



ROWAN COUNTY

NORTH CAROLINA
Be an original

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019

PREPARED BY THE ROWAN COUNTY FINANCE DEPARTMENT

Leslie E. Heidrick, Assistant County Manager/Finance Director

*Derrick Atkins, Internal Auditor
Lisa Bevis, Accountant II
Nick Childers, Risk Manager
Sumiko Harmon, Accounting Technician III
James Howden, Assistant Finance Director
Amy Kluttz, Administrative Technician V*

*Peter Molleur, MUNIS Software Specialist
Rita Peters, Accountant I
Delores Schenk, Accounting Technician II
Teresa Sharpless, Accountant I
David Sifford, Purchasing Agent
Christina Smith, Accountant I*

**ROWAN
COUNTY**

NORTH CAROLINA

Be an original.

ROWAN COUNTY, NORTH CAROLINA
TABLE OF CONTENTS

	<u>Exhibit No.</u>	<u>Page No.</u>
	<u>Table No.</u>	
INTRODUCTORY SECTION		
Letter of Transmittal		1-3
List of Principal Officials – Elected and Designated		1-9
Organizational Chart		1-10
FINANCIAL SECTION		
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		2-6
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Position	1	2-18
Statement of Activities	2	2-20
Fund Financial Statements		
Balance Sheet – Governmental Funds	3	2-22
Reconciliation of Balance Sheet to the Statement of Net Position	3	2-24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4	2-25
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4	2-27
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	5	2-28
Statement of Net Position – Proprietary Funds	6	2-30
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	7	2-32
Statement of Cash Flows – Proprietary Funds	8	2-34
Statement of Fiduciary Net Position – Fiduciary Funds	9	2-37
Notes to the Financial Statements		2-38

ROWAN COUNTY, NORTH CAROLINA
TABLE OF CONTENTS

	<u>Exhibit No.</u> <u>Table No.</u>	<u>Page No.</u>
FINANCIAL SECTION (Continued)		
Required Supplemental Financial Data		
Local Governmental Employees' Retirement System – Required Supplementary Information		
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)	A-1	2-100
Schedule of County Contributions	A-1	2-100
Register of Deeds' Supplemental Pension Fund – Required Supplementary Information		
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)	A-2	2-101
Schedule of County Contributions	A-2	2-101
Law Enforcement Officers' Special Separation Allowance – Required Supplementary Information		
Schedule of Changes in Total Pension Liability	A-3	2-102
Schedule of Total Pension Liability as a Percentage of Covered Payroll	A-3	2-102
Other Postemployment Benefits – Required Supplementary Information		
Schedule of Changes in Total OPEB Liability and Related Ratios	A-4	2-103
Combining and Individual Fund Statements and Schedules		
Major Governmental Funds		
General Fund – Balance Sheet	B-1	2-108
General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	B-2	2-110
Nonmajor Governmental Funds		
Nonmajor Governmental Funds – Combining Balance Sheet	B-3	2-118
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-4	2-119
Community Development Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	B-5	2-120
Emergency Telephone System Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	B-6	2-121

ROWAN COUNTY, NORTH CAROLINA
TABLE OF CONTENTS

	<u>Exhibit No.</u>	<u>Page No.</u>
	<u>Table No.</u>	
FINANCIAL SECTION (Continued)		
Combining and Individual Fund Statements and Schedules (Continued)		
Nonmajor Governmental Funds (Continued)		
Fire District Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	B-7	2-122
Public Schools Capital Projects Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	B-8	2-124
Water Infrastructure Capital Projects Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	B-9	2-125
West End Plaza Capital Projects Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	B-10	2-126
Proprietary Funds		
Airport Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	B-11	2-128
Landfill Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	B-12	2-130
Water Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	B-13	2-132
Risk Management Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	B-14	2-133
Fiduciary Funds		
Agency Funds – Combining Statement of Changes in Assets and Liabilities	B-14	2-134
Other Schedules		
Schedule of Ad Valorem Taxes Receivable – General Fund	C-1	2-140
Analysis of Current Tax Levy – County-wide Levy	C-2	2-141
STATISTICAL SECTION		
Financial Trends		
Net Position by Component	1	3-5
Changes in Net Position	2	3-6
Fund Balances of Governmental Funds	3	3-10
Changes in Fund Balances of Governmental Funds	4	3-11

ROWAN COUNTY, NORTH CAROLINA
TABLE OF CONTENTS

	<u>Exhibit No.</u> <u>Table No.</u>	<u>Page No.</u>
STATISTICAL SECTION (Continued)		
Revenue Capacity		
Assessed Value of Taxable Property	5	3-15
Direct and Overlapping Property Tax Rates	6	3-16
Principal Property Taxpayers	7	3-17
Property Tax Levies and Collections	8	3-18
Debt Capacity		
Ratios of Outstanding Debt by Type	9	3-21
Legal Debt Margin Information	10	3-22
Demographic and Economic Information		
Demographic and Economic Statistics	11	3-25
Principal Employers	12	3-26
Operating Information		
Full-time Equivalent County Government Employees by Function	13	3-29
Operating Indicators by Function	14	3-30
Capital Asset Statistics by Function	15	3-32
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		4-3
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; Required by the Uniform Guidance and the State Single Audit Implementation Act		4-5
Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; Required by the Uniform Guidance and the State Single Audit Implementation Act		4-9
Schedule of Findings, Responses and Questioned Costs	D-1	4-12
Summary Schedule of Prior Audit Findings	D-2	4-14
Schedule of Expenditures of Federal and State Awards	D-3	4-15



INTRODUCTORY SECTION





November 22, 2019

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, 2019.

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.

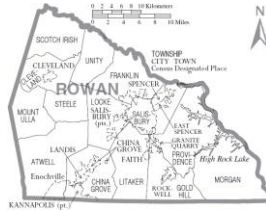
Martin Starnes & Associates, CPAs, P.A., a firm of licensed certified public accountants, has audited the County's financial statements for the fiscal year ended June 30, 2019. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. 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, 2019 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.

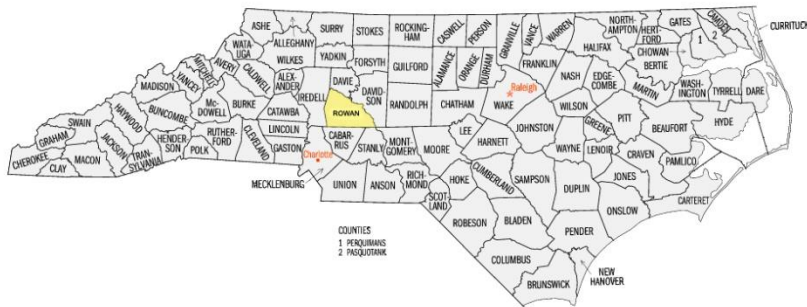
The County is required to present a Management's Discussion and Analysis (MD&A) section as an introduction to the financial information. This section immediately follows the auditor's opinion and provides an overview and analysis of the County's significant transactions in fiscal year 2019. This letter 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 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, tax administrator, attorney and clerk. 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's population of 141,802 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 34,536. 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 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, landfill and water system. 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 largely agricultural and textile-based economy to a diverse mix of agriculture, manufacturing, commercial, and service sectors.

As has occurred nationally, the economy in Rowan County continued to grow in fiscal year 2019 as demonstrated in the labor market. The County's unemployment rate for the fiscal year ended June 30, 2019 was 4.5 percent. Though this was a slight increase in the County's unemployment rate from 2018 (4.2 percent), the total number of employed people in the County actually increased by 2,192 (3.5 percent).

The County's average wage is currently \$22.38, the third highest among counties in the Charlotte metro region and twelfth overall amid the State's 100 counties. Overall, the average wage in Rowan County increased 5 percent from the previous year.

Major manufacturing operations in Rowan County include Daimler Trucks North America (heavy duty trucks), Continental Structural Plastics (automotive components) and Gildan (textiles).

The County continues to work with community leadership and organizations such as Rowan-Cabarrus Community College, Rowan-Salisbury Schools, NC Works, the Centralina Workforce Development Board and the Rowan County Chamber of Commerce to strengthen the County's workforce. One of the chief efforts over the past year has been pursuing recognition for Rowan County as an ACT® Work Ready Community. By participating in the ACT® Work Ready Communities initiative, counties can identify skill gaps and quantify the skill level of their workforce which helps educators build career pathways that are aligned with the needs of business and industry. Recognition as an ACT® Work Ready Community also helps a community stand out and be recognized for its workforce development efforts. The Rowan Economic Development

Commission (EDC) recently assumed responsibility for achieving this certification and, as of June 2019, the community has completed 92 percent of the certification requirements.

Rowan County leaders continue the trend of economic growth and vitality in the community through the development of land and buildings, maintenance of a strong business environment, and emphasis on employee recruitment. The County's focus on business attraction and related support promotes the community, securing more jobs and investment. The following significant projects were announced, under construction or completed during fiscal year 2019:

- ✦ Chewy Inc. (Chewy) - The leading online retailer of pet food and products in the United States announced plans to locate a new, 700,000 square-foot, e-commerce fulfillment center at the intersection of Long Ferry Road and Interstate 85. Chewy will invest \$55.0 million and create 1,200 new jobs as part of the project. Chewy's plans represent the largest single job announcement in the history of Rowan County.



- ✦ McKenzie Sports Products (McKenzie) – The company, based in Rowan County between Granite Quarry and Rockwell, is the world's leading manufacturer and supplier of taxidermy supplies and accessories. McKenzie completed a major expansion in December 2018, with a 51,000 square-foot addition to their existing facility. The company invested \$3.1 million and added 51 employees.

- ✦ StarCom Racing – New Jersey-based StarCom Racing moved to Rowan County in 2018 and purchased a 20,000 square-foot facility in Salisbury to serve as its new headquarters. Founded in 2017, StarCom fields the 00 and 99 cars in the Monster Energy NASCAR Cup Series. StarCom’s new facility will employ up to 20 persons to support the two cars.
- ✦ Utilities Agreement for High Bridge Development – The Rowan County Board of Commissioners and the Kannapolis City Council approved an agreement to bring water and sewer to the proposed High Bridge Development at the new Old Beatty Ford interchange on Interstate 85. The Louisiana-based Commercial Properties Realty Trust plans to invest \$500 million in the development of the High Bridge site for mixed-use purposes that will include both commercial and residential venues.
- ✦ Site Identification and Development – The Rowan EDC continued its efforts to improve the County’s inventory of available industrial sites. These efforts included submitting the ‘South Rowan Site’ near China Grove for the Duke Energy Site Readiness Program. The 300+ acre Site, located at the intersection of Interstate 85 and Highway 152, offers excellent interstate visibility and access, as well as convenience to Charlotte.

The Rowan EDC was established by the County and municipalities to coordinate the recruitment of businesses and jobs to the County. To provide guidance for this effort, the County has adopted a Land Use Plan as well as incentive policies. 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 identified additional funding sources 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.

The County continued its investment in the Mid-Carolina Regional Airport, which is owned and operated by the County. During the year, the County completed a runway pavement rehabilitation project. The resulting overlay contains more than 13 tons of bituminous concrete. The project was funded with a \$2.2 million State grant and approximately \$200,000 of matching local funds.

The County and the Rowan-Salisbury School System also completed a consolidated elementary school project during the year. The new school is located in the western part of the County and serves the Woodleaf and Cleveland communities. The 100,000 square-foot facility was opened in January 2019. The County borrowed \$27.5 million for this project.



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 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 was completed on the project in 2019. The project includes 6,800 linear feet of 12-inch diameter water lines, together with valves, hydrants and associated appurtenances, and was constructed entirely within the existing NCDOT right-of-way. The water line assets were recorded in the Water Enterprise Fund at a net cost of \$2.8 million at the end of fiscal year 2019. McGill Associates also prepared an Interstate-85 South Corridor Land Use Master Plan for the County.

The Rowan County Parks and Recreation Department received a State grant to make a playground at Ellis Park accessible to children with disabilities. The grant was funded through the Parks and Recreation Trust Fund. Rowan County received \$264,959 for the renovation project. The County provided matching funds of \$66,240. The monies were used to enhance the playground to make it more inclusive so children with or without disabilities, as well as family members, can play and interact together. The Rowan County Therapeutic Recreation program operates out of Ellis Park. The grand opening for the new playground was held in July 2018.



The County has contracted with Ramsay Burgin Smith Architects to design a new library to provide services in western Rowan County. The County will repurpose the existing Cleveland Elementary School media center and auditorium, which has not been in use due to the consolidation of Cleveland and Woodleaf Elementary Schools into a new West Rowan Elementary School. Construction of the new library is expected to begin in October 2019.

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 (\$141.2 million v. \$152.4 million). Fund balance was appropriated to close the gap. The amount necessary for this purpose in the original budget was \$11.2 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 emergency medical services 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 increased by \$16,114.

OTHER ACCOMPLISHMENTS

Catawba College continues to be ranked among the top 10 best colleges in the South by U.S. News & World Reports. Catawba is ranked eighth. This is the fourth consecutive year that the College has received a top 10 ranking. Catawba also received regional rankings as follows:

#2 for Best College for Veterans	#23 for Best Value Ranking
#4 for Most Innovative Schools	#34 for Campus Ethnic Diversity
#11 for Best Undergraduate Teaching	#35 for Top Performer in Social Mobility

Catawba was among 1,400 institutions that were ranked by U.S. News and World Reports in the Regional Colleges Category. Institutions were ranked according to geographic region, have a focus on the undergraduate experience, and offer a range of programs in the liberal arts and fields such as business, nursing and education.

Rowan County Government ranked eighth in the United States in the up to 150,000 Population Category in the 2019 Digital Counties Survey. The survey identifies the best technology practices among U.S. counties, including initiatives that streamline delivery of government services; encourage open data, collaboration and shared services; enhance cybersecurity; and contribute to disaster response and recovery efforts. Rowan County was ranked ninth in the same population category in the 2017 Survey.

Once again, the *Carolina Field Trips* magazine named four Rowan County attractions in its 2018-2019 school year survey of North Carolina's most attended field trip destinations:

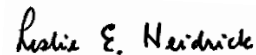
- ★ Lazy 5 Ranch was named the State's second largest field trip attraction. The Ranch offers a 3.5-mile tour by car or horse-drawn wagon of over 750 animals from all over the world.

- ★ 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 21st 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 24th 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.

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, 2019

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

<i>Assistant County Manager/Finance Director</i>	Leslie Heidrick
---	-----------------

Clerk to the Board

Carolyn Barger

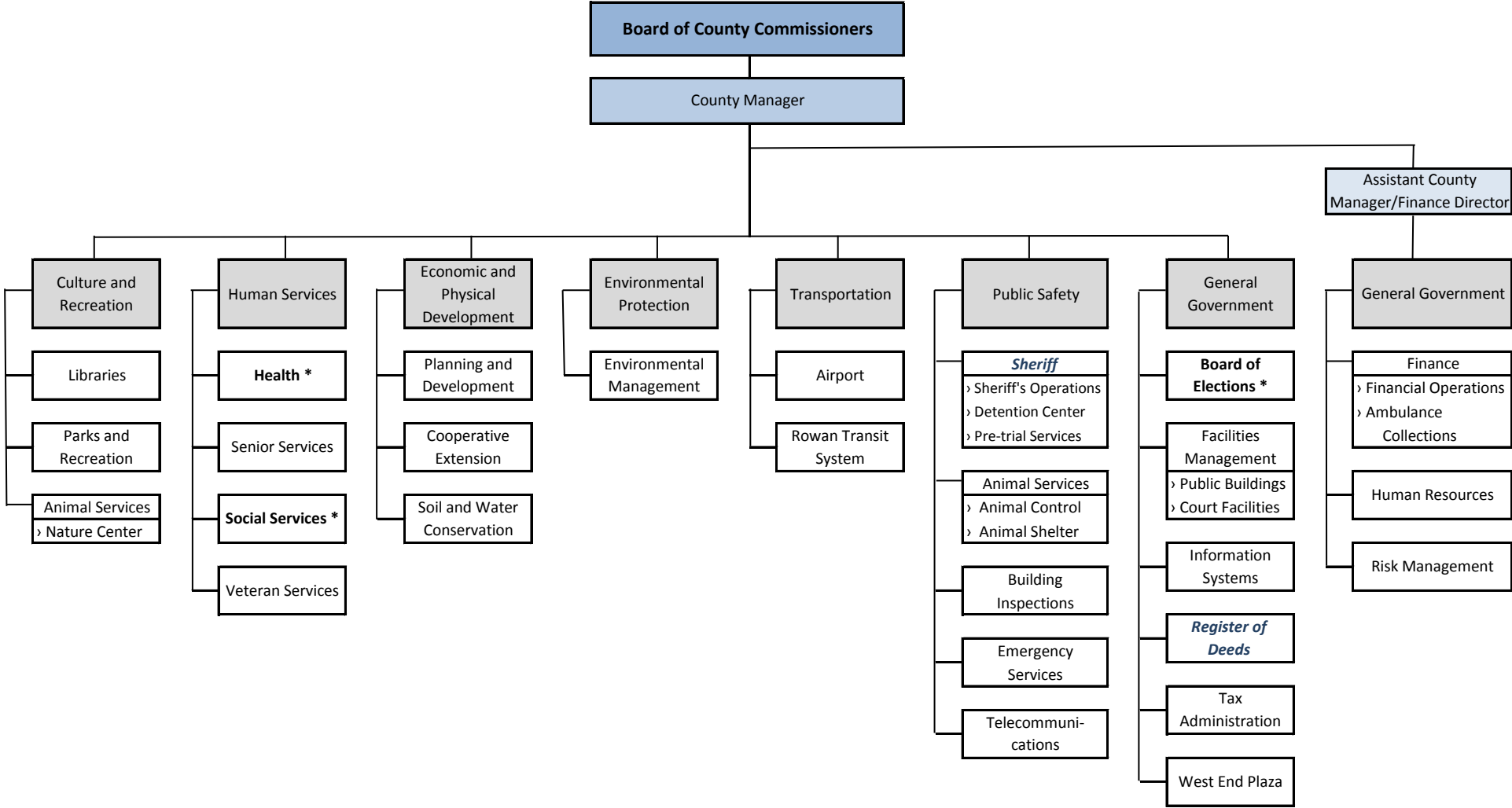
County Attorney

John W. "Jay" Dees, II

County Department Directors

Airport	Kevin Davis
Animal Services	Bob Pendergrass
Board of Elections	Nancy Evans
Building Inspections	Thomas O'Kelly
Cooperative Extension	Amy-Lynn Albertson
Emergency Services	Chris Soliz
Environmental Management	Caleb Sinclair
Facilities Management	Don Bringle
Finance	Leslie Heidrick
Health	Nina Oliver
Human Resources	Kelly Natoli
Information Systems	Randy Cress
Libraries	Jeff Hall
Parks and Recreation	Don Bringle
Planning and Development	Ed Muire
Rowan Transit System	Franklin Barnes
Social Services	Donna Fayko
Soil and Water Conservation	Chris Sloop
Tax Administration	Kelvin Byrd
Telecommunications	Allen Cress
Veterans Services	Justan Mounts
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

FINANCIAL SECTION



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, 2019, 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. 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, 2019, 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.

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 Changes in the Total OPEB Liability and Related Ratios, 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 accompanying 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 November 22, 2019, 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
November 22, 2019

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, 2019. 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

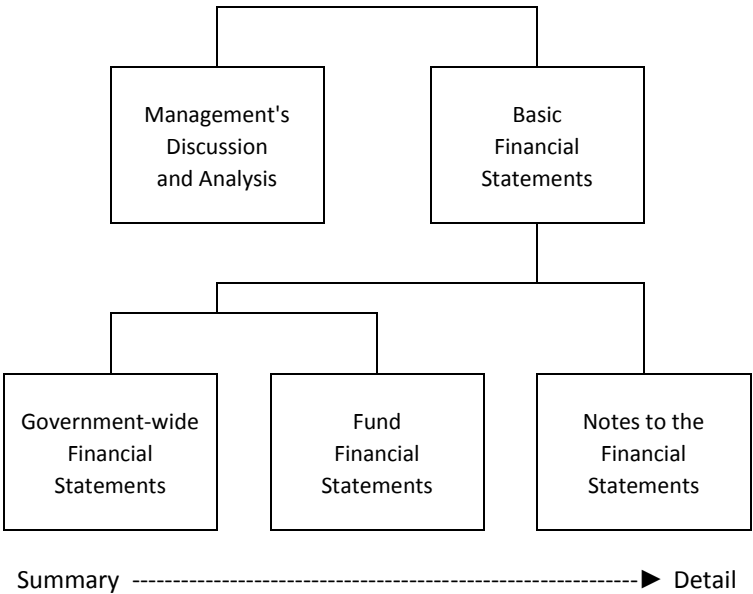
- On the government-wide statement of net position, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$89.2 million (*net position*). The County's net position is impacted considerably by the debt 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 \$51.7 million.
- The County's total net position increased by \$3.4 million, due to an increase in business-type activities of \$6.3 million and a decrease in governmental activities of \$2.9 million.
- As of the close of the 2019 fiscal year, the County's governmental funds reported combined ending fund balances of \$57.1 million. Approximately 36.6 percent of this total amount, or \$20.9 million, is nonspendable or restricted.
- At the end of the 2019 fiscal year, total fund balance, available fund balance and unassigned fund balance for the General Fund were \$51.8 million, \$35.3 million and \$16.0 million, respectively. These fund balance amounts represent 35.6 percent, 24.2 percent and 11.0 percent of General Fund expenditures and transfers out.
- The County's general obligation and installment financing debt decreased by \$11.6 million, or 16.0 percent, during the 2019 fiscal year. The key factors in this decrease were the retirement of \$8.0 million of general obligation debt and \$5.8 million of installment financing debt.
- The County maintained its AA+ bond rating from Fitch Ratings for the second consecutive year; its Aa2 bond rating from Moody's Investors Service for the eighth consecutive year; and its AA- bond rating from Standard and Poor's Corporation for the ninth consecutive year. These bond ratings are clear indications of the sound financial condition of the County.
- Net position in the Airport and Water Funds increased by \$1.8 million and \$3.0 million, respectively. A runway overlay capital project, which was primarily funded by State grants, was completed in the Airport Fund. The Water Fund received a capital contribution of water infrastructure from governmental activities.

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, landfill and water 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 four 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, landfill and water 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 2-38 through 2-98 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

Rowan County's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 76,936,699	\$ 90,003,099	\$ 23,749,575	\$ 20,867,746	\$ 100,686,274	\$ 110,870,845
Capital assets	<u>71,008,048</u>	<u>75,105,850</u>	<u>23,766,092</u>	<u>19,579,810</u>	<u>94,774,140</u>	<u>94,685,660</u>
Total assets	<u>147,944,747</u>	<u>165,108,949</u>	<u>47,515,667</u>	<u>40,447,556</u>	<u>195,460,414</u>	<u>205,556,505</u>
Total deferred outflows of resources	<u>11,333,492</u>	<u>6,738,848</u>	<u>470,841</u>	<u>291,067</u>	<u>11,804,333</u>	<u>7,029,915</u>
Long-term liabilities outstanding	89,270,986	94,085,416	17,065,926	16,649,621	106,336,912	110,735,037
Other liabilities	<u>10,180,801</u>	<u>14,675,960</u>	<u>833,285</u>	<u>317,923</u>	<u>11,014,086</u>	<u>14,993,883</u>
Total liabilities	<u>99,451,787</u>	<u>108,761,376</u>	<u>17,899,211</u>	<u>16,967,544</u>	<u>117,350,998</u>	<u>125,728,920</u>
Total deferred inflows of resources	<u>670,769</u>	<u>964,124</u>	<u>10,307</u>	<u>30,810</u>	<u>681,076</u>	<u>994,934</u>
Net position:						
Net investment in capital assets	63,060,053	64,802,308	22,024,267	17,621,427	85,084,320	82,423,735
Restricted	15,847,297	31,458,866	-	-	15,847,297	31,458,866
Unrestricted	<u>(19,751,667)</u>	<u>(34,138,877)</u>	<u>8,052,723</u>	<u>6,118,842</u>	<u>(11,698,944)</u>	<u>(28,020,035)</u>
Total net position	<u>\$ 59,155,683</u>	<u>\$ 62,122,297</u>	<u>\$ 30,076,990</u>	<u>\$ 23,740,269</u>	<u>\$ 89,232,673</u>	<u>\$ 85,862,566</u>

The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$89.2 million as of June 30, 2019, with an increase in net position of \$3.4 million for the fiscal year. 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 \$82.4 million in the prior year to \$85.1 million at June 30, 2019. The increase is mainly attributable to the Airport business-type activity.

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 \$15.8 million at June 30, 2019, a \$15.6 million decrease from prior year. This decrease is primarily due to the expenditure of financing proceeds that were restricted for public schools' capital outlay.

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, 2019, the County reported an unrestricted net position deficit of \$11.7 million. This amount is impacted by the portion of the County's outstanding debt incurred for Rowan-Salisbury and Kannapolis City School Systems 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, 2019, \$51.7 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 \$40.0 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
- Continued pursuit of grant opportunities and other external funding
- 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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 17,494,096	\$ 18,520,768	\$ 7,048,260	\$ 6,839,468	\$ 24,542,356	\$ 25,360,236
Operating grants and contributions	18,648,052	20,121,783	435,286	359,622	19,083,338	20,481,405
Capital grants and contributions	1,568,077	4,256,311	5,426,967	205,929	6,995,044	4,462,240
General revenues:						
Property taxes	82,749,417	81,828,839	-	-	82,749,417	81,828,839
Local option sales taxes	26,614,717	24,514,531	-	-	26,614,717	24,514,531
Other taxes and licenses	2,114,940	1,893,654	-	-	2,114,940	1,893,654
Grants and contributions not restricted to specific programs	520,688	517,215	-	-	520,688	517,215
Other	(842,171)	896,989	628,997	146,150	(213,174)	1,043,139
Total revenues	<u>148,867,816</u>	<u>152,550,090</u>	<u>13,539,510</u>	<u>7,551,169</u>	<u>162,407,326</u>	<u>160,101,259</u>
Expenses:						
General government	14,827,592	13,515,396	-	-	14,827,592	13,515,396
Public safety	38,639,885	36,983,011	-	-	38,639,885	36,983,011
Transportation	1,506,190	1,447,512	-	-	1,506,190	1,447,512
Economic and physical development	5,479,779	4,856,517	-	-	5,479,779	4,856,517
Human services	26,643,513	26,296,398	-	-	26,643,513	26,296,398
Culture and recreation	6,233,732	6,341,394	-	-	6,233,732	6,341,394
Education	56,595,687	62,378,381	-	-	56,595,687	62,378,381
Interest on long-term debt	1,541,385	1,967,408	-	-	1,541,385	1,967,408
Airport	-	-	2,567,643	2,132,067	2,567,643	2,132,067
Landfill	-	-	4,885,953	5,431,834	4,885,953	5,431,834
Water	-	-	115,860	-	115,860	-
Total expenses	<u>151,467,763</u>	<u>153,786,017</u>	<u>7,569,456</u>	<u>7,563,901</u>	<u>159,037,219</u>	<u>161,349,918</u>
Increase (decrease) in net position before transfers	(2,599,947)	(1,235,927)	5,970,054	(12,732)	3,370,107	(1,248,659)
Transfers	<u>(366,667)</u>	<u>(260,300)</u>	<u>366,667</u>	<u>260,300</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position after transfers	<u>(2,966,614)</u>	<u>(1,496,227)</u>	<u>6,336,721</u>	<u>247,568</u>	<u>3,370,107</u>	<u>(1,248,659)</u>
Net position, beginning, previously reported	62,122,297	70,140,859	23,740,269	23,828,705	85,862,566	93,969,564
Restatement	<u>-</u>	<u>(6,522,335)</u>	<u>-</u>	<u>(336,004)</u>	<u>-</u>	<u>(6,858,339)</u>
Net position, beginning, restated	<u>62,122,297</u>	<u>63,618,524</u>	<u>23,740,269</u>	<u>23,492,701</u>	<u>85,862,566</u>	<u>87,111,225</u>
Net position, ending	<u>\$ 59,155,683</u>	<u>\$ 62,122,297</u>	<u>\$ 30,076,990</u>	<u>\$ 23,740,269</u>	<u>\$ 89,232,673</u>	<u>\$ 85,862,566</u>

Governmental activities. Governmental activities decreased the County's net position by \$3.0 million. As indicated on the previous page, the majority of the County's expenses were related to education (\$56.6 million, 37.4 percent), public safety (\$38.6 million, 25.5 percent) and human services (\$26.6 million, 17.6 percent).

Business-type activities. Business-type activities increased the County's net position by \$6.3 million. Key elements of this increase are as follows:

- Continued diligence in airport and landfill revenue collections
- Completion of a \$2.6 million airport runway overlay capital project that was 90 percent funded by State grants
- A \$2.9 million capital contribution from governmental activities to business-type activities for water infrastructure

Airport, Landfill and Water expenses totaled \$2.6 million, \$4.9 million and \$0.1 million for the fiscal year, or 33.9 percent, 64.6 percent and 1.5% 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 \$35.3 million, while total fund balance equaled \$51.8 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 24.2 percent of total General Fund expenditures and transfers out, while total fund balance represented 35.6 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, 2019 increased by \$16,114 from the prior year. This increase was primarily due to three factors:

- Ad valorem property taxes exceeded budgeted expectations by \$0.8 million (1.1 percent)
- Local option sales taxes exceeded budgeted expectations by \$2.1 million (8.6 percent)
- Operational efficiencies resulted in 7.2 percent of unspent budgeted expenditures

The other governmental funds of the County, comprised of Special Revenue Funds and Capital Projects Funds, reported a combined fund balance of \$5.3 million, a decrease of \$8.4 million from the prior year. This decrease was primarily due to capital expenditures in the Public Schools Capital Projects Fund of \$10.8 million, which was partially offset by the receipt of installment financing proceeds of \$1.3 million and a transfer to the West End Plaza Capital Projects Fund from the General Fund of \$0.9 million.

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, Landfill and Water Funds at the end of the fiscal year amounted to \$1.6 million, \$7.2 million and \$0.1 million, respectively. The Airport, Landfill and Water Funds experienced increases in net position of \$1.8 million, \$1.6 million and \$3.0 million, respectively. 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 2019 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 \$4.4 million, a 2.9 percent increase. The majority of this increase occurred in public safety and human services.

Actual revenues exceeded the amounts projected in the final budget by \$2.6 million, or 1.8 percent, during the 2019 fiscal year. The revenue overages occurred primarily in property taxes, local option sales taxes and investment earnings. Both the County's property tax levy and collection percentage exceeded budgeted expectations. Sales tax and investment earnings revenue growth also exceeded expectations.

Actual expenditures and transfers out were \$11.2 million, or 7.2 percent, less than appropriations as of June 30, 2019. 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, 2019 totaled \$94.8 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:

- Replacement of a pier and boat docks at Dan Nicholas Park
- Completion of renovations at the County's administrative facility
- Purchase of 50 05-200 voting tabulators for Board of Elections
- Replacement of an air handler unit at the Detention Center
- Purchase of two ambulances and 20 vehicles for Emergency Services and the Sheriff's Office, respectively
- Completion of a runway overlay project at the County Airport
- Transfer of completed water lines from governmental activities' construction in progress to business-type activities' other improvements

Rowan County's Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 10,435,845	\$ 10,435,845	\$ 4,433,518	\$ 4,433,518	\$ 14,869,363	\$ 14,869,363
Buildings	35,147,993	36,370,414	6,806,707	7,069,011	41,954,700	43,439,425
Other improvements	7,813,162	7,871,528	11,375,365	7,174,277	19,188,527	15,045,805
Equipment	6,387,949	6,752,293	425,000	331,570	6,812,949	7,083,863
Vehicles and motorized equipment	4,092,334	3,999,699	725,502	571,434	4,817,836	4,571,133
Construction in progress	<u>7,130,765</u>	<u>9,676,071</u>	<u>-</u>	<u>-</u>	<u>7,130,765</u>	<u>9,676,071</u>
Total	<u>\$ 71,008,048</u>	<u>\$ 75,105,850</u>	<u>\$ 23,766,092</u>	<u>\$ 19,579,810</u>	<u>\$ 94,774,140</u>	<u>\$ 94,685,660</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, 2019, the County's general obligation debt, secured by the full faith and credit of the County, totaled \$10.6 million. Installment financings totaled \$49.1 million. A summary of outstanding debt is shown below.

Rowan County's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 10,575,294	\$ 18,543,809	\$ -	\$ -	\$ 10,575,294	\$ 18,543,809
Installment financing	49,093,758	52,492,866	1,741,825	1,958,383	50,835,583	54,451,249
Other	<u>29,601,934</u>	<u>23,048,741</u>	<u>15,324,101</u>	<u>14,691,238</u>	<u>44,926,035</u>	<u>37,739,979</u>
Total	<u>\$ 89,270,986</u>	<u>\$ 94,085,416</u>	<u>\$ 17,065,926</u>	<u>\$ 16,649,621</u>	<u>\$ 106,336,912</u>	<u>\$ 110,735,037</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 \$937.6 million. The County had no bonds authorized, but unissued, at June 30, 2019.

The County's total long-term debt decreased by \$4.8 million, or 4.0 percent, during the 2019 fiscal year. Major debt activity for the year included:

- Issuance of \$2.5 million of installment financing debt for renovation of school facilities and purchase of vehicles
- Retirement of \$8.0 million of general obligation debt issued for school capital needs
- Retirement of \$6.1 million of existing installment financing debt
- Increase in the Local Governmental Employees' Retirement System (LGERS) net pension liability of \$4.7 million
- Increase in the total Other Postemployment Benefit (OPEB) liability of \$1.2 million

As mentioned in the financial highlights section of this document, the County maintained its AA+, Aa2 and AA- ratings from Fitch Ratings, 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 remained low during the 2019 fiscal year. At June 30, 2019, the rate was 4.5 percent. The federal and State rates at this time were 3.7 percent and 4.2 percent, respectively.
- Fiscal year 2019 local option sales tax receipts were \$2.1 million greater than those received in the prior year.
- Ad valorem taxes grew by \$0.8 million in fiscal year 2019, due primarily to a 1.2 percent increase in taxable property valuation.
- Investment earnings in the General Fund increased \$1.0 million in fiscal year 2019.
- New retail, manufacturing and infrastructure projects were announced, under construction or completed during the fiscal year. New jobs associated with these projects are expected to exceed 1,300.
- The County is home to a diversified business base. Management believes this diversity will help buffer the negative effects of the economic downturns.

These factors, as well as others, were considered when management prepared the County's budget ordinances for the 2020 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities

The County's approved General Fund budget for fiscal year 2020 totals \$159.9 million, which represents a \$9.3 million, or 6.2 percent, increase from the original budget adopted for the 2019 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 5.8 percent, or \$4.7 million, due to growth in the tax base related to revaluation of real property. The property tax rate for fiscal year 2020 was lowered to \$0.6575 per \$100 of assessed value. Sales tax revenue is projected to increase by \$1.5 million, or 6.0 percent, indicative of continued growth in the sales tax base. Substantial increases in General Fund expenditures are budgeted in the areas of public safety, human services, and economic and physical development.

At the close of the 2019 fiscal year, the County's General Fund available fund balance was \$35.3 million. The County has appropriated \$11.5 million of this amount into the 2020 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 2020 fiscal year, the County budgeted amounts in three enterprise funds, the Airport Fund, the Landfill Fund and the Water 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. Charges for services in these business-type activities for fiscal year 2020 are substantially the same as the amounts adopted for fiscal year 2019.

In the Airport function, budgeted expenditures have increased by \$0.8 million, to \$4.9 million, because of new capital projects planned for the Airport. These projects will be 90 percent funded by federal and State grants.

Budgeted expenditures in the Landfill function have increased by \$1.0 million, to \$7.2 million, primarily due to solid waste capital projects. Fund balance has been appropriated to pay for these one-time expenditures.

The Water Fund's budgeted revenue has been decreased by \$0.1 million due to the one-time contribution received from Duke Energy in fiscal year 2019. Expenditures for water operations are estimated at \$136,000 for fiscal year 2020.

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 for more information.

BASIC FINANCIAL STATEMENTS

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rowan County Tourism Development Authority
ASSETS				
Cash and cash equivalents	\$ 54,062,847	\$ 23,395,596	\$ 77,458,443	\$ 57,771
Receivables (net)	8,856,766	582,470	9,439,236	18,950
Prepaid	-	-	-	11,109
Due from other governments	7,172,923	624,702	7,797,625	-
Due from primary government	-	-	-	91,355
Inventories	47,894	55,445	103,339	-
Notes receivable	3,087,500	-	3,087,500	-
Internal balances	908,638	(908,638)	-	-
Restricted cash and cash equivalents	2,573,902	-	2,573,902	-
Net pension asset	226,229	-	226,229	-
Capital assets:				
Land and construction in progress	17,566,610	4,433,518	22,000,128	-
Other capital assets (net of depreciation)	53,441,438	19,332,574	72,774,012	2,773,317
Total assets	147,944,747	47,515,667	195,460,414	2,952,502
DEFERRED OUTFLOWS OF RESOURCES	11,333,492	470,841	11,804,333	15,848

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, 2019

EXHIBIT 1 (Continued)

	Primary Government			Component Unit
	Governmental	Business-type		Rowan County
	Activities	Activities	Total	Tourism
				Development
				Authority
LIABILITIES				
Accounts payable and accrued liabilities	\$ 9,679,363	\$ 833,285	\$ 10,512,648	\$ 1,792
Accrued interest payable	410,083	-	410,083	-
Due to component unit	91,355	-	91,355	-
Long-term liabilities:				
Due within one year	14,799,086	300,991	15,100,077	-
Due in more than one year	74,471,900	16,764,935	91,236,835	343,707
Total liabilities	99,451,787	17,899,211	117,350,998	345,499
DEFERRED INFLOWS OF RESOURCES	670,769	10,307	681,076	80
NET POSITION				
Net investment in capital assets	63,060,053	22,024,267	85,084,320	2,454,025
Restricted:				
Stabilization by State statute	13,822,583	-	13,822,583	110,305
Education	390,825	-	390,825	-
Public safety	1,299,907	-	1,299,907	-
Register of Deeds	66,843	-	66,843	-
Register of Deeds' pension plan	267,139	-	267,139	-
Unrestricted (deficit)	(19,751,667)	8,052,723	(11,698,944)	58,441
Total net position	\$ 59,155,683	\$ 30,076,990	\$ 89,232,673	\$ 2,622,771

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, 2019

EXHIBIT 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Rowan County Tourism Development Authority
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 14,827,592	\$ 2,071,039	\$ 89,063	\$ -	\$ (12,667,490)	\$ -	\$ (12,667,490)	
Public safety	38,639,885	13,133,211	1,212,246	-	(24,294,428)	-	(24,294,428)	
Transportation	1,506,190	303,688	922,498	105,643	(174,361)	-	(174,361)	
Economic and physical development	5,479,779	71,447	187,467	162,434	(5,058,431)	-	(5,058,431)	
Human services	26,643,513	493,958	15,526,577	-	(10,622,978)	-	(10,622,978)	
Culture and recreation	6,233,732	1,420,753	678,764	-	(4,134,215)	-	(4,134,215)	
Education	56,595,687	-	31,437	1,300,000	(55,264,250)	-	(55,264,250)	
Interest on long-term debt	1,541,385	-	-	-	(1,541,385)	-	(1,541,385)	
Total governmental activities	151,467,763	17,494,096	18,648,052	1,568,077	(113,757,538)	-	(113,757,538)	
Business-type activities:								
Airport	2,567,643	1,392,220	-	2,559,713	-	1,384,290	1,384,290	
Landfill	4,885,953	5,537,887	335,286	-	-	987,220	987,220	
Water	115,860	118,153	100,000	2,867,254	-	2,969,547	2,969,547	
Total business-type activities	7,569,456	7,048,260	435,286	5,426,967	-	5,341,057	5,341,057	
Total primary government	\$ 159,037,219	\$ 24,542,356	\$ 19,083,338	\$ 6,995,044	(113,757,538)	5,341,057	(108,416,481)	
Component unit:								
Rowan County Tourism								
Development Authority	\$ 1,288,332	\$ 104,649	\$ -	\$ -				\$ (1,183,683)

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, 2019

EXHIBIT 2 (Continued)

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
				Rowan County
				Tourism
	Governmental	Business-type		Development
	Activities	Activities	Total	Authority
General revenues:				
Taxes:				
Property taxes, levied for general purpose	\$ 82,749,417	\$ -	\$ 82,749,417	\$ -
Local option sales taxes	26,614,717	-	26,614,717	-
Other taxes and licenses	2,114,940	-	2,114,940	1,032,038
Grants and contributions not restricted to specific programs	520,688	-	520,688	-
Investment earnings, unrestricted	1,791,853	628,997	2,420,850	-
Miscellaneous, unrestricted	(2,634,024)	-	(2,634,024)	162,894
Total general revenues, excluding transfers	111,157,591	628,997	111,786,588	1,194,932
Transfers	(366,667)	366,667	-	-
Total general revenues and transfers	110,790,924	995,664	111,786,588	1,194,932
Change in net position	(2,966,614)	6,336,721	3,370,107	11,249
Net position, beginning of year, July 1	62,122,297	23,740,269	85,862,566	2,611,522
Net position, end of year, June 30	\$ 59,155,683	\$ 30,076,990	\$ 89,232,673	\$ 2,622,771

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

ROWAN COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

EXHIBIT 3

	Major	Nonmajor	
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
ASSETS			
Cash and cash equivalents	\$ 45,076,463	\$ 3,426,467	\$ 48,502,930
Restricted cash	140,890	2,433,012	2,573,902
Receivables (net)	8,606,560	250,206	8,856,766
Due from other governments	6,990,719	182,204	7,172,923
Inventories	47,894	-	47,894
Notes receivable	3,087,500	-	3,087,500
Total assets	<u>\$ 63,950,026</u>	<u>\$ 6,291,889</u>	<u>\$ 70,241,915</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 8,395,012	\$ 613,916	\$ 9,008,928
Due to component unit	91,355	-	91,355
Contract retainage	-	157,992	157,992
Total liabilities	<u>8,486,367</u>	<u>771,908</u>	<u>9,258,275</u>
Deferred inflows of resources	<u>3,662,250</u>	<u>253,360</u>	<u>3,915,610</u>

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, 2019

EXHIBIT 3 (Continued)

	Major	Nonmajor	
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
Fund balances:			
Nonspendable:			
Inventories	\$ 47,894	\$ -	\$ 47,894
Noncurrent notes receivable	2,837,500	-	2,837,500
Restricted:			
Stabilization by State statute	13,640,379	182,204	13,822,583
Education capital	390,825	2,433,012	2,823,837
Emergency telephone	-	1,232,537	1,232,537
Law enforcement	67,370	-	67,370
Register of Deeds	66,843	-	66,843
Committed:			
Future capital projects	1,415,203	2,021,995	3,437,198
Tax revaluation	140,890	-	140,890
Assigned:			
Subsequent year's expenditures	11,530,657	-	11,530,657
Agricultural extension	35,412	-	35,412
Animal services	47,787	-	47,787
Economic Development	2,831,309	-	2,831,309
Health	2,151,681	-	2,151,681
Law enforcement	109,249	-	109,249
Libraries	29,466	-	29,466
Recreation	268,222	-	268,222
Social services	189,975	-	189,975
Unassigned	16,000,747	(603,127)	15,397,620
Total fund balances	51,801,409	5,266,621	57,068,030
Total liabilities, deferred inflows of resources and fund balances	\$ 63,950,026	\$ 6,291,889	\$ 70,241,915

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	\$ 57,068,030
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	71,008,048
Net pension asset	226,229
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the statement of net position.	2,711,914
Benefit payments and pension administrative costs of LEOSSA are deferred outflows of resources on the statement of net position.	124,907
Contributions to OPEB plan in the current fiscal year are deferred outflows of resources on the statement of net position.	407,371
Charges related to advance refunding bond issues	19,341
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.	5,047,474
Internal balances due from business-type activities to governmental activities	908,638
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(89,681,069)
Pension related deferrals	7,351,694
OPEB related deferrals	218,788
Deferred inflows of resources for taxes and ambulance receivables	<u>3,744,318</u>
Net position of governmental activities	<u><u>\$ 59,155,683</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, 2019

EXHIBIT 4

	Major	Nonmajor	
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
REVENUES:			
Ad valorem taxes	\$ 82,524,770	\$ 5,893,986	\$ 88,418,756
Local option sales taxes	26,614,717	-	26,614,717
Other taxes and licenses	2,114,940	-	2,114,940
Unrestricted intergovernmental	520,688	-	520,688
Restricted intergovernmental	19,483,994	905,696	20,389,690
Permits and fees	2,069,185	-	2,069,185
Sales and services	8,477,840	-	8,477,840
Investment earnings	1,620,446	94,044	1,714,490
Miscellaneous	1,008,308	-	1,008,308
Total revenues	<u>144,434,888</u>	<u>6,893,726</u>	<u>151,328,614</u>
EXPENDITURES:			
Current:			
General government	13,607,875	-	13,607,875
Public safety	30,949,814	6,439,235	37,389,049
Transportation	1,387,763	-	1,387,763
Economic and physical development	4,644,554	148,322	4,792,876
Human services	26,176,281	-	26,176,281
Culture and recreation	5,923,155	-	5,923,155
Intergovernmental:			
Education	45,811,450	-	45,811,450
Capital outlay	-	11,106,185	11,106,185

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, 2019

EXHIBIT 4 (Continued)

	Major	Nonmajor	
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
EXPENDITURES (Continued):			
Debt service:			
Principal retirement	\$ 13,722,108	\$ -	\$ 13,722,108
Interest and other charges	1,562,443	-	1,562,443
Total expenditures	143,785,443	17,693,742	161,479,185
Excess (deficiency) of revenues over expenditures	649,445	(10,800,016)	(10,150,571)
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	940,912	940,912
Transfers to other funds	(1,787,579)	-	(1,787,579)
Installment purchase obligations issued	1,150,000	1,300,000	2,450,000
Capital contributions - Duke Energy	-	162,434	162,434
Sale of capital assets	4,248	-	4,248
Total other financing sources (uses)	(633,331)	2,403,346	1,770,015
Net change in fund balances	16,114	(8,396,670)	(8,380,556)
FUND BALANCES:			
Beginning of year, July 1	51,784,915	13,663,291	65,448,206
Increase in inventories	380	-	380
End of year, June 30	\$ 51,801,409	\$ 5,266,621	\$ 57,068,030

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, 2019

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	\$ (8,380,556)
Change in fund balance due to change in reserve for inventory	380
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.	(1,230,548)
Cost of capital assets contributed to business-type activities during the year, not recognized on the modified accrual basis	(2,867,254)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	15,371
Contributions to the pension plans in the current fiscal year are not included on the statement of activities.	2,711,914
Benefit payments and administration costs for LEOSSA in the current fiscal year are not included on the statement of activities.	124,907
Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities.	407,371
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.	11,248,405
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.	(4,944,168)
Net expense of internal service fund determined to be governmental-type	<u>(52,436)</u>
Change in net position of governmental activities	<u><u>\$ (2,966,614)</u></u>

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

ROWAN COUNTY, NORTH CAROLINA
EXHIBIT 5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 82,141,000	\$ 82,156,000	\$ 82,524,770	\$ 368,770
Local option sales taxes	24,800,000	25,125,000	26,614,717	1,489,717
Other taxes and licenses	2,029,000	2,029,000	2,114,940	85,940
Unrestricted intergovernmental	647,500	647,500	570,688	(76,812)
Restricted intergovernmental	19,157,190	20,144,590	19,483,994	(660,596)
Permits and fees	1,820,000	1,870,000	2,069,185	199,185
Sales and services	8,237,806	8,573,939	8,477,840	(96,099)
Investment earnings	480,050	480,050	1,620,446	1,140,396
Miscellaneous	785,420	888,495	1,008,308	119,813
Total revenues	140,097,966	141,914,574	144,484,888	2,570,314
EXPENDITURES:				
Current:				
General government	16,104,482	15,966,769	13,607,875	2,358,894
Public safety	31,219,070	33,530,738	30,949,814	2,580,924
Transportation	1,785,990	1,814,817	1,387,763	427,054
Economic and physical development	6,002,445	6,540,829	4,644,554	1,896,275
Human services	27,177,989	28,295,701	26,176,281	2,119,420
Culture and recreation	6,925,464	7,292,029	5,923,153	1,368,876
Intergovernmental:				
Education	45,385,012	46,029,423	45,811,450	217,973
Debt service:				
Principal retirement	14,088,180	13,773,240	13,722,109	51,131
Interest and other charges	1,922,550	1,771,115	1,562,444	208,671
Total expenditures	150,611,182	155,014,661	143,785,443	11,229,218
Revenues over (under) expenditures	(10,513,216)	(13,100,087)	699,445	13,799,532

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
EXHIBIT 5 (Continued)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	\$ (1,787,579)	\$ (1,787,579)	\$ (1,787,579)	\$ -
Installment purchase obligations issued	1,150,000	1,150,000	1,150,000	-
Sale of capital assets	-	-	4,248	4,248
Total other financing sources (uses)	<u>(637,579)</u>	<u>(637,579)</u>	<u>(633,331)</u>	<u>4,248</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(11,150,795)	(13,737,666)	66,114	13,803,780
APPROPRIATED FUND BALANCE	<u>11,150,795</u>	<u>13,737,666</u>	<u>-</u>	<u>(13,737,666)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	66,114	<u>\$ 66,114</u>
RECONCILIATION FROM BUDGETARY BASIS OF ACCOUNTING TO MODIFIED ACCRUAL BASIS:				
Current year note receivable payments			<u>(50,000)</u>	
Net change in fund balance - modified accrual			16,114	
FUND BALANCE:				
Beginning of year, July 1			51,784,915	
Increase in inventories			<u>380</u>	
End of year, June 30			<u>\$ 51,801,409</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, 2019

EXHIBIT 6

	Major		Non-Major		Internal Service Fund
	Airport Fund	Landfill Fund	Water Fund	Total	Risk Management Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,699,415	\$ 21,556,651	\$ 139,530	\$ 23,395,596	\$ 5,559,917
Receivables (net)	12,260	570,210	-	582,470	-
Due from other governments	540,518	84,184	-	624,702	-
Inventories	55,445	-	-	55,445	-
Total current assets	<u>2,307,638</u>	<u>22,211,045</u>	<u>139,530</u>	<u>24,658,213</u>	<u>5,559,917</u>
Noncurrent assets:					
Land and construction in progress	2,871,045	1,562,473	-	4,433,518	-
Other capital assets (net of depreciation)	<u>10,498,638</u>	<u>6,002,523</u>	<u>2,831,413</u>	<u>19,332,574</u>	<u>-</u>
Total noncurrent assets	<u>13,369,683</u>	<u>7,564,996</u>	<u>2,831,413</u>	<u>23,766,092</u>	<u>-</u>
Total assets	<u>15,677,321</u>	<u>29,776,041</u>	<u>2,970,943</u>	<u>48,424,305</u>	<u>5,559,917</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>52,099</u>	<u>418,742</u>	<u>-</u>	<u>470,841</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	644,157	189,128	-	833,285	2,158
Claims payable	-	-	-	-	510,285
Compensated absences	5,506	71,397	-	76,903	-
Notes payable	<u>224,088</u>	<u>-</u>	<u>-</u>	<u>224,088</u>	<u>-</u>
Total current liabilities	<u>873,751</u>	<u>260,525</u>	<u>-</u>	<u>1,134,276</u>	<u>512,443</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, 2019

EXHIBIT 6 (Continued)

	Major		Non-Major		Internal Service Fund Risk Management Fund
	Airport Fund	Landfill Fund	Water Fund	Total	
Noncurrent liabilities:					
Accrued landfill closure and postclosure care costs	\$ -	\$ 14,384,901	\$ -	\$ 14,384,901	\$ -
Compensated absences	12,305	36,197	-	48,502	-
Net pension liability (LGRS)	63,823	495,267	-	559,090	-
Total OPEB liability	11,370	243,335	-	254,705	-
Notes payable	1,517,737	-	-	1,517,737	-
Total noncurrent liabilities	1,605,235	15,159,700	-	16,764,935	-
Total liabilities	2,478,986	15,420,225	-	17,899,211	512,443
DEFERRED INFLOWS OF RESOURCES	687	9,620	-	10,307	-
NET POSITION					
Net investment in capital assets	11,627,858	7,564,996	2,831,413	22,024,267	-
Unrestricted	1,621,889	7,199,942	139,530	8,961,361	5,047,474
Total net position	\$ 13,249,747	\$ 14,764,938	\$ 2,970,943	30,985,628	\$ 5,047,474
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(908,638)	
Net position of business-type activities				\$ 30,076,990	

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, 2019

EXHIBIT 7

	Major		Non-Major		Internal Service Fund
	Airport Fund	Landfill Fund	Water Fund	Total	Risk Management Fund
OPERATING REVENUES:					
Charges for services	\$ 1,392,220	\$ 5,537,887	\$ 118,153	\$ 7,048,260	\$ 552,412
OPERATING EXPENSES:					
Administration	-	-	-	-	199,794
Airport operations	1,776,591	-	-	1,776,591	-
Landfill operations	-	3,086,151	-	3,086,151	-
Water operations	-	-	80,019	80,019	-
Premiums and claims	-	-	-	-	1,138,936
Landfill closure and postclosure care costs	-	698,666	-	698,666	-
Depreciation	786,229	1,076,479	35,841	1,898,549	-
Total operating expenses	2,562,820	4,861,296	115,860	7,539,976	1,338,730
Operating income (loss)	(1,170,600)	676,591	2,293	(491,716)	(786,318)
NONOPERATING REVENUES:					
Scrap tire disposal tax	-	196,688	-	196,688	-
Solid waste disposal tax	-	72,334	-	72,334	-
White goods disposal tax	-	58,051	-	58,051	-
Other grants and revenue	348,934	8,212	100,000	457,146	-
Investment earnings	36,950	590,651	1,396	628,997	171,407
Insurance settlements	-	-	-	-	52,996
Total nonoperating revenues	385,884	925,936	101,396	1,413,216	224,403

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, 2019

EXHIBIT 7 (Continued)

	Major		Non-Major		Internal Service Fund Risk Management Fund
	Airport Fund	Landfill Fund	Water Fund	Total	
Income (loss) before contributions and transfers	\$ (784,716)	\$ 1,602,527	\$ 103,689	\$ 921,500	\$ (561,915)
CAPITAL CONTRIBUTIONS	2,210,779	-	2,867,254	5,078,033	-
TRANSFERS FROM OTHER FUNDS	366,667	-	-	366,667	480,000
Change in net position	1,792,730	1,602,527	2,970,943	6,366,200	(81,915)
TOTAL NET POSITION:					
Beginning of year, July 1	11,457,017	13,162,411	-		5,129,389
End of year, June 30	<u>\$ 13,249,747</u>	<u>\$ 14,764,938</u>	<u>\$ 2,970,943</u>		<u>\$ 5,047,474</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(29,479)	
Change in net position - business-type activities				<u>\$ 6,336,721</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, 2019

EXHIBIT 8

	Major		Non-Major		Internal Service Fund Risk Management Fund
	Airport Fund	Landfill Fund	Water Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 1,381,505	\$ 5,457,971	\$ 118,153	\$ 6,957,629	\$ 554,683
Cash paid for goods and services	(1,161,159)	(1,725,960)	(80,019)	(2,967,138)	(1,264,610)
Cash paid to employees for services	(318,444)	(1,627,053)	-	(1,945,497)	(74,149)
Net cash provided (used) by operating activities	(98,098)	2,104,958	38,134	2,044,994	(784,076)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Noncapital grants and other subsidies	64,401	329,102	100,000	493,503	-
Transfers in	366,667	-	-	366,667	480,000
Net cash provided by noncapital financing activities	431,068	329,102	100,000	860,170	480,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on notes payable	(216,558)	-	-	(216,558)	-
Acquisition and construction of capital assets	(2,429,455)	(546,888)	-	(2,976,343)	-
Capital grants and other subsidies	2,731,990	-	-	2,731,990	-
Proceeds from insurance settlements	-	-	-	-	52,996
Net cash provided (used) by capital and related financing activities	85,977	(546,888)	-	(460,911)	52,996
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	36,950	590,651	1,396	628,997	171,407
Net increase (decrease) in cash and investments	455,897	2,477,823	139,530	3,073,250	(79,673)
CASH AND CASH EQUIVALENTS, July 1	1,243,518	19,078,828	-	20,322,346	5,639,590
CASH AND CASH EQUIVALENTS, June 30	\$ 1,699,415	\$ 21,556,651	\$ 139,530	\$ 23,395,596	\$ 5,559,917

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, 2019

EXHIBIT 8 (Continued)

	Major		Non-Major		Internal Service Fund Risk Management Fund
	Airport Fund	Landfill Fund	Water Fund	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (1,170,600)	\$ 676,591	\$ 2,293	\$ (491,716)	\$ (786,318)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	786,229	1,076,479	35,841	1,898,549	-
Landfill closure and postclosure care costs	-	698,666	-	698,666	-
Changes in assets, liabilities, and deferred outflows and inflows of resources:					
(Increase) decrease in receivables (net)	(10,715)	(79,916)	-	(90,631)	2,271
Increase in inventory	22,078	-	-	22,078	-
Increase in deferred outflows of resources - pensions	(19,619)	(152,243)	-	(171,862)	-
Increase in net pension liability	24,692	191,610	-	216,302	-
Decrease in deferred inflows of resources - pensions	(779)	(6,042)	-	(6,821)	-
(Increase) decrease in deferred outflows of resources - OPEB	523	(8,435)	-	(7,912)	-
Decrease in total OPEB liability	(43,830)	(253,467)	-	(297,297)	-
Decrease in deferred inflows of resources - OPEB	(1,778)	(11,929)	-	(13,707)	-
Increase (decrease) in accounts payable and accrued liabilities	311,931	(37,778)	-	274,153	104
Increase in claims payable	-	-	-	-	(133)
Increase (decrease) in compensated absences payable	3,770	11,422	-	15,192	-
Total adjustments	1,072,502	1,428,367	35,841	2,536,710	2,242
Net cash provided (used) by operating activities	\$ (98,098)	\$ 2,104,958	\$ 38,134	\$ 2,044,994	\$ (784,076)

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, 2019

EXHIBIT 8 (Continued)

	Major		Non-Major		Internal Service Fund Risk Management Fund
	Airport Fund	Landfill Fund	Water Fund	Total	
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING					
ACTIVITIES:					
Acquisition of capital assets payable to vendors	<u>\$ 241,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,234</u>	<u>\$ -</u>
Acquisition of capital assets to be reimbursed through capital contributions	<u>\$ 217,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,110</u>	<u>\$ -</u>
Acquisition of capital assets through capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,867,254</u>	<u>\$ 2,867,254</u>	<u>\$ -</u>

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, 2019

EXHIBIT 9

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 536,771
Accounts receivable	<u>40,327</u>
Total assets	<u>\$ 577,098</u>
LIABILITIES	
Intergovernmental payables:	
Rowan-Salisbury Schools	\$ 60,926
Kannapolis City Schools	4,090
State of North Carolina	8,686
Rowan County Municipalities	419,974
Miscellaneous liabilities	<u>83,422</u>
Total liabilities	<u>\$ 577,098</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, 2019

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).

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
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 fund:

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.

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.

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 \$6.20 of each fee collected by the register of deeds 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 seven 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 Public Schools Capital Project Fund, the Water Infrastructure Capital Projects Fund and the West End Plaza Capital Projects Fund are reported as nonmajor capital projects funds. The Water Fund is reported as a non-major proprietary fund.

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.

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.

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, 2019

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 is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported 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 and the Public Schools Capital Projects 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	Tax revaluation	\$	140,890
Public Schools Capital Projects Fund	Unexpended loan proceeds		<u>2,433,012</u>
Total restricted cash		\$	<u>2,573,902</u>

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, 2018. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2019

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
Water system infrastructure	40
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 and other postemployment benefits (OPEB), and contributions made to the pension and OPEB plans 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 several items that meet the criterion for this category – prepaid taxes, taxes receivable, ambulance receivables and other pension and OPEB 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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation". RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for 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 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 \$2,433,012 and Register of Deeds' pension plan of \$267,139 for a net difference of \$(2,165,873).

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.

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)

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.

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.

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)

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.

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.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain 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. One element of that reconciliation explains "Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund." The details of this (\$89,681,069) difference are as follows:

Bonds and installment financings	\$ (59,669,052)
Accrued interest payable	(410,083)
Compensated absences	(3,836,115)
Net pension liability (LGERS)	(12,205,533)
Total pension liability (LEOSSA)	(3,814,654)
Total OPEB liability	<u>(9,745,632)</u>
	<u>\$ (89,681,069)</u>

2. Explanation of certain 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. An element of that reconciliation states "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." The details of this \$11,248,405 difference are as follows:

Issuance of installment purchase obligations	\$ (2,450,000)
Principal repayments:	
General obligation debt	7,873,000
Installment financing	5,849,108
Amortization of bond premium	95,515
Amortization of deferred outflows of resources - charge on refunding	<u>(119,218)</u>
	<u>\$ 11,248,405</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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.

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, 2019, the County's deposits had a carrying amount of \$5,269,260 and a bank balance of \$7,540,053. Of the bank balance, \$750,000 was covered by federal depository insurance and \$6,790,053 in interest-bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2019, the County had \$10,055 cash on hand.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

2. Investments

As of June 30, 2019, 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	\$ 8,000,411	\$ 1,995,860	\$ 498,535	\$ 5,506,016
US Government Agencies	Fair Value - Level 2	39,941,458	6,981,605	8,374,228	24,585,625
Commercial Paper	Fair Value - Level 2	13,390,013	6,985,747	6,404,266	-
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	1,285,290	1,285,290	-	-
NC Capital Management Trust - Term Portfolio *	Fair Value - Level 1	<u>12,672,629</u>	<u>12,672,629</u>	-	-
Total		<u>\$ 75,289,801</u>	<u>\$ 29,921,131</u>	<u>\$ 15,277,029</u>	<u>\$ 30,091,641</u>

* As of June 30, 2019, the NCCMT Term Portfolio has a duration of .11 years. Because the NCCMT government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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.

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.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

2. Investments (Continued)

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, 2018, 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 AAA by Standard & Poor's as of June 30, 2018. 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 Home Loan Bank securities, Federal Home Loan Mortgage Corporation securities, Federal Farm Credit Bank securities, Toyota Motor Credit Corporation commercial paper, Federal National Mortgage Association securities, MUFG Bank commercial paper and JP Morgan commercial paper. These investments are 21.2 percent, 18.7 percent, 17.2 percent, 10.6 percent, 8.1 percent, 5.6 percent and 5.6 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.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,316,827	\$ 1,262,746	\$ 6,579,573
2017	5,358,451	790,372	6,148,823
2018	5,377,348	309,197	5,686,545
2019	<u>5,380,428</u>	<u>-</u>	<u>5,380,428</u>
Total	<u>\$ 21,433,054</u>	<u>\$ 2,362,315</u>	<u>\$ 23,795,369</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Receivables

a. Government-wide Receivables

Receivables at the government-wide level at June 30, 2019 were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Total</u>
Governmental activities:			
General	\$ 15,457,598	\$ 4,121,592	\$ 19,579,190
Other Governmental	<u>-</u>	<u>250,206</u>	<u>250,206</u>
Total receivables	15,457,598	4,371,798	19,829,396
Allowance for doubtful accounts	<u>(9,600,000)</u>	<u>(1,372,630)</u>	<u>(10,972,630)</u>
Total governmental activities	<u>\$ 5,857,598</u>	<u>\$ 2,999,168</u>	<u>\$ 8,856,766</u>
Business-type activities:			
Airport	\$ 12,260	\$ -	\$ 12,260
Landfill	<u>623,535</u>	<u>-</u>	<u>623,535</u>
Total receivables	635,795	-	635,795
Allowance for doubtful accounts	<u>(53,325)</u>	<u>-</u>	<u>(53,325)</u>
Total business-type activities	<u>\$ 582,470</u>	<u>\$ -</u>	<u>\$ 582,470</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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:

Governmental activities:

Local option sales tax	\$ 6,855,115
Franchise fees	135,604
HOME grants	119,887
Emergency 911 fees	<u>62,317</u>

Total governmental activities \$ 7,172,923

Business-type activities:

Aviation grants	\$ 540,518
Scrap tire disposal tax	51,324
White goods disposal tax	14,842
Solid waste disposal tax	<u>18,018</u>

Total business-type activities \$ 624,702

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. During fiscal years 2014 through 2018, annual principal payments of \$62,500 were received. The County and the City, during fiscal year 2019, entered into an Interlocal Agreement to promote economic development at a new Interstate 85 interchange. The County agreed to provide financial assistance to the City for the extension of potable water and sanitary sewer infrastructure by releasing the City from its debt obligation of \$2,687,500, the balance on the note receivable at June 30, 2018, upon delivery of an executed copy of an Engineer of Record Certificate of Project Completion. At June 30, 2019, the project was not complete and the balance of this note receivable was \$2,687,500.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Receivables (Continued)

b. Notes Receivable (Continued)

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, 2019, the balance of this note receivable was \$200,000.

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, 2019, the balance of this note receivable was \$200,000.

5. Capital Assets

a. Primary Government

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 10,435,845	\$ -	\$ -	\$ -	\$ 10,435,845
Construction in progress	<u>9,676,071</u>	<u>321,948</u>	<u>-</u>	<u>(2,867,254)</u>	<u>7,130,765</u>
Total capital assets not being depreciated	<u>20,111,916</u>	<u>\$ 321,948</u>	<u>\$ -</u>	<u>\$ (2,867,254)</u>	<u>17,566,610</u>
Capital assets being depreciated:					
Buildings	59,480,562	\$ 55,180	\$ -	\$ -	59,535,742
Other improvements	25,097,067	883,824	-	-	25,980,891
Equipment	21,762,225	1,030,427	-	-	22,792,652
Vehicles and motorized equipment	<u>12,809,355</u>	<u>1,633,458</u>	<u>-</u>	<u>-</u>	<u>14,442,813</u>
Total capital assets being depreciated	<u>119,149,209</u>	<u>\$ 3,602,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>122,752,098</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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>
Governmental activities (Continued):					
Less accumulated depreciation for:					
Buildings	\$ 23,110,148	\$ 1,277,601	\$ -	\$ -	\$ 24,387,749
Other improvements	17,225,539	942,190	-	-	18,167,729
Equipment	15,009,932	1,394,771	-	-	16,404,703
Vehicles and motorized equipment	<u>8,809,656</u>	<u>1,540,823</u>	<u>-</u>	<u>-</u>	<u>10,350,479</u>
Total accumulated depreciation	<u>64,155,275</u>	<u>\$ 5,155,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>69,310,660</u>
Total capital assets being depreciated, net	<u>54,993,934</u>				<u>53,441,438</u>
Governmental activity capital assets, net	<u>\$ 75,105,850</u>				<u>\$ 71,008,048</u>

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

General government	\$ 1,084,255
Public safety	2,500,604
Transportation	237,956
Economic and physical development	671,028
Human services	188,376
Cultural and recreational	<u>473,166</u>
Total depreciation expense - governmental activities	<u>\$ 5,155,385</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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>
Business-type activities:					
Airport					
Capital assets not being depreciated:					
Land	\$ 2,871,045	\$ -	\$ -	\$ -	\$ 2,871,045
Capital assets being depreciated:					
Buildings	10,506,245	\$ 19,092	\$ -	\$ -	10,525,337
Other improvements	13,398,587	2,534,703	-	-	15,933,290
Equipment	328,435	47,463	-	-	375,898
Vehicles and motorized equipment	<u>71,413</u>	<u>69,431</u>	-	-	<u>140,844</u>
Total capital assets being depreciated	<u>24,304,680</u>	<u>\$ 2,670,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>26,975,369</u>
Less accumulated depreciation for:					
Buildings	3,824,845	\$ 275,027	\$ -	\$ -	4,099,872
Other improvements	11,622,841	461,556	-	-	12,084,397
Equipment	171,403	43,848	-	-	215,251
Vehicles and motorized equipment	<u>71,413</u>	<u>5,798</u>	-	-	<u>77,211</u>
Total accumulated depreciation	<u>15,690,502</u>	<u>\$ 786,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>16,476,731</u>
Total capital assets being depreciated, net	<u>8,614,178</u>				<u>10,498,638</u>
Airport capital assets, net	<u>11,485,223</u>				<u>13,369,683</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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>
Business-type activities (Continued):					
Landfill					
Capital assets not being depreciated:					
Land	\$ 1,562,473	\$ -	\$ -	\$ -	\$ 1,562,473
Capital assets being depreciated:					
Buildings	697,193	\$ 14,028	\$ -	\$ -	711,221
Other improvements	19,749,990	41,940	-	-	19,791,930
Equipment	692,795	156,367	-	-	849,162
Vehicles and motorized equipment	4,741,487	334,553	-	-	5,076,040
Total capital assets being depreciated	25,881,465	\$ 546,888	\$ -	\$ -	26,428,353
Less accumulated depreciation for:					
Buildings	309,582	\$ 20,397	\$ -	\$ -	329,979
Other improvements	14,351,460	745,411	-	-	15,096,871
Equipment	518,257	66,552	-	-	584,809
Vehicles and motorized equipment	4,170,052	244,119	-	-	4,414,171
Total accumulated depreciation	19,349,351	\$ 1,076,479	\$ -	\$ -	20,425,830
Total capital assets being depreciated, net	6,532,114				6,002,523
Landfill capital assets, net	8,094,587				7,564,996
Water					
Capital assets being depreciated:					
Other improvements	-	\$ -	\$ -	\$ 2,867,254	2,867,254
Less accumulated depreciation for:					
Other improvements	-	\$ 35,841	\$ -	\$ -	35,841
Water capital assets, net	-				2,831,413
Business-type activities capital assets, net	\$ 19,579,810				\$ 23,766,092

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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, 2019 for completion of the Rowan-Salisbury Schools and West End Plaza building improvements. At year-end, the County's commitments with contractors were as follows:

<u>Project</u>	<u>Incurred- to-Date</u>	<u>Remaining Commitment</u>
Kannapolis City Schools facilities	\$ 310,424	\$ 989,576
Rowan-Salisbury Schools renovations	6,295,138	204,862
Rowan-Salisbury Schools West Elementary	26,942,251	118,574
West End Plaza building renovations	<u>22,524</u>	<u>2,500</u>
Total	<u>\$ 33,570,337</u>	<u>\$ 1,315,512</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 3,230,140	\$ 1,602,832	\$ 4,074,483	\$ 8,907,455
Other Governmental	<u>771,908</u>	<u>-</u>	<u>-</u>	<u>771,908</u>
Total governmental activities	<u>\$ 4,002,048</u>	<u>\$ 1,602,832</u>	<u>\$ 4,074,483</u>	<u>\$ 9,679,363</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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>
Business-type activities:				
Airport	\$ 634,042	\$ 10,115	\$ -	\$ 644,157
Landfill	<u>146,895</u>	<u>42,233</u>	<u>-</u>	<u>189,128</u>
Total business-type activities	<u>\$ 780,937</u>	<u>\$ 52,348</u>	<u>\$ -</u>	<u>\$ 833,285</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.

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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, 2019 was 8.50 percent of compensation for law enforcement officers and 7.75 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 \$2,823,800 for the year ended June 30, 2019.

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, 2019, the County reported a liability of \$12,764,623 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The 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, 2019

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, 2018, the County's proportion was 0.538 percent, which was an increase of 0.026 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$3,682,723. At June 30, 2019, 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	\$ 1,969,278	\$ 66,080
Changes of assumptions	3,387,238	-
Net difference between projected and actual earnings on pension plan investments	1,752,203	-
Changes in proportion and differences between County contributions and proportionate share of contributions	275,518	556
County contributions subsequent to the measurement date	<u>2,823,800</u>	<u>-</u>
Total	<u>\$ 10,208,037</u>	<u>\$ 66,636</u>

\$2,823,800 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, 2020. 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:

2020	\$ 3,488,052
2021	2,291,585
2022	477,053
2023	1,060,911
2024	-
Thereafter	-

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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, 2017 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 percent to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized 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 7.00 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, 2019

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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	<u>\$ 30,661,731</u>	<u>\$ 12,764,623</u>	<u>\$ (2,190,480)</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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	13
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>126</u>
Total	<u>139</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the S&P Municipal Bond 20-Year High Grade Rate Index.

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

Deaths After Retirement (Healthy). RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104 percent for males and 100 percent for females.

Deaths Before Retirement. RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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)

Deaths After Retirement (Beneficiary). RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123 percent for males and females.

Deaths After Retirement (Disabled). RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103 percent for males and 99 percent for females.

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 \$223,420 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the County reported a total pension liability of \$3,814,654. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$348,828.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 333,926	\$ 3,664
Changes of assumptions	125,971	130,742
County benefit payments and plan administrative expense made subsequent to the measurement date	<u>124,907</u>	<u>-</u>
Total	<u>\$ 584,804</u>	<u>\$ 134,406</u>

\$124,907 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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)

Year ended June 30:

2020	\$ 78,042
2021	78,042
2022	81,379
2023	69,261
2024	18,767
Thereafter	-

\$124,907 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

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 3.64 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 (2.64 percent) or one percentage point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	<u>\$ 4,078,064</u>	<u>\$ 3,814,654</u>	<u>\$ 3,571,626</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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)

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance	
	<u>2019</u>
Beginning balance	\$ 3,481,413
Service cost	163,316
Interest on the total pension liability	106,483
Differences between expected and actual experience in the measurement of the total pension liability	410,690
Changes of assumptions or other inputs	(123,828)
Benefit payments	<u>(223,420)</u>
Ending balance of the total pension liability	<u>\$ 3,814,654</u>

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.16 percent at June 30, 2018 to 3.64 percent at June 30, 2019.

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

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 \$288,938 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.

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 \$827,838 for the reporting year. No amounts were forfeited.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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

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.

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 \$11,796 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the County reported an asset of \$226,229 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The 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, 2018, the County's proportion was 1.37 percent, which was an increase of 0.05 percent from its proportion measured as of June 30, 2017.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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)

For the year ended June 30, 2019, the County recognized pension expense of \$34,936. At June 30, 2019, 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	\$ 1,994	\$ 10,326
Changes of assumptions	10,640	-
Net difference between projected and actual earnings on pension plan investments	36,059	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	9,253
County contributions subsequent to the measurement date	<u>11,796</u>	<u>-</u>
Total	<u>\$ 60,489</u>	<u>\$ 19,579</u>

\$11,796 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, 2020. 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:	
2020	\$ 13,133
2021	(246)
2022	10,627
2023	5,600
2024	-
Thereafter	-

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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)

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. 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, 2018 is 1.4 percent.

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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)

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 (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	<u>\$ (178,369)</u>	<u>\$ (226,229)</u>	<u>\$ (266,591)</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.

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

The net pension liability for LGERS and ROD was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability for LEOSA was measured as of December 31, 2018, with an actuarial valuation date of December 31, 2017. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

f. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	\$ 12,764,623	\$ (226,229)	\$ -	\$ 12,538,394
Proportion of the net pension liability (asset)	0.53806%	(1.36587%)	N/A	
Total pension liability	-	-	3,814,654	3,814,654
Pension expense	3,682,723	34,936	348,828	4,066,487

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 1,969,278	\$ 1,994	\$ 333,926	\$ 2,305,198
Change of assumptions	3,387,238	10,640	125,971	3,523,849
Net difference between projected and actual earnings on pension plan investments	1,752,203	36,059	-	1,788,262
Changes in proportion and differences between County contributions and proportionate share of contributions	275,518	-	-	275,518
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	2,823,800	11,796	124,907	2,960,503
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	66,080	10,326	3,664	80,070
Changes of assumptions	-	-	130,742	130,742
Changes in proportion and differences between County contributions and proportionate share of contributions	556	9,253	-	9,809

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

g. 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. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	27	9
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>261</u>	<u>65</u>
Total	<u>288</u>	<u>74</u>

Total OPEB Liability

The County's total OPEB liability of \$10,000,337 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

g. Healthcare Benefits Plan (Continued)

Actuarial Assumptions and Other Inputs. The total OPEB liability 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases, including wage inflation:	
General employees and firefighters	3.50 percent – 7.75 percent
Law enforcement officers	3.50 percent – 7.35 percent
Healthcare cost trend rates:	
Pre-Medicare	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028
Municipal bond index rate:	
Prior measurement date	3.56 percent
Measurement date	3.89 percent

The discount is based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	<u>\$ 9,108,054</u>
Changes for the year:	
Service cost	273,585
Interest	318,895
Differences between expected and actual experience	342,978
Changes in assumptions or other inputs	260,131
Benefit payments	<u>(303,306)</u>
Net changes	<u>892,283</u>
Balance at June 30, 2019	<u>\$ 10,000,337</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

g. Healthcare Benefits Plan (Continued)

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56 percent to 3.89 percent.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.89 percent) or one-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	<u>\$ 10,788,787</u>	<u>\$ 10,000,337</u>	<u>\$ 9,275,316</u>

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

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	<u>\$ 9,144,483</u>	<u>\$ 10,000,337</u>	<u>\$10,973,506</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

g. Healthcare Benefits Plan (Continued)

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

For the year ended June 30, 2019, the County recognized OPEB expense of \$639,593. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 297,904	\$ -
Changes of assumptions	215,740	289,138
Benefit payments and administrative costs made subsequent to the measurement date	<u>418,018</u>	<u>-</u>
Total	<u>\$ 931,662</u>	<u>\$ 289,138</u>

\$418,018 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 47,113
2021	47,113
2022	47,113
2023	47,113
2024	36,054
Thereafter	-

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

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.

For the fiscal year ended June 30, 2019, the County made contributions to the State for death benefits totaling \$26,206. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.060% 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 Standard Insurance Company. The County has no liability beyond the payment of monthly contributions. For the fiscal year ended June 30, 2019, the County made contributions to American United Life totaling \$37,321.

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.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

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 \$14,384,901 reported as landfill closure and postclosure care liability at June 30, 2019 represents a cumulative amount reported to-date, based on the use of 90.0 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 \$1,364,118 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2019. 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.

5. Deferred Outflows and Inflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Charges on refunding of debt	\$ 19,341	\$ -
Difference between expected and actual experience:		
LGERS	1,969,278	66,080
Register of Deeds	1,994	10,326
LEOSSA	333,926	3,664
OPEB	297,904	-
Changes of assumptions:		
LGERS	3,387,238	-
Register of Deeds	10,640	-
LEOSSA	125,971	130,742
OPEB	215,740	289,138

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Deferred Outflows and Inflows of Resources (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings:		
LGERS	\$ 1,752,203	\$ -
Register of Deeds	36,059	-
Change in proportion and difference between County contributions and proportionate share of contributions:		
LGERS	275,518	556
Register of Deeds	-	9,253
Contributions to pension plan subsequent to measurement date:		
LGERS	2,823,800	-
Register of Deeds	11,796	-
LEOSSA	124,907	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	418,018	-
Prepaid taxes not yet earned (General Fund)	-	168,138
Prepaid taxes not yet earned (Special Revenue Funds)	-	3,154
Deposits not yet earned	<u>-</u>	<u>25</u>
Government-wide deferred outflows and inflows of resources	11,804,333	681,076
Taxes receivable (net) (General Fund), less penalties	-	2,748,962
Taxes receivable (net) (Special Revenue Funds)	-	250,206
Ambulance receivable (net) (General Fund)	<u>-</u>	<u>745,150</u>
Total	<u>\$ 11,804,333</u>	<u>\$ 4,425,394</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 \$143 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 \$143 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.

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Risk Management (Continued)

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, 2019 will be paid within the next 12 months. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30	
	2019	2018
Unpaid claims, beginning of fiscal year	\$ 510,418	\$ 459,498
Incurred claims (including IBNRs)	704,941	653,314
Claim payments	<u>(705,074)</u>	<u>(602,394)</u>
Unpaid claims, end of fiscal year	<u>\$ 510,285</u>	<u>\$ 510,418</u>

7. Contingent Liabilities

At June 30, 2019, 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.

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.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

8. Long-term Obligations (Continued)

a. General Obligation Indebtedness (Continued)

The County's general obligation bonds payable at June 30, 2019 are comprised of the following individual issues:

\$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 \$168,709. \$ 6,788,709

\$20,470,000 2015 direct placement 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 \$7,585. The bonds are collateralized by the full faith, credit and taxing power of the County. The Bond Purchase Agreement does not contain any language addressing the event of default. 3,786,585

Total general obligation bonds \$ 10,575,294

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>
2020	\$ 4,609,000	\$ 229,238
2021	830,000	161,250
2022	830,000	136,350
2023	830,000	111,450
2024	825,000	86,625
2025-2029	<u>2,475,000</u>	<u>111,375</u>
Total	<u>\$ 10,399,000</u>	<u>\$ 836,288</u>

At June 30, 2019, Rowan County had a legal debt margin of \$937,579,710.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

8. Long-term Obligations (Continued)

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, 2019 involve separate agreements as described below:

Serviced by the General Fund:

\$6,000,000 2006 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) pay over any balance remaining in the Project Fund to the Lender, (4) execution and foreclosure and recovery of attorneys' fees and other expenses. \$ 413,620

\$2,750,000 2009 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) pay over any balance remaining in the Project Fund to the Lender, (4) execution and foreclosure and recovery of attorneys' fees and other expenses. 137,500

\$6,270,000 2010 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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):

breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Deed of Trust, Uniform Commercial Code of North Carolina and the general laws of North Carolina, (4) take possession of any proceeds of the collateral property. \$ 940,500

\$9,700,000 2011 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of any proceeds of the property, (3) enforce applicable covenants of the agreement or recover for the breach thereof, (4) exercise all rights of enforcement of the security interest provided under the Uniform Commercial Code of North Carolina or any other law. 2,425,000

\$6,500,000 2015 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) exercise all remedies available at law or in equity under the Deed of Trust, including sale of property with proceeds used to cover costs and remaining principal balance, (3) enforce applicable covenants of the agreement or recover for the breach thereof. 5,107,143

\$2,500,000 2015 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Deed of Trust, Uniform Commercial Code of North Carolina and the general laws of North Carolina, (4) take possession of any proceeds of the collateral property. 1,500,000

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Deed of Trust, Uniform Commercial Code of North Carolina and the general laws of North Carolina, (4) take possession of any proceeds of the collateral property.	\$ 870,000
\$2,500,000 2015 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) repossess any or all of the equipment and use proceeds to cover all costs and applying the remainder of the proceeds to the amount owed, (3) take any other remedy available, at law or in equity.	1,625,000
\$6,500,000 2017 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Deed of Trust, Uniform Commercial Code of North Carolina and the general laws of North Carolina, (4) take possession of any proceeds of the collateral property.	5,200,000

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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):

\$1,325,000 2017 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) repossess any or all of the equipment and use proceeds to cover all costs and applying the remainder of the proceeds to the amount owed, (3) terminate, cancel or rescind any lease as to any and all equipment (3) take any other remedy available, at law or in equity, (4) enforce applicable covenants of the agreement, (5) Lessee to pay all out-of-pocket costs and expenses incurred by the Lessor as a result of the default.	\$ 449,184
\$27,500,000 2017 direct placement installment purchase agreement for construction of an elementary school, payable on September 1 and March 1 in installments of \$1,309,524 through September 2029, plus interest at 2.21%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Deed of Trust, Uniform Commercial Code of North Carolina and the general laws of North Carolina, (4) take possession of any proceeds of the collateral property.	27,500,000
\$1,000,000 2018 direct placement installment purchase agreement for the purchase of vehicles and equipment, payable on October 1 and April 1 in installments of \$173,514 through April 2021, including interest at 2.70%, secured by vehicles and equipment. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of and sell the equipment for the account of the Purchaser, (3) enforce applicable covenants of the agreement or recover for the breach thereof, (4) exercise all rights of enforcement of the security interest provided under the Uniform Commercial Code of North Carolina and the general laws of North Carolina.	671,263

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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):

\$1,300,000 2019 direct placement installment purchase agreement for various building and athletic facilities renovations for schools in the Kannapolis City School System, payable on November 1 and May 1 in installments of \$130,000 through May 2024, plus interest at 2.67%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of any proceeds of the property, (3) enforce applicable covenants of the agreement or recover for the breach thereof, (4) exercise all rights of enforcement of the security interest provided under the Uniform Commercial Code of North Carolina or any other law.

\$ 1,300,000

\$1,150,000 2019 direct placement installment purchase agreement for the purchase of vehicles and equipment, payable on August 1 and February 1 in installments of \$199,384 through August 2021, including interest at 2.9309%, secured by vehicles and equipment. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of the collateral vehicles and equipment, (3) enforce applicable covenants of the agreement or recover for the breach thereof, (4) exercise all rights of enforcement of the security interest provided under the Uniform Commercial Code of North Carolina.

954,548

Total installment purchase agreements serviced by the General Fund

\$ 49,093,758

Serviced by the Airport Fund:

\$2,400,000 2016 direct placement 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. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of and sell the property, with the proceeds being used to cover costs and then being applied to the amount owed, (3) enforce applicable covenants of the agreement or recover for the breach thereof.

\$ 1,741,825

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 7,926,659	\$ 1,120,317	\$ 224,088	\$ 58,110
2021	6,660,119	925,180	231,733	50,464
2022	5,319,838	769,892	239,936	42,261
2023	4,638,333	652,699	248,279	33,919
2024	4,638,333	544,157	256,911	25,287
2025-2029	18,136,667	1,287,259	540,878	23,519
2030-2034	<u>1,773,809</u>	<u>24,429</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 49,093,758</u>	<u>\$ 5,323,933</u>	<u>\$ 1,741,825</u>	<u>\$ 233,560</u>

c. Debt Related to Capital Activities

Of the June 30, 2019 *total governmental activities* debt of \$89,270,986 listed on the next page, only \$7,947,995 relates to assets to which the County holds title. Deferred outflows of resources of \$19,341 relate solely to debt issued for school construction.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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, 2019:

	Balances July 1, 2018	Additions	Retirements	Balances June 30, 2019	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 18,272,000	\$ -	\$ 7,873,000	\$ 10,399,000	\$ 4,609,000
Plus: Premium on issuance	<u>271,809</u>	<u>-</u>	<u>95,515</u>	<u>176,294</u>	<u>46,499</u>
Total general obligation debt	18,543,809	-	7,968,515	10,575,294	4,655,499
Installment purchase agreements	52,492,866	2,450,000	5,849,108	49,093,758	7,926,659
Compensated absences	3,527,844	3,040,904	2,732,633	3,836,115	2,216,928
Net pension liability (LGERS)	7,483,432	4,722,101	-	12,205,533	-
Total pension liability (LEOSSA)	3,481,413	333,241	-	3,814,654	-
Total OPEB liability	<u>8,556,052</u>	<u>1,189,580</u>	<u>-</u>	<u>9,745,632</u>	<u>-</u>
Total governmental activities	<u>\$ 94,085,416</u>	<u>\$ 11,735,826</u>	<u>\$ 16,550,256</u>	<u>\$ 89,270,986</u>	<u>\$ 14,799,086</u>
Business-type activities:					
Airport					
Installment purchase agreements	\$ 1,958,383	\$ -	\$ 216,558	\$ 1,741,825	\$ 224,088
Compensated absences	14,041	8,111	4,341	17,811	5,506
Net pension liability (LGERS)	39,131	24,692	-	63,823	-
Total OPEB liability	<u>55,200</u>	<u>-</u>	<u>43,830</u>	<u>11,370</u>	<u>-</u>
Total Airport activities	<u>2,066,755</u>	<u>32,803</u>	<u>264,729</u>	<u>1,834,829</u>	<u>229,594</u>
Landfill					
Accrued landfill closure and postclosure care costs	13,686,235	698,666	-	14,384,901	-
Compensated absences	96,172	75,240	63,818	107,594	71,397
Net pension liability (LGERS)	303,657	191,610	-	495,267	-
Total OPEB liability	<u>496,802</u>	<u>-</u>	<u>253,467</u>	<u>243,335</u>	<u>-</u>
Total Landfill activities	<u>14,582,866</u>	<u>965,516</u>	<u>317,285</u>	<u>15,231,097</u>	<u>71,397</u>
Total business-type activities	<u>\$ 16,649,621</u>	<u>\$ 998,319</u>	<u>\$ 582,014</u>	<u>\$ 17,065,926</u>	<u>\$ 300,991</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

8. Long-term Obligations (Continued)

d. Long-term Obligation Activity (Continued)

Compensated absences, pension liabilities and other postemployment liabilities 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, 2019, there were no industrial revenue bonds outstanding.

C. Interfund Activity

Transfers to/from other funds at June 30, 2019 consist of the following:

From the General Fund to the Community Development Fund to provide the local match for grant funding	\$ 51,092
From the General Fund to the West End Plaza Capital Projects Fund to supplement other funding sources	889,820
From the General Fund to the Airport Fund to provide the local match for grant funding and supplement other funding sources	366,667
From the General Fund to the Risk Management Fund for professional and property liability costs	<u>480,000</u>
Total	<u>\$ 1,787,579</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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>\$ 51,801,409</u>
Less:	
Nonspendable:	
Inventories	47,894
Noncurrent notes receivable	2,837,500
Restricted:	
Stabilization by State statute	<u>13,640,379</u>
	<u>16,525,773</u>
Fund balance available for appropriation	<u>35,275,636</u>
Less:	
Restricted:	
Education capital	390,825
Law enforcement	67,370
Register of Deeds	66,843
Committed:	
Future capital projects	1,415,203
Tax revaluation	140,890

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

D. Fund Balance (Continued)

Less:

Assigned:

Subsequent year's expenditures	\$ 11,530,657
Agricultural extension	35,412
Animal services	47,787
Economic development	2,831,309
Health	2,151,681
Law enforcement	109,249
Libraries	29,466
Recreation	268,222
Social services	<u>189,975</u>
	<u>19,274,889</u>

Fund balance unassigned \$ 16,000,747

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>\$ 1,287,212</u>	<u>\$ -</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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, 2019. 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 \$8,413,709 at June 30, 2019. 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 \$585,759 and \$2,742,498 to the community college for capital and operating purposes, respectively, during the fiscal year ended June 30, 2019. In addition, the County made debt service payments of \$1,672,161 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, 2019. 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 \$25,601 to the Council during the fiscal year ended June 30, 2019. The County was the subrecipient of grants totaling \$841,429 from the Administration for Community Living of the North Carolina Department of Health and Human Services that was passed through the Council.

NOTE 5 - 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.

NOTE 6 - 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.

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

- *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*
- *Schedule of Changes in Total OPEB Liability and Related Ratios*

REQUIRED SUPPLEMENTAL FINANCIAL DATA

ROWAN COUNTY, NORTH CAROLINA
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
Last Six Fiscal Years **

EXHIBIT A-1

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

	<u>2019*</u>	<u>2018*</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
County's proportion of the net pension liability (asset)	0.538%	0.512%	0.497%	0.495%	0.496%	0.488%
County's proportionate share of the net pension liability (asset)	\$ 12,764,623	\$ 7,826,220	\$ 10,556,070	\$ 2,219,870	\$ (2,923,785)	\$ 5,888,300
County's covered payroll	\$ 34,484,113	\$ 32,262,530	\$ 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 payroll	37.02%	24.26%	35.00%	7.51%	10.18%	21.30%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

SCHEDULE OF COUNTY CONTRIBUTIONS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,823,800	\$ 2,633,575	\$ 2,375,968	\$ 2,062,868	\$ 2,109,508	\$ 2,061,923
Contributions in relation to the contractually required contribution	<u>2,823,800</u>	<u>2,633,575</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 35,762,815	\$ 34,484,113	\$ 32,262,530	\$ 30,164,424	\$ 29,558,749	\$ 28,714,717
Contributions as a percentage of covered payroll	7.90%	7.64%	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.

ROWAN COUNTY, NORTH CAROLINA
REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
Last Six Fiscal Years **

EXHIBIT A-2

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

	<u>2019*</u>	<u>2018*</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
County's proportion of the net pension liability (asset)	1.37%	1.32%	1.29%	1.26%	1.26%	1.21%
County's proportionate share of the net pension liability (asset)	\$ (226,229)	\$ (226,125)	\$ (241,808)	\$ (292,131)	\$ (286,601)	\$ (257,639)
County's covered payroll	\$ 66,236	\$ 58,849	\$ 58,157	\$ 58,040	\$ 57,182	\$ 56,625
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	341.55%	384.25%	415.78%	503.33%	501.21%	454.99%
Plan fiduciary net position as a percentage of the total pension liability (asset)	153.31%	153.77%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 11,796	\$ 11,689	\$ 11,510	\$ 10,566	\$ 10,087	\$ 10,324
Contributions in relation to the contractually required contribution	<u>11,796</u>	<u>11,689</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 61,091	\$ 66,236	\$ 58,849	\$ 58,157	\$ 58,040	\$ 57,182
Contributions as a percentage of covered payroll	19.31%	17.65%	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.

ROWAN COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
Last Three Fiscal Years **

EXHIBIT A-3

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

	<u>2019*</u>	<u>2018*</u>	<u>2017 *</u>
Beginning balance	\$ 3,481,413	\$ 3,237,793	\$ 3,300,253
Service cost	163,316	131,635	133,008
Interest on the total pension liability	106,483	121,071	113,438
Change in benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	410,690	(5,794)	-
Changes of assumptions or other inputs	(123,828)	199,211	(63,455)
Benefits payments	(223,420)	(202,503)	(245,451)
Other	-	-	-
Ending balance of the total pension liability	<u>\$ 3,814,654</u>	<u>\$ 3,481,413</u>	<u>\$ 3,237,793</u>

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

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 3,814,654	\$ 3,481,413	\$ 3,237,793
Covered payroll	\$ 6,200,696	\$ 5,635,900	\$ 5,322,051
Total pension liability as a percentage of covered payroll	61.52%	61.77%	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.

ROWAN COUNTY, NORTH CAROLINA
OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
Last Two Fiscal Years**

EXHIBIT A-4

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2019*</u>	<u>2018*</u>
Total OPEB Liability		
Service cost	\$ 273,585	\$ 294,851
Interest on the total OPEB liability	318,895	275,078
Differences between expected and actual experience in the measurement of the total OPEB liability	342,978	18,901
Changes of assumptions or other inputs	260,131	(406,198)
Benefits payments	(303,306)	(423,683)
Net Change in total OPEB liability	892,283	(241,051)
Total OPEB liability-beginning	<u>9,108,054</u>	<u>9,349,105</u>
Total OPEB liability-ending	<u><u>\$ 10,000,337</u></u>	<u><u>\$ 9,108,054</u></u>
Covered payroll	\$ 15,691,188	\$ 17,843,231
Total OPEB liability as a percentage of covered payroll	63.73%	51.04%

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

Notes to Schedule:

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

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

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



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



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.

Major Governmental Funds

ROWAN COUNTY, NORTH CAROLINA
GENERAL FUND
BALANCE SHEET
June 30, 2019
With Comparative Totals at June 30, 2018

EXHIBIT B-1

	June 30, 2019	June 30, 2018
ASSETS		
Cash and cash equivalents	\$ 45,076,463	\$ 45,576,942
Restricted cash	140,890	345,226
Receivables (net)	8,606,560	8,715,655
Due from other governments	6,990,719	6,381,296
Inventories	47,894	47,514
Notes receivable	<u>3,087,500</u>	<u>3,137,500</u>
Total assets	<u><u>\$ 63,950,026</u></u>	<u><u>\$ 64,204,133</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 8,395,012	\$ 8,478,665
Due to component unit	<u>91,355</u>	<u>84,919</u>
Total liabilities	<u>8,486,367</u>	<u>8,563,584</u>
Deferred inflows of resources	<u>3,662,250</u>	<u>3,855,634</u>

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT B-1 (Continued)****GENERAL FUND****BALANCE SHEET****June 30, 2019****With Comparative Totals at June 30, 2018**

	June 30, 2019	June 30, 2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (Continued)		
Fund balances:		
Nonspendable:		
Inventories	\$ 47,894	\$ 47,514
Noncurrent notes receivable	2,837,500	3,025,000
Restricted:		
Stabilization by State statute	13,640,379	13,162,181
Education capital	390,825	397,522
Future capital projects	-	239,276
Law enforcement	67,370	57,965
Register of deeds	66,843	131,687
Committed:		
Future capital projects	1,415,203	899,370
Tax revaluation	140,890	105,950
Assigned:		
Subsequent year's expenditures	11,530,657	11,150,795
Agricultural extension	35,412	36,463
Animal services	47,787	68,472
Economic development	2,831,309	1,761,403
Emergency services	-	24,750
Health	2,151,681	1,806,186
Law enforcement	109,249	119,398
Libraries	29,466	20,767
Recreation	268,222	264,315
Social services	189,975	186,209
Unassigned	16,000,747	18,279,692
Total fund balances	<u>51,801,409</u>	<u>51,784,915</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 63,950,026</u>	<u>\$ 64,204,133</u>

ROWAN COUNTY, NORTH CAROLINA
EXHIBIT B-2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019		2018
	Final Budget	Actual	Variance Positive (Negative) Actual
REVENUES:			
Ad valorem taxes:			
Taxes		\$ 81,865,957	\$ 81,050,540
Interest		658,813	640,817
Total ad valorem taxes	\$ 82,156,000	82,524,770	\$ 368,770 81,691,357
Local option sales taxes:			
Article 39 and 44		10,610,320	9,664,161
Article 40: .5 percent		6,939,359	6,570,931
Article 42: .5 percent		5,499,649	5,035,145
Article 46: .25 percent		3,565,389	3,244,294
Total local option sales taxes	25,125,000	26,614,717	1,489,717 24,514,531
Other taxes and licenses:			
Franchise fees		369,875	392,880
Heavy equipment tax		76,551	64,442
Occupancy tax		1,042,457	875,123
Privilege licenses		4,651	4,895
Real estate transfer tax		546,406	490,849
Rental vehicle tax		75,000	65,465
Total other taxes and licenses	2,029,000	2,114,940	85,940 1,893,654
Unrestricted intergovernmental:			
ABC profit distribution		162,000	153,600
Beer and wine tax		336,510	335,855
Local contributions		50,000	112,500
Payments in lieu of taxes - outside sources		22,178	27,760
Total unrestricted intergovernmental	647,500	570,688	(76,812) 629,715

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, 2019

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019		2018
	Final Budget	Actual	Variance Positive (Negative) Actual
REVENUES (Continued):			
Restricted intergovernmental:			
Federal grants		\$ 14,004,048	\$ 15,162,252
State grants		3,905,729	4,067,115
ABC bottle taxes		43,414	42,957
Court facilities fees		194,403	196,649
Local contributions		36,400	41,400
Lottery proceeds		1,300,000	1,300,000
Total restricted intergovernmental	\$ 20,144,590	19,483,994	\$ (660,596)
Permits and fees:			
Building permits		1,073,875	1,110,944
Other permits		296,564	263,695
Register of deeds		698,746	658,293
Total permits and fees	1,870,000	2,069,185	199,185
Sales and services:			
Rents, concessions and fees		3,114,778	3,462,468
Ambulance fees		3,057,775	3,350,849
Health fees		403,256	380,799
Jail fees		695,624	653,684
Recreation fees		776,089	815,454
Tax collection fees		430,318	409,374
Total sales and services	8,573,939	8,477,840	(96,099)
Investment earnings	480,050	1,620,446	1,140,396

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
EXHIBIT B-2 (Continued)
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019		2018
	Final Budget	Actual	Variance Positive (Negative) Actual
REVENUES (Continued):			
Miscellaneous:			
Sale of materials		\$ 287,300	\$ 320,018
Donations		496,340	152,648
Other		224,668	171,801
Total miscellaneous	\$ 888,495	1,008,308	\$ 119,813 644,467
Total revenues	141,914,574	144,484,888	2,570,314 141,882,792
EXPENDITURES:			
General government:			
Governing body	436,425	408,931	27,494 127,248
County manager	451,385	410,535	40,850 632,528
Finance	1,398,540	1,293,638	104,902 1,325,397
Human resources	566,924	537,950	28,974 506,037
Elections	853,485	723,776	129,709 464,527
Tax assessor	2,197,720	1,927,179	270,541 1,887,987
Tax collector	1,477,016	1,274,454	202,562 993,602
Register of deeds	844,805	712,760	132,045 573,227
West End Plaza	470,224	432,032	38,192 395,382
Public buildings	3,158,755	2,495,841	662,914 2,977,385
Court facilities	1,089,306	894,419	194,887 1,503,231
Information systems	2,547,522	2,355,337	192,185 2,532,858
Other general government	474,662	141,023	333,639 93,325
Total general government	15,966,769	13,607,875	2,358,894 14,012,734
Public safety:			
Sheriff	11,791,412	11,348,050	443,362 10,997,737
Jail	6,932,647	6,424,997	507,650 6,103,689
Pre-trial services program	78,594	60,752	17,842 55,477

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
EXHIBIT B-2 (Continued)
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019		Variance	2018
	Final Budget	Actual	Positive (Negative)	Actual
EXPENDITURES (Continued):				
Public safety (Continued):				
Emergency communications	\$ 3,044,753	\$ 2,620,891	\$ 423,862	\$ 2,533,804
Emergency management	1,185,927	1,026,112	159,815	1,052,118
Rescue units	6,384,690	6,254,567	130,123	5,760,911
Medical examiner	210,000	132,700	77,300	190,950
Building inspections	910,341	839,696	70,645	832,351
Animal services - animal control	1,553,039	1,422,373	130,666	1,323,854
Other public safety	1,439,335	819,676	619,659	844,927
Total public safety	33,530,738	30,949,814	2,580,924	29,695,818
Transportation:				
Rowan Transit System	1,814,817	1,387,763	427,054	1,491,021
Economic and physical development:				
Planning	615,651	573,026	42,625	531,924
Tourism Authority	1,059,300	1,032,038	27,262	866,369
Agricultural extension	337,443	292,682	44,761	276,855
Soil and water conservation	115,259	104,286	10,973	68,194
Industrial parks	20,500	11,962	8,538	13,714
Other economic and physical development	4,392,676	2,630,560	1,762,116	2,350,596
Total economic and physical development	6,540,829	4,644,554	1,896,275	4,107,652
Human services:				
Health:				
Administration		485,388		477,578
Dental clinic		543,711		550,894
Women's preventive health (family planning)		535,751		512,939
Child health and primary care		947,956		771,321

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, 2019

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019			2018
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES (Continued):				
Human services (Continued):				
Health (Continued):				
Maternal health		\$ 880,597		\$ 854,081
Women, infants and children		518,118		544,678
Adult health		1,161,043		1,138,654
Environmental health		764,308		737,703
Total health	\$ 6,455,123	5,836,872	\$ 618,251	5,587,848
Mental health	542,000	534,303	7,697	534,957
Senior services	1,373,133	1,226,287	146,846	1,169,058
Social services:				
Administration		1,450,631		1,418,980
Adult services		1,391,011		2,429,523
Children's services		4,606,848		4,358,891
Income maintenance programs		4,934,273		4,709,944
Child support enforcement		1,391,488		1,372,316
Foster care program		2,598,909		2,130,194
Other programs		1,867,444		2,179,499
Total social services	19,578,212	18,240,604	1,337,608	18,599,347
Veterans services	192,301	186,163	6,138	159,231
Other human services	154,932	152,052	2,880	107,332
Total human services	28,295,701	26,176,281	2,119,420	26,157,773

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
EXHIBIT B-2 (Continued)
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019			2018
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES (Continued):				
Culture and recreation:				
Recreation	\$ 2,617,713	\$ 2,377,809	\$ 239,904	\$ 2,562,200
Animal services - nature center	492,120	430,776	61,344	422,873
Libraries	3,253,059	2,997,583	255,476	2,983,222
Other culture and recreation	929,137	116,987	812,150	105,892
Total culture and recreation	<u>7,292,029</u>	<u>5,923,155</u>	<u>1,368,874</u>	<u>6,074,187</u>
Education:				
Public schools:				
Current expense		39,442,509		38,355,949
Capital outlay		3,040,684		2,697,183
Total public schools	<u>42,517,515</u>	<u>42,483,193</u>	<u>34,322</u>	<u>41,053,132</u>
Community college:				
Current expense		2,742,498		2,542,498
Capital outlay		585,759		495,000
Total community college	<u>3,511,908</u>	<u>3,328,257</u>	<u>183,651</u>	<u>3,037,498</u>
Total education	<u>46,029,423</u>	<u>45,811,450</u>	<u>217,973</u>	<u>44,090,630</u>
Debt service:				
Principal retirement	13,773,240	13,722,108	51,132	14,031,888
Interest and other charges	<u>1,771,115</u>	<u>1,562,443</u>	<u>208,672</u>	<u>1,640,102</u>
Total debt service	<u>15,544,355</u>	<u>15,284,551</u>	<u>259,804</u>	<u>15,671,990</u>
Total expenditures	<u>155,014,661</u>	<u>143,785,443</u>	<u>11,229,218</u>	<u>141,301,805</u>
Revenues over (under) expenditures	<u>(13,100,087)</u>	<u>699,445</u>	<u>13,799,532</u>	<u>580,987</u>

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
EXHIBIT B-2 (Continued)
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019		2018
	Final Budget	Actual	Variance Positive (Negative) Actual
OTHER FINANCING SOURCES (USES):			
Transfers to other funds	\$ (1,787,579)	\$ (1,787,579)	\$ -
Installment purchase obligations issued	1,150,000	1,150,000	-
Sale of capital assets	-	4,248	4,248
Total other financing sources (uses)	<u>(637,579)</u>	<u>(633,331)</u>	<u>4,248</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(13,737,666)	66,114	13,803,780
APPROPRIATED FUND BALANCE	<u>13,737,666</u>	<u>-</u>	<u>(13,737,666)</u>
Net change in fund balance	<u>\$ -</u>	<u>66,114</u>	<u>\$ 66,114</u>
RECONCILIATION FROM BUDGETARY BASIS OF ACCOUNTING TO MODIFIED ACCRUAL BASIS:			
Current year notes receivable payments		<u>(50,000)</u>	<u>(112,500)</u>
Net change in fund balance - modified accrual		16,114	334,738
FUND BALANCE:			
Beginning of year, July 1		51,784,915	51,459,757
Increase (decrease) in inventories		<u>380</u>	<u>(9,580)</u>
End of year, June 30		<u>\$ 51,801,409</u>	<u>\$ 51,784,915</u>

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.

Public Schools Capital Projects Fund

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

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, 2019

EXHIBIT B-3

	Special Revenue Funds				Capital Projects Funds				
	Community Development Fund	Emergency Telephone System Fund	Fire District Fund	Total Nonmajor Special Revenue Funds	Public School Capital Projects Fund	Water Infrastructure Capital Projects Fund	West End Plaza Capital Projects Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 31,555	\$ 1,300,340	\$ 81,609	\$ 1,413,504	\$ -	\$ 493,585	\$ 1,519,378	\$ 2,012,963	\$ 3,426,467
Restricted cash	-	-	-	-	2,433,012	-	-	2,433,012	2,433,012
Receivables (net)	-	-	250,206	250,206	-	-	-	-	250,206
Due from other governments	119,887	62,317	-	182,204	-	-	-	-	182,204
Total assets	<u>\$ 151,442</u>	<u>\$ 1,362,657</u>	<u>\$ 331,815</u>	<u>\$ 1,845,914</u>	<u>\$ 2,433,012</u>	<u>\$ 493,585</u>	<u>\$ 1,519,378</u>	<u>\$ 4,445,975</u>	<u>\$ 6,291,889</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 51,150	\$ 67,803	\$ 78,455	\$ 197,408	\$ 393,985	\$ -	\$ 22,523	\$ 416,508	\$ 613,916
Contract retainage	-	-	-	-	157,992	-	-	157,992	157,992
Total liabilities	<u>51,150</u>	<u>67,803</u>	<u>78,455</u>	<u>197,408</u>	<u>551,977</u>	<u>-</u>	<u>22,523</u>	<u>574,500</u>	<u>771,908</u>
Deferred inflows of resources	-	-	253,360	253,360	-	-	-	-	253,360
Fund balances:									
Restricted:									
Stabilization by State statute	119,887	62,317	-	182,204	-	-	-	-	182,204
Education capital	-	-	-	-	2,433,012	-	-	2,433,012	2,433,012
Emergency telephone	-	1,232,537	-	1,232,537	-	-	-	-	1,232,537
Committed:									
Future capital projects	31,555	-	-	31,555	-	493,585	1,496,855	1,990,440	2,021,995
Unassigned	(51,150)	-	-	(51,150)	(551,977)	-	-	(551,977)	(603,127)
Total fund balances	<u>100,292</u>	<u>1,294,854</u>	<u>-</u>	<u>1,395,146</u>	<u>1,881,035</u>	<u>493,585</u>	<u>1,496,855</u>	<u>3,871,475</u>	<u>5,266,621</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 151,442</u>	<u>\$ 1,362,657</u>	<u>\$ 331,815</u>	<u>\$ 1,845,914</u>	<u>\$ 2,433,012</u>	<u>\$ 493,585</u>	<u>\$ 1,519,378</u>	<u>\$ 4,445,975</u>	<u>\$ 6,291,889</u>

ROWAN COUNTY, NORTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2019

EXHIBIT B-4

	Special Revenue Funds				Capital Projects Funds				
	Community Development Fund	Emergency Telephone System Fund	Fire District Fund	Total Nonmajor Special Revenue Funds	Public School Capital Projects Fund	Water Infrastructure Capital Projects Fund	West End Plaza Capital Projects Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:									
Ad valorem taxes	\$ -	\$ -	\$ 5,893,986	\$ 5,893,986	\$ -	\$ -	\$ -	\$ -	\$ 5,893,986
Restricted intergovernmental	157,896	747,800	-	905,696	-	-	-	-	905,696
Investment earnings	-	26,540	-	26,540	31,437	7,839	28,228	67,504	94,044
Total revenues	157,896	774,340	5,893,986	6,826,222	31,437	7,839	28,228	67,504	6,893,726
EXPENDITURES:									
Current:									
Public safety	-	545,249	5,893,986	6,439,235	-	-	-	-	6,439,235
Economic and physical development	148,322	-	-	148,322	-	-	-	-	148,322
Capital outlay	-	-	-	-	10,784,237	180,874	141,074	11,106,185	11,106,185
Total expenditures	148,322	545,249	5,893,986	6,587,557	10,784,237	180,874	141,074	11,106,185	17,693,742
Excess (deficiency) of revenues over expenditures	9,574	229,091	-	238,665	(10,752,800)	(173,035)	(112,846)	(11,038,681)	(10,800,016)
OTHER FINANCING SOURCES:									
Transfers from other funds	51,092	-	-	51,092	-	-	889,820	889,820	940,912
Installment purchase obligations issued	-	-	-	-	1,300,000	-	-	1,300,000	1,300,000
Capital contributions - Duke Energy	-	-	-	-	-	162,434	-	162,434	162,434
Total other financing sources	51,092	-	-	51,092	1,300,000	162,434	889,820	2,352,254	2,403,346
Net change in fund balances	60,666	229,091	-	289,757	(9,452,800)	(10,601)	776,974	(8,686,427)	(8,396,670)
FUND BALANCES:									
Beginning of year, July 1	39,626	1,065,763	-	1,105,389	11,333,835	504,186	719,881	12,557,902	13,663,291
End of year, June 30	\$ 100,292	\$ 1,294,854	\$ -	\$ 1,395,146	\$ 1,881,035	\$ 493,585	\$ 1,496,855	\$ 3,871,475	\$ 5,266,621

ROWAN COUNTY, NORTH CAROLINA
EXHIBIT B-5
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, 2019

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental:					
HOME Consortium Grants	<u>1,334,049</u>	<u>679,511</u>	<u>157,896</u>	<u>837,407</u>	<u>(496,642)</u>
EXPENDITURES:					
Economic and physical development:					
Administration	74,906	36,727	17,097	53,824	21,082
Rehabilitation	<u>1,395,832</u>	<u>652,358</u>	<u>131,225</u>	<u>783,583</u>	<u>612,249</u>
Total expenditures	<u>1,470,738</u>	<u>689,085</u>	<u>148,322</u>	<u>837,407</u>	<u>633,331</u>
Revenues over (under) expenditures	(136,689)	(9,574)	9,574	-	136,689
OTHER FINANCING SOURCES:					
Transfers from other funds	<u>136,689</u>	<u>49,200</u>	<u>51,092</u>	<u>100,292</u>	<u>36,397</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 39,626</u>	60,666	<u>\$ 100,292</u>	<u>\$ 100,292</u>
FUND BALANCE:					
Beginning of year, July 1			<u>39,626</u>		
End of year, June 30			<u>\$ 100,292</u>		

EMERGENCY TELEPHONE SYSTEM FUND

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

For the Fiscal Year Ended June 30, 2019

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019			2018
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES:				
Restricted intergovernmental:				
State 911 fees	\$ 721,630	\$ 747,800	\$ 26,170	\$ 708,437
State 911 grant	-	-	-	854,505
Investment earnings	4,000	26,540	22,540	10,977
Total revenues	725,630	774,340	48,710	1,573,919
EXPENDITURES:				
Current:				
Public safety:				
Emergency communications	725,630	545,249	180,381	1,530,478
Revenues over expenditures	-	229,091	229,091	43,441
APPROPRIATED FUND BALANCE	-	-	-	-
Net change in fund balance	\$ -	229,091	\$ 229,091	43,441
FUND BALANCE:				
Beginning of year, July 1		1,065,763		1,022,322
End of year, June 30		\$ 1,294,854		\$ 1,065,763

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT B-7****FIRE DISTRICT FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****For the Fiscal Year Ended June 30, 2019****With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018**

	2019			2018
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES:				
Ad valorem taxes	\$ 6,026,729	\$ 5,893,986	\$ (132,743)	\$ 5,830,912
EXPENDITURES:				
Current:				
Public safety:				
Atwell Township Fire District	497,775	491,750	6,025	475,926
Bostian Heights Fire District	727,108	710,458	16,650	692,874
Cleveland Fire District	459,601	425,968	33,633	442,450
East Gold Hill Fire District	106,788	103,163	3,625	102,544
East Landis Fire District	26,923	26,331	592	25,627
East Rowan Fire District	18,362	17,164	1,198	17,208
Ellis Cross Country Fire District	141,674	137,390	4,284	136,764
Enochville Fire District	243,306	241,479	1,827	230,183
Franklin Fire District	260,257	255,438	4,819	255,264
Liberty Fire District	221,742	216,683	5,059	209,671
Locke Township Fire District	878,230	864,627	13,603	851,810
Miller Ferry Fire District	514,788	509,619	5,169	500,146
Mount Mitchell Fire District	76,583	74,377	2,206	73,565
Poole Town Fire District	104,102	103,099	1,003	110,755
Richfield-Misenheimer Fire District	9,959	9,036	923	7,148

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
EXHIBIT B-7 (Continued)
FIRE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019			2018
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES (Continued):				
Current (Continued):				
Public safety (Continued):				
Rockwell Rural Fire District	\$ 538,058	\$ 526,870	\$ 11,188	\$ 520,782
Rowan Iredell Fire District	34,236	33,220	1,016	32,557
Scotch Irish Fire District	72,731	70,314	2,417	70,265
South Rowan Fire District	5,489	4,705	784	4,668
South Salisbury Fire District	412,583	407,807	4,776	408,618
Union Fire District	128,148	125,685	2,463	123,788
West Rowan Fire District	258,135	257,510	625	244,749
Woodleaf Fire District	290,151	281,293	8,858	293,550
Total expenditures	6,026,729	5,893,986	132,743	5,830,912
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
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, 2019

EXHIBIT B-8

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ -	\$ 97,411	\$ 31,437	\$ 128,848	\$ 128,848
EXPENDITURES:					
Capital outlay:					
Education:					
Kannapolis City Schools - Renovations	1,300,000	-	310,424	310,424	989,576
Rowan-Salisbury Schools - Renovations	6,500,000	5,998,947	296,191	6,295,138	204,862
Rowan-Salisbury Schools - New west elementary	27,500,000	16,764,629	10,177,622	26,942,251	557,749
Total expenditures	35,300,000	22,763,576	10,784,237	33,547,813	1,752,187
Revenue under expenditures	(35,300,000)	(22,666,165)	(10,752,800)	(33,418,965)	1,881,035
OTHER FINANCING SOURCES:					
Installment purchase obligations issued	35,300,000	34,000,000	1,300,000	35,300,000	-
Net change in fund balance	\$ -	\$ 11,333,835	(9,452,800)	\$ 1,881,035	\$ 1,881,035
FUND BALANCE:					
Beginning of year, July 1			11,333,835		
End of year, June 30			\$ 1,881,035		

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, 2019

EXHIBIT B-9

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ -	\$ 5,866	\$ 7,839	\$ 13,705	\$ 13,705
EXPENDITURES:					
Capital outlay:					
Economic and physical development:					
Easements	90,000	85,666	-	85,666	4,334
Water lines	5,720,000	2,620,834	180,874	2,801,708	2,918,292
Total expenditures	5,810,000	2,706,500	180,874	2,887,374	2,922,626
Revenues under expenditures	(5,810,000)	(2,700,634)	(173,035)	(2,873,669)	2,936,331
OTHER FINANCING SOURCES:					
Transfers from other funds	500,000	500,000	-	500,000	-
Capital contributions - Duke Energy	5,310,000	2,704,820	162,434	2,867,254	(2,442,746)
Total other financing sources	5,810,000	3,204,820	162,434	3,367,254	(2,442,746)
Net change in fund balance	\$ -	\$ 504,186	(10,601)	\$ 493,585	\$ 493,585
FUND BALANCE:					
Beginning of year, July 1			504,186		
End of year, June 30			\$ 493,585		

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, 2019

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ -	\$ 21,669	\$ 28,228	\$ 49,897	\$ 49,897
EXPENDITURES:					
Capital outlay:					
General government:					
Land	1,898,519	1,898,519	-	1,898,519	-
Buildings	6,332,456	4,868,650	-	4,868,650	1,463,806
Other improvements	299,005	174,779	141,074	315,853	(16,848)
Total expenditures	8,529,980	6,941,948	141,074	7,083,022	1,446,958
Revenues under expenditures	(8,529,980)	(6,920,279)	(112,846)	(7,033,125)	1,496,855
OTHER FINANCING SOURCES:					
Transfers from other funds	4,579,980	3,690,160	889,820	4,579,980	-
Installment purchase obligations issued	3,950,000	3,950,000	-	3,950,000	-
Total other financing sources	8,529,980	7,640,160	889,820	8,529,980	-
Net change in fund balance	\$ -	\$ 719,881	776,974	\$ 1,496,855	\$ 1,496,855
FUND BALANCE:					
Beginning of year, July 1			719,881		
End of year, June 30			\$ 1,496,855		

Airport Fund

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

Landfill Fund

Accounts for the County's solid waste activities.

Water Fund

Accounts for the activities of the County's northeast water system.

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, 2019

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019			2018
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES:				
Operating revenues:				
Charges for services	\$ 1,365,600	\$ 1,392,220	\$ 26,620	\$ 1,349,533
Nonoperating revenues:				
Grant revenues	539,358	348,934	(190,424)	38,875
Investment earnings	15,000	36,950	21,950	25,362
Total nonoperating revenues	554,358	385,884	(168,474)	64,237
Total revenues	1,919,958	1,778,104	(141,854)	1,413,770
EXPENDITURES:				
Airport operations	6,133,985	4,700,859	1,433,126	2,335,132
Revenues under expenditures	(4,214,027)	(2,922,755)	1,291,272	(921,362)
OTHER FINANCING SOURCES:				
Capital contributions	3,129,372	2,210,779	(918,593)	167,054
Transfers in	366,667	366,667	-	260,300
Total other financing sources	3,496,039	2,577,446	(918,593)	427,354
Revenues and other financing sources under expenditures	(717,988)	(345,309)	372,679	(494,008)
APPROPRIATED NET POSITION	717,988	-	(717,988)	-
Revenues, other financing sources and appropriated net position under expenditures	\$ -	(345,309)	\$ (345,309)	(494,008)

Continued on next page.

AIRPORT FUND

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

For the Fiscal Year Ended June 30, 2019

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019		2018
	Final Budget	Actual	Variance Positive (Negative) Actual
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
Reconciling items:			
Debt principal		\$ 216,558	\$ 209,282
Capital outlays		2,670,689	646,820
Depreciation		(786,229)	(639,667)
Increase (decrease) in deferred outflows of resources - pensions		19,619	(3,741)
(Increase) decrease in net pension liability		(24,692)	982
Decrease in deferred inflows of resources - pensions		779	299
Increase (decrease) in deferred outflows of resources - OPEB		(523)	1,582
(Increase) decrease in total OPEB liability		43,830	(1,107)
(Increase) decrease in deferred inflows of resources - OPEB		1,778	(2,107)
Increase in accrued vacation pay		(3,770)	(4,054)
Total reconciling items		<u>2,138,039</u>	<u>208,289</u>
Change in net position		<u>\$ 1,792,730</u>	<u>\$ (285,719)</u>

LANDFILL FUND

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

For the Fiscal Year Ended June 30, 2019

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019			2018
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES:				
Operating revenues:				
Charges for services	\$ 5,635,500	\$ 5,537,887	\$ (97,613)	\$ 5,489,935
Nonoperating revenues:				
Scrap tire disposal tax	180,000	196,688	16,688	188,287
Solid waste disposal tax	60,000	72,334	12,334	64,238
White goods disposal tax	44,000	58,051	14,051	90,248
Other grants and revenue	-	8,212	8,212	16,849
Investment earnings	80,000	590,651	510,651	120,788
Total nonoperating revenues	364,000	925,936	561,936	480,410
Total revenues	5,999,500	6,463,823	464,323	5,970,345
EXPENDITURES:				
Administration	303,876	284,252	19,624	229,668
Recycling operations	707,112	588,607	118,505	441,407
Sanitation operations	1,795,857	749,877	1,045,980	669,845
Solid waste operations	3,417,684	2,239,387	1,178,297	2,043,056
Total expenditures	6,224,529	3,862,123	2,362,406	3,383,976
Revenues over (under) expenditures	(225,029)	2,601,700	2,826,729	2,586,369
APPROPRIATED NET POSITION	225,029	-	(225,029)	-
Revenues and appropriated net position over (under) expenditures	\$ -	2,601,700	\$ 2,601,700	2,586,369

Continued on next page.

LANDFILL FUND

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

For the Fiscal Year Ended June 30, 2019

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019		2018
	Final Budget	Actual	Variance Positive (Negative) Actual
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
Reconciling items:			
Capital outlays		\$ 546,888	\$ 63,460
Depreciation		(1,076,479)	(1,146,171)
Increase (decrease) in deferred outflows of resources - pensions		152,243	(83,730)
(Increase) decrease in net pension liability		(191,610)	70,028
Decrease in deferred inflows of resources - pensions		6,042	4,513
Increase in deferred outflows of resources - OPEB		8,435	14,235
(Increase) decrease in total OPEB liability		253,467	(9,961)
(Increase) decrease in deferred inflows of resources - OPEB		11,929	(18,964)
Increase in accrued landfill closure and postclosure care costs		(698,666)	(931,848)
(Increase) decrease in accrued vacation pay		(11,422)	19,897
Total reconciling items		<u>(999,173)</u>	<u>(2,018,541)</u>
Change in net position		<u>\$ 1,602,527</u>	<u>\$ 567,828</u>

WATER FUND

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

For the Fiscal Year Ended June 30, 2019

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019			2018
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES:				
Operating revenues:				
Charges for services	\$ 134,000	\$ 118,153	\$ (15,847)	\$ -
Nonoperating revenues:				
Other grants and revenues	100,000	100,000	-	-
Investment earnings	-	1,396	1,396	-
Total nonoperating revenues	100,000	101,396	1,396	-
Total revenues	234,000	219,549	(14,451)	-
EXPENDITURES:				
Water operations	234,000	80,019	153,981	-
Revenues over expenditures	-	139,530	139,530	-
OTHER FINANCING SOURCES:				
Capital contributions	-	2,867,254	2,867,254	-
Revenues and other financing sources over expenditures	\$ -	3,006,784	\$ 3,006,784	-
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:				
Reconciling item:				
Depreciation		(35,841)		-
Change in net position		\$ 2,970,943		\$ -

RISK MANAGEMENT FUND

SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2019

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018

	2019		2018
	Final Financial Plan	Actual	Variance Positive (Negative)
			Actual
REVENUES:			
Operating revenues:			
Charges for services	\$ 530,000	\$ 552,412	\$ 22,412
Nonoperating revenues:			
Investment earnings	40,000	171,407	131,407
Insurance settlements	-	52,996	52,996
Total nonoperating revenues	40,000	224,403	184,403
Total revenues	570,000	776,815	206,815
EXPENDITURES:			
Administration	203,954	199,794	4,160
Professional and property liability	766,750	692,919	73,831
Workers' compensation	544,296	446,017	98,279
Total expenditures	1,515,000	1,338,730	176,270
Revenues under expenditures	(945,000)	(561,915)	383,085
OTHER FINANCING SOURCES:			
Transfers in	480,000	480,000	-
Revenues and other financing sources over (under) expenditures	(465,000)	(81,915)	383,085
APPROPRIATED NET POSITION	465,000	-	(465,000)
Revenues, other financing sources and appropriated fund balance over expenditures	\$ -	\$ (81,915)	\$ (81,915)
			\$ 123,735



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, 2019

EXHIBIT B-15

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ 11,620	\$ 751,664	\$ 729,909	\$ 33,375
Accounts receivable	39,686	40,327	39,686	40,327
Total assets	<u>\$ 51,306</u>	<u>\$ 791,991</u>	<u>\$ 769,595</u>	<u>\$ 73,702</u>
Liabilities:				
Intergovernmental payables:				
Rowan-Salisbury Schools	\$ 39,481	\$ 659,749	\$ 638,304	\$ 60,926
Kannapolis City Schools	2,587	44,283	42,780	4,090
State of North Carolina	9,238	87,959	88,511	8,686
Total liabilities	<u>\$ 51,306</u>	<u>\$ 791,991</u>	<u>\$ 769,595</u>	<u>\$ 73,702</u>
Municipal Tax Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 419,114</u>	<u>\$ 32,137,956</u>	<u>\$ 32,137,096</u>	<u>\$ 419,974</u>
Liabilities:				
Intergovernmental payables:				
Rowan County Municipalities	<u>\$ 419,114</u>	<u>\$ 32,137,956</u>	<u>\$ 32,137,096</u>	<u>\$ 419,974</u>
Social Services Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 55,155</u>	<u>\$ 260,035</u>	<u>\$ 231,768</u>	<u>\$ 83,422</u>
Liabilities:				
Miscellaneous liabilities	<u>\$ 55,155</u>	<u>\$ 260,035</u>	<u>\$ 231,768</u>	<u>\$ 83,422</u>

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT B-15 (Continued)****AGENCY FUNDS****COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****For the Fiscal Year Ended June 30, 2019**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 485,889	\$ 33,149,655	\$ 33,098,773	\$ 536,771
Accounts receivable	39,686	40,327	39,686	40,327
Total assets	<u>\$ 525,575</u>	<u>\$ 33,189,982</u>	<u>\$ 33,138,459</u>	<u>\$ 577,098</u>
Liabilities:				
Intergovernmental payables:				
Rowan-Salisbury Schools	\$ 39,481	\$ 659,749	\$ 638,304	\$ 60,926
Kannapolis City Schools	2,587	44,283	42,780	4,090
State of North Carolina	9,238	87,959	88,511	8,686
Rowan County Municipalities	419,114	32,137,956	32,137,096	419,974
Miscellaneous liabilities	55,155	260,035	231,768	83,422
Total liabilities	<u>\$ 525,575</u>	<u>\$ 33,189,982</u>	<u>\$ 33,138,459</u>	<u>\$ 577,098</u>



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, 2019

EXHIBIT C-1

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 82,974,913	\$ 81,453,606	1,521,307
2017-2018	1,454,245	-	696,901	757,344
2016-2017	720,100	-	216,382	503,718
2015-2016	423,847	-	119,409	304,438
2014-2015	276,655	-	58,817	217,838
2013-2014	240,404	-	34,913	205,491
2012-2013	201,267	-	32,802	168,465
2011-2012	147,702	-	11,929	135,773
2010-2011	166,583	-	7,448	159,135
2009-2010	154,546	-	6,463	148,083
2008-2009	132,910	-	132,910	-
	<u>\$ 3,918,259</u>	<u>\$ 82,974,913</u>	<u>\$ 82,771,580</u>	4,121,592
Less: Allowance for uncollectible accounts:				
General Fund				<u>(1,372,630)</u>
Ad valorem taxes receivable (net):				
General Fund				<u>\$ 2,748,962</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 82,524,770
Penalties collected on ad valorem taxes - Agency Fund				<u>140,377</u>
Total ad valorem taxes and penalties				<u>82,665,147</u>
Reconciling items:				
Interest collected				(658,813)
Discounts allowed				635,015
Taxes written off				<u>130,231</u>
Total reconciling items				<u>106,433</u>
Total collections and credits				<u>\$ 82,771,580</u>

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

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	\$ 12,496,000,151	0.6625	\$ 82,786,001	\$ 74,623,028	\$ 8,162,973
Penalties	-		116,980	116,980	-
Total original levy	<u>12,496,000,151</u>		<u>82,902,981</u>	<u>74,740,008</u>	<u>8,162,973</u>
Discoveries:					
Current year taxes	32,570,113	0.6625	215,777	215,777	-
Penalties	-		129,025	129,025	-
Total discoveries	<u>32,570,113</u>		<u>344,802</u>	<u>344,802</u>	<u>-</u>
Abatements	<u>(41,187,925)</u>		<u>(272,870)</u>	<u>(272,870)</u>	<u>-</u>
Total property valuation	<u>\$ 12,487,382,339</u>				
Net levy			82,974,913	74,811,940	8,162,973
Uncollected taxes at June 30, 2019			<u>1,521,307</u>	<u>1,521,307</u>	<u>-</u>
Current year's taxes collected			<u>\$ 81,453,606</u>	<u>\$ 73,290,633</u>	<u>\$ 8,162,973</u>
Current levy collection percentage			<u>98.17%</u>	<u>97.97%</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, 2019

EXHIBIT C-2 (Continued)

Secondary Market Disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	\$ 9,068,784,808
Personal property	2,646,122,300
Public service companies ²	<u>772,475,231</u>
Total assessed valuation	<u>\$ 12,487,382,339</u>
Tax rate per \$100	0.6625
Levy (includes discoveries, releases and abatements) ³	<u>\$ 82,728,908</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>\$ 6,006,920</u>

¹ Percentage of appraised value has been established by Statute.

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

³ 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



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

TABLE 1

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	\$ 52,184	\$ 51,426	\$ 50,697	\$ 52,570	\$ 55,472	\$ 53,200	\$ 53,420	\$ 59,370	\$ 64,803	\$ 63,060
Restricted ^a	11,559	11,227	13,511	13,611	16,648	16,655	17,601	15,369	31,459	15,848
Unrestricted	(48,015)	(40,309)	(31,100)	(23,101)	(19,265)	(16,385)	(7,695)	(4,598)	(34,139)	(19,752)
Total governmental activities net position	<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>	<u>\$ 62,123</u>	<u>\$ 59,156</u>
Business-type activities:										
Net investment in capital assets ^b	\$ 15,099	\$ 14,448	\$ 10,674	\$ 11,914	\$ 12,751	\$ 17,635	\$ 17,745	\$ 18,657	\$ 17,621	\$ 22,024
Unrestricted	4,731	4,729	4,634	5,077	6,113	4,306	4,129	5,172	6,119	8,053
Total business-type activities net position	<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>	<u>\$ 23,740</u>	<u>\$ 30,077</u>
Primary government:										
Net investment in capital assets	\$ 67,283	\$ 65,874	\$ 61,371	\$ 64,484	\$ 68,223	\$ 70,835	\$ 71,165	\$ 78,027	\$ 82,424	\$ 85,084
Restricted	11,559	11,227	13,511	13,611	16,648	16,655	17,601	15,369	31,459	15,848
Unrestricted	(43,284)	(35,580)	(26,466)	(18,024)	(13,152)	(12,079)	(3,566)	574	(28,020)	(11,699)
Total primary government net position	<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>	<u>\$ 85,863</u>	<u>\$ 89,233</u>

Notes: ^a The increase from the prior period in 2018 was primarily due to unspent installment financing proceeds related to public schools' capital projects.

^b 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Expenses:										
General government	\$ 11,829	\$ 11,455	\$ 11,505	\$ 11,008	\$ 11,528	\$ 11,642	\$ 12,201	\$ 12,499	\$ 13,515	\$ 14,828
Public safety	26,471	26,374	29,951	27,233	28,852	28,640	31,928	34,898	36,983	38,640
Transportation	781	1,506	1,629	1,585	1,314	1,277	1,240	1,324	1,448	1,506
Economic and physical development	3,447	3,017	2,557	3,510	4,261	5,512	4,726	4,647	4,857	5,480
Human services	29,219	29,804	29,060	27,917	26,790	26,678	27,998	29,075	26,296	26,643
Culture and recreation	5,860	5,970	5,566	5,650	5,507	5,489	5,623	5,915	6,341	6,234
Education ^a	41,334	39,728	38,209	38,860	41,187	50,047	47,262	47,873	62,378	56,596
Interest on long-term debt	4,088	3,886	3,252	3,203	2,393	2,345	1,747	1,362	1,968	1,541
Total expenses	<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>	<u>153,786</u>	<u>151,468</u>
Program revenues:										
Charges for services:										
General government	1,428	1,386	1,469	1,523	2,106	2,066	2,121	2,143	2,160	2,071
Public safety	8,742	9,053	9,245	10,277	10,068	10,289	11,909	12,201	14,019	13,133
Transportation	7	12	111	199	239	271	259	273	297	304
Economic and physical development	51	41	75	77	82	85	92	89	62	71
Human services	421	348	324	301	290	326	351	384	428	494
Culture and recreation	1,565	1,561	1,542	1,407	1,539	1,534	1,527	1,517	1,555	1,421
Operating grants and contributions	23,720	23,538	22,904	20,741	20,345	22,528	22,437	21,689	20,122	18,648
Capital grants and contributions	2,651	2,828	1,935	3,630	1,758	1,769	1,671	1,697	4,256	1,568
Total program revenues	<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>	<u>42,899</u>	<u>37,710</u>
Total governmental activities net program expense	<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>	<u>(110,887)</u>	<u>(113,758)</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities (Continued):										
General revenues and other changes in net position:										
Taxes:										
Property taxes, levied for general purpose	\$ 70,357	\$ 70,655	\$ 72,245	\$ 72,846	\$ 75,564	\$ 76,735	\$ 79,444	\$ 80,525	\$ 81,829	\$ 82,749
Local option sales taxes ^b	14,500	16,523	17,168	16,917	17,568	18,534	20,431	23,650	24,514	26,615
Other taxes and licenses	1,151	1,093	1,044	1,098	1,104	1,209	1,302	1,358	1,894	2,115
Unrestricted grants and contributions	413	533	767	693	1,055	920	509	534	517	521
Unrestricted investment earnings	485	360	355	146	147	143	251	443	667	1,792
Donation of note receivable ^c	-	-	3,000	-	-	-	-	-	-	-
Unrestricted miscellaneous	336	425	309	607	277	1,230	349	570	230	(2,634)
Transfers	(77)	-	-	(1,212)	(534)	(1,991)	(72)	(754)	(260)	(367)
Total general revenues and other changes in net position	<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>	<u>109,391</u>	<u>110,791</u>
Total governmental activities change in net position	<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>	<u>\$ (1,496)</u>	<u>\$ (2,967)</u>
Business-type activities:										
Expenses:										
Airport	\$ 1,683	\$ 1,410	\$ 1,393	\$ 1,526	\$ 1,640	\$ 1,640	\$ 1,601	\$ 1,793	\$ 2,132	\$ 2,567
Landfill	5,130	5,719	4,399	4,774	3,852	3,266	5,445	5,116	5,432	4,886
Sports Authority ^c	282	304	82	-	-	-	-	-	-	-
Water ^d	-	-	-	-	-	-	-	-	-	116
Total expenses	<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>	<u>7,564</u>	<u>7,569</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activities (Continued):										
Revenues:										
Charges for services:										
Airport	\$ 1,165	\$ 1,063	\$ 1,037	\$ 1,039	\$ 1,013	\$ 960	\$ 977	\$ 1,204	\$ 1,349	\$ 1,392
Landfill	5,075	5,059	4,635	4,372	4,754	4,856	5,362	5,592	5,490	5,538
Sports Authority ^c	128	95	-	-	-	-	-	-	-	-
Water ^d	-	-	-	-	-	-	-	-	-	118
Operating grants and contributions	274	274	277	277	255	267	305	367	360	435
Capital grants and contribution ^d	295	119	1,103	1,025	744	26	150	884	206	5,427
Total revenues	<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>	<u>7,405</u>	<u>12,910</u>
Total business-type activities net program expense	<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>	<u>(159)</u>	<u>5,341</u>
Other changes in net position:										
Unrestricted investment earnings	164	170	77	58	64	54	113	62	146	629
Donation of note receivable ^c	-	-	(3,000)	-	-	-	-	-	-	-
Unrestricted miscellaneous	-	-	-	-	-	-	-	-	-	-
Special items ^c	-	-	(2,124)	-	-	-	-	-	-	-
Transfers	77	-	-	1,212	534	1,991	72	754	260	367
Total other changes in net position	<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>	<u>406</u>	<u>996</u>
Total business-type activities change in net position	<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>	<u>\$ 247</u>	<u>\$ 6,337</u>
Total primary government change in net position	<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>	<u>\$ (1,249)</u>	<u>\$ 3,370</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)

Notes: ^a The increase from the prior period in 2018 was primarily due to west elementary school capital expenditures.

^b In 2011, the County levied an Article 46 0.25 percent local option sales tax.

^c 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.

^d In 2019, the County established a Water Fund to account for water operations in northeastern Rowan County.

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Nonspendable ^a	\$ 51	\$ 49	\$ 55	\$ 61	\$ 76	\$ 3,437	\$ 3,315	\$ 3,195	\$ 3,072	\$ 2,885
Restricted ^b	9,233	9,002	12,040	13,984	15,944	14,501	16,286	15,478	13,989	14,165
Committed ^c	-	1,524	1,640	2,062	2,165	1,847	2,056	1,885	1,005	1,556
Assigned ^d	12,010	8,560	8,917	8,859	9,145	9,645	11,315	12,434	15,439	17,194
Unassigned	18,768	19,770	17,093	14,628	12,864	17,452	17,529	18,468	18,280	16,001
Total General Fund	<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>	<u>\$ 51,785</u>	<u>\$ 51,801</u>
All other governmental funds:										
Restricted	\$ 5,384	\$ 7,247	\$ 20,293	\$ 17,624	\$ 9,854	\$ 10,378	\$ 3,428	\$ 6,064	\$ 17,419	\$ 3,848
Committed	-	-	-	-	1,341	702	618	1,292	724	2,022
Unassigned	(1,613)	(737)	(151)	(234)	(3,476)	(4,276)	(2,028)	(3,017)	(4,480)	(603)
Total all other governmental funds ^e	<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>	<u>\$ 13,663</u>	<u>\$ 5,267</u>

Notes: ^a In 2015, noncurrent notes receivable were restated as nonspendable fund balance.

^b The amounts in this row primarily reflect stabilization by State statute.

^c In 2011, a Resolution was adopted to commit Article 46 local option sales tax revenue for future capital projects.

^d The amounts in this row primarily reflect the appropriation of fund balance for subsequent year's expenditures.

^e 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Ad valorem taxes ^a	\$ 73,522	\$ 74,576	\$ 76,024	\$ 76,920	\$ 80,902	\$ 81,547	\$ 84,936	\$ 86,267	\$ 87,522	\$ 88,419
Sales taxes ^b	14,501	16,523	17,168	16,917	17,568	18,535	20,431	23,650	24,515	26,615
Other taxes and licenses	1,151	1,093	1,044	1,098	1,104	1,209	1,303	1,358	1,894	2,115
Intergovernmental revenues	27,802	27,885	26,462	23,647	23,007	25,850	25,005	23,714	22,982	20,910
Permits and fees	1,104	1,028	1,049	1,314	1,390	1,406	1,501	1,748	2,033	2,069
Sales and services	6,305	6,245	6,205	6,743	7,771	7,740	8,415	8,742	9,073	8,478
Investment earnings	500	368	359	167	143	132	234	415	721	1,715
Miscellaneous	800	959	629	921	614	488	597	641	644	1,008
Total revenues	125,685	128,677	128,940	127,727	132,499	136,907	142,422	146,535	149,384	151,329
Expenditures:										
General government	10,025	10,125	9,553	10,246	10,478	10,515	11,607	12,400	14,013	13,608
Public safety	25,874	25,574	30,061	27,431	29,825	29,428	31,240	34,134	37,057	37,389
Transportation	816	1,700	1,695	1,389	1,425	1,359	1,210	1,435	1,491	1,388
Economic and physical development	2,880	2,395	1,873	2,826	3,595	4,843	4,039	3,984	4,209	4,793
Human services	29,594	29,859	28,908	27,932	26,628	27,371	28,073	28,746	26,158	26,176
Culture and recreation	5,318	5,498	5,187	5,101	5,089	5,323	5,395	5,541	6,074	5,923
Education	38,565	39,629	37,751	38,118	39,071	39,156	40,428	43,084	44,091	45,812
Capital outlay ^c	7,324	3,584	5,385	2,558	9,576	12,193	8,723	5,589	21,695	11,106
Debt service:										
Principal	10,881	11,144	12,426	12,244	12,924	13,246	14,926	14,091	14,032	13,722
Interest	4,089	3,874	3,552	3,268	2,849	2,570	1,623	1,396	1,640	1,562
Total expenditures	135,366	133,382	136,391	131,113	141,460	146,004	147,264	150,400	170,460	161,479
Excess of revenues over (under) expenditures	(9,681)	(4,705)	(7,451)	(3,386)	(8,961)	(9,097)	(4,842)	(3,865)	(21,076)	(10,150)

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other financing sources (uses):										
Transfers from other funds	\$ 1,301	\$ 1,283	\$ 935	\$ 669	\$ 696	\$ 759	\$ 1,290	\$ 1,474	\$ 664	\$ 941
Transfers to other funds	(2,003)	(1,908)	(1,560)	(2,407)	(1,654)	(3,175)	(1,837)	(2,704)	(1,450)	(1,787)
General obligation bonds issued	-	-	12,000	-	-	-	-	-	-	-
Refunding bonds issued	-	-	17,990	-	-	20,470	-	-	-	-
Installment purchase obligations issued	3,825	6,785	9,700	1,870	720	11,550	4,018	7,825	28,500	2,450
Premium on refunding bonds issued	-	-	568	-	-	-	-	-	-	-
Premium on bonds issued	-	-	1,272	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	(19,171)	-	-	(20,405)	-	-	-	-
Capital contributions	-	-	-	-	-	-	-	-	2,705	162
Sale of capital assets	27	128	183	344	113	2,086	213	558	316	4
Total other financing sources (uses)	3,150	6,288	21,917	476	(125)	11,285	3,684	7,153	30,735	1,770
Net change in fund balances	<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>	<u>\$ 9,659</u>	<u>\$ (8,380)</u>
Debt service as a percentage of noncapital expenditures	11.59%	11.68%	12.35%	12.24%	12.07%	11.10%	11.59%	10.62%	9.72%	9.70%

Notes: ^a 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 primarily due to a County-wide property tax revaluation.

^b The decrease from the prior period in 2010 was 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.

^c The increase from the prior period in 2018 was primarily due to school capital expenditures.

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, 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>
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	0.5950
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	0.6225
2016	6,944,550	3,220,908	735,919	1,085,843	11,987,220	0.6500
2017	6,854,702	3,455,231	698,529	1,145,920	12,154,382	0.6625
2018	6,996,433	3,444,173	741,153	1,159,311	12,341,070	0.6625
2019	7,055,806	3,426,954	772,475	1,232,147	12,487,382	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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
County direct rate:										
County	\$ 0.5950	\$ 0.5950	\$ 0.6225	\$ 0.6225	\$ 0.6225	\$ 0.6500	\$ 0.6625	\$ 0.6625	\$ 0.6625	\$ 0.6625
Municipal rates:										
China Grove	0.3800	0.4300	0.4700	0.5400	0.5400	0.5600	0.5800	0.5800	0.5800	0.5800
Cleveland	0.2100	0.2100	0.2500	0.2500	0.2500	0.2500	0.2500	0.2800	0.2800	0.2800
East Spencer	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6600
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	0.4000	0.4000	0.4000	0.4200	0.4200	0.4175	0.4175	0.4175
Kannapolis	0.4900	0.4900	0.4900	0.5600	0.5600	0.6000	0.6300	0.6300	0.6300	0.6300
Landis	0.4000	0.4000	0.4000	0.4300	0.4800	0.4800	0.4800	0.4800	0.4800	0.5300
Rockwell	0.2700	0.2700	0.3200	0.3200	0.3200	0.3700	0.4200	0.4200	0.4600	0.4600
Salisbury	0.5900	0.5900	0.6135	0.6374	0.6374	0.6569	0.6569	0.6720	0.7096	0.7169
Salisbury - Downtown	0.7500	0.7500	0.7885	0.8124	0.8124	0.8319	0.8360	0.8480	0.8856	0.8929
Spencer	0.6000	0.6000	0.6280	0.6280	0.6280	0.6280	0.6550	0.6550	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 2019			Fiscal Year 2010		
	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Duke Energy Corporation	\$ 540,455,780	1	4.33%	\$ 260,086,877	2	2.21%
Southern Power (Rowan County Power, LLC)	279,719,857	2	2.24%	378,862,790	1	3.21%
Gildan Yarns, LLC	143,700,376	3	1.15%	-	-	-
Food Lion, LLC	139,769,940	4	1.12%	147,685,200	3	1.25%
Daimler Trucks North America	130,757,050	5	1.05%	134,030,155	4	1.14%
Aldi, Inc.	52,738,134	6	0.42%	37,885,232	6	0.32%
Hitachi Metals NC, Ltd.	49,067,750	7	0.39%	-	-	-
Norfolk Southern Corporation	44,646,155	8	0.36%	31,284,322	8	0.27%
Piedmont Natural Gas Co.	38,146,884	9	0.30%	26,380,247	10	0.22%
Atlantic American Properties, Inc.	35,686,161	10	0.29%	-	-	-
Performance Fibers	-	-	-	51,769,029	5	0.44%
Yadkin, Inc.	-	-	-	32,578,348	7	0.28%
Bell South Telephone	-	-	-	27,221,485	9	0.23%
Totals	<u>\$ 1,454,688,087</u>		<u>11.65%</u>	<u>\$ 1,127,783,685</u>		<u>9.57%</u>

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
2010	\$ 70,772,314	\$ (483,389)	\$ 70,288,925	\$ 67,356,279	95.83%	\$ 2,784,563	\$ 70,140,842	99.79%
2011	70,745,237	7,404	70,752,641	67,949,214	96.04%	2,644,291	70,593,505	99.78%
2012	71,844,117	163,169	72,007,286	69,160,063	96.05%	2,711,450	71,871,513	99.81%
2013	72,596,149	28,634	72,624,783	69,825,115	96.15%	2,631,204	72,456,319	99.77%
2014	75,011,449	18,245	75,029,694	73,103,003	97.43%	1,721,200	74,824,203	99.73%
2015	76,916,604	(19,077)	76,897,527	75,229,866	97.83%	1,449,823	76,679,689	99.72%
2016	79,408,293	171,186	79,579,479	77,978,575	97.99%	1,296,466	79,275,041	99.62%
2017	80,755,020	(51,908)	80,703,112	79,279,290	98.24%	920,104	80,199,394	99.38%
2018	82,062,633	(53,269)	82,009,364	80,555,119	98.23%	697,837	81,252,956	99.08%
2019	82,902,981	71,932	82,974,913	81,453,606	98.17%	-	81,453,606	98.17%

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

TABLE 9

Fiscal Year	Governmental Activities					Business-Type Activities	Total Primary Government ^e	Percentage of Personal Income ^c	Per Capita ^c
	General Obligation Debt ^a	Percentage of Taxable Value of Property ^b	Per Capita ^c	Installment Financing ^d	Total Governmental Activities	Installment Financing			
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	1.13%	418
2018	18,543,809	0.15%	131	52,492,866	71,036,675	1,958,383	72,995,058	1.36%	514
2019	10,575,294	0.08%	75	49,093,758	59,669,052	1,741,825	61,410,877	*	433

* Information not yet available.

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

^a The County issued \$12.0 million of general obligation bonds in 2012 for community college capital projects.

^b See Table 5 for taxable property value data.

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

^d In 2018, the County incurred \$27.5 million of installment financing debt for public schools' capital projects.

^e 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed value of property	\$ 11,785,869	\$ 11,865,745	\$ 11,546,508	\$ 11,641,923	\$ 12,030,784	\$ 11,811,789	\$ 11,987,220	\$ 12,154,382	\$ 12,341,070	\$ 12,487,382
Debt limit, 8% of assessed value (statutory limitation)	942,869	949,260	923,721	931,354	962,462	944,943	958,978	972,350	987,286	998,991
Amount of debt applicable to limit:										
General obligation bonds	72,343	65,131	72,078	63,458	54,364	45,498	35,251	26,745	18,544	10,575
General obligation bonds authorized and unissued	-	12,000	-	-	-	-	-	-	-	-
Certificates of Participation	-	-	-	-	-	-	-	-	-	-
Installment Purchase Agreements	19,740	22,652	27,706	25,526	22,002	28,976	30,397	32,171	54,451	50,836
Total net debt applicable to limit	92,083	99,783	99,784	88,984	76,366	74,474	65,648	58,916	72,995	61,411
Legal debt margin	\$ 850,786	\$ 849,477	\$ 823,937	\$ 842,370	\$ 886,096	\$ 870,469	\$ 893,330	\$ 913,434	\$ 914,291	\$ 937,580
Total net debt applicable to the limit as a percentage of debt limit	9.77%	10.51%	10.80%	9.55%	7.93%	7.88%	6.85%	6.06%	7.39%	6.15%

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

TABLE 11

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b (Dollars in Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Public School Enrollment ^c</u>	<u>Unemployment Rate ^d</u>
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	5,202,978	36,908	21,203	4.3%
2018	141,917	5,380,568	37,913	20,816	4.2%
2019	141,802	*	*	20,619	4.5%

* Information not yet available.

Notes: ^a North Carolina Data Center. Figures are estimates for the prior calendar year.

^b Bureau of Economic Analysis, U.S. Department of Commerce. Figures are for the prior calendar year.

^c North Carolina Department of Public Instruction

^d 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 2019			Fiscal Year 2010		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Food Lion, LLC	3,200	1	4.66%	2,330	2	3.69%
Rowan-Salisbury School System	3,164	2	4.61%	3,123	1	4.95%
W.G. (Bill) Hefner VA Medical Center	2,281	3	3.32%	1,795	3	2.85%
Daimler Trucks North America	1,950	4	2.84%	800	5	1.27%
Novant Health Rowan Medical Center	1,560	5	2.27%	1,095	4	1.74%
Rowan-Cabarrus Community College	1,006	6	1.47%	-		-
Rowan County	810	7	1.18%	740	6	1.17%
Gildan Yarns, LLC	526	8	0.77%	-		-
City of Salisbury	469	9	0.68%	455	7	0.72%
Continental Structural Plastics	460	10	0.67%	-		-
Piedmont Correctional Institution - Rowan Correctional Center	-		-	450	8	0.71%
PGT Industries	-		-	365	9	0.58%
Performance Fibers	-		-	360	10	0.57%
Total	<u>15,426</u>		<u>22.47%</u>	<u>11,513</u>		<u>18.25%</u>

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

TABLE 13

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	103	100	96	98	96	99	102	101	100	105
Public safety ^a	332	329	336	358	397	402	406	405	408	390
Transportation	2	2	3	2	2	2	2	2	2	2
Economic and physical development	9	9	6	6	6	7	7	7	7	7
Human services ^b	309	311	286	286	285	298	291	287	284	281
Culture and recreation	97	95	88	89	89	89	88	88	93	93
Airport	7	5	5	5	5	5	5	5	7	6
Landfill	31	31	31	31	31	31	31	30	30	31
Total	<u>890</u>	<u>882</u>	<u>851</u>	<u>875</u>	<u>911</u>	<u>933</u>	<u>932</u>	<u>925</u>	<u>931</u>	<u>915</u>

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.

^a 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.

^b 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government:										
Registered voters	89,776	89,263	92,276	91,340	91,569	88,074	89,839	91,973	93,719	87,067
Number of recorded deeds	3,964	3,841	3,741	4,211	4,332	4,383	4,935	5,196	5,379	5,332
Number of births	789	764	744	731	730	785	707	762	710	805
Number of marriages	727	747	795	794	792	800	857	874	786	825
Public safety:										
Number of arrest charges	3,412	4,418	4,844	3,551	3,520	3,774	3,772	3,515	3,573	3,390
Average daily detention population	277	273	272	271	296	290	326	341	345	342
Number of 911 calls received	100,695	91,893	95,038	91,356	91,865	92,140	96,623	93,090	89,430	88,545
Number of EMS calls answered	12,723	12,598	14,041	14,968	15,023	16,515	17,391	18,354	18,818	19,177
Transportation:										
Number of based aircraft	93	93	101	94	92	99	108	108	112	94
Number of Rowan Transit System rides	81,713	97,908	105,368	112,549	98,638	89,746	90,557	90,514	92,752	85,430
Environmental protection:										
Number of building permits issued	4,586	4,335	5,254	5,634	5,823	5,411	5,440	6,192	7,726	8,400
Economic and physical development:										
Citizens reached through:										
Agricultural Extension program attendance	12,400	10,969	12,360	5,577	7,560	6,784	5,252	3,671	2,310	20,800

Continued on next page.

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

TABLE 14 (Continued)

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Human services:										
Number of Health Department clients	18,884	17,521	17,750	15,016	16,209	17,300	11,918	11,409	11,523	14,936
Number of permitted restaurants	240	253	262	262	243	238	243	281	243	246
Average number of Medicaid recipients per month	22,172	23,247	24,838	25,470	26,375	25,318	29,358	31,396	33,451	34,114
Average number of Work First recipients per month	655	566	578	412	395	271	303	335	318	305
Number of Senior Services clients ^a	5,372	5,391	6,888	7,800	9,451	8,791	4,797	4,290	4,094	4,280
Number of veterans served ^a	8,567	9,700	10,201	11,258	13,305	11,300	5,667	4,354	6,453	9,949
Culture and recreation:										
Number of park campers	22,395	23,641	23,852	23,511	23,324	22,364	22,750	23,223	26,347	24,798
Library attendance	398,685	393,802	383,510	394,427	341,569	358,404	384,074	393,489	349,343	319,870
Library program attendance	62,304	46,808	33,138	33,128	30,992	36,874	39,554	61,892	45,857	32,488
Library internet users	106,722	105,174	105,556	97,261	85,916	80,993	82,104	82,663	66,215	94,337
Landfill:										
Average daily landfill trips	155	146	137	131	134	138	138	173	151	161
Average daily tonnage dumped	467	463	422	407	424	432	436	463	451	455

Sources: Various County departments.

Note: ^a 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety:										
Number of patrol cars	109	106	113	106	106	112	119	130	130	137
Detention center capacity ^a	162	208	208	368	370	370	370	370	370	370
Number of EMS stations	6	6	6	6	7	7	7	7	8	8
Transportation:										
Airport acreage ^b	527	527	542	587	587	587	587	587	587	587
Number of airport hangars	81	81	81	81	82	82	82	82	87	87
Number of Rowan Transit System vans	29	29	28	28	28	28	28	28	28	28
Economic and physical development:										
Industrial parks acreage	366	366	366	341	341	297	288	288	235	235
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	79	79	79	79	76	76
Number of library branches	3	3	3	3	3	3	3	3	3	3
Number of library media	291,839	289,007	286,209	261,349	256,763	250,210	245,458	254,275	241,114	335,696
Landfill:										
Landfill acreage	375	375	375	375	375	375	375	375	375	375
Convenience sites	8	8	8	8	8	8	8	7	7	7

Sources: Various County departments.

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

^a 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.

^b 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



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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 22, 2019. 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.

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
November 22, 2019

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; Required by the 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2019.

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 did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
November 22, 2019



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; Required by the
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, 2019. 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 state statutes, regulations, and the terms and conditions of its state awards 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, 2019.

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 did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

November 22, 2019

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-1

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?
- Significant deficiency(s) identified?

No

None reported

Non-compliance material to financial statements noted?

No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(s) identified?

No

None reported

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)?

_____ Yes X No

Identification of major federal programs:

<u>Federal Program Name</u>	<u>CFDA Number</u>
Medicaid Cluster	93.778
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Low-Income Home Energy Assistance	93.568
Aging Cluster	93.044, 93.045, 93.053

Dollar threshold used to distinguish between Type A and Type B program:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-1 (Continued)

Section I. Summary of Auditor's Results (Continued)

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major state programs:

Unmodified

Any findings disclosed that are required to be reported in accordance with
the State Single Audit Implementation Act?

_____ Yes X No

Identification of major state programs:

Program Name

Medicaid Cluster
Aging Cluster
Foster Care and Adoption Cluster
Public School Building Capital Fund
State Aid to Airport - Runway Overlay Grant

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings, Responses and Questioned Costs

None reported.

Section IV. State Award Findings, Responses and Questioned Costs

None reported.

Finding: 2018-001

Status: Corrected

Finding: 2018-002

Status: Corrected

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-3

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
FEDERAL AWARDS						
U.S. DEPARTMENT OF AGRICULTURE						
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	185NC406S2514	\$ 1,161,297	\$ -	\$ -	\$ 1,161,297
Total Supplemental Nutrition Assistance Program Cluster			<u>1,161,297</u>	<u>-</u>	<u>-</u>	<u>1,161,297</u>
Division of Public Health:						
Administration:						
(WIC) Special Supplemental Nutrition Program for Women, Infants						
and Children	10.557	16165NC705W10033	477,419	-	-	-
Total Division of Public Health			<u>477,419</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,638,716</u>	<u>-</u>	<u>-</u>	<u>1,161,297</u>
U.S. DEPARTMENT OF JUSTICE						
Office of Justice:						
State Criminal Alien Assistance Program	16.606	NC ROWAN	2,969	-	-	-
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	2018-H4088-NC-DJ	14,480	-	-	-
Total Office of Justice			<u>17,449</u>	<u>-</u>	<u>-</u>	<u>-</u>
Offices, Boards and Divisions:						
Equitable Sharing Program	16.922	NC 0800000	13,814	-	-	-
Total Offices, Boards and Divisions			<u>13,814</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Justice			<u>31,263</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF TREASURY						
Equitable Sharing Program	21.016	NC 0800000	19,709	-	-	-
U.S. DEPARTMENT OF HOMELAND SECURITY						
Passed-through N.C. Department of Public Safety:						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4285-DR-NC	38,901	12,967	-	-

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-3 (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
U.S. DEPARTMENT OF TRANSPORTATION						
Federal Aviation Administration:						
Passed-through N.C. Department of Transportation:						
Airport Improvement Program - Tree Removal and Grading	20.106	36237.42.14.1	\$ 348,934	\$ -	\$ -	\$ 39,072
Total Federal Aviation Administration			<u>348,934</u>	<u>-</u>	<u>-</u>	<u>39,072</u>
Federal Transit Administration:						
Federal Transit Cluster:						
Federal Transit Formula Grant	20.507	19-LU-037	75,026	-	-	84,720
Total Federal Transit Cluster			<u>75,026</u>	<u>-</u>	<u>-</u>	<u>84,720</u>
Transit Services Program Cluster:						
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	6288-2017-1-P1	111,934	-	-	30,757
Total Transit Services Program Cluster			<u>111,934</u>	<u>-</u>	<u>-</u>	<u>30,757</u>
Formula Grants for Rural Areas - Capital	20.509	16-CT-037	28,171	77,472	-	15,248
Formula Grants for Rural Areas - Administration	20.509	16-CT-037	162,945	10,181	-	33,048
Total Federal Transit Administration			<u>378,076</u>	<u>87,653</u>	<u>-</u>	<u>163,773</u>
Total U.S. Department of Transportation			<u>727,010</u>	<u>87,653</u>	<u>-</u>	<u>202,845</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Administration for Community Living:						
Passed-through Centralina Council of Governments:						
Aging Cluster:						
Special Programs for the Aging - Title III Part B						
Grants for Supportive Services and Senior Centers	93.044	15	463,946	81,873	-	60,647
Special Programs for the Aging - Title III Part C						
Nutrition Services	93.045	14	231,895	40,923	-	22,792
Nutrition Services Incentive Program	93.053	60	22,792	-	-	-
Total Aging Cluster			<u>718,633</u>	<u>122,796</u>	<u>-</u>	<u>83,439</u>
Total Administration for Community Living			<u>718,633</u>	<u>122,796</u>	<u>-</u>	<u>83,439</u>
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	25,450	-	-	-

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-3 (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
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)						
Centers for Disease Control and Prevention (Continued):						
Passed-through N.C. Department of Health and Human Services (Continued):						
Division of Public Health (Continued):						
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	U52PS004698	\$ 50	\$ -	\$ -	\$ -
Immunization Cooperative Agreements	93.268	1331627EVP80	35,368	-	-	-
HIV Cluster (Note 3):						
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	H25PS004349	100	-	-	-
Total HIV Cluster (Note 3)			100	-	-	-
Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF)	93.758	B01OT009034	39,946	-	-	-
Total Division of Public Health			100,914	-	-	-
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):						
Foster Care Title IV-E - Administration	93.658	1801NCFOST	639,045	137,175	-	489,200
Adoption Assistance	93.659	1801NCADPT	5,424	-	-	5,424
Foster Care Title IV-E	93.658	1801NCFOST	247,467	202,078	-	188
Foster Care Title IV-E - Direct Benefit Payments	93.658	1801NCFOST	1,101,651	303,630	-	301,030
Total Foster Care and Adoption Cluster (Note 3)			1,993,587	642,883	-	795,842
Temporary Assistance for Needy Families (TANF) Cluster:						
Division of Social Services:						
Administration:						
Temporary Assistance for Needy Families (TANF) - Work First	93.558	1801NCTANF	634,330	-	-	1,619,725
Division of Public Health:						
Temporary Assistance for Needy Families - Work First	93.558	1502NCTAN3	21,127	-	-	-
Total TANF Cluster			655,457	-	-	1,619,725

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-3 (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
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)						
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	1804NC4005	\$ 1,262,398	\$ -	\$ -	\$ 650,326
Low Income Home Energy Assistance	93.568	G18B1NCLIEA	904,780	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G1801NCCWSS	33,476	-	-	11,158
Social Services Block Grant	93.667	G1801NCSOSR	497,169	26,247	-	125,884
John H. Chafee Foster Care Program for Successful Transition to Adulthood - Administration	93.674	1801NC1420	19,256	4,814	-	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood - Direct Benefit Payments	93.674	1801NC1420	2,338	-	-	-
Total Administration			<u>2,719,417</u>	<u>31,061</u>	<u>-</u>	<u>787,368</u>
Refugee and Entrant Assistance Cluster (Note 3):						
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	1801NCRMA	52	-	-	-
Total Refugee and Entrant Assistance Cluster (Note 3)			<u>52</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Children Adoption Fund Cluster (Note 3):						
Promoting Safe and Stable Families	93.556	1801NCFPSS	51,954	-	-	-
Total Special Children Adoption Fund Cluster (Note 3)			<u>51,954</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Division of Social Services			<u>5,420,467</u>	<u>673,944</u>	<u>-</u>	<u>3,202,935</u>
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 and Development Fund - Administration	93.596	G1801NCCCDF	148,756	-	-	-
Total Child Care Development Fund Cluster			<u>148,756</u>	<u>-</u>	<u>-</u>	<u>-</u>
Office of Population Affairs:						
Passed-through N.C. Department of Health and Human Services: Family Planning Services	93.217	13A1592BFP80	50,037	-	-	-

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-3 (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
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)						
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	\$ 70,777	\$ 13,530	\$ -	\$ -
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 18	2,710,830	12,477	-	1,022,345
Total Medicaid Cluster			2,710,830	12,477	-	1,022,345
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 18	93,141	-	-	-
Total Children's Insurance Program - N.C. Health Choice			93,141	-	-	-
Total U.S. Department of Health and Human Services			9,313,555	822,747	-	4,308,719
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed-through N.C. Department of Commerce:						
Division of Community Planning and Development:						
HOME Investment Partnerships Program	14.239	DC-37-02-09	148,322	-	-	-
Total U.S. Department of Housing and Urban Development			148,322	-	-	-
TOTAL FEDERAL AWARDS			11,917,476	923,367	-	5,672,861
STATE AWARDS						
N.C. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES						
Division of State Library:						
State Aid to Libraries			-	176,050	-	2,775,636
Connect NC Bond Grant Program for Children & Veterans with Disabilities			-	13,688	-	3,422

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-3 (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
N.C. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES (Continued)						
N.C. Museum of Natural Sciences:						
Rowan County Nature Center and Wildlife Adventures			\$ -	\$ 22,575	\$ -	\$ -
Rowan County Dan Nicholas Wildlife and Nature Center			-	42,039	-	-
Total N.C. Museum of Natural Sciences			-	64,614	-	-
Total N.C. Department of Natural and Cultural Resources			-	254,352	-	2,779,058
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Division of Public Health:						
Food and Lodging Fees			-	13,444	-	-
CHA/CHIP Peer Review			-	134,996	-	-
General Communicable Disease Control			-	11,271	-	-
Child Health			-	4,231	-	-
Family Planning - State			-	72,967	-	-
Maternal Health			-	27,481	-	-
Women Health Service Fund			-	13,813	-	-
HIV/STD State			-	12,500	-	-
School Nursing Funding Initiative			-	100,000	-	-
TB Control			-	18,410	-	-
Total Division of Public Health			-	409,113	-	-
Division of Social Services:						
Administration:						
Energy Assistance Private Grant			-	1,734	-	-
State Child Welfare/CPS/CS LD			-	256,333	-	-
AFDC Incentive Program Integrity Plan - Administration			-	2,389	-	-
DCD Smart Start			-	6,000	-	-
State Foster Home			-	371,367	-	369,605
Foster Care At Risk Maximization			-	5,574	-	2,406
Total Division of Social Services			-	643,397	-	372,011
Division of Rural Health:						
Community Health Center Grant			-	82,330	-	-
Total N.C. Department of Health and Human Services			-	1,134,840	-	372,011

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-3 (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
N.C. DEPARTMENT OF ENVIRONMENTAL QUALITY						
Soil and Water Grant			\$ -	\$ 24,471	\$ -	\$ 24,471
Soil and Water Conservation			-	3,600	-	51,744
Total N.C. Department of Environmental Quality			-	28,071	-	76,215
N.C. DEPARTMENT OF ADMINISTRATION						
Veterans Service Grant			-	2,216	-	183,947
N.C. DEPARTMENT OF PUBLIC INSTRUCTION						
Public School Building Capital Fund (Lottery)			-	1,300,000	-	-
N.C. DEPARTMENT OF TRANSPORTATION						
Rural Operating Assistance Program (ROAP) Cluster:						
ROAP WorkFirst Transitional - Employment		DOT-16CL	-	32,880	-	-
ROAP Rural General Public Program		DOT-16CL	-	84,955	-	9,439
ROAP Elderly-Disabled Transportation Assistance Program		DOT-16CL	-	103,830	-	50
Total ROAP Cluster			-	221,665	-	9,489
State Aid to Airports						
Runway Overlay Airport Grant		36244.56.9.2	-	2,210,779	-	249,846
Total N.C. Department of Transportation			-	2,432,444	-	259,335
N.C. DEPARTMENT OF PUBLIC SAFETY						
Division of Emergency Management:						
Emergency Management Program Grant			-	71,257	-	508,152
Homeland Security Grant Program		EMW-2018-SS-00053	-	445	-	-
Total Division of Emergency Management			-	71,702	-	508,152
Division of Juvenile Justice and Delinquency Prevention:						
Juvenile Crime Prevention Programs:						
Adolescent and Family Enrichment Council:						
Strengthening Families			-	75,000	75,000	-
Center for Faith and the Arts:						
Class Act Henderson			-	16,000	16,000	-

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-3 (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
N.C. DEPARTMENT OF PUBLIC SAFETY (Continued)						
Division of Juvenile Justice and Delinquency Prevention (Continued):						
Juvenile Crime Prevention Programs (Continued):						
Discovering Yourself through Barnyard Adventures:						
Happy Farm			\$ -	\$ 31,578	\$ 31,578	\$ -
Rowan County Youth Services Bureau:						
Sex Offender Specific Evaluations and Treatment			-	9,371	9,371	-
Juvenile Restitution			-	81,636	81,636	-
Teen Court			-	57,870	57,870	-
Rowan County:						
JCPC Certification			-	3,720	-	-
Transforming Youth Movement, Inc.:						
SHIFT Mentoring Program			-	48,800	48,800	-
Total Division of Juvenile Justice and Delinquency Prevention			-	323,975	320,255	-
Total N.C. Department of Public Safety			-	395,677	320,255	508,152
N.C. PARTNERSHIP FOR CHILDREN						
Passed-through Rowan Partnership for Children:						
Smile Savers			-	27,856	-	-
TOTAL STATE AWARDS			-	5,575,456	320,255	4,178,718
TOTAL FEDERAL AND STATE AWARDS			\$ 11,917,476	\$ 6,498,823	\$ 320,255	\$ 9,851,579

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-3 (Continued)

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, 2019. 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 Cluster, Foster Care and Adoption, Refugee and Entrant Assistance Cluster, Special Children Adoption Fund, and HIV.

**ROWAN
COUNTY**

NORTH CAROLINA

Be an original.