
Total capital assets being depreciated, net	<u>6,043,998</u>				<u>8,607,025</u>
Airport capital assets, net	<u>8,915,043</u>				<u>11,478,070</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

5. Capital Assets (Continued)

a. Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Business-type activities (Continued):</b>					
<b>Landfill</b>					
Capital assets not being depreciated:					
Land	\$ 1,401,797	\$ 160,676	\$ -	\$ -	\$ 1,562,473
Capital assets being depreciated:					
Buildings	697,193	\$ -	\$ -	\$ -	697,193
Other improvements	18,574,275	1,124,090	-	-	19,698,365
Equipment	603,858	77,102	-	-	680,960
Vehicles and motorized equipment	<u>4,741,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,741,487</u>
Total capital assets being depreciated	<u>24,616,813</u>	<u>\$ 1,201,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>25,818,005</u>
Less accumulated depreciation for:					
Buildings	269,723	\$ 19,929	\$ -	\$ -	289,652
Other improvements	12,873,531	718,588	-	-	13,592,119
Equipment	410,438	51,402	-	-	461,840
Vehicles and motorized equipment	<u>3,486,203</u>	<u>373,366</u>	<u>-</u>	<u>-</u>	<u>3,859,569</u>
Total accumulated depreciation	<u>17,039,895</u>	<u>\$ 1,163,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>18,203,180</u>
Total capital assets being depreciated, net	<u>7,576,918</u>				<u>7,614,825</u>
Landfill capital assets, net	<u>8,978,715</u>				<u>9,177,298</u>
Business-type activities capital assets, net	<u>\$ 17,893,758</u>				<u>\$ 20,655,368</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

5. Capital Assets (Continued)

b. Construction Commitments

The County has active construction projects as of June 30, 2017 for completion of the Rockwell EMS Station, Detention Center, Rowan-Salisbury Schools and West End Plaza building improvements, and construction of a gas collection system at the Landfill. At year-end, the County's commitments with contractors were as follows:

<u>Project</u>	<u>Incurred- to-Date</u>	<u>Remaining Commitment</u>
Rockwell EMS Station	\$ 528,382	\$ 2,868
Detention Center roof	-	960,800
Rowan-Salisbury Schools roofs	1,591,571	2,483,450
Rowan-Salisbury Schools security	-	296,588
West End Plaza Phase II	426,433	891,567
Landfill gas collection system	<u>909,362</u>	<u>69,653</u>
Total	<u>\$ 3,455,748</u>	<u>\$ 4,704,926</u>

**B. Liabilities**

1. Payables

Payables at the government-wide level at June 30, 2017 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
<b>Governmental activities:</b>				
General	\$ 3,787,858	\$ 1,306,255	\$ 3,709,972	\$ 8,804,085
Other Governmental	<u>3,416,857</u>	-	-	<u>3,416,857</u>
Total governmental activities	<u>\$ 7,204,715</u>	<u>\$ 1,306,255</u>	<u>\$ 3,709,972</u>	<u>\$ 12,220,942</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Payables (Continued)

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
<b>Business-type activities:</b>				
Airport	\$ 727,994	\$ 7,452	\$ -	\$ 735,446
Landfill	<u>479,436</u>	<u>35,176</u>	-	<u>514,612</u>
Total business-type activities	<u>\$ 1,207,430</u>	<u>\$ 42,628</u>	<u>\$ -</u>	<u>\$ 1,250,058</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85 percent 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

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6 percent of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017 was 8.00 percent of compensation for law enforcement officers and 7.25 percent 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 County were \$2,375,968 for the year ended June 30, 2017.

*Refunds of Contributions.* County 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 percent interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the County reported a liability of \$10,556,070 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

County'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, 2016, the County's proportion was 0.497 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$2,906,173. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 198,330	\$ 369,896
Changes of assumptions	722,997	-
Net difference between projected and actual earnings on pension plan investments	5,836,178	-
Changes in proportion and differences between County contributions and proportionate share of contributions	119,593	1,300
County contributions subsequent to the measurement date	<u>2,375,968</u>	<u>-</u>
Total	<u>\$ 9,253,066</u>	<u>\$ 371,196</u>

\$2,375,968 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 1,021,806
2019	1,022,256
2020	2,784,442
2021	1,677,398
2022	-
Thereafter	-

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00 percent. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25 percent. 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.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

*Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25 percent) or one-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
County's proportionate share of the net pension liability (asset)	<u>\$ 25,054,478</u>	<u>\$ 10,556,070</u>	<u>\$ (1,554,079)</u>

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

b. Law Enforcement Officers' Special Separation Allowance

*Plan Description.* The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County'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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	18
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>127</u>
Total	<u>145</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

b. Law Enforcement Officers' Special Separation Allowance (Continued)

A separate report was not issued for the plan.

*Summary of Significant Accounting Policies:*

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

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

*Actuarial Assumptions.* The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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

*Contributions.* The County 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. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The County paid \$245,451 as benefits came due for the reporting period.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

b. Law Enforcement Officers' Special Separation Allowance (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the County reported a total pension liability of \$3,237,793. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$236,122.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 52,323
County benefit payments and plan administrative expense made subsequent to the measurement date	<u>117,400</u>	<u>-</u>
Total	<u>\$ 117,400</u>	<u>\$ 52,323</u>

\$117,400 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 11,132
2019	11,132
2020	11,132
2021	11,132
2022	7,795
Thereafter	-

\$117,400 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

b. Law Enforcement Officers' Special Separation Allowance (Continued)

*Sensitivity of the County's Total Pension Liability to Changes in the Discount Rate.* The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.86 percent) or one percentage point higher (4.86 percent) than the current rate:

	1% Decrease <u>(2.86%)</u>	Discount Rate <u>(3.86%)</u>	1% Increase <u>(4.86%)</u>
Total pension liability	<u>\$ 3,462,937</u>	<u>\$ 3,237,793</u>	<u>\$ 3,030,153</u>

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

	<u>2017</u>
Beginning balance	\$ 3,300,253
Service cost	133,008
Interest on the total pension liability	113,438
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(63,455)
Benefit payments	(245,451)
Other changes	<u>-</u>
Ending balance of the total pension liability	<u>\$ 3,237,793</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

b. Law Enforcement Officers' Special Separation Allowance (Continued)

The plan currently uses mortality tables that vary by age, gender 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the County 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.

The County contributed \$278,995 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for Non-Law Enforcement Employees

*Plan Description.* The County contributes to the Supplemental Retirement Income Plan of North Carolina (401(k) Plan), a defined contribution pension plan sponsored by the State of North Carolina and governed by the Department of State Treasurer and a Board of Trustees. The Department and Board have contracted with Prudential Retirement to be the Plan Administrator. The Plan provides retirement benefits to eligible non-law enforcement employees of the County. The Rowan County Board of Commissioners has the authority to establish and amend contribution requirements and other benefit provisions.

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

d. Supplemental Retirement Income Plan for Non-Law Enforcement Employees (Continued)

*Funding Policy.* The County contributes to the Plan each month an amount equal to three percent of each eligible employee's salary, and all amounts contributed are vested immediately. County non-law enforcement employees may also make voluntary contributions to the Plan.

The County contributed \$734,620 for the reporting year. No amounts were forfeited.

e. Registers of Deeds' Supplemental Pension Fund

*Plan Description.* Rowan County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing, multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 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 RODSPF 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 the RODSPF. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5 percent of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$11,510 for the year ended June 30, 2017.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

e. Registers of Deeds' Supplemental Pension Fund (Continued)

*Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the County reported an asset of \$241,808 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension asset was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was 1.29 percent, which was an increase of 0.03 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$11,932. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 259	\$ 3,130
Changes of assumptions	64,423	-
Net difference between projected and actual earnings on pension plan investments	413	-
Changes in proportion and differences between County contributions and proportionate share of contributions	326	6,321
County contributions subsequent to the measurement date	<u>11,510</u>	<u>-</u>
Total	<u>\$ 76,931</u>	<u>\$ 9,451</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

e. Registers of Deeds' Supplemental Pension Fund (Continued)

\$11,510 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 23,064
2019	25,181
2020	10,431
2021	(2,706)
2022	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 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.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

e. Registers of Deeds' Supplemental Pension Fund (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. 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 adopted asset allocation policy for the RODSPF is 100 percent of the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4 percent.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05 percent. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 3.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one-percentage-point lower (2.75 percent) or one-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease <u>(2.75%)</u>	Discount Rate <u>(3.75%)</u>	1% Increase <u>(4.75%)</u>
County's proportionate share of the net pension liability (asset)	\$ <u>(194,976)</u>	\$ <u>(241,808)</u>	\$ <u>(281,153)</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

e. Registers of Deeds' Supplemental Pension Fund (Continued)

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

f. Healthcare Benefits Plan

*Plan Description.* Under the terms of a County resolution adopted on December 1, 2002, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the County, provided they (a) qualify for unreduced retirement benefits from the North Carolina Local Governmental Employees' Retirement System (LGERS), (b) have at least twenty consecutive years of creditable service with the County, (c) are at least 55 years of age at the time of retirement, and (d) are not eligible for Medicare coverage through the Social Security Administration. On January 21, 2012, the HCB Plan was amended to exclude the participation of employees hired after the amendment date. Retirees who qualify for coverage receive the same benefits as active employees. The County pays the full cost of coverage for benefits of eligible retirees, and the County's eligible retirees can purchase coverage for their dependents at the County's group rates. The Rowan County Board of Commissioners may amend the benefits provisions. A separate report was not issued for the Plan.

Membership of the HCB Plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	22	10
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>317</u>	<u>81</u>
Total	<u>339</u>	<u>91</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

f. Healthcare Benefits Plan (Continued)

*Funding Policy.* The County pays the full cost of healthcare benefits received by qualified retirees under a County resolution that can be amended by the County Board of Commissioners. If applicable, the County's members pay \$370 per month for spousal coverage, \$250 per month for children only coverage or \$420 per month for family coverage. The County has chosen to fund the HCB Plan on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 3.95 percent of annual covered payroll. For the current year, the County contributed \$423,683 or 2.4 percent of annual covered payroll. The County's healthcare plan is self-insured. There were no contributions made by employees, except for dependent coverage in the amount of \$32,370. The County's obligation to contribute to the HCB Plan is established and may be amended by the Rowan County Board of Commissioners.

*Summary of Significant Accounting Policies.* Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation.* The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

f. Healthcare Benefits Plan (Continued)

Annual required contribution	\$ 704,927
Interest on net OPEB obligation	72,566
Adjustment to annual required contribution	<u>(100,877)</u>
Annual OPEB cost (expense)	676,616
Contributions made	<u>423,683</u>
Increase (decrease) in net OPEB obligation	252,933
Net OPEB obligation, beginning of year	<u>1,814,149</u>
 Net OPEB obligation, end of year	 <u>\$ 2,067,082</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 were as follows:

Three-Year Trend Information

<u>For Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 518,959	140.2%	\$ 1,548,707
June 30, 2016	680,758	61.0%	1,814,149
June 30, 2017	676,616	62.6%	2,067,082

*Funding Status and Funding Progress.* As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$7,638,584. The covered payroll (annual payroll of active employees covered by the plan) was \$17,843,231 and the ratio of the UAAL to the covered payroll was 42.8 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

2. Pension Plan and Other Postemployment Obligations (Continued)

f. Healthcare Benefits Plan (Continued)

compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent. The investment rate included a 3.0 percent inflation assumption. The UAAL is being amortized as a level dollar amount of projected payroll on a closed basis. The remaining amortization period at June 30, 2016 was 30 years.

3. Other Employment Benefits

Under the terms of a County resolution, the County provides death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (LGERS) (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 LGERS or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the LGERS 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 will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County 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.

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

3. Other Employment Benefits (Continued)

For the fiscal year ended June 30, 2017, the County made contributions to the State for death benefits totaling \$35,117. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.090% and 0.140% of covered payroll, respectively.

Under the terms of a County resolution, the County provides death and dismemberment benefits to employees through the Standard Insurance Company. The beneficiaries of those employees who die in active service after the first day of the month following their thirtieth day of employment are eligible for death benefits. A lump-sum benefit payment of \$32,000 is paid to the employee's chosen beneficiary. Employees who sustain an accidental bodily injury resulting in certain losses of limbs and/or sight are eligible for dismemberment benefits. A lump-sum benefit payment not to exceed \$32,000 is paid to the insured employee. All benefit payments are made by American United Life. The County has no liability beyond the payment of monthly contributions. For the fiscal year ended June 30, 2017, the County made contributions to American United Life totaling \$35,986.

If an employee's beneficiaries receive death benefits in excess of \$50,000, the amount greater than \$50,000 is considered taxable to the employee as a fringe benefit.

4. Closure and Postclosure Care Costs - Rowan County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the Landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$12,754,387 reported as landfill closure and postclosure care liability at June 30, 2017 represents a cumulative amount reported to-date, based on the use of 81.0 percent of the total estimated capacity of the current landfill cells. The County will recognize the remaining estimated cost of closure, postclosure care and potential assessment and corrective action of \$2,522,634 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. The County expects to close the Landfill facility in the year 2081. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements. The County expects that future inflation costs will be paid from investment earnings in the Landfill Fund or by charges to future landfill users.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

5. Deferred Outflows and Inflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Charges on refunding of debt	\$ 541,095	\$ -
Pensions – difference between expected and actual experience:		
LGERS	198,330	369,896
Register of Deeds	259	3,130
Changes of assumptions:		
LGERS	722,997	-
Register of Deeds	64,423	-
LEOSSA	-	52,323
Pensions – difference between projected and actual investment earnings:		
LGERS	5,836,178	-
Register of Deeds	413	-
Pensions – change in proportion and difference between County contributions and proportionate share of contributions:		
LGERS	119,593	1,300
Register of Deeds	326	6,321
Contributions to pension plan subsequent to measurement date:		
LGERS	2,375,968	-
Register of Deeds	11,510	-
LEOSSA	117,400	-
Prepaid taxes not yet earned (General Fund)	-	236,784
Prepaid taxes not yet earned (Special Revenue Funds)	-	4,880
Prepaid rents not yet earned (General Fund)	-	6,033
Prepaid rents not yet earned (Enterprise Funds)	-	<u>25</u>
Government-wide deferred outflows and inflows of resources	<u>9,988,492</u>	<u>680,692</u>
Taxes receivable (net) (General Fund), less penalties	-	2,386,833
Taxes receivable (net) (Special Revenue Funds)	-	220,130
Ambulance receivable (net) (General Fund)	<u>-</u>	<u>949,451</u>
Total	<u>\$ 9,988,492</u>	<u>\$ 4,237,106</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

6. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$126 million; professional and employment practices liability coverage subject to a limit of \$2.0 million per occurrence; general and auto liability coverage of \$2.0 million per occurrence; auto physical damage coverage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the North Carolina statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2.0 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property and auto physical damage. For workers' compensation, there is a per occurrence retention of \$750,000.

As part of the County's blanket property coverage, the County carries flood insurance with an annual aggregate limit of \$126 million. The flood insurance has a \$25,000 per structure deductible. The County currently has no structures located within an area that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

The County provides employee health benefits through a self-insured plan provided by Blue Cross Blue Shield of North Carolina (BCBSNC). Claims are administered and paid directly from the plan by BCBSNC. Specific stop-loss per individual member and cumulative specific stop-loss deductible are set at \$100,000 and \$150,000, respectively, per contract year with an unlimited lifetime maximum.

In accordance with G.S. 159-29, County employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Director, Tax Collector, Register of Deeds and Sheriff are individually bonded for \$200,000, \$200,000, \$50,000 and \$25,000, respectively. The remaining employees who have access to funds are bonded under a blanket crime coverage policy, with a \$250,000 per loss limit.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

6. Risk Management (Continued)

The Risk Management internal service fund is funded by charges to the government's other funds. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether they are allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. The County's Risk Manager and third-party administrators believe that the liabilities of the fund at June 30, 2017 will be paid within the next 12 months. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year Ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Unpaid claims, beginning of fiscal year	\$ 452,099	\$ 451,630
Incurred claims (including IBNRs)	367,770	461,691
Claim payments	<u>(360,371)</u>	<u>(461,222)</u>
Unpaid claims, end of fiscal year	<u>\$ 459,498</u>	<u>\$ 452,099</u>

7. Contingent Liabilities

At June 30, 2017, the County was a defendant to various lawsuits. In the opinion of County management and the County attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the County's financial position.

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

8. Long-term Obligations

a. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit and taxing power of the County. The bonds bear interest, payable semi-annually, at rates varying from 1.25 percent to 4.0 percent. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable at June 30, 2017 are comprised of the following individual issues:

\$17,990,000 2011 School Facility Refunding Serial Bonds due on February 1 in installments ranging from \$235,000 to \$3,185,000 through February 2019; interest ranging from 2.0% to 4.0%. The amount shown includes unamortized premium of \$149,139.	\$ 6,284,139
\$12,000,000 2011 Community College Serial Bonds due on December 1 in installments ranging from \$400,000 to \$830,000 through December 2026; interest ranging from 2.0% to 3.0%. The amount shown includes unamortized premium of \$257,185.	8,537,185
\$20,470,000 2015 School Facility Refunding Serial Bonds due on April 1 in installments ranging from \$3,779,000 to \$4,334,000 through June 2020; plus interest at 1.25%. The amount shown includes unamortized premium of \$45,371.	<u>11,923,371</u>
Total general obligation bonds	<u>\$ 26,744,695</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

8. Long-term Obligations (Continued)

a. General Obligation Indebtedness (Continued)

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 8,021,000	\$ 548,075
2019	7,873,000	356,750
2020	4,609,000	229,238
2021	830,000	161,250
2022	830,000	136,350
2023-2027	<u>4,130,000</u>	<u>309,450</u>
Total	<u>\$ 26,293,000</u>	<u>\$ 1,741,113</u>

At June 30, 2017, Rowan County had a legal debt margin of \$913,434,414.

Advance Refundings

On December 22, 2011, the County issued \$17,990,000 of general obligation School Facility Refunding Serial bonds with interest rates ranging from 2.0 percent to 4.0 percent to advance refund \$17,780,000 of outstanding 2003 School Facility Serial Bonds with interest rates ranging from 4.125 percent to 5.0 percent. The net proceeds of \$19,170,513 were used to purchase U.S. Government securities that were placed in an irrevocable trust to be used for all future debt service payments on the refunded 2003 School Facility Serial Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column on the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,390,513. This amount is reported in the accompanying financial statements as a deferred outflow of resources and is being amortized through the year 2019, the life of the refunded debt and the new debt. This advance refunding was undertaken to reduce total debt service payments over the next eight years by \$1,756,130 and resulted in an economic gain of \$1,654,715. The balance of the defeased debt at June 30, 2017 was \$-0-.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

8. Long-term Obligations (Continued)

a. General Obligation Indebtedness (Continued)

Current Refunding

On May 13, 2015, the County issued \$20,470,000 of general obligation School Facility Refunding Serial Bonds with interest rates of 1.25 percent to refund \$20,300,000 of outstanding 2005 School Facility Serial Bonds with interest rates ranging from 4.0 percent to 5.0 percent. The net proceeds of \$20,404,767 were used to pay off the refunded 2005 School Facility Serial Bonds on the designated call date. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column on the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$104,767. This amount is reported in the accompanying financial statements as a deferred outflow of resources and is being amortized through the year 2020, the life of the refunded debt and the new debt. This current refunding was undertaken to reduce total debt service payments over the next five years by \$1,692,419 and resulted in an economic gain of \$1,638,902. The balance of the defeased debt at June 30, 2017 was \$-0-.

b. Installment Purchase Agreements

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County has entered into agreements to finance the acquisition and/or construction of certain assets such as land, facilities, water and sewer improvements, and equipment. All principal and interest payments are appropriated when due.

Installment purchase agreements at June 30, 2017 involve separate agreements as described below:

Serviced by the General Fund:

\$6,000,000 2006 installment purchase agreement for construction of an elementary school, payable on February 1 and August 1 in installments of \$200,000 through August 2020, plus interest at 3.94%, secured by real property	\$ 1,213,621
\$5,132,000 2008 installment purchase agreement for building renovations and expansion, payable on March 1 and September 1 in installments of \$256,600 through September 2018, plus interest at 3.54%, secured by real property	769,800

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

8. Long-term Obligations (Continued)

b. Installment Purchase Agreements (Continued)

Serviced by the General Fund (Continued):

\$3,400,000 2009 installment purchase agreement for construction of a classroom building at Rowan-Cabarrus Community College, payable on December 1 and June 1 in installments of \$170,000 through June 2019, plus interest at 3.59%, secured by real property	\$ 680,000
\$2,750,000 2009 installment purchase agreement for construction of a sewer line, payable on May 1 and November 1 in installments of \$137,500 through November 2019, plus interest at 4.13%, secured by sewer line	687,500
\$6,270,000 2010 installment purchase agreement for construction of a satellite jail, payable on April 1 and October 1 in installments of \$313,500 through October 2020, plus interest at 2.13%, secured by real property	2,194,500
\$9,700,000 2011 installment purchase agreement for the purchase of communications equipment and construction of an E-911 facility, payable on May 1 and November 1 in installments of \$485,000 through November 2021, plus interest at 2.38%, secured by real property and equipment	4,365,000
\$1,100,000 2015 installment purchase agreement for the purchase of vehicles, payable on October 1 and April 1 in installments of \$186,073 through October 2017, including interest at 0.97%, secured by vehicles	185,175
\$6,500,000 2015 installment purchase agreement for construction of a central office building for the Rowan-Salisbury School System, payable on August 1 and February 1 in installments of \$232,143 through February 2030, plus interest at 2.48%, secured by real property	6,035,714
\$2,500,000 2015 installment purchase agreement for purchase of West End Plaza and building renovations, payable on September 1 and March 1 in installments of \$125,000 through March 2025, plus taxable interest at 2.50%, secured by real property	2,000,000

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

8. Long-term Obligations (Continued)

b. Installment Purchase Agreements (Continued)

Serviced by the General Fund (Continued):

\$1,450,000 2015 installment purchase agreement for purchase of West End Plaza and building renovations, payable on September 1 and March 1 in installments of \$72,500 through March 2025, plus interest at 1.70%, secured by real property	\$ 1,160,000
\$2,500,000 2015 installment purchase agreement for HVAC and dental renovations at Rowan-Cabarrus Community College, payable on April 1 and October 1 in installments of \$125,000 through October 2025, plus interest at 2.45%, secured by real property	2,125,000
\$1,517,835 2016 installment purchase agreement for the purchase of vehicles and equipment, payable on May 1 and November 1 in installments of \$257,434 through November 2018, including interest at 1.29%, secured by vehicles and equipment	762,444
\$6,500,000 installment purchase agreement for various roof renovations and security improvements for the Rowan-Salisbury School System, payable on September 1 and March 1 in installments of \$325,000 through March 2027, plus interest at 2.40%, secured by real property	6,500,000
\$1,325,000 installment purchase agreement for the purchase of vehicles and equipment, payable on June 1 and December 1 in installments of \$235,256 through June 2020, plus interest at 1.79%, secured by vehicles and equipment	<u>1,325,000</u>
Total installment purchase agreements serviced by the General Fund	<u>\$ 30,003,754</u>

Serviced by the Airport Fund:

\$2,400,000 2016 installment purchase agreement for construction of a hangar payable on August 1 and February 1 in installments of \$141,099 through February 2026, including interest at 3.40%, secured by real property	<u>\$ 2,167,665</u>
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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

8. Long-term Obligations (Continued)

b. Installment Purchase Agreements (Continued)

Annual debt service requirements to maturity for the County's installment purchase agreements are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 6,010,888	\$ 716,680	\$ 209,282	\$ 72,916
2019	5,324,919	567,992	216,558	65,639
2020	4,342,969	431,989	224,088	58,110
2021	3,056,408	325,416	231,733	50,464
2022	2,244,285	254,966	239,937	42,261
2023-2027	7,631,428	634,325	1,046,067	82,724
2028-2032	<u>1,392,857</u>	<u>60,450</u>	-	-
Total	<u>\$ 30,003,754</u>	<u>\$ 2,991,818</u>	<u>\$ 2,167,665</u>	<u>\$ 372,114</u>

c. Debt Related to Capital Activities

Of the June 30, 2017 *total governmental activities* debt of \$75,369,382 listed below, only \$13,449,419 relates to assets to which the County holds title. Restricted cash related to this debt amounts to \$1,613,933. Deferred outflows of resources of \$541,095 relate solely to debt issued for school construction.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

8. Long-term Obligations (Continued)

d. Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2017:

	Balances <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	Balances <u>June 30, 2017</u>	Current Portion of Balance
<b>Governmental activities:</b>					
General obligation bonds	\$ 34,566,000	\$ -	\$ 8,273,000	\$ 26,293,000	\$ 8,021,000
Plus: Premium on issuance	<u>684,413</u>	<u>-</u>	<u>232,718</u>	<u>451,695</u>	<u>179,886</u>
Total general obligation debt	35,250,413	-	8,505,718	26,744,695	8,200,886
Installment purchase agreements	27,997,096	7,825,000	5,818,342	30,003,754	6,010,888
Compensated absences	3,242,887	2,369,378	2,233,549	3,378,716	1,945,337
Net pension liability (LGRS)	2,121,252	8,021,020	-	10,142,272	-
Net pension liability (LEOSSA)	1,255,084	1,982,709	-	3,237,793	-
Other postemployment benefits	<u>1,623,253</u>	<u>660,247</u>	<u>421,348</u>	<u>1,862,152</u>	<u>-</u>
Total governmental activities	<u>\$ 71,489,985</u>	<u>\$ 20,858,354</u>	<u>\$ 16,978,957</u>	<u>\$ 75,369,382</u>	<u>\$ 16,157,111</u>
<b>Business-type activities:</b>					
<b>Airport</b>					
Installment purchase agreements	\$ 2,400,000	\$ -	\$ 232,335	\$ 2,167,665	\$ 209,282
Compensated absences	12,237	4,082	6,332	9,987	5,168
Net pension liability (LGRS)	9,307	30,806	-	40,113	-
Other postemployment benefits	<u>25,351</u>	<u>1,847</u>	<u>-</u>	<u>27,198</u>	<u>-</u>
Total Airport activities	<u>2,446,895</u>	<u>36,735</u>	<u>238,667</u>	<u>2,244,963</u>	<u>214,450</u>
<b>Landfill</b>					
Accrued landfill closure and postclosure care costs	12,047,376	707,011	-	12,754,387	-
Compensated absences	94,663	120,820	99,414	116,069	116,069
Net pension liability (LGRS)	89,311	284,374	-	373,685	-
Other postemployment benefits	<u>165,545</u>	<u>14,522</u>	<u>2,335</u>	<u>177,732</u>	<u>-</u>
Total Landfill activities	<u>12,396,895</u>	<u>1,126,727</u>	<u>101,749</u>	<u>13,421,873</u>	<u>116,069</u>
Total business-type activities	<u>\$ 14,843,790</u>	<u>\$ 1,163,462</u>	<u>\$ 340,416</u>	<u>\$ 15,666,836</u>	<u>\$ 330,519</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

8. Long-term Obligations (Continued)

d. Long-term Obligation Activity (Continued)

Compensated absences, net pension obligations and other postemployment benefits for governmental activities typically have been liquidated in the General Fund and are accounted for on a last in, first out (LIFO) basis, assuming that employees are taking leave time as it is earned.

e. Conduit Debt Obligations

Rowan County Industrial Facilities and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2017, there was one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$3,045,000.

**C. Interfund Balances and Activity**

1. Interfund Balances

The composition of interfund balances at June 30, 2017 is as follows:

Due to the General Fund from the Community Development Fund for housing rehabilitation expenditures for which grant reimbursements will be received	<u>\$ 157,617</u>
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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**C. Interfund Balances and Activity (Continued)**

2. Interfund Activity

Transfers to/from other funds at June 30, 2017 consist of the following:

From the General Fund to the Community Development Fund to provide the local match for grant funding	\$ 9,100
From the General Fund to the West End Plaza Capital Projects Fund to supplement other funding sources	965,160
From the General Fund to the Water Infrastructure Capital Projects Fund to supplement other funding sources	500,000
From the General Fund to the Airport Fund to supplement other funding sources	754,700
From the General Fund to the Risk Management Fund for professional and property liability costs	<u>475,000</u>
Total	<u>\$ 2,703,960</u>

**D. Fund Balance**

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

Total fund balance - General Fund	<u>\$ 51,459,757</u>
Less:	
Nonspendable:	
Inventories	57,094
Noncurrent notes receivable	3,137,500
Restricted:	
Stabilization by State statute	<u>13,364,879</u>
	<u>16,559,473</u>
Fund balance available for appropriation	<u>34,900,284</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**D. Fund Balance (Continued)**

Less:

Restricted:

Education capital	\$ 359,482
Future capital projects	1,613,933
Law enforcement	31,959
Register of Deeds	108,221

Committed:

Future capital projects	1,762,160
Tax revaluation	123,390

Assigned:

Subsequent year's expenditures	9,915,665
Agricultural extension	47,986
Animal services	102,131
Economic development	692,323
Health	921,457
Law enforcement	322,924
Libraries	24,650
Recreation	263,649
Social services	<u>142,728</u>
	<u>16,432,658</u>

Fund balance unassigned \$ 18,467,626

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<u>Encumbrances</u>	
<u>General Fund</u>	<u>Non-Major Funds</u>
<u>\$ 2,274,846</u>	<u>\$ -</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 3 - JOINT VENTURES**

The County participates in a joint venture to operate Cardinal Innovations Healthcare Solutions (CIHS) with four other local governments. Each participating government appoints four board members to the twenty-member board. The County has an ongoing financial responsibility for the joint venture because CIHS's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in CIHS, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$492,000 to CIHS to supplement its activities. Complete financial statements for CIHS may be obtained from their administrative offices at 4855 Milestone Avenue, Kannapolis, NC 28081.

The County, in conjunction with the State of North Carolina, Rowan-Cabarrus Community College and Cabarrus County, participates in a joint venture to operate the Rowan-Cabarrus Community College. Each of the four participants, except Cabarrus County who only appoints two members, appoints four members of the fifteen-member board of trustees of the community college. The president of the community college's student government association serves as a non-voting, *ex officio* member of the board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues debt to provide financing for new and restructured facilities. The amount outstanding on debt issued for this purpose was \$11,342,185 at June 30, 2017. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$365,000 and \$2,544,998 to the community college for capital and operating purposes, respectively, during the fiscal year ended June 30, 2017. In addition, the County made debt service payments of \$1,742,023 during the fiscal year on debt issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2017. Complete financial statements for the community college may be obtained from the community college's administrative offices at P.O. Box 1595, Salisbury, NC 28145.

**NOTE 4 - JOINTLY GOVERNED ORGANIZATION**

The County, in conjunction with eight other counties and seventy-four municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$22,294 to the Council during the fiscal year ended June 30, 2017. The County was the subrecipient of grants totaling \$818,586 from the Division of Aging of the North Carolina Department of Health and Human Services that was passed through the Council.

**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 5 - BENEFIT PAYMENTS ISSUED BY THE STATE**

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients and do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 128,178,859	\$ 67,206,136
N.C. Health Choice	3,317,658	17,983
Temporary Assistance for Needy Families	506,359	-
Women, Infants and Children	2,158,632	-
Adult Assistance	-	741,184
Adoption Assistance	634,483	161,384
Adoption Subsidy	-	329,907
Refugee and Entrant Assistance	5,962	-
Title IV-E Foster Care	624,252	189,025
Chafee Foster Care Independence Program	<u>3,062</u>	<u>-</u>
	<u>\$ 135,429,267</u>	<u>\$ 68,945,619</u>

**NOTE 6 - SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

**Federal and State Assisted Programs**

The County 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 monies 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.

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**ROWAN COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

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**NOTE 7 - COMPARATIVE DATA/RECLASSIFICATIONS**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide an enhanced understanding of the County's financial position or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

**NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The County implemented Governmental Accounting Standards Board (GASB) Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$1,910,902.

**ROWAN  
COUNTY**

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NORTH CAROLINA

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*Be an original.*

This section contains additional information required by generally accepted accounting principles.

- *Schedule of Funding Progress for Other Postemployment Benefits*
- *Schedule of Employer Contributions for Other Postemployment Benefits*
  
- *Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) for the Local Governmental Employees' Retirement System*
- *Schedule of County Contributions for the Local Governmental Employees' Retirement System*
  
- *Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) for the Register of Deeds' Supplemental Pension Fund*
- *Schedule of County Contributions for the Register of Deeds' Supplemental Pension Fund*
  
- *Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance*
- *Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance*

## REQUIRED SUPPLEMENTAL FINANCIAL DATA

**ROWAN  
COUNTY**

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NORTH CAROLINA

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*Be an original.*

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a ÷ b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b - a) ÷ c]</u>
12/31/12	\$ -	\$ 5,155,161	\$ 5,155,161	0%	\$ 25,073,516	20.6%
12/31/14	-	7,041,211	7,041,211	0%	19,476,644	36.2%
06/30/16	-	7,638,584	7,638,584	0%	17,843,231	42.8%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 635,380	34.4%
2014	546,384	57.7%
2015	546,384	133.2%
2016	704,927	58.9%
2017	704,927	60.1%

Notes to the Required Schedules:

The covered payroll displayed excludes members who are ineligible for benefits due to the closure of the Plan.

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
County's proportion of the net pension liability (asset)	0.497%	0.495%	(0.496)%	0.488%
County's proportionate share of the net pension liability (asset)	\$ 10,556,070	\$ 2,219,870	\$ (2,923,785)	\$ 5,888,300
County's covered-employee payroll	\$ 30,164,424	\$ 29,558,749	\$ 28,714,717	\$ 27,638,394
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.00%	7.51%	(10.18%)	21.30%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

**SCHEDULE OF COUNTY CONTRIBUTIONS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,375,968	\$ 2,062,868	\$ 2,109,508	\$ 2,061,923
Contributions in relation to the contractually required contribution	<u>2,375,968</u>	<u>2,062,868</u>	<u>2,109,508</u>	<u>2,061,923</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 32,262,530	\$ 30,164,424	\$ 29,558,749	\$ 28,714,717
Contributions as a percentage of covered-employee payroll	7.36%	6.84%	7.14%	7.18%

\*\* The schedules shown above are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
County's proportion of the net pension liability (asset)	(1.29)%	(1.26)%	(1.26)%	(1.21)%
County's proportionate share of the net pension liability (asset)	\$ (241,808)	\$ (292,131)	\$ (286,601)	\$ (257,639)
County's covered-employee payroll	\$ 58,157	\$ 58,040	\$ 57,182	\$ 56,625
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(415.78)%	(503.33)%	(501.21)%	(454.99)%
Plan fiduciary net position as a percentage of the total pension liability (asset)	160.17%	197.29%	193.88%	190.50%

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

**SCHEDULE OF COUNTY CONTRIBUTIONS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 11,510	\$ 10,566	\$ 10,087	\$ 10,324
Contributions in relation to the contractually required contribution	<u>11,510</u>	<u>10,566</u>	<u>10,087</u>	<u>10,324</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 58,849	\$ 58,157	\$ 58,040	\$ 57,182
Contributions as a percentage of covered-employee payroll	19.56%	18.17%	17.38%	18.05%

\*\* The schedules shown above are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY (ASSET)**

	<u>2017 *</u>
Beginning balance	\$ 3,300,253
Service cost	133,008
Interest on the total pension liability	113,438
Change in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(63,455)
Benefits payments	(245,451)
Other	-
Ending balance of the total pension liability	<u>\$ 3,237,793</u>

\* The amounts presented were determined as of the prior December 31.

**SCHEDULE OF TOTAL PENSION AS A PERCENTAGE OF COVERED PAYROLL**

	<u>2017</u>
Total pension liability	\$ 3,237,793
Covered payroll	\$ 5,322,051
Total pension liability as a percentage of covered payroll	60.84%

\*\* The schedules shown above are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Rowan County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 to pay related benefits.

COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES

**ROWAN  
COUNTY**

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NORTH CAROLINA

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*Be an original.*

### General Fund

Accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

### Public Schools Capital Projects Fund

Accounts for funds used in the planning, design and construction of capital improvements for the Rowan-Salisbury School System.

## Major Governmental Funds

**ROWAN COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**BALANCE SHEET**  
**June 30, 2017**  
**With Comparative Totals at June 30, 2016**

**EXHIBIT B-1**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 44,061,891	\$ 41,842,520
Restricted cash	1,737,323	835,864
Receivables (net)	7,839,260	9,514,464
Due from other funds	157,617	1,021,365
Due from other governments	6,316,940	5,683,366
Inventories	57,094	64,662
Notes receivable	<u>3,250,000</u>	<u>3,362,500</u>
Total assets	<u><u>\$ 63,420,125</u></u>	<u><u>\$ 62,324,741</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 8,342,780	\$ 8,368,667
Due to component unit	<u>38,487</u>	<u>46,214</u>
Total liabilities	<u>8,381,267</u>	<u>8,414,881</u>
Deferred inflows of resources	<u>3,579,101</u>	<u>3,409,291</u>

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**BALANCE SHEET**  
**June 30, 2017**  
**With Comparative Totals at June 30, 2016**

**EXHIBIT B-1 (Continued)**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (Continued)		
Fund balance:		
Nonspendable:		
Inventories	\$ 57,094	\$ 64,662
Noncurrent notes receivable	3,137,500	3,250,000
Restricted:		
Stabilization by State statute	13,364,879	14,909,258
Education capital	359,482	351,251
Future capital projects	1,613,933	737,417
Law enforcement	31,959	88,891
Register of deeds	108,221	198,974
Committed:		
Future capital projects	1,762,160	1,957,529
Tax revaluation	123,390	98,447
Assigned:		
Subsequent year's expenditures	9,915,665	9,590,171
Agricultural extension	47,986	50,199
Animal services	102,131	48,053
Economic development	692,323	-
Health	921,457	784,207
Law enforcement	322,924	383,527
Libraries	24,650	24,294
Recreation	263,649	269,054
Social services	142,728	165,263
Unassigned	18,467,626	17,529,372
Total fund balance	<u>51,459,757</u>	<u>50,500,569</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 63,420,125</u>	<u>\$ 62,324,741</u>

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES:				
Ad valorem taxes:				
Taxes		\$ 79,999,391		\$ 78,791,645
Interest		641,096		651,104
Total ad valorem taxes	\$ 78,950,969	80,640,487	\$ 1,689,518	79,442,749
Local option sales taxes:				
Article 39 and 44		9,364,778		6,935,897
Article 40: .5 percent		6,254,092		6,020,477
Article 42: .5 percent		4,886,014		4,624,115
Article 46: .25 percent		3,145,118		2,850,291
Total local option sales taxes	22,493,815	23,650,002	1,156,187	20,430,780
Other taxes and licenses:				
Franchise fees		407,313		404,088
Heavy equipment tax		30,390		36,349
Occupancy tax		420,260		388,357
Privilege licenses		4,880		5,160
Real estate transfer tax		430,158		402,980
Rental vehicle tax		64,825		65,363
Total other taxes and licenses	1,250,000	1,357,826	107,826	1,302,297
Unrestricted intergovernmental:				
ABC profit distribution		148,660		145,520
Beer and wine tax		349,783		336,481
Local contributions		112,500		112,500
Payments in lieu of taxes - outside sources		35,745		27,249
Total unrestricted intergovernmental	647,500	646,688	(812)	621,750

Continued on next page.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES (Continued):				
Restricted intergovernmental:				
Federal grants		\$ 16,914,131		\$ 17,470,374
State grants		3,879,397		3,482,985
ABC bottle taxes		41,658		41,545
Court facilities fees		211,031		247,129
Local contributions		46,400		36,400
Lottery proceeds		1,400,000		1,500,000
Total restricted intergovernmental	\$ 23,584,315	22,492,617	\$ (1,091,698)	22,778,433
Permits and fees:				
Building permits		807,303		622,745
Other permits		292,150		278,445
Register of deeds		648,283		599,950
Total permits and fees	1,459,370	1,747,736	288,366	1,501,140
Sales and services:				
Rents, concessions and fees		3,219,948		3,067,478
Ambulance fees		3,356,105		3,316,626
Health fees		326,330		271,130
Jail fees		646,411		604,936
Recreation fees		821,839		799,905
Tax collection fees		371,590		355,121
Total sales and services	8,536,658	8,742,223	205,565	8,415,196
Investment earnings	200,050	398,298	198,248	222,749

Continued on next page.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES (Continued):				
Miscellaneous:				
Sale of materials		\$ 301,470		\$ 292,235
Donations		165,912		133,690
Other		173,651		171,459
Total miscellaneous	\$ 532,028	641,033	\$ 109,005	597,384
Total revenues	137,654,705	140,316,910	2,662,205	135,312,478
EXPENDITURES:				
General government:				
Governing body	128,515	111,989	16,526	113,752
County manager	499,262	460,976	38,286	419,941
Finance	1,370,052	1,305,312	64,740	1,162,784
Human resources	437,557	420,436	17,121	402,936
Elections	560,598	512,535	48,063	538,699
Tax assessor	2,097,817	1,686,472	411,345	1,766,403
Tax collector	1,462,665	1,110,505	352,160	927,630
Register of deeds	787,795	607,147	180,648	519,326
West End Plaza	546,090	403,604	142,486	473,779
Public buildings	2,946,564	2,587,299	359,265	1,966,827
Court facilities	1,576,635	565,460	1,011,175	990,113
Information systems	2,638,129	2,312,035	326,094	2,083,837
Other general government	822,689	316,231	506,458	240,994
Total general government	15,874,368	12,400,001	3,474,367	11,607,021
Public safety:				
Sheriff	10,914,350	10,255,397	658,953	9,393,640
Jail	6,188,302	5,917,480	270,822	5,720,818
Pre-trial services program	71,019	62,579	8,440	48,563

Continued on next page.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
EXPENDITURES (Continued):				
Public safety (Continued):				
Emergency communications	\$ 2,722,846	\$ 2,438,569	\$ 284,277	\$ 2,208,670
Emergency management	946,592	888,625	57,967	958,712
Rescue units	5,590,400	5,454,857	135,543	4,330,248
Medical examiner	160,000	158,900	1,100	121,900
Building inspections	832,170	802,933	29,237	773,667
Animal services - animal control	1,318,020	1,190,079	127,941	947,279
Other public safety	1,061,780	836,772	225,008	743,771
Total public safety	<u>29,805,479</u>	<u>28,006,191</u>	<u>1,799,288</u>	<u>25,247,268</u>
Transportation:				
Rowan Transit System	<u>1,725,485</u>	<u>1,435,464</u>	<u>290,021</u>	<u>1,210,560</u>
Economic and physical development:				
Planning	583,789	545,831	37,958	510,741
Tourism Authority	426,100	416,011	10,089	384,478
Agricultural extension	312,974	252,773	60,201	210,746
Soil and water conservation	75,064	70,275	4,789	62,964
Industrial parks	22,000	14,097	7,903	23,354
Other economic and physical development	<u>3,815,117</u>	<u>2,417,847</u>	<u>1,397,270</u>	<u>1,762,895</u>
Total economic and physical development	<u>5,235,044</u>	<u>3,716,834</u>	<u>1,518,210</u>	<u>2,955,178</u>
Human services:				
Health:				
Administration		496,544		515,030
Dental clinic		584,757		618,532
Women's preventive health (family planning)		512,893		509,280
Child health and primary care		741,531		624,045

Continued on next page.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
EXPENDITURES (Continued):				
Human services (Continued):				
Health (Continued):				
Maternal health		\$ 821,056		\$ 780,318
Women, infants and children		574,613		577,036
Adult health		1,041,767		1,019,486
Environmental health		735,155		692,644
Total health	\$ 6,096,988	5,508,316	\$ 588,672	5,336,371
Mental health	537,000	533,658	3,342	530,001
Senior services	1,306,071	1,303,281	2,790	1,272,436
Social services:				
Administration		1,374,951		1,688,883
Adult services		5,676,382		5,274,530
Children's services		4,109,826		3,808,183
Income maintenance programs		4,799,663		4,921,426
Child support enforcement		1,340,921		1,234,086
Foster care program		1,713,881		1,457,935
Other programs		2,148,870		2,316,423
Total social services	22,920,060	21,164,494	1,755,566	20,701,466
Veterans services	156,337	148,142	8,195	150,479
Other human services	88,432	88,432	-	82,032
Total human services	31,104,888	28,746,323	2,358,565	28,072,785

Continued on next page.

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**For the Fiscal Year Ended June 30, 2017**

**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016**

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
EXPENDITURES (Continued):				
Culture and recreation:				
Recreation	\$ 2,597,258	\$ 2,142,285	\$ 454,973	\$ 2,029,192
Animal services - nature center	403,145	329,121	74,024	343,843
Libraries	3,154,135	2,946,303	207,832	2,920,977
Other culture and recreation	122,892	122,892	-	100,892
Total culture and recreation	<u>6,277,430</u>	<u>5,540,601</u>	<u>736,829</u>	<u>5,394,904</u>
Education:				
Public schools:				
Current expense		37,700,048		35,769,561
Capital outlay		2,473,359		2,288,453
Total public schools	<u>40,300,262</u>	<u>40,173,407</u>	<u>126,855</u>	<u>38,058,014</u>
Community college:				
Current expense		2,544,998		2,109,896
Capital outlay		365,000		260,130
Total community college	<u>2,909,998</u>	<u>2,909,998</u>	<u>-</u>	<u>2,370,026</u>
Total education	<u>43,210,260</u>	<u>43,083,405</u>	<u>126,855</u>	<u>40,428,040</u>
Debt service:				
Principal retirement	14,907,449	14,091,342	816,107	14,925,984
Interest and other charges	1,830,215	1,396,376	433,839	1,623,368
Total debt service	<u>16,737,664</u>	<u>15,487,718</u>	<u>1,249,946</u>	<u>16,549,352</u>
Total expenditures	<u>149,970,618</u>	<u>138,416,537</u>	<u>11,554,081</u>	<u>131,465,108</u>
Revenues over (under) expenditures	<u>(12,315,913)</u>	<u>1,900,373</u>	<u>14,216,286</u>	<u>3,847,370</u>

Continued on next page.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	\$ (2,703,960)	\$ (2,703,960)	\$ -	\$ (1,837,409)
Installment purchase obligations issued	1,325,000	1,325,000	-	1,517,835
Sale of capital assets	37,850	557,843	519,993	213,257
Total other financing sources (uses)	<u>(1,341,110)</u>	<u>(821,117)</u>	<u>519,993</u>	<u>(106,317)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(13,657,023)	1,079,256	14,736,279	3,741,053
APPROPRIATED FUND BALANCE	<u>13,657,023</u>	<u>-</u>	<u>(13,657,023)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	1,079,256	<u>\$ 1,079,256</u>	3,741,053
RECONCILIATION FROM BUDGETARY BASIS OF ACCOUNTING TO MODIFIED ACCRUAL BASIS:				
Current year note receivable payments		(112,500)		(112,500)
Net change in fund balance - modified accrual		966,756		3,628,553
FUND BALANCE:				
Beginning of year, July 1, as previously reported		50,500,569		46,881,920
Increase (decrease) in inventories		<u>(7,568)</u>		<u>(9,904)</u>
End of year, June 30		<u>\$ 51,459,757</u>		<u>\$ 50,500,569</u>

PUBLIC SCHOOLS CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ -	\$ -	\$ 541	\$ 541	\$ 541
EXPENDITURES:					
Capital outlay:					
Education:					
School facilities	34,000,000	-	4,475,825	4,475,825	29,524,175
Total expenditures	34,000,000	-	4,475,825	4,475,825	29,524,175
Revenue under expenditures	(34,000,000)	-	(4,475,284)	(4,475,284)	29,524,716
OTHER FINANCING SOURCES:					
Installment purchase obligations issued	34,000,000	-	6,500,000	6,500,000	(27,500,000)
Total other financing sources	34,000,000	-	6,500,000	6,500,000	(27,500,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,024,716	<u>\$ 2,024,716</u>	<u>\$ 2,024,716</u>
FUND BALANCE:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 2,024,716</u>		

**ROWAN  
COUNTY**

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NORTH CAROLINA

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**Community Development Fund**

Accounts for the grant revenues received from the U.S. Department of Housing and Urban Development to fund community development.

**Emergency Telephone System Fund**

Accounts for the 911 revenues received by the State 911 Board to enhance the State's 911 system.

**Fire District Fund**

Accounts for the tax revenues collected by the County on behalf of the various fire districts located within the County.

**RCCC Facilities Capital Projects Fund**

Accounts for funds used in the planning, design and construction of capital improvements on Rowan-Cabarrus Community College's North Campus.

**Water Infrastructure Capital Projects Fund**

Accounts for funds used in the planning, design and construction of water lines within the County.

**West End Plaza Capital Projects Fund**

Accounts for funds used in the planning, design and renovation of West End Plaza.

## Nonmajor Governmental Funds

**ROWAN COUNTY, NORTH CAROLINA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2017**

**EXHIBIT B-4**

	Special Revenue Funds			Capital Projects Funds					Total Nonmajor Governmental Funds
	Community Development Fund	Emergency Telephone System Fund	Fire District Fund	Total Nonmajor Special Revenue Funds	RCCC Facilities Capital Projects Fund	Water Infrastructure Capital Projects Fund	West End Plaza Capital Projects Fund	Total Capital Projects Funds	
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ 978,783	\$ 82,522	\$ 1,061,305	\$ -	\$ 351,165	\$ 1,420,774	\$ 1,771,939	\$ 2,833,244
Receivables (net)	-	-	220,130	220,130	-	-	-	-	220,130
Due from other governments	172,671	43,539	-	216,210	-	-	-	-	216,210
<b>Total assets</b>	<b>\$ 172,671</b>	<b>\$ 1,022,322</b>	<b>\$ 302,652</b>	<b>\$ 1,497,645</b>	<b>\$ -</b>	<b>\$ 351,165</b>	<b>\$ 1,420,774</b>	<b>\$ 1,771,939</b>	<b>\$ 3,269,584</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable and accrued liabilities	\$ 15,054	\$ -	\$ 77,642	\$ 92,696	\$ -	\$ 24,562	\$ 433,004	\$ 457,566	\$ 550,262
Due to other funds	157,617	-	-	157,617	-	-	-	-	157,617
Contract retainage	-	-	-	-	-	-	22,445	22,445	22,445
<b>Total liabilities</b>	<b>172,671</b>	<b>-</b>	<b>77,642</b>	<b>250,313</b>	<b>-</b>	<b>24,562</b>	<b>455,449</b>	<b>480,011</b>	<b>730,324</b>
Deferred inflows of resources	-	-	225,010	225,010	-	-	-	-	225,010
<b>Fund balances:</b>									
<b>Restricted:</b>									
Stabilization by State statute	172,671	43,539	-	216,210	-	-	-	-	216,210
Emergency telephone	-	978,783	-	978,783	-	-	-	-	978,783
<b>Committed:</b>									
Future capital projects	-	-	-	-	-	326,603	965,325	1,291,928	1,291,928
Unassigned	(172,671)	-	-	(172,671)	-	-	-	-	(172,671)
<b>Total fund balances</b>	<b>-</b>	<b>1,022,322</b>	<b>-</b>	<b>1,022,322</b>	<b>-</b>	<b>326,603</b>	<b>965,325</b>	<b>1,291,928</b>	<b>2,314,250</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 172,671</b>	<b>\$ 1,022,322</b>	<b>\$ 302,652</b>	<b>\$ 1,497,645</b>	<b>\$ -</b>	<b>\$ 351,165</b>	<b>\$ 1,420,774</b>	<b>\$ 1,771,939</b>	<b>\$ 3,269,584</b>

**ROWAN COUNTY, NORTH CAROLINA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT B-5**

	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Capital Projects Funds			Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Community Development Fund	Emergency Telephone System Fund	Fire District Fund		RCCC Facilities Capital Projects Fund	Water Infrastructure Capital Projects Fund	West End Plaza Capital Projects Fund		
<b>REVENUES:</b>									
Ad valorem taxes	\$ -	\$ -	\$ 5,626,843	\$ 5,626,843	\$ -	\$ -	\$ -	\$ -	\$ 5,626,843
Restricted intergovernmental	257,773	430,074	-	687,847	-	-	-	-	687,847
Investment earnings	-	7,452	-	7,452	825	-	7,464	8,289	15,741
Total revenues	<u>257,773</u>	<u>437,526</u>	<u>5,626,843</u>	<u>6,322,142</u>	<u>825</u>	<u>-</u>	<u>7,464</u>	<u>8,289</u>	<u>6,330,431</u>
<b>EXPENDITURES:</b>									
Current:									
Public safety	-	501,013	5,626,843	6,127,856	-	-	-	-	6,127,856
Economic and physical development	266,873	-	-	266,873	-	-	-	-	266,873
Capital outlay	-	-	-	-	314,119	173,397	625,745	1,113,261	1,113,261
Total expenditures	<u>266,873</u>	<u>501,013</u>	<u>5,626,843</u>	<u>6,394,729</u>	<u>314,119</u>	<u>173,397</u>	<u>625,745</u>	<u>1,113,261</u>	<u>7,507,990</u>
Excess (deficiency) of revenues over expenditures	(9,100)	(63,487)	-	(72,587)	(313,294)	(173,397)	(618,281)	(1,104,972)	(1,177,559)
<b>OTHER FINANCING SOURCES:</b>									
Transfers from other funds	9,100	-	-	9,100	-	500,000	965,160	1,465,160	1,474,260
Net change in fund balances	-	(63,487)	-	(63,487)	(313,294)	326,603	346,879	360,188	296,701
<b>FUND BALANCES:</b>									
Beginning of year, July 1	-	1,085,809	-	1,085,809	313,294	-	618,446	931,740	2,017,549
End of year, June 30	<u>\$ -</u>	<u>\$ 1,022,322</u>	<u>\$ -</u>	<u>\$ 1,022,322</u>	<u>\$ -</u>	<u>\$ 326,603</u>	<u>\$ 965,325</u>	<u>\$ 1,291,928</u>	<u>\$ 2,314,250</u>

COMMUNITY DEVELOPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental:					
Community Development Block Grants:					
Scattered Site - 11-C-2324	\$ 400,000	\$ 387,609	\$ -	\$ 387,609	(12,391)
Economic Development - 12-E-2433	750,000	750,000	-	750,000	-
Economic Development - 13-E-2612	1,000,000	873,081	23,248	896,329	(103,671)
Economic Development - 16-E-2587	180,935	-	22,208	22,208	(158,727)
HOME Consortium Grants	648,852	409,578	197,317	606,895	(41,957)
Industrial Development Fund Grant	1,133,000	570,624	15,000	585,624	(547,376)
NCDOT Economic Development Grant	583,000	583,000	-	583,000	-
Total revenues	<u>4,695,787</u>	<u>3,573,892</u>	<u>257,773</u>	<u>3,831,665</u>	<u>(864,122)</u>
EXPENDITURES:					
Economic and physical development:					
Administration	76,727	66,932	8,082	75,014	1,713
Rehabilitation	4,628,160	3,506,960	258,791	3,765,751	862,409
Total expenditures	<u>4,704,887</u>	<u>3,573,892</u>	<u>266,873</u>	<u>3,840,765</u>	<u>864,122</u>
Revenues under expenditures	<u>(9,100)</u>	<u>-</u>	<u>(9,100)</u>	<u>(9,100)</u>	<u>-</u>
OTHER FINANCING SOURCES:					
Transfers from other funds	<u>9,100</u>	<u>-</u>	<u>9,100</u>	<u>9,100</u>	<u>-</u>
Total other financing sources	<u>9,100</u>	<u>-</u>	<u>9,100</u>	<u>9,100</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

**ROWAN COUNTY, NORTH CAROLINA**  
**EMERGENCY TELEPHONE SYSTEM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2017**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016**

**EXHIBIT B-7**

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES:				
Restricted intergovernmental:				
State 911 fees	\$ 428,898	\$ 421,674	\$ (7,224)	\$ 633,690
State 911 grant	862,905	8,400	(854,505)	-
Investment earnings	<u>2,000</u>	<u>7,452</u>	<u>5,452</u>	<u>3,740</u>
Total revenues	1,293,803	437,526	(856,277)	637,430
EXPENDITURES:				
Current:				
Public safety:				
Emergency communications	<u>2,335,489</u>	<u>501,013</u>	<u>1,834,476</u>	<u>499,707</u>
Revenues over (under) expenditures	(1,041,686)	(63,487)	978,199	137,723
APPROPRIATED FUND BALANCE	<u>1,041,686</u>	<u>-</u>	<u>(1,041,686)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(63,487)</u>	<u>\$ (63,487)</u>	137,723
FUND BALANCE:				
Beginning of year, July 1		<u>1,085,809</u>		<u>948,086</u>
End of year, June 30		<u>\$ 1,022,322</u>		<u>\$ 1,085,809</u>

**FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**For the Fiscal Year Ended June 30, 2017**

**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016**

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES:				
Ad valorem taxes	\$ 5,738,671	5,626,843	\$ (111,828)	\$ 5,492,892
EXPENDITURES:				
Current:				
Public safety:				
Atwell Township Fire District	477,348	466,379	10,969	455,514
Bostian Heights Fire District	692,329	681,078	11,251	658,931
Cleveland Fire District	444,205	434,550	9,655	413,877
East Gold Hill Fire District	104,303	100,087	4,216	96,411
East Landis Fire District	26,418	24,760	1,658	24,851
East Rowan Fire District	17,602	17,271	331	17,380
Ellis Cross Country Fire District	138,541	136,179	2,362	132,935
Enochville Fire District	188,260	184,559	3,701	197,584
Franklin Fire District	254,089	250,076	4,013	245,620
Liberty Fire District	211,408	208,207	3,201	207,150
Locke Township Fire District	835,750	833,987	1,763	788,349
Miller Ferry Fire District	489,922	476,839	13,083	506,644
Mount Mitchell Fire District	74,893	72,851	2,042	72,839
Poole Town Fire District	89,804	79,538	10,266	77,322
Richfield-Misenheimer Fire District	7,836	7,271	565	7,099

Continued on next page.

FIRE DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
EXPENDITURES (Continued):				
Current (Continued):				
Public safety (Continued):				
Rockwell Rural Fire District	\$ 517,763	507,306	\$ 10,457	\$ 495,622
Rowan Iredell Fire District	34,781	33,050	1,731	32,939
Scotch Irish Fire District	72,693	70,034	2,659	68,557
South Rowan Fire District	5,426	5,150	276	5,317
South Salisbury Fire District	434,640	430,161	4,479	374,566
Union Fire District	123,446	121,047	2,399	121,580
West Rowan Fire District	246,249	239,521	6,728	236,497
Woodleaf Fire District	250,965	246,942	4,023	255,308
Total expenditures	<u>5,738,671</u>	<u>5,626,843</u>	<u>111,828</u>	<u>5,492,892</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>	-
FUND BALANCE:				
Beginning of year, July 1		-		-
End of year, June 30		<u>\$ -</u>		<u>\$ -</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**RCCC FACILITIES CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**From Inception and for the Fiscal Year Ended June 30, 2017**

**EXHIBIT B-9**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>REVENUES:</b>					
Investment earnings	\$ 56,013	\$ 55,187	\$ 825	\$ 56,012	\$ (1)
<b>EXPENDITURES:</b>					
Capital outlay:					
Education:					
Buildings	3,403,482	3,403,482	-	3,403,482	-
Buildings and access improvements	10,089,407	10,089,407	-	10,089,407	-
HVAC and dental improvements	2,504,407	2,190,288	314,119	2,504,407	-
Fire training facilities	1,958,717	1,958,716	-	1,958,716	1
Total expenditures	<u>17,956,013</u>	<u>17,641,893</u>	<u>314,119</u>	<u>17,956,012</u>	<u>1</u>
Revenues under expenditures	<u>(17,900,000)</u>	<u>(17,586,706)</u>	<u>(313,294)</u>	<u>(17,900,000)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES:</b>					
General obligation bonds issued	12,000,000	12,000,000	-	12,000,000	-
Installment purchase obligations issued	5,900,000	5,900,000	-	5,900,000	-
Total other financing sources	<u>17,900,000</u>	<u>17,900,000</u>	<u>-</u>	<u>17,900,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 313,294</u>	<u>(313,294)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCE:</b>					
Beginning of year, July 1			<u>313,294</u>		
End of year, June 30			<u>\$ -</u>		

**ROWAN COUNTY, NORTH CAROLINA**  
**WEST END PLAZA CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**From Inception and for the Fiscal Year Ended June 30, 2017**

**EXHIBIT B-10**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES:					
Investment earnings	\$ -	\$ 157	\$ 7,464	\$ 7,621	\$ 7,621
EXPENDITURES:					
Capital outlay:					
General Government:					
Land	1,898,519	1,898,519	-	1,898,519	-
Buildings	4,926,862	3,368,413	625,745	3,994,158	932,704
Other improvements	199,779	174,779	-	174,779	25,000
Total expenditures	<u>7,025,160</u>	<u>5,441,711</u>	<u>625,745</u>	<u>6,067,456</u>	<u>957,704</u>
Revenues under expenditures	<u>(7,025,160)</u>	<u>(5,441,554)</u>	<u>(618,281)</u>	<u>(6,059,835)</u>	<u>965,325</u>
OTHER FINANCING SOURCES:					
Transfers from other funds	3,075,160	2,110,000	965,160	3,075,160	-
Installment purchase obligations issued	3,950,000	3,950,000	-	3,950,000	-
Total other financing sources	<u>7,025,160</u>	<u>6,060,000</u>	<u>965,160</u>	<u>7,025,160</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 618,446</u>	346,879	<u>\$ 965,325</u>	<u>\$ 965,325</u>
FUND BALANCE:					
Beginning of year, July 1			<u>618,446</u>		
End of year, June 30			<u>\$ 965,325</u>		

**ROWAN COUNTY, NORTH CAROLINA**  
**WATER INFRASTRUCTURE CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**From Inception and for the Fiscal Year Ended June 30, 2017**

**EXHIBIT B-11**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:					
Capital outlay:					
Water-Sewer					
Easement	45,000	-	-	-	45,000
Engineers	479,000	-	173,397	173,397	305,603
Water lines	5,286,000	-	-	-	5,286,000
Total expenditures	<u>5,810,000</u>	<u>-</u>	<u>173,397</u>	<u>173,397</u>	<u>5,636,603</u>
Revenues under expenditures	<u>(5,810,000)</u>	<u>-</u>	<u>(173,397)</u>	<u>(173,397)</u>	<u>5,636,603</u>
OTHER FINANCING SOURCES:					
Transfers from other funds	500,000	-	500,000	500,000	-
Private contribution	5,310,000	-	-	-	(5,310,000)
Total other financing sources	<u>5,810,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>(5,310,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	326,603	<u>\$ 326,603</u>	<u>\$ 326,603</u>
FUND BALANCE:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 326,603</u>		

**Airport Fund**

Accounts for the operations and development of the Rowan County Airport.

**Landfill Fund**

Accounts for the County's solid waste activities.

**Risk Management Fund**

Accounts for the operations of the County's professional and property liability and workers' compensation self-funded programs.

**Proprietary Funds**

AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES:				
Operating revenues:				
Charges for services	\$ 1,116,884	\$ 1,203,902	\$ 87,018	\$ 977,313
Nonoperating revenues:				
Grant revenue	4,009,620	17,633	(3,991,987)	149,905
Investment earnings	3,000	20,779	17,779	8,274
Total revenues	5,129,504	1,242,314	(3,887,190)	1,135,492
EXPENDITURES:				
Airport operations	8,526,332	4,581,415	3,944,917	2,173,657
Revenues under expenditures	(3,396,828)	(3,339,101)	57,727	(1,038,165)
OTHER FINANCING SOURCES:				
Capital contributions	-	884,516	884,516	-
Transfers in	754,700	754,700	-	72,409
Installment purchase obligations issued	-	-	-	2,400,000
Total other financing sources	754,700	1,639,216	884,516	2,472,409
Revenues and other financing sources over expenditures	(2,642,128)	(1,699,885)	942,243	1,434,244
APPROPRIATED NET POSITION	2,642,128	-	(2,642,128)	-
Revenues, other financing sources and appropriated fund balance over (under) expenditures	\$ -	(1,699,885)	\$ (1,699,885)	1,434,244

Continued on next page.

AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance	2016
	Final Budget	Actual	Positive (Negative)	Actual
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:				
Reconciling items:				
Debt principal		\$ 232,335		\$ -
Capital outlays		3,129,797		1,090,114
Depreciation		(566,770)		(510,851)
Increase (decrease) in net pension asset		-		(12,259)
Increase (decrease) in deferred outflows of resources - pensions		25,914		(196)
(Increase) decrease in net pension liability		(30,806)		(9,307)
(Increase) decrease in deferred inflows of resources - pensions		3,427		25,039
Increase in accrued vacation pay		2,250		(1,975)
Increase in other postemployment benefits		(1,847)		(2,797)
Debt proceeds		-		(2,400,000)
Total reconciling items		<u>2,794,300</u>		<u>(1,822,232)</u>
Change in net position		<u>\$ 1,094,415</u>		<u>\$ (387,988)</u>

LANDFILL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
REVENUES:				
Operating revenues:				
Charges for services	\$ 4,937,900	\$ 5,591,654	\$ 653,754	\$ 5,362,170
Nonoperating revenues:				
Scrap tire disposal tax	170,000	187,604	17,604	183,961
Solid waste disposal tax	60,000	64,416	4,416	61,104
White goods disposal tax	44,000	55,098	11,098	47,186
Other grants and revenue	60,689	41,905	(18,784)	12,528
Investment earnings	80,000	41,193	(38,807)	104,912
Total nonoperating revenues	414,689	390,216	(24,473)	409,691
Total revenues	5,352,589	5,981,870	629,281	5,771,861
EXPENDITURES:				
Administration	231,789	207,433	24,356	207,091
Recycling operations	653,845	451,922	201,923	432,758
Sanitation operations	928,062	857,850	70,212	660,795
Solid waste operations	5,547,234	3,008,332	2,538,902	2,450,181
Total expenditures	7,360,930	4,525,537	2,835,393	3,750,825
Revenues over (under) expenditures	(2,008,341)	1,456,333	3,464,674	2,021,036
APPROPRIATED NET POSITION	2,008,341	-	(2,008,341)	-
Revenues and appropriated net position over (under) expenditures	\$ -	1,456,333	\$ 1,456,333	2,021,036

Continued on next page.

LANDFILL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2017

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016

	2017		Variance	2016
	Final Budget	Actual	Positive (Negative)	Actual
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:				
Reconciling items:				
Capital outlays		\$ 1,361,868		\$ 777,885
Depreciation		(1,163,285)		(1,098,293)
Increase (decrease) in net pension asset		-		(117,624)
Increase (decrease) in deferred outflows of resources - pensions		237,774		(836)
(Increase) decrease in net pension liability		(284,374)		(89,311)
(Increase) decrease in deferred inflows of resources - pensions		33,280		240,259
(Increase) decrease in accrued landfill closure and postclosure care costs		(707,011)		(1,352,875)
(Increase) in accrued vacation pay		(21,406)		(2,742)
(Increase) in other postemployment benefits		(12,187)		(16,556)
Total reconciling items		<u>(555,341)</u>		<u>(1,660,093)</u>
Change in net position		<u>\$ 900,992</u>		<u>\$ 360,943</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**RISK MANAGEMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2017**  
**With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016**

**EXHIBIT B-14**

	2017		2016	
	Final Financial Plan	Actual	Variance Positive (Negative)	Actual
<b>REVENUES:</b>				
Operating revenues:				
Charges for services	\$ 650,000	\$ 685,758	\$ 35,758	\$ 644,469
Nonoperating revenues:				
Investment earnings	20,000	45,115	25,115	28,154
Insurance settlements	80,000	112,050	32,050	14,931
Total nonoperating revenues	100,000	157,165	57,165	43,085
Total revenues	750,000	842,923	92,923	687,554
<b>EXPENDITURES:</b>				
Administration	190,154	171,142	19,012	175,679
Professional and property liability	552,500	472,810	79,690	478,340
Workers' compensation	582,346	336,005	246,341	440,321
Total expenditures	1,325,000	979,957	345,043	1,094,340
Revenues under expenditures	(575,000)	(137,034)	437,966	(406,786)
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	475,000	475,000	-	475,000
Revenues and other financing sources over (under) expenditures	(100,000)	337,966	437,966	68,214
<b>APPROPRIATED NET POSITION</b>	<b>100,000</b>	<b>-</b>	<b>(100,000)</b>	<b>-</b>
Revenues, other financing sources and appropriated fund balance over expenditures	\$ -	\$ 337,966	\$ 337,966	\$ 68,214

### Agency Funds

Accounts for assets held by the County as an agent for individuals, private organizations and/or other governments.

- Fines and Forfeitures Fund
  - Municipal Tax Fund
  - Social Services Fund

## Fiduciary Funds

**ROWAN COUNTY, NORTH CAROLINA**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT B-15**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>Fines and Forfeitures Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 10,556	\$ 774,637	\$ 772,196	\$ 12,997
Accounts receivable	68,474	44,398	68,474	44,398
Total assets	<u>\$ 79,030</u>	<u>\$ 819,035</u>	<u>\$ 840,670</u>	<u>\$ 57,395</u>
Liabilities:				
Intergovernmental payables:				
Rowan-Salisbury Schools	\$ 65,475	\$ 674,368	\$ 694,567	\$ 45,276
Kannapolis City Schools	4,224	44,005	45,267	2,962
State of North Carolina	9,331	100,662	100,836	9,157
Total liabilities	<u>\$ 79,030</u>	<u>\$ 819,035</u>	<u>\$ 840,670</u>	<u>\$ 57,395</u>
<b>Municipal Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 421,062	\$ 29,994,387	\$ 30,033,190	\$ 382,259
Liabilities:				
Intergovernmental payables:				
Rowan County Municipalities	\$ 421,062	\$ 29,994,387	\$ 30,033,190	\$ 382,259
<b>Social Services Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 22,467	\$ 124,543	\$ 117,510	\$ 29,500
Liabilities:				
Miscellaneous liabilities	\$ 22,467	\$ 124,543	\$ 117,510	\$ 29,500

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT B-15 (Continued)**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 454,085	\$ 30,893,567	\$ 30,922,896	\$ 424,756
Accounts receivable	68,474	44,398	68,474	44,398
Total assets	<u>\$ 522,559</u>	<u>\$ 30,937,965</u>	<u>\$ 30,991,370</u>	<u>\$ 469,154</u>
Liabilities:				
Intergovernmental payables:				
Rowan-Salisbury Schools	\$ 65,475	\$ 674,368	\$ 694,567	\$ 45,276
Kannapolis City Schools	4,224	44,005	45,267	2,962
State of North Carolina	9,331	100,662	100,836	9,157
Rowan County Municipalities	421,062	29,994,387	30,033,190	382,259
Miscellaneous liabilities	22,467	124,543	117,510	29,500
Total liabilities	<u>\$ 522,559</u>	<u>\$ 30,937,965</u>	<u>\$ 30,991,370</u>	<u>\$ 469,154</u>

**ROWAN  
COUNTY**

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NORTH CAROLINA

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*Be an original.*

This section contains additional information on property taxes.

- *Schedule of Ad Valorem Taxes Receivable – General Fund*
  - *Analysis of Current Tax Levy – County-wide Levy*

## OTHER SCHEDULES

**ROWAN COUNTY, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2017**

**EXHIBIT C-1**

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 80,703,112	\$ 79,279,290	\$ 1,423,822
2015-2016	1,600,904	-	899,338	701,566
2014-2015	721,611	-	325,065	396,546
2013-2014	453,521	-	147,120	306,401
2012-2013	313,280	-	75,943	237,337
2011-2012	223,533	-	38,357	185,176
2010-2011	211,721	-	26,217	185,504
2009-2010	180,333	-	14,020	166,313
2008-2009	148,911	-	7,275	141,636
2007-2008	111,309	-	5,301	106,008
2006-2007	79,709	-	79,709	-
	<u>\$ 4,044,832</u>	<u>\$ 80,703,112</u>	<u>\$ 80,897,635</u>	3,850,309
Less: Allowance for uncollectible accounts:				
General Fund				(1,463,477)
Ad valorem taxes receivable (net):				
General Fund				<u>\$ 2,386,832</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 80,640,487
Penalties collected on ad valorem taxes - Agency Fund				113,975
Total ad valorem taxes and penalties				<u>80,754,462</u>
Reconciling items:				
Interest collected				(641,096)
Discounts allowed				706,289
Taxes written off				77,980
Total reconciling items				<u>143,173</u>
Total collections and credits				<u>\$ 80,897,635</u>

**ROWAN COUNTY, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**COUNTY-WIDE LEVY**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT C-2**

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 12,179,435,641	0.6625	\$ 80,688,761	\$ 73,097,280	\$ 7,591,481
Penalties	-		66,259	66,259	-
Total original levy	<u>12,179,435,641</u>		<u>80,755,020</u>	<u>73,163,539</u>	<u>7,591,481</u>
Discoveries:					
Current year taxes	21,365,887	0.6625	141,549	141,313	236
Penalties	-		114,075	113,975	100
Total discoveries	<u>21,365,887</u>		<u>255,624</u>	<u>255,288</u>	<u>336</u>
Abatements	<u>(46,419,925)</u>		<u>(307,532)</u>	<u>(307,532)</u>	<u>-</u>
Total property valuation	<u>\$ 12,154,381,603</u>				
Net levy			80,703,112	73,111,295	7,591,817
Uncollected taxes at June 30, 2017			<u>1,423,822</u>	<u>1,423,822</u>	<u>-</u>
Current year's taxes collected			<u>\$ 79,279,290</u>	<u>\$ 71,687,473</u>	<u>\$ 7,591,817</u>
Current levy collection percentage			<u>98.24%</u>	<u>98.05%</u>	<u>100.00%</u>

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**COUNTY-WIDE LEVY**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT C-2 (Continued)**

Secondary Market Disclosures:

Assessed valuation:

Assessment ratio <sup>1</sup>	100%
Real property	\$ 8,969,016,688
Personal property	2,449,446,345
Public service companies <sup>2</sup>	<u>735,918,570</u>
Total assessed valuation	<u>\$ 12,154,381,603</u>
Tax rate per \$100	0.6625
Levy (includes discoveries, releases and abatements) <sup>3</sup>	<u>\$ 80,703,112</u>
In addition to the County-wide rate, the following lists the levy by the County on behalf of fire protection districts for the fiscal year ended June 30:	
Fire Protection Districts	<u>\$ 5,729,598</u>

<sup>1</sup> Percentage of appraised value has been established by Statute.

<sup>2</sup> Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

<sup>3</sup> The levy includes interest and penalties.

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

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

## STATISTICAL SECTION

**ROWAN  
COUNTY**

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NORTH CAROLINA

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*Be an original.*

*Net Position by Component*

*Changes in Net Position*

*Fund Balances of Governmental Funds*

*Changes in Fund Balances of Governmental Funds*

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Financial Trends

**ROWAN  
COUNTY**

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NORTH CAROLINA

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*Be an original.*

**ROWAN COUNTY, NORTH CAROLINA**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Dollars in Thousands)**

**TABLE 1**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 49,923	\$ 51,333	\$ 52,184	\$ 51,426	\$ 50,697	\$ 52,570	\$ 55,472	\$ 53,200	\$ 53,420	\$ 59,370
Restricted	12,071	13,215	11,559	11,227	13,511	13,611	16,648	16,655	17,601	15,369
Unrestricted	<u>(53,587)</u>	<u>(51,541)</u>	<u>(48,015)</u>	<u>(40,309)</u>	<u>(31,100)</u>	<u>(23,101)</u>	<u>(19,265)</u>	<u>(16,385)</u>	<u>(7,695)</u>	<u>(4,598)</u>
Total governmental activities net position	<u>\$ 8,407</u>	<u>\$ 13,007</u>	<u>\$ 15,728</u>	<u>\$ 22,344</u>	<u>\$ 33,108</u>	<u>\$ 43,080</u>	<u>\$ 52,855</u>	<u>\$ 53,470</u>	<u>\$ 63,326</u>	<u>\$ 70,141</u>
Business-type activities:										
Net investment in capital assets <sup>a</sup>	\$ 17,403	\$ 16,091	\$ 15,099	\$ 14,448	\$ 10,674	\$ 11,914	\$ 12,751	\$ 17,635	\$ 17,745	\$ 18,657
Unrestricted	<u>2,215</u>	<u>3,655</u>	<u>4,731</u>	<u>4,729</u>	<u>4,634</u>	<u>5,077</u>	<u>6,113</u>	<u>4,306</u>	<u>4,129</u>	<u>5,172</u>
Total business-type activities net position	<u>\$ 19,618</u>	<u>\$ 19,746</u>	<u>\$ 19,830</u>	<u>\$ 19,177</u>	<u>\$ 15,308</u>	<u>\$ 16,991</u>	<u>\$ 18,864</u>	<u>\$ 21,941</u>	<u>\$ 21,874</u>	<u>\$ 23,829</u>
Primary government:										
Net investment in capital assets	\$ 67,326	\$ 67,424	\$ 67,283	\$ 65,874	\$ 61,371	\$ 64,484	\$ 68,223	\$ 70,835	\$ 71,165	\$ 78,027
Restricted	12,071	13,215	11,559	11,227	13,511	13,611	16,648	16,655	17,601	15,369
Unrestricted	<u>(51,372)</u>	<u>(47,886)</u>	<u>(43,284)</u>	<u>(35,580)</u>	<u>(26,466)</u>	<u>(18,024)</u>	<u>(13,152)</u>	<u>(12,079)</u>	<u>(3,566)</u>	<u>574</u>
Total primary government net position	<u>\$ 28,025</u>	<u>\$ 32,753</u>	<u>\$ 35,558</u>	<u>\$ 41,521</u>	<u>\$ 48,416</u>	<u>\$ 60,071</u>	<u>\$ 71,719</u>	<u>\$ 75,411</u>	<u>\$ 85,200</u>	<u>\$ 93,970</u>

**Notes:** <sup>a</sup> The increases from the prior period in 2008 and 2015 were caused by the construction of new cells at the Rowan County Landfill. The decrease from the prior period in 2012 was due to the sale of the baseball stadium.

**ROWAN COUNTY, NORTH CAROLINA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Dollars in Thousands)**

**TABLE 2**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities:</b>										
Expenses:										
General government	\$ 10,600	\$ 11,455	\$ 11,829	\$ 11,455	\$ 11,505	\$ 11,008	\$ 11,528	\$ 11,642	\$ 12,201	\$ 12,499
Public safety	25,164	26,592	26,471	26,374	29,951	27,233	28,852	28,640	31,928	34,898
Transportation <sup>a</sup>	528	575	781	1,506	1,629	1,585	1,314	1,277	1,240	1,324
Environmental protection <sup>b</sup>	-	-	-	-	-	-	-	-	-	-
Economic and physical development	3,043	2,584	3,447	3,017	2,557	3,510	4,261	5,512	4,726	4,647
Human services	31,915	31,228	29,219	29,804	29,060	27,917	26,790	26,678	27,998	29,075
Culture and recreation	5,902	6,044	5,860	5,970	5,566	5,650	5,507	5,489	5,623	5,915
Education	45,330	42,572	41,334	39,728	38,209	38,860	41,187	50,047	47,262	47,873
Interest on long-term debt	4,253	4,129	4,088	3,886	3,252	3,203	2,393	2,345	1,747	1,362
Total expenses	<u>126,735</u>	<u>125,179</u>	<u>123,029</u>	<u>121,740</u>	<u>121,729</u>	<u>118,966</u>	<u>121,832</u>	<u>131,630</u>	<u>132,725</u>	<u>137,593</u>
Program revenues:										
Charges for services:										
General government	1,643	1,433	1,428	1,386	1,469	1,523	2,106	2,066	2,121	2,143
Public safety	7,956	8,392	8,742	9,053	9,245	10,277	10,068	10,289	11,909	12,201
Transportation <sup>a</sup>	8	5	7	12	111	199	239	271	259	273
Economic and physical development	121	69	51	41	75	77	82	85	92	89
Human services	601	508	421	348	324	301	290	326	351	384
Culture and recreation	1,637	1,577	1,565	1,561	1,542	1,407	1,539	1,534	1,527	1,517
Operating grants and contributions	19,858	21,090	23,720	23,538	22,904	20,741	20,345	22,528	22,437	21,689
Capital grants and contributions <sup>c</sup>	8,569	4,625	2,651	2,828	1,935	3,630	1,758	1,769	1,671	1,697
Total program revenues	<u>40,393</u>	<u>37,699</u>	<u>38,585</u>	<u>38,767</u>	<u>37,605</u>	<u>38,155</u>	<u>36,427</u>	<u>38,868</u>	<u>40,367</u>	<u>39,993</u>
Total governmental activities net program expense	<u>(86,342)</u>	<u>(87,480)</u>	<u>(84,444)</u>	<u>(82,973)</u>	<u>(84,124)</u>	<u>(80,811)</u>	<u>(85,405)</u>	<u>(92,762)</u>	<u>(92,358)</u>	<u>(97,600)</u>

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Dollars in Thousands)**

**TABLE 2 (Continued)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities (Continued):</b>										
General revenues and other changes in net position:										
Taxes:										
Property taxes, levied for general purpose	\$ 67,922	\$ 70,230	\$ 70,357	\$ 70,655	\$ 72,245	\$ 72,846	\$ 75,564	\$ 76,735	\$ 79,444	\$ 80,525
Local option sales taxes <sup>c</sup>	22,913	18,580	14,500	16,523	17,168	16,917	17,568	18,534	20,431	23,650
Other taxes and licenses	1,356	1,190	1,151	1,093	1,044	1,098	1,104	1,209	1,302	1,358
Unrestricted grants and contributions	533	736	413	533	767	693	1,055	920	509	534
Unrestricted investment earnings	2,935	1,440	485	360	355	146	147	143	251	443
Donation of note receivable <sup>d</sup>	-	-	-	-	3,000	-	-	-	-	-
Unrestricted miscellaneous <sup>e</sup>	1,254	13	336	425	309	607	277	1,230	349	570
Special item <sup>a</sup>	(5,682)	-	-	-	-	-	-	-	-	-
Transfers	(661)	(109)	(77)	-	-	(1,212)	(534)	(1,991)	(72)	(754)
Total general revenues and other changes in net position	<u>90,570</u>	<u>92,080</u>	<u>87,165</u>	<u>89,589</u>	<u>94,888</u>	<u>91,095</u>	<u>95,181</u>	<u>96,780</u>	<u>102,214</u>	<u>106,326</u>
Total governmental activities change in net position	<u>\$ 4,228</u>	<u>\$ 4,600</u>	<u>\$ 2,721</u>	<u>\$ 6,616</u>	<u>\$ 10,764</u>	<u>\$ 10,284</u>	<u>\$ 9,776</u>	<u>\$ 4,018</u>	<u>\$ 9,856</u>	<u>\$ 8,726</u>
<b>Business-type activities:</b>										
Expenses:										
Airport <sup>a</sup>	\$ 2,217	\$ 1,733	\$ 1,683	\$ 1,410	\$ 1,393	\$ 1,526	\$ 1,640	\$ 1,640	\$ 1,601	\$ 1,793
Landfill	3,980	4,971	5,130	5,719	4,399	4,774	3,852	3,266	5,445	5,116
Sports Authority <sup>d</sup>	277	356	282	304	82	-	-	-	-	-
Total expenses	<u>6,474</u>	<u>7,060</u>	<u>7,095</u>	<u>7,433</u>	<u>5,874</u>	<u>6,300</u>	<u>5,492</u>	<u>4,906</u>	<u>7,046</u>	<u>6,909</u>

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Dollars in Thousands)**

**TABLE 2 (Continued)**

	Fisca Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Business-type activities (Continued):</b>										
Revenues:										
Charges for services:										
Airport <sup>a</sup>	\$ 1,553	\$ 1,204	\$ 1,165	\$ 1,063	\$ 1,037	\$ 1,039	\$ 1,013	\$ 960	\$ 977	\$ 1,204
Landfill	3,800	5,089	5,075	5,059	4,635	4,372	4,754	4,856	5,362	5,592
Sports Authority <sup>e</sup>	118	116	128	95	-	-	-	-	-	-
Operating grants and contributions	236	370	274	274	277	277	255	267	305	367
Capital grants and contributions <sup>b</sup>	1,018	-	295	119	1,103	1,025	744	26	150	884
Total revenues	<u>6,725</u>	<u>6,779</u>	<u>6,937</u>	<u>6,610</u>	<u>7,052</u>	<u>6,713</u>	<u>6,766</u>	<u>6,109</u>	<u>6,794</u>	<u>8,047</u>
Total business-type activities net program expense	<u>251</u>	<u>(281)</u>	<u>(158)</u>	<u>(823)</u>	<u>1,178</u>	<u>413</u>	<u>1,274</u>	<u>1,203</u>	<u>(252)</u>	<u>1,138</u>
Other changes in net position:										
Unrestricted investment earnings	302	301	164	170	77	58	64	54	113	62
Donation of note receivable <sup>d</sup>	-	-	-	-	(3,000)	-	-	-	-	-
Unrestricted miscellaneous	-	-	-	-	-	-	-	-	-	-
Special items <sup>a, d</sup>	5,682	-	-	-	(2,124)	-	-	-	-	-
Transfers	661	109	77	-	-	1,212	534	1,991	72	754
Total other changes in net position	<u>6,645</u>	<u>410</u>	<u>241</u>	<u>170</u>	<u>(5,047)</u>	<u>1,270</u>	<u>598</u>	<u>2,045</u>	<u>185</u>	<u>816</u>
Total business-type activities change in net position	<u>\$ 6,896</u>	<u>\$ 129</u>	<u>\$ 83</u>	<u>\$ (653)</u>	<u>\$ (3,869)</u>	<u>\$ 1,683</u>	<u>\$ 1,872</u>	<u>\$ 3,248</u>	<u>\$ (67)</u>	<u>\$ 1,954</u>
Total primary government change in net position	<u>\$ 11,124</u>	<u>\$ 4,729</u>	<u>\$ 2,804</u>	<u>\$ 5,963</u>	<u>\$ 6,895</u>	<u>\$ 11,967</u>	<u>\$ 11,648</u>	<u>\$ 7,266</u>	<u>\$ 9,789</u>	<u>\$ 10,680</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Dollars in Thousands)**

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**TABLE 2 (Continued)**

- Notes:** <sup>a</sup> In 2008, the County began to account for operations of the Rowan County Airport as a business-type activity.
- <sup>b</sup> In 2008, the County received contributions from Rowan-Salisbury Schools for the school construction program.
- <sup>c</sup> The decreases from the prior period in 2009 and 2010 were primarily due to the State's Medicaid Relief Swap Program. In 2011, the County levied an Article 46 0.25 percent local option sales tax.
- <sup>d</sup> In 2012, the County sold all assets, principally the baseball stadium, in the Sports Authority Fund and closed the Fund. Residual equity, in the form of a note receivable, was donated to the General Fund.
- <sup>e</sup> In 2008 and 2015, the County had gains on the sale of capital assets.

**ROWAN COUNTY, NORTH CAROLINA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Dollars in Thousands)**

**TABLE 3**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Nonspendable <sup>a</sup>	\$ 24	\$ 50	\$ 51	\$ 49	\$ 55	\$ 61	\$ 76	\$ 3,437	\$ 3,315	\$ 3,195
Restricted <sup>b</sup>	11,493	8,997	9,233	9,002	12,040	13,984	15,944	14,501	16,286	15,478
Committed <sup>c</sup>	-	-	-	1,524	1,640	2,062	2,165	1,847	2,056	1,885
Assigned <sup>d</sup>	10,910	10,107	12,010	8,560	8,917	8,859	9,145	9,645	11,315	12,434
Unassigned	19,952	22,188	18,768	19,770	17,093	14,628	12,864	17,452	17,529	18,468
Total General Fund	<u>\$ 42,379</u>	<u>\$ 41,342</u>	<u>\$ 40,062</u>	<u>\$ 38,905</u>	<u>\$ 39,745</u>	<u>\$ 39,594</u>	<u>\$ 40,194</u>	<u>\$ 46,882</u>	<u>\$ 50,501</u>	<u>\$ 51,460</u>
All other governmental funds:										
Restricted	\$ 4,015	\$ 8,249	\$ 5,384	\$ 7,247	\$ 20,293	\$ 17,624	\$ 9,854	\$ 10,378	\$ 3,428	\$ 6,064
Committed	-	-	-	-	-	-	1,341	702	618	1,292
Unassigned	2,795	773	(1,613)	(737)	(151)	(234)	(3,476)	(4,276)	(2,028)	(3,017)
Total all other governmental funds <sup>e</sup>	<u>\$ 6,810</u>	<u>\$ 9,022</u>	<u>\$ 3,771</u>	<u>\$ 6,510</u>	<u>\$ 20,142</u>	<u>\$ 17,390</u>	<u>\$ 7,719</u>	<u>\$ 6,804</u>	<u>\$ 2,018</u>	<u>\$ 4,339</u>

- Notes:** <sup>a</sup> In 2015, noncurrent notes receivable were restated as nonspendable fund balance.  
<sup>b</sup> The amounts in this row primarily reflect stabilization by State statute.  
<sup>c</sup> In 2011, a Resolution was adopted to commit Article 46 local option sales tax revenue for future capital projects.  
<sup>d</sup> The amounts in this row primarily reflect the appropriation of fund balance for subsequent year's expenditures.  
<sup>e</sup> The amounts in this row primarily reflect unspent debt proceeds from issuances for education capital projects.

**ROWAN COUNTY, NORTH CAROLINA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Dollars in Thousands)**

**TABLE 4**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Ad valorem taxes <sup>a</sup>	\$ 71,168	\$ 72,992	\$ 73,522	\$ 74,576	\$ 76,024	\$ 76,920	\$ 80,902	\$ 81,547	\$ 84,936	\$ 86,267
Sales taxes <sup>b</sup>	22,913	18,581	14,501	16,523	17,168	16,917	17,568	18,535	20,431	23,650
Other taxes and licenses	2,020	1,189	1,151	1,093	1,044	1,098	1,104	1,209	1,303	1,358
Intergovernmental revenues <sup>c</sup>	28,365	27,585	27,802	27,885	26,462	23,647	23,007	25,850	25,005	23,714
Permits and fees	1,840	1,241	1,104	1,028	1,049	1,314	1,390	1,406	1,501	1,748
Sales and services	5,860	6,015	6,305	6,245	6,205	6,743	7,771	7,740	8,415	8,742
Investment earnings	2,949	1,447	500	368	359	167	143	132	234	415
Miscellaneous	1,130	638	800	959	629	921	614	488	597	641
<b>Total revenues</b>	<b>136,245</b>	<b>129,688</b>	<b>125,685</b>	<b>128,677</b>	<b>128,940</b>	<b>127,727</b>	<b>132,499</b>	<b>136,907</b>	<b>142,422</b>	<b>146,535</b>
<b>Expenditures:</b>										
General government	9,695	10,258	10,025	10,125	9,553	10,246	10,478	10,515	11,607	12,400
Public safety	25,315	26,315	25,874	25,574	30,061	27,431	29,825	29,428	31,240	34,134
Transportation	559	531	816	1,700	1,695	1,389	1,425	1,359	1,210	1,435
Economic and physical development	2,488	2,025	2,880	2,395	1,873	2,826	3,595	4,843	4,039	3,984
Human services	31,925	31,021	29,594	29,859	28,908	27,932	26,628	27,371	28,073	28,746
Culture and recreation	5,534	5,534	5,318	5,498	5,187	5,101	5,089	5,323	5,395	5,541
Education	42,995	41,643	38,565	39,629	37,751	38,118	39,071	39,156	40,428	43,084
Capital outlay	3,041	6,186	7,324	3,584	5,385	2,558	9,576	12,193	8,723	5,589
<b>Debt service:</b>										
Principal	8,834	9,503	10,881	11,144	12,426	12,244	12,924	13,246	14,926	14,091
Interest	4,229	4,101	4,089	3,874	3,552	3,268	2,849	2,570	1,623	1,396
<b>Total expenditures</b>	<b>134,615</b>	<b>137,117</b>	<b>135,366</b>	<b>133,382</b>	<b>136,391</b>	<b>131,113</b>	<b>141,460</b>	<b>146,004</b>	<b>147,264</b>	<b>150,400</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,630</b>	<b>(7,429)</b>	<b>(9,681)</b>	<b>(4,705)</b>	<b>(7,451)</b>	<b>(3,386)</b>	<b>(8,961)</b>	<b>(9,097)</b>	<b>(4,842)</b>	<b>(3,865)</b>

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Dollars in Thousands)**

**TABLE 4 (Continued)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other financing sources (uses):										
Transfers from other funds	\$ 1,950	\$ 153	\$ 1,301	\$ 1,283	\$ 935	\$ 669	\$ 696	\$ 759	\$ 1,290	\$ 1,474
Transfers to other funds	(3,122)	(887)	(2,003)	(1,908)	(1,560)	(2,407)	(1,654)	(3,175)	(1,837)	(2,704)
General obligation bonds issued	-	-	-	-	12,000	-	-	-	-	-
Refunding bonds issued	-	-	-	-	17,990	-	-	20,470	-	-
Installment purchase obligations issued	3,800	9,254	3,825	6,785	9,700	1,870	720	11,550	4,018	7,825
Premium on refunding bonds issued	-	-	-	-	568	-	-	-	-	-
Premium on bonds issued	-	-	-	-	1,272	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	(19,171)	-	-	(20,405)	-	-
Sale of capital assets	1,142	58	27	128	183	344	113	2,086	213	558
Total other financing sources (uses)	3,770	8,578	3,150	6,288	21,917	476	(125)	11,285	3,684	7,153
Net change in fund balances	<u>\$ 5,400</u>	<u>\$ 1,149</u>	<u>\$ (6,531)</u>	<u>\$ 1,583</u>	<u>\$ 14,466</u>	<u>\$ (2,910)</u>	<u>\$ (9,086)</u>	<u>\$ 2,188</u>	<u>\$ (1,158)</u>	<u>\$ 3,288</u>
Debt service as a percentage of noncapital expenditures	10.01%	10.52%	11.59%	11.68%	12.35%	12.24%	12.07%	11.10%	11.59%	10.62%

- Notes:** <sup>a</sup> The increase from the prior period in 2014 was primarily due to an additional four months of registered motor vehicle tax collections. The increase from the prior period in 2016 was caused by a County-wide property tax revaluation, with a small increase in the tax rate.
- <sup>b</sup> The decreases from the prior period in 2009 and 2010 were primarily due to the State's Medicaid Relief Swap Program. The increase from the prior period in 2011 was due to the implementation of a 0.25 percent local option sales tax, effective July 1, 2010.
- <sup>c</sup> The spike in intergovernmental revenues in 2007 and 2008 was caused by school capital expenditures, with corresponding reimbursement from the Public School Building Bond Act of 1996, lottery proceeds and/or contributions from Rowan-Salisbury Schools.

*Assessed Value of Taxable Property*

*Direct and Overlapping Property Tax Rates*

*Principal Property Taxpayers*

*Property Tax Levies and Collections*

These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

Revenue Capacity

**ROWAN  
COUNTY**

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NORTH CAROLINA

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**ROWAN COUNTY, NORTH CAROLINA**  
**ASSESSED VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

**TABLE 5**

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>Public Service Companies</u>	<u>Registered Motor Vehicles</u>	<u>Total</u>	<u>Total Direct Tax Rate</u>
2008	\$ 7,188,716	\$ 2,769,288	\$ 413,266	\$ 1,039,009	\$ 11,410,279	0.5950
2009	7,446,830	2,908,811	430,615	998,923	11,785,179	0.5950
2010	7,467,389	2,973,641	428,932	915,907	11,785,869	0.5950
2011	7,491,082	2,987,980	496,177	890,506	11,865,745	0.5950
2012	7,142,352	2,867,574	590,771	945,811	11,546,508	0.6225
2013	7,132,289	2,877,230	670,668	961,736	11,641,923	0.6225
2014	7,173,358	2,882,267	694,329	1,280,830	12,030,784	0.6225
2015	7,174,057	2,918,081	681,411	1,038,240	11,811,789	0.6500
2016	6,944,550	3,220,908	735,919	1,085,843	11,987,220	0.6625
2017	6,854,702	3,455,231	698,529	1,145,920	12,154,382	0.6625

**Source:** Rowan County Tax Administration

**Note:** Property in the County is reassessed once every four years on average. Property is assessed at actual market value. Tax rates are per \$100 of assessed value.

**ROWAN COUNTY, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**Last Ten Fiscal Years**  
**(Rate Per \$100 of Assessed Value)**

**TABLE 6**

	Year Taxes are Payable									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
County direct rate:										
County	\$ 0.5950	\$ 0.5950	\$ 0.5950	\$ 0.5950	\$ 0.6225	\$ 0.6225	\$ 0.6225	\$ 0.6500	\$ 0.6625	\$ 0.6625
Municipal rates:										
China Grove	0.3800	0.3800	0.3800	0.4300	0.4700	0.5400	0.5400	0.5600	0.5800	0.5800
Cleveland	0.1900	0.2100	0.2100	0.2100	0.2500	0.2500	0.2500	0.2500	0.2500	0.2800
East Spencer	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300
Faith	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100
Granite Quarry	0.3300	0.3300	0.3300	0.3300	0.4000	0.4000	0.4000	0.4200	0.4200	0.4175
Kannapolis	0.4970	0.4900	0.4900	0.4900	0.4900	0.5600	0.5600	0.6000	0.6300	0.6300
Landis	0.4000	0.4000	0.4000	0.4000	0.4000	0.4300	0.4800	0.4800	0.4800	0.4800
Rockwell	0.2500	0.2700	0.2700	0.2700	0.3200	0.3200	0.3200	0.3700	0.4200	0.4200
Salisbury	0.5900	0.5900	0.5900	0.5900	0.6135	0.6374	0.6374	0.6569	0.6569	0.6720
Salisbury - Downtown	0.7500	0.7500	0.7500	0.7500	0.7885	0.8124	0.8124	0.8319	0.8360	0.8480
Spencer	0.6000	0.6000	0.6000	0.6000	0.6280	0.6280	0.6280	0.6280	0.6550	0.6550

Source: Rowan County Tax Administration

**ROWAN COUNTY, NORTH CAROLINA  
PRINCIPAL PROPERTY TAXPAYERS  
Current Year and Nine Years Ago**

**TABLE 7**

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Duke Energy Corporation	\$ 498,448,631	1	4.10%	\$ 249,895,239	2	2.19%
Southern Power (Rowan County Power, LLC)	308,170,755	2	2.54%	352,132,633	1	3.09%
Food Lion, LLC	164,589,634	3	1.35%	148,410,543	3	1.30%
Gildan Yarns, LLC	159,841,338	4	1.32%	-	-	-
Daimler Trucks North America	108,194,696	5	0.89%	87,177,135	4	0.76%
Aldi, Inc.	42,425,811	6	0.35%	27,671,016	8	0.24%
Alcoa Power Generating, Inc.	39,138,190	7	0.32%	-	-	-
Norfolk Southern Corporation	37,328,094	8	0.31%	26,939,478	9	0.24%
Piedmont Natural Gas Co.	35,612,977	9	0.29%	-	-	-
Hitachi Metals NC, Ltd.	35,346,212	10	0.29%	26,030,458	10	0.23%
Invista	-	-	-	80,483,329	5	0.71%
Yadkin, Inc.	-	-	-	37,924,898	6	0.33%
BellSouth Telephone	-	-	-	28,656,004	7	0.25%
<b>Totals</b>	<b>\$ 1,429,096,338</b>		<b>11.76%</b>	<b>\$ 1,065,320,733</b>		<b>9.34%</b>

Source: Rowan County Tax Administration

**ROWAN COUNTY, NORTH CAROLINA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**

**TABLE 8**

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2008	\$ 68,109,653	\$ 217,590	\$ 68,327,243	\$ 66,317,476	97.06%	\$ 1,898,458	68,215,934	99.84%
2009	70,187,340	214,871	70,402,211	67,739,278	96.22%	2,514,022	70,253,300	99.79%
2010	70,772,314	(483,389)	70,288,925	67,356,279	95.83%	2,752,313	70,108,592	99.74%
2011	70,745,237	7,404	70,752,641	67,949,214	96.04%	2,591,706	70,540,920	99.70%
2012	71,844,117	163,169	72,007,286	69,160,063	96.05%	2,623,690	71,783,753	99.69%
2013	72,596,149	28,634	72,624,783	69,825,115	96.15%	2,486,388	72,311,503	99.57%
2014	75,011,449	18,245	75,029,694	73,103,003	97.43%	1,473,170	74,576,173	99.40%
2015	76,916,604	(19,077)	76,897,527	75,229,866	97.83%	946,050	76,175,916	99.06%
2016	79,408,293	171,186	79,579,479	77,978,575	97.99%	1,168,343	79,146,918	99.46%
2017	80,755,020	(51,908)	80,703,112	79,279,290	98.24%	-	79,279,290	98.24%

**Source:** Rowan County Tax Administration

**Note:** The information in this schedule relates to the County's own property tax levies, and does not include those it collects on behalf of other governments.

*Ratios of Outstanding Debt by Type*

*Legal Debt Margin Information*

These schedules contain information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

## Debt Capacity

**ROWAN  
COUNTY**

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**ROWAN COUNTY, NORTH CAROLINA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

**TABLE 9**

Fiscal Year	Governmental Activities						Business-Type Activities	Total Primary Government <sup>d</sup>	Percentage of Personal Income <sup>c</sup>	Per Capita <sup>c</sup>
	General Obligation Debt <sup>a</sup>	Percentage of Taxable Value of Property <sup>b</sup>	Per Capita <sup>c</sup>	Certificates of Participation	Installment Financing	Total Governmental Activities	Installment Financing			
2008	\$ 84,745,444	0.74%	616	-	\$ 14,571,095	\$ 99,316,539	-	\$ 99,316,539	2.46%	\$ 722
2009	78,612,563	0.67%	567	-	20,481,694	99,094,257	-	99,094,257	2.32%	715
2010	72,342,914	0.61%	515	-	19,740,440	92,083,354	-	92,083,354	2.15%	655
2011	65,130,877	0.55%	470	-	22,652,122	87,782,999	-	87,782,999	2.13%	633
2012	72,078,009	0.62%	521	-	27,705,734	99,783,743	-	99,783,743	2.43%	721
2013	63,457,575	0.54%	459	-	25,526,183	88,983,758	-	88,983,758	2.05%	644
2014	54,364,247	0.45%	392	-	22,002,043	76,366,290	-	76,366,290	1.77%	551
2015	45,497,940	0.39%	328	-	28,976,245	74,474,185	-	74,474,185	1.70%	537
2016	35,250,413	0.29%	252	-	27,997,096	63,247,509	2,400,000	65,647,509	1.33%	469
2017	26,744,695	0.22%	190	-	30,003,754	56,748,449	2,167,665	58,916,114	*	418

\* Information not yet available.

**Notes:** Details regarding the County's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> The County issued \$12.0 million of general obligation bonds in 2012.

<sup>b</sup> See Table 5 for taxable property value data.

<sup>c</sup> See Table 11 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

<sup>d</sup> Includes total governmental activities debt and business-type activities debt.

**ROWAN COUNTY, NORTH CAROLINA**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

**TABLE 10**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed value of property	\$ 11,410,279	\$ 11,785,179	\$ 11,785,869	\$ 11,865,745	\$ 11,546,508	\$ 11,641,923	\$ 12,030,784	\$ 11,811,789	\$ 11,987,220	\$ 12,154,382
Debt limit, 8% of assessed value (statutory limitation)	912,822	942,814	942,869	949,260	923,721	931,354	962,462	944,943	958,978	972,350
Amount of debt applicable to limit:										
General obligation bonds	84,745	78,612	72,343	65,131	72,078	63,458	54,364	45,498	35,251	26,745
General obligation bonds authorized and unissued	-	-	-	12,000	-	-	-	-	-	-
Certificates of Participation	-	-	-	-	-	-	-	-	-	-
Installment Purchase Agreements	14,571	20,482	19,740	22,652	27,706	25,526	22,002	28,976	30,397	32,171
Total net debt applicable to limit	99,316	99,094	92,083	99,783	99,784	88,984	76,366	74,474	65,648	58,916
Legal debt margin	\$ 813,506	\$ 843,720	\$ 850,786	\$ 849,477	\$ 823,937	\$ 842,370	\$ 886,096	\$ 870,469	\$ 893,330	\$ 913,434
Total net debt applicable to the limit as a percentage of debt limit	10.88%	10.51%	9.77%	10.51%	10.80%	9.55%	7.93%	7.88%	6.85%	6.06%

**Note:** Section 159-55 of State Finance Law limits the County's outstanding general obligation long-term debts (less debt service reserves) to no more than eight percent of the assessed value of property. The legal debt margin is the difference between the debt limit and the County's net debt outstanding applicable to the limit, and represents the County's legal borrowing authority.

*Demographic and Economic Statistics*

*Principal Employers*

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

## Demographic and Economic Information

**ROWAN  
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**ROWAN COUNTY, NORTH CAROLINA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

**TABLE 11**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u> <u>(Dollars in Thousands)</u>	<u>Per Capita</u> <u>Personal</u> <u>Income</u>	<u>Public</u> <u>School</u> <u>Enrollment <sup>c</sup></u>	<u>Unemployment</u> <u>Rate <sup>d</sup></u>
2008	137,611	\$ 4,029,907	\$ 29,285	22,119	6.3%
2009	138,545	4,278,802	30,884	22,048	13.1%
2010	140,518	4,286,389	30,504	21,827	11.8%
2011	138,651	4,124,902	29,750	21,820	11.5%
2012	138,359	4,111,873	29,719	21,621	10.3%
2013	138,252	4,334,051	31,349	21,345	9.5%
2014	138,708	4,317,017	31,123	21,255	6.5%
2015	138,709	4,378,950	31,569	21,179	6.3%
2016	140,122	4,940,633	35,260	21,342	5.8%
2017	140,970	*	*	21,203	4.3%

\* Information not yet available.

**Notes:** <sup>a</sup> North Carolina Data Center. Figures are estimates for the prior calendar year.

<sup>b</sup> Bureau of Economic Analysis, U.S. Department of Commerce. Figures are for the prior calendar year.

<sup>c</sup> North Carolina Department of Public Instruction

<sup>d</sup> NC Department of Commerce, Labor and Economic Analysis Division

**ROWAN COUNTY, NORTH CAROLINA**  
**PRINCIPAL EMPLOYERS**  
**Current Year and Nine Years Ago**

**TABLE 12**

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Food Lion, LLC	3,200	1	5.26%	2,330	2	3.53%
Rowan-Salisbury School System	3,000	2	4.93%	3,455	1	5.24%
W.G. (Bill) Hefner VA Medical Center	2,100	3	3.45%	1,730	4	2.62%
Daimler Trucks North America	1,600	4	2.63%	1,985	3	3.01%
Novant Health Rowan Medical Center	1,552	5	2.55%	1,250	5	1.89%
Rowan County	777	6	1.28%	745	6	1.13%
Rowan-Cabarrus Community College	770	7	1.26%			-
Continental Structural Plastics	563	8	0.92%			-
City of Salisbury	472	9	0.78%	455	8	0.69%
Piedmont Correctional Institution - Rowan Correctional Center	450	10	0.74%	450	9	0.68%
Invista	-		-	660	7	1.00%
Meridian Automotive	-		-	360	10	0.54%
<b>Total</b>	<b>14,484</b>		<b>23.80%</b>	<b>13,420</b>		<b>20.33%</b>

**Source:** Rowan Works, Economic Development

*Full-time Equivalent County Government Employees by Function*

*Operating Indicators by Function*

*Capital Asset Statistics by Function*

These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information related to the services the County provides and the activities it performs.

Operating Information

**ROWAN  
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**ROWAN COUNTY, NORTH CAROLINA**  
**FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**

**TABLE 13**

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	107	109	103	100	96	98	96	99	102	101
Public safety <sup>a</sup>	338	339	332	329	336	358	397	402	406	395
Transportation	2	2	2	2	3	2	2	2	2	2
Economic and physical development	10	11	9	9	6	6	6	7	7	7
Human services <sup>b</sup>	305	311	309	311	286	286	285	298	291	276
Culture and recreation	100	98	97	95	88	89	89	89	88	88
Airport	8	7	7	5	5	5	5	5	5	5
Landfill	30	31	31	31	31	31	31	31	31	30
<b>Total</b>	<b>900</b>	<b>908</b>	<b>890</b>	<b>882</b>	<b>851</b>	<b>875</b>	<b>911</b>	<b>933</b>	<b>932</b>	<b>904</b>

**Source:** Rowan County Information Systems

**Note:** A full-time employee is scheduled to work 260 days per year (approximately 365 minus two days off per week). At eight hours per day, 2,080 hours are scheduled per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

<sup>a</sup> Effective July 1, 2013, employees of the City of Salisbury's Police Communications Department merged with the County's Telecommunications Department. Also in 2014, the County added employees to staff a new EMS station that was opened in the western part of the County.

<sup>b</sup> Effective July 1, 2011, the County entered into an agreement with Rufty-Holmes Senior Center (Center) to administer the Senior Services Program. County employees associated with the Program, including Title V employees, were transferred to the Center.

**ROWAN COUNTY, NORTH CAROLINA**  
**OPERATING INDICATORS BY FUNCTION**  
**Last Ten Fiscal Years**

**TABLE 14**

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
Registered voters	86,901	89,523	89,776	89,263	92,276	91,340	91,569	88,074	89,839	91,973
Number of recorded deeds	5,584	3,931	3,964	3,841	3,741	4,211	4,332	4,383	4,935	5,196
Number of births	921	980	789	764	744	731	730	785	707	762
Number of marriages	802	777	727	747	795	794	792	800	857	874
Public safety:										
Number of arrest charges	3,832	3,675	3,412	4,418	4,844	3,551	3,520	3,774	3,772	3,515
Average daily detention population	275	267	277	273	272	271	296	290	326	341
Number of 911 calls received	138,819	98,400	100,695	91,893	95,038	91,356	91,865	92,140	96,623	93,090
Number of EMS calls answered	13,882	12,955	12,723	12,598	14,041	14,968	15,023	16,515	17,391	18,354
Transportation:										
Number of based aircraft	84	90	93	93	101	94	92	99	108	108
Number of Rowan Transit System rides	74,275	72,876	81,713	97,908	105,368	112,549	98,638	89,746	90,557	90,514
Environmental protection:										
Number of building permits issued	3,842	4,712	4,586	4,335	5,254	5,634	5,823	5,411	5,440	6,192
Economic and physical development:										
Citizens reached through:										
Agricultural Extension program attendance	20,315	15,104	12,400	10,969	12,360	5,577	7,560	6,784	5,252	3,671

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**OPERATING INDICATORS BY FUNCTION**  
**Last Ten Fiscal Years**

**TABLE 14 (Continued)**

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Human services:										
Number of Health Department clients	20,051	19,862	18,884	17,521	17,750	15,016	16,209	17,300	11,918	11,409
Number of permitted restaurants	233	252	240	253	262	262	243	238	243	281
Average number of Medicaid recipients per month	18,661	20,217	22,172	23,247	24,838	25,470	26,375	25,318	29,358	31,396
Average number of Work First recipients per month	703	693	655	566	578	412	395	271	303	335
Number of Senior Services clients <sup>a</sup>	5,665	4,932	5,372	5,391	6,888	7,800	9,451	8,791	4,797	4,290
Number of veterans served <sup>a</sup>	5,759	6,012	8,567	9,700	10,201	11,258	13,305	11,300	5,667	4,354
Culture and recreation:										
Number of park campers	26,624	23,964	22,395	23,641	23,852	23,511	23,324	22,364	22,750	23,223
Library attendance	394,943	438,857	398,685	393,802	383,510	394,427	341,569	358,404	384,074	393,489
Library program attendance	57,482	87,008	62,304	46,808	33,138	33,128	30,992	36,874	39,554	61,892
Library internet users	113,080	117,813	106,722	105,174	105,556	97,261	85,916	80,993	82,104	82,663
Landfill:										
Average daily landfill trips	154	161	155	146	137	131	134	138	138	173
Average daily tonnage dumped	392	478	467	463	422	407	424	432	436	463

**Sources:** Various County departments.

**Note:** <sup>a</sup> In fiscal year 2016, Senior Services and Veteran Services changed the method of tracking clients to reflect unduplicated clients served.

**ROWAN COUNTY, NORTH CAROLINA**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**Last Ten Fiscal Years**

**TABLE 15**

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety:										
Number of patrol cars	109	109	109	106	113	106	106	112	119	130
Detention center capacity <sup>a</sup>	162	162	162	208	208	368	370	370	370	368
Number of EMS stations	5	6	6	6	6	6	7	7	7	7
Transportation:										
Airport acreage <sup>b</sup>	527	527	527	527	542	587	587	587	587	587
Number of airport hangars	81	81	81	81	81	81	82	82	82	82
Number of Rowan Transit System vans	30	28	29	29	28	28	28	28	28	28
Economic and physical development:										
Industrial parks acreage	401	368	366	366	366	341	341	297	288	288
Culture and recreation:										
Number of County parks	5	5	5	5	5	5	5	5	5	5
Parks acreage	696	696	696	696	696	696	696	696	696	696
Number of camp sites	78	78	78	78	78	78	79	79	79	79
Number of library branches	3	3	3	3	3	3	3	3	3	3
Number of library media	281,238	291,628	291,839	289,007	286,209	261,349	256,763	250,210	245,458	254,275
Landfill:										
Landfill acreage	375	375	375	375	375	375	375	375	375	375
Convenience sites	8	8	8	8	8	8	8	8	8	7

**Sources:** Various County departments.

**Notes:** No capital asset indicators are available for the general government function.

<sup>a</sup> A new detention center pod was completed and opened in April 2011, increasing the capacity by 46 beds. A Satellite Jail was opened in July 2012, adding an additional 160 beds.

<sup>b</sup> In fiscal years 2012 and 2013, 15 acres and 45 acres of land were purchased, respectively, in the Airport's runway protection zone.

# COMPLIANCE SECTION

**ROWAN  
COUNTY**

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NORTH CAROLINA

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*Be an original.*

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

### **Independent Auditor's Report**

To the Board of Commissioners  
Rowan County  
Salisbury, 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rowan County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 16, 2018. Our report includes a reference to other auditors who audited the financial statements of the Rowan County Tourism Development Authority, as described in our report on Rowan County's financial statements. The financial statements of the Rowan County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

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

4-3

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 County'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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
February 16, 2018

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Rowan County  
Salisbury, North Carolina

#### **Report on Compliance for Each Major Federal Program**

We have audited Rowan County, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Rowan County's major federal programs for the year ended June 30, 2017. Rowan County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Rowan County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards,

Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rowan County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Rowan County's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Rowan County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Other Matters**

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Finding 2017-002. Our opinion on each major federal program is not modified with respect to this matter.

Rowan County's response to the non-compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Rowan County's response was not subjected to the auditing procedures applied in the audit of compliance and we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of Rowan County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rowan County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over*

*compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, as items 2017-001 and 2017-002 that we consider to be material weaknesses.

Rowan County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Rowan County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
February 16, 2018

**ROWAN  
COUNTY**

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NORTH CAROLINA

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*Be an original.*

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*“A Professional Association of Certified Public Accountants and Management Consultants”*

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Rowan County  
Salisbury, North Carolina

#### **Report On Compliance for Each Major State Program**

We have audited Rowan County, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Rowan County's major State programs for the year ended June 30, 2017. Rowan County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Rowan County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and

the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Rowan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of Rowan County's compliance.

### **Opinion on Each Major State Program**

In our opinion, Rowan County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017.

### **Other Matters**

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Finding 2017-002. Our opinion on each major State program is not modified with respect to this matter.

Rowan County's response to the non-compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Rowan County's response was not subjected to the auditing procedures applied in the audit of compliance and we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of Rowan County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rowan County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over*

*compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, as items 2017-001 and 2017-002 that we consider to be material weaknesses.

Rowan County's responses to the internal control over compliance findings in our audit are described in the accompanying Corrective Action Plan. Rowan County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
February 16, 2018

**Section I. Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(s) identified?        Yes   X   No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   Yes        No

Identification of major federal programs:

<u>Federal Program Name</u>	<u>CFDA Number</u>
Medicaid Cluster	93.778, 93.775, 93.777
Child Support Enforcement	93.563

Dollar threshold used to distinguish between Type A and Type B program: \$3,000,000

Auditee qualified as low-risk auditee?        Yes   X   No



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**Section III. Federal Award Findings, Responses and Questioned Costs**

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**US Department of Health and Human Services**

Passed-through the NC Department of Health and Human Services  
Program Name: Medical Assistance Program (Medicaid; Title XIX)  
CFDA #93.778  
Grant Number: XIX-MAP17

**Finding: 2017-001**

**MATERIAL WEAKNESS**

**Criteria:** In accordance with 2 CFR 200, management must have an adequate system of internal control procedures in place to properly review and assess the eligibility of individuals to ensure accuracy of benefits being provided is within program requirements. Management must monitor activities over Federal Awards to assure compliance with federal requirements.

**Condition:** One applicant did not have asset verification system inquiry (AVS) run timely. One applicant did not have timely verification of real property. One applicant had been terminated from SSI, but redetermination was not completed timely for Medicaid eligibility. Upon further review and recalculation, the three applicants were deemed eligible.

**Context:** Of the 8,400 casefiles, we examined 80 and determined that three (3.75%) of the applicants lacked information availability for eligibility determination. One applicant (1%) did not have asset verification system inquiry (AVS) ran timely. One applicant (1%) did not have timely verification of real property. One applicant (1%) had been terminated from SSI, but redetermination was not completed timely for Medicaid eligibility. Upon further review, necessary verifications were provided and the three applicants were deemed eligible.

**Effect:** Casefiles could be missing the required eligibility determination documentation which would allow benefits to be provided to individuals who are truly not eligible.

**Cause:** Caseworkers did not obtain liquid asset and real property verification timely, and did not perform timely redetermination for eligibility.

**Questioned Costs:** None. The County was able to substantiate that the applicants were eligible to receive benefits.

**Recommendation:** Caseworkers should review eligibility determinations and ensure required information is documented and retained in the case file before approving benefits. Caseworkers should have procedures in place to ensure timely ex-parte reviews are completed once SSI benefits are terminated.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

Continued on next page.

**Section III. Federal Award Findings, Responses and Questioned Costs (Continued)**

**US Department of Health and Human Services**

Passed-through the NC Department of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA #93.778

Grant Number: XIX-MAP17

**Finding: 2017-002**

**NON-MATERIAL NON-COMPLIANCE**

**MATERIAL WEAKNESS**

**Criteria:** In accordance with 42 CFR 435 documentation must be obtained as needed to determine if a recipient meets specific income standards and documentation must be maintained to support eligibility determinations.

**Condition:** One applicant had been terminated from SSI, but the certification period was extended without the completion of the ex-parte review. The applicant continued to receive benefits during the extended period.

**Context:** Of the 8,400 casefiles, we examined 80 and determined that one (1%) applicant was ineligible to receive benefits. One applicant (1%) received benefits without eligibility redetermination for the certification period tested. The caseworker didn't perform ex-parte review for full Medicaid after SSI benefits were terminated.

**Effect:** Applicants could receive benefits for which they are not eligible.

**Cause:** Caseworker did not perform ex-parte review for full Medicaid after SSI benefits terminated.

**Questioned Costs:** \$4,198.20 is the amount provided by the NCDHHS as the total amount of costs reported. In accordance with 2 CFR 200, auditors must report known questioned costs when likely questioned costs are greater than \$25,000. Therefore, the overpayments of \$4,198.20 (federal share of \$2,767.61) are being questioned.

**Recommendation:** Caseworkers should review eligibility determinations and ensure that all required information is documented and retained in the case file. Caseworkers should have procedures in place to ensure timely ex-parte reviews are completed once SSI benefits are terminated.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

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**Section IV. State Award Findings, Responses and Questioned Costs**

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**N.C. Department of Health and Human Services**

Program Name: Medical Assistance Program (Medicaid; Title XIX)

**Finding: 2017-001**

See more details at Finding 2017-001 in Section III – Federal Award Findings, Responses and Questioned Costs.

**Finding: 2017-002**

See more details at Finding 2017-002 in Section III – Federal Award Findings, Responses and Questioned Costs.



DeeDee Wright  
DSS Board Chair

Donna F. Fayko  
Director

**Rowan County Department of Social Services  
1813 East Innes Street  
Salisbury, NC 28146**

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**ROWAN COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2017**

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**EXHIBIT D-2**

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**Section III. Federal Award Findings, Responses and Questioned Costs**

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**Finding: 2017-001**

**Cause:** Caseworkers did not obtain liquid asset and real property verification timely, and did not perform timely redetermination for eligibility.

**Recommendation:** Caseworkers should review eligibility determinations and ensure required information is documented and retained in the case file before approving benefits. Caseworkers should have procedures in place to ensure timely ex-parte reviews are completed once SSI benefits are terminated.

**Name of Contact Person:** Donna Fayko, DSS Director

**Corrective Action:**

- Income maintenance staff will be required to participate in the NC Learning Gateway course entitled "Supplemental Security Income (SSI) Cases - A New Way of Managing." This course gives the policy and procedural guidelines to complete the SSI Ex Parte reviews and the timeframes required to complete the review. Group training will occur no later than February 28, 2018 and will provide answers for questions or concerns regarding the policy.

Continued on next page.

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**Section III. Federal Award Findings, Responses and Questioned Costs (Continued)**

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**Finding: 2017-001 (Continued)**

- Income maintenance staff will be required to participate in the NC Learning Gateway course entitled “MAF-Medically Needy.” This policy webinar covers the financial resource rules for FCMA cases under the MAF-Medically Needy category. Group training will occur no later than February 28, 2018 and will provide answers for questions or concerns regarding the policy.
- Income maintenance staff in the Adult Medicaid unit will be required to participate in policy training for ADMA section 2230 Financial Resources. Each countable financial resource will be discussed and how verification is retrieved to document the available resources for the applicant/beneficiary. Group training will occur no later than February 28, 2018 and will provide answers for questions or concerns regarding the policy and procedures for NC FAST and document management system.
- The Rowan County training process consists of using the State manual, including change notices, and NC FAST job aides and will continue to be the source of reference for all income maintenance staff members for completion of job duties. State training through the NC LEARNING GATEWAY is the source of the training provided to Income Maintenance caseworkers, along with policy references and job aides provided by the State for NC FAST.
- Use of the State-required Medicaid second party review form will continue for all new employees until proficiency is obtained. Review of work for seasoned caseworkers will increase to monitor at least one Medicaid case per caseworker per quarter for the accuracy of work completed by Rowan DSS and to meet the guidelines set forth by the DCDL DMA Corrective Action Plan sent in 2016. Rowan is currently required to complete a minimum of 162 reviews per quarter for the plan.
- SSI Ex parte notifications are **now** delivered through a queue in NCFAS. An ADMA supervisor monitors this queue and pulls any notifications of SSI terminations. Those notifications are assigned to caseworkers for follow-up within required timeframes. The supervisor tracks completion.

**Proposed Completion Date:** February 28, 2018

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**Section III. Federal Award Findings, Responses and Questioned Costs (Continued)**

---

**Finding: 2017-002**

**Name of Contact Person:** Donna Fayko, DSS Director

**Cause:** Caseworker did not perform ex-parte review for full Medicaid after SSI benefits terminated.

**Recommendation:** Caseworkers should review eligibility determinations and ensure required information is documented and retained in the case file before approving benefits. Caseworkers should have procedures in place to ensure timely ex-parte reviews are completed once SSI benefits are terminated.

**Corrective Action:**

- This finding was related to a case regarding the SSI ex-parte process. The case was received by the caseworker but not completed within the four month window. The review was processed within six months of receipt and the PDC case was terminated on April 1, 2015. During this time period, there was no report available to track completion of these ex parte reviews. Further, there was no way to be alerted that the benefit history carried forward in NCFAST after the PDC case was terminated on April 1, 2015. Rowan DSS was advised by the State Division Operation Support Team on September 29, 2016 to submit an NCFAST helpdesk ticket on cases where benefit history continued for closed Medicaid SDX product cases. Later, we were informed that this was a known defect in NCFAST. Rowan DSS continues to submit helpdesk tickets for this issue. There is no way to know which cases have this defect until such cases are brought to our attention. We purport that this is a system issue and that Rowan DSS did everything possible to end benefits. Currently, a work queue is monitored by an ADMA supervisor to ensure that all SSI ex-parte reviews are assigned upon receipt to meet the necessary timeframes according to policy.

**Proposed Completion Date:** February 28, 2018

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**Section IV. State Award Findings, Responses and Questioned Costs**

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**Finding: 2017-001**

See Finding 2017-001 in Section III – Federal Award Findings, Responses and Questioned Costs of the Corrective Action Plan.

**Finding: 2017-002**

See Finding 2017-002 in Section III – Federal Award Findings, Responses and Questioned Costs of the Corrective Action Plan.

**Finding:** 2016-001

**Status:** Resolved.

**ROWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT D-4**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Passed- Through to Subrecipients	Local Expenditures
<b>FEDERAL AWARDS</b>						
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed-through N.C. Department of Health and Human Services:						
Division of Social Services:						
Supplemental Nutrition Assistance Program Cluster:						
Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	175NC406S2514	\$ 1,095,812	\$ -	\$ -	\$ 1,095,812
Total Supplemental Nutrition Assistance Program Cluster			<u>1,095,812</u>	<u>-</u>	<u>-</u>	<u>1,095,812</u>
Division of Public Health:						
Administration:						
(WIC) Special Supplemental Nutrition Program for Women, Infants and Children	10.557	16165NC705W10033	564,965	-	-	-
Direct Benefit Payments:						
(WIC) Special Supplemental Nutrition Program for Women, Infants and Children	10.557	16165NC705W10033	2,158,632	-	-	-
Total Division of Public Health			<u>2,723,597</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>3,819,409</u>	<u>-</u>	<u>-</u>	<u>1,095,812</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Bureau of Justice Assistance:						
State Criminal Alien Assistance Program	16.606	NC ROWAN	11,690	-	-	-
Equitable Sharing Program	16.922	NC 0800000	1,038	-	-	-
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	PROJ011829	23,760	-	-	-
Total U.S. Department of Justice			<u>36,488</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>U.S. DEPARTMENT OF TREASURY</b>						
Treasury Forfeiture Fund Program	21.000	NC 0800000	55,925	-	-	-
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>						
Federal Aviation Administration:						
Passed-through N.C. Department of Transportation:						
Airport Improvement Program	20.106	36244.56.8.1	17,633	-	-	1,959

Continued on next page.

**ROWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT D-4 (Continued)**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Passed- Through to Subrecipients	Local Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION (Continued)</b>						
Federal Aviation Administration (Continued):						
Passed-through N.C. Department of Transportation (Continued):						
Aviation Research Grants:						
Rehabilitation of the North Ramp and South Ramp Expansion - Construction	20.108	36244.56.9.1	\$ 730,007	\$ -	\$ -	\$ 81,112
Rehabilitation of the North Ramp and South Ramp Expansion - Design/Bid/RPR	20.108	36237.42.13.1	122,235	-	-	13,582
Total Aviation Research Grants			<u>852,242</u>	<u>-</u>	<u>-</u>	<u>94,694</u>
Total Federal Aviation Administration			<u>869,875</u>	<u>-</u>	<u>-</u>	<u>96,653</u>
Federal Transit Administration:						
Transit Services Program Cluster:						
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	14-ED-037	84,609	10,572	-	10,589
Job Access and Reverse Commute Program	20.516	14-JA-037	59,750	-	-	47,822
Total Transit Services Program Cluster			<u>144,359</u>	<u>10,572</u>	<u>-</u>	<u>58,411</u>
Federal Transit Administration:						
Formula Grants for Rural Areas - Capital	20.509	16-CT-037	262,496	32,812	-	42,633
Formula Grants for Rural Areas - Administration	20.509	16-CT-037	138,289	8,642	-	26,198
Total Federal Transit Administration			<u>545,144</u>	<u>52,026</u>	<u>-</u>	<u>127,242</u>
Total U.S. Department of Transportation			<u>1,415,019</u>	<u>52,026</u>	<u>-</u>	<u>223,895</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Division of Aging and Adult Services:						
Passed-through Centralina Council of Governments:						
Aging Cluster:						
Special Programs for the Aging - Title III-B						
Grants for Supportive Services and Senior Centers	93.044	15	428,018	75,533	-	-
Special Programs for the Aging - Title III-C						
Nutrition Services	93.045	14	222,952	39,344	-	-
Nutrition Services Incentive Program	93.053	60	24,034	-	-	-
Total Aging Cluster			<u>675,004</u>	<u>114,877</u>	<u>-</u>	<u>-</u>
Social Service Block Grant (SSBG) - In-Home Services	93.667	G1701NCSOSR	25,117	3,588	-	-
Total Division of Aging and Adult Services			<u>700,121</u>	<u>118,465</u>	<u>-</u>	<u>-</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT D-4 (Continued)**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Passed- Through to Subrecipients	Local Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>						
Centers for Disease Control and Prevention:						
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	U90Tp000538	\$ 37,845	\$ -	\$ -	\$ -
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	U52PS004698	2,480	-	-	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	1331627EVP80	20,729	-	-	-
HIV Cluster (Note 3):						
HIV Prevention Activities Health Department Based Preventive Health Services Sexually Transmitted Diseases Control Grants	93.940	U62PS003658	1665	-	-	-
	93.977	H25PS004349	338	-	-	-
Total HIV Cluster (Note 3)			<u>2,003</u>	<u>-</u>	<u>-</u>	<u>-</u>
Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF)	93.758	B01OT009034	19,433	-	-	-
Immunization Cooperative Agreements	93.268	H231P000759	14,639	-	-	-
Total Division of Public Health			<u>97,129</u>	<u>-</u>	<u>-</u>	<u>-</u>
Administration for Children and Families:						
Passed-through N.C. Department of Health and Human Services:						
Division of Social Services:						
Foster Care and Adoption Cluster (Note 3):						
Title IV-E Foster Care - Administration	93.658	1701NCFOST	514,993	133,057	-	373,012
Title IV-E Foster Care	93.658	1701NCFOST	234,170	202,077	-	203,259
Adoption Assistance	93.659	1701NCADPT	6,262	-	-	6,263
Adoption Assistance - Direct Benefit Payments	93.659	1701NCADPT	634,483	161,384	-	161,384
Title IV-E Foster Care - Direct Benefit Payments	93.658	1701NCFOST	624,252	189,025	-	-
Total Foster Care and Adoption Cluster (Note 3)			<u>2,014,160</u>	<u>685,543</u>	<u>-</u>	<u>743,918</u>
Temporary Assistance for Needy Families (TANF) Cluster:						
Temporary Assistance for Needy Families (TANF) State Programs:						
Administration:						
Temporary Assistance for Needy Families (TANF)	93.558	1701NCTANF	594,180	-	-	1,737,739
Direct Benefit Payments:						
Temporary Assistance for Needy Families (TANF)	93.558	1701NCTANF	506,359	-	-	-
Total TANF Cluster			<u>1,100,539</u>	<u>-</u>	<u>-</u>	<u>1,737,739</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT D-4 (Continued)**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Passed- Through to Subrecipients	Local Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>						
Administration for Children and Families (Continued):						
Passed-through N.C. Department of Health and Human Services (Continued):						
Division of Social Services (Continued):						
Administration:						
Child Support Enforcement	93.563	1704NC4005	\$ 1,197,707	\$ -	\$ -	\$ 617,122
Refugee and Entrant Assistance - State Administered Program	93.566	1701NCRMA	1,632	-	-	-
Low Income Home Energy Assistance	93.568	G17B1NCLIEA	1,152,621	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G1701NCCWSS	36,824	-	-	12,274
Social Services Block Grant - Adult Day Care	93.667	G1701NCSOSR	496,259	58,291	-	133,709
Chafee Foster Care Independence Program - Administration	93.674	1701NC1420	23,052	5,763	-	-
Chafee Foster Care Independence Program - Direct Benefit Payments	93.674	1701NC1420	3,062	-	-	-
Refugee and Entrant Assistance - State Administered Program - Direct Benefit Payments	93.566	1701NCFPSS	5,962	-	-	-
Total Administration			2,917,119	64,054	-	763,105
Special Children Adoption Fund Cluster (Note 3):						
Promoting Safe and Stable Families	93.556	1701NCFPSS	40,746	-	-	-
Total Special Children Adoption Fund Cluster (Note 3)			40,746	-	-	-
Total Division of Social Services			6,072,564	749,597	-	3,244,762
Division of Public Health:						
Temporary Assistance for Needy Families	93.558	1502NCTAN3	21,127	-	-	-
Subsidized Child Care Cluster (Note 3):						
Child Care Development Fund Cluster:						
Division of Social Services:						
Child Care Mandatory and Matching Funds of the Child Care Development Fund - Administration	93.596	G1701NCCCDF	158,805	-	-	-
Division of Child Development:						
Child Care and Development Block Grant	93.575	G1701NCCCDF	1,951,746	-	1,951,746	-
Child Care Mandatory and Matching Funds of the Child Care Development Fund - Mandatory	93.596	G1701NCCCDF	713,975	-	-	-
Child Care Mandatory and Matching Funds of the Child Care Development Fund - Match	93.596	G1701NCCCDF	177,748	-	-	-
Total Child Care Development Fund Cluster			3,002,274	-	1,951,746	-

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**ROWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT D-4 (Continued)**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Passed- Through to Subrecipients	Local Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>						
Administration for Children and Families (Continued):						
Passed-through N.C. Department of Health and Human Services (Continued):						
Subsidized Child Care Cluster (Note 3) (Continued):						
Temporary Assistance for Needy Families - State Programs	93.558	1701NCTANF	\$ 602,869	\$ -	\$ -	\$ -
Foster Care Title IV-E	93.658	1701NCFOST	60,567	30,333	-	-
State Appropriations			-	140,967	-	-
Temporary Assistance for Needy Families - MOE	93.558	1701NCTANF	-	464,380	-	-
Total Subsidized Child Care Cluster (Note 3)			<u>3,665,710</u>	<u>635,680</u>	<u>1,951,746</u>	<u>-</u>
Office of Population Affairs:						
Passed-through N.C. Department of Health and Human Services:						
Family Planning Services	93.217	13A1592BFP80	<u>51,500</u>	-	-	-
Health Resources and Service Administration:						
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29320	<u>87,755</u>	<u>65,824</u>	-	-
Centers for Medicare and Medicaid Services:						
Passed-through N.C. Department of Health and Human Services:						
Medicaid Cluster:						
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	XIX-MAP 17	2,447,724	15,078	-	924,814
Division of Medical Assistance:						
Direct Benefit Payments:						
Medical Assistance Program	93.778	XIX-MAP 17	<u>128,178,859</u>	<u>67,506,136</u>	-	-
Total Medicaid Cluster			<u>130,626,583</u>	<u>67,521,214</u>	-	<u>924,814</u>
Division of Social Services:						
Children's Insurance Program - N.C. Health Choice:						
Administration:						
Children's Health Insurance Program - N.C. Health Choice	93.767	CHIP 17	84,400	115	-	106
Direct Benefit Payments:						
Children's Health Insurance Program - N.C. Health Choice	93.767	CHIP 17	<u>3,317,658</u>	<u>17,983</u>	-	-
Total Children's Insurance Program - N.C. Health Choice			<u>3,402,058</u>	<u>18,098</u>	-	<u>106</u>
Total U.S. Department of Health and Human Services			<u>144,724,547</u>	<u>69,108,878</u>	<u>1,951,746</u>	<u>4,169,682</u>

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**ROWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT D-4 (Continued)**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Passed- Through to Subrecipients	Local Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Passed-through N.C. Department of Commerce:						
Division of Community Planning and Development:						
HOME Investment Partnerships Program	14.239	DC-37-02-09	\$ 197,317	\$ -	\$ -	\$ -
Total U.S. Department of Housing and Urban Development			197,317	-	-	-
<b>TOTAL FEDERAL AWARDS</b>			<b>150,248,705</b>	<b>69,160,904</b>	<b>1,951,746</b>	<b>5,489,389</b>
<b>STATE AWARDS</b>						
<b>N.C. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES</b>						
Division of State Library:						
State Aid to Libraries			-	178,656	-	2,715,709
N.C. Museum of Natural Sciences:						
Rowan County Nature Center and Wildlife Adventures			-	334	-	-
Total N.C. Department of Natural and Cultural Resources			-	178,990	-	2,715,709
<b>N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Division of Public Health:						
Food and Lodging Fees			-	15,900	-	-
General Aid to Counties			-	134,950	-	-
General Communicable Disease Control			-	11,271	-	-
Child Health			-	705	-	-
HMHC - Family Planning			-	10,569	-	-
Maternal Health (HMHC)			-	6,543	-	-
Women's Health Service Fund			-	20,522	-	-
HIV/STD State			-	2,500	-	-
HIV/STD SSBG Aid			-	10,000	-	-
Sexually Transmitted Diseases			-	659	-	-
Tuberculosis			-	17,128	-	-
School Nurse Funding Initiative			-	100,000	-	-
TB Medical Service			-	1,282	-	-
Total Division of Public Health			-	332,029	-	-

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**ROWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT D-4 (Continued)**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Passed- Through to Subrecipients	Local Expenditures
<b>N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>						
Division of Social Services:						
Administration:						
Energy Assistance Private Grant			\$ -	\$ 4,439	\$ -	\$ -
State Child Welfare/CPS/CS LD			-	254,899	-	-
State/County Special Assistance for Adults - Direct Benefit Payments			-	741,184	-	738,271
Child Welfare Services - State Grant:						
Adoption Subsidy - Direct Benefit Payments			-	329,907	-	79,488
Program Integrity Plan - Administration			-	2,130	-	-
State Foster Home			-	253,494	-	253,493
Foster Care Special Provision			-	4,368	-	2,163
Total Division of Social Services			-	1,590,421	-	1,073,415
Total N.C. Department of Health and Human Services			-	1,922,450	-	1,073,415
<b>N.C. DEPARTMENT OF ENVIRONMENTAL QUALITY</b>						
Division of Waste Management:						
White Goods Management Program			-	55,098	-	-
Scrap Tire Program			-	187,604	-	-
Solid Waste Disposal			-	64,416	-	-
Total Division of Waste Management			-	307,118	-	-
Division of Environmental Assistance and Customer Service:						
Convenience Center Commingled Recycling Collection Project		6839	-	27,880	-	-
Community Waste Reduction and Recycling Project		6870	-	7,125	-	1,475
Total Division of Environmental Assistance and Customer Service			-	35,005	-	1,475
Soil and Water Grant			-	24,381	-	24,381
Soil and Water Conservation			-	3,600	-	-
Total N.C. Department of Environmental Quality			-	370,104	-	25,856
<b>N.C. DIVISION OF ADMINISTRATION</b>						
Veterans Service Grant			-	2,130	-	146,012
<b>N.C. DEPARTMENT OF PUBLIC INSTRUCTION</b>						
Public School Building Capital Fund:						
Lottery Proceeds			-	1,400,000	-	-

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**ROWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT D-4 (Continued)**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Passed- Through to Subrecipients	Local Expenditures
<b>N.C. DEPARTMENT OF TRANSPORTATION</b>						
Rural Operating Assistance Program (ROAP) Cluster:						
ROAP WorkFirst Transitional - Employment		DOT-16CL	\$ -	\$ 32,880	\$ -	\$ -
ROAP Rural General Public Program		DOT-16CL	-	85,467	-	7,516
ROAP Elderly-Disabled Transportation Assistance Program		DOT-16CL	-	103,830	-	50
Total ROAP Cluster			-	222,177	-	7,566
DEMO Capital		36223.102.1.1	-	12,300	-	-
Runway Overlay Airport Grant		36244.56.9.2	-	32,274	-	3,586
Total N.C. Department of Transportation			-	266,751	-	11,152
<b>N.C. DEPARTMENT OF COMMERCE</b>						
Division of Rural Economic Development:						
Onc NC Fund			-	75,000	75,000	75,000
Industrial Development Fund - Utility Fund		U-442	-	15,000	-	-
Community Development Block Grant:						
Gildan Yarns Street Project		13-E-2612	-	23,248	-	-
Aldo Building Reuse Program		2016-068-3201-2587	-	22,208	22,208	9,100
Total Community Development Block Grant			-	45,456	22,208	9,100
Total Division of Rural Economic Development			-	135,456	97,208	84,100
Division of Fiscal Management:						
Grassroots Science Museums Collaborative Grant			-	9,993	-	-
Total N.C. Department of Commerce			-	145,449	97,208	84,100
<b>N.C. DEPARTMENT OF PUBLIC SAFETY</b>						
Division of Emergency Management:						
Emergency Management Program Grant			-	48,649	-	-
Tier II Universal Grant			-	978	-	-
Total Division of Emergency Management			-	49,627	-	-
Division of Juvenile Justice and Delinquency Prevention:						
Juvenile Crime Prevention Programs:						
Adolescent and Family Enrichment Council:						
Strengthening Families			-	77,450	77,450	-

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**ROWAN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

**EXHIBIT D-4 (Continued)**

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Passed- Through to Subrecipients	Local Expenditures
<b>N.C. DEPARTMENT OF PUBLIC SAFETY (Continued)</b>						
Division of Juvenile Justice and Delinquency Prevention (Continued):						
Juvenile Crime Prevention Programs (Continued):						
Ketchmore Kids:						
Positive Parenting			\$ -	\$ 33,980	\$ 33,980	\$ -
Rowan County Youth Services Bureau:						
Sex Offender Specific Evaluations and Treatment			-	7,459	7,459	-
Juvenile Restitution			-	76,487	76,487	-
Teen Court			-	76,604	76,604	-
Rowan County:						
JCPC Certification			-	3,720	-	-
Youth Development Initiatives:						
LIFT After School Academy			-	50,000	50,000	-
Total Division of Juvenile Justice and Delinquency Prevention			<u>-</u>	<u>325,700</u>	<u>321,980</u>	<u>-</u>
Total N.C. Department of Public Safety			<u>-</u>	<u>375,327</u>	<u>321,980</u>	<u>-</u>
<b>N.C. PARTNERSHIP FOR CHILDREN</b>						
Passed-through Rowan Partnership for Children:						
Smile Savers			<u>-</u>	<u>34,301</u>	<u>-</u>	<u>-</u>
<b>N.C. 911 BOARD</b>						
Regional Rowan-Cabarrus Back-up 911 Center			<u>-</u>	<u>8,400</u>	<u>-</u>	<u>-</u>
<b>TOTAL STATE AWARDS</b>			<u>-</u>	<u>4,703,902</u>	<u>419,188</u>	<u>4,056,244</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<u>\$ 150,248,705</u>	<u>\$ 73,864,806</u>	<u>\$ 2,370,934</u>	<u>\$ 9,545,633</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State awards (SEFSA) includes the federal and State grant activity of the County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

**2. Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**3. Cluster of Programs**

The following are clustered by the N.C. Department of Health and Human Services and are treated separately for State audit requirement purposes:

Subsidized Child Care, Foster Care and Adoption, Special Children Adoption Fund, and HIV.