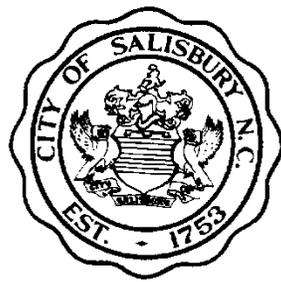


City of Salisbury

NORTH CAROLINA



*Comprehensive Annual Financial Report
Fiscal Year Ending June 30, 2018*



CITY OF SALISBURY

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

MAYOR, CITY COUNCIL, AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

Al Heggins – Mayor

David B. Post - Mayor Pro-tem

Karen K. Alexander

William B. Miller

Tamara Sheffield

OFFICIALS

W. Lane Bailey
City Manager

Zack Kyle
Assistant City Manager

Report Prepared By
City Financial Services Department

Shannon Moore – Finance Director
S. Wade Furches – Finance Manager
Anna R. Bumgarner – Senior Management Analyst, Budget
Gayla H. Long – Purchasing Coordinator
Mark D. Drye – Senior Management Analyst



Introductory Section



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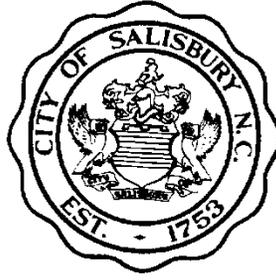
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December 18, 2018

The Honorable Mayor Al Heggins,
City Council, City Manager,
and the Citizens of the
City of Salisbury, North Carolina

We are pleased to present the Comprehensive Annual Financial Report (Report) of the City of Salisbury (City) for the fiscal year ended June 30, 2018 (FY18). We are particularly proud of the fact that this Report has been entirely prepared by the City's Financial Services Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects, and it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The accompanying financial statements have been audited by Elliott Davis, PLLC, an independent firm of certified public accountants, and their opinion is included in the Report.

GENERAL

The financial statements have been prepared in compliance with applicable requirements of the General Statutes of North Carolina and are consistent with the standards and guidelines recognized for governmental accounting and reporting contained in both *Audits of State and Local Governmental Units*, an audit guide prepared by the Committee of Governmental Accounting of the American Institute of Certified Public Accountants (AICPA), and *Government Auditing Standards* issued by the Comptroller General of the United States. Among the other resources used in the preparation of the financial statements, the Financial Services Department Staff has given particular attention to the *Governmental Accounting, Auditing and Financial Reporting* (GAAFR) issued by the Government Finance Officers Association of the United States and Canada (GFOA) and Governmental Accounting Standards Board (GASB) pronouncements.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the State Single Audit Implementation Act, and the 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). The auditor's reports and the Schedule of Expenditures of Federal and State Awards, required as part of a single audit, are found in the Compliance Section of this report.

The City participates in the Certificate of Achievement for Excellence in Financial Reporting awards program sponsored by the Government Finance Officers Association of the United States and Canada. The GFOA recognizes governmental units that issue their comprehensive annual financial reports substantially in conformity with the standards of the Governmental Accounting Standards Board. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The City's Comprehensive Annual Financial Report for the year ended June 30, 2017, was awarded a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ECONOMIC CONDITION AND OUTLOOK

The City of Salisbury, with a population of over 34,000, is located in the heart of North Carolina. Salisbury is situated along the I-85 corridor, which links the community to the State's economic centers. The City is located midway between two major metropolitan regions: Charlotte to the south and the Piedmont Triad (Greensboro, High Point, and Winston-Salem) to the north. In addition to the interstate highway, the City is also served by two major rail lines, which intersect in town, and an airport on the outskirts of the community. This location offers widely diversified employment opportunities for residents in areas ranging from financial, educational, medical, and governmental to industrial and research activities. The diverse local economic base and long-term planning, coupled with the region's geographical advantages, make the City an attractive place to do business and to live.

The location also allows the City to serve as a trading and distribution center for the County and portions of surrounding counties. The local economy has been stable, with steady growth as we have emerged from the recent recession. Taxable retail sales in Rowan County for the 12 months that ended June 30, 2018, increased over \$15 million (1.2%) from the prior fiscal year to \$1.298 billion, the County's highest total ever. In March 2016, the North Carolina General Assembly expanded the State's sales base to include repairs, maintenance and installation services.

The story of downtown Salisbury is one of public-private partnerships committed to maintaining our place as one of the best downtown districts in North Carolina. Since the early 1980s, over \$137 million has been invested in the redevelopment of Salisbury's downtown. The downtown is home to 314 commercial spaces and 149 condominiums/apartments. The past fiscal year saw a net gain of three new downtown businesses, four business expansions, seven completed building rehabilitation projects, and 14 façade renovations. FY18 saw total investment in the downtown area of \$7.2 million.

The City's proximity to the State's metropolitan regions provides many advantages and challenges. The Piedmont is one of the country's largest growth corridors. The City's management, the City Council, and the citizens continue to explore and develop goals and plans to keep the City of Salisbury financially sound while providing the services domestic and corporate citizens require.

MAJOR INITIATIVES

Each year, our City Council holds an Annual Goal Setting Retreat. Council adopted the following Objectives and Goals at its most recent retreat: Sustainable Economic Development; Engaged, Connected, Equitable Community Development; Well Maintained Community Infrastructure; and Strong City Organization. Council has lead the way with efforts to create an engaged and connected community. As part of the 2018 retreat, Council set aside four hours to open up the retreat to the public, and almost 60 residents helped begin a visioning process and then create mission statements and statements of core values. A series of bi-monthly Town Hall style meetings called Chit, Chat, and Chew have been started in which Council and the City's management team meet with citizens in nine different areas that include multiple neighborhoods across the City to hear concerns in an informal setting. Staff members also participate in weekly Community Engagement Friday walks, going door-to-door to gather community-specific concerns from residents. In addition, our City Manager hosts a monthly Meet With the Manager where residents can meet one-on-one with him. All of these are efforts to allow our citizens to be heard and to be a part of making our City great.

The City began selling broadband services – internet, telephone, and video – in December 2010. The City's broadband system is fast and reliable. We have had challenges gaining sufficient market share to make the system profitable, partly due to limitations placed on our service area by the NC legislature. The City began exploring options for a potential public/private partnership to stabilize and grow its broadband system in 2016. The City solicited Requests for Proposals concerning such a partnership and received several proposals. After months of reviewing the various proposals and completing their due diligence, City Council approved a recommendation to lease the broadband system to Hotwire Communications, Ltd. In May 2018, City voters overwhelmingly approved this recommendation. The North Carolina Local Government Commission gave its approval in July 2018 for the City to refund the system's existing debt with taxable installment financing, which was legally necessary to enter the agreement with Hotwire. A 20-year lease with Hotwire has been finalized, and the process has begun to transition the City's broadband system to Hotwire. That transition will be completed in FY19. The City will receive rents from Hotwire based on a percentage of gross revenue generated by the system. The City still owes debt service payments on the broadband system through 2029, and our General Fund will continue to support its Broadband Services Fund, only as necessary. The City projects that the agreement with Hotwire will become cash positive once all the system's debt has been fully paid.

As discussed earlier, Salisbury has a vibrant downtown. The City supports downtown development with Downtown Revitalization Incentive grants, façade grants, and incentives for public/private fire lines that have stimulated downtown residential development. In FY18, the City created a new Downtown Development department and brought the staff from Downtown Salisbury, Inc. in-house as City employees. This has allowed a stronger collaboration with other City departments on events that benefit downtown businesses and residents. The City and Downtown Salisbury, Inc. hosts a variety of events in the downtown area to attract visitors. The biggest event of FY18 was the second annual Cheerwine Festival where visitors enjoyed cold Cheerwine, live music, a beer garden, craft vendors, and a variety of family activities. The festival, which celebrates the Cheerwine soft drink and its 101-year Salisbury heritage, brought an estimated 30,000 people to our downtown. Other events in the downtown include Holiday Night Out on Black Friday, Santa and the Grinch at the Bell Tower, Wine about Winter, Summer Sip (craft beer event), and Buskers Bash.

The City's Water and Sewer Department completed its system-wide meter change-out project in FY18. The new "smart" meters have advanced metering infrastructure and automated readings. The project has an original budget of \$7.2 million, but came in almost \$1 million under budget. The final cost of the project was \$6.279 million. The City's Water and Sewer Department is strong, as evidenced by receipt of the N. C. Area-wide Optimization Award that recognizes systems that demonstrate outstanding turbidity and microbial removal. The new meters are one way that the City is working to keep its infrastructure up to date.

City Council desires to have a strong City organization. We have great, award-winning departments throughout the City. One of those departments, the Communications Department, serves as a central source of information by providing a singular voice and facilitating creative communication solutions. This department is responsible for all communications from the City – news releases, the monthly Lamplighter newsletter, social media, production of the Salisbury NOW television show on ACCESS16, videography projects for City departments, City Council meeting broadcasts, graphic design, and photography. In the past year, our Communications Department has won numerous awards for its Police Recruitment Video, the Lamplighter, Communication Technology (Website), TV-Governmental Meetings, Community Engagement Fridays (Citizen Participation and Community Relations), and our Rumor Control Page. Our Communications Department staff strives to provide professional, timely, and accurate information while supporting all City departments.

One of the primary focus areas of the City Council and the City management team is *Financial Sustainability and Accountability*. The City has more than doubled the Fund Balance in its General Fund since FY11. The City's Financial Services Department continues to strive for excellence and has received the Certificate of Achievement for Excellence in Financial Reporting 30 times and the Distinguished Budget Presentation Award 26 times.

FUTURE DEVELOPMENTS

A key structure in downtown Salisbury, the Empire Hotel, has been vacant for decades. In August 2016, the City and Downtown Salisbury, Inc. announced that they have reached an agreement to sell the building to Historic Preservation Partners Holdings, LLC. The developer anticipates that the redevelopment of the property will cost a total of \$20 million and plans to turn the old hotel into retail space and market-value apartments. The developer specializes in redeveloping historic buildings in medium to small towns up and down the East Coast. The redevelopment project would allow for 29,000 square feet of retail space and between 50 to 60 apartments. Because of the magnitude and scope of the project, closing on the purchase has been extended and the developer anticipates closing on the purchase by June 2019. In August 2018, the North Carolina Local Government Commission authorized the City to enter into a master lease agreement for the project and designate the hotel as a landmark destination. The LGC approval moves the project another step closer to fruition. The redevelopment of the Empire Hotel will be a cornerstone to the continued revitalization of downtown Salisbury.

The City plans to build two new fire stations in the next five years. The City will be replacing Fire Station 3 and adding Fire Station 6. The Local Government Commission approved the City's request to finance the new station number 6, and City Council awarded a contract for the construction in August 2018. Fire station 6 should be completed by December 2019. The new Fire Station 3 is scheduled for construction in 2020. Both will provide a much-needed realignment of fire equipment and personnel with the goal of improving response times and maintaining our ISO rating. FY18 expenditures included funds for land acquisition and design services on both stations.

Future development in downtown Salisbury will include a new park with a lot of green space. The Blanche and Julian Robertson Foundation, with support from community-minded philanthropists, purchased property that was once the site of a bank. The property has been turned over to a non-profit organization that will oversee the design and development of the park, to be named the Bell Tower Green. The City used a grant from the N.C. Department of Commerce to make improvements and stabilize the bell tower that sits on the property. The tower was originally built in 1891. The City has also helped secure a N. C. Parks and Recreation Trust Fund grant in the amount of \$350,000. The total projected cost of the park is \$6.7 million, most of which will come from private donations. The park master plan will include substantial green space and flowers, parking, performance and community space, and public restrooms.

REPORTING ENTITY

In conformity with the standards of the Governmental Accounting Standards Board, this Report includes all funds of the City as well as its component units. The City of Salisbury (as legally defined) is considered to be a primary government. Current governmental standards for accounting and financial reporting require inclusion of the primary government as well as its component units in a published comprehensive annual financial report. The component units are legally separate entities for which the primary government is primarily financially accountable or for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The primary government is considered financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization, or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government.

The discretely presented component units, Downtown Salisbury Inc. and the Salisbury Tourism and Cultural Development Commission, are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate its financial position, results of operations, and cash flows from those of the primary government.

SERVICES PROVIDED

The City of Salisbury provides a full range of municipal services allowable under State law including law enforcement, fire protection, planning and development services, zoning and code enforcement, recreation centers and parks, cemeteries, street maintenance, and sanitation. In addition to these general government activities, the City provides and maintains water and sewer utilities, offers cable TV, internet, and telephone services (through a public/private partnership as of September 2018), runs a stormwater utility system, and operates a mass transit system.

GOVERNMENT STRUCTURE

The City employs a Council-Manager form of government as provided in the City's charter. The governing body consists of five council members elected on a nonpartisan basis at large for a two-year term. The Council elects the Mayor from among themselves. The Mayor is usually the council member receiving the highest number of votes in the general election. Elections are held in November of odd numbered years. The City Manager (the chief executive officer) is appointed by and serves at the pleasure of the Mayor and Council. The Mayor and Council adopt a balanced budget and establish a tax rate for the support of City services prior to the beginning of each July 1 to June 30 fiscal year. The City Manager administers City programs in accordance with local policy and the annual budget.

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

In developing and evaluating the City's accounting systems, consideration is given to the adequacies of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal and state awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the City's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state awards, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for FY17 provided no instances of material weaknesses in the internal control structure.

Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of departmental balances are not released until additional appropriations are made available. Open encumbrances lapse at year end and are reinstated against the subsequent year's appropriation.

BASIS OF ACCOUNTING

The City's accounting records for governmental funds are maintained on a modified accrual basis whereby revenues are recognized when measurable and available, and expenditures are recognized in the accounting period in which the liability is incurred except for unpaid interest on general long-term debt. Proprietary fund and pension trust fund revenues and expenses are recognized on the accrual basis whereby revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period in which they are incurred. Fiduciary funds are accounted for on the modified accrual basis, the same as for governmental funds.

FUND ACCOUNTING

Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or obtaining certain objectives in accordance with special regulations, restrictions, or limitations. Thus a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functions.

FUND CATEGORIES

Governmental funds are those through which governmental functions typically are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities, except those accounted for in the proprietary fund, are accounted for through governmental funds. The governmental fund measurement focus is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources), rather than upon net income determination. The statement of revenues, expenditures, and changes in fund balance is the primary governmental fund operating statement. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers, and other changes in fund balance.

Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those found in the private sector. All assets, liabilities, equity, revenues, expenses, and transfers relating to the government's business and quasi-business activities (where net income and capital maintenance are measured) are accounted for through proprietary funds. The generally accepted accounting principles used

here are those applicable to similar businesses in the private sector, and the measurement focus is upon determination of net income, financial position, and cash flows.

Fiduciary funds are used to account for assets held by governmental units in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are purely custodial in nature and do not measure the results of operations. Pension trust funds are accounted for in essentially the same manner as proprietary funds.

FINANCIAL MANAGEMENT

The City's financial management program continues to provide the citizens of the City with an approach which has served to enhance the City's excellent financial position by:

1. Investing all available funds not needed on a daily basis in order to maximize interest earnings, and
2. Allocating City resources only to program areas that meet community needs, and
3. Monitoring these program areas to ensure they are carried out within authorized levels.

This financial management program allows the City to achieve its goal of expanded and improved services to the citizens of Salisbury. As discussed in the Management's Discussion and Analysis, the City continues to receive good bond ratings from various rating agencies. This is a reflection of the City's continued sound financial condition.

LONG-TERM FINANCIAL PLANNING

The City of Salisbury has implemented a 10-year comprehensive Capital Improvement Program (CIP). The CIP is both a planning and a financial tool used to prepare for future capital needs. Currently, the City's CIP focuses on General Fund needs and Water and Sewer Fund needs. The City's CIP defines a capital improvement as a major construction, repair, or additions to buildings, parks, streets, bridges, and other city facilities costing \$10,000 or more and having a useful life of more than three years.

One example of the City's continued investment in our infrastructure is the aforementioned system-wide meter replacement project in the Water and Sewer Fund, which cost a total of \$6.279 million. The City will also be building a new fire station and replacing an outdated fire station, with the first construction scheduled to be completed in December 2019.

CONCLUSION

We believe that the future is bright for Salisbury. The City has received several N.C. Main Street awards and has been nationally recognized for our Sculpture Show. The National Main Street Center, a subsidiary of the National Trust for Historic Preservation, recently cited Salisbury for "economic vitality and fidelity in following the best-practice standards for historic preservation and community revitalization." As previously discussed, retail sales in the City and County are growing and have reached record highs for each of the last six fiscal years. The aforementioned redevelopment of the Empire Hotel should provide a significant boost to the downtown and provide additional economic expansion for the entire City.

The Council and management of the City continue to work on many complex and challenging issues. The safety of our citizens is at the top of the list, as evidenced by Council's decision to significantly increase salaries of our sworn law enforcement officers and plans for the future of our Fire Department. We are working to implement the comprehensive Capital Improvement Plan for all of our major funds. Our Council and management team are working hard to maintain quality services for our citizens within a reasonable budget.

ACKNOWLEDGMENTS

We wish to thank the Mayor and City Council for the support and trust they have given the Financial Services Department. On behalf of the Financial Services team, we promise our continued dedication to proving ourselves worthy of their support and trust. We are confident that together we can provide the citizens of Salisbury with responsible and progressive financial management.

For the preparation of this report, the City is especially indebted to the members of the City's management team and the staff of the City's Financial Services Department, each of whom had a hand in the preparation of the report. Without their assistance, this report could not have been prepared on a timely basis.

Each year, we strive to prepare a financial report which provides a meaningful analysis and disclosure of the City's financial activities and financial position. We believe this report conforms substantially to the standards of financial reporting of the appropriate professional organizations.

Respectfully submitted,



Shannon Moore
Finance Director



S. Wade Furches
Finance Manager



Government Finance Officers Association

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

Presented to

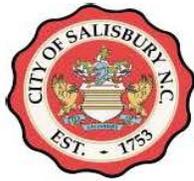
**City of Salisbury
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

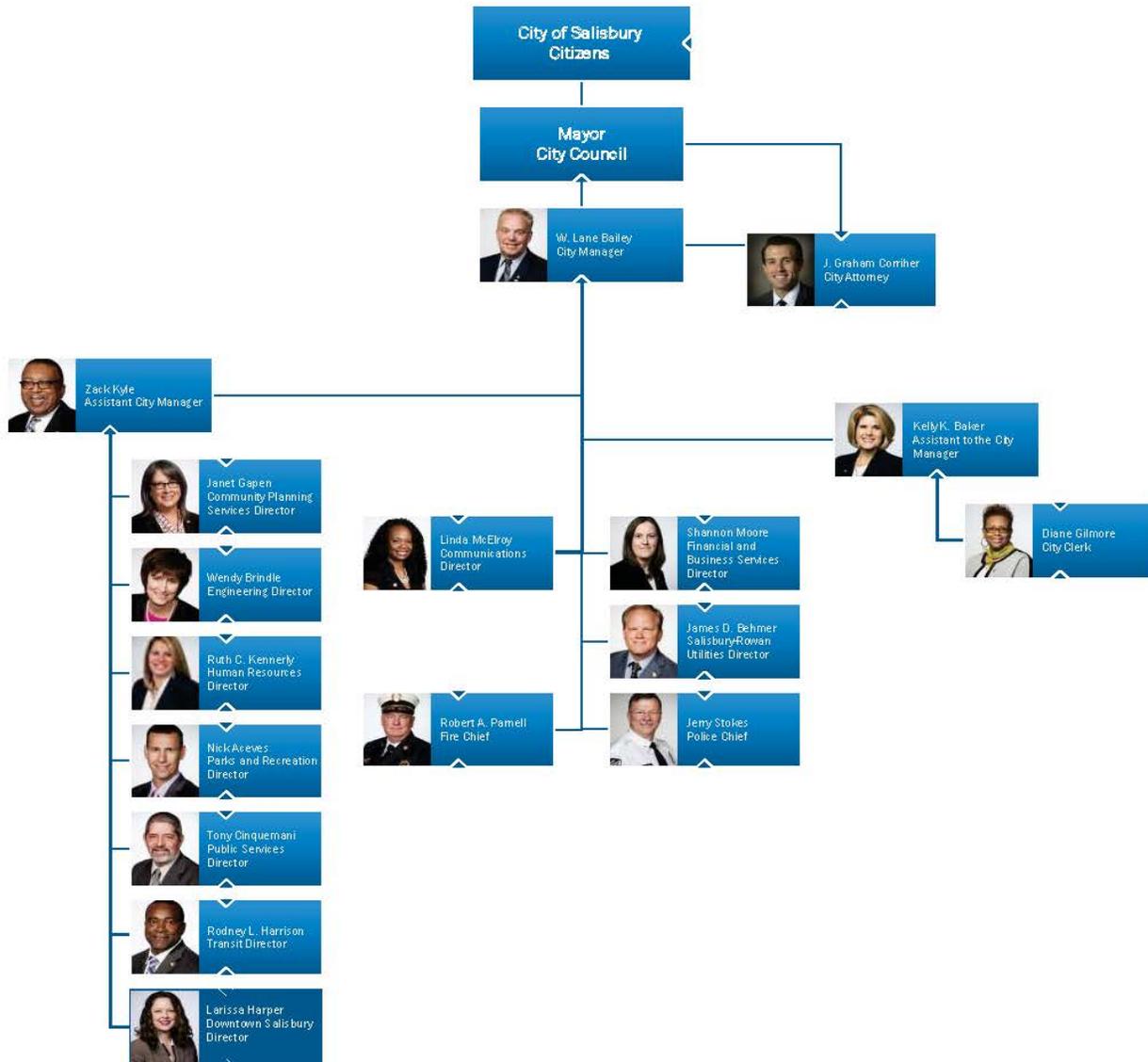
June 30, 2017

Christopher P. Morill

Executive Director/CEO



City of Salisbury Organization Chart



CITY OF SALISBURY
LIST OF PRINCIPAL OFFICIALS

Mayor	Al Heggins
Mayor Pro Tem	David B. Post
Council Member	Karen K. Alexander
Council Member	William B. Miller
Council Member	Tamara Sheffield
City Manager	W. Lane Bailey
Assistant City Manager	Zack Kyle
Assistant to the City Manager	Kelly K. Baker
City Attorney	J. Graham Corriher
City Clerk	Diane Gilmore
Communications Director	Linda M. McElroy
Financial and Business Services Director	Shannon Moore
Human Resources Director	Ruth C. Kennerly
Fire Chief	Robert A. Parnell
Police Chief	Jerome P. Stokes
Public Services Director	Tony L. Cinquemani
Engineering Director	Wendy G. Brindle
Community Planning Services Director	Janet S. Gapen
Parks and Recreation Director	Nick Aceves
Utilities Director	James D. Behmer
Mass Transit Director	Rodney L. Harrison

FACTS AND INFORMATION ABOUT CITY OF SALISBURY, NORTH CAROLINA

LOCATION

Salisbury, the county seat of Rowan County, is located in the heart of the beautiful Piedmont area, the industrial heart of the State. Salisbury is located midway between Charlotte and Winston-Salem, 296 miles from Atlanta, Georgia and 368 miles from Washington, D.C.

CLIMATE

The climate of the Salisbury area is moderate, a definite advantage to those who live and work here. The massive mountains of Western North Carolina form a natural barrier against the cold east-west winds. While definitely southern in climate, Salisbury is far enough north and has sufficient altitude to escape the humid summers of many other southern regions. Extremes in climate are very rare and short-lived. In winter the high temperature is about 53 degrees, with a low around 30 degrees. The total snowfall is normally about 3 inches each year. In the summer, the high averages about 88 degrees, with a low of 67 degrees.

POPULATION

The population of the City of Salisbury has increased steadily during the past decade. This is due to both annexations and internal growth stimulated by the local economy. Population currently is estimated to be 34,463 based upon estimates from the North Carolina Office of State Planning.

HISTORY

Scotch-Irish, who originally settled in Lancaster County, Pennsylvania, moved down the "Great Wagon Road" 435 miles to Trading Ford on the Yadkin River to become the first settlers in Rowan County.

The County of Rowan was established in 1753. At this time, Rowan included all territory north to Virginia and east to what we know now as Guilford County and west to the mountains. Eventually, 26 counties were formed from Rowan. Rowan County was named for Matthew Rowan, acting governor for the colony in 1753.

The deed for Salisbury is dated February 11, 1755. The court center, called prior to this time Rowan Court House, was a bustling little village of seven or eight log cabins, a court house, jail and pillory, according to Governor Arthur Dobbs who visited here in late 1755.

The Court House dates to 1753 and consists of deeds, marriages, and miscellaneous records of value. Papers formerly in the Clerk's Office such as the early court

minutes are stored at the State Department of Archives in Raleigh. Familiar names in American history adorn these records.

Andrew Jackson, Richard Henderson, William R. Davie, Daniel Boone, Lord Cornwallis, Richard Caswell and many other prominent local families such as the Barkleys, Hoovers, and Polks, all ancestors of presidents or vice-presidents, appear time and again in the deeds and court minutes of the county.

Two years before the national Declaration of Independence and one year before the Mecklenburg Declaration of Independence, a group of patriotic citizens of Rowan County, serving as a Committee of Safety, on August 8, 1774, adopted the Rowan Resolves containing the pioneer element toward liberty and independence from Britain. These resolves reached the highest note of any passed in the colony in calling for the abolishment of the African slave trade and urging the colonies to "unite in an indissoluble union and association". These resolves are located in the State Archives and are the only ones of the many passed in this period that are preserved.

So many legends and lifestyles have been passed down over the passage of time. Daniel Boone began his exploration of the Blue Ridge Mountains from here in Salisbury. Near the present-day library is the small office where Andrew Jackson studied law and was admitted to the bar before he moved westward.

For all the struggles and hardships our ancestors endured, they have provided Salisbury with character and a rich heritage.

GOVERNMENT

The City of Salisbury's government is organized according to the Council-Manager form of government. The City Council, which formulates policy for the administration of the City, together with the Mayor, constitutes the governing body of the City. The five (5) members are elected to serve two (2) year terms of office. The Mayor is elected from the five Council members. The Mayor presides at City Council meetings. Also, a Mayor Pro Tem is elected by City Council members to serve as Mayor during his/her absence or disability.

The City Council appoints the City Manager to serve as the City's Chief Executive Officer. The City Manager is responsible for implementing the policies of the City Council, directing business and administrative

procedures, and appointing departmental officers. At the present time, the City Manager is assisted by the City Clerk and staff departments: Financial and Business Services, Human Resources, Fire, Police, Community Planning Services, Engineering, Public Services, Parks and Recreation, Salisbury-Rowan Utilities, Mass Transit, and Broadband Services. The City provides a full range of municipal services allowable under State law including law enforcement, fire protection, zoning and code enforcement, recreation centers and parks, cemeteries, street maintenance, sanitation, and water and sewer systems.

UTILITIES

Salisbury operates its own water and sewer system. The Yadkin River, which forms the northeast boundary of Rowan County, provides Salisbury with an abundant supply of good water. The average daily flow is nearly 2 billion gallons per day, and the minimum recorded one-day flow is 150 million gallons. The Salisbury water system, conventional in design and closely controlled, has a treatment capacity of 24 million gallons per day. Average daily production during fiscal year 2018 was 9.4 million gallons per day, with a peak daily production of 12.2 million gallons. An arterial system of distribution mains has been constructed to assure maximum fire protection to all parts of the city.

The Salisbury water system supplies the following towns in Rowan County: Spencer, East Spencer, Granite Quarry, Rockwell, China Grove, Landis, and Kannapolis and service has been extended to a number of industrial sites well beyond the city limits. The water supply meets all federal and State quality requirements.

Salisbury's two wastewater treatment facilities serve as the area's regional wastewater utility with service expansion to the towns of Landis, China Grove, Spencer, East Spencer, Granite Quarry, and Rockwell. Total daily treatment capacity is 12.5 million gallons, and the average daily treatment for FY18 was 8.2 million gallons.

The City offers cable television, high-speed internet, and digital telephone services through its Broadband Services Fund. Fibrant went live in December 2010, and had over 3,300 customers at June 30, 2018.

Other utilities are provided by Duke Energy, Piedmont Natural Gas, AT & T, Windstream, and Spectrum.

TRANSPORTATION

Salisbury, nearly the geographic center of North Carolina, is located on Interstate Highway 85, 42 miles from Charlotte, 52 miles from Greensboro and 39 miles from Winston-Salem. It is the crossroads of I-85, U.S. 29, 52, 70, 601 and N.C. 150. Over 7 million people live within

100 miles of Salisbury, 3.25 million within 50 miles. The seaports of Wilmington, Morehead City, Charleston, and Norfolk are less than a one-day truck haul away.

Mid-Carolina Regional Airport, three (3) miles from downtown Salisbury, has a 5,800 ft. x 100 ft. paved and lighted runway. Hangar space and private plane servicing are available.

Two major commercial airports are within a one-hour drive of Salisbury – Charlotte-Douglas International in Charlotte and Piedmont Triad International (PTI) in Greensboro. Additionally, these airports provide regular air passenger services to all parts of the United States via various airlines. There are also non-stop, international flight options available to Frankfurt, London, and San Juan, among other global destinations.

Greyhound provides bus service to Salisbury with daily arrivals and departures. Local bus service is provided by the City's Transit System.

Amtrak provides rail transportation with service on the Piedmont and the Carolinian from New York City to Charlotte, North Carolina. Arrivals and departures are from The Depot, a renovated station of the Salisbury Railroad Station Depot, originally built in 1907.

MOTELS

An ideal area for meetings and conventions, Salisbury has eleven (11) motels, with nearly 1,100 rooms, and two (2) bed and breakfast establishments in our historic district.

EDUCATION

Salisbury is home to four (4) colleges. Catawba College was founded in Newton, North Carolina in 1851, and moved to Salisbury in 1925. Catawba has thirty (30) buildings comprising a physical plant unsurpassed in the East for a college of this size and style. It has a total enrollment of 1,325 Liberal Arts students and is affiliated with the United Church of Christ. U.S. News and World Report ranked Catawba as the 4th Best Regional College in the South for 2018. Livingstone College was founded in 1879, and has 1,150 Liberal Arts students. It is affiliated with the African Methodist Episcopal Zion Church. Rowan-Cabarrus Community College offers two-year educational programs leading to the associate's degree in applied science. In addition, one-year diploma programs are offered in five fields. There is a total enrollment of approximately 4,700 full-time students. The City is also home to Hood Theological Seminary, a private graduate school that prepares students for ministry and has grown to 300 students.

Novant Health Rowan Medical Center and Campbell University have a working agreement that establishes the hospital as a teaching hospital. The partnership includes training in the areas of primary care, family medicine, general surgery, OB/GYN, pediatrics, psychiatry, and other critical services with an emphasis on the unique needs of underserved communities.

In addition to the Salisbury-Rowan public school system, there are several private and church related schools.

ARTS AND ENTERTAINMENT

The cultural atmosphere of the Salisbury area is significantly enriched by the outstanding programs of Catawba and Livingstone Colleges and the other colleges in the area. Livingstone College also has a cultural series that brings artists to the community as well as an excellent drama group. Each year the Catawba College Shuford School of Performing Art brings a minimum of four musical events to Salisbury. Catawba's fine Drama department offers several professional type drama productions each year.

The Piedmont Players, a community little theatre organization, provides excellent entertainment as well as a chance to participate in both its acting and technical activities. They have completely restored the historic Meroney Theatre, built in 1905, for their home. The Piedmont Players present five shows each season. The Norvell Theatre features plays cast entirely with children and youth. Many school groups attend plays at the Norvell every year. Piedmont Players has received an award at the annual North Carolina Theatre Conference for having the best community theatre in the state. The arts program has been further enhanced with the addition of the Lee Street Theatre and Performing Arts Center, a 9,000 square foot theatre.

The Salisbury-Rowan Symphony, consisting of musicians from the area, presents four concerts each season. In addition to participation in the regular concert series, the string quartet of the Salisbury Symphony visits the elementary schools to present programs. The object of this mini-concert series is to give the students some knowledge of music and famous composers.

Rowan-Cabarrus Community College participates in the North Carolina Visiting Artist Program. Each year a professional artist is employed and in residence at the college. Concerts and musical programs are provided regularly by many artists throughout the state as well as the Visiting Artist. In addition, Rowan-Cabarrus Community College sponsors a Folk Heritage Center, network for professional and local folk artists.

COMMUNITY FACILITIES

A full-time, year-round City recreation staff offers activities for both young and old. In addition to organized activities, the City provides several parks and facilities for general use.

The Salisbury Community Park and Athletic Complex is a 314 acre park that includes baseball/softball fields, soccer fields, picnic shelters, play structures and a nine-acre lake suitable for fishing and equipped with a handicap accessible pier.

City Park has two large playgrounds, tennis courts, a five (5) acre lake for fishing, picnic shelters, and a Recreation Center that offers programs/classes throughout the year. Salisbury has a Civic Center with racquetball courts, auditorium, tennis courts, and a handicap exercise trail.

Kelsey-Scott Park is a twenty-two (22) acre park located on Old Wilkesboro Road. It includes a nine-hole disc golf course, a baseball/softball field, an outdoor basketball court, and a picnic shelter. The Jaycee Sports Complex is a multi-use area that includes two (2) ball fields, basketball courts, and a walking trail that includes fitness equipment along the way. The Miller Recreation Center located on West Bank Street has a play structure and an indoor basketball court. The Center offers programs throughout the year.

Hurley Park is a municipal garden which has a unique collection of plants to the area. The Park provides an educational experience as well as a pleasurable place to stroll.

SPECIAL EVENTS

Since 2009, the City has hosted the annual Salisbury Sculpture Show, which features 19 sculptures by talented artists. Sculptures can be seen around the downtown and at three college campuses – Catawba College, Livingstone College, and Rowan Cabarrus College. The Sculpture Show encourages our citizens and tourists to “Discover What’s Outside.” For 43 years, the Historic Salisbury Foundation has sponsored its October Tour, which allows opportunity to step inside Salisbury’s finest private homes and notable landmarks. It is one of the oldest annual historic home tours in the South and has featured more than 200 houses and historic properties in Salisbury and Rowan County. The City and Downtown Salisbury, Inc. host 17 separate events throughout the year. The “Night Out” events, including Wine about Winter, the Salisbury Sip Festival, Summer Sip Crawl, and a Zombie Walk, attract guests of all ages from throughout the Piedmont Region into our downtown.



Financial Section



Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Salisbury, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City'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 Downtown Salisbury, Inc., which represent 100 percent of the assets and net position and 92 percent of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Downtown Salisbury, Inc., is based solely on the report of 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 Downtown Salisbury, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit includes 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 City'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 City'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 on our audit and the report of 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of New Accounting Standard

As discussed in Note 5 to the financial statements, the City adopted provisions of Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements, budget and actual comparisons, schedule of property taxes receivable, analysis of current tax levy, the schedule of expenditures of state and federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, the introductory section and the statistical section as listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements, budget and actual comparisons, schedule of property taxes receivable, analysis of current tax levy, and the schedule of expenditures of state and federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 previously described and the reports of other auditors, the combining and individual fund financial statements, budget and actual comparisons, schedule of property taxes receivable, analysis of current tax levy and the schedule of expenditures of state and federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section 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 December 18, 2018, on our consideration of the City'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis, PLLC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
December 18, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Salisbury, North Carolina, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Salisbury for the fiscal year ended June 30, 2018 (FY18). We encourage readers to read the information presented here in conjunction with the transmittal letter which begins on page 4 and the City's financial statements which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Salisbury's governmental and business-type activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$153,530,535 (*net position*).
- The government's total net position increased by \$7,796,100. The City's total assets and deferred outflows of resources increased by \$2,540,592. Capital assets before depreciation increased by \$4,935,831. The City recognized \$9.9 million in depreciation expense in FY18.
- As of the close of the current fiscal year, the City of Salisbury's governmental funds reported combined ending fund balances of \$19,804,704, with an increase of \$300,518 from the prior year. Approximately 28.1% of the Governmental Fund ending fund balance, or \$5,570,714, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund balance was \$6,875,415, or 18% of total general fund expenditures and transfers for the fiscal year, as compared to 22% in the prior year. This decrease is due to an increase in Fund Balance assigned to the subsequent year's budget.
- The City of Salisbury's total long-term debt decreased by \$3,921,133, or 6.8%, during the current fiscal year due to paying off portions of previously existing debt. The City did issue debt in the amount of \$1,962,188 for the purchase of two fire trucks.
- In 2018, Fitch Ratings affirmed their A+ rating to the City's 2010 revenue refunding bonds, and revised their outlook from Stable to positive. Moody's Investors Services affirmed an A3 rating with a positive outlook to the refunding bonds in June 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

The basic financial statements include two kinds of statements that present different views of the City.

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

The next statements (Exhibits A-3 through A-10) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains available for future spending. The proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, the water and sewer system, and the transit system. The fiduciary fund statements provide information about the financial relationships – like the pension trust for the City's law enforcement officers – in which the City acts solely as a trustee for the benefit of others to whom the resources in question belong.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, environmental protection, community and economic development, and general administration. Property taxes, sales taxes, and state and federal grant funds finance most of these activities. The business-type activities are those services that the City charges fees to customers to help cover all or most of the cost of the services provided. These include the water and sewer, broadband services, stormwater services, and mass transit services offered by the City of Salisbury. The final category is the component unit. The City's component units, Downtown Salisbury Inc. and the Salisbury Tourism and Cultural Development Commission, are important to the City because they serve to

promote the City and its downtown. Although legally separate from the City, Downtown Salisbury Inc.'s and the Salisbury Tourism and Cultural Development Commission's revenues consist largely of hotel occupancy taxes, municipal service district taxes, and supplemental appropriations from the City, all of which must be approved by City Council. As discussed in the Notes to the Financial Statements, the Salisbury Tourism and Cultural Development Commission dissolved during FY18.

FUND FINANCIAL STATEMENTS

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Salisbury, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Salisbury 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 City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds – The City of Salisbury has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Salisbury uses enterprise funds to account for its water and sewer operations, broadband services operations, stormwater program, and mass transit operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Salisbury. The City uses internal service funds to account for two activities – its self-insured health insurance and worker compensation insurance. Because most of the costs of these operations are attributable to governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds – The City is the trustee, or fiduciary, for its Boards and Commissions, the Municipal Service District, the Town of East Spencer’s water and sewer operations, Rowan County’s water operations, the Rockwell Garbage Fund, the Granite Quarry Garbage Fund, the Spencer Garbage Fund, the Salisbury Tourism and Development Commission, and the Salisbury-Rowan Human Relations Council. All of the City’s fiduciary activities are reported in the Statement of Fiduciary Statement of Net Position on page 45. We excluded these activities from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 47-76 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Salisbury’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 79-83 of this report.

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

THE CITY OF SALISBURY'S NET POSITION

Figure 1

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 28,047,611	\$ 25,220,221	\$ 30,120,494	\$ 25,257,030	\$ 58,168,105	\$ 50,477,251
Capital assets	39,204,872	38,547,133	133,228,228	137,570,047	172,433,100	176,117,180
Total assets	67,252,483	63,767,354	163,348,722	162,827,077	230,601,205	226,594,431
Deferred outflows of resources	3,270,969	4,245,446	2,946,535	3,438,240	6,217,504	7,683,686
Total assets and deferred outflows of resources	\$ 70,523,452	\$ 68,012,800	\$ 166,295,257	\$ 166,265,317	\$ 236,818,709	\$ 234,278,117
Long-term liabilities outstanding	\$ 20,739,313	\$ 17,011,593	\$ 54,944,811	\$ 59,552,453	\$ 75,684,124	\$ 76,564,046
Other liabilities	3,608,583	3,245,314	2,763,533	3,338,849	6,372,116	6,584,163
Total liabilities	24,347,896	20,256,907	57,708,344	62,891,302	82,056,240	83,148,209
Deferred inflows of resources	865,046	514,317	356,888	191,771	1,221,934	706,088
Total liabilities and deferred inflows of resources	\$ 25,212,942	\$ 20,771,224	\$ 58,065,232	\$ 63,083,073	\$ 83,278,174	\$ 83,854,297
Net position:						
Net investments in capital assets	\$ 34,821,867	\$ 35,384,844	\$ 85,462,699	\$ 84,806,909	\$ 120,284,566	\$ 120,191,753
Restricted	4,996,766	5,221,501	-	-	4,996,766	5,221,501
Unrestricted	5,481,877	6,635,231	22,767,326	18,375,335	28,249,203	25,010,566
Total net position	\$ 45,300,510	\$ 47,241,576	\$ 108,230,025	\$ 103,182,244	\$ 153,530,535	\$ 150,423,820

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Salisbury exceeded liabilities and deferred inflows by \$153,530,535 as of June 30, 2018, an increase of \$3,106,715 from the fiscal year ended June 30, 2017. The largest portion of the City's net assets (78.3%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, equipment, water and sewer treatment facilities, water and sewer lines, and broadband network). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate the liabilities. An additional portion of the City of Salisbury's net position, \$4,996,766, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$28,249,203 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.33%, which is similar to the 98.39% collection rate a year ago.
- An increase in local option sales tax receipts of \$317,121, or 4.4%, from last year and \$2.3 million from five years ago. Effective March 1, 2016, the North Carolina General Assembly expanded the sales and use tax base to include repair, maintenance, and installation services. This increase is also attributable to new retail businesses in the City and Rowan County in the past three years.
- As a result of the implementation of GASB Statement Number 75, the City reported the total liability for Other Post-Employment Benefits (OPEB), and the related restatement of beginning Net

Position decreased Net Position by \$4,689,385. This restatement also affected Unrestricted Net Position.

CITY OF SALISBURY CHANGES IN NET POSITION
Figure 2

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 4,502,079	\$ 4,126,380	\$ 31,610,223	\$ 32,508,571	\$ 36,112,302	\$ 36,634,951
Operating grants and contributions	1,742,837	2,022,328	568,628	618,631	2,311,465	2,640,959
Capital grants and contributions	432,589	483,450	1,550,000	-	1,982,589	483,450
General revenues:						
Property taxes	20,424,124	19,249,072	-	-	20,424,124	19,249,072
Other taxes	7,604,426	7,287,305	-	-	7,604,426	7,287,305
Intergovernmental revenue	3,308,275	3,285,759	-	-	3,308,275	3,285,759
Other	237,341	116,185	272,443	179,846	509,784	296,031
Total revenues	<u>\$ 38,251,671</u>	<u>\$ 36,570,479</u>	<u>\$ 34,001,294</u>	<u>\$ 33,307,048</u>	<u>\$ 72,252,965</u>	<u>\$ 69,877,527</u>
Expenses:						
General government	\$ 5,851,064	\$ 6,110,635	\$ -	\$ -	\$ 5,851,064	\$ 6,110,635
Public safety	14,493,040	13,296,732	-	-	14,493,040	13,296,732
Transportation	6,272,733	6,149,487	-	-	6,272,733	6,149,487
Environmental protection	1,572,672	1,496,207	-	-	1,572,672	1,496,207
Culture and recreation	1,835,329	2,049,283	-	-	1,835,329	2,049,283
Community and economic development	2,551,516	2,887,589	-	-	2,551,516	2,887,589
Education	40,000	38,107	-	-	40,000	38,107
Interest and fees on long-term debt	101,224	666,604	1,936,556	1,910,921	2,037,780	2,577,525
Water and sewer	-	-	21,897,531	20,688,762	21,897,531	20,688,762
Broadband Services	-	-	5,498,814	6,184,401	5,498,814	6,184,401
Stormwater	-	-	1,084,170	1,085,030	1,084,170	1,085,030
Mass transit	-	-	1,322,216	1,326,667	1,322,216	1,326,667
Total expenses	<u>\$ 32,717,578</u>	<u>\$ 32,694,644</u>	<u>\$ 31,739,287</u>	<u>\$ 31,195,781</u>	<u>\$ 64,456,865</u>	<u>\$ 63,890,425</u>
Change in net position before transfers	\$ 5,534,093	\$ 3,875,835	\$ 2,262,007	\$ 2,111,267	\$ 7,796,100	\$ 5,987,102
Transfers	(3,806,035)	(2,780,780)	3,806,035	2,780,780	-	-
Change in net position	<u>\$ 1,728,058</u>	<u>\$ 1,095,055</u>	<u>\$ 6,068,042</u>	<u>\$ 4,892,047</u>	<u>\$ 7,796,100</u>	<u>\$ 5,987,102</u>
Net position, beginning	\$ 47,241,576	\$ 48,934,487	\$ 103,182,244	\$ 98,290,197	\$ 150,423,820	\$ 147,224,684
Restatement	(3,669,124)	(2,787,966)	(1,020,261)	-	(4,689,385)	(2,787,966)
Net position, beginning, restated	<u>\$ 43,572,452</u>	<u>\$ 46,146,521</u>	<u>\$ 102,161,983</u>	<u>\$ 98,290,197</u>	<u>\$ 145,734,435</u>	<u>\$ 144,436,718</u>
Net position, ending	<u>\$ 45,300,510</u>	<u>\$ 47,241,576</u>	<u>\$ 108,230,025</u>	<u>\$ 103,182,244</u>	<u>\$ 153,530,535</u>	<u>\$ 150,423,820</u>

Governmental activities - Governmental activities increased the City's net position by \$1,728,058. The implementation of GASB 75 reduced beginning net position in the Governmental Funds by \$3,669,124. Increases in revenues from sales taxes and utilities franchise taxes totaled \$339,637. A 3.76 cent increase in the tax rate and growth in the tax base resulted in an increase in property taxes received of \$1,175,052.

Governmental expenditures increased a modest \$22,934, and transfers to other funds increased by \$1,025,255 million from the prior fiscal year.

Business-type activities - Business-type activities increased the City's net position by \$2,262,007 before transfers. GASB 75 reduced beginning net position in the Business-type activities by \$1,020,261. The Water and Sewer Fund reported a change in net position of \$2,916,298. The Broadband Service Fund reports a profit of \$3,012,865 on the full accrual basis. This increase includes \$1,550,000 from settlement of law suit. The Stormwater Fund had a gain of \$265,116, and the Mass Transit Fund had a loss of \$126,237.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City of Salisbury's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Salisbury's financing requirements.

The General Fund is the chief operating fund of the City of Salisbury. At the end of the current fiscal year, the City's fund balance available for appropriation in the General Fund was \$14,713,186, while total fund balance reached \$19,769,537. Salisbury's City Council has determined that the City should maintain an available fund balance of at least 10% of general fund balance expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 37.3% of general fund expenditures, while total fund balance represents 50.2% of the same amount.

At June 30, 2018, the governmental funds of the City of Salisbury reported a combined fund balance of \$19,804,704, a 1.5% increase from last year. As discussed earlier, increased property taxes, sales taxes, and utility franchise taxes are primarily responsible for this increase.

General Fund Budgetary Highlights - During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Total amendments to the General Fund increased revenues and other sources of funds and expenditures by \$662,679. The difference between the original budget and the final amended budget can be briefly summarized as follows:

- The City appropriated \$123,870 in proceeds from the sales of surplus equipment and \$104,743 from the prior year sale of home as part of the City's housing revitalization initiative (Fund Balance Appropriated).
- The City appropriated \$159,935 for various donations that helped fund a new Teen Center, our annual Sculpture Show, the 2nd annual Cheerwine Festival, and the Project SAFE.
- The City appropriated \$65,300 of funds restricted for the Police Department.
- The City appropriated \$194,331 in additional Fund Balance Appropriated and \$14,500 in Insurance Proceeds.

Some revenues were less than the budgeted amounts primarily because some appropriated grant funds and donations had not been earned, and therefore not received by June 30, 2018. The City had not earned these funds because the related expenditures had not been made. Therefore, these unearned grants had no effect on the General Fund's change in fund balance, which increased by \$269,927 during the fiscal year ended June 30, 2018.

Proprietary Funds

The City of Salisbury's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Total Net Position of the Proprietary Funds was \$108,230,025 at the end of the fiscal year. Of that amount, \$85,462,699 represents the Net Investment in Capital Assets and \$22,767,326 is unrestricted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Salisbury's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$172,433,100 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, fiber optic lines, water and sewer treatment facilities, and water and sewer lines. The City's capital assets in the governmental-type assets increased 1.7%, and capital assets in the business-type activities decreased by 3.2%. The City recorded total depreciation of \$9.9 million.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- The City purchased two new fire trucks for \$1,966,200.
- The City purchased a new garbage truck for \$230,335, two new dump trucks for \$456,786, and various other maintenance equipment for \$178,036.
- The City purchased and equipped ten new police vehicles for \$366,559.
- The City purchased two new maintenance trucks in the Stormwater Fund for \$130,449.
- The City installed six new bus shelters for the Transit system for \$61,855.
- In the Water and Sewer Fund, the City capitalized its new Advanced Metering Infrastructure project (smart meters) at \$6,279,456, floating reservoir covers for \$521,007, and upgrades to the Grant's Creek wastewater treatment plant for \$164,947.

CITY OF SALISBURY'S CAPITAL ASSETS
(net of depreciation)

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 7,890,708	\$ 7,890,708	\$ 2,278,119	\$ 2,278,119	\$ 10,168,827	\$ 10,168,827
Construction in progress	932,922	152,919	7,365	5,655,277	940,287	5,808,196
Buildings	6,611,620	6,890,806	13,010,569	13,476,398	19,622,189	20,367,204
Improvements other than buildings	6,288,046	6,499,914	-	-	6,288,046	6,499,914
Equipment	1,997,884	2,577,356	1,565,952	1,958,486	3,563,836	4,535,842
Vehicles and motorized equipment	6,432,092	4,175,657	656,506	726,872	7,088,598	4,902,529
Infrastructure	9,051,600	10,359,773	115,709,717	113,474,895	124,761,317	123,834,668
Total	\$ 39,204,872	\$ 38,547,133	\$ 133,228,228	\$ 137,570,047	\$ 172,433,100	\$ 176,117,180

Additional information on the City's capital assets can be found in note 3.A.5. of the Basic Financial Statements. Long-term Debt.

As of June 30, 2018, the City of Salisbury had total long-term debt outstanding of \$53,767,727 (not including compensated absences, pension liabilities, and other postemployment benefits). Of this, \$20,674,124 represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The City owes \$30,885,824 on various installment purchases, including \$25,140,000 of debt on the City's Broadband utility system. This debt was refunded in July 2018.

CITY OF SALISBURY'S OUTSTANDING DEBT

(not including compensated absences or postemployment benefits)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue bonds	\$ -	\$ -	\$ 20,674,124	\$ 22,777,243	\$ 20,674,124	\$ 22,777,243
State bond loans	-	-	1,220,000	1,830,000	1,220,000	1,830,000
Capital leases	-	-	1,639,779	1,909,269	1,639,779	1,909,269
Installment purchases	4,235,005	2,982,289	25,850,819	28,010,059	30,085,824	30,992,348
HUD Section 108 loan	148,000	180,000	-	-	148,000	180,000
Total	\$ 4,383,005	\$ 3,973,761	\$ 49,384,722	\$ 54,526,571	\$ 53,767,727	\$ 57,688,860

The City of Salisbury's total outstanding debt decreased by \$3,921,133 (6.8%) during the past fiscal year. The City has reduced its total outstanding debt by \$28,391,637 in the last five years.

As mentioned in the financial highlights section of this document, the City's bond ratings are strong and stable. In the past fiscal year, Fitch Ratings affirmed its rating of A+ and Moody's Investor Services affirmed its rating of A3 on revenue bond issues. Both Fitch and Moody's reported a Positive outlook for the City. Moody's stated that their Positive outlook was based, in part, on the City's maintenance of healthy reserves. Fitch's report mentioned the Water and Sewer Fund's strong liquidity and debt service coverage.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Salisbury is \$197,701,408.

Additional information regarding the City of Salisbury's long-term debt can be found in Note 3.B.6 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following key indicators show that Salisbury continues to make significant progress in the recovery from the most recent recession.

- Average unemployment in Rowan County for the fiscal year ended June 30, 2018, was 4.4%, which is down from the 5.2% unemployment of the fiscal year ended June 30, 2017. The average unemployment rate for the State of North Carolina for the past fiscal year was 4.4%, which is down from 4.9% for the previous fiscal year.
- Retail sales continued to be strong in fiscal year ended June 30, 2018. The County's sales subject to North Carolina sales taxes increased over \$15.4 million from the previous year to \$1,298,728,129. This is the highest sales total in the County's history. This increase can be attributed, in part, to the aforementioned changes to sales tax laws made by the NC State General Assembly. Although sales tax information is no longer published for cities by the NC Department of Revenue, sales in the City have historically accounted for about two-thirds of sales in the County. The City's sales tax revenues increased \$317,121 from the previous year to \$7,604,426. This total represents a 39.6% increase over the last five fiscal years.
- The total value of building permits issued in Rowan County for the past fiscal year was \$167 million. This represents an increase from the prior fiscal year of \$31.8 million, a 24% increase. This total value is the highest the City has seen since the fiscal year ended June 30, 2008.
- The occupancy rates for first floor office and retail space in the City's downtown area has remained steady at almost 90%. The additions of the craft breweries and several new restaurants, and the future development of the Empire Hotel should spur additional redevelopment and renovation projects.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2019

Governmental Activities

General Fund – In FY2019, the General Fund budget is up 6.2% from the prior fiscal to \$45.1 million. City Council approved a one-cent increase in the property tax rate, which will provide \$280,000 in additional revenue. City Council appropriated \$3.4 million in Fund Balance to pay for improvements and extension

to Newsome Road, the purchase of a new Quint fire truck, purchase of new Enterprise Resource Planning software, the creation of a Housing Stabilization Fund, and a contribution to the new Bell Tower Green Park.

Personnel costs will increase due to market adjustments for our Public Service employees, a 1.8% Cost of Living Adjustment (COLA) for all qualifying employees, and 1.2% merit raise for employees whose annual evaluations reflect their commitment to exceptional service.

Business-Type Activities

Water and Sewer Fund – Water and Sewer rates will increase by 2.15% for the fiscal year ending June 30, 2019, based on the Consumer Price Index for urban consumers in the South Region. As with the General Fund, there will be a 1.8% COLA and an average 1.2% merit raise for eligible employees, along with increases due to the added fringe benefit costs. We have developed a 10-year Capital Improvement Plan (CIP) to adequately fund the system’s infrastructure needs while maintaining competitive rates in our region. The FY19 budget dedicates funding to complete the final designs and begin construction on improvements to the Crane Creek sewer lift station and force main. Sanitary sewer rehabilitation and waterline replacement projects are also included in the FY19 budget. The City will also continue the Water and Sewer Fund’s incentive fund for public/private fire lines that has stimulated downtown residential development, as well as offer more substantial fire protection in the historic district. The funding for the FY19 CIP will be provided by revenue growth from the rate increase and new developments within our service area.

Broadband Services Fund – The City had a successful referendum that approved a public/private partnership with Hotwire Communications for the lease of our broadband utility. Hotwire will take over the operations of the utility in FY19. The Broadband Services Fund will continue to depend on contributions from the General Fund until revenues from the lease agreement become sufficient to cover all expenses of the fund. The FY19 budget includes \$300,000 in principal payment on its inter-fund loan from the Water and Sewer Fund.

Mass Transit Fund – The City’s Mass Transit System has recently been re-classified as an Urban Transit System. The City continues to work with our Metropolitan Planning Organization (MPO) and other transit systems within our MPO to ensure adequate funding for the Transit system. The FY19 budget includes bringing the Americans with Disabilities Act (ADA) transit in-house. These services had been previously contracted out with a third-party provider.

Stormwater Fund – The FY19 budget includes a restructuring of stormwater fees to provide a more equitable distribution of fees between our residential and non-residential customers. Commercial properties with larger areas of impervious surface will pay the equivalent amount per impervious surface as an average home in Salisbury. This will allow for a decrease in the Equivalent Residential Unit rate while still providing enough funding for several large stormwater projects needed to reduce flooding and pollution and maintain compliance with our existing National Pollutant Discharge Elimination Systems permit.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money received. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, City of Salisbury, 132 North Main Street, Salisbury, NC 28144.

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CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2018

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Downtown</u>	<u>Salisbury Tourism</u>
	<u>Activities</u>	<u>Activities</u>		<u>Salisbury, Inc.</u>	<u>and Cultural</u>
				<u>Development</u>	
<u>ASSETS</u>				<u>Commission</u>	
Cash and investments	\$ 21,809,049	\$ 21,680,237	\$ 43,489,286	\$ 55,628	\$ -
Taxes receivables (net)	584,086	-	584,086	-	-
Accrued interest receivable on taxes	97,699	-	97,699	-	-
Accounts receivable (net)	889,540	5,090,526	5,980,066	-	-
Settlement Receivable	-	1,000,000	1,000,000	-	-
Interest receivable	50,109	47,365	97,474	-	-
Due from other governments	3,571,642	25,857	3,597,499	-	-
Inventories	408,438	863,695	1,272,133	-	-
Prepaid items	165,510	-	165,510	-	-
Real estate held for investment	-	-	-	880,000	-
Restricted cash and cash equivalents	471,538	862,814	1,334,352	1,084	-
Total current assets	<u>\$ 28,047,611</u>	<u>\$ 29,570,494</u>	<u>\$ 57,618,105</u>	<u>\$ 936,712</u>	<u>\$ -</u>
Non-current assets					
Settlement receivable	\$ -	\$ 550,000	\$ 550,000	\$ -	\$ -
Capital assets					
Land, improvements, and construction in progress	8,823,630	2,285,484	11,109,114	-	-
Other capital assets, net of depreciation	30,381,242	130,942,744	161,323,986	8,934	-
Total non-current assets	<u>\$ 39,204,872</u>	<u>\$ 133,778,228</u>	<u>\$ 172,983,100</u>	<u>\$ 8,934</u>	<u>\$ -</u>
Total assets	<u>\$ 67,252,483</u>	<u>\$ 163,348,722</u>	<u>\$ 230,601,205</u>	<u>\$ 945,646</u>	<u>\$ -</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>					
Deferred amount on refunding	\$ -	\$ 1,619,193	\$ 1,619,193	\$ -	\$ -
Pension Deferrals	1,554,347	686,110	2,240,457	-	-
OPEB Deferrals	437,206	178,837	616,043	-	-
Contributions to pension plan in current fiscal year	1,279,416	462,395	1,741,811	-	-
	<u>\$ 3,270,969</u>	<u>\$ 2,946,535</u>	<u>\$ 6,217,504</u>	<u>\$ -</u>	<u>\$ -</u>
<u>LIABILITIES</u>					
Accounts payable and accrued expenses	\$ 3,281,669	\$ 1,492,584	\$ 4,774,253	\$ -	\$ -
Accrued interest payable	33,397	408,135	441,532	9,912	-
Advances from grantors	293,517	50,000	343,517	-	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	812,814	812,814	6,000	-
Long-term liabilities:					
Net pension liability (LGERS)	3,423,874	1,400,521	4,824,395	-	-
Total pension liability (LEOSSA)	2,532,295	-	2,532,295	-	-
Total OPEB liability	8,802,428	3,600,598	12,403,026	-	-
Due within one year	1,229,274	5,151,062	6,380,336	44,383	-
Due in more than one year	4,761,442	44,792,630	49,554,072	740,019	-
Total liabilities	<u>\$ 24,357,896</u>	<u>\$ 57,708,344</u>	<u>\$ 82,066,240</u>	<u>\$ 800,314</u>	<u>\$ -</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Prepaid taxes	\$ 27,776	\$ -	\$ 27,776	\$ -	\$ -
Pension deferrals	445,071	196,460	641,531	-	-
OPEB deferrals	392,199	160,428	552,627	-	-
Total deferred inflows of resources	<u>\$ 865,046</u>	<u>\$ 356,888</u>	<u>\$ 1,221,934</u>	<u>\$ -</u>	<u>\$ -</u>
<u>NET POSITION</u>					
Net investments in capital assets	\$ 34,821,867	\$ 85,462,699	\$ 120,284,566	\$ 8,934	\$ -
Restricted for:					
Stabilization by State Statute	4,525,228	-	4,525,228	-	-
Community Development	332,246	-	332,246	1,082	-
Public Safety	16,555	-	16,555	-	-
Cultural and Recreation	122,737	-	122,737	-	-
Unrestricted	5,481,877	22,767,326	28,249,203	135,316	-
Total net position	<u>\$ 45,300,510</u>	<u>\$ 108,230,025</u>	<u>\$ 153,530,535</u>	<u>\$ 145,332</u>	<u>\$ -</u>

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

CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total Primary Government	Downtown Salisbury, Inc.	Salisbury Tourism and Cultural Development Commission
Primary government:									
Governmental Activities:									
General government	\$ 5,851,064	\$ 1,322,710	\$ -	\$ -	\$ (4,528,354)	\$ -	\$ (4,528,354)	\$ -	\$ -
Public safety	14,493,040	545,128	132,140	-	(13,815,772)	-	(13,815,772)	-	-
Transportation	6,272,733	157,331	1,143,746	341,527	(4,630,129)	-	(4,630,129)	-	-
Environmental protection	1,572,672	2,116,264	-	-	543,592	-	543,592	-	-
Culture and recreation	1,835,329	116,179	139,220	91,062	(1,488,868)	-	(1,488,868)	-	-
Community and economic development	2,551,516	244,467	327,731	-	(1,979,318)	-	(1,979,318)	-	-
Education	40,000	-	-	-	(40,000)	-	(40,000)	-	-
Interest and fees on long-term debt	101,224	-	-	-	(101,224)	-	(101,224)	-	-
Total governmental activities	\$ 32,717,578	\$ 4,502,079	\$ 1,742,837	\$ 432,589	\$ (26,040,073)	\$ -	\$ (26,040,073)	\$ -	\$ -
Business-type activities:									
Water and Sewer	\$ 22,891,351	\$ 25,559,903	\$ -	\$ -	\$ -	\$ 2,668,552	\$ 2,668,552	\$ -	\$ -
Broadband Services	6,441,550	4,556,657	-	1,550,000	-	(334,893)	(334,893)	-	-
Stormwater	1,084,170	1,337,125	-	-	-	252,955	252,955	-	-
Mass Transit	1,322,216	156,538	568,628	-	-	(597,050)	(597,050)	-	-
Total business-type activities	\$ 31,739,287	\$ 31,610,223	\$ 568,628	\$ 1,550,000	\$ -	\$ 1,989,564	\$ 1,989,564	\$ -	\$ -
Total primary government	\$ 64,456,865	\$ 36,112,302	\$ 2,311,465	\$ 1,982,589	\$ (26,040,073)	\$ 1,989,564	\$ (24,050,509)	\$ -	\$ -
Component units:									
Downtown Salisbury, Inc.	\$ 204,549	\$ 51,447	\$ 105,000	\$ 37,538	\$ -	\$ -	\$ -	\$ (10,564)	\$ -
Salisbury Tourism and Cultural Development Commission	394,880	-	-	-	-	-	-	-	(144,908)
Total Component Units	\$ 599,429	\$ 51,447	\$ 105,000	\$ 37,538	\$ -	\$ -	\$ -	\$ (10,564)	\$ (144,908)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					\$ 20,424,124	\$ -	\$ 20,424,124	\$ 2,073	\$ -
Local option sales taxes					7,604,426	-	7,604,426	-	-
Occupancy taxes					-	-	-	-	109,836
Unrestricted intergovernmental revenues					3,308,275	-	3,308,275	-	-
Unrestricted investment earnings					237,341	272,443	509,784	-	12
Total general revenues					\$ 31,574,166	\$ 272,443	\$ 31,846,609	\$ 2,073	\$ 109,848
Transfers					(3,806,035)	3,806,035	-	-	-
Total general revenues and transfers					\$ 27,768,131	\$ 4,078,478	\$ 31,846,609	\$ 2,073	\$ 109,848
Change in net position					\$ 1,728,058	\$ 6,068,042	\$ 7,796,100	\$ (8,491)	\$ (35,060)
Net position-beginning					\$ 47,241,576	\$ 103,182,244	\$ 150,423,820	\$ 153,823	\$ 35,060
Restatement					(3,669,124)	(1,020,261)	(4,689,385)	-	-
Net position, beginning, restated					\$ 43,572,452	\$ 102,161,983	\$ 145,734,435	\$ 153,823	\$ 35,060
Net position-ending					\$ 45,300,510	\$ 108,230,025	\$ 153,530,535	\$ 145,332	\$ -

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

A-3
CITY OF SALISBURY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

<u>ASSETS</u>	<u>General Fund</u>	<u>Non-Major Community Development Fund</u>	<u>Total Government Funds</u>
Cash and investments	\$ 17,143,482	\$ 39,587	\$ 17,183,069
Taxes receivable, net	584,086	-	584,086
Accounts receivable, net	887,006	605	887,611
Interest receivable	39,975	-	39,975
Due from other governments	3,529,422	42,220	3,571,642
Due from other fund	26,000	-	26,000
Inventories	408,438	-	408,438
Prepaid items	165,510	-	165,510
Restricted cash and investments	471,538	-	471,538
Total assets	<u>\$ 23,255,457</u>	<u>\$ 82,412</u>	<u>\$ 23,337,869</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,580,541	\$ 21,245	\$ 2,601,786
Due to other fund	-	26,000	26,000
Advances from grantors	293,517	-	293,517
Total liabilities	<u>\$ 2,874,058</u>	<u>\$ 47,245</u>	<u>\$ 2,921,303</u>
Deferred Inflows of Resources:			
Property taxes receivable	\$ 584,086	\$ -	\$ 584,086
Prepaid taxes	27,776	-	27,776
Total deferred inflows of resources	<u>\$ 611,862</u>	<u>\$ -</u>	<u>\$ 611,862</u>
Fund balances:			
Nonspendable:			
Inventories	\$ 408,438	\$ -	\$ 408,438
Prepaid items	165,510	-	165,510
Restricted:			
Stabilization by State Statute	4,482,403	42,825	4,525,228
Community Development	332,246	-	332,246
Public Safety	16,555	-	16,555
Cultural and Recreation	122,737	-	122,737
Committed:			
Capital Replacement	3,504,834	-	3,504,834
LEO Special Separation Allowance	638,980	-	638,980
Assigned: Subsequent Year's Budget	3,400,440	-	3,400,440
Unassigned	6,697,394	(7,658)	6,689,736
Total fund balances	<u>\$ 19,769,537</u>	<u>\$ 35,167</u>	<u>\$ 19,804,704</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 23,255,457</u>	<u>\$ 82,412</u>	<u>\$ 23,337,869</u>

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

A-3
CITY OF SALISBURY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

Amounts reported for governmental activities in the statement of net position (Schedule A-2) are different because:

Total Fund Balance, Governmental Funds		\$ 19,804,704
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 95,771,661	
Accumulated depreciation	<u>(56,566,789)</u>	39,204,872
Deferred outflows of resources related to pensions are not reported in the funds		2,833,763
Deferred outflows of resources related to OPEB are not reported in the funds		437,206
Other long-term assets are not available to pay for current-period expenditures and therefore are not inflows of resources in the funds:		
Accrued interest receivable from taxes		97,699
Internal service funds are used by management to charge the costs of certain activities, such as self insurance for health care and workers compensation, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		3,958,160
Deferred inflows of resources for property taxes receivable		584,086
Pension related deferrals		(445,071)
Deferred inflows of resources related to OPEB are not reported in the funds		(392,199)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds:		
Long-term debt		(4,383,005)
Accrued interest on long-term debt		(33,397)
Net pension liability - LGERS		(3,423,874)
Total OPEB liability		(8,802,428)
Total pension liability - Law Enforcement Separation Allowance		(2,532,295)
Accrued compensated absences		<u>(1,607,711)</u>
Net position of governmental activities		<u><u>\$ 45,300,510</u></u>

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

CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Non-Major Community Development Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 20,459,496	\$ -	\$ 20,459,496
Unrestricted intergovernmental	10,912,701	-	10,912,701
Restricted intergovernmental	1,714,320	289,936	2,004,256
Charges for services	3,994,844	-	3,994,844
Miscellaneous	<u>638,311</u>	<u>241,034</u>	<u>879,345</u>
Total revenues	<u>\$ 37,719,672</u>	<u>\$ 530,970</u>	<u>\$ 38,250,642</u>
EXPENDITURES			
Current:			
General government	\$ 5,551,664	\$ 84,193	\$ 5,635,857
Public safety	17,602,625	-	17,602,625
Transportation	4,989,137	-	4,989,137
Environmental protection	1,785,265	-	1,785,265
Culture and recreation	2,577,902	-	2,577,902
Community and economic development	2,265,100	375,191	2,640,291
Education	40,000	-	40,000
Debt service:			
Principal	709,472	32,000	741,472
Interest and fees	<u>84,733</u>	<u>8,995</u>	<u>93,728</u>
Total expenditures	<u>\$ 35,605,898</u>	<u>\$ 500,379</u>	<u>\$ 36,106,277</u>
Surplus of revenues over expenditures	<u>\$ 2,113,774</u>	<u>\$ 30,591</u>	<u>\$ 2,144,365</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	\$ (3,806,035)	\$ -	\$ (3,806,035)
Long-term debt issued	<u>1,962,188</u>	<u>-</u>	<u>1,962,188</u>
Total other financing sources	<u>\$ (1,843,847)</u>	<u>\$ -</u>	<u>\$ (1,843,847)</u>
Net change in fund balance	\$ 269,927	\$ 30,591	\$ 300,518
Fund balances-beginning	<u>\$ 19,499,610</u>	<u>\$ 4,576</u>	<u>\$ 19,504,186</u>
Fund balances-ending	<u>\$ 19,769,537</u>	<u>\$ 35,167</u>	<u>\$ 19,804,704</u>

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

CITY OF SALISBURY, NORTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds		\$ 300,518
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in deferred inflow of resources for property tax revenues	\$ (15,958)	
Changes in accrued interest receivable on taxes	<u>(19,414)</u>	(35,372)
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:		
Capital outlay expenditures which were capitalized	\$ 4,204,158	
Depreciation expense for governmental assets	<u>(3,546,419)</u>	657,739
Contributions to the the pension plan in the current fiscal year are not included on the Statement of Activities		1,130,429
Benefit payments paid for the LEOSSA are not included on the Statement of Activities		148,984
Net revenue of Internal Service Funds determined to be Governmental Fund Type		2,178,973
The issuance of long-term debt provides current financial resources to		
Issuance of long-term debt	\$ (1,962,188)	
Principal payments on long-term debt	741,472	
Increase in accrued interest payable	<u>(7,496)</u>	(1,228,212)
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.		
Change in compensated absences	\$ (267,273)	
Pension expense	(1,134,073)	
Change in OPEB liability	<u>(23,655)</u>	<u>(1,425,001)</u>
Total changes in net position of governmental activities		<u>\$ 1,728,058</u>

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

**CITY OF SALISBURY, NORTH CAROLINA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL**

For the Year Ended June 30, 2018

	<u>General Fund</u>			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 20,372,599	\$ 20,372,599	\$ 20,459,496	\$ 86,897
Unrestricted intergovernmental	10,374,800	10,374,800	10,912,701	537,901
Restricted intergovernmental	2,495,028	2,560,328	1,714,320	(846,008)
Charges for services	3,567,596	3,734,937	3,994,844	259,907
Miscellaneous	<u>439,211</u>	<u>570,175</u>	<u>638,311</u>	<u>68,136</u>
Total revenues	<u>\$ 37,249,234</u>	<u>\$ 37,612,839</u>	<u>\$ 37,719,672</u>	<u>\$ 106,833</u>
Expenditures:				
Current:				
General government	\$ 6,224,954	\$ 6,012,291	\$ 5,551,664	\$ 460,627
Public safety	17,043,462	17,922,209	17,602,625	319,584
Transportation	7,174,195	6,401,285	4,989,137	1,412,148
Environmental protection	1,658,019	1,798,442	1,785,265	13,177
Cultural and recreation	2,320,618	2,798,044	2,577,902	220,142
Community and economic development	2,579,720	2,731,376	2,265,100	466,276
Education	40,000	40,000	40,000	-
Debt service:				
Principal retirement	866,615	866,615	709,472	157,143
Interest and fees	<u>117,900</u>	<u>117,900</u>	<u>84,733</u>	<u>33,167</u>
Total expenditures	<u>\$ 38,025,483</u>	<u>\$ 38,688,162</u>	<u>\$ 35,605,898</u>	<u>\$ 3,082,264</u>
Surplus of revenues over expenditures	<u>\$ (776,249)</u>	<u>\$ (1,075,323)</u>	<u>\$ 2,113,774</u>	<u>\$ 3,189,097</u>
Other financing sources (uses):				
Transfers to other funds	\$ (3,806,035)	\$ (3,806,035)	\$ (3,806,035)	\$ -
Long-term debt issued	2,170,305	2,170,305	1,962,188	(208,117)
Fund balance appropriated	<u>2,411,979</u>	<u>2,711,053</u>	<u>-</u>	<u>(2,711,053)</u>
Total other financing sources (uses)	<u>\$ 776,249</u>	<u>\$ 1,075,323</u>	<u>\$ (1,843,847)</u>	<u>\$ (2,919,170)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,927</u>	<u>\$ 269,927</u>
Fund balances, beginning of year			<u>19,499,610</u>	
Fund balances, end of year			<u>\$ 19,769,537</u>	

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

A-7
CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Enterprise Funds					Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 19,345,625	\$ 418,046	\$ 1,260,226	\$ 656,340	\$ 21,680,237	\$ 4,625,980
Accounts receivable (net)	3,982,940	860,245	220,949	26,392	5,090,526	1,929
Settlement receivable	-	1,000,000	-	-	1,000,000	-
Interest receivable	42,984	915	2,141	1,325	47,365	10,134
Due from other governments	17,805	861	2,068	5,123	25,857	-
Inventories	408,729	450,618	-	4,348	863,695	-
Restricted assets:						
Cash and cash equivalents	848,114	14,700	-	-	862,814	-
Total current assets	\$ 24,646,197	\$ 2,745,385	\$ 1,485,384	\$ 693,528	\$ 29,570,494	\$ 4,638,043
Noncurrent assets:						
Due from other fund	\$ 6,801,961	\$ -	\$ -	\$ -	\$ 6,801,961	\$ -
Settlement receivable	-	550,000	-	-	550,000	-
Capital assets:						
Land	2,278,119	-	-	-	2,278,119	-
Buildings and improvements	201,973,527	25,973,590	-	644,200	228,591,317	-
Equipment	11,939,374	586,207	380,974	2,145,635	15,052,190	-
Construction in progress	7,365	-	-	-	7,365	-
Accumulated depreciation	(104,627,330)	(5,299,799)	(138,321)	(2,635,313)	(112,700,763)	-
Total noncurrent assets	\$ 118,373,016	\$ 21,809,998	\$ 242,653	\$ 154,522	\$ 140,580,189	\$ -
Total assets	\$ 143,019,213	\$ 24,555,383	\$ 1,728,037	\$ 848,050	\$ 170,150,683	\$ 4,638,043
Deferred outflow of resources						
Deferred amount on refunding	\$ -	\$ 1,619,193	\$ -	\$ -	\$ 1,619,193	\$ -
Pension dererrals	442,203	132,117	50,813	60,977	686,110	-
OPEB Deferrals	115,262	34,437	13,244	15,894	178,837	-
Contributions to pension plan	298,018	89,037	34,246	41,094	462,395	-
	\$ 855,483	\$ 1,874,784	\$ 98,303	\$ 117,965	\$ 2,946,535	\$ -
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 907,342	\$ 473,838	\$ 77,101	\$ 34,303	\$ 1,492,584	\$ 679,883
Interest payable	235,034	173,101	-	-	408,135	-
Bonds, notes, and loans payable	3,025,165	2,070,000	-	-	5,095,165	-
Advances from grantors	50,000	-	-	-	50,000	-
Compensated absences	42,208	6,630	2,189	4,870	55,897	-
Liabilities payable from restricted assets						
Customer deposits	798,114	14,700	-	-	812,814	-
Total current liabilities	\$ 5,057,863	\$ 2,738,269	\$ 79,290	\$ 39,173	\$ 7,914,595	\$ 679,883
Noncurrent liabilities:						
Bonds, notes, and loans payable	\$ 21,219,557	\$ 23,070,000	\$ -	\$ -	\$ 44,289,557	\$ -
Due to other fund	-	6,801,961	-	-	6,801,961	-
Net pension liability	902,644	269,684	103,724	124,469	1,400,521	-
Total OPEB liability	2,320,606	693,329	266,665	319,998	3,600,598	-
Compensated absences	379,869	59,672	19,706	43,826	503,073	-
Total noncurrent liabilities	\$ 24,822,676	\$ 30,894,646	\$ 390,095	\$ 488,293	\$ 56,595,710	\$ -
Total liabilities	\$ 29,880,539	\$ 33,632,915	\$ 469,385	\$ 527,466	\$ 64,510,305	\$ 679,883
Deferred inflow of resources						
Pension deferrals	\$ 126,620	\$ 37,830	\$ 14,550	\$ 17,460	\$ 196,460	\$ -
OPEB deferrals	103,397	30,892	11,881	14,258	160,428	-
	\$ 230,017	\$ 68,722	\$ 26,431	\$ 31,718	\$ 356,888	\$ -
NET POSITION						
Net investment in capital assets	\$ 87,326,333	\$ (2,260,809)	\$ 242,653	\$ 154,522	\$ 85,462,699	\$ -
Unrestricted	26,437,807	(5,010,661)	1,087,871	252,309	22,767,326	3,958,160
Total net position	\$ 113,764,140	\$ (7,271,470)	\$ 1,330,524	\$ 406,831	\$ 108,230,025	\$ 3,958,160

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

CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Enterprise Funds					Governmental
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 23,853,559	\$ 4,420,310	\$ 1,335,057	\$ 133,830	\$ 29,742,756	\$ 6,707,331
Water and sewer taps	551,858	-	-	-	551,858	-
Other operating revenues	<u>1,154,486</u>	<u>136,347</u>	<u>2,068</u>	<u>22,708</u>	<u>1,315,609</u>	<u>-</u>
Total operating revenues	<u>\$ 25,559,903</u>	<u>\$ 4,556,657</u>	<u>\$ 1,337,125</u>	<u>\$ 156,538</u>	<u>\$ 31,610,223</u>	<u>\$ 6,707,331</u>
OPERATING EXPENSES						
Management and administration	\$ 5,391,586	\$ 576,774	\$ 662,846	\$ 312,575	\$ 6,943,781	\$ 4,564,759
Water resources	3,115,509	-	-	-	3,115,509	-
Maintenance and construction	3,093,062	-	-	-	3,093,062	-
Wastewater collection and treatment	4,176,061	-	-	-	4,176,061	-
Environmental services	611,505	-	-	-	611,505	-
Broadband sales and marketing	-	220,528	-	-	220,528	-
Broadband programming	-	1,746,117	-	-	1,746,117	-
Broadband services	-	1,042,658	-	-	1,042,658	-
Broadband service delivery	-	1,217,332	-	-	1,217,332	-
Stormwater program	-	-	389,172	-	389,172	-
Mass transit operations	-	-	-	893,238	893,238	-
Depreciation	<u>5,509,808</u>	<u>695,405</u>	<u>32,152</u>	<u>116,403</u>	<u>6,353,768</u>	<u>-</u>
Total operating expenses	<u>\$ 21,897,531</u>	<u>\$ 5,498,814</u>	<u>\$ 1,084,170</u>	<u>\$ 1,322,216</u>	<u>\$ 29,802,731</u>	<u>\$ 4,564,759</u>
Operating income (loss)	<u>\$ 3,662,372</u>	<u>\$ (942,157)</u>	<u>\$ 252,955</u>	<u>\$ (1,165,678)</u>	<u>\$ 1,807,492</u>	<u>\$ 2,142,572</u>
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	\$ 247,746	\$ 7,045	\$ 12,161	\$ 5,491	\$ 272,443	\$ 36,401
Interest and other charges	(993,820)	(942,736)	-	-	(1,936,556)	-
Settlement proceeds	-	1,550,000	-	-	1,550,000	-
Intergovernmental revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>568,628</u>	<u>568,628</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>\$ (746,074)</u>	<u>\$ 614,309</u>	<u>\$ 12,161</u>	<u>\$ 574,119</u>	<u>\$ 454,515</u>	<u>\$ 36,401</u>
Income (loss) before transfers	\$ 2,916,298	\$ (327,848)	\$ 265,116	\$ (591,559)	\$ 2,262,007	\$ 2,178,973
Transfers from other funds	<u>-</u>	<u>3,340,713</u>	<u>-</u>	<u>465,322</u>	<u>3,806,035</u>	<u>-</u>
Change in net position	\$ 2,916,298	\$ 3,012,865	\$ 265,116	\$ (126,237)	\$ 6,068,042	\$ 2,178,973
Net position, beginning, as originally reported	111,164,486	(9,821,072)	1,185,278	653,552	103,182,244	1,779,187
Restatement	<u>(316,644)</u>	<u>(463,263)</u>	<u>(119,870)</u>	<u>(120,484)</u>	<u>(1,020,261)</u>	<u>-</u>
Total net position, beginning, as restated	<u>\$ 110,847,842</u>	<u>\$ (10,284,335)</u>	<u>\$ 1,065,408</u>	<u>\$ 533,068</u>	<u>\$ 102,161,983</u>	<u>\$ 1,779,187</u>
Net position, ending	<u>\$ 113,764,140</u>	<u>\$ (7,271,470)</u>	<u>\$ 1,330,524</u>	<u>\$ 406,831</u>	<u>\$ 108,230,025</u>	<u>\$ 3,958,160</u>

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

A-9
CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 24,685,327	\$ 4,871,287	\$ 1,337,685	\$ 117,103	\$ 31,011,402	\$ -
Cash received from interfund services provided	-	-			-	6,706,889
Cash paid for goods and services	(10,689,871)	(3,204,446)	(582,706)	(525,703)	(15,002,726)	(4,798,578)
Cash paid to or on behalf of employees for services	(5,803,293)	(1,512,161)	(424,400)	(711,495)	(8,451,349)	-
Customer deposits received	270,131	10,900	-	-	281,031	-
Customer deposits returned	(212,225)	(7,700)	-	-	(219,925)	-
Other receipts	1,154,486	136,347	2,068	22,708	1,315,609	-
Net cash provided (used) by operating activities	<u>\$ 9,404,555</u>	<u>\$ 294,227</u>	<u>\$ 332,647</u>	<u>\$ (1,097,387)</u>	<u>\$ 8,934,042</u>	<u>\$ 1,908,311</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	\$ -	\$ 3,340,713	\$ -	\$ 465,322	\$ 3,806,035	\$ -
Decrease in due (to) from other funds	300,000	(300,000)	-	-	-	-
Intergovernmental revenues	-	-	-	773,086	773,086	-
Total cash flows provided by noncapital financing activities	<u>\$ 300,000</u>	<u>\$ 3,040,713</u>	<u>\$ -</u>	<u>\$ 1,238,408</u>	<u>\$ 4,579,121</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	\$ (2,027,197)	\$ -	\$ (130,449)	\$ (61,855)	\$ (2,219,501)	\$ -
Principal paid on bond maturities and equipment contracts	(3,111,849)	(2,030,000)	-	-	(5,141,849)	-
Interest paid on bond maturities and equipment contracts	(1,021,115)	(1,079,902)	-	-	(2,101,017)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (6,160,161)</u>	<u>\$ (3,109,902)</u>	<u>\$ (130,449)</u>	<u>\$ (61,855)</u>	<u>\$ (9,462,367)</u>	<u>\$ -</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES						
Investment earnings	<u>\$ 235,266</u>	<u>\$ 6,500</u>	<u>\$ 11,418</u>	<u>\$ 5,299</u>	<u>\$ 258,483</u>	<u>\$ 31,370</u>
Net increase (decrease) in cash and cash equivalents	\$ 3,779,660	\$ 231,538	\$ 213,616	\$ 84,465	\$ 4,309,279	\$ 1,939,681
Balances-beginning of the year	16,414,079	201,208	1,046,610	571,875	18,233,772	2,686,299
Balances-end of the year	<u>\$ 20,193,739</u>	<u>\$ 432,746</u>	<u>\$ 1,260,226</u>	<u>\$ 656,340</u>	<u>\$ 22,543,051</u>	<u>\$ 4,625,980</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	<u>\$ 3,662,372</u>	<u>\$ (942,157)</u>	<u>\$ 252,955</u>	<u>\$ (1,165,678)</u>	<u>\$ 1,807,492</u>	<u>\$ 2,142,572</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	\$ 5,509,808	\$ 695,405	\$ 32,152	\$ 116,403	\$ 6,353,768	\$ -
Pension expense	(17,674)	(5,279)	(2,031)	(2,437)	(27,421)	-
OPEB liability	6,236	1,863	717	860	9,676	-
Changes in current assets and liabilities:						
(Increase) decrease in accounts receivable	279,910	450,977	2,628	(16,727)	716,788	(442)
(Increase) decrease in inventory	(6,524)	96,657	-	(76)	90,057	-
(Increase) decrease in due from other governments	(1,435)	568	(511)	(150)	(1,528)	-
Increase (decrease) in accounts payable and accrued liabilities	(135,234)	44	51,889	(36,868)	(120,169)	(233,819)
Increase (decrease) in compensated absences payable	49,190	(7,051)	(5,152)	7,286	44,273	-
Increase in customer deposits	57,906	3,200	-	-	61,106	-
Total adjustments	<u>\$ 5,742,183</u>	<u>\$ 1,236,384</u>	<u>\$ 79,692</u>	<u>\$ 68,291</u>	<u>\$ 7,126,550</u>	<u>\$ (234,261)</u>
Net cash provided (used) by operating activities	<u>\$ 9,404,555</u>	<u>\$ 294,227</u>	<u>\$ 332,647</u>	<u>\$ (1,097,387)</u>	<u>\$ 8,934,042</u>	<u>\$ 1,908,311</u>

Note: Water and Sewer Fund Capital Asset acquisitions includes \$207,552 that was in Accounts Payable in the prior fiscal year.

The Broadband Services Fund received no cash as of June 30, 2018 from the settlement proceeds of \$1,550,000.

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

CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF NET POSITION
FIDUCIARY FUND

June 30, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 70,071
Interest receivable	99
Accounts receivable	<u>521,461</u>
 Total assets	 <u>\$ 591,631</u>
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	<u>\$ 591,631</u>
 Total liabilities	 <u>\$ 591,631</u>

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



CITY OF SALISBURY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies

The accounting policies of the City of Salisbury (City) and its discretely presented 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 City of Salisbury is a municipal corporation that is governed by an elected board of five city council members. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally separate entities for which the City is financially accountable. The discretely presented component units presented below are reported in separate columns in the City's financial statements in order to emphasize that they are legally separate from the City.

Discretely Presented Component Units

Downtown Salisbury, Inc. was created to serve the interests of merchants and property owners in the downtown Salisbury area. Eight board members, one of whom is appointed by the City Council, govern the Corporation. The Corporation's revenue sources are almost entirely dependent on the City Council's approval of a municipal service district tax levy and a supplemental appropriation as part of the annual budget process. Complete financial statements for the component unit may be obtained from the unit's administrative offices at Downtown Salisbury, Inc., 204 East Innes Street, Suite 260, Salisbury, NC 28144.

The Salisbury Tourism and Cultural Development Commission was created to market Salisbury and promote tourism and cultural development. The North Carolina General Legislature enacted session law 2009-428 which authorized the City of Salisbury to levy a room occupancy and tourism development tax, and the City Council adopted a resolution levying this tax on November 14, 2011. In June 2017, the North Carolina General Assembly approved SB552, NC Session Law 2017-202 which authorized the Rowan County Board of Commissioners to levy an additional 3% occupancy tax, to make administrative changes to Rowan County's existing legislation, and to repeal NC Session Law 2009-428, Part II, the City of Salisbury's Authority to levy an occupancy tax. The Rowan County Board of Commissioners adopted the administrative changes to the Rowan Tourism Authority upon passage of the legislation and set the repeal of the Salisbury occupancy tax for August 31, 2017 and the new 6% Rowan County occupancy tax effective September 1, 2017. As a result of these legislative changes, the Salisbury Tourism and Cultural Development Commission dissolved on December 29, 2017. Nine board members, all of whom were appointed by the City Council, governed the Commission. The Commission's revenue sources were entirely dependent on the City Council's approval of a hotel occupancy tax. Complete financial statements for the component unit may be obtained from the unit's administrative offices at the City of Salisbury, 132 North Main Street, Salisbury, NC 28144.

Related Organization

The Housing Authority of Salisbury's governing board is appointed entirely by the City's Mayor. However, the City has no further accountability for the Housing Authority's operations. Board members of the Housing Authority have full autonomy upon being appointed.

B. Basis of Presentation

Government-wide Statements – The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used have not been eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

by fees charged to external parties. Funds that are fiduciary in nature are not included in the Government-wide Statements.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid to 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 City'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 non-major funds.

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

The City reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, parks and recreation, and economic development.

The City reports the following non-major governmental fund:

Community Development Fund - Special revenue funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City maintains one Special Revenue Fund, a Community Development Fund. The Community Development Fund receives grant funds from the U. S. Department of Housing and Urban Development. The funds help low-moderate income families through housing rehabilitation and home ownership, and help stabilize neighborhoods by improving housing conditions and addressing infrastructure needs.

The City reports the following major enterprise funds:

Water and Sewer Fund – used to account for the City's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for reporting purposes. The budget for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

Broadband Services Fund – used to account for the City's broadband operations.

Stormwater Fund – used to account for the City's stormwater program.

Transit Fund – used to account for the City's mass transit system operations.

The City reports the following other fund types:

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by an activity to other departments or funds on a cost-reimbursement basis. The City has two Internal Service Funds: the Workers' Compensation Fund and the Employee Health Care Fund. The City's Internal Service Funds are presented in the proprietary fund financial statements. Because the principal user of the Internal Service Fund is the General Fund, the financial statements of the Internal Service Funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public safety, transportation, etc.).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Agency Funds – Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City maintains the Boards and Commissions Fund, the Municipal Service District Fund, the Town of East Spencer Utilities Fund, the Rowan County Utility Fund, the Town of Rockwell Garbage Fund, the Town of Granite Quarry Garbage Fund, the Town of Spencer Garbage Fund, the Salisbury-Rowan Human Relations Council Fund, and the Tourism and Cultural Development Commission Fund.

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

In accordance with North Carolina General Statutes, all funds of the City 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. 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 the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue tap fees intended to recover the cost of connecting new customers to the system. 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 non-operating 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 City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual in the governmental funds. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Salisbury because the tax is levied by Rowan County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes are reported as general revenues rather than program revenues. Grant revenues which are unearned at year-end are recorded as unearned grant revenues. Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical 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 City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General, Special Revenue, and Enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Enterprise Capital Projects Fund, which is consolidated with the operating funds for reporting purposes. These appropriations continue until the project is completed. The City has two internal service funds, the Workers' Compensation Fund and the Employee Health Care Fund, that operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Budget Ordinance amendments are required for any revisions that alter total expenditures of any fund. All such amendments must be approved by the City Council. During the year, several Budget Ordinance amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the City and its component units are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and its component units may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and its component units 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 City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Downtown Salisbury, Inc. and the Salisbury Tourism and Cultural Development Commission consider all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

3. Restricted Assets

Unexpended debt proceeds are classified as restricted assets in the Balance Sheet because their use is completely restricted for the purpose for which the debt was originally issued. Unexpended assessments include amounts held for the future developments and sidewalk construction. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Unexpended grants and donations are classified as restricted assets because those funds have been received, but not spent on the designated project as of June 30.

	Governmental Activities	Business Type Activities	Total
Unexpended grants and donations	\$ 293,517	\$ 50,000	\$ 343,517
Unexpended assesments	178,021	-	178,021
Customer Deposits	-	812,814	812,814
	\$ 471,538	\$ 862,814	\$ 1,334,352

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of parts used to maintain the City's vehicles.

The inventories of the City's Water and Sewer Fund and Broadband Services Fund consist of materials and supplies held for subsequent use. The inventories are valued at cost, on a weighted-average cost basis, which approximates market. The costs of these inventories are recorded as expenditures when used rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than a specified amount and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: buildings, \$10,000; furniture and equipment, \$5,000; infrastructure, \$100,000; and improvements other than buildings or infrastructure, \$5,000. All land is recorded as a capital asset without regard to any significant value. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25
Buildings and enterprise systems	40
Improvements	40
Vehicles and motorized equipment	5
Furniture and equipment	10
Computer equipment	5

Property, plant, and equipment of Downtown Salisbury, Inc. are depreciated over their useful lives on a straight-line basis using a 10-year useful life.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period, and it will not be recognized as an expense or expenditure until then. The City has four items that meet this criterion, contributions made to the pension plan in the 2018 fiscal year, deferred outflows on debt refunding, pension deferrals, and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period, and it will not be recognized as revenue until then. The City has four items that meet the criterion for this category - prepaid taxes, taxes receivable, pension deferrals, and OPEB deferrals.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs, except for prepaid insurance costs are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The vacation policy of the City provides for the accumulation of earned vacation leave as follows: police officers, 446 hours; firefighters, 466 hours; and all other employees, 360 hours. Vacation leave for the City is fully vested when earned. The City pays retiring employees their accumulated vacation leave up to these limits. An employee who resigns prior to being eligible for retirement will be paid out a maximum of 360 hours of vacation leave if he/she has been employed by the City for at least seven years, and 240 hours if employed for less than seven years. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

is earned. The portion of that time that is estimated to be used in the next fiscal year has been included as a current liability in the government-wide and fund financial statements.

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

11. Net Position/Fund Balances

Net Position – Net positions in government-wide and proprietary fund financial statements are classified as net invested in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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

The governmental fund types classify fund balances as follows:

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.

Prepaid items – portion of fund balance that is not an available resource because it represents expenses of the subsequent fiscal year that have already been paid in the current fiscal year.

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

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

Restricted for Community Development – portion of fund balance that is restricted by revenue source for certain community development expenditures.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for expenditure in the Police Department.

Restricted for Cultural and Recreation – portion of fund balance that is restricted by revenue source for expenditures in the Parks and Recreation Department.

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

Committed to Capital Replacement – portion of fund balance that is committed to replacing equipment such as computers, vehicles, and other motorized equipment.

Committed to Law Enforcement Officers' Special Separation Allowance – portion of fund balance that is committed to funding payments under the LEO Separation Allowance.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Assigned Fund Balance – portion of fund balance that the City Council intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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

The City also has a minimum fund balance policy that states that the desired minimum available fund balance in the General Fund is 10% of budgeted expenditures. Any portion of the General Fund Balance in excess of 10% of budgeted expenditures may be appropriated for expenditures.

12. Defined Benefit Cost-Sharing Plans

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

F. Revenues, Expenditures, and Expenses

1. Grant Revenue

The City recognizes grant revenue when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before the eligibility requirements have been met are recorded and reported as advances from grantors.

2. Investment Income

The City recognizes investment income from pooled cash and investments as revenues in the individual funds based on the percentage of a fund's average monthly investment in pooled cash and investments to the total average monthly investment in pooled cash and investments. All investment earnings are allocated and recorded monthly in each individual fund.

3. Inter-fund Transactions

Inter-fund transactions are either for services provided or transfers. Services that are deemed to be reasonably equivalent in value are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs the cost, and then charges the appropriate benefited fund and reduces its related cost as a reimbursement, if material. Transfers within governmental activities and business-type activities are eliminated upon consolidation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 2. Stewardship, Compliance, and Accountability

A. Deficit in Fund Balance or Net Position of Individual Funds

The City's Broadband Services Fund has deficit net position of \$7,271,470. The City began implementation of its new Broadband Services system during the fiscal year ending June 30, 2009 and began offering broadband services in the fall of 2010. The fund's start-up operations were funded by proceeds from the issuance of Certificates of Participation and interest income on those proceeds. The deficit net position has decreased for the past four fiscal years and will be eliminated after the system generates sufficient revenues.

Note 3. Detail Notes On All Funds

A. Assets

1. Deposits

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

At June 30, 2018, the City's deposits had a carrying amount of \$9,127,393 and a bank balance of \$9,526,295. Of the bank balance, \$530,456 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2018, the City's petty cash fund totaled \$4,875.

2. Investments

At June 30, 2018, the City's investments were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value at 6/30/2018</u>	<u>Less than 6 Months</u>	<u>6-12 Months</u>
Commercial Paper	Fair Value - Level 2	\$ 11,838,267	\$ 9,864,947	\$ 1,973,320
US Treasures	Fair Value - Level 1	5,953,412	5,953,412	-
NC Capital Management				
Trust - Government Portfolio	Fair Value - Level 1	<u>17,969,762</u>	<u>17,969,762</u>	-
Total		<u>\$ 35,761,441</u>	<u>\$ 33,788,121</u>	<u>\$ 1,973,320</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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 are 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 – The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City limits its investment portfolio to maturities of less than 12 months.

Credit Risk – The City places no formal policy regarding credit risk but has internal management procedures that limit the City's investments to the provision of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in Commercial Paper were rated P1 by Standard and Poor's and A1 or higher by Moody's Investors Service. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2018.

Custodial Credit Risk – For an investment, the custodial risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City has no formal policy on custodial credit risk, but management procedures are that the City shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the City's name.

3. Receivables - Allowances for Doubtful Accounts

The amounts shown in the statement of net position for receivables are net of the following allowances for doubtful accounts.

Fund	June 30, 2018
Governmental Activities:	
Taxes receivable	\$ 382,000
Accounts receivable	100,000
	\$ 482,000
Enterprise Funds:	
Water and Sewer Fund receivables	\$ 650,000
Broadband Services Fund receivables	940,000
Stormwater Fund receivables	137,000
	\$ 1,727,000

4. Real Estate Held for Investment – Component Unit

Downtown Salisbury, Inc. holds real estate for investment and future development. The organization had purchased the Empire Hotel for \$1,000,000, and a gift was recorded in the amount of \$1,262,000 for a total initial carrying amount of \$2,262,000, which represented its appraised value at the time. In June 2011, the hotel property was appraised for \$880,000. As of June 30, 2018, the carrying value of the Empire Hotel has been reduced to the most recent appraised value. In August 2016, Downtown Salisbury, Inc. announced an agreement to sell the building to a developer. The developer has been granted an extension to April 2019 to finalize the sale of the property.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2018 was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 7,890,708	\$ -	\$ -	\$ -	\$ 7,890,708
Construction in progress	<u>152,919</u>	<u>780,003</u>	<u>-</u>	<u>-</u>	<u>932,922</u>
Total capital assets not being depreciated	<u>\$ 8,043,627</u>	<u>\$ 780,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,823,630</u>
Capital assets being depreciated:					
Buildings	\$ 11,897,156	\$ -	\$ -	\$ -	\$ 11,897,156
Other improvements	10,849,853	24,870	-	-	10,874,723
Equipment	9,013,123	152,661	(7,070)	22,187	9,136,527
Vehicles and motorized equipment	16,570,613	3,246,624	-	1,177,875	18,639,362
Infrastructure	<u>36,400,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,400,263</u>
Total capital assets being depreciated	<u>\$84,731,008</u>	<u>\$ 3,424,155</u>	<u>\$ (7,070)</u>	<u>\$1,200,062</u>	<u>\$86,948,031</u>
Less accumulated depreciation for:					
Buildings	\$ 5,006,350	\$ 279,186	\$ -	\$ -	\$ 5,285,536
Other improvements	4,349,939	236,738	-	-	4,586,677
Equipment	6,435,767	725,063	-	22,187	7,138,643
Vehicles and motorized equipment	12,394,956	990,189	-	1,177,875	12,207,270
Infrastructure	<u>26,040,490</u>	<u>1,315,243</u>	<u>(7,070)</u>	<u>-</u>	<u>27,348,663</u>
Total accumulated depreciation	<u>\$54,227,502</u>	<u>\$ 3,546,419</u>	<u>\$ (7,070)</u>	<u>\$1,200,062</u>	<u>\$56,566,789</u>
Total capital assets being depreciated, net	<u>\$30,503,506</u>	<u>\$ (122,264)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$30,381,242</u>
Governmental activity capital assets, net	<u><u>\$38,547,133</u></u>	<u><u>\$ 657,739</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$39,204,872</u></u>

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

General government	\$ 669,744
Public safety	886,469
Transportation	1,613,477
Environmental protection	86,178
Culture and recreational	239,128
Community and economic development	<u>51,423</u>
Total depreciation expense	<u><u>\$ 3,546,419</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Business-type activities					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land	\$ 2,278,119	\$ -	\$ -	\$ -	\$ 2,278,119
Construction in progress	5,655,277	-	-	5,647,912	7,365
Total capital assets not being depreciated	<u>\$ 7,933,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,647,912</u>	<u>\$ 2,285,484</u>
Capital assets being depreciated:					
Buildings	\$ 20,999,557	\$ -	\$ -	\$ -	\$ 20,999,557
Plant and distribution systems	174,022,241	6,965,410	-	13,681	180,973,970
Furniture and maintenance equipment	6,271,281	401,159	-	-	6,672,440
Vehicles and motorized equipment	5,240,941	100,988	(8,462)	66,533	5,266,934
Total capital assets being depreciated	<u>\$206,534,020</u>	<u>\$ 7,467,557</u>	<u>\$ (8,462)</u>	<u>\$ 80,214</u>	<u>\$213,912,901</u>
Less accumulated depreciation for:					
Buildings	\$ 11,355,807	\$ 383,670	\$ -	\$ -	\$ 11,739,477
Plant and distribution systems	78,571,105	4,180,581	-	13,681	82,738,005
Furniture and maintenance equipment	4,657,316	736,215	-	-	5,393,531
Vehicles and motorized equipment	4,621,970	209,342	(8,462)	66,533	4,756,317
Total accumulated depreciation	<u>\$ 99,206,198</u>	<u>\$ 5,509,808</u>	<u>\$ (8,462)</u>	<u>\$ 80,214</u>	<u>\$ 104,627,330</u>
Total capital assets being depreciated, net	<u>\$ 107,327,822</u>	<u>\$ 1,957,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,285,571</u>
Water and Sewer Fund capital assets, net	<u>\$ 115,261,218</u>	<u>\$ 1,957,749</u>	<u>\$ -</u>	<u>\$ 5,647,912</u>	<u>\$ 111,571,055</u>
Broadband Services Fund					
Capital assets being depreciated:					
Buildings	\$ 4,548,067	\$ -	\$ -	\$ -	\$ 4,548,067
Plant and distribution systems	21,425,523	-	-	-	21,425,523
Furniture and maintenance equipment	171,167	-	-	-	171,167
Vehicles and motorized equipment	406,578	-	8,462	-	415,040
Total capital assets being depreciated	<u>\$ 26,551,335</u>	<u>\$ -</u>	<u>\$ 8,462</u>	<u>\$ -</u>	<u>\$ 26,559,797</u>
Less accumulated depreciation for:					
Building	\$ 748,537	\$ 113,701	\$ -	\$ -	\$ 862,238
Plant and distribution systems	3,401,764	550,007	-	-	3,951,771
Furniture and maintenance equipment	64,110	22,722	-	-	86,832
Vehicles and motorized equipment	381,521	8,975	8,462	-	398,958
Total accumulated depreciation	<u>\$ 4,595,932</u>	<u>\$ 695,405</u>	<u>\$ 8,462</u>	<u>\$ -</u>	<u>\$ 5,299,799</u>
Total capital assets being depreciated, net	<u>\$ 21,955,403</u>	<u>\$ (695,405)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,259,998</u>
Broadband Services Fund capital assets, net	<u>\$ 21,955,403</u>	<u>\$ (695,405)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,259,998</u>
Stormwater Fund					
Capital assets being depreciated:					
Furniture and maintenance equipment	\$ 199,035	\$ -	-	\$ -	\$ 199,035
Vehicles and motorized equipment	51,490	130,449	-	-	181,939
Total capital assets being depreciated	<u>\$ 250,525</u>	<u>\$ 130,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,974</u>
Less accumulated depreciation for:					
Furniture and maintenance equipment	\$ 56,836	\$ 18,062	-	\$ -	\$ 74,898
Vehicles and motorized equipment	49,333	14,090	-	-	63,423
Total accumulated depreciation	<u>\$ 106,169</u>	<u>\$ 32,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,321</u>
Stormwater Fund capital assets, net	<u>\$ 144,356</u>	<u>\$ 98,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,653</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Business-type activities - continued					
Transit Fund					
Capital assets being depreciated:					
Buildings and improvements	\$ 582,345	\$ 61,855	\$ -	\$ -	\$ 644,200
Furniture and maintenance equipment	231,013	-	7,070	-	238,083
Vehicles and motorized equipment	1,907,552	-	-	-	1,907,552
Total capital assets being depreciated	<u>\$ 2,720,910</u>	<u>\$ 61,855</u>	<u>\$ 7,070</u>	<u>\$ -</u>	<u>\$ 2,789,835</u>
Less accumulated depreciation for:					
Buildings and improvements	\$ 549,227	\$ 30,313	\$ -	\$ -	\$ 579,540
Furniture and maintenance equipment	135,748	16,694	7,070	-	159,512
Vehicles and motorized equipment	1,826,865	69,396	-	-	1,896,261
	<u>\$ 2,511,840</u>	<u>\$ 116,403</u>	<u>\$ 7,070</u>	<u>\$ -</u>	<u>\$ 2,635,313</u>
Transit Fund capital assets, net	<u>\$ 209,070</u>	<u>\$ (54,548)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,522</u>
Business-type activities capital assets, net	<u><u>\$ 137,570,047</u></u>	<u><u>\$ 1,306,093</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,647,912</u></u>	<u><u>\$ 133,228,228</u></u>

Construction commitments

The City had active construction projects as of June 30, 2018. At year-end, the City's commitments on these projects was as follows:

Project	Spent-to-date	Remaining Commitment
General Fund		
Dixonville Cemetery Memorial	\$ 48,375	\$ 203,515
City Park Center Roof	125,310	53,920
Total General Fund	<u>\$ 173,685</u>	<u>\$ 257,435</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Salisbury employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Salisbury's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 City of Salisbury were \$1,592,827 for the year ended June 30, 2018.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a liability of \$4,824,395 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City'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, 2017, the City's proportion was 0.316%, which was a decrease of 0.022% from its proportion measured as of June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

For the year ended June 30, 2018, the City recognized pension expense of \$1,498,374. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 277,930	\$ 136,563
Changes of assumptions	688,991	-
Net difference between projected and actual earnings on pension plan investments	1,171,367	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	315,025
City contributions subsequent to the measurement date	1,592,827	-
Total	\$ 3,731,115	\$ 451,588

\$1,592,827 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:	
2019	\$ 110,291
2020	1,305,797
2021	637,689
2022	(367,077)
	\$ 1,686,700

Actuarial Assumptions - The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.20%, 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, 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<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	6.0%	4.0%
Total	<u>100%</u>	

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

Discount rate - The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the City'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 (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 14,482,947	\$ 4,824,395	\$(3,237,444)

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

b. Law Enforcement Officers' Special Separation Allowance

(1) Plan Description

The City of Salisbury administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City'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% 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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 City law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	16
Active plan members	<u>67</u>
Total	<u><u>83</u></u>

(2) Summary of Significant Accounting Policies

Basis of Accounting – The City 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 a modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

(3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016, valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.5% to 7.35%, including inflation and productivity factor
Discount rate	3.16%

The discount rate is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2016.

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

(4) Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$246,984 as benefits came due for the reporting period.

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

At June 30, 2018, the City reported a total pension liability of \$2,532,295. The total pension liability was measured as of December 31, 2017, based on a December 31, 2016, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017, utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$157,270.

NOTES TO THE FINANCIAL STATEMENTS
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 154,486
Changes of assumptions and other inputs	102,169	35,457
Benefit payments and administrative expenses subsequent to the measurement date	148,984	-
Total	\$ 251,153	\$ 189,943

\$148,984 is reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:	
2019	\$ (22,136)
2020	(22,136)
2021	(22,136)
2022	(18,521)
2023	(2,845)
	\$ (87,774)

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.16%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16%) or one-percentage-point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 2,716,284	\$ 2,532,295	\$ 2,363,109

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

Beginning balance	\$ 2,665,194
Changes for the year:	
Service Cost	80,660
Interest on the total pension liability	98,110
Difference between expected and actual experience	(191,008)
Changes of assumptions and other inputs	126,323
Benefit payments	(246,984)
Net pension obligation end of year	\$ 2,532,295

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 1,498,374	\$ 157,270	\$ 1,655,644
Pension Liability	4,824,395	2,522,295	7,346,690
Proportionate share of the net pension liability	0.316%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	277,930	-	277,930
Changes of assumptions	688,991	102,169	791,160
Net difference between projected and actual earnings on plan investments	1,171,367	-	1,171,367
Benefit payments and administrative costs paid subsequent to the measurement date	1,592,827	148,984	1,741,811
Deferred Inflows of Resources			
Differences between expected and actual experience	136,563	154,486	291,049
Changes of assumptions	-	35,457	35,457
Changes in proportion and differences between contributions and proportionate share of contributions	315,025	-	315,025

c. Supplemental Retirement Income Plan

(1) Plan Description

The City 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 all full-time employees of the City. 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.

(2) Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each law enforcement officer's salary. In addition to this requirement, the City has elected to contribute to the Plan an amount equal to 3% of the monthly salary of each employee not engaged in law enforcement. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018, were \$1,143,093, which consisted of \$709,987 from the City and \$433,106 from the employees.

d. Other Post-employment Benefits (OPEB)

Healthcare Benefits

(1) Plan Description

Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Council has the authority to establish and amend the benefit terms and financing requirements and did so as of January 1, 2012. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

(2) Benefits Provided

Retirees who had fifteen or more years of creditable service to the City and were hired prior to January 1, 2012, qualify for benefits similar to those of employees. The City pays the full cost of coverage for employees' benefits through its self-insured Healthcare Fund. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for retirees end once the retiree reaches age 65 or is eligible for Medicare, whichever comes first. This benefit is not available for retirees who were hired after January 1, 2012. The City Council may amend benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	50	18
Active plan members	178	34
Total	228	52

(3) Total OPEB Liability

The City's total OPEB liability of \$12,403,026 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5%
Salary increases, including wage inflation	
General Employees	3.5% - 7.75%
Firefighters	3.5% - 7.75%
Law Enforcement Officers	3.5% - 7.35%
Discount rate	3.56%
Healthcare cost trend rates	
Pre-Medicare	7.5% for 2017, decreasing to an ultimate rate of 5.0% by 2023

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

(4) Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2016	\$ 12,876,416
Changes for the year:	
Service Cost at the end of the year	383,092
Interest on Total OPEB Liability and Cash Flows	379,063
Differences between expected and actual experience	(130,089)
Changes of assumptions and other inputs	(535,319)
Benefit payments	(570,137)
Net changes	\$ (473,390)
Net pension obligation end of year	\$ 12,403,026

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 13,396,691	\$ 12,403,026	\$ 11,496,907

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 11,315,084	\$ 12,403,026	\$ 13,656,373

(5) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$649,374. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resource
Differences between expected and actual experience	\$ -	\$ 108,040
Changes of assumptions and other inputs	-	444,587
Benefit payments and administrative expenses subsequent to the measurement date	616,043	-
Total	\$ 616,043	\$ 552,627

\$616,043 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

Year End June 30:	
2018	\$ 112,781
2019	112,781
2020	112,781
2021	112,781
2022	<u>101,503</u>
	<u>\$ 552,627</u>

2. Other Employment Benefits

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

The City also provides a life and accidental death and dismemberment policy for its full-time employees in the amount of the employee's annual salary rounded up to the nearest thousand. The maximum benefit amount is \$100,000.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year end are comprised of the following:

Deferred amount on refunding	\$ 1,619,193
Contributions to pension plan in current fiscal year	1,592,827
Benefit payments made for LEOSSA subsequent to measurement date	148,984
Benefit payments made for OPEB subsequent to measurement date	616,043
Differences between expected and actual experience	277,930
Changes of assumptions	791,160
Net difference between projected and actual earnings on pension plan investments	<u>1,171,367</u>
Total deferred outflows of resources	<u>\$ 6,217,504</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Deferred inflows of resources at year end are comprised of the following:

	<u>Statement of</u> <u>Net Position</u>	<u>General Fund</u> <u>Balance Sheet</u>
Prepaid taxes	\$ 27,776	\$ 27,776
Taxes receivable	-	584,086
Differences between expected and actual experience	399,089	-
Changes in proportion and differences between City contributions and proportionate share of contributions	315,025	-
Changes of assumptions and other inputs (LEOSSA)	<u>480,044</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ 1,221,934</u>	<u>\$ 611,862</u>

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool the City obtains general liability coverage of \$1,000,000, liability coverage for law enforcement officers of \$3,000,000, and automobile liability coverage of \$3,000,000. In addition, the City maintains replacement cost insurance on real and personal property, including boiler and machinery. The liability exposure is reinsured through commercial carriers for claims in excess of retentions. Stop loss insurance is purchased to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance and excess stop loss policies purchased by the City can be obtained by contacting the Risk Management Department of the City. The NCLM pool is audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

In accordance with G.S. 159-29, City employees who have access to \$100 or more of the City's funds at any given time are performance bonded. The finance officer is individually bonded for \$100,000. The remaining employees who have access to funds are bonded under a blanket bond for \$100,000.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The City of Salisbury is not located in an area that is at a high risk of flooding. Therefore, the City has elected not to carry flood insurance.

In addition, the City currently self-insures an employee health benefits program through a third party administrator. However, the City's exposure is limited to \$100,000 per individual and to 125% of estimated annual aggregate claims. The City also carries an excess workers' compensation policy through a commercial insurer in the amount of \$1,000,000. The City retains a \$500,000 deductible (\$600,000 for Police and Fire employees) for this coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. The liability for claims is reported in the current liabilities of the internal service funds. Changes in the balances of claims liabilities during the past three years are as follows:

	<u>Year ended</u> <u>June 30, 2017</u>	<u>Year ended</u> <u>June 30, 2018</u>
Unpaid claims, beginning of fiscal year	\$ 471,914	\$ 887,855
Incurred claims (including IBNRs)	5,465,727	4,190,483
Claim payments	<u>(5,049,786)</u>	<u>(4,439,878)</u>
Unpaid claims, end of fiscal year	<u>\$ 887,855</u>	<u>\$ 638,460</u>

An independent review of the City's various risk management activities is conducted annually, and coverage is adjusted as needed. There have been no reductions in insurance coverage from the prior year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2018, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. General Obligation Indebtedness

The City's General Obligation Bonds serviced by the Governmental Funds and the Water and Sewer Fund were paid off during the fiscal year ended June 30, 2018. All general obligation bonds were collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements were appropriated when due.

b. Installment Purchases

The City has entered into various installment purchase contracts to finance the acquisition and renovation of various equipment and facilities. These installment purchase contracts are as follows:

	<u>Balance June 30, 2018</u>
Serviced by the Governmental Activities	
\$3,565,680 Installment Purchase Contract for construction and facilities, improvements, rate of 3.83%, issued May 2006, payable in 30 semi-annual payments of \$118,856 principal plus interest through May 2021	\$ 713,136
\$690,000 Refunding Installment Purchase Contract dated September 14, 2016, interest rate 2.06%, payable in 3 annual principal payments, plus semi-annual interest payments through March 2019	230,000
\$2,417,601 Installment Purchase Contract to purchase telecommunications equipment, rate of 1.85%, issued August 2013, payable in 20 semi-annual payments of \$120,880 principal plus interest through August 2023	1,329,681
\$1,962,188 Installment Purchase Contract to purchase two fire trucks, rate of 2.68%, issued March 2018, payable in 12 semi-annual payments of \$163,516 principal plus interest through March 2024	<u>1,962,188</u>
	<u>\$ 4,235,005</u>
Serviced by Business-Type Activities	
\$1,292,399 Installment Purchase Contract to purchase telecommunications equipment, rate of 1.85%, issued August 2013, payable in 20 semi-annual payments of \$64,620 principal plus interest through August 2023	\$ 710,819
\$29,680,000 Refunding Installment Purchase Contract dated September 14, 2016, interest rate 2.06%, payable in 13 annual principal payments, plus semi-annual interest payments through March 2029	<u>25,140,000</u>
	<u>\$ 25,850,819</u>
Total Installment Purchase indebtedness	<u>\$ 30,085,824</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

The future minimum payments of the installment purchases as of June 30, 2018, total \$30,085,824, including \$4,054,280 of interest are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,036,503	\$ 110,730	\$ 2,199,240	\$ 546,753	\$ 3,235,743	\$ 657,483
2020	806,503	76,827	2,234,240	511,122	3,040,743	587,949
2021	806,503	54,467	2,274,240	475,242	3,080,743	529,709
2022	568,792	34,296	2,324,240	431,879	2,893,032	466,175
2023	568,792	20,997	2,364,240	387,692	2,933,032	408,689
2024-2028	447,912	7,698	11,949,619	1,242,386	12,397,531	1,250,084
2029	-	-	2,505,000	154,191	2,505,000	154,191
	<u>\$ 4,235,005</u>	<u>\$ 305,015</u>	<u>\$ 25,850,819</u>	<u>\$ 3,749,265</u>	<u>\$ 30,085,824</u>	<u>\$ 4,054,280</u>

c. Capital Leases

The City has entered into various agreements to lease certain water and sewer distribution systems. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Interest rates on these agreements range from 3.385% to 5.6%. The City has recorded water and sewer assets related to these leases at the City's cost of \$20,258,125. Those assets have a net book value of \$13,034,145 at June 30, 2018, and total accumulated depreciation of \$7,223,980. The future minimum lease payments at June 30, 2018, total \$1,810,506, including \$170,727 of interest. Upon completion of these lease payments the City will take ownership of the related assets.

The future minimum lease obligations as of June 30, 2018, were as follows:

Year Ending June 30,	Capital Leases	
	Principal	Interest
2019	\$ 259,490	\$ 42,054
2020	239,490	34,103
2021	219,490	27,312
2022	209,490	21,680
2023	209,490	16,630
2024-2027	502,329	28,948
	<u>\$ 1,639,779</u>	<u>\$ 170,727</u>

d. State Bond Loans

The long-term debt of the City's Enterprise Funds includes the following State Clean Water Bond Loans in the Water and Sewer Fund:

	Balance June 30, 2018
\$9,200,000 State Bond Loan, average rate of 2.60%, issued June 2000 maturing serially to 2020	\$ 920,000
\$3,000,000 State Bond Loan, average rate of 2.60%, issued November 1999 maturing serially to 2020	<u>300,000</u>
Total State Bond Loans	<u>\$ 1,220,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Annual debt service requirements to maturity for the City's State Bond Loans are as follows:

Year Ending <u>June 30,</u>	Business-Type Activities	
	<u>State Bond Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 610,000	\$ 31,720
2020	610,000	15,860
	<u>\$ 1,220,000</u>	<u>\$ 47,580</u>

e. Revenue Bonds

The long-term debt of the City's Enterprise Funds includes Revenue Bonds in the Water and Sewer Fund where the City pledges income derived from the Enterprise Fund acquiring on constructing assets with the proceeds to pay debt service. Revenue bonds in the Water and Sewer Fund consist of the following issues:

	<u>Balance June 30, 2018</u>
\$6,000,000 Water and Sewer Revenue Bonds, Series 2006, rate of 3.99%, issued December 2006, maturing serially to 2026	\$ 3,136,124
\$6,000,000 Water and Sewer Revenue Bonds, Series 2009, rate of 4.14%, issued October 2009, maturing serially to 2025	3,263,000
\$16,065,000 Water and Sewer Revenue Refunding Bonds, Series 2010, average rate of 3.0425%, issued November 2010, maturing 2027	9,920,000
\$6,550,000 Water Sewer Revenue Refunding Bonds, Series 2012, rate of 2.615%, issued April 2012, maturing serially to 2028	<u>4,355,000</u>
Total Revenue Bonds	<u>\$ 20,674,124</u>

The future payments of the revenue bonds are as follows:

Year Ending <u>June 30,</u>	Business-Type Activities	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,026,435	\$ 838,928
2020	2,107,251	753,838
2021	2,188,586	674,721
2022	2,280,461	582,587
2023	2,374,898	486,362
2024-2028	<u>9,696,493</u>	<u>953,928</u>
	<u>\$ 20,674,124</u>	<u>\$ 4,290,364</u>

The Revenue Bond General Trust Indenture requires that the City must maintain certain debt covenants relating to reporting requirements, annual budgets, and minimum Water and Sewer Fund revenues. Net revenues available for revenue bond debt service cannot be less than one hundred twenty percent (120%) of the long-term debt service requirement for parity indebtedness and one hundred percent (100%) for all general obligation debt. The City has been in compliance with these covenants since the issuance of the Revenue Bonds, which were used for infrastructure improvements. The calculations of the City's revenue bond coverage for the last three years are as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Fiscal Year	Gross Revenues (1)	Operating Expenditures(2)	Net Revenues Available for Revenue Bond Debt Service	Debt Service Requirements		Coverage Ratios	
				Parity Debt (3)	All Debt	Parity Debt	All Debt
2016	\$ 23,734,822	\$ 14,690,866	\$ 9,043,956	\$ 3,012,537	\$ 5,218,769	300.21%	173.30%
2017	26,102,355	15,191,893	\$ 10,910,462	3,004,086	4,895,495	363.19%	222.87%
2018	25,807,649	16,387,723	\$ 9,419,926	3,010,952	4,132,963	312.86%	227.92%

- (1) Total operating revenues plus investment earnings exclusive of revenue bond investment earnings.
- (2) Total operating expenses exclusive of depreciation.
- (3) Parity debt includes revenue bonds only.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$42,015,000 in water and sewer system revenues bonds issued from January 1998 to April 2012. Proceeds from the bonds provided financing for various water and sewer system capital projects. The bonds are payable solely from water and sewer customer net revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 25% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$24,964,488. Principal and interest paid for the current fiscal year and total customer net revenues were \$4,132,963 and \$25,807,649, respectively.

f. HUD Section 108 Loan

The City borrowed funds on loan from the U. S. Department of Housing and Urban Development pursuant to Section 108 of Title I of the Community Development Act of 1974. The loan was used to renovate two buildings to form a new community center. The City borrowed a total of \$596,000 under this loan. This Section 108 loan is serviced by the City's Special Revenue Fund.

Annual debt service requirements to maturity for the City's HUD Section 108 Loan are as follows:

Year Ending June 30,	Governmental Activities HUD Section 108 Loan	
	Principal	Interest
2019	\$ 32,000	\$ 7,288
2020	34,000	5,498
2021	34,000	3,630
2022	34,000	1,740
2023	14,000	395
	<u>\$ 148,000</u>	<u>\$ 18,551</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

g. Changes in Long-Term Liabilities

	June 30, 2017	Additions	Retirements	June 30, 2018	Current Portion of Balance
Governmental Activities					
General Fund					
Installment purchases	\$ 2,982,289	\$ 1,962,188	\$ 709,472	\$ 4,235,005	\$ 1,036,503
Total OPEB liability	8,733,766	68,662	-	8,802,428	-
Net pension liability (LGERS)	4,789,030	-	1,365,156	3,423,874	-
Total pension liability (LEO)	2,655,194	-	122,899	2,532,295	-
Compensated absences	1,340,438	1,429,373	1,162,100	1,607,711	160,771
Special Revenue Fund					
Section 108 loan	180,000	-	32,000	148,000	32,000
	<u>\$ 20,680,717</u>	<u>\$ 3,460,223</u>	<u>\$ 3,391,627</u>	<u>\$ 20,749,313</u>	<u>\$ 1,229,274</u>
Business-type activities					
Water and Sewer Fund					
Revenue bonds	\$ 22,777,243	\$ -	\$ 2,103,119	\$ 20,674,124	\$ 2,026,435
Installment purchases	840,059	-	129,240	710,819	129,240
State loans	1,830,000	-	610,000	1,220,000	610,000
Capital leases	1,909,269	-	269,490	1,639,779	259,490
Total OPEB liability	2,302,505	18,101	-	2,320,606	-
Net pension liability (LGERS)	1,262,544	-	359,900	902,644	-
Compensated absences	372,887	340,307	291,117	422,077	42,208
Broadband Services Fund					
Installment purchases	27,170,000	-	2,030,000	25,140,000	2,070,000
Total OPEB liability	687,921	5,408	-	693,329	-
Net pension liability (LGERS)	377,211	-	107,527	269,684	-
Compensated absences	73,353	36,238	43,289	66,302	6,630
Mass Transit Fund					
Total OPEB liability	317,502	2,496	-	319,998	-
Net pension liability (LGERS)	174,097	-	49,628	124,469	-
Compensated absences	39,772	22,952	14,028	48,696	4,870
Stormwater Fund					
Total OPEB liability	264,585	2,080	-	266,665	-
Net pension liability (LGERS)	145,081	-	41,357	103,724	-
Compensated absences	27,047	23,340	28,492	21,895	2,189
	<u>\$ 60,571,076</u>	<u>\$ 450,922</u>	<u>\$ 6,077,187</u>	<u>\$ 54,944,811</u>	<u>\$ 5,151,062</u>
Total	<u>\$ 81,251,793</u>	<u>\$ 3,911,145</u>	<u>\$ 9,468,814</u>	<u>\$ 75,694,124</u>	<u>\$ 6,380,336</u>

The legal debt margin for the City as of June 30, 2017, is \$197,701,408. Liabilities for Other Post-employment Benefits and Compensated Absences are liquidated from the funds in which the liabilities occur.

The General Fund, Water and Sewer Fund, Broadband Services Fund, Stormwater Fund, and Mass Transit Fund are typically used to liquidate other long-term liabilities, including pension liabilities, OPEB, and compensated absences, depending on the fund in which the employee is assigned.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

(6) Accounts Payable

Accounts payable for the governmental activities and the business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 2,188,031	\$ 1,070,864
Accrued payroll and payroll liabilities	913,673	398,387
Other accrued liabilities	179,965	23,333
	\$ 3,281,669	\$ 1,492,584

C. Interfund Balances and Activity

1. Transfers to/from Other Funds

Transfers to/from other funds during the fiscal year ending June 30, 2018, consisted of the following:

From the General Fund to the Broadband Services Fund	\$ 3,340,713
From the General Fund to the Mass Transit Fund	465,322
	\$ 3,806,035

2. Due To/Due From Other Funds

At June 30, 2018, the Broadband Services Fund owed the Water and Sewer Fund \$6,801,961 for a temporary loan to help fund services in the early stages of operations. The terms of the arrangement require the Broadband Services Fund to repay the Water and Sewer Fund interest at a rate of 1.0%. Also, the Special Revenue Fund owed the General Fund \$26,000 for a temporary loan to cover cash needs while awaiting reimbursements of grant-funded expenditures from another government.

D. Fund Balance

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

Total Fund Balance - General Fund	\$ <u>19,769,537</u>
Less:	
Inventories	408,438
Prepaid Items	165,510
Restricted for Stabilization by State Statute	4,482,403
	\$ 5,056,351
Fund Balance Available for Appropriation	\$ 14,713,186
Working Capital/Fund Balance Policy	1,471,319
Remaining Fund Balance in excess of Working Capital/Fund Balance Policy	\$ 13,241,867

The City has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal or greater than 10% of the actual General Fund expenditures.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

E. Net Investment in Capital Assets

Net investments in capital assets at June 30, 2018, are computed as follows:

	Governmental Funds	Business-Type Funds	Total
Net capital assets	\$ 39,204,872	\$ 133,228,228	\$ 172,433,100
Less capital debt:			
Gross debt	\$ 4,383,005	\$ 49,384,722	\$ 53,767,727
Less:			
Deferred amount on refunding	-	(1,619,193)	(1,619,193)
	\$ 4,383,005	\$ 47,765,529	\$ 52,148,534
Net investment in capital assets	\$ 34,821,867	\$ 85,462,699	\$ 120,284,566

Note 4. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 5. Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$3,669,124 and \$1,020,261 for the business-type activities.

Note 6. Subsequent Events

Subsequent events have been evaluated through December 18, 2018, which is the date the financial statements were available to be issued.

In July 2018, the City completed a \$25.875 million Installment Financing to refund existing debt in the General Fund (\$230,000) and the Broadband Services Fund (\$25,140,000). This refinancing occurred in conjunction with the City leasing its broadband assets to Hotwire Communications, Ltd.

Required Supplemental Financial Data

This section contains additional information required by accounting principles generally accepted in the United States of America.

- 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 Proportionate Share of Net Pension Liability (Asset) – Local Government Employees' Retirement System
- Schedule of Employer Contributions - Local Government Employees' Retirement System
- Schedule of Changes in Total OPEB Liability and Related Ratios

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,665,194	\$ 2,787,966
Service cost	80,660	97,072
Interest on total pension liability	98,110	94,894
Differences between expected and actual experience	(191,008)	-
Changes of assumptions or other inputs	126,323	(54,993)
Benefit payments	<u>(246,984)</u>	<u>(259,745)</u>
Ending balance of the total pension liability	<u>\$ 2,532,295</u>	<u>\$ 2,665,194</u>

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

Note: This information was not available prior to FY17. This will become a 10-year schedule.

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 2,532,295	\$ 2,665,104
Covered payroll	3,230,722	3,524,395
Total pension liability as a percentage of covered payroll	78.38%	75.62%

Notes to the schedules:

The City of Salisbury has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note: This information was not available prior to FY17. This will become a 10-year schedule.

CITY OF SALISBURY, NORTH CAROLINA

CITY OF SALISBURY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

REQUIRED SUPPLEMENTARY INFORMATION

LAST FIVE FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2018	2017	2016	2015	2014
Salisbury's proportion of the net pension liability (asset) (%)	0.31579%	0.31795%	0.35899%	0.34841%	0.35990%
Salisbury's proportion of the net pension liability (asset) (\$)	\$ 4,824,395	\$ 6,747,963	\$ 1,611,126	\$ (2,054,735)	\$ 4,338,177
Salisbury's covered payroll during the measurement period	\$19,476,154	\$18,596,557	\$17,831,698	\$17,342,485	\$18,597,134
Salisbury's proritonate share of the net pension liability (asset) as a percentage of its covered payroll	24.77%	36.29%	8.67%	(11.52%)	(25.01%)
Plan fiduciary net postion as a percentage of the total pension liability**	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.

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

Note: This information was not available prior to FY14. This will become a 10-year schedule.

CITY OF SALISBURY, NORTH CAROLINA
CITY OF SALISBURY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,592,827	\$ 1,449,492	\$ 1,269,570	\$ 1,292,935	\$ 1,266,914
Contributions in relation to the contractually required contribution	<u>1,592,827</u>	<u>1,449,492</u>	<u>1,269,570</u>	<u>1,292,935</u>	<u>1,266,914</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Salisbury's covered payroll	\$ 21,022,551	\$ 19,476,154	\$ 18,596,557	\$ 17,831,698	\$ 17,342,485
Contributions as a percentage of covered payroll	7.58%	7.44%	6.83%	7.23%	7.10%

Note: This information was not available prior to FY14. This will become a 10-year schedule.

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Total OPEB Liability	<u>2017</u>
Service cost	\$ 383,092
Interest	379,063
Differences between expected and actual experience	(130,089)
Changes of assumptions or other inputs	(535,319)
Benefit payments	<u>(570,137)</u>
Net Change in total OPEB liability	\$ (473,390)
Total OPEB liability - beginning	<u>12,876,416</u>
Total OPEB liability - ending	<u><u>\$ 12,403,026</u></u>
Covered payroll	\$ 12,491,749
Total OPEB liability as percentage of covered payroll	99.29%

Notes to Schedule

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

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



Supplementary Financial Data



General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required legally or by sound financial management to be accounted for in another fund.

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CITY OF SALISBURY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	<u>2018</u>		Variance with Budget Positive (Negative)	<u>2017</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:				
Taxes:				
General property-current	\$ 19,351,599	\$ 19,671,583	\$ 319,984	\$ 18,622,670
General property-prior	520,000	305,236	(214,764)	369,550
Municipal Service District taxes	130,000	140,486	10,486	-
Auto tax	235,000	235,325	325	237,556
Interest on delinquent tax	135,000	106,140	(28,860)	107,131
Other tax	1,000	726	(274)	478
	<u>\$ 20,372,599</u>	<u>\$ 20,459,496</u>	<u>\$ 86,897</u>	<u>\$ 19,337,385</u>
Unrestricted intergovernmental:				
Local option sales tax	\$ 7,049,800	\$ 7,604,426	\$ 554,626	\$ 7,287,305
Utilities franchise tax	2,315,000	2,312,905	(2,095)	2,248,295
Telecommunications sales tax	450,000	447,193	(2,807)	487,583
Video franchise fee	250,000	242,840	(7,160)	251,441
Wine and beer tax	160,000	149,251	(10,749)	155,180
Other	150,000	156,086	6,086	143,260
	<u>\$ 10,374,800</u>	<u>\$ 10,912,701</u>	<u>\$ 537,901</u>	<u>\$ 10,573,064</u>
Restricted intergovernmental:				
State street aid - Powell Bill	\$ 967,070	\$ 964,070	\$ (3,000)	\$ 967,071
Brownfield's grants	-	2,675	2,675	195,338
CMAQ grants	1,113,200	341,527	(771,673)	156,000
Passthrough development grants			-	456,840
Police Grants	50,806	42,276	(8,530)	43,193
Other	429,252	363,772	(65,480)	214,540
	<u>\$ 2,560,328</u>	<u>\$ 1,714,320</u>	<u>\$ (846,008)</u>	<u>\$ 2,032,982</u>
Charges for services:				
Environmental protection	\$ 2,063,000	\$ 2,000,814	\$ (62,186)	\$ 1,997,221
Culture and recreation	205,250	116,179	(89,071)	136,147
Public safety	425,721	545,128	119,407	487,081
Cemetery	120,000	115,450	(4,550)	106,950
Radio antenna and paging rentals	270,000	362,897	92,897	288,032
Rentals and sale of property	381,570	585,534	203,964	301,849
Licenses and permits	62,200	61,123	(1,077)	62,735
Community services	164,196	157,331	(6,865)	174,125
Other	43,000	50,388	7,388	23,619
	<u>\$ 3,734,937</u>	<u>\$ 3,994,844</u>	<u>\$ 259,907</u>	<u>\$ 3,577,759</u>

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CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

For the Year Ended June 30, 2018

With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance with Budget Positive (Negative)	2017
	Budget	Actual		Actual
REVENUES (continued):				
Miscellaneous:				
Interest earned on investments	\$ 48,000	\$ 200,750	\$ 152,750	\$ 104,778
Donations	284,424	215,491	(68,933)	138,578
Other	237,751	222,070	(15,681)	395,127
	<u>\$ 570,175</u>	<u>\$ 638,311</u>	<u>\$ 68,136</u>	<u>\$ 638,483</u>
Total revenues	<u>\$ 37,612,839</u>	<u>\$ 37,719,672</u>	<u>\$ 106,833</u>	<u>\$ 36,159,673</u>
OTHER FINANCING SOURCES:				
Long-term debt issued	\$ 2,170,305	\$ 1,962,188	\$ (208,117)	\$ -
Refunding bonds issued	-	-	-	690,000
Fund balance appropriated	2,711,053	-	(2,711,053)	-
	<u>\$ 42,494,197</u>	<u>\$ 39,681,860</u>	<u>\$ (2,812,337)</u>	<u>\$ 36,849,673</u>
Total revenues and other financing sources	<u>\$ 42,494,197</u>	<u>\$ 39,681,860</u>	<u>\$ (2,812,337)</u>	<u>\$ 36,849,673</u>
EXPENDITURES:				
Current:				
General government:				
City council	\$ 226,347	\$ 198,156	\$ 28,191	\$ 143,841
City administration	841,164	816,585	24,579	658,904
Human resources	994,113	946,717	47,396	1,083,249
Business and financial services	719,101	605,337	113,764	525,732
Fleet management	707,139	691,415	15,724	621,648
Public services administration	277,174	275,439	1,735	232,328
Infrastructure Services	796,189	764,321	31,868	1,057,575
Telecommunication	395,584	301,463	94,121	485,966
Information technologies	1,055,480	952,231	103,249	1,295,775
	<u>\$ 6,012,291</u>	<u>\$ 5,551,664</u>	<u>\$ 460,627</u>	<u>\$ 6,105,018</u>
Public safety:				
Police:				
Administration	\$ 1,698,892	\$ 1,672,618	\$ 26,274	\$ 1,183,291
Services	1,573,742	1,543,315	30,427	1,796,936
Operations	5,925,042	5,779,333	145,709	4,299,949
Fire	8,724,533	8,607,359	117,174	6,427,499
	<u>\$ 17,922,209</u>	<u>\$ 17,602,625</u>	<u>\$ 319,584</u>	<u>\$ 13,707,675</u>
Transportation:				
Engineering	\$ 2,746,569	\$ 1,515,273	\$ 1,231,296	\$ 753,868
Streets	2,735,135	2,595,608	139,527	3,475,566
Traffic control	305,031	304,184	847	196,387
Street lighting	614,550	574,072	40,478	580,058
	<u>\$ 6,401,285</u>	<u>\$ 4,989,137</u>	<u>\$ 1,412,148</u>	<u>\$ 5,005,879</u>

B-1

CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

For the Year Ended June 30, 2018

With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance with Budget Positive (Negative)	2017
	Budget	Actual		Actual
EXPENDITURES:				
Current (continued):				
Environmental protection:				
Solid waste management	\$ 1,684,926	\$ 1,676,936	\$ 7,990	\$ 1,506,384
Cemetery	113,516	108,329	5,187	134,516
	<u>\$ 1,798,442</u>	<u>\$ 1,785,265</u>	<u>\$ 13,177</u>	<u>\$ 1,640,900</u>
Culture and recreation	<u>\$ 2,798,044</u>	<u>\$ 2,577,902</u>	<u>\$ 220,142</u>	<u>\$ 1,820,776</u>
Community and economic development:				
Community development	\$ 1,304,236	\$ 1,000,727	\$ 303,509	\$ 1,391,351
Downtown development	467,463	428,650	38,813	-
Code Enforcement	321,261	257,407	63,854	274,172
The Plaza	205,455	155,083	50,372	187,960
Developmental services	432,961	423,233	9,728	616,874
	<u>\$ 2,731,376</u>	<u>\$ 2,265,100</u>	<u>\$ 466,276</u>	<u>\$ 2,470,357</u>
Education	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 38,107</u>
Debt service:				
Principal	\$ 866,615	\$ 709,472	\$ 157,143	\$ 779,472
Interest and fees	117,900	84,733	33,167	450,252
	<u>\$ 984,515</u>	<u>\$ 794,205</u>	<u>\$ 190,310</u>	<u>\$ 1,229,724</u>
Total expenditures	<u>\$ 38,688,162</u>	<u>\$ 35,605,898</u>	<u>\$ 3,082,264</u>	<u>\$ 32,018,436</u>
OTHER FINANCING USES:				
Transfers to other funds	\$ (3,806,035)	\$ (3,806,035)	\$ -	\$ (2,780,780)
Payment to refund bond escrow agent	-	-	-	(902,831)
Total other financing uses	<u>\$ (3,806,035)</u>	<u>\$ (3,806,035)</u>	<u>\$ -</u>	<u>\$ (3,683,611)</u>
Total expenditures and other financing uses	<u>\$ 42,494,197</u>	<u>\$ 39,411,933</u>	<u>\$ 3,082,264</u>	<u>\$ 35,702,047</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 269,927</u>	<u>\$ 269,927</u>	<u>\$ 1,147,626</u>
FUND BALANCES, BEGINNING		<u>\$ 19,499,610</u>		<u>\$ 18,351,984</u>
FUND BALANCES, ENDING		<u>\$ 19,769,537</u>		<u>\$ 19,499,610</u>



Non Major Governmental Fund

Special revenue funds are used to account for the proceeds of specific revenues that are legally restricted to expenditures for particular purposes. The City has one special revenue fund, the Community Development Fund. This fund is used to account for the operations of the City's community development programs. Financing is provided by the U.S. Department of Housing and Urban Development.

CITY OF SALISBURY, NORTH CAROLINA

SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT

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

For the Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018		Variance with Budget Positive (Negative)	2017
	Budget	Actual		Actual
REVENUES:				
Intergovernmental:				
Federal	\$ 879,270	\$ 289,936	\$ (589,334)	\$ 334,218
Miscellaneous:				
Other	242,713	241,034	(1,679)	153,494
Total revenues	<u>\$ 1,121,983</u>	<u>\$ 530,970</u>	<u>\$ (591,013)</u>	<u>\$ 487,712</u>
EXPENDITURES:				
Current:				
General government	\$ 118,125	\$ 84,193	\$ 33,932	\$ 79,349
Community and economic development	962,863	375,191	587,672	365,043
Debt Service:				
Principal	32,000	32,000	-	32,000
Interest	8,995	8,995	-	10,672
Total expenditures	<u>\$ 1,121,983</u>	<u>\$ 500,379</u>	<u>\$ 621,604</u>	<u>\$ 487,064</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ -</u>	\$ 30,591	<u>\$ 30,591</u>	\$ 648
FUND BALANCE, BEGINNING		4,576		3,928
FUND BALANCE, ENDING		<u>\$ 35,167</u>		<u>\$ 4,576</u>



Proprietary Fund Types

Proprietary Funds Types - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water and Sewer Fund - to account for the provision of water and sewer services to the residents of the City and immediate area around the City.

Broadband Services Fund - to account for the provision of broadband services to the residents of the City.

Stormwater Utility Fund - to account for the provision of stormwater programs and policies.

Mass Transit Fund - to account for the provision of public bus services to the residents of the City.

All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

D-1
CITY OF SALISBURY, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	<u>2018</u>		Variance with Budget Positive (Negative)	<u>2017</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
OPERATING REVENUES:				
Charges for services:				
Water sales	\$ 10,387,923	\$ 12,041,883	\$ 1,653,960	\$ 12,556,579
Sewer charges	11,409,111	11,811,676	402,565	11,916,873
Water and sewer taps	350,000	551,858	201,858	370,244
Other operating revenues	1,052,644	1,154,486	101,842	1,090,581
Total operating revenues	<u>23,199,678</u>	<u>25,559,903</u>	<u>2,360,225</u>	<u>25,934,277</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 5,094,108	\$ 5,403,023	\$ (308,915)	\$ 4,827,264
Water resources	2,989,317	3,115,509	(126,192)	2,863,512
Maintenance and construction	3,240,833	3,093,062	147,771	2,667,642
Wastewater collection and treatment	4,793,688	4,126,871	666,817	3,992,156
Environmental services	607,591	611,504	(3,913)	556,418
Total operating expenses other than depreciation	<u>\$ 16,725,537</u>	<u>\$ 16,349,969</u>	<u>\$ 375,568</u>	<u>\$ 14,906,992</u>
NONOPERATING REVENUES (EXPENDITURES):				
Investment earnings	\$ 17,000	\$ 171,346	\$ 154,346	\$ 88,600
State grant	260,000	-	(260,000)	-
Transfer to Capital Projects Fund	(3,200,000)	(1,500,000)	1,700,000	(3,200,000)
Capital outlay	(1,173,301)	(926,636)	246,665	(915,974)
Payment of debt principal	(3,573,502)	(3,111,848)	461,654	(3,573,502)
Interest expense	(1,321,838)	(1,021,115)	300,723	(1,321,992)
Net nonoperating revenues (expenditures)	<u>\$ (8,991,641)</u>	<u>\$ (6,388,253)</u>	<u>\$ 2,603,388</u>	<u>\$ (8,922,868)</u>
Revenues over expenditures	<u>\$ (2,517,500)</u>	<u>\$ 2,821,681</u>	<u>\$ 5,339,181</u>	<u>\$ 2,104,417</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out:				
Fund balance appropriated	<u>\$ 2,517,500</u>	<u>\$ -</u>	<u>\$ (2,517,500)</u>	<u>\$ -</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>\$ -</u>	<u>\$ 2,821,681</u>	<u>\$ 2,821,681</u>	<u>\$ 2,104,417</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Revenues over expenditures and other financing sources (uses)		\$ 2,821,681		
Capital outlay		926,636		
Depreciation		(5,509,808)		
Payment of debt principal		3,111,848		
Interest income from Capital Projects Fund		76,400		
Transfer to Capital Projects Fund		1,500,000		
Increase in accrued OPEB liability		(6,237)		
Interest expense adjustment		27,295		
Decrease in net pension liability		359,900		
Increase in deferred outflows of resources-pensions		26,818		
Decrease in deferred inflows of resources-pensions		(369,045)		
Vacation pay		(49,190)		
Change in net position		<u>\$ 2,916,298</u>		

CITY OF SALISBURY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND

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

From Inception and for the Year Ended June 30, 2018

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Miscellaneous				
Interest on investments	\$ -	\$ 156,279	\$ 76,400	\$ 232,679
EXPENDITURES-SEWER PROJECT				
Engineering and design	\$ 1,133,000	\$ -	\$ 7,365	\$ 7,365
EXPENDITURES-WATER PROJECT				
Engineering and design	\$ 1,200,000	\$ 600,729	\$ 678,004	\$ 1,278,733
Construction	6,000,000	4,793,083	207,640	5,000,723
Total expenditures-Water project	\$ 7,200,000	\$ 5,393,812	\$ 885,644	\$ 6,279,456
Total expenditures	\$ 8,333,000	\$ 5,393,812	\$ 893,009	\$ 6,286,821
Total revenues under expenditures	\$ (8,333,000)	\$ (5,237,533)	\$ (816,609)	\$ (6,054,142)
OTHER FINANCING SOURCES:				
Contribution from Water and Sewer Fund	\$ 8,333,000	\$ 5,700,000	\$ 1,407,098	\$ 7,107,098
Total other financing sources	\$ 8,333,000	\$ 5,700,000	\$ 1,407,098	\$ 7,107,098
Unexpended revenues and receipts	\$ -	\$ 618,746	\$ 666,889	\$ 1,285,635

CITY OF SALISBURY, NORTH CAROLINA

**BROADBAND SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)**

For the Fiscal Year Ended June 30, 2018

With Comparative Actual Amounts for Year Ended June 30, 2017

	<u>2018</u>		<u>Variance with</u>	<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
			<u>Positive</u>	
			<u>(Negative)</u>	
OPERATING REVENUES:				
Charges for services				
Internet	\$ 2,153,725	\$ 2,002,455	\$ (151,270)	\$ 2,299,085
Video	1,938,767	1,714,343	(224,424)	1,750,354
Phone	835,409	703,512	(131,897)	811,068
Other operating revenues	<u>458,085</u>	<u>136,347</u>	<u>(321,738)</u>	<u>232,560</u>
Total operating revenues	<u>5,385,986</u>	<u>4,556,657</u>	<u>(829,329)</u>	<u>5,093,067</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 729,165	\$ 580,190	\$ 148,975	\$ 350,137
Sales and marketing	259,712	227,578	32,134	293,099
Programming	1,751,137	1,746,117	5,020	1,803,970
Broadband services	1,405,257	1,042,659	362,598	1,356,205
Services delivery	<u>1,438,743</u>	<u>1,217,332</u>	<u>221,411</u>	<u>1,460,325</u>
Total operating expenses other than depreciation	<u>\$ 5,584,014</u>	<u>\$ 4,813,876</u>	<u>\$ 770,138</u>	<u>\$ 5,263,736</u>
NONOPERATING REVENUES (EXPENDITURES):				
Investment earnings	\$ -	\$ 7,045	\$ 7,045	\$ 3,267
Refunding bonds issued	-	-	-	28,990,000
Payment to refund bond escrow agent	-	-	-	(31,972,437)
Capital outlay	-	-	-	(107,590)
Payment of debt principal	(2,030,000)	(2,030,000)	-	(1,820,000)
Payment of inter-fund loan principal	(300,000)	(300,000)	-	(50,000)
Interest expense and fees	<u>(812,685)</u>	<u>(812,473)</u>	<u>212</u>	<u>(511,082)</u>
Net nonoperating expenditures	<u>\$ (3,142,685)</u>	<u>\$ (3,135,428)</u>	<u>\$ 7,257</u>	<u>\$ (5,467,842)</u>
Revenues over (under) expenditures	<u>\$ (3,340,713)</u>	<u>\$ (3,392,647)</u>	<u>\$ (51,934)</u>	<u>\$ (5,638,511)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in:				
General Fund	<u>\$ 3,340,713</u>	<u>\$ 3,340,713</u>	<u>\$ -</u>	<u>\$ 2,315,458</u>
REVENUES OVER EXPENDITURES AND				
OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ (51,934)</u>	<u>\$ (51,934)</u>	<u>\$ (3,323,053)</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ (51,934)		
Depreciation		(695,405)		
Payment of debt principal		2,030,000		
Payment of inter-fund loan principal		300,000		
Proceeds for lawsuit settlement		1,550,000		
Increase in accrued OPEB liability		(1,864)		
Interest expense and fees adjustment		(130,262)		
Decrease in net pension liability		107,527		
Increase in deferred outflows of resources-pensions		(110,260)		
Increase in deferred inflows of resources-pensions		8,012		
Vacation pay		<u>7,051</u>		
Change in net position		<u>\$ 3,012,865</u>		

CITY OF SALISBURY, NORTH CAROLINA

STORMWATER FUND

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

For the Year Ended June 30, 2018

With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance with Budget Positive (Negative)	2017
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 1,380,000	\$ 1,335,057	\$ (44,943)	\$ 1,329,245
Other operating revenues	<u>1,750</u>	<u>2,068</u>	<u>318</u>	<u>1,557</u>
Total operating revenues	<u>\$ 1,381,750</u>	<u>\$ 1,337,125</u>	<u>\$ (44,625)</u>	<u>\$ 1,330,802</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 733,992	\$ 669,313	\$ 64,679	\$ 675,910
Street cleaning	186,948	132,843	54,105	96,057
Storm drainage	151,965	120,748	31,217	102,110
Leaf Collection	<u>193,017</u>	<u>135,580</u>	<u>57,437</u>	<u>155,601</u>
Total operating expenditures other than depreciation	<u>\$ 1,265,922</u>	<u>\$ 1,058,484</u>	<u>\$ 207,438</u>	<u>\$ 1,029,678</u>
NONOPERATING REVENUES (EXPENDITURES):				
Interest on investments	\$ 1,500	\$ 12,161	\$ 10,661	\$ 5,070
Capital outlay	<u>(154,027)</u>	<u>(130,449)</u>	<u>23,578</u>	<u>(14,631)</u>
Total nonoperating revenues (expenditures)	<u>\$ (152,527)</u>	<u>\$ (118,288)</u>	<u>\$ 34,239</u>	<u>\$ (9,561)</u>
Revenues under expenditures	<u>\$ (36,699)</u>	<u>\$ 160,353</u>	<u>\$ 197,052</u>	<u>\$ 291,563</u>
OTHER FINANCING SOURCES:				
Appropriated fund balance	<u>\$ 36,699</u>	<u>\$ -</u>	<u>\$ (36,699)</u>	<u>\$ -</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 160,353</u>	<u>\$ 160,353</u>	<u>\$ 291,563</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ 160,353		
Depreciation		(32,152)		
Capital outlay		130,449		
Increase in accrued OPEB liability		(717)		
Decrease in net pension liability		41,357		
Increase in deferred outflows of resources-pensions		(42,408)		
Decrease in deferred inflows of resources-pensions		3,082		
Vacation pay		<u>5,152</u>		
Change in net position		<u>\$ 265,116</u>		

CITY OF SALISBURY, NORTH CAROLINA

MASS TRANSIT FUND

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

For the Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance with Budget Positive (Negative)	2017
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 148,000	\$ 133,830	\$ (14,170)	\$ 140,539
Other operating revenues	<u>12,652</u>	<u>22,708</u>	<u>10,056</u>	<u>9,886</u>
Total operating revenues	<u>\$ 160,652</u>	<u>\$ 156,538</u>	<u>\$ (4,114)</u>	<u>\$ 150,425</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 314,723	\$ 314,152	\$ 571	\$ 326,627
Mass transit operations	<u>892,814</u>	<u>885,952</u>	<u>6,862</u>	<u>864,909</u>
Total operating expenditures other than depreciation	<u>\$ 1,207,537</u>	<u>\$ 1,200,104</u>	<u>\$ 7,433</u>	<u>\$ 1,191,536</u>
NONOPERATING REVENUES (EXPENDITURES):				
Intergovernmental	\$ 569,753	\$ 568,628	\$ (1,125)	\$ 618,631
Interest on investments	2,500	5,491	2,991	3,431
Capital outlay	<u>(65,690)</u>	<u>(61,855)</u>	<u>3,835</u>	<u>(70,387)</u>
Total nonoperating revenues (expenditures)	<u>\$ 506,563</u>	<u>\$ 512,264</u>	<u>\$ 5,701</u>	<u>\$ 551,675</u>
Revenues under expenditures	<u>\$ (540,322)</u>	<u>\$ (531,302)</u>	<u>\$ 9,020</u>	<u>\$ (489,436)</u>
OTHER FINANCING SOURCES:				
Appropriated fund balance	\$ 75,000	\$ -	\$ (75,000)	\$ -
Operating transfers in:				
General fund	<u>465,322</u>	<u>465,322</u>	<u>-</u>	<u>465,322</u>
Total other financing sources (uses)	<u>\$ 540,322</u>	<u>\$ 465,322</u>	<u>\$ (75,000)</u>	<u>\$ 465,322</u>
REVENUES OVER (UNDER) EXPENDITURES AND AND OTHER FINANCING SOURCES				
	<u>\$ -</u>	<u>\$ (65,980)</u>	<u>\$ (65,980)</u>	<u>\$ (24,114)</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ (65,980)		
Depreciation		(116,403)		
Capital outlay		61,855		
Increase in accrued OPEB liability		(860)		
Increase in net pension liability		49,628		
Increase in deferred outflows of resources-pensions		3,698		
Decrease in deferred inflows of resources-pensions		(50,889)		
Vacation pay		<u>(7,286)</u>		
Change in net position		<u>\$ (126,237)</u>		



Internal Service Funds

Internal Service Funds are used for allocating the cost of providing certain central services among the different funds.

Workers' Compensation Fund - to account for monies provided by the City and interest earnings to provide the City's reserve for Workers' Compensation.

Employee Health Care Fund - to account for monies withheld from employees' wages and charges to the City to fund the City's health insurance plan.

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION

June 30, 2018

With Comparative Totals at June 30, 2017

<u>ASSETS</u>	<u>Workers'</u> <u>Compensation</u>	<u>Employee</u> <u>Health Care</u>	<u>Totals</u>	
			<u>2018</u>	<u>2017</u>
CURRENT ASSETS				
Cash and investments	\$ 1,429,005	\$ 3,196,975	\$ 4,625,980	\$ 2,686,299
Accounts receivable	-	1,929	1,929	1,487
Interest receivable	<u>3,079</u>	<u>7,055</u>	<u>10,134</u>	<u>5,103</u>
Total assets	<u>\$ 1,432,084</u>	<u>\$ 3,205,959</u>	<u>\$ 4,638,043</u>	<u>\$ 2,692,889</u>
<u>LIABILITIES AND NET POSITION</u>				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 41,423</u>	<u>\$ 638,460</u>	<u>\$ 679,883</u>	<u>\$ 913,702</u>
NET POSITION, UNRESTRICTED	<u>\$ 1,390,661</u>	<u>\$ 2,567,499</u>	<u>\$ 3,958,160</u>	<u>\$ 1,779,187</u>

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the Year Ended June 30, 2018
With Comparative Totals For The Year Ended June 30, 2017

	Workers' Compensation	Employee Health Care	Totals	
			2018	2017
OPERATING REVENUES:				
Charges for services	\$ 987,900	\$ 5,719,431	\$ 6,707,331	\$ 6,733,765
OPERATING EXPENSES:				
Employee benefits	<u>374,276</u>	<u>4,190,483</u>	<u>4,564,759</u>	<u>6,043,461</u>
OPERATING INCOME (LOSS)	\$ 613,624	\$ 1,528,948	\$ 2,142,572	\$ 690,304
NONOPERATING REVENUES				
Interest earned on investments	<u>10,994</u>	<u>25,407</u>	<u>36,401</u>	<u>11,407</u>
CHANGE IN NET POSITION	\$ 624,618	\$ 1,554,355	\$ 2,178,973	\$ 701,711
TOTAL NET POSITION, BEGINNING	<u>766,043</u>	<u>1,013,144</u>	<u>1,779,187</u>	<u>1,077,476</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,390,661</u>	<u>\$ 2,567,499</u>	<u>\$ 3,958,160</u>	<u>\$ 1,779,187</u>

CITY OF SALISBURY, NORTH CAROLINA
WORKERS' COMPENSATION INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
FINANCIAL PLAN AND ACTUAL (NON-GAAP)

For the Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	<u>2018</u>		Variance with Financial Plan Positive (Negative)	<u>2017</u>
	Financial Plan	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 986,400	\$ 987,900	\$ 1,500	\$ 840,600
OPERATING EXPENDITURES:				
Employee benefits	\$ 987,900	\$ 374,276	\$ 613,624	\$ 577,734
NONOPERATING REVENUES:				
Interest on investments	\$ 1,500	\$ 10,994	\$ 9,494	\$ 2,870
Revenues over (under) expenditures	\$ -	\$ 624,618	\$ 624,618	\$ 265,736
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 624,618</u>	<u>\$ 624,618</u>	<u>\$ 265,736</u>

CITY OF SALISBURY, NORTH CAROLINA
EMPLOYEE HEALTH CARE INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
FINANCIAL PLAN AND ACTUAL (NON-GAAP)

For the Year Ended June 30, 2018
With Comparative Actual Amounts for Year Ended June 30, 2017

	<u>2018</u>		Variance with Financial Plan Positive (Negative)	<u>2017</u>
	Financial Plan	Actual		Actual
OPERATING REVENUES:				
Charges for services	<u>\$ 5,819,955</u>	<u>\$ 5,719,431</u>	<u>\$ (100,524)</u>	<u>\$ 5,893,165</u>
OPERATING EXPENDITURES:				
Employee benefits	<u>\$ 5,821,955</u>	<u>\$ 4,190,483</u>	<u>\$ 1,631,472</u>	<u>\$ 5,465,727</u>
NONOPERATING REVENUES:				
Interest on investments	<u>\$ 2,000</u>	<u>\$ 25,407</u>	<u>\$ 23,407</u>	<u>\$ 8,537</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 1,554,355</u>	<u>\$ 1,554,355</u>	<u>\$ 435,975</u>

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018
With Comparative Totals For The Year Ended June 30, 2017

	Workers' Compensation	Employee Health Care	Totals	
			2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services provided	\$ 987,900	\$ 5,718,989	\$ 6,706,889	\$ 6,732,278
Cash paid for goods and services	<u>(358,700)</u>	<u>(4,439,878)</u>	<u>(4,798,578)</u>	<u>(5,627,357)</u>
Net cash provided (used) by operating activities	<u>\$ 629,200</u>	<u>\$ 1,279,111</u>	<u>\$ 1,908,311</u>	<u>\$ 1,104,921</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	<u>\$ 9,445</u>	<u>\$ 21,925</u>	<u>\$ 31,370</u>	<u>\$ 8,110</u>
Net increase (decrease) in cash and cash equivalents	\$ 638,645	\$ 1,301,036	\$ 1,939,681	\$ 1,113,031
Balances-beginning of the year	<u>790,360</u>	<u>1,895,939</u>	<u>2,686,299</u>	<u>1,573,268</u>
Balances-end of the year	<u>\$ 1,429,005</u>	<u>\$ 3,196,975</u>	<u>\$ 4,625,980</u>	<u>\$ 2,686,299</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 613,624	\$ 1,528,948	\$ 2,142,572	\$ 690,304
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in current assets and liabilities:				
(Increase) decrease in accounts receivable	-	(442)	(442)	(1,487)
Increase (decrease) in accounts payable and accrued liabilities	<u>15,576</u>	<u>(249,395)</u>	<u>(233,819)</u>	<u>416,104</u>
Net cash provided (used) by operating activities	<u>\$ 629,200</u>	<u>\$ 1,279,111</u>	<u>\$ 1,908,311</u>	<u>\$ 1,104,921</u>



Agency Funds

Agency funds are used to account for assets held by government as an agent for individuals, private organizations, other governments, and/or other funds.

AGENCY FUNDS

Boards and Commissions – to account for monies raised by the boards and commissions of the City from private sources to fund their projects.

Municipal Service District Fund – to account for tax receipts of the Municipal Service District that the City receives from the County and then remits to Downtown Salisbury, Inc.

East Spencer Utilities Fund – to account for billings and receipts of the Town of East Spencer’s utilities operations, which the City manages on a contract basis.

Rowan County Utilities Fund – to account for billings and receipts of the Town of East Spencer’s utilities operations, for which the City bills and collects on a contract basis.

Rockwell Garbage Fund – to account for billings, collections, and disbursements of garbage fees billed on behalf of the Town of Rockwell.

Granite Quarry Garbage Fund – to account for billings, collections, and disbursements of garbage fees billed on behalf of the Town of Granite Quarry.

Spencer Garbage Fund – to account for billings, collections, and disbursements of garbage fees billed on behalf of the Town of Spencer.

Tourism and Cultural Development Fund – to account for monies raised through hotel occupancy taxes that the City collects from local hoteliers and then remits to the Salisbury Tourism and Cultural Development Commission.

Salisbury-Rowan Human Relations Council Fund – to account for municipal appropriations, donations, and disbursements of the Salisbury-Rowan Human Relations Council.

CITY OF SALISBURY, NORTH CAROLINA

AGENCY FUNDS

COMBINING BALANCE SHEET

June 30, 2018

With Comparative Totals at June 30, 2018

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	Agency									Totals	
	Boards and Commissions Fund	Municipal Service District Fund	East Spencer Utility Fund	Rowan County Utility Fund	Rockwell Garbage Fund	Granite Quarry Garbage Fund	Spencer Garbage Fund	Tourism and Cultural Development Fund	Salisbury- Rowan Human Relations Council Fund	2018	2017
<u>ASSETS</u>											
Cash and investments	\$ 2,796	\$ 3,098	\$ 30,666	\$ -	\$ 353	\$ 1,154	\$ 2,342	\$ -	\$ 29,662	\$ 70,071	\$ 68,355
Interest receivable	-	-	99	-	-	-	-	-	-	99	68
Accounts receivable	-	3,632	422,940	2,329	9,566	32,374	50,619	-	-	521,461	513,322
Total assets	<u>\$ 2,796</u>	<u>\$ 6,730</u>	<u>\$ 453,705</u>	<u>\$ 2,329</u>	<u>\$ 9,919</u>	<u>\$ 33,528</u>	<u>\$ 52,961</u>	<u>\$ -</u>	<u>\$ 29,662</u>	<u>\$ 591,631</u>	<u>\$ 581,745</u>
<u>LIABILITIES</u>											
Accounts payable and accrued liabilities	<u>\$ 2,796</u>	<u>\$ 6,731</u>	<u>\$ 453,705</u>	<u>\$ 2,329</u>	<u>\$ 9,919</u>	<u>\$ 33,528</u>	<u>\$ 52,961</u>	<u>\$ -</u>	<u>\$ 29,662</u>	<u>\$ 591,631</u>	<u>\$ 581,745</u>

CITY OF SALISBURY, NORTH CAROLINA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>BOARDS AND COMMISSIONS FUND:</u>				
ASSETS				
Cash and investments	\$ 2,796	\$ -	\$ -	\$ 2,796
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,796	\$ -	\$ -	\$ 2,796
<u>MUNICIPAL SERVICE DISTRICT FUND:</u>				
ASSETS				
Cash and investments	\$ 4,741	\$ 140,404	\$ 142,047	\$ 3,098
Interest receivable	8	31	39	-
Accounts receivable	7,464	141,300	145,131	3,632
Total assets	\$ 12,213	\$ 281,735	\$ 287,217	\$ 6,731
LIABILITIES				
Accounts payable and accrued liabilities	\$ 12,213	\$ 281,735	\$ 287,217	\$ 6,731
<u>EAST SPENCER UTILITY FUND:</u>				
ASSETS				
Cash and investments	\$ 13,467	\$ 967,527	\$ 950,328	\$ 30,666
Interest receivable	60	278	239	99
Accounts receivable	417,542	963,009	957,611	422,940
Total Assets	\$ 431,069	\$ 1,930,814	\$ 1,908,178	\$ 453,705
LIABILITIES				
Accounts payable and accrued liabilities	\$ 431,069	\$ 1,930,814	\$ 1,908,178	\$ 453,705
<u>ROWAN COUNTY UTILITY FUND:</u>				
ASSETS				
Accounts receivable	\$ -	2,329	\$ -	2,329
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	2,329	\$ -	2,329
<u>ROCKWELL GARBAGE FUND</u>				
ASSETS				
Cash and investments	\$ 280	\$ 48,851	\$ 48,778	\$ 353
Accounts receivable	9,482	48,955	48,871	9,566
Total Assets	\$ 9,762	\$ 97,806	\$ 97,649	\$ 9,919
LIABILITIES				
Accounts payable and accrued liabilities	\$ 9,762	\$ 97,806	\$ 97,649	\$ 9,919

CITY OF SALISBURY, NORTH CAROLINA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2018

(continued)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>GRANITE QUARRY GARBAGE FUND</u>				
ASSETS				
Cash and investments	\$ 1,203	\$ 149,671	\$ 149,720	\$ 1,154
Accounts receivable	32,092	150,030	149,748	32,374
Total Assets	<u>\$ 33,295</u>	<u>\$ 299,701</u>	<u>\$ 299,468</u>	<u>\$ 33,528</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 33,295</u>	<u>\$ 299,701</u>	<u>\$ 299,468</u>	<u>\$ 33,528</u>
<u>SPENCER GARBAGE FUND</u>				
ASSETS				
Cash and investments	\$ 2,756	\$ 248,033	\$ 248,447	\$ 2,342
Accounts receivable	46,742	233,585	229,708	50,619
Total Assets	<u>\$ 49,498</u>	<u>\$ 481,618</u>	<u>\$ 478,155</u>	<u>\$ 52,961</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 49,498</u>	<u>\$ 481,618</u>	<u>\$ 478,155</u>	<u>\$ 52,961</u>
<u>TOURISM AND CULTURAL DEVELOPMENT FUND:</u>				
ASSETS				
Cash and investments	\$ 35,060	\$ 106,615	\$ 141,675	\$ -
Total Assets	<u>\$ 35,060</u>	<u>\$ 106,615</u>	<u>\$ 141,675</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 35,060</u>	<u>\$ 106,615</u>	<u>\$ 141,675</u>	<u>\$ -</u>
<u>SALISBURY-ROWAN HUMAN RELATIONS COUNCIL FUND</u>				
ASSETS				
Cash and investments	\$ 8,052	\$ 56,095	\$ 34,485	29,662
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 8,052</u>	<u>\$ 56,095</u>	<u>\$ 34,485</u>	<u>\$ 29,662</u>
<u>TOTAL AGENCY FUNDS:</u>				
ASSETS				
Cash and investments	\$ 68,355	\$ 1,717,196	\$ 1,715,480	\$ 70,071
Accrued interest	68	309	278	99
Accounts receivable	513,322	1,536,879	1,531,069	521,461
Total assets	<u>\$ 581,745</u>	<u>\$ 3,254,384</u>	<u>\$ 3,246,827</u>	<u>\$ 591,631</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 581,745</u>	<u>\$ 3,254,384</u>	<u>\$ 3,246,827</u>	<u>\$ 591,631</u>



Other Schedules



CITY OF SALISBURY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

For the Year Ended June 30, 2018

	<u>City Wide</u>			<u>Total Levy</u>	
	<u>Property</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property</u>	<u>Registered</u>
	<u>Valuation</u>			<u>Excluding</u>	<u>Registered</u>
			<u>Motor</u>	<u>Motor</u>	
			<u>Vehicles</u>	<u>Vehicles</u>	
ORIGINAL LEVY					
Property taxed at current year's rates	\$2,625,650,194	\$ 0.7096	\$ 18,631,398	\$18,631,398	\$ -
Registered motor vehicles taxed under NC Vehicle Tax System	220,841,178	0.7096	1,567,089	-	1,567,089
Auto registration fee			233,375	-	233,375
Penalties			40,933	40,933	-
TOTAL	\$2,846,491,372		\$ 20,472,795	\$18,672,331	\$ 1,800,464
DISCOVERY					
Current year rates	4,685,249		33,178	27,725	5,453
Prior years rates			40,646	40,646	-
Penalties			12,571	12,571	-
TOTAL			\$ 86,395	\$ 80,942	5,453
ABATEMENTS	<u>(6,758,505)</u>		\$ (64,349)	\$ (64,298)	\$ (38)
TOTAL PROPERTY VALUATION	<u>\$2,844,418,116</u>				
NET LEVY			\$ 20,494,841	\$18,688,975	\$ 1,805,879
Less uncollected tax at June 30, 2018			<u>343,061</u>	<u>337,581</u>	<u>5,480</u>
CURRENT YEAR'S TAXES COLLECTED			<u>\$ 20,151,780</u>	<u>\$18,351,394</u>	<u>\$1,800,399</u>
PERCENT OF CURRENT YEAR COLLECTED			<u>98.33%</u>	<u>98.19%</u>	<u>99.70%</u>

Statistical Section



This part of the City of Salisbury’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 City’s overall financial health.

<u>Contents</u>	Pages
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</p>	<p>126-133</p>
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.</p>	<p>134-139</p>
<p>Debt Capacity</p> <p>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</p>	<p>140-146</p>
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time and with other governments.</p>	<p>147-148</p>
<p>Operating Information</p> <p>These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.</p>	<p>149-153</p>

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Schedule 1

**CITY OF SALISBURY
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$ 37,816,470	\$ 38,831,003	\$ 39,495,804	\$ 38,522,820	\$ 37,783,298
Restricted	216,413	591,581	4,846,985	4,851,968	4,657,799
Unrestricted	<u>7,691,236</u>	<u>6,001,521</u>	<u>850,814</u>	<u>3,181,778</u>	<u>5,778,803</u>
Total Governmental net position	<u>\$ 45,724,119</u>	<u>\$ 45,424,105</u>	<u>\$ 45,193,603</u>	<u>\$ 46,556,566</u>	<u>\$ 48,219,900</u>
Business-type activities					
Net investment in capital assets	\$ 75,728,506	\$ 76,682,748	\$ 74,697,761	\$ 79,246,490	\$ 77,077,799
Unrestricted	<u>12,737,154</u>	<u>11,659,840</u>	<u>13,195,867</u>	<u>11,964,751</u>	<u>11,254,780</u>
Total business-type net position	<u>\$ 88,465,660</u>	<u>\$ 88,342,588</u>	<u>\$ 87,893,628</u>	<u>\$ 91,211,241</u>	<u>\$ 88,332,579</u>
Primary government					
Net investment in capital assets	\$113,544,976	\$115,513,751	\$114,193,565	\$117,769,310	\$ 114,861,097
Restricted	216,413	591,581	4,846,985	4,851,968	4,657,799
Unrestricted	<u>20,428,390</u>	<u>17,661,361</u>	<u>14,046,681</u>	<u>15,146,529</u>	<u>17,033,583</u>
Total primary government net position	<u>\$134,189,779</u>	<u>\$133,766,693</u>	<u>\$133,087,231</u>	<u>\$137,767,807</u>	<u>\$ 136,552,479</u>

Schedule 1

**CITY OF SALISBURY
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(continued)**

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets	\$ 36,648,493	\$ 35,682,857	\$ 36,027,355	\$ 35,384,844	\$ 34,821,867
Restricted	4,503,277	4,120,183	4,719,068	5,221,501	4,996,766
Unrestricted	<u>7,830,760</u>	<u>8,320,730</u>	<u>8,188,064</u>	<u>6,635,231</u>	<u>5,481,877</u>
Total Governmental net position	<u>\$ 48,982,530</u>	<u>\$ 48,123,770</u>	<u>\$ 48,934,487</u>	<u>\$ 47,241,576</u>	<u>\$ 45,300,510</u>
Business-type activities					
Net investment in capital assets	\$ 77,582,377	\$ 78,308,385	\$ 79,354,208	\$ 84,806,909	\$ 85,462,699
Unrestricted	<u>13,253,188</u>	<u>16,076,740</u>	<u>18,935,989</u>	<u>18,375,335</u>	<u>22,767,326</u>
Total business-type net position	<u>\$ 90,835,565</u>	<u>\$ 94,385,125</u>	<u>\$ 98,290,197</u>	<u>\$ 103,182,244</u>	<u>\$ 108,230,025</u>
Primary government					
Net investment in capital assets	\$ 114,230,870	\$ 113,991,242	\$ 115,381,563	\$ 120,191,753	\$ 120,284,566
Restricted	4,503,277	4,120,183	4,719,068	5,221,501	4,996,766
Unrestricted	<u>21,083,948</u>	<u>24,397,470</u>	<u>27,124,053</u>	<u>25,010,566</u>	<u>28,249,203</u>
Total primary government net position	<u>\$ 139,818,095</u>	<u>\$ 142,508,895</u>	<u>\$ 147,224,684</u>	<u>\$ 150,423,820</u>	<u>\$ 153,530,535</u>

Schedule 2
CITY OF SALISBURY
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities:					
General government	\$ 7,607,018	\$ 9,000,546	\$ 8,638,802	\$ 8,858,997	\$ 7,505,862
Public safety	12,600,709	12,781,599	13,065,399	12,013,621	11,971,909
Transportation	4,870,333	5,720,250	5,410,397	5,227,558	4,676,309
Environmental protection	2,459,565	1,903,354	2,372,108	1,672,367	1,470,400
Culture and recreation	2,934,389	2,977,724	2,852,895	2,564,518	2,372,225
Community and economic development	1,938,878	1,861,576	1,868,213	2,335,285	3,114,076
Education	42,342	42,342	42,342	38,107	38,107
Interest on long-term debt	449,945	365,136	323,639	442,531	586,480
Total governmental activities expenses	<u>\$ 32,903,179</u>	<u>\$ 34,652,527</u>	<u>\$ 34,573,795</u>	<u>\$ 33,152,984</u>	<u>\$ 31,735,368</u>
Business-type activities:					
Water and Sewer	\$ 19,961,739	\$ 20,703,446	\$ 21,352,837	\$ 21,501,799	\$ 20,722,706
Broadband Services	230,474	828,584	3,735,371	6,787,748	8,096,019
Stormwater					883,201
Mass Transit	1,347,215	1,217,603	1,175,654	1,053,025	1,086,236
Total business-type activities	<u>\$ 21,539,428</u>	<u>\$ 22,749,633</u>	<u>\$ 26,263,862</u>	<u>\$ 29,342,572</u>	<u>\$ 30,788,162</u>
Total primary governmental expenses	<u>\$ 54,442,607</u>	<u>\$ 57,402,160</u>	<u>\$ 60,837,657</u>	<u>\$ 62,495,556</u>	<u>\$ 62,523,530</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 3,343,256	\$ 3,543,676	\$ 3,528,014	\$ 3,573,724	\$ 1,480,475
Public safety	456,266	433,727	446,473	432,019	522,063
Transportation	148,212	129,223	141,241	175,285	169,651
Environmental protection	1,549,055	1,221,279	1,102,823	1,408,604	1,751,408
Culture and recreation	165,332	153,833	156,726	160,059	166,221
Community and economic development	209,970	134,399	136,921	375,299	169,605
Operating grants and contributions	1,710,521	2,507,060	2,334,124	2,140,686	1,861,365
Capital grants and contributions	986,905	759,641	912,385	97,785	972,479
Total governmental activities program revenues	<u>\$ 8,569,517</u>	<u>\$ 8,882,838</u>	<u>\$ 8,758,707</u>	<u>\$ 8,363,461</u>	<u>\$ 7,093,267</u>
Business-type activities:					
Charges for services:					
Water and Sewer	\$ 20,738,138	\$ 21,353,577	\$ 22,139,692	\$ 23,637,076	\$ 22,344,591
Broadband Services			610,074	2,621,168	3,867,051
Stormwater					1,152,613
Mass Transit	105,874	109,235	134,131	125,809	114,717
Operating grants and contributions	507,040	509,046	549,621	614,416	605,706
Capital grants and contributions	722,209	-	1,725,935	5,002,523	270,330
Total business-type activities program revenues	<u>\$ 22,073,261</u>	<u>\$ 21,971,858</u>	<u>\$ 25,159,453</u>	<u>\$ 32,000,992</u>	<u>\$ 28,355,008</u>
Total primary governmental program revenues	<u>\$ 30,642,778</u>	<u>\$ 30,854,696</u>	<u>\$ 33,918,160</u>	<u>\$ 40,364,453</u>	<u>\$ 35,448,275</u>
Net (expense)/revenue					
Governmental activities	\$ (24,333,662)	\$ (25,769,689)	\$ (25,815,088)	\$ (24,789,523)	\$ (24,642,101)
Business-type activities	533,833	(777,775)	(1,104,409)	2,658,420	(2,433,154)
Total primary governmental net expense	<u>\$ (23,799,829)</u>	<u>\$ (26,547,464)</u>	<u>\$ (26,919,497)</u>	<u>\$ (22,131,103)</u>	<u>\$ (27,075,255)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 17,162,719	\$ 17,379,089	\$ 17,410,646	\$ 17,289,944	\$ 17,796,508
Sales and other taxes	4,732,043	4,526,014	4,752,432	5,260,348	5,303,387
Intergovernmental revenues	3,251,711	3,494,579	3,540,146	3,463,465	3,425,372
Unrestricted investment earnings	244,222	109,254	99,759	86,424	65,080
Miscellaneous	446,592	351,058	198,388	469,090	128,560
Transfers	(453,381)	(390,319)	(416,785)	(416,785)	(413,474)
Total governmental activities	<u>\$ 25,383,906</u>	<u>\$ 25,469,675</u>	<u>\$ 25,584,586</u>	<u>\$ 26,152,486</u>	<u>\$ 26,305,433</u>
Business-type activities:					
Investment earnings	\$ 499,986	\$ 264,384	\$ 238,664	\$ 242,408	\$ 166,183
Transfers	453,381	390,319	416,785	416,785	413,474
Total business-type activities	<u>\$ 953,367</u>	<u>\$ 654,703</u>	<u>\$ 655,449</u>	<u>\$ 659,193</u>	<u>\$ 579,657</u>
Total primary government	<u>\$ 26,337,273</u>	<u>\$ 26,124,378</u>	<u>\$ 26,240,035</u>	<u>\$ 26,811,679</u>	<u>\$ 26,885,090</u>
Change in Net Position					
Governmental activities	\$ 1,050,244	\$ (300,014)	\$ (230,502)	\$ 1,362,963	\$ 1,663,332
Business-type activities	1,487,200	(123,072)	(448,960)	3,317,613	(1,853,497)
Total primary government	<u>\$ 2,537,444</u>	<u>\$ (423,086)</u>	<u>\$ (679,462)</u>	<u>\$ 4,680,576</u>	<u>\$ (190,165)</u>

Schedule 2
CITY OF SALISBURY
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(continued)

Expenses	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental activities:					
General government	\$ 9,704,764	\$ 5,716,066	\$ 5,907,274	\$ 6,110,635	\$ 5,851,064
Public safety	11,788,115	11,455,490	12,163,943	13,296,732	14,493,040
Transportation	4,150,618	4,440,902	5,195,912	6,149,487	6,272,733
Environmental protection	1,472,922	1,481,637	1,452,363	1,496,207	1,572,672
Culture and recreation	2,365,534	2,432,466	2,553,783	2,049,283	1,835,329
Community and economic development	2,285,065	2,480,317	3,219,393	2,887,589	2,551,516
Education	38,107	38,107	38,107	38,107	40,000
Interest on long-term debt	510,887	517,340	481,335	666,604	101,224
Total governmental activities expenses	<u>\$ 32,316,012</u>	<u>\$ 28,562,325</u>	<u>\$ 31,012,110</u>	<u>\$ 32,694,644</u>	<u>\$ 32,717,578</u>
Business-type activities:					
Water and Sewer	\$ 20,985,348	\$ 21,398,672	\$ 21,429,812	\$ 21,982,707	\$ 22,891,351
Broadband Services	5,059,343	8,279,509	7,773,867	6,801,377	6,441,550
Stormwater	936,526	927,399	898,295	1,085,030	1,084,170
Mass Transit	1,098,881	1,013,010	1,103,470	1,326,667	1,322,216
Total business-type activities	<u>\$ 28,080,098</u>	<u>\$ 31,618,590</u>	<u>\$ 31,205,444</u>	<u>\$ 31,195,781</u>	<u>\$ 31,739,287</u>
Total primary governmental expenses	<u>\$ 60,396,110</u>	<u>\$ 60,180,915</u>	<u>\$ 62,217,554</u>	<u>\$ 63,890,425</u>	<u>\$ 64,456,865</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,485,412	\$ 804,630	\$ 715,721	\$ 829,987	\$ 1,322,710
Public safety	397,948	376,740	424,687	487,081	545,128
Transportation	144,681	175,182	160,197	174,125	157,331
Environmental protection	2,064,070	2,173,339	2,163,234	2,104,171	2,116,264
Culture and recreation	162,497	131,904	136,509	136,147	116,179
Community and economic development	258,108	267,299	300,083	394,869	244,467
Operating grants and contributions	1,791,226	1,845,698	1,964,896	2,022,328	1,742,837
Capital grants and contributions	79,807	-	-	483,450	432,589
Total governmental activities program revenues	<u>\$ 6,383,749</u>	<u>\$ 5,774,792</u>	<u>\$ 5,865,327</u>	<u>\$ 6,632,158</u>	<u>\$ 6,677,505</u>
Business-type activities:					
Charges for services:					
Water and Sewer	\$ 22,773,882	\$ 24,327,901	\$ 23,629,386	\$ 25,934,277	\$ 25,559,903
Broadband Services	4,811,757	6,092,803	6,070,893	5,093,067	4,556,657
Stormwater	1,153,565	1,153,178	1,186,319	1,330,802	1,337,125
Mass Transit	105,706	97,193	85,253	150,425	156,538
Operating grants and contributions	558,062	469,421	738,351	618,631	568,628
Capital grants and contributions	575,019	-	-	-	1,550,000
Total business-type activities program revenues	<u>\$ 29,977,991</u>	<u>\$ 32,140,496</u>	<u>\$ 31,710,202</u>	<u>\$ 33,127,202</u>	<u>\$ 33,728,851</u>
Total primary governmental program revenues	<u>\$ 36,361,740</u>	<u>\$ 37,915,288</u>	<u>\$ 37,575,529</u>	<u>\$ 39,759,360</u>	<u>\$ 40,406,356</u>
Net (expense)/revenue					
Governmental activities	\$ (25,932,263)	\$ (22,787,533)	\$ (25,146,783)	\$ (26,062,486)	\$ (26,040,073)
Business-type activities	1,897,893	521,906	504,758	1,931,421	1,989,564
Total primary governmental net expense	<u>\$ (24,034,370)</u>	<u>\$ (22,265,627)</u>	<u>\$ (24,642,025)</u>	<u>\$ (24,131,065)</u>	<u>\$ (24,050,509)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 18,490,266	\$ 18,744,275	\$ 18,719,543	\$ 19,249,072	\$ 20,424,124
Sales and other taxes	5,454,780	5,898,259	6,433,260	7,287,305	7,604,426
Intergovernmental revenues	3,138,583	3,270,152	3,432,476	3,285,759	3,308,275
Unrestricted investment earnings	24,738	17,471	44,586	116,185	237,341
Miscellaneous	-	-	-	-	-
Transfers	(413,474)	(3,713,291)	(3,279,850)	(2,780,780)	(3,806,035)
Total governmental activities	<u>\$ 26,694,893</u>	<u>\$ 24,216,866</u>	<u>\$ 25,350,015</u>	<u>\$ 27,157,541</u>	<u>\$ 27,768,131</u>
Business-type activities:					
Investment earnings	\$ 191,619	\$ 97,534	\$ 120,464	\$ 179,846	\$ 272,443
Transfers	413,474	3,713,291	3,279,850	2,780,780	3,806,035
Total business-type activities	<u>\$ 605,093</u>	<u>\$ 3,810,825</u>	<u>\$ 3,400,314</u>	<u>\$ 2,960,626</u>	<u>\$ 4,078,478</u>
Total primary government	<u>\$ 27,299,986</u>	<u>\$ 28,027,691</u>	<u>\$ 28,750,329</u>	<u>\$ 30,118,167</u>	<u>\$ 31,846,609</u>
Change in Net Position					
Governmental activities	\$ 762,630	\$ 1,429,333	\$ 203,232	\$ 1,095,055	\$ 1,728,058
Business-type activities	2,502,986	4,332,731	3,905,072	4,892,047	6,068,042
Total primary government	<u>\$ 3,265,616</u>	<u>\$ 5,762,064</u>	<u>\$ 4,108,304</u>	<u>\$ 5,987,102</u>	<u>\$ 7,796,100</u>

Schedule 3

**CITY OF SALISBURY
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Reserved	\$ 4,426,599	\$ 4,405,420	\$ -	\$ -	\$ -
Unreserved	<u>4,514,032</u>	<u>4,499,117</u>	-	-	-
Nonspendable			319,844	327,754	710,508
Restricted			4,846,985	4,851,968	4,884,052
Committed			2,811,084	3,587,402	3,974,716
Assigned					
Unassigned			<u>515,476</u>	<u>1,811,722</u>	<u>3,704,948</u>
Total General Fund	<u><u>\$ 8,940,631</u></u>	<u><u>\$ 8,904,537</u></u>	<u><u>\$ 8,493,389</u></u>	<u><u>\$ 10,578,846</u></u>	<u><u>\$ 13,274,224</u></u>
All other governmental funds					
Reserved	\$ 81,400	\$ 31,427	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	(76,713)	(27,823)	-	-	-
Capital projects funds	<u>2,035,631</u>	<u>382,328</u>	-	-	-
Restricted			6,999	29,281	9,840
Unassigned			<u>-</u>	<u>(18,558)</u>	<u>898</u>
Total all other governmental funds	<u><u>\$ 2,040,318</u></u>	<u><u>\$ 385,932</u></u>	<u><u>\$ 6,999</u></u>	<u><u>\$ 10,723</u></u>	<u><u>\$ 10,738</u></u>

Presentation changed in 2011 with the implementation of GASB Statement No. 54.

Schedule 3

**CITY OF SALISBURY
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(continued)**

	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	548,414	488,254	557,974	497,366	573,948
Restricted	4,757,232	4,336,596	4,935,481	5,221,501	4,953,941
Committed	4,261,316	4,310,985	3,800,851	3,917,588	4,143,814
Assigned		1,798,040	1,180,000	2,296,294	3,400,440
Unassigned	<u>6,308,283</u>	<u>7,006,980</u>	<u>7,881,606</u>	<u>7,571,437</u>	<u>6,697,394</u>
 Total General Fund	 <u>\$ 15,875,245</u>	 <u>\$ 17,940,855</u>	 <u>\$ 18,355,912</u>	 <u>\$ 19,504,186</u>	 <u>\$ 19,769,537</u>
 All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted	37,542	40,392	72,448	87,074	42,825
Unassigned	<u>(30,068)</u>	<u>(32,916)</u>	<u>(68,520)</u>	<u>(82,498)</u>	<u>(7,658)</u>
 Total all other governmental funds	 <u>\$ 7,474</u>	 <u>\$ 7,476</u>	 <u>\$ 3,928</u>	 <u>\$ 4,576</u>	 <u>\$ 35,167</u>

Presentation changed in 2011 with the implementation of GASB Statement No. 54.

Schedule 4

**CITY OF SALISBURY
CHANGES OF FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
Taxes	\$ 16,960,723	\$ 17,121,590	\$ 17,295,252	\$ 17,263,974	\$ 17,798,183
Licenses and permits	393,755	420,876	335,602	369,109	366,729
Intergovernmental	10,489,900	10,637,419	10,899,089	11,298,587	11,447,178
Charges for services	2,941,277	2,640,751	2,559,210	3,103,104	3,750,913
Investment earnings	197,380	98,466	92,629	82,763	42,062
Miscellaneous	642,012	496,933	334,184	630,817	414,055
Administrative charges	2,536,683	2,554,510	2,608,011	2,652,777	3,043,931
Total revenues	<u>\$ 34,161,730</u>	<u>\$ 33,970,545</u>	<u>\$ 34,123,977</u>	<u>\$ 35,401,131</u>	<u>\$ 36,863,051</u>
Expenditures					
General government	\$ 7,392,264	\$ 9,208,823	\$ 8,869,055	\$ 9,256,814	\$ 9,873,172
Public safety	11,800,925	12,654,815	13,103,690	11,692,748	11,471,178
Transportation	4,969,657	4,729,571	5,072,925	3,931,193	3,642,785
Environmental protection	2,269,806	1,804,449	1,814,708	1,637,390	1,446,495
Culture and recreation	3,148,062	2,814,908	2,709,176	2,359,866	2,225,672
Economic and physical development	1,934,441	2,339,095	2,266,733	2,242,324	3,156,793
Education	42,342	42,342	42,342	38,107	38,107
Debt service					
Principal	1,129,427	1,296,442	1,206,824	1,268,348	1,361,089
Interest and fees	350,909	380,261	332,819	472,495	538,908
Issuance fees	65,437	-	-	-	-
Total expenditures	<u>\$ 33,103,270</u>	<u>\$ 35,270,706</u>	<u>\$ 35,418,272</u>	<u>\$ 32,899,285</u>	<u>\$ 33,754,199</u>
Excess of revenues over (under) expenditures	<u>\$ 1,058,460</u>	<u>\$ (1,300,161)</u>	<u>\$ (1,294,295)</u>	<u>\$ 2,501,846</u>	<u>\$ 3,108,852</u>
Other financing sources (uses)					
Transfers out	\$ (453,381)	\$ (390,319)	\$ (416,785)	\$ (416,785)	\$ (413,474)
Refunding bonds issued				905,000	-
Payment to refund bond escrow agent				(904,604)	-
Installment purchase financing	2,305,000	-	914,000	-	-
Total other financing sources (uses)	<u>\$ 1,851,619</u>	<u>\$ (390,319)</u>	<u>\$ 497,215</u>	<u>\$ (416,389)</u>	<u>\$ (413,474)</u>
Net change in fund balances	<u>\$ 2,910,079</u>	<u>\$ (1,690,480)</u>	<u>\$ (797,080)</u>	<u>\$ 2,085,457</u>	<u>\$ 2,695,378</u>
Total capital expenditures included above	\$ 3,218,811	\$ 3,772,963	\$ 3,789,327	\$ 817,974	\$ 788,382
Debt services as a percentage of noncapital expenditures	5.2%	5.3%	4.9%	5.4%	5.8%

Schedule 4

**CITY OF SALISBURY
CHANGES OF FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(continued)**

	Fiscal Year				
	2014	2015	2016	2017	2018
Revenues					
Taxes	\$ 18,861,229	\$ 18,873,342	\$ 18,742,491	\$ 19,337,385	\$ 20,459,496
Licenses and permits	414,427	153,895	65,615	62,735	61,123
Intergovernmental	10,464,396	10,916,799	11,616,378	12,940,264	12,916,957
Charges for services	3,370,284	3,451,843	3,433,812	3,515,024	3,933,721
Investment earnings	16,329	16,679	40,491	104,778	200,750
Miscellaneous	735,036	420,666	616,499	687,199	678,595
Administrative charges	-	-	-	-	-
Total revenues	<u>\$ 33,861,701</u>	<u>\$ 33,833,224</u>	<u>\$ 34,515,286</u>	<u>\$ 36,647,385</u>	<u>\$ 38,250,642</u>
Expenditures					
General government	\$ 10,793,704	\$ 8,721,654	\$ 5,838,547	\$ 6,184,367	\$ 5,635,857
Public safety	11,275,895	11,514,936	12,601,305	13,707,675	17,602,625
Transportation	2,887,999	3,073,246	3,998,967	5,005,879	4,989,137
Environmental protection	1,668,679	1,472,928	1,860,396	1,640,900	1,785,265
Culture and recreation	2,186,862	2,277,387	2,474,162	1,820,776	2,577,902
Economic and physical development	2,196,940	2,448,259	3,152,580	2,835,400	2,640,291
Education	38,107	38,107	38,107	38,107	40,000
Debt service					
Principal	1,712,533	1,241,639	974,805	811,472	741,472
Interest and fees	504,088	525,118	488,995	460,924	93,728
Issuance fees	-	-	-	-	-
Total expenditures	<u>\$ 33,264,807</u>	<u>\$ 31,313,274</u>	<u>\$ 31,427,864</u>	<u>\$ 32,505,500</u>	<u>\$ 36,106,277</u>
Excess of revenues over (under) expenditures	<u>\$ 596,894</u>	<u>\$ 2,519,950</u>	<u>\$ 3,087,422</u>	<u>\$ 4,141,885</u>	<u>\$ 2,144,365</u>
Other financing sources (uses)					
Transfers out	\$ (413,474)	\$ (454,340)	\$ (3,279,850)	\$ (2,780,780)	\$ (3,806,035)
Refunding bonds issued	-	-	-	690,000	-
Payment to refund bond escrow agent	-	-	-	(902,831)	-
Installment purchase financing	2,417,601	-	-	-	1,962,188
Total other financing sources (uses)	<u>\$ 2,004,127</u>	<u>\$ (454,340)</u>	<u>\$ (3,279,850)</u>	<u>\$ (2,993,611)</u>	<u>\$ (1,843,847)</u>
Net change in fund balances	<u>\$ 2,601,021</u>	<u>\$ 2,065,610</u>	<u>\$ (192,428)</u>	<u>\$ 1,148,274</u>	<u>\$ 300,518</u>
Total capital expenditures included above	\$ 2,471,991	\$ 1,023,973	\$ 2,560,483	\$ 2,152,395	\$ 4,204,158
Debt services as a percentage of noncapital expenditures	7.2%	5.8%	5.1%	4.2%	2.6%

Schedule 5

CITY OF SALISBURY
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Utilities Franchise Tax *	Total
2009	\$ 17,162,719	\$ 4,732,043	\$ 2,493,549	\$ 24,388,311
2010	17,379,089	4,526,014	2,542,211	24,447,314
2011	17,410,646	4,752,432	2,561,261	24,724,339
2012	17,289,944	5,260,348	2,510,388	25,060,680
2013	17,796,508	5,303,387	2,497,925	25,597,820
2014	18,490,266	5,454,780	2,557,559	26,502,605
2015	18,744,275	5,898,259	2,951,813	27,594,347
2016	18,719,543	6,433,260	3,029,521	28,182,324
2017	19,240,072	7,287,305	2,987,319	29,514,696
2018	20,459,496	7,604,426	3,002,938	31,066,860

* Includes Telecommunications taxes and Video Franchise Fees.

Schedule 6

**CITY OF SALISBURY
PROPERTY TAX RATES
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	City Direct Rate	Overlapping Rates		Total Direct & Overlapping Rates
		Municipal Service District	Rowan County	
2008	0.5900	0.1600	0.5950	1.3450
2009	0.5900	0.1600	0.5950	1.3450
2010	0.5900	0.1600	0.5950	1.3450
2011	0.5900	0.1600	0.5950	1.3450
2012	0.6135	0.1750	0.6225	1.4110
2013	0.6374	0.1750	0.6225	1.4349
2014	0.6374	0.1750	0.6225	1.4349
2015	0.6569	0.1750	0.6500	1.4819
2016	0.6600	0.1760	0.6625	1.4985
2017	0.6720	0.1760	0.6625	1.5105
2018	0.7096	0.1760	0.6625	1.5481

Source: Rowan County Tax Assessor.

Notes: Tax rate is per \$100 assessed valuation.
Tax rates for the City and the Municipal Service District may be adjusted by City Council. The City's Direct Rate is levied fully for the City's General Fund.

Overlapping rates are those of local and county governments that apply to property owners within the City of Salisbury. Not all overlapping rates apply to all Salisbury property owners; for example, although the County property tax rates apply to all city property owners, the Municipal Service District rates apply only to property owners in the downtown area of Salisbury, which accounts for approximately 3 percent of the total assessed property valuation.

Schedule 7

**CITY OF SALISBURY
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years**

Fiscal Year Ended June 30	Real Property		Personal Property		Public Service Companies
	Residential Property	Commercial Property	Motor Vehicles	Other	
	2009	\$ 1,313,367,427	\$ 997,804,691	\$201,392,686	
2010	1,302,210,389	1,030,493,844	173,246,565	354,549,352	60,768,581
2011	1,305,076,616	1,040,773,194	177,902,351	352,153,335	61,255,822
2012	1,226,933,424	971,771,009	180,575,459	352,447,978	59,819,853
2013	1,257,393,327	972,725,409	153,602,651	347,251,636	61,343,725
2014	1,235,667,135	972,277,733	252,958,212	339,868,008	59,056,195
2015	1,236,848,984	977,784,628	204,951,286	367,780,792	62,228,883
2016	1,167,980,619	1,043,691,268	216,798,030	335,426,769	69,437,235
2017	1,179,314,761	1,034,967,957	221,865,495	360,067,652	70,460,904
2018	1,170,327,222	1,054,002,293	220,841,178	350,259,624	72,407,318

Source: Rowan County Tax Assessor.

Note: Property in the county is reassessed once every four years. The county assesses property at 100 percent of actual value for all types and personal property. Tax rates are per \$100 of assessed value.

Schedule 7

**CITY OF SALISBURY
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years**

Fiscal Year Ended June 30	Less: Tax Exempt Real Property	Total Actual and Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2009	\$ 17,330,586	\$ 2,889,983,197	\$ 0.5900	100.00%
2010	19,118,719	2,902,150,012	0.5900	100.00%
2011	20,853,689	2,916,307,629	0.5900	100.00%
2012	21,640,331	2,769,907,392	0.6135	100.00%
2013	22,247,212	2,770,069,536	0.6374	100.00%
2014	22,076,075	2,837,751,208	0.6374	100.00%
2015	22,380,573	2,827,214,000	0.6569	100.00%
2016	22,753,706	2,810,580,215	0.6600	100.00%
2017	23,887,206	2,842,789,563	0.6720	100.00%
2018	23,419,519	2,844,418,116	0.7096	100.00%

Source: Rowan County Tax Assessor.

Note: Property in the county is reassessed once every four years. The county assesses property at 100 percent of actual value for all types and personal property. Tax rates are per \$100 of assessed value.

Schedule 8

**CITY OF SALISBURY
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Food Lion, Inc.	\$ 154,590,210	1	5.43%	\$ 152,147,290	1	5.26%
Henkel Corporation	33,025,431	2	1.16%			
AKZO Nobel	31,196,939	3	1.10%			
Duke Energy Corporation	31,027,931	4	1.09%	23,970,321	5	0.83%
Brixmor Innes Street, LLC	25,754,169	5	0.91%	24,387,623	4	0.84%
Cole Mt. Salisbury, NC LLC	22,598,592	6	0.79%			
Norandal USA	20,950,324	7	0.74%	30,110,433	3	1.04%
Wal-Mart Real Estate Business	13,002,662	8	0.46%	14,143,271	9	0.49%
BRC Salisbury LLC	12,025,915	9	0.42%	13,890,706	10	0.48%
Piedmont Natural Gas	11,547,424	10	0.41%			0.00%
ICI Americas				45,344,577	2	1.57%
Bellsouth Telephone				15,118,939	8	0.52%
Rowan Regional Medical Center				18,337,966	6	0.63%
Salisbury Mall, Ltd.				16,530,782	7	0.57%
Totals	<u><u>\$ 355,719,597</u></u>		<u><u>12.51%</u></u>	<u><u>\$ 353,981,908</u></u>		<u><u>12.25%</u></u>

Source: Rowan County Tax Assessor

Schedule 9

**CITY OF SALISBURY
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 17,334,870	\$ 16,646,171	96.03%	\$ 653,655	\$ 17,299,826	99.80%
2010	17,459,442	16,675,302	95.51%	738,613	17,413,915	99.74%
2011	17,470,493	16,668,635	95.41%	755,768	17,424,403	99.74%
2012	17,339,063	16,525,289	95.31%	770,959	17,296,248	99.75%
2013	17,904,696	17,181,570	95.96%	671,239	17,852,809	99.71%
2014	18,614,476	18,142,635	97.47%	409,035	18,551,670	99.66%
2015	18,906,370	18,468,008	97.68%	362,593	18,830,601	99.60%
2016	18,800,286	18,392,372	97.83%	300,718	18,693,090	99.43%
2017	19,370,586	19,058,767	98.39%	155,928	19,214,695	99.20%
2018	20,494,841	20,151,780	98.33%	-	20,151,780	98.33%

Schedule 10

**CITY OF SALISBURY
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-type Activities		
	General Obligation Bonds	Installment Purchases	Section 108 Loan	General Obligation Bonds	Installment Purchases	Revenue Bonds
2009	\$ 1,475,000	\$ 7,762,840	436,000	\$ 6,888,474	\$ 31,973,281	\$ 30,448,803
2010	1,275,000	6,698,398	404,000	5,742,062	32,052,617	35,261,442
2011	1,075,000	6,637,574	372,000	4,615,650	32,131,953	33,810,689
2012	905,000	5,601,226	340,000	3,491,651	32,211,289	32,171,040
2013	690,000	4,487,137	308,000	2,625,000	33,965,775	30,485,857
2014	475,000	5,439,205	276,000	1,440,000	35,070,779	28,648,396
2015	270,000	4,434,566	244,000	275,000	33,198,540	26,750,426
2016	70,000	3,691,761	212,000	95,000	31,260,299	24,797,523
2017	-	2,982,289	180,000	-	28,010,059	22,777,243
2018	-	4,235,005	148,000	-	25,850,819	20,674,124

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements
See Schedule 15 for personal income and population data.

Schedule 10

**CITY OF SALISBURY
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(continued)**

<u>Fiscal Year</u>	<u>Business-type Activities</u>		<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>State Loans</u>	<u>Capital Leases</u>			
2009	\$ 8,890,048	\$ 2,007,264	\$ 89,881,710	12.34%	\$ 2,866
2010	8,007,542	1,732,856	91,173,917	12.81%	2,826
2011	7,125,036	1,456,531	87,224,433	11.43%	2,586
2012	6,242,530	4,864,846	85,827,582	10.99%	2,547
2013	5,360,024	4,237,571	82,159,364	10.28%	2,444
2014	4,477,518	3,610,296	79,437,194	9.67%	2,355
2015	3,595,012	2,983,020	71,750,564	8.46%	2,113
2016	2,712,506	2,355,745	65,194,834	7.43%	1,902
2017	1,830,000	1,909,269	57,688,860	6.38%	1,674
2018	1,220,000	1,639,779	53,767,727	5.80%	1,560

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
See Schedule 15 for personal income and population data.

Schedule 11

**CITY OF SALISBURY
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years**

Fiscal Year	Governmental General Obligation Bonds	Business-type General Obligation Bonds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2009	\$ 1,475,000	\$ 6,888,474	\$ 8,363,474	0.29%	267
2010	1,275,000	5,742,062	7,017,062	0.24%	217
2011	1,075,000	4,615,650	5,690,650	0.20%	169
2012	905,000	3,491,651	4,396,651	0.16%	130
2013	690,000	2,625,000	3,315,000	0.12%	99
2014	475,000	1,440,000	1,915,000	0.07%	57
2015	270,000	275,000	545,000	0.02%	16
2016	70,000	95,000	165,000	0.01%	5
2017	-	-	-	0.00%	-
2018	-	-	-	0.00%	-

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
See Schedule 15 for population data.

Schedule 12

**CITY OF SALISBURY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2018**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Rowan County	\$ 71,036,675	23.05%	\$ 16,372,811
City of Salisbury direct debt			<u>4,235,005</u>
Total direct and overlapping debt			<u><u>\$ 20,607,816</u></u>

Sources: Assessed value data used to estimate applicable percentages and outstanding debt data provided by Rowan County Finance Department.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Salisbury. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Schedule 13

**CITY OF SALISBURY
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 232,585,103	\$ 233,701,498	\$ 234,972,905	\$ 223,323,818	\$ 223,385,340
Total net debt applicable to limit	<u>50,981,225</u>	<u>47,500,933</u>	<u>45,916,708</u>	<u>47,074,012</u>	<u>45,705,483</u>
Legal debt margin	<u>\$ 181,603,878</u>	<u>\$ 186,200,565</u>	<u>\$ 189,056,197</u>	<u>\$ 176,249,806</u>	<u>\$ 177,679,857</u>
Total net debt applicable to the limit as a percentage of debt limit	21.92%	20.33%	19.54%	21.08%	20.46%

Note: Under state finance law, the City of Salisbury's outstanding general obligation debt should not exceed 8 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Schedule 13

**CITY OF SALISBURY
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt limit	\$ 228,786,183	\$ 228,786,183	\$ 226,666,714	\$ 229,334,142	\$ 229,427,011
Total net debt applicable to limit	<u>45,637,820</u>	<u>41,161,126</u>	<u>37,472,805</u>	<u>32,901,617</u>	<u>31,725,603</u>
Legal debt margin	<u>\$ 183,148,363</u>	<u>\$ 187,625,057</u>	<u>\$ 189,193,909</u>	<u>\$ 196,432,525</u>	<u>\$ 197,701,408</u>
Total net debt applicable to the limit as a percentage of debt limit	19.95%	17.99%	16.53%	14.35%	13.83%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 2,844,418,116
Add back: exempt real property	<u>23,419,519</u>
Total assessed value	\$ 2,867,837,635
Debt Limit (8% of total assessed value)	229,427,011
Debt applicable to limit:	
Capitalized lease and installment purchase obligations	<u>31,725,603</u>
Legal debt margin	<u>\$ 197,701,408</u>

Note: Under state finance law, the City of Salisbury's outstanding general obligation debt should not exceed 8 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Schedule 14

**CITY OF SALISBURY
 PLEDGED REVENUE COVERAGE - WATER AND SEWER REVENUE BONDS
 Last Ten Fiscal Years**

Fiscal Year	Gross Revenues	Operating Expenditures	Net Revenues Available	Debt Service Requirements		Coverage Ratios	
				Parity Debt	All Debt	Parity Debt	All Debt
2009	\$ 20,968,062	\$ 13,521,208	\$ 7,446,854	\$ 2,592,000	\$ 5,687,303	287.30%	130.94%
2010	21,044,751	14,203,262	6,841,489	2,683,309	5,754,927	254.96%	118.88%
2011	22,253,461	14,885,367	7,368,094	3,135,833	5,936,107	234.96%	124.12%
2012	23,758,916	14,643,931	9,114,985	3,061,815	6,391,834	297.70%	142.60%
2013	22,447,556	14,087,147	8,360,409	3,025,353	6,257,965	276.34%	133.60%
2014	22,861,204	14,238,470	8,622,734	3,009,771	6,216,842	286.49%	138.70%
2015	24,410,819	14,465,712	9,945,107	3,010,325	6,292,092	330.37%	158.06%
2016	23,734,822	14,690,866	9,043,956	3,012,537	5,218,769	300.21%	173.30%
2017	26,102,355	15,191,893	10,910,462	3,004,086	4,895,494	363.19%	222.87%
2018	25,807,649	16,387,723	9,419,926	3,010,952	4,132,963	312.86%	227.92%

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

Gross revenues include total operating revenues plus investment earnings exclusive of revenue bond investment earnings.

Operating expenses above is equal to total operating expenses exclusive of depreciation.

Parity debt service requirements include all revenue bonds.

Schedule 15

**CITY OF SALISBURY
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Average Unemployment Rate
2009	31,358	\$ 728,336,587	\$ 23,227	38.3	10.3%
2010	32,263	711,888,741	22,065	38.5	12.7%
2011	33,732	762,910,045	22,617	38.7	11.6%
2012	33,701	781,264,147	23,182	38.9	10.9%
2013	33,622	798,918,570	23,762	39.1	9.6%
2014	33,726	821,424,540	24,356	39.3	7.3%
2015	33,955	847,677,075	24,965	39.5	5.9%
2016	34,285	877,313,318	25,589	39.7	5.8%
2017	34,459	903,809,921	26,229	39.9	5.2%
2018	34,463	926,512,706	26,884	40.1	4.4%

Sources: Population data provided by Office of State Management and Budget.

Personal income, per capital income, and median age data are based on the latest census with estimated fluctuations for non-census years.

Unemployment rates for Rowan County are provided by the NC Department of Commerce's Demand Driven Data Delivery System.

Schedule 16

**CITY OF SALISBURY
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Delhaize Food Lion	3,200	1	14.55%	2,330	2	11.95%
Rowan/Salisbury School System	2,889	2	13.13%	3,123	1	16.02%
W. G. (Bill) Hefner VA Medical Center	2,100	3	9.55%	1,795	3	9.21%
Novant Health Rowan Regional	1,558	4	7.08%	1,095	4	5.62%
Rowan-Cabarrus Community College	955	5	4.34%	310	9	1.59%
Rowan County	817	5	3.71%	740	5	3.79%
Piedmont Correctional Institute	450	7	2.05%	450	7	2.31%
City of Salisbury	416	8	1.89%	453	6	2.32%
Lutheran Services for the Aging	310	9	1.41%	280	10	1.44%
Catawba College	250	10	1.14%			
Wal-Mart				320	8	1.64%
Total	12,875		58.85%	10,896		43.93%

Source: Salisbury-Rowan Economic Development Commission and Human Resources departments of various companies.

Schedule 17

**CITY OF SALISBURY
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years**

	Full-time Equivalent Employees as of June 30									
Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
City administration	9	9	9	10	11	9	9	10	11	12
Human resources	5	6	6	6	6	6	6	5	7	5
Business and Financial Services	16	16	23	21	22	27	25	23	22	18
Fleet management	12	11	10	11	10	11	11	12	10	13
Public services administration	3	3	3	3	3	3	3	3	5	3
Facilities maintenance	7	8	9	9	6					
Infrastructure services						17	14	12	12	10
Telecommunications	3	3	3	3	3	3	4	3	3	2
Information technologies	11	9	8	8	12	11	11	12	8	9
Public safety:										
Police:										
Officers	84	83	79	79	72	79	79	70	69	78
Civilians	18	17	21	19	20	7	7	7	6	7
Fire:										
Firefighters	73	76	76	75	75	71	72	75	74	71
Civilians	1	1	1	1	1	1	1	2	2	2
Transportation:										
Traffic operations	7	7	7	7	6	6				4
Engineering	7	7	5	4	3	4	5	10	11	8
Streets	30	30	24	27	18	17	23	26	35	35
Environmental protection:										
Solid waste management	12	11	10	10	9	5	3	4	5	6
Cemetery	5	4	6	4	4	4	4	4	1	1
Culture and recreation	36	36	29	26	24	27	23	28	17	9
Community and economic development:										
Community planning services	11	7	8	5	4	4	3	3	4	5
Downtown development										2
Developmental services	3	3	2	5	5	5	4	4	4	3
Code Enforcement			3	3	3	3	2	3	2	3
Water and Sewer	86	92	90	89	83	84	83	82	85	85
Broadband Services	2	8	13	18	9	9	2	2	3	4
Stormwater Services					9	8	8	7	7	11
Mass Transit	<u>12</u>	<u>10</u>	<u>8</u>	<u>11</u>	<u>10</u>	<u>9</u>	<u>10</u>	<u>9</u>	<u>11</u>	<u>11</u>
	<u>453</u>	<u>457</u>	<u>453</u>	<u>454</u>	<u>428</u>	<u>430</u>	<u>412</u>	<u>416</u>	<u>414</u>	<u>417</u>

Source: City Human Resources Department.

Schedule 18

**CITY OF SALISBURY
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years**

Function	Fiscal Year				
	2009	2010	2011	2012	2013
Police					
Calls resulting in a dispatch	41,261	35,447	34,673	31,668	30,610
Part I crimes reported (most serious)	2,636	1,189	2,359	2,346	2,064
Fire					
Total Fire Department responses	4,263	4,097	4,074	4,402	4,553
Value of fire loss	\$ 1,027,072	\$ 521,600	\$ 901,650	\$ 1,886,379	\$ 822,267
Streets					
Street miles maintained (lane miles)	340	347	344	345	342
Miles resurfaced (lanes miles)	4.0	4.8	6.3	6.0	4.0
Sanitation					
Refuse collected (tons per 1,000 population)	303	300	291	282	234
Recyclables collected (tons per 1,000 population)	44	40	29	30	45
Culture and recreation					
Program participations (per 1,000 population)	4,230	4,531	4,219	3,353	N/A
Water					
Utility accounts	17,100	17,500	18,000	19,080	18,900
New water connections	399	110	84	1,862	150
Average daily water consumption (millions of gallons per day)	7.7	7.9	8.4	8.7	8.7
Wastewater					
Average daily sewage treatment (thousands of gallons)	7.67	7.91	7.67	7.1	7.1

Sources: Various government departments.

Schedule 18

**CITY OF SALISBURY
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
(continued)**

Function	Fiscal Year				
	2014	2015	2016	2017	2018
Police					
Calls resulting in a dispatch	34,146	36,456	41,606	37,459	35,236
Part I crimes reported (most serious)	2,181	1,762	1,793	1,948	1,862
Fire					
Total Fire Department responses	5,040	5,206	5,719	5,994	6,102
Value of fire loss	\$ 621,260	\$ 342,475	\$ 1,557,398	\$ 1,438,775	\$ 190,080
Streets					
Street miles maintained (lane miles)	342	342	346	346	347
Miles resurfaced (lanes miles)	4.8	5.6	6.7	6.8	6.9
Sanitation					
Refuse collected (tons per 1,000 population)	243	239	253	269	262
Recyclables collected (tons per 1,000 population)	46	46	45	46	54
Culture and recreation					
Program participations (per 1,000 population)	1,507	N/A	N/A	N/A	N/A
Water					
Utility accounts	18,890	18,257	18,620	17,867	17,900
New water connections	(15)	71	25	23	140
Average daily water consumption (millions of gallons per day)	8.7	9.2	9.3	9.6	9.4
Wastewater					
Average daily sewage treatment (thousands of gallons)	7.4	6.3	8.7	8.3	8.2

Sources: Various government departments.

Schedule 19

**CITY OF SALISBURY
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years**

Function	Fiscal Year				
	2009	2010	2011	2012	2013
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	88	88	88	88	88
Fire:					
Fire stations	4	4	4	4	4
Fire apparatus	14	14	14	14	14
Highways and streets					
Streets (miles)	170.00	170.50	170.50	170.50	170.50
Culture and recreation					
Parks acreage	520	520	520	520	520
Parks	16	16	16	16	16
Recreation centers	4	4	4	4	4
Tennis courts	10	10	10	10	10
Water and Sewer Utility					
Utility customers	16,750	17,200	18,000	18,900	19,000
Miles of water lines	405	405	405	405	405
Miles of sewer lines	393	393	393	393	393
Water treatment capacity (millions of gallons per day)	24.0	24.0	24.0	24.0	24.0
Sewage treatment capacity (millions of gallons per day)	12.5	12.5	12.5	12.5	12.5

Sources: Various city departments.

Schedule 19

**CITY OF SALISBURY
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(continued)**

Function	Fiscal Year				
	2014	2015	2016	2017	2018
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	85	91	90	90	94
Fire:					
Fire stations	4	5	5	5	5
Fire apparatus	14	14	14	14	16
Highways and streets					
Streets (miles)	171.65	171.65	172.62	172.62	172.62
Culture and recreation					
Parks acreage	520	520	508	508	508
Parks	16	16	16	17	17
Recreation centers	4	4	4	4	4
Tennis courts	10	10	10	10	10
Water and Sewer Utility					
Utility customers	19,500	19,522	19,522	19,522	19,522
Miles of water lines	405	420	421	421	449
Miles of sewer lines	393	398	399	399	418
Water treatment capacity (millions of gallons per day)	24.0	25.0	25.0	25.0	25.0
Sewage treatment capacity (millions of gallons per day)	12.5	12.5	12.5	12.5	12.5

Sources: Various city departments.



Compliance Section



**Independent Auditor’s 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***

The Honorable Mayor and
Members of City Council
City of Salisbury, North Carolina

We have audited, 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, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina (the “City”) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 18, 2018. Our report includes a reference to other auditors who audited the financial statements of Downtown Salisbury, Inc., as described in our report on the City’s financial statements. This report does not include the results of other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Downtown Salisbury, Inc., and the Salisbury Tourism and Cultural Development Commission 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 the City’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 the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies in internal control may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instances of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2018-001.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, PLLC". The signature is written in a cursive style with a large, sweeping initial "E".

Raleigh, North Carolina
December 18, 2018

**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; in Accordance with
OMB Uniform Guidance and the State Single Audit Implementation Act**

The Honorable Mayor and
Members of City Council
City of Salisbury, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Salisbury, North Carolina’s (the “City”) 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 the City’s major federal programs for the year ended June 30, 2018. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’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 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, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 the City’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 the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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, 2018.

Report on Internal Control over Compliance

Management of the City 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, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal 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 the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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, noncompliance 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 a reasonable possibility that material noncompliance 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 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. We did not identify any 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.



Raleigh, North Carolina
December 18, 2018

**Independent Auditor's Report on Compliance for Each Major State Program;
Report on Internal Control over Compliance; in Accordance with
OMB Uniform Guidance; and the State Single Audit Implementation Act**

The Honorable Mayor and
Members of City Council
City of Salisbury, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Salisbury, North Carolina's (the "City") 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 the City's major state programs for the year ended June 30, 2018. The City's major state programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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; and 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) 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 noncompliance 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 the City'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 the City's compliance.

Opinion on Each Major State Program

In our opinion, the City 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, 2018.

Report on Internal Control over Compliance

Management of the City 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, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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, noncompliance 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 a reasonable possibility that material noncompliance 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 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. We did not identify any 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.



Raleigh, North Carolina
December 18, 2018

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2018

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors' Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL GRANTS:					
CASH PROGRAMS					
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Program:					
Community Development Block Grant-Entitlement Grants Cluster					
Entitlement Program	14.218	B-14-MC-37-0015	\$ 31,151	\$ -	\$ -
Entitlement Program	14.218	B-15-MC-37-0015	75,405	-	-
Entitlement Program	14.218	B-16-MC-37-0015	91,185	-	-
Entitlement Program	14.218	B-17-MC-37-0015	<u>30,525</u>	<u>-</u>	<u>209,893</u>
Total CDBG Entitlement Grants Cluster			<u>\$ 228,266</u>	<u>\$ -</u>	<u>\$ 209,893</u>
Pass-through N.C. Department of Housing					
Home Investment Partnership Program	14.239	R-90-SG-37-0117	<u>\$ 61,670</u>	<u>\$ -</u>	<u>\$ 550</u>
Total U.S. Department of Housing And Urban Development			<u>\$ 289,936</u>	<u>\$ -</u>	<u>\$ 210,443</u>
U.S. DEPARTMENT OF JUSTICE					
Office of Justice Programs:					
Bureau of Justice Assistance					
Direct Program:					
Justice Assistance Grant	16.592	2014-DJ-BX-1172	<u>\$ 34,036</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. DEPARTMENT OF TRANSPORTATION					
Federal Transit Cluster					
Formula Grants for Urban Areas					
Operating	20.507	NC2017017	\$ 26,856	\$ -	\$ 26,856
Operating	20.507	NC2018013	152,712	-	616,522
Capital	20.507	NC900595	99,162	-	24,791
Capital	20.507	NC908595	19,536	-	4,884
Capital	20.507	NC2016020	37,243	-	9,311
Capital	20.507	NC2017017	17,495	-	4,374
Capital	20.507	NC2018013	<u>26,371</u>	<u>-</u>	<u>6,593</u>
Total Federal Transit Cluster			<u>\$ 379,375</u>	<u>\$ -</u>	<u>\$ 693,331</u>
Highway Planning and Construction Cluster					
Pass-through N.C. Department of Transportation					
CMAQ - Newsome Road	20.205	C-5160	\$ 72,606	\$ -	\$ 36,684
CMAQ - Bringle Ferry Sidewalk	20.205	C-4908-E	238,920	-	146,120
CMAQ - Mall Area Sidewalk	20.205	C-4908 G	<u>30,000</u>	<u>-</u>	<u>37,641</u>
Total Highway Planning and Construction Cluster			<u>\$ 341,526</u>	<u>\$ -</u>	<u>\$ 220,445</u>

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2018
(Continued)

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors' Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL GRANTS:					
CASH PROGRAMS (continued)					
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Brownfields Assessment and Cooperative Agreement	66.818	EPA-OSWER-OBLR-13-05	\$ 2,675	\$ -	\$ -
TOTAL ASSISTANCE - FEDERAL PROGRAMS			<u>\$ 1,047,548</u>	<u>\$ -</u>	<u>\$ 1,124,219</u>
STATE GRANTS:					
CASH PROGRAMS					
N.C. DEPARTMENT OF TRANSPORTATION					
Powell Bill	N/A		\$ -	\$ 974,253	\$ -
State Maintenance Assistance for Transit Systems	N/A	17-CTP-003	\$ -	\$ 189,253	\$ -
Total N. C. Department of Transportation			<u>\$ -</u>	<u>\$ 1,163,506</u>	<u>\$ -</u>
N.C. DEPARTMENT OF AGRICULTURE					
NC Forest Health-Ash Protection Program	N/A		\$ -	\$ 5,000	\$ 600
TOTAL ASSISTANCE - STATE PROGRAMS			<u>\$ -</u>	<u>\$ 1,168,506</u>	<u>\$ 600</u>
TOTAL ASSISTANCE			<u>\$ 1,047,548</u>	<u>\$ 1,168,506</u>	<u>\$ 1,124,819</u>

CITY OF SALISBURY, NORTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2018

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Salisbury under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. 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 (Uniform Guidance), and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City of Salisbury, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Salisbury.

Note 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 the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited, as to reimbursements. Pass-through entity identifying numbers are presented when available.

Note 3: Indirect Cost Rate

The City of Salisbury has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Salisbury, North Carolina
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance
 2 CFR 200.516(a): Yes No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Cluster
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? No

State Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance
 with the State Single Audit Implementation Act: Yes No

Identification of major state programs:

Powell Bill

City of Salisbury, North Carolina
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS

2018-001 - Broadband Services Fund Deficit Net Position (repeated and updated finding from prior year 2017-001)

Criteria: North Carolina General Statutes 159-13 requires the governing board to appropriate the full amount of any deficit in each fund. Management should have a system of controls in place to reduce the likelihood that violations of General Statutes occur and go undetected.

Condition: At the end of the current year, the Broadband Services Fund was operating in a deficit net position.

Context: While reviewing the City's draft of the financial statements, we noted the condition described above.

Effect: Expenditures had been made or accrued in excess of resources in the Broadband Services Fund and the City was in violation of North Carolina General Statutes.

Cause: Revenues and transfers were not sufficient to cover total expenses and deficit in net position incurred in the Broadband Services Fund on a full accrual basis of accounting.

Recommendation: We recommend that management implement a plan to eliminate the deficit net position.

Views of Responsible Officials: Management concurs with the condition noted above. Management also adds that procedures have been put in place to monitor the condition noted above. Management also notes that the Broadband Services Fund is a relatively new fund and additional customers are being added on a continual basis. Management fully expects that future revenues will eliminate the deficit net position.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported



CORRECTIVE ACTION PLAN

2018-001 – Broadband Services Fund Deficit Net Position (repeated and updated finding from prior year 2017-001)

City of Salisbury management concurs with the finding and recommendation. Procedures have been put in place to monitor the condition noted above. The Broadband Services Fund is a relatively new fund and additional customers are being added on a continual basis. We fully expects that future revenues will eliminate the deficit net position.

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2018

Findings Related to the Audit of the Basic Financial Statements of City of Salisbury

Finding 2017-001 – Repeated as 2018-001 for the Broadband Services Fund.

Finding 2017-002 – Corrected.

