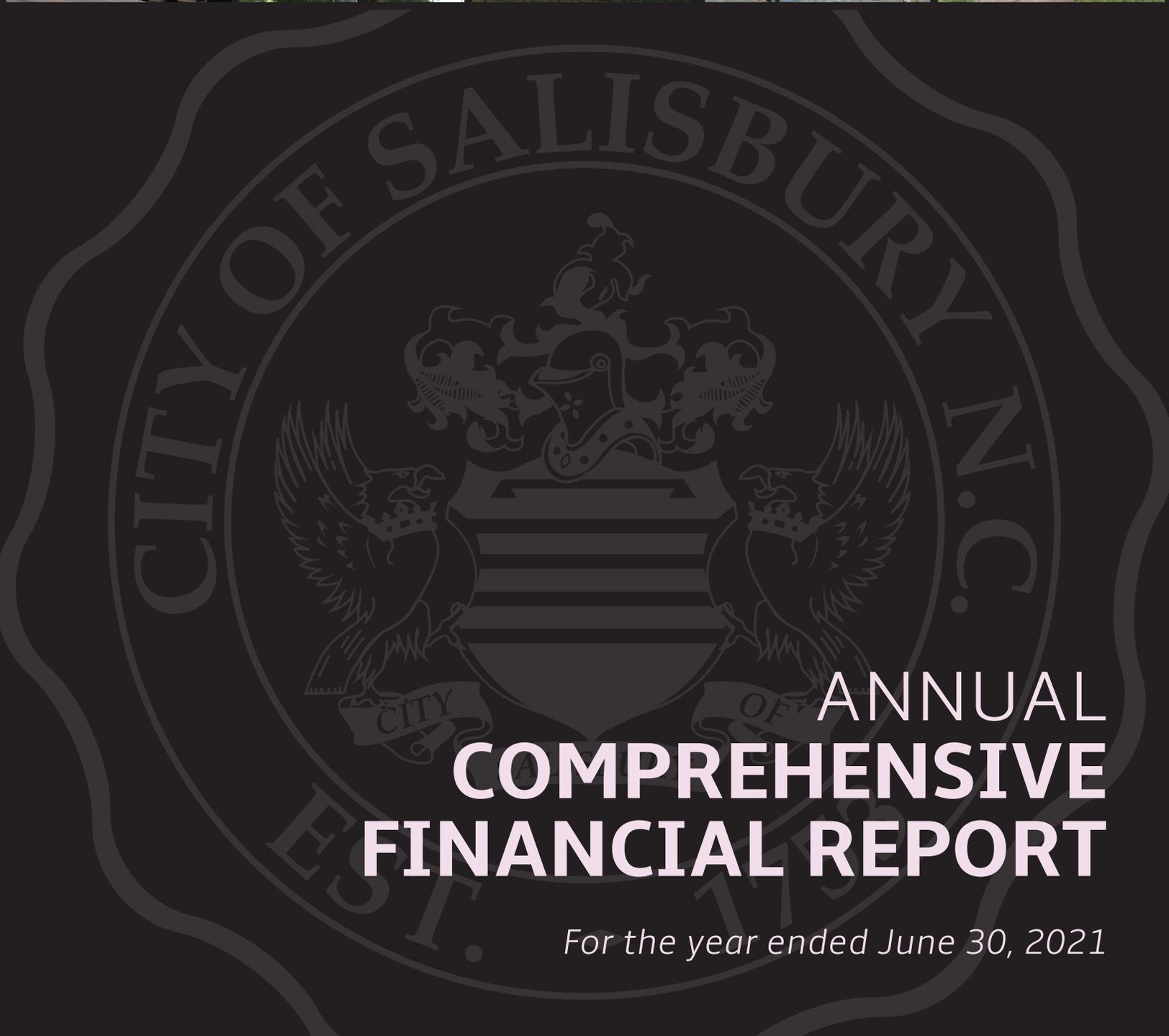




THE CITY OF
Salisbury
— North Carolina —



ANNUAL
**COMPREHENSIVE
FINANCIAL REPORT**

For the year ended June 30, 2021



CITY OF SALISBURY

NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

MAYOR, CITY COUNCIL, AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

Karen K. Alexander – Mayor

Al Heggins - Mayor Pro-tem

David B. Post

William B. Miller

Tamara Sheffield

OFFICIALS

W. Lane Bailey
City Manager

Zack Kyle
Assistant City Manager

Report Prepared By
City Finance Department

S. Wade Furches – Finance Director
Mark D. Drye – Senior Management Analyst
Evans C. Ballard – Interim Budget and Purchasing Manager
Crissy H. McBride - Accountant



Introductory Section



CONTENTS

	Page
INTRODUCTORY SECTION	
Table of contents	1 - 3
Letter of transmittal	4 - 11
GFOA Certificate of Achievement	12
Organizational chart	13
List of principal officials	14
Facts and information about the City of Salisbury, North Carolina	15 - 18
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	21 - 23
MANAGEMENT'S DISCUSSION AND ANALYSIS	24 - 34
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
A-1 Statement of Net Position	35
A-2 Statement of Activities	36
FUND FINANCIAL STATEMENTS	
A-3 Balance Sheet – Governmental Funds	37
A-3 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	38
A-4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	39
A-5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	40
A-6 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund	41
A-7 Statement of Fund Net Position – Proprietary Funds	42
A-8 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	43
A-9 Statement of Cash Flows – Proprietary Funds	44
A-10 Statement of Fiduciary Net Position	45
A-11 Statement of Changes in Fund Net Position – Fiduciary Funds	46
Notes to financial statements	47-77
REQUIRED SUPPLEMENTAL INFORMATION	
A-12 Law Enforcement Officers' Special Separation Allowance - Schedule of Change In Total Pension Liability	81
A-13 Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll	82
A-14 Schedule of Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System	83
A-15 Schedule of Contributions – Local Government Employees' Retirement System	84
A-16 Schedule of Changes in OPEB Liability and Related Ratios	85

C O N T E N T S

Page

SUPPLEMENTARY FINANCIAL DATA

Combining and individual Fund financial statements and schedules

General Fund:

B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	91-93
-----	--	-------

Non-Major Governmental Funds:

C-1	Combining Balance Sheet – All Non-Major Governmental Funds	97
C-2	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – All Non-Major Governmental Funds	98
C-3	Special Revenue Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	99
C-4	Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	100

Proprietary Fund Types:

D-1	Water and Sewer Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	103
D-2	Water and Sewer Capital Project Fund – Schedule of Revenue and Expenditures – Budget and Actual (Non-GAAP)	104
D-3	Broadband Services Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	105
D-4	Stormwater Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	106
D-5	Mass Transit Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	107

Internal Service Funds:

E-1	Combining State of Net Position	111
E-2	Combining Statement of Revenues, Expenses, and Changes in Fund Balances	112
E-3	Workers’ Compensation Fund – Schedule of Revenues and Expenditures – Financial Plan and Actual (Non-GAAP)	113
E-4	Employee Health Care Fund – Schedule of Revenues and Expenditures – Financial Plan and Actual (Non-GAAP)	114
E-5	Combining Statement of Cash Flows	115

Fiduciary Funds:

F-1	Statement of Fiduciary Net Position	119
F-2	Statement of Changes in Fiduciary Net Position	120

Other schedules:

G-1	Property Taxes Receivable	123
G-2	Analysis of Current Tax Levy	124

STATISTICAL SECTION

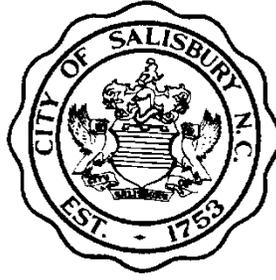
Schedule 1	Net Position by Component – Last Ten Fiscal Years	128-129
Schedule 2	Changes in Net Position - Last Ten Fiscal Years	130-131
Schedule 3	Fund Balances of Governmental Funds - Last Ten Fiscal Years	132-133
Schedule 4	Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	134-135
Schedule 5	Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years	136

CONTENTS

		Page
Schedule 6	Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	137
Schedule 7	Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	138-139
Schedule 8	Principal Property Taxpayers – Current Year and Nine Years Ago	140
Schedule 9	Property Tax Levies and Collections – Last Ten Fiscal Years	141
Schedule 10	Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	142-143
Schedule 11	Ratio of General Bond Debt Outstanding - Last Ten Fiscal Years	144
Schedule 12	Direct and Overlapping Governmental Activities Debt	145
Schedule 13	Legal Debt Margin Information – Last Ten Fiscal Years	146-147
Schedule 14	Pledged Revenue Coverage – Water and Sewer Revenue Bonds – Last Ten Fiscal Years	148
Schedule 15	Demographic and Economic Statistics – Last Ten Fiscal Years	149
Schedule 16	Principal Employers – Current and Nine Years Ago	150
Schedule 17	Full-time Equivalent City Government Employees by Function – Last Ten Fiscal Years	151
Schedule 18	Operating Indicators by Function – Last Ten Fiscal Years	152-153
Schedule 19	Capital Asset Statistics by Function – Last Ten Fiscal Years	154-155

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 <i>Government Auditing Standards</i>	159-160
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	161-162
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	163-164
Schedule of Expenditures of Federal and State Awards	165-166
Notes to Schedule of Expenditures of Federal and State Awards	167
Schedule of Findings and Questioned Costs	168-169
Corrective Action Plan	170
Summary Schedule of Prior Year Findings	171



December 10, 2021

The Honorable Mayor Karen K. Alexander,
City Council, City Manager,
and the Citizens of the
City of Salisbury, North Carolina

We are pleased to present the Annual Comprehensive Financial Report (Report) of the City of Salisbury (City) for the fiscal year ended June 30, 2021 (FY21). We are particularly proud of the fact that this Report has been entirely prepared by the City's Finance 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 Annual Comprehensive 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 Annual Comprehensive 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 Annual Comprehensive Financial Report for the year ended June 30, 2020, 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 fiscal year that ended June 30, 2021, was a challenging time for our nation due to a new coronavirus (called SARS-CoV-2). COVID-19 has affected millions of people worldwide with over 740,000 deaths in the United States. The virus has had a big financial impact in the United States as many governors (including in North Carolina) issued stay-at-home orders. The federal government approved stimulus payments for many Americans and increased unemployment wages in attempts to help citizens and the economy. Still, many businesses closed, either temporarily or permanently. COVID-19 forced us to change how we operate (closing facilities and working from home) and examine how we continue to provide services for our citizens. Direct impacts to the City included reduced revenues for the Parks and Recreation department as closed facilities cancelled programming, reduced interest income after the Federal Reserve Board slashed interest rates to almost zero, and reduced income from penalties and lower utility collection rates due to Executive Orders from the governor. The City's Transit system operated "fare-free" to help our citizens during this time of distress. The City received some relief in the way of grants from the Coronavirus Aid, Relief, and Economic Security Act (CARES) to assist with the operations of our Transit system and provide day care so that our citizens could continue to work. This bill was a federal response to the COVID-19 outbreak and its impact on the economy, public health, state and local governments, individuals, and businesses.

The City of Salisbury, with a population of over 36,000, 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 personal finance website WalletHub has ranked Salisbury as the 33rd best small city in the United States to start a business, out of 1,300 cities with fewer than 100,000 residents. 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 in the last ten years. Despite the onset of the COVID virus, taxable retail sales in Rowan County for the 12 months that ended June 30, 2021, increased over \$224 million (15%) from the prior fiscal year to \$1.716 billion, the County's highest total ever.

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 \$158 million has been

invested in the redevelopment of Salisbury's downtown. The downtown is home to 317 commercial spaces and 162 condominiums/apartments. The past fiscal year saw a net gain of 11 new downtown businesses, seven business expansions, 27 completed building rehabilitation projects, and ten façade renovations. FY21 saw \$8 million in private investment and \$2.2 million in public investment in the downtown area (not including the new downtown park).

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. City Council, the City's management team, 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

One of the biggest developments in the City in years has been the creation of the new Bell Tower Green Park. During FY21, citizens watched anxiously and patiently as an entire block was transformed into a beautiful, open green space that includes a 34-by-30 foot stage, an interactive water wall, a playground, chairs and tables for people to eat at and work remotely, and much more. The historic Wrenn House located at the park is currently owned by the non-profit Bell Tower Green, Inc. and is currently being renovated for a potential on-site restaurant. The park was substantially completed during FY21, but COVID-19 delayed the official opening until after June 30. Our citizens and neighbors are now having a blast playing on the green space, running through the water, relaxing at lunch, and just enjoying a leisurely stroll. The park was built primarily with private money, a \$350,000 grant from the State of North Carolina, and a \$350,000 contribution from the City. The park has now been turned over to the City for maintenance and programming responsibilities and will be capitalized in FY22.

The Salisbury Police Department recently debuted its new Rowan Regional Crime Information Center (RRCIC), a law enforcement hub which enables Rowan County agencies to more closely monitor and help solve crime incidents. The RRCIC boasts views of public and private camera systems and shared record management systems among law enforcement agencies to support data-driven operations and comprehensive operations. The Center provides one central location for officers and analysts to hone their skills and use social networking and crime pattern data to support investigations. Currently, the center is being used as a collaborative resource for Salisbury Police, the Rowan County Sheriff's department, and the Spencer Police Department. The RRCIC was made possible by a \$500,000 Strategies in Policing Innovation grant offered by the Bureau of Justice Assistance – US Department of Justice.

The Salisbury Fire Department dedicated Fire Station 6 in March 2021. The 21,000 square foot building includes a training wing, a five-story indoor training tower, and a hazmat unit in addition to its normal fire operations staff. The City dedicated the building on the 13th anniversary of the line of duty deaths of Justin Monroe and Vic Isler, for whom the station is named. The new station will help reduce response times in the southern part of the City. The station was substantially, but not fully, complete at the end of the fiscal year and will be capitalized in FY22. The Fire Department also earned a Class 1 Public Protection Classification rating by the Insurance Service Office in June. The Class 1 rating is the highest rating in the North Carolina Response Rating System. Less than one percent of fire departments across the country achieve this distinction.

Our City Council continued its commitment to stabilizing and improving neighborhoods. Salisbury is a historic City with an aging housing stock in need of repair. In FY21, the City Council allocated \$415,000 to the Neighborhood Revitalization Program and the Housing Stabilization Program. These programs help homeowners with needed exterior renovations. One home was renovated and sold, which provided even more funds for these programs. The City also has an annual Blockwork project, a uniquely-Salisbury, grass-roots program developed in 2010 by the Community Appearance Commission. The event strives to bring residents and community volunteers together to build cleaner and safer neighborhoods, one block at a time. Projects include carpentry, painting, landscaping and general clean-up. Blockwork was recently one of 100 impact

projects nationwide that received a \$100,000 grant from Lowe's Home Improvements. The grant was used to expand the 2021 Blockwork event.

City Council desires to have a strong City organization, which includes having a safe and healthy workforce. The City was recently awarded its second consecutive Gold Safety Award by the North Carolina Department of Labor. To receive such recognition an organization has to maintain an incident rate at least 50 percent below the average for its industry group and have no fatalities during the calendar year. The City was also named as one of the healthiest employers in the Charlotte region in the Charlotte Business Journal's Healthiest Employer Ranking. Salisbury ranked second in the category for Employers with 100-499 employees. We have made significant progress in employee health because of the work of our Health and Wellness Committee and our on-site Wellness Clinic which is staffed by a part-time nurse practitioner.

One of the primary focus areas of the City Council and the City management team is *Financial Sustainability and Accountability*. The City's Finance Department continues to strive for excellence and has received the Certificate of Achievement for Excellence in Financial Reporting 34 times and the Distinguished Budget Presentation Award 30 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 had reached an agreement to sell the building to Black Point Investments, LLC. However in September 2020, the City announced that it would end exclusive negotiations with Black Point after the two parties could not close the deal. The time from 2016 to 2020 was not totally wasted, as the City has completed two brownfield assessments, a market feasibility study, and a parking analysis for a future redevelopment. Additionally, the site has been listed on the National Register of Historic Places as a local historic landmark and is now eligible for historic tax credits. In September 2020, the City created the Empire Redevelopment Task Force consisting of 11 community leaders, and in September 2021 the task force unanimously voted to move forward with a boutique hotel concept with residential and commercial mixed-use for the redevelopment of the structure, awarding the development to a Charlotte-based developer. The new developer has developed nationally recognized boutique hotels, including hotels in Charlotte and Asheville, NC.

Our Water and Sewer Fund has some major projects that were ongoing at the end of the fiscal year. The City issued \$35 million of revenue bonds in 2020 for capital improvement projects at its water and wastewater treatment facilities. These projects, which should be completed in FY22, have been a part of the City's 10-year Capital Improvement Plan and include a new influent pump station and headworks at the Grant Creek Wastewater Treatment Facility (a \$26.6 million project), as well as upgrades to the residuals handling process and filters at our water treatment plant (a \$7.2 million project).

The City recently received notice that we will receive a \$543,000 Paul Bruhn Historic Revitalization Grant from the National Park Service to support the preservation of downtown historic buildings. The City's grant is one of only eight such grants awarded in the country. The funds will be used as part of a sub-grant program to help preserve commercial properties located within a qualified Opportunity Zone in the Salisbury Historic District. Grants of up to \$150,000 for historic preservation will be awarded on a competitive basis. Priority will be given to projects that help to enliven the blocks around the new Bell Tower Green Park.

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 unit. 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 unit in a published Annual Comprehensive Financial Report. The component unit is a legally separate entity for which the primary government is

primarily financially accountable or for which the nature and significance of their relationship with the primary government is 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 unit, Downtown Salisbury Inc., is reported in a separate column 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, 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. Prior to November 2021, the Council elected the Mayor from among themselves. In 2021, the City held its first mayoral 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 FY21 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 custodian for individuals, private organizations, other governmental units and/or other funds. Fiduciary Funds are as either 1) pension trust funds, 2) investment trust funds, 3) private-purpose trust funds, or 4) custodial funds. All of the City's Fiduciary Funds are classified as Custodial Funds. Custodial funds generally report fiduciary activities that are not held in a trust or equivalent arrangement.

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.

Some examples of the City's continued investment in our infrastructure is the system-wide meter replacement project in the Water and Sewer Fund that was completed in FY18 at a total cost of \$6.279 million, the ongoing upgrades to the Grant's Creek Wastewater Treatment plant, upgrades to the Water Treatment plant, the new fire station, and the widening of Newsome Road that included adding new bike lanes.

CONCLUSION

While the immediate financial future still appears to be bright, in light of the ongoing COVID-19 pandemic, we must advise caution when looking ahead. Retail sales are strong, and we believe they will continue to grow as more businesses expand and others come to our area. The National Trust for Historic Preservation has cited Salisbury for its "economic vitality and fidelity in following the best-practice standards for historic preservation and community revitalization." Our new downtown park with \$543,000 of grant fund renovations nearby, new fire station, \$35 million in water and sewer projects, and the future development of the Empire Hotel all give us reasons to be excited about the future of the City of Salisbury. We are coming out of the pandemic stronger than ever!

The Council and management of the City continue to work hard for all of our citizens. Council and staff will work on several construction projects in our Water and Sewer Fund to ensure that our customers throughout Rowan County will have clean, safe drinking water. Council will also be focused on seeing several projects in the downtown through to completion. The work is never done, but our Council and management team will focus on our core values, mission, and vision to provide quality services to our citizens, utility customers, and visitors.

ACKNOWLEDGMENTS

We wish to thank the Mayor and City Council for the support and trust they have given the Finance Department. On behalf of the Finance 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 Finance 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,

A handwritten signature in black ink that reads "S. Wade Funches". The signature is written in a cursive, slightly slanted style.

Finance Director



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

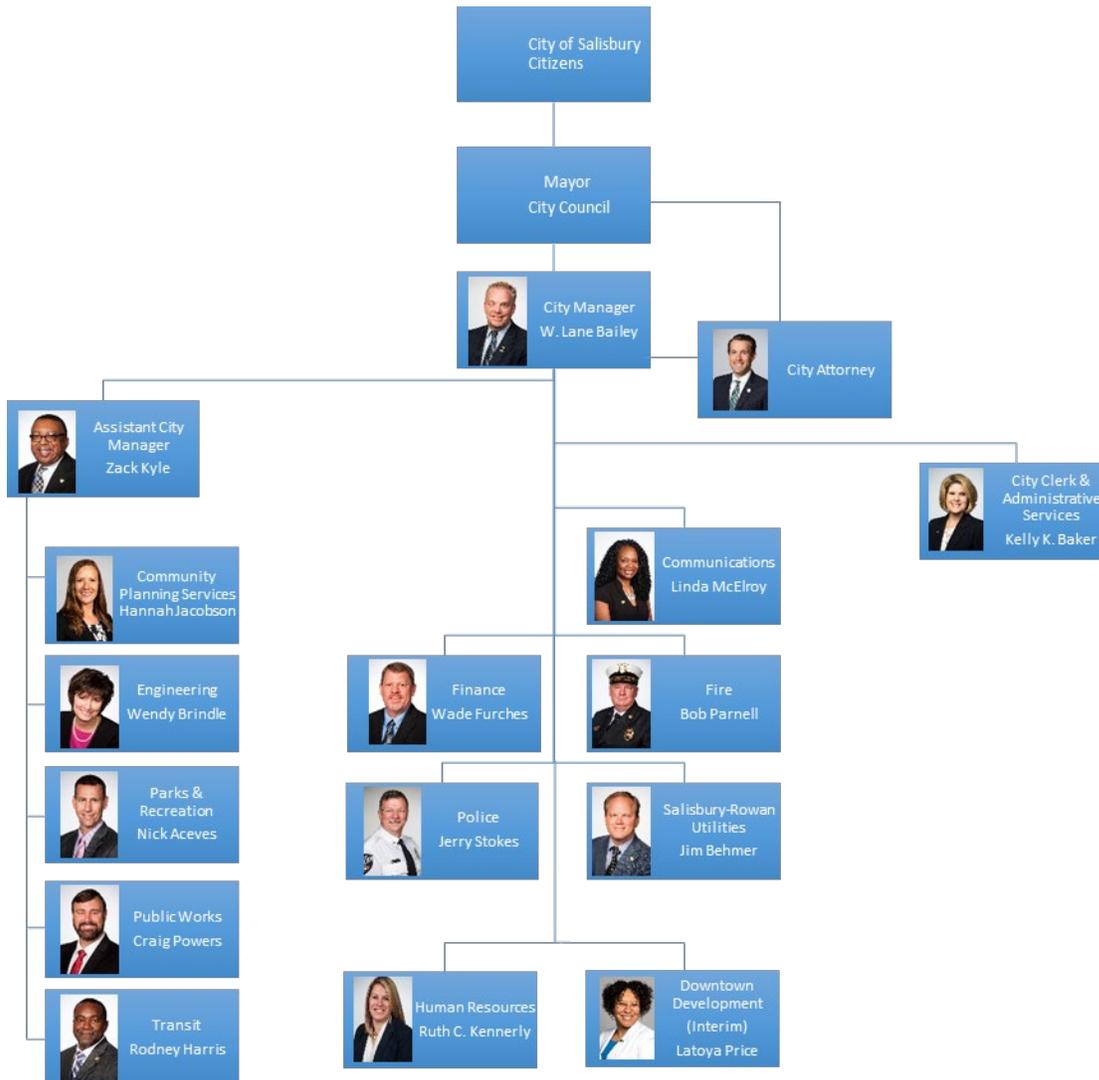
June 30, 2020

Christopher P. Morill

Executive Director/CEO



City of Salisbury Organization Chart



CITY OF SALISBURY
LIST OF PRINCIPAL OFFICIALS

Mayor	Karen K. Alexander
Mayor Pro Tem	Al Heggins
Council Member	David B. Post
Council Member	William B. Miller
Council Member	Tamara Sheffield
City Manager	W. Lane Bailey
Assistant City Manager	Zack Kyle
City Attorney	J. Graham Corriher
City Clerk	Kelly K. Baker
Administrative Services Director	Kelly K. Baker
Communications Director	Linda M. McElroy
Finance Director	S. Wade Furches
Human Resources Director	Ruth C. Kennerly
Fire Chief	Robert A. Parnell
Police Chief	Jerome P. Stokes
Public Services Director	Craig Powers
Engineering Director	Wendy G. Brindle
Community Planning Services Director	Hannah E. Jacobson
Parks and Recreation Director	Nick Aceves
Interim Downtown Salisbury Director	Latoya Price
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 36,215 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 members are elected to serve two-year terms of office. 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, Downtown, Development, Community Planning Services, Engineering, Public Services, Parks and Recreation, Salisbury-Rowan Utilities, and Mass Transit,. 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, using the Actiflo high-rate clarification process, has a permitted treatment capacity of 24 million gallons per day. Average daily production during fiscal year 2021 was 9.03 million gallons per day, with a peak daily production of 11.9 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 cities in Rowan County: Salisbury, Spencer, East Spencer, Granite Quarry, Rockwell, and China Grove. 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 FY21 was 7.8 million gallons.

The City began offering video, internet, and telephone services in 2010 through the City's Broadband Services Fund. In September 2018, the City transferred those operations to Hotwire Communications, Ltd. via public-private operational agreement.

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 7.3 million people live within 100 miles of Salisbury, 3.8 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 Historic Salisbury Station, formally known as The Depot, a renovated station of the Salisbury Railroad Station Depot, originally built in 1908.

MOTELS

An ideal area for meetings and conventions, Salisbury has twelve motels, with nearly 1,200 rooms, and two bed and breakfast establishments in our historic district.

EDUCATION

Salisbury is home to four colleges. Catawba College was founded in Newton, North Carolina in 1851, and moved to Salisbury in 1925. Catawba has 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, a network for professional and local folk artists.

COMMUNITY FACILITIES

Salisbury is serviced three days a week by the Salisbury Post, a newspaper that was founded in 1905 and has a daily circulation of 19,000. Three radio stations provide local programming. WBTV has a satellite newsroom located on Main Street in Salisbury. Local reception provides coverage from all major networks in addition to cable television facilities.

A full-time, year-round city recreation staff offers activities for both young and old. In addition to organized activities, the City maintains 28 parks and other properties. The City operates an outdoor seasonal swimming pool and splash pad. The Parks and Recreation Department also maintains five paved sections of the Salisbury Greenway that span 5.2 miles.

The new Bell Tower Green park is located in downtown Salisbury and encompasses an entire City block. The park is a great area to relax on lawn, eat lunch, play with the children, and enjoy the interactive water wall. The park's stage will host several concerts throughout the year and bring visitors to our downtown.

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-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 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 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.

A new Teen Center opened in 2018 in the Miller Recreation Center. Teens receive free membership cards when they sign up. The cards also give them access to city buses. The Teen Center offers a place to play pool, foosball, and video games. Members can also receive homework assistance, life skills training, and participate in other specialized programs.

SPECIAL EVENTS

Since 2009, the City has hosted the annual Salisbury Sculpture Show, which features several sculptures by talented artists. Sculptures can be seen around the downtown and at three college campuses – Catawba College, Livingstone College, and Rowan Cabarrus Community College. The Sculpture Show encourages our citizens and tourists to “Discover What’s Outside.”

For 44 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.

In May 2019, the City hosted the third-annual Cheerwine Festival. The festival started with the soft drink’s 100th birthday celebration in 2017 and has kept expanding ever since. An estimated 50,000 people filled the streets of downtown Salisbury in 2019, possibly the largest crowd ever in Salisbury. The festival allows the City to showcase the entire downtown. Many craft and food vendors are available for the all-day event and several bands helped to give the festival a lively atmosphere. Due to the COVID-19 pandemic, the Cheerwine Festival was held virtually in 2020. We are looking forward to our next live Festival in 2022.

The City and Downtown Salisbury, Inc. host 17 other 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 discretely presented component unit, 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, 2021, 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, net position and revenues of the discretely presented component unit. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 federal and state 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 federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 described above and the report 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 federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information, Continued

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 10, 2021, 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.



Raleigh, North Carolina
December 10, 2021

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, 2021 (FY21). 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 for 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 \$179,640,396 (*net position*).
- The government's total net position increased by \$9,368,518. The City's total assets and deferred outflows of resources increased by \$10,633,707. Capital assets before depreciation increased by \$23,783,706. The primary reason for the increase in Capital assets is the use of FY20 debt proceeds for ongoing capital projects. The City recognized \$8.8 million in depreciation expense in FY21.
- As of the close of the current fiscal year, the City of Salisbury's governmental funds reported combined ending fund balances of \$22,843,041, with an increase of \$1,657,020 from the prior year. The City's General Fund had an increase in fund balance of \$3,110,653, and a decrease in fund balance in its non-major funds of \$1,453,633 due to the construction of a new fire station. Approximately 36.7% of the Governmental Funds ending fund balance, or \$8,381,156, is non-spendable or restricted. This amount is down from the prior year due to spending most of the restricted unexpended debt proceeds on hand.
- At the end of the current fiscal year, unassigned fund balance for the General Fund balance was \$6,825,510, or 16.4% of total general fund expenditures and transfers for the fiscal year, as compared to 17.02% in the prior year. This decrease is due to the \$1,569,806 increase in amount that is Restricted for Stabilization by State Statute.
- The City of Salisbury's total long-term debt decreased by \$6,624,303, or 7.87%, during the current fiscal year. The City paid off various debt in the amount above and did not add any new debt during the year.
- In March 2021, Fitch Ratings affirmed the City's 2020 Revenue Bond debt at AA-, which is an upgrade from the A+ rating on the City's 2010 revenue refunding bonds. Standard and Poor's Global Ratings also assigned an AA- rating to the new debt. Moody's Investors Services affirmed an A3 rating with a stable outlook to the 2010 Revenue Bonds in October 2019.

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-11) 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, the broadband system, the stormwater system, and the transit system. The fiduciary fund statements provide information about the financial relationships 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 unit, Downtown Salisbury Inc., is important to the City because it serves to promote the City and its downtown. Although legally separate

from the City, Downtown Salisbury Inc.'s revenues consist largely of municipal service district taxes from the City, which must be approved by City Council.

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 custodian for 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, and the Salisbury-Rowan Human Relations Council. These Fiduciary Funds are also classified as Custodial Funds. All of the City’s custodial activities are reported in the Statement of Net Position on page 45 and the Statement of Changes in Net Position on page 46. 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 47-77 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 81-85 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 36,521,908	\$ 34,664,092	\$ 61,758,224	\$ 71,558,706	\$ 98,280,132	\$ 106,222,798
Capital assets	48,094,579	45,653,951	144,697,782	130,847,839	192,792,361	176,501,790
Total assets	84,616,487	80,318,043	206,456,006	202,406,545	291,072,493	282,724,588
Deferred outflows of resources	7,352,427	5,437,258	3,434,987	3,064,354	10,787,414	8,501,612
Total assets and deferred outflows of resources	\$ 91,968,914	\$ 85,755,301	\$ 209,890,993	\$ 205,470,899	\$ 301,859,907	\$ 291,226,200
Long-term liabilities outstanding	\$ 30,186,308	\$ 27,863,160	\$ 70,979,953	\$ 75,562,585	\$ 101,166,261	\$ 103,425,745
Other liabilities	5,494,665	6,091,318	13,324,977	9,266,821	18,819,642	15,358,139
Total liabilities	35,680,973	33,954,478	84,304,930	84,829,406	119,985,903	118,783,884
Deferred inflows of resources	1,798,992	1,716,048	434,616	454,390	2,233,608	2,170,438
Total liabilities and deferred inflows of resources	\$ 37,479,965	\$ 35,670,526	\$ 84,739,546	\$ 85,283,796	\$ 122,219,511	\$ 120,954,322
Net position:						
Net investments in capital assets	\$ 40,910,208	\$ 39,207,203	\$ 95,649,630	\$ 92,415,998	\$ 136,559,838	\$ 131,623,201
Restricted	5,575,964	5,415,928	-	-	5,575,964	5,415,928
Unrestricted	8,002,777	5,461,644	29,501,817	27,771,105	37,504,594	33,232,749
Total net position	\$ 54,488,949	\$ 50,084,775	\$ 125,151,447	\$ 120,187,103	\$ 179,640,396	\$ 170,271,878

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 \$179,640,396 as of June 30, 2021, an increase of \$9,368,518 from the fiscal year ended June 30, 2020. The largest portion of the City's net assets (76.02%) 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, \$5,575,964, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$37,504,594 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 98.1%, which is a slight increase over the 97.88% collection rate a year ago, but still not up to prior years' collection rates. We attribute the continued lag in collection rates to the ongoing COVID pandemic.
- An increase in local option sales tax receipts of \$1,166,239, or 13.65%, from last year. The City's sales tax receipts have not greatly affected by the COVID pandemic, and showed a strong increase as many stores reopened during FY21.

- The City’s Water and Sewer Fund had an increase in Net Position of \$2,813,253. The City has two major construction projects that were ongoing at the end of the fiscal year. Those projects will be completed in the future using funds from the recently issued Revenue Bonds.

CITY OF SALISBURY CHANGES IN NET POSITION
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 4,724,141	\$ 4,491,558	\$ 30,277,003	\$ 30,425,246	\$ 35,001,144	\$ 34,916,804
Operating grants and contributions	2,581,392	2,639,873	716,454	1,062,731	3,297,846	3,702,604
Capital grants and contributions	885,213	2,585,767	-	-	885,213	2,585,767
General revenues:						
Property taxes	23,142,385	22,818,429	-	-	23,142,385	22,818,429
Other taxes	9,709,620	8,543,381	-	-	9,709,620	8,543,381
Intergovernmental revenue	3,306,579	3,213,140	-	-	3,306,579	3,213,140
Other	58,965	385,180	142,507	528,602	201,472	913,782
Total revenues	<u>\$ 44,408,295</u>	<u>\$ 44,677,328</u>	<u>\$ 31,135,964</u>	<u>\$ 32,016,579</u>	<u>\$ 75,544,259</u>	<u>\$ 76,693,907</u>
Expenses:						
General government	\$ 6,328,918	\$ 7,233,838	\$ -	\$ -	\$ 6,328,918	\$ 7,233,838
Public safety	17,505,568	17,094,896	-	-	17,505,568	17,094,896
Transportation	3,972,020	5,985,903	-	-	3,972,020	5,985,903
Environmental protection	2,137,111	1,760,087	-	-	2,137,111	1,760,087
Culture and recreation	3,118,162	2,619,658	-	-	3,118,162	2,619,658
Community and economic development	3,433,702	1,287,190	-	-	3,433,702	1,287,190
Education	40,000	40,000	-	-	40,000	40,000
Interest and fees on long-term debt	257,029	298,748	2,224,016	2,680,575	2,481,045	2,979,323
Water and sewer	-	-	23,338,900	22,737,266	23,338,900	22,737,266
Broadband Services	-	-	931,280	994,284	931,280	994,284
Stormwater	-	-	1,744,834	1,281,957	1,744,834	1,281,957
Mass transit	-	-	1,144,201	1,316,982	1,144,201	1,316,982
Total expenses	<u>\$ 36,792,510</u>	<u>\$ 36,320,320</u>	<u>\$ 29,383,231</u>	<u>\$ 29,011,064</u>	<u>\$ 66,175,741</u>	<u>\$ 65,331,384</u>
Change in net position before transfers	\$ 7,615,785	\$ 8,357,008	\$ 1,752,733	\$ 3,005,515	\$ 9,368,518	\$ 11,362,523
Transfers	(3,211,611)	(2,927,970)	3,211,611	2,927,970	-	-
Change in net position	\$ 4,404,174	\$ 5,429,038	\$ 4,964,344	\$ 5,933,485	\$ 9,368,518	\$ 11,362,523
Net position, beginning	50,084,775	44,655,737	120,187,103	114,253,618	170,271,878	158,909,355
Net position, ending	<u>\$ 54,488,949</u>	<u>\$ 50,084,775</u>	<u>\$ 125,151,447</u>	<u>\$ 120,187,103</u>	<u>\$ 179,640,396</u>	<u>\$ 170,271,878</u>

Governmental activities - Governmental activities increased the City’s net position by \$4,404,174, partially due to previously-mentioned increase in revenues from sales taxes and a \$323,956 increase in property tax collections. Rowan County re-emphasized its collection of prior year taxes, resulting in an increase of \$257,210 over the previous fiscal year. The City spent \$1.5 million on its new fire station, which was substantially complete as of June 30, 2021. Another \$1.88 million was spent on a road extension, road widening and bike-lane project, which was partially grant-funded by the North Carolina Department of Transportation.

Business-type activities - Business-type activities increased the City's net position by \$1,752,733 before transfers. The Water and Sewer Fund, which is the City's largest Business-type fund, reported a change in net position of \$2,813,253. The Broadband Service Fund reports a loss of \$799,955 before transfers on the full accrual basis, including depreciation expense of \$667,271. The City has transitioned its broadband operations to Hotwire Communications, Ltd. via an operational agreement. The City began collecting revenues from Hotwire in FY19. Lease Revenue from the operational agreement were \$777,744 in FY21 and \$749,853 in FY20. The Stormwater Fund had a gain of \$147,442, and the Mass Transit Fund had a loss of \$408,007, before transfers from the General Fund.

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 \$15,136,869, while total fund balance was \$22,085,740. 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 36.31% of general fund expenditures and transfers, while total fund balance represents 53% of the same amount.

At June 30, 2021, the governmental funds of the City of Salisbury reported a combined fund balance of \$22,843,041, a 7.8% increase from last year. As discussed earlier, the City's growth in sales taxes and property tax collections were the primary reasons for the decrease in fund balance.

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 \$2,184,936. The difference between the original budget and the final amended budget can be briefly summarized as follows:

- The City appropriated a \$543,185 Historic Revitalization Incentive grant from the U.S. Department of the Interior, National Park Service. The grant will fund structural and façade rehabilitations of commercial properties in the Salisbury Historic District in future years, as this grant was not expended in the year ended June 30, 2021.
- The City received a \$500,000 grant from the U.S. Environmental Protection Agency to clean up the Kesler Mill site. The City will be starting the cleanup in FY22.

- The City appropriated \$225,000 in grants and donations for the Police Department. This includes funds from the Coronavirus Aid, Relief and Economic Security Act (CARES), a grant for a Victim Advocate, and a community improvement grant from the United Way.
- The City appropriated \$177,000 of donations for the Parks and Recreation department, including donations for tennis courts, pickleball courts, CARES funding for child care, and general park maintenance. Much of these donations will be spent in the next fiscal year.
- The City appropriated Fund Balance in the amount of \$576,454 to complete the Dixonville Cemetery memorial, purchase a garbage truck, and pay for bridge repairs.
- The City appropriated other smaller donations and 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, 2021. 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 during the fiscal year ended June 30, 2021.

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 \$125,151,447 at the end of the fiscal year. Of that amount, \$95,649,630 represents the Net Investment in Capital Assets and \$29,501,817 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, 2021, totals \$192,792,360 (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 5.3% due primarily to the construction of the new fire station and widening of Newsome Road. Capital assets in the business-type activities increased by \$13,849,943, or 10.6%, due to ongoing debt-funded projects. The City recorded total depreciation of \$8.8 million.

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

- The City's General Fund spent \$1.47 million on its new fire station on Cedar Springs Road and \$1.88 million on the widening of Newsome Road, which includes the addition of bike lanes. The Fire Station was substantially complete as of June 30, 2021, and the Newsome Road project was completed and capitalized at a total of \$3.557 million.
- The City purchased 10 new police interceptors for \$432,187.
- The City purchased a garbage truck for \$283,453 and spent \$181,942 on vehicles and equipment for the Street Department.
- The City capitalized infrastructure projects for the Dixonville Memorial in the amount of \$535,841, a portion of the Grants Creek Greenway for \$236,141 and the Brenner Avenue sidewalk for \$133,813.
- In the Water and Sewer Fund, the City spent \$19.2 million on the Grant Creek Wastewater Treatment Plant improvements and the Water Treatment Plant improvements. These projects are being funded by the 2020 Revenue Bonds. The Water and Sewer Fund also capitalized \$5.47

million of competed rehabilitation and upgrade projects and \$296,978 for new vehicles and maintenance equipment.

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

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 7,890,708	\$ 7,890,708	\$ 2,278,119	\$ 2,278,119	\$ 10,168,827	\$ 10,168,827
Construction in progress	8,492,922	8,155,852	21,918,172	7,796,438	30,411,094	15,952,290
Buildings	5,795,089	6,062,644	11,514,940	12,011,571	17,310,029	18,074,215
Improvements other than buildings	5,826,988	6,071,119	-	-	5,826,988	6,071,119
Equipment	1,280,806	1,506,249	1,044,564	1,441,217	2,325,370	2,947,466
Vehicles and motorized equipment	6,770,400	7,019,748	784,910	773,995	7,555,310	7,793,743
Infrastructure	12,037,666	8,947,631	107,157,077	106,546,499	119,194,743	115,494,130
Total	\$48,094,579	\$45,653,951	\$144,697,782	\$130,847,839	\$192,792,361	\$176,501,790

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, 2021, the City of Salisbury had total long-term debt outstanding of \$77,576,937 (not including compensated absences, pension liabilities, and other postemployment benefits). Of this, \$49,074,033 represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The City owes \$27,533,594 on various installment purchases, including \$19,375,000 of debt on the City's broadband utility system. Terms of that debt were renegotiated in FY20 to reduce the interest rate from 3.84% to 2.75%.

CITY OF SALISBURY'S OUTSTANDING DEBT

(not including compensated absences or postemployment benefits)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue bonds	\$ -	\$ -	\$49,074,033	\$51,969,102	\$49,074,033	\$51,969,102
Capital leases	-	-	921,310	1,140,800	921,310	1,140,800
Installment purchases	7,835,494	9,141,998	19,698,100	21,867,340	27,533,594	31,009,338
HUD Section 108 loan	48,000	82,000	-	-	48,000	82,000
Total	\$ 7,883,494	\$ 9,223,998	\$ 69,693,443	\$ 74,977,242	\$ 77,576,937	\$ 84,201,240

The City of Salisbury's total outstanding debt decreased by \$6,624,303 (7.87%) during the past fiscal year. The City did not borrow any money during the fiscal.

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 raised its rating to AA- and Standards and Poor's also rated the new revenue bonds at AA-. Fitch Ratings reported a Stable outlook for the City.

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 \$229,419,466.

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 remained steady in FY21, despite the onset of the COVID virus.

- Average unemployment in Salisbury for the fiscal year ended June 30, 2021, was 8.8%, which is up from the 7.3% unemployment of the fiscal year ended June 30, 2020. The unemployment rate continues to be impacted by the COVID pandemic. Unemployment reached as high as 16.8% in 2020, but decreased to 6.7% as of June 30, 2021. The average unemployment rate for the in FY21 for the State of North Carolina was 6.1%, and 6.3% in Rowan County.
- Retail sales continued to be strong in fiscal year ended June 30, 2021. The County's sales subject to North Carolina sales taxes surged to \$1,716,383,069, and increase of almost \$224 million from the previous year. This is the highest sales total in the County's history. Sales tax revenues were negatively impacted in some parts of the State by the Covid pandemic, but Rowan County and Salisbury were not adversely affected. 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 \$1,166,239 from the previous year to \$9,709,620.
- The City saw an increase of 282 single family homes during FY21. Those homes represent an investment of \$34,135,085. New commercial construction added another \$6,945,000 in construction investment.
- The occupancy rates for commercial space in the City's downtown area remains over 90% as of June 30.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2022

Governmental Activities

General Fund – In FY22, the General Fund budget adopted by City Council is \$48.7 million, up from the final FY21 budget of \$47.6 million. In FY21, the City budgeted very conservatively for property tax and sale tax collections. Due to the continuing surge in sales taxes received, the City increased its budget for sales taxes received by 17% to \$9 million. City Council maintained the existing tax rate of \$0.7196 per \$100 valuation. Personnel is the biggest expense of the City's General Fund. The challenging FY22 budget includes a 2% Cost of Living Adjustment for City employees. The budget also includes a 5% pay increase

for sworn police officers and a 5%-15% increase for certain Public Works employees. The pay adjustments are needed to help us retain and attract employees and compete with surrounding municipalities. The General Fund will see an increase in personnel costs over FY21 due to a 1.2% increase in the required contribution to the NC Local Government Retirement System. Increases to the retirement contribution are necessary because employees are retiring earlier and retirees are living longer. City Council also appropriated \$1.27 million of the City's healthy Fund Balance for infrastructure projects and the aforementioned pay increases for police officers and Public Works employees. The City will also take over maintenance of the new Bell Tower Green Park.

Business-Type Activities

Water and Sewer Fund – Water and Sewer rates will increase by 2% for the fiscal year ending June 30, 2022, based on the Consumer Price Index for urban consumers in the South Region. The Water and Sewer will see the same costs related to the 2% Cost of Living Adjustment and increase in retirement contributions as the General Fund. The Fund will continue with the infrastructure projects being funded by the 2020 revenue bonds as part of our 10-year Capital Improvement Plan (CIP). We anticipate that those projects will be completed in FY22. The City is continuing to implement a multi-year effort to rehabilitate aging gravity sewer lines throughout the system in an effort to reduce inflow and infiltration. The City conducts system-wide flow monitoring of the collection system to prioritize its rehabilitation efforts. Funding for sewer rehabilitation projects is expected to increase each year in the CIP to further reduce inflow and infiltration.

Broadband Services Fund – The City has a public/private partnership with Hotwire Communications for the lease of our broadband utility. Quarterly lease payment from Hotwire have been steady. The Broadband Services Fund will continue to depend on contributions from the General Fund until revenues from the lease agreement becomes sufficient to cover all expenses of the fund. The FY22 budget includes \$300,000 in principal payment on its inter-fund loan from the Water and Sewer Fund.

Mass Transit Fund –The majority of the funding for this system is provided through federal grants. The City anticipates receiving funding from the State Maintenance Assistance Program which was cut by the State of North Carolina in FY21. The City operated our Transit system fare-free in FY21, but the proposed budget includes six months of fares and ticket sales.

Stormwater Fund – The FY22 budget includes a \$.08 per month rate increase to offset inflation and to provide funds for stormwater projects to reduce flooding and pollution to maintain compliance with our existing National Pollutant Discharge Elimination System 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.

A-1
CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF NET POSITION

June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Salisbury, Inc.
<u>ASSETS</u>				
Cash and investments	\$ 26,268,330	\$ 36,205,249	\$ 62,473,579	\$ 108,810
Taxes receivables (net)	735,019	-	735,019	-
Accrued interest receivable on taxes	109,062	-	109,062	-
Accounts receivable (net)	461,734	4,223,771	4,685,505	10,788
Lease payments receivable	-	288,441	288,441	-
Interest receivable	5,887	7,400	13,287	-
Due from other governments	6,318,650	343,379	6,662,029	-
Inventories	551,556	590,702	1,142,258	-
Prepaid items	136,592	-	136,592	-
Real estate held for investment	-	-	-	880,000
Restricted cash and cash equivalents	1,935,078	20,099,282	22,034,360	-
Total current assets	<u>\$ 36,521,908</u>	<u>\$ 61,758,224</u>	<u>\$ 98,280,132</u>	<u>\$ 999,598</u>
Non-current assets				
Capital assets				
Land, improvements, and construction in progress	\$ 16,383,630	\$ 24,196,291	\$ 40,579,921	\$ -
Other capital assets, net of depreciation	31,710,949	120,501,491	152,212,440	267
Total non-current assets	<u>\$ 48,094,579</u>	<u>\$ 144,697,782</u>	<u>\$ 192,792,361</u>	<u>\$ 267</u>
Total assets	<u>\$ 84,616,487</u>	<u>\$ 206,456,006</u>	<u>\$ 291,072,493</u>	<u>\$ 999,865</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>				
Deferred amount on refunding	\$ -	\$ 1,375,767	\$ 1,375,767	\$ -
Pension Deferrals	4,531,353	1,087,050	5,618,403	-
OPEB Deferrals	1,178,320	406,061	1,584,381	-
Contributions to pension plan in current fiscal year	1,642,754	566,109	2,208,863	-
Total deferred outflows of resources	<u>\$ 7,352,427</u>	<u>\$ 3,434,987</u>	<u>\$ 10,787,414</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 4,125,599	\$ 6,425,782	\$ 10,551,381	\$ -
Accrued interest payable	77,750	692,897	770,647	3,321
Current portion of long-term liabilities	1,291,316	5,376,540	6,667,856	51,838
Liabilities to be paid from restricted assets:				
Customer deposits	-	829,758	829,758	-
Noncurrent liabilities due in more than one year:				
Net pension liability (LGERS)	9,094,016	3,133,889	12,227,905	-
Total pension liability (LEOSSA)	4,008,996	-	4,008,996	-
Total OPEB liability	8,605,876	2,965,672	11,571,548	-
Due in more than one year	8,477,420	64,880,392	73,357,812	629,502
Total liabilities	<u>\$ 35,680,973</u>	<u>\$ 84,304,930</u>	<u>\$ 119,985,903</u>	<u>\$ 684,661</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension deferrals	\$ 204,152	\$ 38,474	\$ 242,626	\$ -
Unavailable revenue	445,299	-	445,299	-
OPEB deferrals	1,149,541	396,142	1,545,683	-
Total deferred inflows of resources	<u>\$ 1,798,992</u>	<u>\$ 434,616</u>	<u>\$ 2,233,608</u>	<u>\$ -</u>
<u>NET POSITION</u>				
Net investments in capital assets	\$ 40,910,208	\$ 95,649,630	\$ 136,559,838	\$ 267
Restricted for:				
Stabilization by State Statute	5,130,665	-	5,130,665	-
Community Development	217,190	-	217,190	-
Public Safety	89,306	-	89,306	-
Cultural and Recreation	138,803	-	138,803	-
Unrestricted	8,002,777	29,501,817	37,504,594	314,937
Total net position	<u>\$ 54,488,949</u>	<u>\$ 125,151,447</u>	<u>\$ 179,640,396</u>	<u>\$ 315,204</u>

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

A-2
CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

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 Unit	
					Governmental Activities	Business-type Activities	Total Primary Government	Downtown Salisbury, Inc.
Primary government:								
Governmental Activities:								
General government	\$ 6,328,918	\$ 966,646	\$ -	\$ -	\$ (5,362,272)	\$ -	\$ (5,362,272)	\$ -
Public safety	17,505,568	511,852	381,107	401,513	(16,211,096)	-	(16,211,096)	-
Transportation	3,972,020	80,456	1,254,579	483,700	(2,153,285)	-	(2,153,285)	-
Environmental protection	2,137,111	2,729,315	-	-	592,204	-	592,204	-
Culture and recreation	3,118,162	28,800	179,589	-	(2,909,773)	-	(2,909,773)	-
Community and economic development	3,433,702	407,072	766,117	-	(2,260,513)	-	(2,260,513)	-
Education	40,000	-	-	-	(40,000)	-	(40,000)	-
Interest and fees on long-term debt	257,029	-	-	-	(257,029)	-	(257,029)	-
Total governmental activities	<u>\$ 36,792,510</u>	<u>\$ 4,724,141</u>	<u>\$ 2,581,392</u>	<u>\$ 885,213</u>	<u>\$ (28,601,764)</u>	<u>\$ -</u>	<u>\$ (28,601,764)</u>	<u>\$ -</u>
Business-type activities:								
Water and Sewer	\$ 24,866,904	\$ 27,549,033	\$ -	\$ -	\$ -	\$ 2,682,129	\$ 2,682,129	\$ -
Broadband Services	1,627,292	822,978	-	-	-	(804,314)	(804,314)	-
Stormwater	1,744,834	1,886,778	-	-	-	141,944	141,944	-
Mass Transit	1,144,201	18,214	716,454	-	-	(409,533)	(409,533)	-
Total business-type activities	<u>\$ 29,383,231</u>	<u>\$ 30,277,003</u>	<u>\$ 716,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,610,226</u>	<u>\$ 1,610,226</u>	<u>\$ -</u>
Total primary government	<u>\$ 66,175,741</u>	<u>\$ 35,001,144</u>	<u>\$ 3,297,846</u>	<u>\$ 885,213</u>	<u>\$ (28,601,764)</u>	<u>\$ 1,610,226</u>	<u>\$ (26,991,538)</u>	<u>\$ -</u>
Component unit:								
Downtown Salisbury, Inc.	<u>\$ 139,405</u>	<u>\$ 102,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (94,218)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					\$ 23,142,385	\$ -	\$ 23,142,385	\$ 142,586
Local option sales taxes					9,709,620	-	9,709,620	-
Unrestricted intergovernmental revenues					3,306,579	-	3,306,579	-
Unrestricted investment earnings					58,965	142,507	201,472	-
Total general revenues					<u>\$ 36,217,549</u>	<u>\$ 142,507</u>	<u>\$ 36,360,056</u>	<u>\$ 142,586</u>
Transfers					(3,211,611)	3,211,611	-	-
Total general revenues and transfers					<u>\$ 33,005,938</u>	<u>\$ 3,354,118</u>	<u>\$ 36,360,056</u>	<u>\$ 142,586</u>
Change in net position					<u>\$ 4,404,174</u>	<u>\$ 4,964,344</u>	<u>\$ 9,368,518</u>	<u>\$ 48,368</u>
Net position-beginning					<u>\$ 50,084,775</u>	<u>\$ 120,187,103</u>	<u>\$ 170,271,878</u>	<u>\$ 266,836</u>
Net position-ending					<u>\$ 54,488,949</u>	<u>\$ 125,151,447</u>	<u>\$ 179,640,396</u>	<u>\$ 315,204</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, 2021

<u>ASSETS</u>	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Government Funds</u>
Cash and investments	\$ 18,024,866	\$ 146	\$ 18,025,012
Taxes receivable, net	735,019	-	735,019
Accounts receivable, net	459,167	917	460,084
Interest receivable	4,169	-	4,169
Due from other governments	5,995,100	323,550	6,318,650
Due from other fund	203,800	-	203,800
Inventories	551,556	-	551,556
Prepaid items	136,592	-	136,592
Restricted cash and investments	1,235,955	699,123	1,935,078
Total assets	<u>\$ 27,346,224</u>	<u>\$ 1,023,736</u>	<u>\$ 28,369,960</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,678,653	\$ 62,635	\$ 3,741,288
Due to other fund	-	203,800	203,800
Total liabilities	<u>\$ 3,678,653</u>	<u>\$ 266,435</u>	<u>\$ 3,945,088</u>
Deferred Inflows of Resources:			
Property taxes receivable	\$ 735,019	\$ -	\$ 735,019
Unavailable revenues	846,812	-	846,812
Total deferred inflows of resources	<u>\$ 1,581,831</u>	<u>\$ -</u>	<u>\$ 1,581,831</u>
Fund balances:			
Nonspendable:			
Inventories	\$ 551,556	\$ -	\$ 551,556
Prepaid items	136,592	-	136,592
Restricted:			
Stabilization by State Statute	6,260,723	324,467	6,585,190
Community Development	217,190	-	217,190
Public Safety	89,306	-	89,306
Cultural and Recreation	138,803	-	138,803
Capital Projects		662,519	662,519
Committed:			
Capital Replacement	2,809,706	-	2,809,706
LEO Special Separation Allowance	1,099,685	-	1,099,685
Assigned: Subsequent Year's Budget	3,956,669	-	3,956,669
Unassigned	6,825,510	(229,685)	6,595,825
Total fund balances	<u>\$ 22,085,740</u>	<u>\$ 757,301</u>	<u>\$ 22,843,041</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,346,224</u>	<u>\$ 1,023,736</u>	<u>\$ 28,369,960</u>

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

A-3
CITY OF SALISBURY, NORTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2021

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

Total Fund Balance, Governmental Funds		\$ 22,843,041
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 111,435,588	
Accumulated depreciation	<u>(63,341,009)</u>	48,094,579
Deferred outflows of resources related to pensions are not reported in the funds		6,174,107
Deferred outflows of resources related to OPEB are not reported in the funds		1,178,320
Amount due from other government that is not available to pay for current period expenditures is not an inflow of resource in the General Fund		401,513
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		109,062
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.		7,862,375
Deferred inflows of resources for property taxes receivable		735,019
Pension related deferrals		(204,152)
Deferred inflows of resources related to OPEB are not reported in the funds		(1,149,541)
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		(7,883,494)
Accrued interest on long-term debt		(77,750)
Net pension liability - LGERS		(9,094,016)
Total OPEB liability		(8,605,876)
Total pension liability - Law Enforcement Separation Allowance		(4,008,996)
Accrued compensated absences		<u>(1,885,242)</u>
Net position of governmental activities		<u>\$ 54,488,949</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, 2021

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 23,171,591	\$ -	\$ 23,171,591
Unrestricted intergovernmental	13,016,199	-	13,016,199
Restricted intergovernmental	3,440,551	496,740	3,937,291
Charges for services	4,434,834	-	4,434,834
Miscellaneous	<u>735,473</u>	<u>40,151</u>	<u>775,624</u>
Total revenues	<u>\$ 44,798,648</u>	<u>\$ 536,891</u>	<u>\$ 45,335,539</u>
EXPENDITURES			
Current:			
General government	\$ 5,934,042	\$ 68,935	\$ 6,002,977
Public safety	16,964,620	1,464,477	18,429,097
Transportation	5,796,627	-	5,796,627
Environmental protection	2,157,908	-	2,157,908
Culture and recreation	2,888,351	-	2,888,351
Community and economic development	3,123,881	419,482	3,543,363
Education	40,000	-	40,000
Debt service:			
Principal	1,306,504	34,000	1,340,504
Interest and fees	<u>264,451</u>	<u>3,630</u>	<u>268,081</u>
Total expenditures	<u>\$ 38,476,384</u>	<u>\$ 1,990,524</u>	<u>\$ 40,466,908</u>
Excess of revenues over (under) expenditures	<u>\$ 6,322,264</u>	<u>\$ (1,453,633)</u>	<u>\$ 4,868,631</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>\$ (3,211,611)</u>	<u>\$ -</u>	<u>\$ (3,211,611)</u>
Net change in fund balance	\$ 3,110,653	\$ (1,453,633)	\$ 1,657,020
Fund balances-beginning	<u>\$ 18,975,087</u>	<u>\$ 2,210,934</u>	<u>\$ 21,186,021</u>
Fund balances-ending	<u><u>\$ 22,085,740</u></u>	<u><u>\$ 757,301</u></u>	<u><u>\$ 22,843,041</u></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, 2021

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

Net changes in fund balances - total governmental funds		\$ 1,657,020
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in unavailable revenues for property tax revenues	\$ (34,561)	
Unavailable revenue from grants due from other government	(915,261)	
Changes in accrued interest receivable on taxes	<u>5,355</u>	(944,467)
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	\$ 5,198,054	
Depreciation expense for governmental assets	<u>(2,757,426)</u>	2,440,628
Net revenue of Internal Service Funds determined to be Governmental Fund Type		1,038,689
The issuance of long-term debt provides current financial resources to governmental		
Principal payments on long-term debt	\$ 1,340,504	
Decrease in accrued interest payable	<u>11,052</u>	1,351,556
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	\$ 91,648	
Pension expense	(1,640,725)	
OPEB plan expense	<u>409,825</u>	<u>(1,139,252)</u>
Total changes in net position of governmental activities		<u>\$ 4,404,174</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, 2021

	General Fund			Variance with Final Budget Positive (Negative)
	Original			
	Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 22,192,839	\$ 22,192,839	\$ 23,171,591	\$ 978,752
Unrestricted intergovernmental	10,979,000	11,034,000	13,016,199	1,982,199
Restricted intergovernmental	4,269,096	5,870,661	3,440,551	(2,430,110)
Charges for services	4,097,642	4,235,522	4,434,834	199,312
Miscellaneous	<u>632,953</u>	<u>1,023,444</u>	<u>735,473</u>	<u>(287,971)</u>
Total revenues	<u>\$ 42,171,530</u>	<u>\$ 44,356,466</u>	<u>\$ 44,798,648</u>	<u>\$ 442,182</u>
Expenditures:				
Current:				
General government	\$ 6,845,277	\$ 7,020,248	\$ 5,934,042	\$ 1,086,206
Public safety	17,786,749	17,871,101	16,964,620	906,481
Transportation	6,710,137	6,981,766	5,796,627	1,185,139
Environmental protection	1,649,184	2,215,887	2,157,908	57,979
Cultural and recreation	3,200,286	3,965,490	2,888,351	1,077,139
Community and economic development	3,286,915	4,693,396	3,123,881	1,569,515
Education	40,000	40,000	40,000	-
Debt service:				
Principal retirement	1,306,504	1,306,504	1,306,504	-
Interest and fees	<u>264,480</u>	<u>264,480</u>	<u>264,451</u>	<u>29</u>
Total expenditures	<u>\$ 41,089,532</u>	<u>\$ 44,358,872</u>	<u>\$ 38,476,384</u>	<u>\$ 5,882,488</u>
Surplus of revenues over expenditures	<u>\$ 1,081,998</u>	<u>\$ (2,406)</u>	<u>\$ 6,322,264</u>	<u>\$ 6,324,670</u>
Other financing sources (uses):				
Transfers to other funds	\$ (3,211,611)	\$ (3,211,611)	\$ (3,211,611)	\$ -
Fund balance appropriated	<u>2,129,613</u>	<u>3,214,017</u>	<u>-</u>	<u>(3,214,017)</u>
Total other financing sources (uses)	<u>\$ (1,081,998)</u>	<u>\$ 2,406</u>	<u>\$ (3,211,611)</u>	<u>\$ (3,214,017)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,110,653</u>	<u>\$ 3,110,653</u>
Fund balances, beginning of year			<u>18,975,087</u>	
Fund balances, end of year			<u>\$ 22,085,740</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, 2021

	Enterprise Funds					Governmental
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 31,328,537	\$ 1,801,637	\$ 2,349,993	\$ 725,082	\$ 36,205,249	\$ 8,243,318
Accounts receivable (net)	4,012,934	-	208,630	2,207	4,223,771	1,650
Lease payments receivable (net)	-	288,441	-	-	288,441	-
Interest receivable	6,382	359	510	149	7,400	1,718
Due from other governments	338,882	42	1,778	2,677	343,379	-
Inventories	588,396	-	-	2,306	590,702	-
Restricted assets:						
Cash and cash equivalents	<u>20,099,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,099,282</u>	<u>-</u>
Total current assets	<u>\$ 56,374,413</u>	<u>\$ 2,090,479</u>	<u>\$ 2,560,911</u>	<u>\$ 732,421</u>	<u>\$ 61,758,224</u>	<u>\$ 8,246,686</u>
Noncurrent assets:						
Due from other fund	\$ 5,901,961	\$ -	\$ -	\$ -	\$ 5,901,961	\$ -
Capital assets:						
Land	2,278,119	-	-	-	2,278,119	-
Buildings and improvements	207,930,233	25,973,590	-	644,200	234,548,023	-
Equipment	12,877,604	574,015	813,899	2,337,762	16,603,280	-
Construction in progress	21,456,674	-	461,498	-	21,918,172	-
Accumulated depreciation	<u>(120,108,599)</u>	<u>(7,305,500)</u>	<u>(458,716)</u>	<u>(2,776,997)</u>	<u>(130,649,812)</u>	<u>-</u>
Total noncurrent assets	<u>\$ 130,335,992</u>	<u>\$ 19,242,105</u>	<u>\$ 816,681</u>	<u>\$ 204,965</u>	<u>\$ 150,599,743</u>	<u>\$ -</u>
Total assets	<u>\$ 186,710,405</u>	<u>\$ 21,332,584</u>	<u>\$ 3,377,592</u>	<u>\$ 937,386</u>	<u>\$ 212,357,967</u>	<u>\$ 8,246,686</u>
Deferred outflow of resources						
Deferred amount on refunding	\$ -	\$ 1,375,767	\$ -	\$ -	\$ 1,375,767	\$ -
Pension dererrals	873,534	-	106,758	106,758	1,087,050	-
OPEB Deferrals	326,302	-	39,880	39,879	406,061	-
Contributions to pension plan	<u>454,916</u>	<u>-</u>	<u>55,597</u>	<u>55,596</u>	<u>566,109</u>	<u>-</u>
	<u>\$ 1,654,752</u>	<u>\$ 1,375,767</u>	<u>\$ 202,235</u>	<u>\$ 202,233</u>	<u>\$ 3,434,987</u>	<u>\$ -</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 6,204,414	\$ -	\$ 163,714	\$ 57,654	\$ 6,425,782	\$ 384,311
Interest payable	514,806	178,091	-	-	692,897	-
Bonds, notes, and loans payable	3,200,191	2,120,000	-	-	5,320,191	-
Compensated absences	51,164	-	493	4,692	56,349	-
Liabilities payable from restricted assets	-	-	-	-	-	-
Customer deposits	<u>829,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>829,758</u>	<u>-</u>
Total current liabilities	<u>\$ 10,800,333</u>	<u>\$ 2,298,091</u>	<u>\$ 164,207</u>	<u>\$ 62,346</u>	<u>\$ 13,324,977</u>	<u>\$ 384,311</u>
Noncurrent liabilities:						
Bonds, notes, and loans payable	\$ 47,118,252	\$ 17,255,000	\$ -	\$ -	\$ 64,373,252	\$ -
Due to other fund	-	5,901,961	-	-	5,901,961	-
Net pension liability	2,518,337	-	307,776	307,776	3,133,889	-
Total OPEB liability	2,383,160	-	291,256	291,256	2,965,672	-
Compensated absences	<u>460,473</u>	<u>-</u>	<u>4,437</u>	<u>42,230</u>	<u>507,140</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 52,480,222</u>	<u>\$ 23,156,961</u>	<u>\$ 603,469</u>	<u>\$ 641,262</u>	<u>\$ 76,881,914</u>	<u>\$ -</u>
Total liabilities	<u>\$ 63,280,555</u>	<u>\$ 25,455,052</u>	<u>\$ 767,676</u>	<u>\$ 703,608</u>	<u>\$ 90,206,891</u>	<u>\$ 384,311</u>
Deferred inflow of resources						
Pension deferrals	\$ 30,917	\$ -	\$ 3,779	\$ 3,778	\$ 38,474	\$ -
OPEB deferrals	<u>318,333</u>	<u>-</u>	<u>38,904</u>	<u>38,905</u>	<u>396,142</u>	<u>-</u>
	<u>\$ 349,250</u>	<u>\$ -</u>	<u>\$ 42,683</u>	<u>\$ 42,683</u>	<u>\$ 434,616</u>	<u>\$ -</u>
NET POSITION						
Net investment in capital assets	\$ 93,385,112	\$ 1,242,872	\$ 816,681	\$ 204,965	\$ 95,649,630	\$ -
Unrestricted	<u>31,350,240</u>	<u>(3,989,573)</u>	<u>1,952,787</u>	<u>188,363</u>	<u>29,501,817</u>	<u>7,862,375</u>
Total net position	<u>\$ 124,735,352</u>	<u>\$ (2,746,701)</u>	<u>\$ 2,769,468</u>	<u>\$ 393,328</u>	<u>\$ 125,151,447</u>	<u>\$ 7,862,375</u>

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, 2021

	Enterprise Funds					Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 25,907,694	\$ -	\$ 1,883,700	\$ 430	\$ 27,791,824	\$ 6,490,138
Water and sewer taps	913,277				913,277	-
Lease revenue	-	777,744			777,744	-
Other operating revenues	728,062	45,234	3,078	17,784	794,158	-
Total operating revenues	<u>\$ 27,549,033</u>	<u>\$ 822,978</u>	<u>\$ 1,886,778</u>	<u>\$ 18,214</u>	<u>\$ 30,277,003</u>	<u>\$ 6,490,138</u>
OPERATING EXPENSES						
Management and administration	\$ 7,360,626	\$ 39,369	\$ 1,263,288	\$ 253,302	\$ 8,916,585	\$ 5,468,672
Water resources	2,722,283	-	-	-	2,722,283	-
Maintenance and construction	3,257,636	-	-	-	3,257,636	-
Wastewater collection and treatment	4,212,586	-	-	-	4,212,586	-
Environmental services	611,393	-	-	-	611,393	-
Broadband lease-related expenses	-	224,640	-	-	224,640	-
Stormwater program	-	-	364,370	-	364,370	-
Mass transit operations	-	-	-	814,284	814,284	-
Depreciation	5,174,376	667,271	117,176	76,615	6,035,438	-
Total operating expenses	<u>\$ 23,338,900</u>	<u>\$ 931,280</u>	<u>\$ 1,744,834</u>	<u>\$ 1,144,201</u>	<u>\$ 27,159,215</u>	<u>\$ 5,468,672</u>
Operating income (loss)	<u>\$ 4,210,133</u>	<u>\$ (108,302)</u>	<u>\$ 141,944</u>	<u>\$ (1,125,987)</u>	<u>\$ 3,117,788</u>	<u>\$ 1,021,466</u>
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	\$ 131,124	\$ 4,359	\$ 5,498	\$ 1,526	\$ 142,507	\$ 17,223
Interest and other charges	(1,528,004)	(696,012)	-	-	(2,224,016)	-
CARES grant	-	-	-	539,816	539,816	-
Intergovernmental revenues	-	-	-	176,638	176,638	-
Total nonoperating revenue (expenses)	<u>\$ (1,396,880)</u>	<u>\$ (691,653)</u>	<u>\$ 5,498</u>	<u>\$ 717,980</u>	<u>\$ (1,365,055)</u>	<u>\$ 17,223</u>
Income (loss) before transfers	\$ 2,813,253	\$ (799,955)	\$ 147,442	\$ (408,007)	\$ 1,752,733	\$ 1,038,689
Transfers from other funds	-	2,970,000	-	241,611	3,211,611	-
Change in net position	\$ 2,813,253	\$ 2,170,045	\$ 147,442	\$ (166,396)	\$ 4,964,344	\$ 1,038,689
Net position, beginning	121,922,099	(4,916,746)	2,622,026	559,724	120,187,103	6,823,686
Net position, ending	<u>\$ 124,735,352</u>	<u>\$ (2,746,701)</u>	<u>\$ 2,769,468</u>	<u>\$ 393,328</u>	<u>\$ 125,151,447</u>	<u>\$ 7,862,375</u>

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

CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds					Governmental 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	\$ 26,666,965	\$ -	\$ 1,871,638	\$ 583	\$ 28,539,186	\$ -
Cash received from lease		585,958			585,958	
Cash received from interfund services provided	-	-			-	6,490,375
Cash paid for goods and services	(11,996,973)	(266,495)	(916,604)	(243,890)	(13,423,962)	(5,469,338)
Cash paid to or on behalf of employees for services	(6,099,146)	-	(550,391)	(830,952)	(7,480,489)	-
Customer deposits received	225,553	-	-	-	225,553	-
Customer deposits returned	(195,448)	-	-	-	(195,448)	-
Other receipts	728,062	45,234	3,078	17,784	794,158	-
Net cash provided (used) by operating activities	<u>\$ 9,329,013</u>	<u>\$ 364,697</u>	<u>\$ 407,721</u>	<u>\$ (1,056,475)</u>	<u>\$ 9,044,956</u>	<u>\$ 1,021,037</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	\$ -	\$ 2,970,000	\$ -	\$ 241,611	\$ 3,211,611	\$ -
Decrease in due (to) from other funds	300,000	(300,000)	-	-	-	-
Intergovernmental revenues	-	-	-	849,736	849,736	-
Total cash flows provided by noncapital financing activities	<u>\$ 300,000</u>	<u>\$ 2,670,000</u>	<u>\$ -</u>	<u>\$ 1,091,347</u>	<u>\$ 4,061,347</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	\$ (15,735,306)	\$ -	\$ (461,498)	\$ -	\$ (16,196,804)	\$ -
Principal paid on bond maturities and equipment contracts	(3,243,799)	(2,040,000)	-	-	(5,283,799)	-
Interest paid on bond maturities and equipment contracts	(1,557,699)	(647,929)	-	-	(2,205,628)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (20,536,804)</u>	<u>\$ (2,687,929)</u>	<u>\$ (461,498)</u>	<u>\$ -</u>	<u>\$ (23,686,231)</u>	<u>\$ -</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES						
Investment earnings	\$ 149,313	\$ 5,328	\$ 7,236	\$ 1,957	\$ 163,834	\$ 22,018
Net increase (decrease) in cash and cash equivalents	\$ (10,758,478)	\$ 352,096	\$ (46,541)	\$ 36,829	\$ (10,416,094)	\$ 1,043,055
Balances-beginning of the year	62,186,297	1,449,541	2,396,534	688,253	66,720,625	7,200,263
Balances-end of the year	<u>\$ 51,427,819</u>	<u>\$ 1,801,637</u>	<u>\$ 2,349,993</u>	<u>\$ 725,082</u>	<u>\$ 56,304,531</u>	<u>\$ 8,243,318</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	<u>\$ 4,210,133</u>	<u>\$ (108,302)</u>	<u>\$ 141,944</u>	<u>\$ (1,125,987)</u>	<u>\$ 3,117,788</u>	<u>\$ 1,021,466</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	\$ 5,174,376	\$ 667,271	\$ 117,176	\$ 76,615	\$ 6,035,438	\$ -
Pension expense	417,472	-	49,926	40,867	508,265	-
OPEB expense	(19,505)	-	(5,654)	(32,651)	(57,810)	-
Changes in current assets and liabilities:						
(Increase) decrease in accounts receivable	(154,005)	(191,786)	(12,062)	153	(357,700)	237
(Increase) decrease in inventory	(111,603)	-	-	-	(111,603)	-
(Increase) decrease in due from other governments	(70,641)	(42)	789	(752)	(70,646)	-
Increase (decrease) in accounts payable and accrued liabilities	(194,082)	(2,444)	116,771	(7,265)	(87,020)	(666)
Increase (decrease) in compensated absences payable	46,763	-	(1,169)	(7,455)	38,139	-
Increase in customer deposits	30,105	-	-	-	30,105	-
Total adjustments	<u>\$ 5,118,880</u>	<u>\$ 472,999</u>	<u>\$ 265,777</u>	<u>\$ 69,512</u>	<u>\$ 5,927,168</u>	<u>\$ (429)</u>
Net cash provided (used) by operating activities	<u>\$ 9,329,013</u>	<u>\$ 364,697</u>	<u>\$ 407,721</u>	<u>\$ (1,056,475)</u>	<u>\$ 9,044,956</u>	<u>\$ 1,021,037</u>

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

CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2021

	<u>Custodial Funds</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 220,842
Receivables:	
Interest receivable	19
Accounts receivable for other governments	601,517
Due from other government	1,682
Property taxes receivable for other government	<u>7,136</u>
 Total assets	 <u>\$ 831,196</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 11,383
Reserve for taxes receivable	7,136
Customer deposits	24,450
Due to local governments	<u>125,686</u>
 Total liabilities	 <u>\$ 168,655</u>
<u>NET POSITION</u>	
Held for other governments	<u>\$ 662,541</u>

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

CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2021

	Custodial Funds
Additions:	
Property tax revenue for other government	\$ 138,983
Water and sewer revenue for other governments	1,010,742
Garbage fee revenue for other governments	554,724
Donations and program income	17,571
Investment earnings	114
Total additions	\$ 1,722,134
Deductions:	
Tax collection fees	\$ 1,323
Water and sewer charges	649,425
Repair and maintenance	840
Program expenses	8,748
Distributions to other governments	1,021,759
Total deductions	\$ 1,682,095
Net increase	\$ 40,039
Net position, beginning of year	625,298
Restatement - reclassification to General Fund	(2,796)
Net position, beginning of year, restated	\$ 622,502
Net position, end of year	\$ 662,541

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, 2021

Note 1. Summary of Significant Accounting Policies

The accounting policies of the City of Salisbury (City) and its discretely presented component unit 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 unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

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 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., 217 South 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 by fees charged to external parties.

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. The fiduciary funds are presented separately and are excluded from the government-wide statements.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 funds:

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.

Capital Projects Fund – Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those finance and reported by proprietary and trust funds). North Carolina General Statutes require the establishment of a capital project funds to account for the proceeds of each bond order or order authorizing any debt instrument and for all other resources used for capital projects financed by the bond or debt instrument proceeds.

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.

Mass 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.).

Custodial Funds – Custodial are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. Custodial are used to account for assets the City holds on behalf of others. The City maintains 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, and the Salisbury-Rowan Human Relations Council 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 Capital Projects Fund and the Enterprise Capital Projects Fund, which are 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 investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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. considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Unexpended debt proceeds are classified as restricted assets in the Balance Sheet because their use is 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities	Business Type Activities	Total
Unexpended grants and donations	\$ 445,299	\$ -	\$ 445,299
Unexpended assessments	790,656	-	790,656
Unexpended debt proceeds	699,123	19,269,524	19,968,647
Customer Deposits	-	829,758	829,758
	<u>\$ 1,935,078</u>	<u>\$ 20,099,282</u>	<u>\$ 22,034,360</u>

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, 2020. 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. Inventory 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 consists 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. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

Asset Class	Estimated Useful Lives
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 reports a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period, and so will not be recognized as an expense or expenditure until then. The City has four items that meet this criterion, contributions made to the pension plan in the 2021 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 several items that meet the criterion for this category –taxes receivable, pension deferrals, and OPEB deferrals, and unavailable revenues.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

Restricted for 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.

Restricted for Capital Projects – portion of fund balance that is restricted by revenue source for expenditures on Capital Projects.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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.

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 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 unavailable revenues.

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, 2021

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 \$2,746,701. 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 seven 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 unit 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, 2021, the City's deposits had a carrying amount of \$38,751,694 and a bank balance of \$38,662,315. Of the bank balance, \$1,149,355 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the City's petty cash fund totaled \$4,675.

2. Investments

At June 30, 2021, the City's investments were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value at 6/30/2021</u>	<u>Less than 6 Months</u>
Commercial Paper	Fair Value - Level 2	\$ 13,982,282	\$ 13,982,282
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	<u>31,990,130</u>	<u>31,990,130</u>
Total		<u>\$ 45,972,412</u>	<u>\$ 45,972,412</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 has 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, 2021.

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, 2021
Governmental Activities:	
Taxes receivable	\$ 414,000
Accounts receivable	160,000
	\$ 574,000
Enterprise Funds:	
Water and Sewer Fund receivables	\$ 525,000
Stormwater Fund receivables	210,000
	\$ 735,000

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, 2021, the carrying value of the Empire Hotel has been reduced to the most recent appraised value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,890,708	\$ -	\$ -	\$ 7,890,708
Construction in progress	<u>8,155,852</u>	<u>3,894,171</u>	<u>3,557,101</u>	<u>8,492,922</u>
Total capital assets not being depreciated	<u>\$16,046,560</u>	<u>\$ 3,894,171</u>	<u>\$3,557,101</u>	<u>\$16,383,630</u>
Capital assets being depreciated:				
Buildings	\$ 11,897,156	\$ -	\$ -	\$ 11,897,156
Other improvements	11,139,447	-	-	11,139,447
Equipment	9,618,449	193,074	45,406	9,766,117
Vehicles and motorized equipment	20,561,270	1,110,809	746,212	20,925,867
Infrastructure	<u>37,766,270</u>	<u>3,557,101</u>	<u>-</u>	<u>41,323,371</u>
Total capital assets being depreciated	<u>\$90,982,592</u>	<u>\$ 4,860,984</u>	<u>\$ 791,618</u>	<u>\$95,051,958</u>
Less accumulated depreciation for:				
Buildings	\$ 5,834,512	\$ 267,555	\$ -	\$ 6,102,067
Other improvements	5,068,328	244,131	-	5,312,459
Equipment	8,112,200	418,517	45,406	8,485,311
Vehicles and motorized equipment	13,541,522	1,360,157	746,212	14,155,467
Infrastructure	<u>28,818,639</u>	<u>467,066</u>	<u>-</u>	<u>29,285,705</u>
Total accumulated depreciation	<u>\$61,375,201</u>	<u>\$ 2,757,426</u>	<u>\$ 791,618</u>	<u>\$63,341,009</u>
Total capital assets being depreciated, net	<u>\$ 29,607,391</u>	<u>\$ 2,103,558</u>	<u>\$ -</u>	<u>\$ 31,710,949</u>
Governmental activity capital assets, net	<u><u>\$45,653,951</u></u>	<u><u>\$ 5,997,729</u></u>	<u><u>\$3,557,101</u></u>	<u><u>\$ 48,094,579</u></u>

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

General government	\$ 321,393
Public safety	1,123,625
Transportation	681,142
Environmental protection	114,581
Culture and recreational	386,809
Community and economic development	<u>129,876</u>
Total depreciation expense	<u><u>\$ 2,757,426</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

	Beginning Balances	Increases	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	7,796,438	19,126,905	5,466,669	21,456,674
Total capital assets not being depreciated	<u>\$ 10,074,557</u>	<u>\$ 19,126,905</u>	<u>\$ 5,466,669</u>	<u>\$ 23,734,793</u>
Capital assets being depreciated:				
Buildings	\$ 20,999,557	\$ -	\$ -	\$ 20,999,557
Plant and distribution systems	181,464,007	5,466,669	-	186,930,676
Furniture and maintenance equipment	7,174,410	10,256	8,594	7,176,072
Vehicles and motorized equipment	5,438,594	286,722	23,784	5,701,532
Total capital assets being depreciated	<u>\$ 215,076,568</u>	<u>\$ 5,763,647</u>	<u>\$ 32,378</u>	<u>\$ 220,807,837</u>
Less accumulated depreciation for:				
Buildings	\$ 12,480,115	\$ 370,319	\$ -	\$ 12,850,434
Plant and distribution systems	91,329,564	4,325,243	-	95,654,807
Furniture and maintenance equipment	6,223,290	276,408	8,594	6,491,104
Vehicles and motorized equipment	4,933,632	202,406	23,784	5,112,254
Total accumulated depreciation	<u>\$ 114,966,601</u>	<u>\$ 5,174,376</u>	<u>\$ 32,378</u>	<u>\$ 120,108,599</u>
Total capital assets being depreciated, net	<u>\$ 100,109,967</u>	<u>\$ 589,271</u>	<u>\$ -</u>	<u>\$ 100,699,238</u>
Water and Sewer Fund capital assets, net	<u>\$ 110,184,524</u>	<u>\$ 19,716,176</u>	<u>\$ 5,466,669</u>	<u>\$ 124,434,031</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	402,848	-	-	402,848
Total capital assets being depreciated	<u>\$ 26,547,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,547,605</u>
Less accumulated depreciation for:				
Building	\$ 1,089,642	\$ 113,702	\$ -	\$ 1,203,344
Plant and distribution systems	5,013,467	530,848	-	5,544,315
Furniture and maintenance equipment	132,274	22,721	-	154,995
Vehicles and motorized equipment	402,846	-	-	402,846
Total accumulated depreciation	<u>\$ 6,638,229</u>	<u>\$ 667,271</u>	<u>\$ -</u>	<u>\$ 7,305,500</u>
Total capital assets being depreciated, net	<u>\$ 19,909,376</u>	<u>\$ (667,271)</u>	<u>\$ -</u>	<u>\$ 19,242,105</u>
Broadband Services Fund capital assets, net	<u>\$ 19,909,376</u>	<u>\$ (667,271)</u>	<u>\$ -</u>	<u>\$ 19,242,105</u>
Stormwater Fund				
Capital assets not being depreciated:				
Construction in progress	-	461,498	-	461,498
Capital assets being depreciated:				
Furniture and maintenance equipment	\$ 631,960	\$ -	\$ -	\$ 631,960
Vehicles and motorized equipment	181,939	-	-	181,939
Total capital assets being depreciated	<u>\$ 813,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 813,899</u>
Less accumulated depreciation for:				
Furniture and maintenance equipment	\$ 225,938	\$ 91,086	\$ -	\$ 317,024
Vehicles and motorized equipment	115,602	26,090	-	141,692
Total accumulated depreciation	<u>\$ 341,540</u>	<u>\$ 117,176</u>	<u>\$ -</u>	<u>\$ 458,716</u>
Total capital assets being depreciated, net	<u>\$ 472,359</u>	<u>\$ (117,176)</u>	<u>\$ -</u>	<u>\$ 355,183</u>
Stormwater Fund capital assets, net	<u>\$ 472,359</u>	<u>\$ 344,322</u>	<u>\$ -</u>	<u>\$ 816,681</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities - continued				
Transit Fund				
Capital assets being depreciated:				
Buildings and improvements	\$ 644,200	\$ -	\$ -	\$ 644,200
Furniture and maintenance equipment	238,083	-	14,235	223,848
Vehicles and motorized equipment	2,113,913	-	-	2,113,913
Total capital assets being depreciated	\$ 2,996,196	\$ -	\$ 14,235	\$ 2,981,961
Less accumulated depreciation for:				
Buildings and improvements	\$ 610,496	\$ 12,610	\$ -	\$ 623,106
Furniture and maintenance equipment	192,901	16,694	14,235	195,360
Vehicles and motorized equipment	1,911,219	47,311	-	1,958,530
	\$ 2,714,616	\$ 76,615	\$ 14,235	\$ 2,776,996
Transit Fund capital assets, net	\$ 281,580	\$ (76,615)	\$ -	\$ 204,965
Business-type activities capital assets, net	\$ 130,847,839	\$ 19,316,612	\$ 5,466,669	\$ 144,697,782

Construction commitments

The City had active construction projects as of June 30, 2021. At year-end, the City's commitments on these projects was as follows:

Project	Spent-to-date	Remaining Commitment
General Fund		
Fire Station #6	\$ 5,954,636	\$ 450,562
Stormwater Fund		
McCoy Road Culvert	\$ 461,498	\$ 79,045
Water and Sewer Fund		
Grant Creek WWTP Improvements	\$ 14,493,287	\$ 12,144,713
Water Treatment Plant improvements	4,945,034	2,275,966
Total Water and Sewer Fund Fund	\$ 19,438,321	\$ 14,420,679
Total Construction Commitments	\$ 19,899,819	\$ 14,499,724

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2021, was 10.70% of compensation for law enforcement officers and 10.15% 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 \$2,208,863 for the year ended June 30, 2021.

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, 2021, the City reported a liability of \$12,227,905 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the City's proportion was 0.34219%, which was a decrease of 0.00293% from its proportion measured as of June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

For the year ended June 30, 2021, the City recognized pension expense of \$1,901,953. At June 30, 2021, 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	\$ 1,544,170	\$ -
Changes of assumptions	909,996	-
Net difference between projected and actual earnings on pension plan investments	1,720,751	-
Changes in proportion and differences between City contributions and proportionate share of contributions	66,568	150,118
City contributions subsequent to the measurement date	2,208,863	-
Total	\$ 6,450,348	\$ 150,118

\$2,208,863 is 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, 2022. 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:

2022	\$ 1,151,719
2023	1,548,863
2024	881,530
2025	509,525
	\$ 4,091,637

Actuarial Assumptions - The total pension liability in the December 31, 2019, 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	7.00 %, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2020, 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 2019 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 3.0%. All rates of return and inflation are annualized.

Discount rate - The discount rate used to measure the total pension liability was 7.0%. 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 7.0%, 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 (6.0%) or one percentage point higher (8.0%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 24,809,090	\$ 12,227,906	\$ 1,772,058

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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 Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	15
Active plan members	<u>83</u>
Total	<u><u>98</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, 2019, valuation. The total pension liability in the December 31, 2019, 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 7.75%, including inflation and productivity factor
Discount rate	1.93%

The discount rate is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2019.

Mortality rates are use Pub-2010 amount-weighted tables, and are projected from 2010 using generational improvement with Scale MP-2019.

(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 \$248,179 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, 2021, the City reported a total pension liability of \$4,008,996. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$497,705.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 316,624	\$ 44,920
Changes of assumptions and other inputs	942,975	47,588
Benefit payments and administrative expenses subsequent to the measurement date	<u>117,319</u>	<u>-</u>
Total	<u>\$ 1,376,918</u>	<u>\$ 92,508</u>

\$117,319 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:	
2022	\$ 267,545
2023	283,221
2024	255,565
2025	212,630
2026	<u>148,130</u>
	<u>\$ 1,167,091</u>

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 1.93%, 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 (0.93%) or one-percentage-point higher (2.93%) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$ 4,355,005</u>	<u>\$ 4,008,996</u>	<u>\$ 3,692,773</u>

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

Beginning balance	\$ 2,950,159
Changes for the year:	
Service Cost	140,961
Interest on the total pension liability	92,130
Difference between expected and actual experience	34,895
Changes of assumptions and other inputs	1,039,030
Benefit payments	<u>(248,179)</u>
Net pension obligation end of year	<u>\$ 4,008,996</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.98 percent at June 30, 2019 (measurement date) to 2.79 percent at June 30, 2020 (measurement date).

The plan currently uses mortality tables that vary by age and health status (i.e. disabled and healthy). The current mortality rates for healthy members at retirement are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by one year. The current mortality rates for disabled members at retirement are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are set back three years for all ages.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2019.

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:

	LGERS	LEOSSA	Total
Pension Expense	\$ 1,901,953	\$ 497,705	\$ 2,399,658
Pension Liability	12,227,905	4,008,996	16,236,901
Proportionate share of the net pension liability	0.34219%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	1,544,170	316,624	1,860,794
Changes of assumptions	909,996	942,975	1,852,971
Net difference between projected and actual earnings on plan investments	1,720,751	-	1,720,751
Changes in proportion and differences between contributions and proportionate share of contributions	66,568	-	66,568
Benefit payments and administrative costs paid subsequent to the measurement date	2,208,863	117,319	2,326,182
Deferred Inflows of Resources			
Differences between expected and actual experience	-	44,920	44,920
Changes of assumptions	-	47,588	47,588
Changes in proportion and differences between contributions and proportionate share of contributions	150,118	-	150,118

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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, 2021, were \$1,243,309, which consisted of \$731,641 from the City and \$511,668 from the employees.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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.

(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. 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, 2021, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	58	16
Active plan members	150	34
Total	208	50

(3) Total OPEB Liability

The City's total OPEB liability of \$11,571,548 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

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

Inflation	2.5%
Real wage growth	1.0%
Wage inflation	3.5%
Salary increases, including wage inflation	
General Employees	3.5% - 7.75%
Firefighters	3.5% - 7.75%
Law Enforcement Officers	3.5% - 7.35%
Municipal Bond Index Rate	
Prior Measurement Date	3.5%
Measurement Date	2.21%
Healthcare cost trend rates	
Pre-Medicare	7.0% for 2019, decreasing to an ultimate rate of 4.5% by 2026

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and Municipal Bond Index Rate as of the measurement date as of the discount rate used to measure the total OPEB liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

(4) Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 10,939,192
Changes for the year:	
Service Cost at the end of the year	255,494
Interest on Total OPEB Liability and Cash Flows	380,134
Change in benefit terms	(192,191)
Differences between expected and actual experience	(133,585)
Changes of assumptions and other inputs	995,730
Benefit payments	(673,226)
Net changes	<u>\$ 632,356</u>
Net pension obligation end of year	<u>\$ 11,571,548</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.5% to 2.21%.

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

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

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the 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 (2.5%) or 1-percentage-point higher (4.5%) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 12,419,113	\$ 11,571,548	\$ 10,790,378

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	\$ 10,526,435	\$ 11,571,548	\$ 12,771,234

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$163,052. At June 30, 2021, 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	\$ -	\$ 1,224,540
Changes of assumptions and other inputs	960,412	321,143
Benefit payments and administrative expenses subsequent to the measurement date	623,969	-
Total	\$ 1,584,381	\$ 1,545,683

\$623,969 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, 2022 rather than in the current fiscal year.

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

Year End June 30:	
2022	\$ (287,099)
2023	(275,821)
2024	(166,870)
2025	109,769
2026	34,750
	\$ (585,271)

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 \$200,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

3. Deferred Outflows and Inflows of Resources

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

Deferred amount on refunding	\$ 1,375,767
Contributions to pension plan in current fiscal year	2,208,863
Benefit payments made for LEOSSA subsequent to measurement date	117,319
Benefit payments made for OPEB subsequent to measurement date	623,969
Differences between expected and actual experience	1,860,794
Changes of assumptions	2,813,383
Net difference between projected and actual earnings on pension plan investments	1,720,751
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>66,568</u>
Total deferred outflows of resources	<u><u>\$ 10,787,414</u></u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable	\$ -	\$ 735,019
Unavailable revenues	445,299	846,812
Differences between expected and actual experience	1,269,460	-
Changes in proportion and differences between City contributions and proportionate share of contributions	150,118	-
Changes of assumptions and other inputs (LEOSSA)	<u>368,731</u>	<u>-</u>
Total deferred inflows of resources	<u><u>\$ 2,233,608</u></u>	<u><u>\$ 1,581,831</u></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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2020</u>	<u>Year ended</u> <u>June 30, 2021</u>
Unpaid claims, beginning of fiscal year	\$ 471,914	\$ 370,046
Incurred claims (including IBNRs)	4,718,759	4,826,672
Claim payments	<u>(4,820,627)</u>	<u>(4,828,276)</u>
Unpaid claims, end of fiscal year	<u>\$ 370,046</u>	<u>\$ 368,442</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.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

6. Long-Term Obligations

a. 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, 2021</u>
Serviced by the Governmental Activities	
\$2,417,601 direct placement 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. The telecommunication infrastructure, equipment and radios are pledged as collateral for the debt.	604,400
\$1,962,188 direct placement 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. The fire trucks are pledged as collateral for the debt.	981,094
\$7,500,000 direct placement Installment Purchase Contract to build a new fire station, rate of 3.17%, issued October 2018, payable in 30 semi-annual payments of \$250,000 principal plus interest through September 2033. The new fire station is pledged as collateral for the debt.	<u>6,250,000</u>
	<u>\$ 7,835,494</u>
Serviced by Business-Type Activities	
\$1,292,399 direct placement 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. The telecommunication infrastructure, equipment and radios are pledged as collateral for the debt.	\$ 323,100
\$25,645,000 direct placement Refunding Installment Purchase Contract dated July 2018, interest rate 2.75%, payable in 11 annual principal payments, plus semi-annual interest payments through March 2029. The has pledged City Hall, Fire Station #3, and the Customer Service Center as collateral for this loan.	<u>19,375,000</u>
	<u>\$ 19,698,100</u>
Total Installment Purchase indebtedness	<u><u>\$ 27,533,594</u></u>

The future minimum payments of the installment purchases as of June 30, 2021, total \$31,394,184, including \$3,860,590 of interest are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,068,792	\$ 228,458	\$ 2,249,240	\$ 538,262	\$ 3,318,032	\$ 766,720
2023	1,068,792	199,310	2,329,240	477,538	3,398,032	676,848
2024	947,910	170,160	2,344,620	414,613	3,292,530	584,773
2025	500,000	146,613	2,370,000	351,312	2,870,000	497,925
2026	500,000	130,763	2,460,000	286,137	2,960,000	416,900
2027-2031	2,500,000	416,062	7,945,000	441,925	10,445,000	857,987
2032-2034	1,250,000	59,437	-	-	1,250,000	59,437
	<u>\$ 7,835,494</u>	<u>\$ 1,350,803</u>	<u>\$ 19,698,100</u>	<u>\$ 2,509,787</u>	<u>\$ 27,533,594</u>	<u>\$ 3,860,590</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Restructuring of Debt Terms

In November 2019, the City renegotiated the interest rate on the remainder of existing \$25,645,000 debt mentioned above from 3.84% to 2.75%. First Bank reduced the rate due to falling interest rates and the City's potential to seek Request for Proposals to refund this debt. Rather than taking a chance on losing the debt, First Bank worked with the City to modify the terms of the debt and reduced the interest rate. There is a 1% penalty if the City decides to refund this rate again in the future. This restructuring of the existing debt will save the City \$1,298,491 over the remaining life of the loan.

b. 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 \$11,514,785 at June 30, 2021, and total accumulated depreciation of \$8,743,340. The future minimum lease payments at June 30, 2021, total \$988,568, including \$67,258 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, 2021, were as follows:

Year Ending June 30,	Capital Leases	
	Principal	Interest
2022	\$ 209,490	\$ 21,681
2023	209,490	16,630
2024	125,583	11,579
2025	125,583	8,684
2026	125,582	5,789
2027	125,582	2,895
	\$ 921,310	\$ 67,258

c. 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:

	Balance June 30, 2021
\$6,000,000 direct placement Water and Sewer Revenue Bonds, Series 2006, rate of 3.99%, issued December 2006, maturing serially to 2026	\$ 2,147,852
\$6,550,000 private placement Water Sewer Revenue Refunding Bonds, Series 2012, rate of 2.615%, issued April 2012, maturing serially to 2028	3,155,000
\$39,860,000 public offering Water Sewer Revenue Refunding Bonds, Series 2020, rate of 5.0%, yield 3.09% issued April 2020, maturing serially to 2045. This amount is net of an unamortized premium of \$5,771,181.	38,000,000
Total Revenue Bonds	\$ 43,302,852

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The future payments of the revenue bonds are as follows:

Year Ending June 30,	Business-Type Activities Revenue Bonds	
	Principal	Interest
	2022	\$ 2,861,461
2023	2,985,898	2,013,061
2024	3,085,920	1,884,210
2025	3,216,550	1,793,232
2026	2,837,813	1,653,954
2027-2031	7,065,210	6,532,374
2032-2036	5,995,000	5,027,750
2037-2041	7,645,000	3,450,250
2042-2045	7,610,000	1,439,000
	\$ 43,302,852	\$ 25,598,806
Unamortized premium	5,771,181	-
	\$ 49,074,033	\$ 25,598,806

Refunding

In April 2020, the City completed a \$10.485 million refunding of existing debt in the Water and Sewer Fund as part of the \$39,860,000 Revenue Bonds listed above. The City will see a net present value savings (difference between the present values of the old and new debt service payments) of \$897,427. The total reduction in principal and interest payments from the refunded debt (old) to the refunding debt (new) is \$961,901.

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:

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
2019	\$ 27,745,332	\$ 17,094,031	\$ 10,651,301	\$ 2,865,363	\$ 3,950,115	371.73%	269.65%
2020	28,181,743	17,605,426	\$ 10,576,317	2,936,612	3,976,470	360.15%	265.97%
2021	27,680,166	18,164,533	\$ 9,515,633	4,417,561	4,801,500	215.40%	198.18%

- (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 \$52,410,000 in water and sewer system revenues bonds issued from 2006 to 2020. 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 2045. 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 \$71,514,244. Principal and interest paid for the current fiscal year and total customer net revenues were \$2,936,612 and \$28,181,743, respectively.

d. 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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
	2022	\$ 34,000
2023	14,000	395
	\$ 48,000	\$ 2,135

e. Changes in Long-Term Liabilities

	June 30, 2020	Additions	Retirements	June 30, 2021	Current Portion of Balance
Governmental Activities					
General Fund					
Installment purchases	\$ 9,141,998	\$ -	\$ 1,306,504	\$ 7,835,494	\$ 1,068,792
Total OPEB liability	8,192,142	413,734	-	8,605,876	-
Net pension liability (LGERS)	7,058,163	2,035,853	-	9,094,016	-
Total pension liability (LEO)	2,950,159	1,058,837	-	4,008,996	-
Compensated absences	1,976,890	918,242	1,009,890	1,885,242	188,524
Special Revenue Fund					
Section 108 loan	82,000	-	34,000	48,000	34,000
	\$ 29,401,352	\$ 4,426,666	\$ 2,350,394	\$ 31,477,624	\$ 1,291,316
Business-type activities					
Water and Sewer Fund					
Revenue bonds	\$ 51,969,102	\$ -	\$ 2,895,069	\$ 49,074,033	\$ 2,861,461
Installment purchases	452,340	-	129,240	323,100	129,240
Capital leases	1,140,800	-	219,490	921,310	209,490
Total OPEB liability	2,182,916	200,244	-	2,383,160	-
Net pension liability (LGERS)	1,880,750	637,587	-	2,518,337	-
Compensated absences	464,874	294,278	247,515	511,637	51,164
Broadband Services Fund					
Installment purchases	21,415,000	-	2,040,000	19,375,000	2,120,000
Mass Transit Fund					
Total OPEB liability	294,374	-	3,118	291,256	-
Net pension liability (LGERS)	253,626	54,150	-	307,776	-
Compensated absences	54,377	22,838	30,293	46,922	4,692
Stormwater Fund					
Total OPEB liability	269,760	21,496	-	291,256	-
Net pension liability (LGERS)	232,418	75,358	-	307,776	-
Compensated absences	6,099	21,975	23,144	4,930	493
	\$ 80,616,436	\$ 1,327,926	\$ 5,587,869	\$ 76,356,493	\$ 5,376,540
Total	\$110,017,788	\$ 5,754,592	\$ 7,938,263	\$107,834,117	\$ 6,667,856

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The legal debt margin for the City as of June 30, 2021, is \$229,419,466. 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.

(6) Accounts Payable

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

	Governmental Activities	Business-type Activities
Accounts payable	\$ 2,004,850	\$ 5,948,314
Accrued payroll and payroll liabilities	1,327,297	477,468
Other accrued liabilities	793,452	-
	\$ 4,125,599	\$ 6,425,782

C. Interfund Balances and Activity

1. Transfers to/from Other Funds

Transfers to/from other funds during the fiscal year ending June 30, 2021, consisted of the following:

From the General Fund to the Broadband Services Fund	\$ 2,970,000
From the General Fund to the Mass Transit Fund	241,611
	\$ 3,211,611

2. Due To/Due From Other Funds

At June 30, 2021, the Broadband Services Fund owed the Water and Sewer Fund \$5,901,961 for a 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 \$203,800 for a temporary loan to cover cash needs while awaiting reimbursements of grant-funded expenditures from another government.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 22,085,740
Less:	
Inventories	551,556
Prepaid Items	136,592
Restricted for Stabilization by State Statute	6,260,723
	\$ 6,948,871
Fund Balance Available for Appropriation	\$ 15,136,869
Working Capital/Fund Balance Policy	10,421,999
Remaining Fund Balance in excess of Working Capital/Fund Balance Policy	\$ 4,714,870

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 25% of the actual General Fund expenditures.

E. Net Investment in Capital Assets

Net investments in capital assets at June 30, 2021, are computed as follows:

	Governmental Activities	Business-Type Activities	Total
Net capital assets	\$ 48,094,579	\$ 144,697,782	\$ 192,792,361
Less capital debt:			
Gross debt	\$ 7,883,494	\$ 69,693,443	\$ 77,576,937
Less:			
Unexpended debt proceeds	(699,123)	(19,269,524)	(19,968,647)
Deferred amount on refunding	-	(1,375,767)	(1,375,767)
	\$ 7,184,371	\$ 49,048,152	\$ 56,232,523
Net investment in capital assets	\$ 40,910,208	\$ 95,649,630	\$ 136,559,838

F. Operational Agreement

In January 2017, the City issued a Request for Proposals expressing its interest in entering into a contractual arrangement with a third-party provider that would enhance the operations, sales, marketing, and delivery of its Broadband services. As a result, the City entered to an agreement with Hotwire Communications, Ltd., and Hotwire took over the day-to-day operations and maintenance of the Broadband system assets in September 2018. The agreement is for 20 years with an option to renew for an additional 20 years. Hotwire Communications, Ltd. will pay the City a portion of their gross sales on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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. Subsequent Events

Subsequent events have been evaluated through December 10, 2021, which is the date the financial statements were available to be issued.

Note 6. Changes in Accounting Principles

In the prior fiscal year, the City adopted the new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in changing the presentation of the financial statements by reclassifying Agency Funds to Custodial Funds. In the fiscal year ended June 30, 2021, the City determined that the Boards and Commissions Fund no longer qualifies as a Custodial Fund under the guidance of GASB No. 84. Therefore, the City has restated beginning Fund Balance of the Custodial Funds by \$2,796 in the current fiscal year's statements.

Note 7. Uncertainties

The 2019 novel coronavirus ("COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the City's and its customers' costs, tourism to the City, and the U.S. economy. These conditions could adversely affect the City's business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of some of the City's operations or other businesses of the City's customers and suppliers, which could significantly disrupt the City's operations and the operations of the City's customers. The extent of the adverse impact of the COVID-19 outbreak on the City cannot be predicted at this time.



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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,950,159	\$ 2,667,698	\$ 2,532,295	\$ 2,665,194	\$ 2,787,966
Service cost	140,961	126,230	112,214	80,660	97,072
Interest on total pension liability	92,130	92,660	75,425	98,110	94,894
Differences between expected and actual experience	34,895	223,775	333,623	(191,008)	-
Changes of assumptions or other inputs	1,039,030	83,971	(95,012)	126,323	(54,993)
Benefit payments	<u>(248,179)</u>	<u>(244,175)</u>	<u>(290,847)</u>	<u>(246,984)</u>	<u>(259,745)</u>
Ending balance of the total pension liability	<u>\$ 4,008,996</u>	<u>\$ 2,950,159</u>	<u>\$ 2,667,698</u>	<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, and information will be added as it becomes available.

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 4,008,996	\$ 2,950,159	\$ 2,667,698	\$ 2,532,295	\$ 2,665,104
Covered employee payroll	4,440,305	4,791,638	4,037,042	3,230,722	3,524,395
Total pension liability as a percentage of covered employee payroll	90.29%	61.57%	66.08%	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, and information will be added as

CITY OF SALISBURY, NORTH CAROLINA

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

REQUIRED SUPPLEMENTARY INFORMATION

LAST EIGHT FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2021	2020	2019	2018	2017	2016	2015	2014
Salisbury's proportion of the net pension liability (asset) (%)	0.34219%	0.34512%	0.32947%	0.31579%	0.31795%	0.35899%	0.34841%	0.35990%
Salisbury's proportion of the net pension liability (asset) (\$)	\$12,227,905	\$ 9,424,958	\$ 7,816,155	\$ 4,824,395	\$ 6,747,963	\$ 1,611,126	\$ (2,054,735)	\$ 4,338,177
Salisbury's covered payroll during the measurement period	\$22,047,618	\$21,593,079	\$21,022,551	\$19,476,154	\$18,596,557	\$17,831,698	\$17,342,485	\$18,597,134
Salisbury's prororitonate share of the net pension liability (asset) as a percentage of its covered payroll	55.46%	43.65%	37.18%	24.77%	36.29%	9.04%	(11.85%)	(23.33%)
Plan fiduciary net postion as a percentage of the total pension liability **	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.61%	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, and information will be added as it becomes available..

A-15

CITY OF SALISBURY, NORTH CAROLINA

CITY OF SALISBURY'S CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

LAST EIGHT FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,208,863	\$ 1,998,839	\$ 1,720,270	\$ 1,591,661	\$ 1,449,492	\$ 1,269,570	\$ 1,292,935	\$ 1,266,914
Contributions in relation to the contractually required contribution	<u>2,208,863</u>	<u>1,998,839</u>	<u>1,720,270</u>	<u>1,591,661</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 employee payroll	\$ 21,658,729	\$ 22,047,618	\$ 21,593,079	\$ 21,022,551	\$ 19,476,154	\$ 18,596,557	\$ 17,831,698	\$ 17,342,485
Contributions as a percentage of covered employee payroll	10.20%	9.07%	7.97%	7.57%	7.44%	6.83%	7.23%	7.31%

Note: This information was not available prior to FY14. This will become a 10-year schedule, and information will be added as it becomes available.

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 255,494	\$ 346,716	\$ 356,923	\$ 383,092
Interest	380,134	460,097	430,678	379,063
Changes of benefit terms	(192,191)	-	-	-
Differences between expected and actual experience	(133,585)	(1,634,988)	(137,017)	(130,089)
Changes of assumptions or other inputs	995,730	252,873	(302,631)	(535,319)
Benefit payments	<u>(673,226)</u>	<u>(620,442)</u>	<u>(616,043)</u>	<u>(570,137)</u>
Net Change in total OPEB liability	\$ 632,356	\$ (1,195,744)	\$ (268,090)	\$ (473,390)
Total OPEB liability - beginning	<u>10,939,192</u>	<u>12,134,936</u>	<u>12,403,026</u>	<u>12,876,416</u>
Total OPEB liability - ending	<u>\$ 11,571,548</u>	<u>\$ 10,939,192</u>	<u>\$ 12,134,936</u>	<u>\$ 12,403,026</u>
Covered employee payroll	\$ 10,537,174	\$ 10,537,174	\$ 12,491,749	\$ 12,491,749
Total OPEB liability as percentage of covered payroll	109.82%	103.82%	97.14%	99.29%

Notes to Schedule

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

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>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
3.50%	3.50%	3.89%	3.56%

Note: This information was not available prior to FY18. This will become a 10-year schedule, and information will be added as it becomes available.



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.

B-1
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, 2021
With Comparative Actual Amounts for Year Ended June 30, 2020

	<u>2021</u>		Variance with Budget Positive (Negative)	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:				
Taxes:				
General property-current	\$ 21,627,339	\$ 22,347,147	\$ 719,808	\$ 22,045,835
General property-prior	250,000	442,945	192,945	185,735
Auto tax	240,000	253,153	13,153	241,526
Interest on delinquent tax	75,000	128,281	53,281	82,831
Other tax	500	65	(435)	170
	<u>\$ 22,192,839</u>	<u>\$ 23,171,591</u>	<u>\$ 978,752</u>	<u>\$ 22,556,097</u>
Unrestricted intergovernmental:				
Local option sales tax	\$ 7,650,000	\$ 9,709,620	\$ 2,059,620	\$ 8,543,381
Utilities franchise tax	2,435,000	2,385,907	(49,093)	2,328,946
Telecommunications sales tax	350,000	334,846	(15,154)	337,929
Video franchise fee	230,000	215,862	(14,138)	217,832
Wine and beer tax	150,000	146,066	(3,934)	148,541
Other	219,000	223,898	4,898	179,892
	<u>\$ 11,034,000</u>	<u>\$ 13,016,199</u>	<u>\$ 1,982,199</u>	<u>\$ 11,756,521</u>
Restricted intergovernmental:				
State street aid - Powell Bill	\$ 943,935	\$ 901,152	\$ (42,783)	\$ 943,935
Brownfield's Grants	662,845	109,894	(552,951)	89,325
Infrastructure Grants	2,836,732	1,800,474	(1,036,258)	1,173,980
Fire Grants	228,655	220,147	(8,508)	333,924
CARES Relief Fund	-	17,019	17,019	499,868
Police Grants	693,494	4,658	(688,836)	74,983
Other	505,000	387,207	(117,793)	238,474
	<u>\$ 5,870,661</u>	<u>\$ 3,440,551</u>	<u>\$ (2,430,110)</u>	<u>\$ 3,354,489</u>
Charges for services:				
Environmental protection	\$ 2,466,000	\$ 2,547,715	\$ 81,715	\$ 2,394,442
Culture and recreation	102,000	28,800	(73,200)	59,582
Public safety	514,000	511,852	(2,148)	566,417
Cemetery	120,000	181,600	61,600	100,950
Radio antenna and paging rentals	280,000	321,349	41,349	313,236
Rentals and sale of property	571,372	630,751	59,379	418,519
Licenses and permits	72,000	85,968	13,968	76,468
Community services	67,150	80,456	13,306	66,605
Other	43,000	46,343	3,343	45,876
	<u>\$ 4,235,522</u>	<u>\$ 4,434,834</u>	<u>\$ 199,312</u>	<u>\$ 4,042,095</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, 2021
With Comparative Actual Amounts for Year Ended June 30, 2020

	<u>2021</u>		<u>2020</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>	<u>Actual</u>
REVENUES (continued):				
Miscellaneous:				
Interest earned on investments	\$ 98,000	\$ 41,466	\$ (56,534)	\$ 269,144
Donations	644,528	404,700	(239,828)	252,673
Other	225,812	289,307	63,495	385,730
	<u>\$ 968,340</u>	<u>\$ 735,473</u>	<u>\$ (232,867)</u>	<u>\$ 907,547</u>
Total revenues	<u>\$ 44,301,362</u>	<u>\$ 44,798,648</u>	<u>\$ 497,286</u>	<u>\$ 42,616,749</u>
OTHER FINANCING SOURCES:				
Fund balance appropriated	<u>\$ 3,214,017</u>	<u>\$ -</u>	<u>\$ (3,214,017)</u>	<u>\$ -</u>
Total revenues and other financing sources	<u>\$ 47,515,379</u>	<u>\$ 44,798,648</u>	<u>\$ (2,716,731)</u>	<u>\$ 42,616,749</u>
EXPENDITURES:				
Current:				
General government:				
City council	\$ 167,776	\$ 124,276	\$ 43,500	\$ 162,512
City administration	1,001,257	958,655	42,602	1,045,323
Human resources	1,010,213	875,062	135,151	1,014,749
Business and financial services	887,946	617,313	270,633	680,962
Fleet management	795,804	714,199	81,605	728,840
Public services administration	278,939	275,651	3,288	242,874
Infrastructure Services	1,011,332	865,423	145,909	1,388,222
Telecommunication	388,783	354,289	34,494	485,687
Information technologies	1,423,094	1,149,174	273,920	1,268,790
	<u>\$ 6,965,144</u>	<u>\$ 5,934,042</u>	<u>\$ 1,031,102</u>	<u>\$ 7,017,959</u>
Public safety:				
Police:				
Administration	\$ 2,038,289	\$ 1,740,718	\$ 297,571	\$ 1,456,364
Services	3,674,826	3,506,361	168,465	2,867,815
Operations	5,092,014	4,725,325	366,689	5,156,621
Fire	7,065,972	6,992,216	73,756	7,383,757
	<u>\$ 17,871,101</u>	<u>\$ 16,964,620</u>	<u>\$ 906,481</u>	<u>\$ 16,864,557</u>
Transportation:				
Engineering	\$ 3,466,131	\$ 2,780,778	\$ 685,353	\$ 3,124,667
Streets	2,694,096	2,213,860	480,236	2,775,434
Traffic control	349,695	341,008	8,687	446,085
Street lighting	471,844	460,981	10,863	501,602
	<u>\$ 6,981,766</u>	<u>\$ 5,796,627</u>	<u>\$ 1,185,139</u>	<u>\$ 6,847,788</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, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

	2021		Variance with Budget Positive (Negative)	2020
	Budget	Actual		Actual
EXPENDITURES :				
Current (continued):				
Environmental protection:				
Solid waste management	\$ 1,996,508	\$ 1,976,513	\$ 19,995	\$ 1,550,491
Cemetery	219,379	181,395	37,984	103,868
	<u>\$ 2,215,887</u>	<u>\$ 2,157,908</u>	<u>\$ 57,979</u>	<u>\$ 1,654,359</u>
Culture and recreation	<u>\$ 3,965,490</u>	<u>\$ 2,888,351</u>	<u>\$ 1,077,139</u>	<u>\$ 2,816,183</u>
Community and economic development:				
Community development	\$ 2,744,809	\$ 1,484,171	\$ 1,260,638	\$ 1,274,721
Downtown development	236,788	186,335	50,453	282,833
Code Enforcement	349,010	320,918	28,092	323,698
The Plaza	1,097,416	939,196	158,220	229,654
Developmental services	265,373	193,261	72,112	243,146
	<u>\$ 4,693,396</u>	<u>\$ 3,123,881</u>	<u>\$ 1,569,515</u>	<u>\$ 2,354,052</u>
Education	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>
Debt service:				
Principal	\$ 1,306,504	\$ 1,306,504	\$ -	\$ 1,306,503
Interest and fees	264,480	264,451	29	304,300
	<u>\$ 1,570,984</u>	<u>\$ 1,570,955</u>	<u>\$ 29</u>	<u>\$ 1,610,803</u>
Total expenditures	<u>\$ 44,303,768</u>	<u>\$ 38,476,384</u>	<u>\$ 5,827,384</u>	<u>\$ 39,205,701</u>
OTHER FINANCING USES:				
Transfers to other funds	\$ (3,211,611)	\$ (3,211,611)	\$ -	\$ (2,927,970)
Payment to refund bond escrow agent	-	-	-	-
Total other financing uses	<u>\$ (3,211,611)</u>	<u>\$ (3,211,611)</u>	<u>\$ -</u>	<u>\$ (2,927,970)</u>
Total expenditures and other financing uses	<u>\$ 47,515,379</u>	<u>\$ 41,687,995</u>	<u>\$ 5,827,384</u>	<u>\$ 42,133,671</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,110,653</u>	<u>\$ 3,110,653</u>	<u>\$ 483,078</u>
FUND BALANCES, BEGINNING		<u>\$ 18,975,087</u>		<u>\$ 18,492,009</u>
FUND BALANCES, ENDING		<u>\$ 22,085,740</u>		<u>\$ 18,975,087</u>



Non Major Governmental Fund

The Capital Projects Funds is used to account for the acquisition or construction of capital projects other than those financed by enterprise funds.

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

ALL NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2021

<u>ASSETS</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Cash and investments	\$ 146	\$ -	\$ 146
Accounts receivable	917	-	917
Due from other governments	242,721	80,829	323,550
Restricted cash and investments	<u>-</u>	<u>699,123</u>	<u>699,123</u>
Total assets	<u>\$ 243,784</u>	<u>\$ 779,952</u>	<u>\$ 1,023,736</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 26,031	\$ 36,604	\$ 62,635
Due to other funds	<u>203,800</u>	<u>-</u>	<u>203,800</u>
Total liabilities	<u>\$ 229,831</u>	<u>\$ 36,604</u>	<u>\$ 266,435</u>
FUND BALANCES:			
Restricted:			
Stabilization by State Statute	\$ 243,638	\$ 80,829	\$ 324,467
Capital Construction	-	662,519	662,519
Unassigned	<u>(229,685)</u>	<u>-</u>	<u>(229,685)</u>
Total fund equity	<u>\$ 13,953</u>	<u>\$ 743,348</u>	<u>\$ 757,301</u>
Total liabilities and fund equity	<u>\$ 243,784</u>	<u>\$ 779,952</u>	<u>\$ 1,023,736</u>

CITY OF SALISBURY, NORTH CAROLINA

ALL NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2021

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES:			
Restricted intergovernmental	\$ 496,740	\$ -	\$ 496,740
Miscellaneous	<u>39,875</u>	<u>276</u>	<u>40,151</u>
Total revenues	<u>\$ 536,615</u>	<u>\$ 276</u>	<u>\$ 536,891</u>
EXPENDITURES:			
General government	\$ 68,935	\$ -	\$ 68,935
Public safety			
Fire	-	1,464,477	1,464,477
Community and economic development	419,482	-	419,482
Debt Service:			
Principal	34,000	-	34,000
Interest	<u>3,630</u>	<u>-</u>	<u>3,630</u>
Total expenditures	<u>\$ 526,047</u>	<u>\$ 1,464,477</u>	<u>\$ 1,990,524</u>
NET INCREASE (DECREASE) IN FUND BALANCE	\$ 10,568	\$ (1,464,201)	\$ (1,453,633)
FUND BALANCE, BEGINNING	<u>3,385</u>	<u>2,207,549</u>	<u>2,210,934</u>
FUND BALANCE, ENDING	<u>\$ 13,953</u>	<u>\$ 743,348</u>	<u>\$ 757,301</u>

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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020

	2021			2020
	Budget	Actual	Variance with Budget Positive (Negative)	Actual
REVENUES:				
Intergovernmental:				
Federal	\$ 1,780,244	\$ 496,740	\$ (1,283,504)	\$ 336,941
Miscellaneous:				
Other	20,000	39,875	19,875	28,499
Total revenues	<u>\$ 1,800,244</u>	<u>\$ 536,615</u>	<u>\$ (1,263,629)</u>	<u>\$ 365,440</u>
EXPENDITURES:				
Current:				
General government	\$ 71,834	\$ 68,935	\$ 2,899	\$ 80,315
Community and economic development	1,688,780	419,482	1,269,298	245,328
Debt Service:				
Principal	34,000	34,000	-	34,000
Interest	5,630	3,630	2,000	5,499
Total expenditures	<u>\$ 1,800,244</u>	<u>\$ 526,047</u>	<u>\$ 1,274,197</u>	<u>\$ 365,142</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ -</u>	<u>\$ 10,568</u>	<u>\$ 10,568</u>	<u>\$ 298</u>
FUND BALANCE, BEGINNING		<u>3,385</u>		<u>3,087</u>
FUND BALANCE, ENDING		<u>\$ 13,953</u>		<u>\$ 3,385</u>

CITY OF SALISBURY, NORTH CAROLINA

CAPITAL PROJECTS FUND

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

From Inception and for the Year Ended June 30, 2021

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Miscellaneous				
Interest earned on investments	\$ -	\$ 64,898	\$ 276	\$ 65,174
EXPENDITURES:				
Public safety				
Fire	\$ 7,500,000	\$ 5,357,349	\$ 1,464,477	\$ 6,821,826
Total expenditures	\$ 7,500,000	\$ 5,357,349	\$ 1,464,477	\$ 6,821,826
Total revenues under expenditures	\$ (7,500,000)	\$ (5,292,451)	\$ (1,464,201)	\$ (6,756,652)
OTHER FINANCING SOURCES				
Proceeds from issuance of debt	\$ 7,500,000	\$ 7,500,000	\$ -	\$ 7,500,000
NET INCREASE IN FUND BALANCE	\$ -	\$ 2,207,549	\$ (1,464,201)	\$ 743,348
FUND BALANCE, BEGINNING			2,207,549	
FUND BALANCE , ENDING			\$ 743,348	

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, 2021
With Comparative Actual Amounts for Year Ended June 30, 2020

	<u>2021</u>		Variance with Budget Positive (Negative)	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
OPERATING REVENUES:				
Charges for services:				
Water sales	\$ 11,407,183	\$ 12,945,437	\$ 1,538,254	\$ 13,191,454
Sewer charges	13,194,297	12,962,257	(232,040)	12,725,577
Water and sewer taps	738,346	913,277	174,931	678,157
Other operating revenues	936,627	728,062	(208,565)	1,121,627
Total operating revenues	<u>26,276,453</u>	<u>27,549,033</u>	<u>1,272,580</u>	<u>27,716,815</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 7,669,324	\$ 6,933,851	\$ 735,473	\$ 5,981,888
Water resources	3,047,042	2,719,361	327,681	3,200,256
Maintenance and construction	3,410,208	3,252,270	157,938	3,422,744
Wastewater collection and treatment	4,491,400	4,201,553	289,847	4,129,187
Environmental services	629,226	612,759	16,467	573,175
Total operating expenses other than depreciation	<u>\$ 19,247,200</u>	<u>\$ 17,719,794</u>	<u>\$ 1,527,406</u>	<u>\$ 17,307,250</u>
NONOPERATING REVENUES (EXPENDITURES):				
Investment earnings	\$ 152,629	\$ 57,299	\$ (95,330)	\$ 366,453
Transfer to Capital Projects Fund	(1,380,000)	(1,380,000)	-	(1,500,000)
Capital outlay	(1,376,361)	(1,151,627)	224,734	(4,531,778)
Debt issuance costs	-	-	-	(412,214)
Payment of debt principal	(2,961,316)	(2,961,316)	-	(3,085,981)
Interest expense	(1,840,184)	(1,840,184)	-	(890,488)
Net nonoperating revenues (expenditures)	<u>\$ (7,405,232)</u>	<u>\$ (7,275,828)</u>	<u>\$ 129,404</u>	<u>\$ (10,054,008)</u>
Revenues over expenditures	<u>\$ (375,979)</u>	<u>\$ 2,553,411</u>	<u>\$ 2,929,390</u>	<u>\$ 355,557</u>
OTHER FINANCING SOURCES (USES):				
Payment to refunded bond escrow agent	\$ -	\$ -	\$ -	\$ (10,485,000)
Debt issued	-	-	-	10,897,214
Fund balance appropriated	<u>375,979</u>	<u>-</u>	<u>(375,979)</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>\$ -</u>	<u>\$ 2,553,411</u>	<u>\$ 2,553,411</u>	<u>\$ 767,771</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Revenues over expenditures and other financing sources (uses)		\$ 2,553,411		
Capital outlay		1,151,627		
Depreciation		(5,174,376)		
Bond amortization		282,484		
Payment of debt principal		2,961,316		
Interest income from Capital Projects Fund		73,825		
Transfer to Capital Projects Fund		1,380,000		
Increase in total OPEB liability		(200,244)		
Increase in net pension liability		(637,587)		
Increase in deferred outflows of resources-pensions		236,080		
Decrease in deferred outflows of resources-OPEB		(5,836)		
Increase in deferred inflows of resources-pensions		(15,965)		
Decrease in deferred inflows of resources-OPEB		225,585		
Interest expense adjustment		29,696		
Vacation pay		(46,763)		
Change in net position		<u>\$ 2,813,253</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, 2021

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Miscellaneous				
Interest on investments	\$ -	\$ 193,469	\$ 73,825	\$ 267,294
EXPENDITURES-SEWER PROJECT				
Engineering and design	\$ 1,175,750	\$ 1,175,750	\$ 622,273	\$ 1,798,023
Construction	28,084,550	1,938,667	12,457,102	14,395,769
Total expenditures-Sewer project	\$ 29,260,300	\$ 3,114,417	\$ 13,079,375	\$ 16,193,792
EXPENDITURES-WATER PROJECT				
Engineering and design	\$ 131,241	\$ 70,000	\$ 270,000	\$ 340,000
Construction	8,569,759	-	4,922,881	4,922,881
Total expenditures-Water project	\$ 8,701,000	\$ 70,000	\$ 5,192,881	\$ 5,262,881
Total expenditures	\$ 37,961,300	\$ 3,184,417	\$ 18,272,256	\$ 21,456,673
Total revenues under expenditures	\$ (37,961,300)	\$ (2,990,948)	\$ (18,198,431)	\$ (21,189,379)
OTHER FINANCING SOURCES:				
Proceeds from sale of bonds	\$ 34,059,600	\$ 35,016,450	\$ -	\$ 35,016,450
Contribution from Water and Sewer Fund	3,901,700	1,293,000	1,000,000	2,293,000
Total other financing sources	\$ 37,961,300	\$ 36,309,450	\$ 1,000,000	\$ 37,309,450
Unexpended revenues and receipts	\$ -	\$ 33,511,971	\$ (17,198,431)	\$ 16,387,365

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, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

	2021		Variance with Budget Positive (Negative)	2020
	Budget	Actual		Actual
OPERATING REVENUES:				
Lease revenue	\$ 760,000	\$ 777,744	\$ 17,744	\$ 749,853
Other operating revenues	46,000	45,234	(766)	52,348
Total operating revenues	<u>806,000</u>	<u>822,978</u>	<u>16,978</u>	<u>802,201</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 257,917	\$ 39,369	\$ 218,548	\$ 50,158
Lease-related expenses	535,400	224,640	310,760	269,546
Total operating expenses other than depreciation	<u>\$ 793,317</u>	<u>\$ 264,009</u>	<u>\$ 529,308</u>	<u>\$ 319,704</u>
NONOPERATING REVENUES (EXPENDITURES):				
Investment earnings	\$ 8,000	\$ 4,359	\$ (3,641)	\$ 26,837
Proceeds from lawsuit settlement	-	-	-	550,000
Payment of debt principal	(2,040,000)	(2,040,000)	-	(1,965,000)
Payment of inter-fund loan principal	(300,000)	(300,000)	-	(300,000)
Interest expense and fees	(650,683)	(647,929)	2,754	(775,740)
Net nonoperating expenditures	<u>\$ (2,982,683)</u>	<u>\$ (2,983,570)</u>	<u>\$ (887)</u>	<u>\$ (2,463,903)</u>
Revenues over (under) expenditures	<u>\$ (2,970,000)</u>	<u>\$ (2,424,601)</u>	<u>\$ 545,399</u>	<u>\$ (1,981,406)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in:				
General Fund	<u>\$ 2,970,000</u>	<u>\$ 2,970,000</u>	<u>\$ -</u>	<u>\$ 2,400,000</u>
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ 545,399</u>	<u>\$ 545,399</u>	<u>\$ 418,594</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ 545,399		
Depreciation		(667,271)		
Bond amortization		(144,855)		
Payment of debt principal		2,040,000		
Payment of inter-fund loan principal		300,000		
Interest expense and fees adjustment		96,772		
Change in net position		<u>\$ 2,170,045</u>		

CITY OF SALISBURY, NORTH CAROLINA

STORMWATER FUND

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

For the Year Ended June 30, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

	2021		Variance with Budget Positive (Negative)	2020
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 1,877,000	\$ 1,883,700	\$ 6,700	\$ 1,823,732
Other operating revenues	<u>9,900</u>	<u>3,078</u>	<u>(6,822)</u>	<u>15,625</u>
Total operating revenues	<u>\$ 1,886,900</u>	<u>\$ 1,886,778</u>	<u>\$ (122)</u>	<u>\$ 1,839,357</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 1,595,787	\$ 1,220,182	\$ 375,605	\$ 754,750
Street cleaning	177,171	74,801	102,370	123,148
Storm drainage	175,695	150,583	25,112	138,113
Leaf Collection	<u>166,062</u>	<u>138,986</u>	<u>27,076</u>	<u>135,631</u>
Total operating expenditures other than depreciation	<u>\$ 2,114,715</u>	<u>\$ 1,584,552</u>	<u>\$ 530,163</u>	<u>\$ 1,151,642</u>
NONOPERATING REVENUES (EXPENDITURES):				
Interest on investments	\$ 10,500	\$ 5,498	\$ (5,002)	\$ 30,282
Capital outlay	<u>(464,897)</u>	<u>(461,497)</u>	<u>3,400</u>	<u>(136,713)</u>
Total nonoperating revenues (expenditures)	<u>\$ (454,397)</u>	<u>\$ (455,999)</u>	<u>\$ (1,602)</u>	<u>\$ (106,431)</u>
Revenues under expenditures	<u>\$ (682,212)</u>	<u>\$ (153,773)</u>	<u>\$ 528,439</u>	<u>\$ 581,284</u>
OTHER FINANCING SOURCES:				
Appropriated fund balance	<u>\$ 682,212</u>	<u>\$ -</u>	<u>\$ (682,212)</u>	<u>\$ -</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (153,773)</u>	<u>\$ (153,773)</u>	<u>\$ 581,284</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ (153,773)		
Depreciation		(117,176)		
Capital outlay		461,497		
Increase in total OPEB liability		(21,495)		
Increase in net pension liability		(75,357)		
Decrease in deferred outflows of resources-OPEB		(896)		
Increase in deferred inflows of resources-pensions		25,432		
Decrease in deferred inflows of resources-OPEB		28,040		
Vacation pay		<u>1,170</u>		
Change in net position		<u>\$ 147,442</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, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

	2021		Variance with Budget Positive (Negative)	2020
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 67,000	\$ 430	\$ (66,570)	\$ 52,996
Other operating revenues	12,573	17,784	5,211	13,877
Total operating revenues	\$ 79,573	\$ 18,214	\$ (61,359)	\$ 66,873
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 253,599	\$ 245,086	\$ 8,513	\$ 246,807
Mass transit operations	1,233,946	821,738	412,208	969,615
Total operating expenditures other than depreciation	\$ 1,487,545	\$ 1,066,824	\$ 420,721	\$ 1,216,422
NONOPERATING REVENUES (EXPENDITURES):				
Intergovernmental	\$ 805,972	\$ 176,638	\$ (629,334)	\$ 652,850
CARES grant	358,389	539,816	181,427	409,881
Interest on investments	2,000	1,526	(474)	6,555
Capital outlay	-	-	-	(229,210)
Total nonoperating revenues (expenditures)	\$ 1,166,361	\$ 717,980	\$ (448,381)	\$ 840,076
Revenues under expenditures	\$ (241,611)	\$ (330,630)	\$ (89,019)	\$ (309,473)
OTHER FINANCING SOURCES:				
Appropriated fund balance	\$ -	\$ -	\$ -	\$ -
Operating transfers in:	241,611	241,611		
General fund	-	-	-	527,970
Total other financing sources (uses)	\$ 241,611	\$ 241,611	\$ -	\$ 527,970
REVENUES OVER (UNDER) EXPENDITURES AND AND OTHER FINANCING SOURCES				
	\$ -	\$ (89,019)	\$ (89,019)	\$ 218,497
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ (89,019)		
Depreciation		(76,615)		
Decrease in total OPEB liability		3,118		
Increase in net pension liability		(54,150)		
Decrease in deferred outflows of resources-OPEB		(2,412)		
Decrease in deferred outflows of resources-pensions		13,283		
Decrease in deferred inflows of resources-OPEB		31,944		
Vacation pay		7,455		
Change in net position		\$ (166,396)		



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, 2021
With Comparative Totals at June 30, 2020

<u>ASSETS</u>	<u>Workers'</u>	<u>Employee</u>	<u>Totals</u>	
	<u>Compensation</u>	<u>Health Care</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS				
Cash and investments	\$ 2,778,532	\$ 5,464,786	\$ 8,243,318	\$ 7,200,263
Accounts receivable	-	1,650	1,650	1,887
Interest receivable	<u>590</u>	<u>1,128</u>	<u>1,718</u>	<u>6,513</u>
Total assets	<u>\$ 2,779,122</u>	<u>\$ 5,467,564</u>	<u>\$ 8,246,686</u>	<u>\$ 7,208,663</u>
 <u>LIABILITIES AND NET POSITION</u>				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 15,869</u>	<u>\$ 368,442</u>	<u>\$ 384,311</u>	<u>\$ 384,977</u>
NET POSITION, UNRESTRICTED	<u>\$ 2,763,253</u>	<u>\$ 5,099,122</u>	<u>\$ 7,862,375</u>	<u>\$ 6,823,686</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, 2021
With Comparative Totals For The Year Ended June 30, 2020

	Workers' Compensation	Employee Health Care	Totals	
			2021	2020
OPERATING REVENUES:				
Charges for services	\$ 1,104,000	\$ 5,386,138	\$ 6,490,138	\$ 6,829,489
OPERATING EXPENSES:				
Employee benefits	<u>642,000</u>	<u>4,826,672</u>	<u>5,468,672</u>	<u>5,239,171</u>
OPERATING INCOME (LOSS)	\$ 462,000	\$ 559,466	\$ 1,021,466	\$ 1,590,318
NONOPERATING REVENUES				
Interest earned on investments	<u>5,739</u>	<u>11,484</u>	<u>17,223</u>	<u>88,459</u>
CHANGE IN NET POSITION	\$ 467,739	\$ 570,950	\$ 1,038,689	\$ 1,678,777
TOTAL NET POSITION, BEGINNING	<u>2,295,514</u>	<u>4,528,172</u>	<u>6,823,686</u>	<u>5,144,909</u>
TOTAL NET POSITION, ENDING	<u>\$ 2,763,253</u>	<u>\$ 5,099,122</u>	<u>\$ 7,862,375</u>	<u>\$ 6,823,686</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, 2021
With Comparative Actual Amounts for Year Ended June 30, 2020

	<u>2021</u>		Variance with Financial Plan Positive (Negative)	<u>2020</u>
	Financial Plan	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 1,251,505	\$ 1,104,000	\$ (147,505)	\$ 1,048,500
OPERATING EXPENDITURES:				
Employee benefits	\$ 1,258,505	\$ 642,000	\$ 616,505	\$ 520,412
NONOPERATING REVENUES:				
Interest on investments	\$ 7,000	\$ 5,739	\$ (1,261)	\$ 28,231
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 467,739</u>	<u>\$ 467,739</u>	<u>\$ 556,319</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, 2021
With Comparative Actual Amounts for Year Ended June 30, 2020

	<u>2021</u>		Variance with Financial Plan	<u>2020</u>
	Financial Plan	Actual		Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 6,688,322	\$ 5,386,138	\$ (1,302,184)	\$ 5,780,989
OPERATING EXPENDITURES:				
Employee benefits	\$ 6,698,322	\$ 4,826,672	\$ 1,871,650	\$ 4,718,759
NONOPERATING REVENUES:				
Interest on investments	\$ 10,000	\$ 11,484	\$ 1,484	\$ 60,228
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 570,950</u>	<u>\$ 570,950</u>	<u>\$ 1,122,458</u>

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021
With Comparative Totals For The Year Ended June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Employee</u> <u>Health Care</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services provided	\$ 1,104,000	\$ 5,386,375	\$ 6,490,375	\$ 6,829,475
Cash paid for goods and services	<u>(641,062)</u>	<u>(4,828,276)</u>	<u>(5,469,338)</u>	<u>(5,536,546)</u>
Net cash provided (used) by operating activities	<u>\$ 462,938</u>	<u>\$ 558,099</u>	<u>\$ 1,021,037</u>	<u>\$ 1,292,929</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	<u>\$ 7,261</u>	<u>\$ 14,757</u>	<u>\$ 22,018</u>	<u>\$ 100,667</u>
Net increase (decrease) in cash and cash equivalents	\$ 470,199	\$ 572,856	\$ 1,043,055	\$ 1,393,596
Balances-beginning of the year	<u>2,308,333</u>	<u>4,891,930</u>	<u>7,200,263</u>	<u>5,806,667</u>
Balances-end of the year	<u>\$ 2,778,532</u>	<u>\$ 5,464,786</u>	<u>\$ 8,243,318</u>	<u>\$ 7,200,263</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 462,000	\$ 559,466	\$ 1,021,466	\$ 1,590,318
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in current assets and liabilities:				
(Increase) decrease in accounts receivable	-	237	237	(14)
Increase (decrease) in accounts payable and accrued liabilities	<u>938</u>	<u>(1,604)</u>	<u>(666)</u>	<u>(297,375)</u>
Net cash provided (used) by operating activities	<u>\$ 462,938</u>	<u>\$ 558,099</u>	<u>\$ 1,021,037</u>	<u>\$ 1,292,929</u>



Fiduciary Funds

FIDUCIARY FUNDS

All of the City's Fiduciary Funds are classified as Custodial Funds. Custodial Funds report fiduciary activities that are not held in a trust or equivalent arrangement. These City's Custodial Funds are used to account for assets held by the City for other governments, agencies, or boards and commissions.

CUSTODIAL FUNDS

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.

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

F-1
CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021
With Comparative Totals at June 30, 2020

	<u>Custodial Funds</u>							<u>Totals</u>	
	<u>Municipal Service District Fund</u>	<u>East Spencer Utility Fund</u>	<u>Rowan County Utility Fund</u>	<u>Rockwell Garbage Fund</u>	<u>Granite Quarry Garbage Fund</u>	<u>Spencer Garbage Fund</u>	<u>Salisbury- Rowan Human Relations Council Fund</u>	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>									
Cash and investments	\$ 6,992	\$ 160,056	\$ 27,205	\$ 617	\$ 1,739	\$ 2,478	\$ 21,755	\$ 220,842	\$ 85,267
Receivables									
Interest receivable	-	19	-	-	-	-	-	19	46
Accounts receivable	5,481	473,960	19,432	10,813	35,252	56,679	-	601,617	565,524
Due from other governments	1,580						102	1,682	-
Property taxes	<u>7,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,136</u>	<u>6,906</u>
Total assets	<u>\$ 21,189</u>	<u>\$ 634,035</u>	<u>\$ 46,637</u>	<u>\$ 11,430</u>	<u>\$ 36,991</u>	<u>\$ 59,157</u>	<u>\$ 21,857</u>	<u>\$ 831,296</u>	<u>\$ 657,743</u>
<u>LIABILITIES</u>									
Accounts payable and accrued liabilities	\$ 11,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,383	\$ 53
Reserve for taxes receivable	7,136	-	-	-	-	-	-	7,136	6,906
Customer deposits	-	24,450	-	-	-	-	-	24,450	21,200
Due to local governments	<u>-</u>	<u>125,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,686</u>	<u>4,286</u>
Total liabilities	<u>\$ 18,519</u>	<u>\$ 150,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,655</u>	<u>\$ 32,445</u>
<u>NET POSITION</u>									
Held for other governments	<u>\$ 2,670</u>	<u>\$ 483,899</u>	<u>\$ 46,637</u>	<u>\$ 11,430</u>	<u>\$ 36,991</u>	<u>\$ 59,157</u>	<u>\$ 21,857</u>	<u>\$ 662,641</u>	<u>\$ 625,298</u>

CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

June 30, 2021

With Comparative Totals at June 30, 2020

	Custodial Funds							Totals	
	Municipal Service District Fund	East Spencer Utility Fund	Rowan County Utility Fund	Rockwell Garbage Fund	Granite Quarry Garbage Fund	Spencer Garbage Fund	Salisbury- Rowan Human Relations Council Fund	2021	2020
<u>ADDITIONS</u>									
Property tax revenue for other government	\$ 138,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,983	\$ 132,882
Water and sewer revenues for other governments		861,735	149,007	-				1,010,742	1,009,762
Garbage fee revenue for other governments	-	113,053	-	53,365	154,931	233,375	-	554,724	559,642
Donations and program income	-	488	-	-	-	-	17,083	17,571	21,079
Investment income	-	114	-	-	-	-	-	114	588
Total additions	<u>\$ 138,983</u>	<u>\$ 975,390</u>	<u>\$ 149,007</u>	<u>\$ 53,365</u>	<u>\$ 154,931</u>	<u>\$ 233,375</u>	<u>\$ 17,083</u>	<u>\$ 1,722,134</u>	<u>\$ 1,723,953</u>
<u>DEDUCTIONS</u>									
Tax collection fees	\$ 1,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,323	\$ 77
Water and sewer charges	-	649,425	-	-	-	-	-	649,425	755,990
Repair and maintenance	-	840	-	-	-	-	-	840	1,110
Program expenses	226	-	-	-	-	-	8,522	8,748	38,928
Distributions to other governments	138,712	318,763	129,551	52,343	153,010	229,380	-	1,021,759	897,354
Total deductions	<u>\$ 140,261</u>	<u>\$ 969,028</u>	<u>\$ 129,551</u>	<u>\$ 52,343</u>	<u>\$ 153,010</u>	<u>\$ 229,380</u>	<u>\$ 8,522</u>	<u>\$ 1,682,095</u>	<u>\$ 1,693,459</u>
Net increase (decrease) in fiduciary net position	\$ (1,278)	\$ 6,362	\$ 19,456	\$ 1,022	\$ 1,921	\$ 3,995	\$ 8,561	\$ 40,039	\$ 30,494
Net position - beginning of year	<u>3,848</u>	<u>477,537</u>	<u>27,181</u>	<u>10,408</u>	<u>35,070</u>	<u>55,162</u>	<u>13,296</u>	<u>622,502</u>	<u>594,804</u>
Net position - end of year	<u>\$ 2,570</u>	<u>\$ 483,899</u>	<u>\$ 46,637</u>	<u>\$ 11,430</u>	<u>\$ 36,991</u>	<u>\$ 59,157</u>	<u>\$ 21,857</u>	<u>\$ 662,541</u>	<u>\$ 625,298</u>

Other Schedules



CITY OF SALISBURY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

For the Year Ended June 30, 2021

	City Wide			Total Levy	
	Property	Rate	Total Levy	Property	Registered
	Valuation			Excluding	
			Registered	Motor	Motor
			Vehicles	Vehicles	Vehicles
ORIGINAL LEVY					
Property taxed at current year's rates	\$2,916,413,425	\$ 0.7196	\$ 20,986,511	\$ 20,986,511	\$ -
Registered motor vehicles taxed under NC Vehicle Tax System	271,360,863	0.7196	1,952,713	-	1,952,713
Auto registration fee			255,845	-	255,845
Penalties			43,196	43,196	-
TOTAL	\$3,187,774,288		\$ 23,238,265	\$ 21,029,707	\$ 2,208,558
DISCOVERY					
Prior year rates			85,751	85,751	-
Penalties			9,528	9,528	-
TOTAL			\$ 95,279	\$ 95,279	\$ -
ABATEMENTS	(5,798,845)		\$ (41,729)	\$ (41,729)	\$ -
TOTAL PROPERTY VALUATION	<u>\$3,181,975,443</u>				
NET LEVY			\$ 23,291,815	\$ 21,083,257	\$ 2,208,558
Less uncollected tax at June 30, 2021			443,163	437,990	5,173
CURRENT YEAR'S TAXES COLLECTED			\$ 22,848,652	\$20,645,267	\$2,203,385
PERCENT OF CURRENT YEAR COLLECTED			98.10%	97.92%	99.77%

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
Financial Trends	128-135
<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>	
Revenue Capacity	136-141
<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>	
Debt Capacity	142-148
<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>	
Demographic and Economic Information	149-150
<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>	
Operating Information	151-154
<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>	

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				
	2012	2013	2014	2015	2016
Governmental activities					
Net investment in capital assets	\$ 38,522,820	\$ 37,783,298	\$ 36,648,493	\$ 35,682,857	\$ 36,027,355
Restricted	4,851,968	4,657,799	4,503,277	4,120,183	4,719,068
Unrestricted	<u>3,181,778</u>	<u>5,778,803</u>	<u>7,830,760</u>	<u>8,320,730</u>	<u>8,188,064</u>
Total Governmental net position	<u>\$ 46,556,566</u>	<u>\$ 48,219,900</u>	<u>\$ 48,982,530</u>	<u>\$ 48,123,770</u>	<u>\$ 48,934,487</u>
Business-type activities					
Net investment in capital assets	\$ 79,246,490	\$ 77,077,799	\$ 77,582,377	\$ 78,308,385	\$ 79,354,208
Unrestricted	<u>11,964,751</u>	<u>11,254,780</u>	<u>13,253,188</u>	<u>16,076,740</u>	<u>18,935,989</u>
Total business-type net position	<u>\$ 91,211,241</u>	<u>\$ 88,332,579</u>	<u>\$ 90,835,565</u>	<u>\$ 94,385,125</u>	<u>\$ 98,290,197</u>
Primary government					
Net investment in capital assets	\$117,769,310	\$ 114,861,097	\$ 114,230,870	\$ 113,991,242	\$ 115,381,563
Restricted	4,851,968	4,657,799	4,503,277	4,120,183	4,719,068
Unrestricted	<u>15,146,529</u>	<u>17,033,583</u>	<u>21,083,948</u>	<u>24,397,470</u>	<u>27,124,053</u>
Total primary government net position	<u>\$137,767,807</u>	<u>\$ 136,552,479</u>	<u>\$ 139,818,095</u>	<u>\$ 142,508,895</u>	<u>\$ 147,224,684</u>

Schedule 1

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

	Fiscal Year				
	2017	2018	2019	2020	2021
Governmental activities					
Net investment in capital assets	\$ 35,384,844	\$ 34,821,867	\$ 35,316,427	\$ 39,207,206	\$ 40,910,208
Restricted	5,221,501	4,996,766	4,700,295	5,415,925	5,575,964
Unrestricted	<u>6,635,231</u>	<u>5,481,877</u>	<u>4,639,015</u>	<u>5,461,644</u>	<u>8,002,777</u>
Total Governmental net position	<u>\$ 47,241,576</u>	<u>\$ 45,300,510</u>	<u>\$ 44,655,737</u>	<u>\$ 50,084,775</u>	<u>\$ 54,488,949</u>
Business-type activities					
Net investment in capital assets	\$ 84,806,909	\$ 85,462,699	\$ 86,837,002	\$ 92,415,998	\$ 95,649,630
Unrestricted	<u>18,375,335</u>	<u>22,767,326</u>	<u>27,416,616</u>	<u>27,771,105</u>	<u>29,501,817</u>
Total business-type net position	<u>\$ 103,182,244</u>	<u>\$ 108,230,025</u>	<u>\$ 114,253,618</u>	<u>\$ 120,187,103</u>	<u>\$ 125,151,447</u>
Primary government					
Net investment in capital assets	\$ 120,191,753	\$ 120,284,566	\$ 122,153,429	\$ 131,623,204	\$ 136,559,838
Restricted	5,221,501	4,996,766	4,700,295	5,415,925	5,575,964
Unrestricted	<u>25,010,566</u>	<u>28,249,203</u>	<u>32,055,631</u>	<u>33,232,749</u>	<u>37,504,594</u>
Total primary government net position	<u>\$ 150,423,820</u>	<u>\$ 153,530,535</u>	<u>\$ 158,909,355</u>	<u>\$ 170,271,878</u>	<u>\$ 179,640,396</u>

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Expenses					
Governmental activities:					
General government	\$ 5,907,274	\$ 6,110,635	\$ 5,851,064	\$ 6,943,041	\$ 7,233,838
Public safety	12,163,943	13,296,732	14,493,040	16,467,391	17,094,896
Transportation	5,195,912	6,149,487	6,272,733	5,971,094	5,985,903
Environmental protection	1,452,363	1,496,207	1,572,672	1,719,174	1,760,087
Culture and recreation	2,553,783	2,049,283	1,835,329	2,676,550	2,619,658
Community and economic development	3,219,393	2,887,589	2,551,516	2,985,180	1,287,190
Education	38,107	38,107	40,000	40,000	40,000
Interest on long-term debt	481,335	666,604	101,224	270,003	298,748
Total governmental activities expenses	<u>\$ 31,012,110</u>	<u>\$ 32,694,644</u>	<u>\$ 32,717,578</u>	<u>\$ 37,072,433</u>	<u>\$ 36,320,320</u>
Business-type activities:					
Water and Sewer	\$ 21,429,812	\$ 21,982,707	\$ 22,891,351	\$ 23,393,527	\$ 24,375,589
Broadband Services	7,773,867	6,801,377	6,441,550	3,627,047	2,036,536
Stormwater	898,295	1,085,030	1,084,170	1,402,836	1,281,957
Mass Transit	1,103,470	1,326,667	1,322,216	1,489,636	1,316,982
Total business-type activities	<u>\$ 31,205,444</u>	<u>\$ 31,195,781</u>	<u>\$ 31,739,287</u>	<u>\$ 29,913,046</u>	<u>\$ 29,011,064</u>
Total primary governmental expenses	<u>\$ 62,217,554</u>	<u>\$ 63,890,425</u>	<u>\$ 64,456,865</u>	<u>\$ 66,985,479</u>	<u>\$ 65,331,384</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 715,721	\$ 829,987	\$ 1,322,710	\$ 1,243,757	\$ 1,015,046
Public safety	424,687	487,081	545,128	544,370	566,417
Transportation	160,197	174,125	157,331	59,559	66,605
Environmental protection	2,163,234	2,104,171	2,116,264	2,214,435	2,495,392
Culture and recreation	136,509	136,147	116,179	102,080	59,582
Community and economic development	300,083	394,869	244,467	138,976	288,516
Operating grants and contributions	1,964,896	2,022,328	1,742,837	2,317,073	2,639,873
Capital grants and contributions	-	483,450	432,589	779,487	2,585,767
Total governmental activities program revenues	<u>\$ 5,865,327</u>	<u>\$ 6,632,158</u>	<u>\$ 6,677,505</u>	<u>\$ 7,399,737</u>	<u>\$ 9,717,198</u>
Business-type activities:					
Charges for services:					
Water and Sewer	\$ 23,629,386	\$ 25,934,277	\$ 25,559,903	\$ 27,225,093	\$ 27,716,815
Broadband Services	6,070,893	5,093,067	4,556,657	1,588,134	802,201
Stormwater	1,186,319	1,330,802	1,337,125	1,781,758	1,839,357
Mass Transit	85,253	150,425	156,538	75,780	66,873
Operating grants and contributions	738,351	618,631	568,628	739,998	1,062,731
Capital grants and contributions	-	-	1,550,000	-	-
Total business-type activities program revenues	<u>\$ 31,710,202</u>	<u>\$ 33,127,202</u>	<u>\$ 33,728,851</u>	<u>\$ 31,410,763</u>	<u>\$ 31,487,977</u>
Total primary governmental program revenues	<u>\$ 37,575,529</u>	<u>\$ 39,759,360</u>	<u>\$ 40,406,356</u>	<u>\$ 38,810,500</u>	<u>\$ 41,205,175</u>
Net (expense)/revenue					
Governmental activities	\$ (25,146,783)	\$ (26,062,486)	\$ (26,040,073)	\$ (29,672,696)	\$ (26,603,122)
Business-type activities	504,758	1,931,421	1,989,564	1,497,717	2,476,913
Total primary governmental net expense	<u>\$ (24,642,025)</u>	<u>\$ (24,131,065)</u>	<u>\$ (24,050,509)</u>	<u>\$ (28,174,979)</u>	<u>\$ (24,126,209)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 18,719,543	\$ 19,249,072	\$ 20,424,124	\$ 20,764,393	\$ 22,818,429
Sales and other taxes	6,433,260	7,287,305	7,604,426	8,122,023	8,543,381
Intergovernmental revenues	3,432,476	3,285,759	3,308,275	3,360,697	3,213,140
Unrestricted investment earnings	44,586	116,185	237,341	544,638	385,180
Miscellaneous	-	-	-	-	-
Transfers	(3,279,850)	(2,780,780)	(3,806,035)	(3,763,828)	(2,927,970)
Total governmental activities	<u>\$ 25,350,015</u>	<u>\$ 27,157,541</u>	<u>\$ 27,768,131</u>	<u>\$ 29,027,923</u>	<u>\$ 32,032,160</u>
Business-type activities:					
Investment earnings	\$ 120,464	\$ 179,846	\$ 272,443	\$ 592,327	\$ 528,602
Net effect of operational agreement start	-	-	-	169,721	-
Transfers	3,279,850	2,780,780	3,806,035	3,763,828	2,927,970
Total business-type activities	<u>\$ 3,400,314</u>	<u>\$ 2,960,626</u>	<u>\$ 4,078,478</u>	<u>\$ 4,525,876</u>	<u>\$ 3,456,572</u>
Total primary government	<u>\$ 28,750,329</u>	<u>\$ 30,118,167</u>	<u>\$ 31,846,609</u>	<u>\$ 33,553,799</u>	<u>\$ 35,488,732</u>
Change in Net Position					
Governmental activities	\$ 203,232	\$ 1,095,055	\$ 1,728,058	\$ (644,773)	\$ 5,429,038
Business-type activities	3,905,072	4,892,047	6,068,042	6,023,593	5,933,485
Total primary government	<u>\$ 4,108,304</u>	<u>\$ 5,987,102</u>	<u>\$ 7,796,100</u>	<u>\$ 5,378,820</u>	<u>\$ 11,362,523</u>

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

Expenses	Fiscal Year				
	2017	2018	2019	2020	2021
Governmental activities:					
General government	\$ 6,110,635	\$ 5,851,064	\$ 6,943,041	\$ 7,233,838	\$ 6,328,918
Public safety	13,296,732	14,493,040	16,467,391	17,094,896	17,505,568
Transportation	6,149,487	6,272,733	5,971,094	5,985,903	3,972,020
Environmental protection	1,496,207	1,572,672	1,719,174	1,760,087	2,137,111
Culture and recreation	2,049,283	1,835,329	2,676,550	2,619,658	3,118,162
Community and economic development	2,887,589	2,551,516	2,985,180	1,287,190	3,433,702
Education	38,107	40,000	40,000	40,000	40,000
Interest on long-term debt	666,604	101,224	270,003	298,748	257,029
Total governmental activities expenses	<u>\$ 32,694,644</u>	<u>\$ 32,717,578</u>	<u>\$ 37,072,433</u>	<u>\$ 36,320,320</u>	<u>\$ 36,792,510</u>
Business-type activities:					
Water and Sewer	\$ 21,982,707	\$ 22,891,351	\$ 23,393,527	\$ 24,375,589	\$ 24,866,904
Broadband Services	6,801,377	6,441,550	3,627,047	2,036,536	1,627,292
Stormwater	1,085,030	1,084,170	1,402,836	1,281,957	1,744,834
Mass Transit	1,326,667	1,322,216	1,489,636	1,316,982	1,144,201
Total business-type activities	<u>\$ 31,195,781</u>	<u>\$ 31,739,287</u>	<u>\$ 29,913,046</u>	<u>\$ 29,011,064</u>	<u>\$ 29,383,231</u>
Total primary governmental expenses	<u>\$ 63,890,425</u>	<u>\$ 64,456,865</u>	<u>\$ 66,985,479</u>	<u>\$ 65,331,384</u>	<u>\$ 66,175,741</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 829,987	\$ 1,322,710	\$ 1,243,757	\$ 1,015,046	\$ 966,646
Public safety	487,081	545,128	544,370	566,417	511,852
Transportation	174,125	157,331	59,559	66,605	80,456
Environmental protection	2,104,171	2,116,264	2,214,435	2,495,392	2,729,315
Culture and recreation	136,147	116,179	102,080	59,582	28,800
Community and economic development	394,869	244,467	138,976	288,516	407,072
Operating grants and contributions	2,022,328	1,742,837	2,317,073	2,639,873	2,581,392
Capital grants and contributions	483,450	432,589	779,487	2,585,767	885,213
Total governmental activities program revenues	<u>\$ 6,632,158</u>	<u>\$ 6,677,505</u>	<u>\$ 7,399,737</u>	<u>\$ 9,717,198</u>	<u>\$ 8,190,746</u>
Business-type activities:					
Charges for services:					
Water and Sewer	\$ 25,934,277	\$ 25,559,903	\$ 27,225,093	\$ 27,716,815	\$ 27,549,033
Broadband Services	5,093,067	4,556,657	1,588,134	802,201	822,978
Stormwater	1,330,802	1,337,125	1,781,758	1,839,357	1,886,778
Mass Transit	150,425	156,538	75,780	66,873	18,214
Operating grants and contributions	618,631	568,628	739,998	1,062,731	716,454
Capital grants and contributions	-	1,550,000	-	-	-
Total business-type activities program revenues	<u>\$ 33,127,202</u>	<u>\$ 33,728,851</u>	<u>\$ 31,410,763</u>	<u>\$ 31,487,977</u>	<u>\$ 30,993,457</u>
Total primary governmental program revenues	<u>\$ 39,759,360</u>	<u>\$ 40,406,356</u>	<u>\$ 38,810,500</u>	<u>\$ 41,205,175</u>	<u>\$ 39,184,203</u>
Net (expense)/revenue					
Governmental activities	\$ (26,062,486)	\$ (26,040,073)	\$ (29,672,696)	\$ (26,603,122)	\$ (28,601,764)
Business-type activities	1,931,421	1,989,564	1,497,717	2,476,913	1,610,226
Total primary governmental net expense	<u>\$ (24,131,065)</u>	<u>\$ (24,050,509)</u>	<u>\$ (28,174,979)</u>	<u>\$ (24,126,209)</u>	<u>\$ (26,991,538)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 19,249,072	\$ 20,424,124	\$ 20,764,393	\$ 22,818,429	\$ 23,142,385
Sales and other taxes	7,287,305	7,604,426	8,122,023	8,543,381	9,709,620
Intergovernmental revenues	3,285,759	3,308,275	3,360,697	3,213,140	3,306,579
Unrestricted investment earnings	116,185	237,341	544,638	385,180	58,965
Miscellaneous	-	-	-	-	-
Transfers	(2,780,780)	(3,806,035)	(3,763,828)	(2,927,970)	(3,211,611)
Total governmental activities	<u>\$ 27,157,541</u>	<u>\$ 27,768,131</u>	<u>\$ 29,027,923</u>	<u>\$ 32,032,160</u>	<u>\$ 33,005,938</u>
Business-type activities:					
Investment earnings	\$ 179,846	\$ 272,443	\$ 592,327	\$ 528,602	\$ 142,507
Net effect of operational agreement start	-	-	169,721	-	-
Transfers	2,780,780	3,806,035	3,763,828	2,927,970	3,211,611
Total business-type activities	<u>\$ 2,960,626</u>	<u>\$ 4,078,478</u>	<u>\$ 4,525,876</u>	<u>\$ 3,456,572</u>	<u>\$ 3,354,118</u>
Total primary government	<u>\$ 30,118,167</u>	<u>\$ 31,846,609</u>	<u>\$ 33,553,799</u>	<u>\$ 35,488,732</u>	<u>\$ 36,360,056</u>
Change in Net Position					
Governmental activities	\$ 1,095,055	\$ 1,728,058	\$ (644,773)	\$ 5,429,038	\$ 4,404,174
Business-type activities	4,892,047	6,068,042	6,023,593	5,933,485	4,964,344
Total primary government	<u>\$ 5,987,102</u>	<u>\$ 7,796,100</u>	<u>\$ 5,378,820</u>	<u>\$ 11,362,523</u>	<u>\$ 9,368,518</u>

Schedule 3

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

	Fiscal Year				
	2012	2013	2014	2015	2016
General Fund					
Nonspendable	\$ 327,754	\$ 710,508	\$ 548,414	\$ 488,254	\$ 557,974
Restricted	4,851,968	4,884,052	4,757,232	4,336,596	4,935,481
Committed	3,587,402	3,974,716	4,261,316	4,310,985	3,800,851
Assigned				1,798,040	1,180,000
Unassigned	<u>1,811,722</u>	<u>3,704,948</u>	<u>6,308,283</u>	<u>7,006,980</u>	<u>7,881,606</u>
Total General Fund	<u>\$ 10,578,846</u>	<u>\$ 13,274,224</u>	<u>\$ 15,875,245</u>	<u>\$ 17,940,855</u>	<u>\$ 18,355,912</u>
All other governmental funds					
Restricted	\$ 29,281	\$ 9,840	\$ 37,542	\$ 40,392	\$ 72,448
Unassigned	<u>(18,558)</u>	<u>898</u>	<u>(30,068)</u>	<u>(32,916)</u>	<u>(68,520)</u>
Total all other governmental funds	<u>\$ 10,723</u>	<u>\$ 10,738</u>	<u>\$ 7,474</u>	<u>\$ 7,476</u>	<u>\$ 3,928</u>

Schedule 3

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

	Fiscal Year				
	2017	2018	2019	2020	2021
General Fund					
Nonspendable	\$ 497,366	\$ 573,948	\$ 573,515	\$ 708,081	\$ 688,148
Restricted	5,221,501	4,953,941	4,634,580	5,203,767	6,706,022
Committed	3,917,588	4,143,814	4,147,444	3,678,640	3,909,391
Assigned	2,296,294	3,400,440	2,526,200	2,214,183	3,956,669
Unassigned	<u>7,571,437</u>	<u>6,697,394</u>	<u>6,610,270</u>	<u>7,170,416</u>	<u>6,825,510</u>
 Total General Fund	 <u>\$ 19,504,186</u>	 <u>\$ 19,769,537</u>	 <u>\$ 18,492,009</u>	 <u>\$ 18,975,087</u>	 <u>\$ 22,085,740</u>
 All other governmental funds					
Restricted	\$ 87,074	\$ 42,825	\$ 5,959,586	\$ 2,248,197	\$ 986,986
Unassigned	<u>(82,498)</u>	<u>(7,658)</u>	<u>(62,628)</u>	<u>(37,263)</u>	<u>(229,685)</u>
 Total all other governmental funds	 <u>\$ 4,576</u>	 <u>\$ 35,167</u>	 <u>\$ 5,896,958</u>	 <u>\$ 2,210,934</u>	 <u>\$ 757,301</u>

Schedule 4

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues					
Taxes	\$ 18,742,491	\$ 19,337,385	\$ 20,459,496	\$ 20,835,223	\$ 22,556,097
Licenses and permits	65,615	62,735	61,123	75,075	76,468
Intergovernmental	11,616,378	12,940,264	12,916,957	13,504,873	15,447,951
Charges for services	3,433,812	3,515,024	3,933,721	3,864,284	3,965,627
Investment earnings	40,491	104,778	200,750	446,693	306,435
Miscellaneous	616,499	687,199	678,595	1,438,225	657,188
Administrative charges	-	-	-	-	-
Total revenues	<u>\$ 34,515,286</u>	<u>\$ 36,647,385</u>	<u>\$ 38,250,642</u>	<u>\$ 40,164,373</u>	<u>\$ 43,009,766</u>
Expenditures					
General government	\$ 5,838,547	\$ 6,184,367	\$ 5,635,857	\$ 6,400,896	\$ 7,098,274
Public safety	12,601,305	13,707,675	17,602,625	17,932,746	20,578,456
Transportation	3,998,967	5,005,879	4,989,137	5,853,646	6,847,788
Environmental protection	1,860,396	1,640,900	1,785,265	1,661,728	1,654,359
Culture and recreation	2,474,162	1,820,776	2,577,902	2,701,826	2,816,183
Economic and physical development	3,152,580	2,835,400	2,640,291	3,203,389	2,599,380
Education	38,107	38,107	40,000	40,000	40,000
Debt service					
Principal	974,805	811,472	741,472	1,318,504	1,340,503
Interest and fees	488,995	460,924	93,728	203,547	309,799
Issuance fees	-	-	-	-	-
Total expenditures	<u>\$ 31,427,864</u>	<u>\$ 32,505,500</u>	<u>\$ 36,106,277</u>	<u>\$ 39,316,282</u>	<u>\$ 43,284,742</u>
Excess of revenues over (under) expenditures	<u>\$ 3,087,422</u>	<u>\$ 4,141,885</u>	<u>\$ 2,144,365</u>	<u>\$ 848,091</u>	<u>\$ (274,976)</u>
Other financing sources (uses)					
Transfers out	\$ (3,279,850)	\$ (2,780,780)	\$ (3,806,035)	\$ (3,763,828)	\$ (2,927,970)
Refunding bonds issued	-	690,000	-	230,000	-
Payment to refund bond escrow agent	-	(902,831)	-	(230,000)	-
Installment purchase financing	-	-	1,962,188	7,500,000	-
Total other financing sources (uses)	<u>\$ (3,279,850)</u>	<u>\$ (2,993,611)</u>	<u>\$ (1,843,847)</u>	<u>\$ 3,736,172</u>	<u>\$ (2,927,970)</u>
Net change in fund balances	<u>\$ (192,428)</u>	<u>\$ 1,148,274</u>	<u>\$ 300,518</u>	<u>\$ 4,584,263</u>	<u>\$ (3,202,946)</u>
Total capital expenditures included above	\$ 2,560,483	\$ 2,152,395	\$ 4,204,158	\$ 4,140,235	\$ 8,396,898
Debt services as a percentage of noncapital expenditures	5.1%	4.2%	2.6%	4.3%	4.7%

Schedule 4

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

	Fiscal Year				
	2017	2018	2019	2020	2021
Revenues					
Taxes	\$ 19,337,385	\$ 20,459,496	\$ 20,835,223	\$ 22,556,097	\$ 23,171,591
Licenses and permits	62,735	61,123	75,075	76,468	85,968
Intergovernmental	12,940,264	12,916,957	13,504,873	15,447,951	16,953,490
Charges for services	3,515,024	3,933,721	3,864,284	3,965,627	4,348,866
Investment earnings	104,778	200,750	446,693	306,435	41,742
Miscellaneous	687,199	678,595	1,438,225	657,188	733,882
Administrative charges	-	-	-	-	-
Total revenues	<u>\$ 36,647,385</u>	<u>\$ 38,250,642</u>	<u>\$ 40,164,373</u>	<u>\$ 43,009,766</u>	<u>\$ 45,335,539</u>
Expenditures					
General government	\$ 6,184,367	\$ 5,635,857	\$ 6,400,896	\$ 7,098,274	\$ 6,002,977
Public safety	13,707,675	17,602,625	17,932,746	20,578,456	18,429,097
Transportation	5,005,879	4,989,137	5,853,646	6,847,788	5,796,627
Environmental protection	1,640,900	1,785,265	1,661,728	1,654,359	2,157,908
Culture and recreation	1,820,776	2,577,902	2,701,826	2,816,183	2,888,351
Economic and physical development	2,835,400	2,640,291	3,203,389	2,599,380	3,543,363
Education	38,107	40,000	40,000	40,000	40,000
Debt service					
Principal	811,472	741,472	1,318,504	1,340,503	1,340,504
Interest and fees	460,924	93,728	203,547	309,799	268,081
Issuance fees	-	-	-	-	-
Total expenditures	<u>\$ 32,505,500</u>	<u>\$ 36,106,277</u>	<u>\$ 39,316,282</u>	<u>\$ 43,284,742</u>	<u>\$ 40,466,908</u>
Excess of revenues over (under) expenditures	<u>\$ 4,141,885</u>	<u>\$ 2,144,365</u>	<u>\$ 848,091</u>	<u>\$ (274,976)</u>	<u>\$ 4,868,631</u>
Other financing sources (uses)					
Transfers out	\$ (2,780,780)	\$ (3,806,035)	\$ (3,763,828)	\$ (2,927,970)	\$ (3,211,611)
Refunding bonds issued	690,000	-	230,000	-	-
Payment to refund bond escrow agent	(902,831)	-	(230,000)	-	-
Installment purchase financing	-	1,962,188	7,500,000	-	-
Total other financing sources (uses)	<u>\$ (2,993,611)</u>	<u>\$ (1,843,847)</u>	<u>\$ 3,736,172</u>	<u>\$ (2,927,970)</u>	<u>\$ (3,211,611)</u>
Net change in fund balances	<u>\$ 1,148,274</u>	<u>\$ 300,518</u>	<u>\$ 4,584,263</u>	<u>\$ (3,202,946)</u>	<u>\$ 1,657,020</u>
Total capital expenditures included above	\$ 2,152,395	\$ 4,204,158	\$ 4,140,235	\$ 8,396,898	\$ 5,198,054
Debt services as a percentage of noncapital expenditures	4.2%	2.6%	4.3%	4.7%	4.6%

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
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
2019	20,835,223	8,122,023	3,055,196	32,012,442
2020	22,556,097	8,543,381	2,884,707	33,984,185
2021	23,171,591	9,709,620	2,936,615	35,817,826

* 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	
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
2019	0.7169	0.1760	0.6625	1.5554
2020	0.7196	0.1760	0.6575	1.5531
2021	0.7196	0.1760	0.6575	1.5531

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	
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
2019	1,182,732,829	1,055,197,388	232,125,486	348,554,371	76,103,757
2020	1,382,409,970	1,104,926,461	239,488,883	364,139,920	80,096,479
2021	1,383,480,123	1,119,191,521	271,360,863	369,169,872	80,227,240

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
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%
2019	24,526,152	2,870,187,679	0.7169	100.00%
2020	15,557,617	3,155,504,096	0.7196	100.00%
2021	41,454,176	3,181,975,443	0.7196	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>2021</u>			<u>2012</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.	\$ 139,771,739	1	4.39%	\$ 149,084,140	1	5.38%
Henkel Corporation	39,813,007	2	1.25%	17,768,798	6	0.64%
Granges Americas Inc	34,031,127	3	1.07%			
Duke Energy Corporation	33,961,928	4	1.07%	24,841,606	4	0.90%
Brixmor Innes Street, LLC	26,173,359	5	0.82%	22,881,304	5	0.83%
Nouryon Surface Chemical LLC	20,399,692	6	0.64%			
Wal-Mart Real Estate Business	18,031,851	7	0.57%	12,983,572	8	0.47%
BRC Salisbury LLC	15,806,050	8	0.50%			
Piedmont Natural Gas	14,667,683	9	0.46%	13,448,965	9	0.49%
SAFHI INC	11,831,930	10	0.37%			
AKZO Nobel				32,706,767	2	1.18%
Norandal USA				30,102,551	3	1.09%
General Electric				12,270,297	10	0.44%
Salisbury Mall, Ltd.				15,284,637	7	0.55%
Totals	<u><u>\$ 375,136,976</u></u>		<u><u>11.78%</u></u>	<u><u>\$ 331,372,637</u></u>		<u><u>11.96%</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
2012	\$ 17,339,063	\$ 16,525,289	95.31%	\$ 778,311	\$ 17,303,600	99.80%
2013	17,904,696	17,181,570	95.96%	681,880	17,863,450	99.77%
2014	18,614,476	18,142,635	97.47%	430,352	18,572,987	99.78%
2015	18,906,370	18,468,008	97.68%	397,714	18,865,722	99.79%
2016	18,800,286	18,392,372	97.83%	359,175	18,751,547	99.74%
2017	19,370,586	19,058,767	98.39%	245,412	19,304,179	99.66%
2018	20,494,841	20,151,780	98.33%	227,199	20,378,979	99.43%
2019	20,929,995	20,633,460	98.58%	168,679	20,802,139	99.39%
2020	22,959,510	22,473,784	97.88%	297,570	22,771,354	99.18%
2021	23,291,815	22,848,652	98.10%	-	22,848,652	98.10%

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
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
2019	-	10,448,501	116,000	-	23,961,580	18,647,689
2020	-	9,141,998	82,000	-	21,867,340	51,969,102
2021	-	7,835,494	48,000	-	19,698,100	49,074,033

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)**

Fiscal Year	<u>Business-type Activities</u>		Total Primary Government	Percentage of Personal Income	Per Capita
	State Loans	Capital Leases			
2012	\$ 6,242,530	\$ 4,864,846	\$ 85,827,582	10.99%	2,547
2013	5,360,024	4,237,571	82,159,364	10.46%	2,444
2014	4,477,518	3,610,296	79,437,194	10.01%	2,355
2015	3,595,012	2,983,020	71,750,564	8.91%	2,113
2016	2,712,506	2,355,745	65,194,834	7.96%	1,902
2017	1,830,000	1,909,269	57,688,860	6.96%	1,674
2018	1,220,000	1,639,779	53,767,727	6.43%	1,560
2019	610,000	1,380,290	55,164,060	6.54%	1,601
2020	-	1,140,800	84,201,240	9.88%	2,438
2021	-	921,310	77,576,937	8.62%	2,142

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
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%	-
2019	-	-	-	0.00%	-
2020	-	-	-	0.00%	-
2021	-	-	-	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, 2021

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Rowan County	\$ 42,893,319	22.58%	\$ 9,685,317
City of Salisbury direct debt			<u>7,883,494</u>
Total direct and overlapping debt			<u>\$ 17,568,811</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				
	2012	2013	2014	2015	2016
Debt limit	\$ 223,323,818	\$ 223,385,340	\$ 228,786,183	\$ 228,786,183	\$ 226,666,714
Total net debt applicable to limit	<u>47,074,012</u>	<u>45,705,483</u>	<u>45,637,820</u>	<u>41,161,126</u>	<u>37,472,805</u>
Legal debt margin	<u>\$ 176,249,806</u>	<u>\$ 177,679,857</u>	<u>\$ 183,148,363</u>	<u>\$ 187,625,057</u>	<u>\$ 189,193,909</u>
Total net debt applicable to the limit as a percentage of debt limit	21.08%	20.46%	19.95%	17.99%	16.53%

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				
	2017	2018	2019	2020	2021
Debt limit	\$ 229,334,142	\$ 229,427,011	\$ 231,577,106	\$ 253,684,937	\$ 257,874,370
Total net debt applicable to limit	<u>32,901,617</u>	<u>31,725,603</u>	<u>35,790,371</u>	<u>32,150,138</u>	<u>28,454,904</u>
Legal debt margin	<u>\$ 196,432,525</u>	<u>\$ 197,701,408</u>	<u>\$ 195,786,735</u>	<u>\$ 221,534,799</u>	<u>\$ 229,419,466</u>
Total net debt applicable to the limit as a percentage of debt limit	14.35%	13.83%	15.46%	12.67%	11.03%

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed value	\$ 3,181,975,443
Add back: exempt real property	<u>41,454,176</u>
Total assessed value	\$ 3,223,429,619
 Debt Limit (8% of total assessed value)	 257,874,370
Debt applicable to limit:	
Capitalized lease and installment purchase obligations	<u>28,454,904</u>
 Legal debt margin	 <u>\$ 229,419,466</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
PLEGGED 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
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%
2019	27,745,332	17,094,031	10,651,301	2,865,363	3,950,115	371.73%	269.65%
2020	28,181,743	17,605,426	10,576,317	2,936,612	3,976,470	360.15%	265.97%
2021	27,680,166	18,164,533	9,515,633	4,417,561	4,801,500	215.40%	198.18%

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
2012	33,701	\$ 781,264,147	\$ 23,182	38.9	10.9%
2013	33,622	785,278,497	23,356	38.7	9.6%
2014	33,726	793,615,337	23,531	38.6	7.3%
2015	33,955	804,996,526	23,708	38.4	5.9%
2016	34,285	818,916,233	23,886	38.3	5.8%
2017	34,459	829,245,362	24,065	38.1	5.2%
2018	34,463	835,561,683	24,245	37.9	4.4%
2019	34,463	843,688,703	24,481	37.7	4.7%
2020	34,536	851,816,885	24,665	37.6	7.3%
2021	36,215	899,927,976	24,850	37.5	6.7%

Sources: Population for June 30, 2021 is as of the most recent Census. For other years, 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	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Delhaize Food Lion	3,703	1	16.83%	1,498	3	7.68%
Rowan/Salisbury School System	2,627	2	11.94%	3,074	1	15.76%
W. G. (Bill) Hefner VA Medical Center	2,400	3	10.91%	1,795	2	9.21%
Novant Health Rowan Regional	1,560	4	7.09%	849	4	4.35%
Rowan-Cabarrus Community College	900	5	4.09%	386	8	1.98%
Rowan County	849	6	3.86%	723	5	3.71%
Piedmont Correctional Institute	450	7	2.05%	450	6	2.31%
Catawba College	400	8	1.82%	225	9	1.15%
City of Salisbury	393	9	1.79%	446	7	2.29%
Lutheran Services for the Aging	379	10	1.72%	214	10	1.10%
Total	13,661		62.10%	9,660		49.54%

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government:										
City administration	10	11	9	9	10	11	12	13	12	11
Human resources	6	6	6	6	5	7	5	6	5	4
Business and Financial Services	21	22	27	25	19	18	18	18	17	13
Fleet management	11	10	11	11	12	10	13	12	13	12
Public services administration	3	3	3	3	3	5	3	2	2	4
Facilities maintenance	9	6								
Infrastructure services			17	14						
Telecommunications	3	3	3	4	3	3	2	3	3	3
Information technologies	8	12	11	11	12	8	9	7	6	5
Public safety:										
Police:										
Officers	79	72	79	79	70	69	78	81	79	70
Civilians	19	20	7	7	7	6	7	9	7	7
Fire:										
Firefighters	75	75	71	72	75	74	71	80	81	86
Civilians	1	1	1	1	2	2	2	3	1	-
Transportation:										
Traffic operations	7	6	6				4	4	5	5
Engineering	4	3	4	5	10	11	8	10	12	11
Streets and Maintenance	27	18	17	23	26	35	35	38	38	32
Environmental protection:										
Solid waste management	10	9	5	3	4	5	6	6	4	5
Cemetery	4	4	4	4	4	1	1	1	1	1
Culture and recreation	26	24	27	23	28	17	9	11	10	12
Community and economic development:										
Community planning services	5	4	4	3	3	4	5	3	4	4
Downtown development							2	3	2	2
Developmental services	5	5	5	4	4	4	3	3	3	3
Code Enforcement	3	3	3	2	3	2	3	3	3	3
Water and Sewer	89	83	84	83	82	85	85	79	81	81
Broadband Services	18	9	9	2	18	19	14			
Stormwater Services		9	8	8	7	7	11	14	10	8
Mass Transit	11	10	9	10	9	11	11	11	11	11
	<u>454</u>	<u>428</u>	<u>430</u>	<u>412</u>	<u>416</u>	<u>414</u>	<u>417</u>	<u>420</u>	<u>410</u>	<u>393</u>

Source: City Human Resources Department.

Schedule 18

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

Function	Fiscal Year				
	2012	2013	2014	2015	2016
Police					
Calls resulting in a dispatch	31,668	30,610	34,146	36,456	41,606
Part I crimes reported (most serious)	2,346	2,064	2,181	1,762	1,793
Fire					
Total Fire Department responses	4,402	4,553	5,040	5,206	5,719
Value of fire loss	\$ 1,886,379	\$ 822,267	\$ 621,260	\$ 342,475	\$ 1,557,398
Streets					
Street miles maintained (lane miles)	345	342	342	342	346
Miles resurfaced (lanes miles)	6.0	4.0	4.8	5.6	6.7
Sanitation					
Refuse collected (tons per 1,000 population)	282	234	243	239	253
Recyclables collected (tons per 1,000 population)	30	45	46	46	45
Water					
Utility customers (unique)	19,080	18,900	18,890	18,257	18,620
New water connections	1,862	150	(15)	71	25
Average daily water consumption (millions of gallons per day)	8.7	8.7	8.7	9.2	9.3
Wastewater					
Average daily sewage treatment (thousands of gallons)	7.1	7.1	7.4	6.3	8.7

Sources: Various government departments.

Schedule 18

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

Function	Fiscal Year				
	2017	2018	2019	2020	2021
Police					
Calls resulting in a dispatch	37,459	35,236	30,202	34,991	34,373
Part I crimes reported (most serious)	1,948	1,862	1,731	1,487	1,488
Fire					
Total Fire Department responses	5,994	6,102	6,229	6,077	6,865
Value of fire loss	\$ 1,438,775	\$ 190,080	\$ 849,423	\$ 765,077	\$ 1,024,676
Streets					
Street miles maintained (lane miles)	346	347	347	345	346
Miles resurfaced (lanes miles)	6.8	6.9	6.8	7.0	7.5
Sanitation					
Refuse collected (tons per 1,000 population)	269	262	274	294	3,330
Recyclables collected (tons per 1,000 population)	46	54	54	54	48
Water					
Utility customers (unique)	17,867	17,900	18,132	18,955	19,663
New water connections	23	140	250	432	338
Average daily water consumption (millions of gallons per day)	9.6	9.4	9.2	9.0	8.4
Wastewater					
Average daily sewage treatment (millions of gallons per day)	8.3	8.2	10.8	7.8	8.9

Sources: Various government departments.

Schedule 19

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

Function	Fiscal Year				
	2012	2013	2014	2015	2016
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	88	88	85	91	90
Fire:					
Fire stations	4	4	4	5	5
Fire apparatus	14	14	14	14	14
Highways and streets					
Streets (miles)	170.50	170.50	171.65	171.65	172.62
Culture and recreation					
Parks acreage	520	520	520	520	508
Parks	16	16	16	16	16
Recreation centers	4	4	4	4	4
Pickleball courts					
Tennis courts	10	10	10	10	10
Water and Sewer Utility					
Utility accounts	18,900	19,000	19,500	19,522	19,522
Miles of water lines	405	405	405	420	421
Miles of sewer lines	393	393	393	398	399
Water treatment capacity (millions of gallons per day)	24.0	24.0	24.0	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.

Schedule 19

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

Function	Fiscal Year				
	2017	2018	2019	2020	2021
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	90	94	94	88	86
Fire:					
Fire stations	5	5	5	5	6
Fire apparatus	14	16	16	16	16
Highways and streets					
Streets (miles)	172.62	172.62	173.25	172.48	172.83
Culture and recreation					
Parks acreage	508	518	518	518	518
Parks	17	17	17	17	17
Recreation centers	4	4	4	4	4
Pickleball courts					2
Tennis courts	10	10	10	6	4
Water and Sewer Utility					
Utility accounts	19,522	19,522	19,599	20,713	20,321
Miles of water lines	421	449	449	450	470
Miles of sewer lines	399	418	419	420	450
Water treatment capacity (millions of gallons per day)	25.0	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 discretely presented component unit, 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, 2021, 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 10, 2021. 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 Downtown Salisbury, Inc. 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”) as a basis for designing 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. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, 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 instance 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 item 2020-001.

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, LLC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
December 10, 2021

**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, 2021. 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, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 10, 2021

**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, 2021. 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, 2021.

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 10, 2021

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2021

<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					
FEDERAL EMERGENCY MANAGEMENT AGENCY					
Direct Programs:					
Department of Homeland Security					
Staffing for Adequate Fire and					
Emergency Response Grant	97.083	EMW-2017-FH-00535	\$ 220,147	\$ -	\$ 235,401
Pass-through N.C. Department of Public Safety					
Hurricane Florence	97.036	4393-DR-NC	<u>3,458</u>	<u>1,153</u>	<u>-</u>
Total Federal Emergency Management Agency			<u>\$ 223,605</u>	<u>\$ 1,153</u>	<u>\$ 235,401</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Program:					
Community Development Block Grant-Entitlement Grants Cluster					
Entitlement Program	14.218	B-16-MC-37-0015	\$ 16,895	\$ -	\$ -
Entitlement Program	14.218	B-17-MC-37-0015	42,356	-	-
Entitlement Program	14.218	B-18-MC-37-0015	19,406	-	-
Entitlement Program	14.218	B-19-MC-37-0015	183,844	-	-
Entitlement Program	14.218	B-20-MC-37-0015	<u>2,378</u>	<u>-</u>	<u>-</u>
Total CDBG Entitlement Grants Cluster			<u>\$ 264,879</u>	<u>\$ -</u>	<u>\$ -</u>
Pass-through N.C. Department of Housing					
Home Investment Partnership Program	14.239	R-90-SG-37-0117	<u>\$ 160,018</u>	<u>\$ -</u>	<u>\$ -</u>
Total U.S. Department of Housing And Urban Development			<u>\$ 424,897</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. DEPARTMENT OF JUSTICE					
Office of Justice Programs:					
Bureau of Justice Assistance					
Direct Program:					
Justice Assistance Grant	16.592	2018-DJ-BX-0391	\$ 11,715	\$ -	\$ -
Justice Assistance Grant	16.738	2019-DG-BX-0018	<u>401,513</u>	<u>-</u>	<u>-</u>
			<u>\$ 413,228</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. DEPARTMENT OF TRANSPORTATION					
Federal Transit Cluster					
Formula Grants for Urban Areas					
Operating	20.507	NC2020002	\$ 94,804	\$ -	\$ 341,278
Capital	20.507	NC2020002	81,834	-	9,092
Coronavirus Aid, Relief, and Economic					
Security (CARES) Act 5307 Funds	20.507	NC2020013	<u>539,816</u>	<u>-</u>	<u>-</u>
Total Federal Transit Cluster			<u>\$ 716,454</u>	<u>\$ -</u>	<u>\$ 350,370</u>

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

Year Ended June 30, 2021
(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)					
Highway Planning and Construction Cluster					
Pass-through N.C. Department of Transportation					
CMAQ - Newsome Road Widening	20.205	C-5160	\$ 230,426	\$ -	\$ 618,059
CMAQ - Old Concord Sidewalk	20.205	C-5603-D	56,348	-	140,870
CMAQ - Brenner Avenue Sidewalk	20.205	C-5603 - H	<u>40,261</u>	-	<u>10,065</u>
Total Highway Planning and Construction Cluster			<u>\$ 327,035</u>	<u>\$ -</u>	<u>\$ 768,994</u>
U.S. TREASURY DEPARTMENT					
Pass-through N.C. Office of State Management and Budget					
Coronavirus Aid, Relief, and Economic Security Act grant	21.019	N/A	<u>\$ 17,019</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. DEPARTMENT OF ENVIRONMENTAL QUALITY					
Brownfields Assessment and Cooperative Agreement					
U. S. EPA Brownfields Cleanup Grant - Kesler Mill	66.818	BF - 00D72618	\$ 95,188	\$ -	\$ -
	66.818	BF - 01D12720	<u>\$ 14,707</u>	<u>\$ -</u>	<u>\$ -</u>
Total U. S. Department of Environmental Quality			<u>\$ 109,895</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL ASSISTANCE - FEDERAL PROGRAMS			<u>\$ 2,232,132</u>	<u>\$ 1,153</u>	<u>\$ 1,354,765</u>
STATE GRANTS:					
CASH PROGRAMS					
N.C. DEPARTMENT OF TRANSPORTATION					
Powell Bill	N/A		<u>\$ -</u>	<u>\$ 901,154</u>	<u>\$ -</u>
Newsome Road Extension	N/A	U-5820B	<u>\$ -</u>	<u>\$ 226,274</u>	<u>\$ -</u>
Total N. C. Department of Transportation			<u>\$ -</u>	<u>\$ 1,127,428</u>	<u>\$ -</u>
TOTAL ASSISTANCE - STATE PROGRAMS			<u>\$ -</u>	<u>\$ 1,127,428</u>	<u>\$ -</u>
TOTAL ASSISTANCE			<u>\$ 2,232,132</u>	<u>\$ 1,128,581</u>	<u>\$ 1,354,765</u>

CITY OF SALISBURY, NORTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2021

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, 2021. 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, 2021

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

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

Auditee qualified as low-risk auditee? Yes

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, 2021

II. FINANCIAL STATEMENT FINDINGS

Finding 2021-001, Broadband Services Fund Deficit Net Position (repeated and updated finding from prior year 2020-001)

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

2021-001 – Broadband Services Fund Deficit Net Position (repeated and updated finding from prior year 2020-001)

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, 2021

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

Finding 2020-001 – Repeated as 2021-001 for the Broadband Services Fund.

