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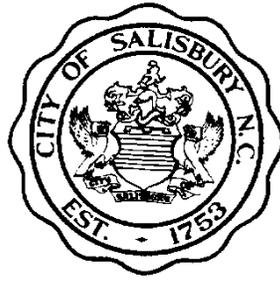
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November 22, 2010

The Honorable Mayor Susan W. Kluttz,  
City Council, City Manager,  
and the Citizens of the  
City of Salisbury, North Carolina

We are pleased to present the Comprehensive Annual Financial Report (Report) of the City of Salisbury (City) for the fiscal year ended June 30, 2010 (FY10). We are particularly proud of the fact that this Report has been entirely prepared by the City's Management Services Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects, and it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The accompanying financial statements have been audited by Martin Starnes & Associates, CPAs, P.A., 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 Management 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The auditor's reports and the Schedule of Expenditures of Federal and State awards, required as part of a single audit, are found in the Compliance Section of this report.

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

The City's Comprehensive Annual Financial Report for the year ended June 30, 2009, was awarded a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **ECONOMIC CONDITION AND OUTLOOK**

The City of Salisbury is located in the heart of North Carolina. 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. In summary, the diverse local economic base and long-term planning coupled with the region's advantages have made 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. Salisbury, like the entire United States, is in the middle of an economic downturn. In the midst of this sagging economy, taxable retail sales in Rowan County for the twelve months ended June 30, 2010 actually increased \$30 million (4.11%) from the prior fiscal year to \$769 million as compared to the statewide average decrease of 5%. Continuing additions to the area's retail centers and new restaurants have helped to stabilize the local economy. The local economy is still relatively strong and these new and future developments will help Salisbury continue to thrive in the future.

The downtown business district experienced a good year in spite of the weak economy. The City supports and encourages the revitalization of the downtown business district that began in the early 1980's. Since that time over \$110 million has been invested in the redevelopment of Salisbury's downtown. Renovations to very visible, key buildings during the past fiscal year have kept the revitalization momentum going. In the downtown area, approximately 90% of the first floor business and retail space is currently occupied. The past fiscal year has seen the opening of twelve new downtown businesses, four building renovations, and 6 façade renovations. 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.

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

### **MAJOR INITIATIVES**

The fiscal year ended June 30, 2010, was a challenging one in many ways as the City Management Team has strived to maintain high levels of service in a tough economy with declining revenues. Each year, in February, City Council holds its annual Future Directions and Goal Setting Conference. The theme for the

February 2009 conference was “Embracing Community Challenges, Discovering our Opportunities.” These conferences give our Council time to reflect on the past year’s challenges and successes and then establish desired Outcomes and set goals for achievement in the upcoming fiscal year. City management and staff have been working diligently to meet those goals and take Salisbury from good to great.

At the 2009 Future Directions and Goal Setting Conference, City Council established a desired Outcome of wanting to *enhance and support a creative enterprise economy with the best educated workforce, the most competitive infrastructure, an environment for creativity and innovation, a positive business climate, and supportive government in Salisbury and Rowan County.* One step toward reaching this Outcome is to implement a Fiber-to-the-Home system. The City has embarked on the largest project in our history and created a new Broadband Services Fund that will soon put the City in the business of offering cable television, telephone, and internet services. In FY10, the City developed the brand name Fibrant and neared completion of the system’s infrastructure throughout the City. This fiber-optic cable system will give customers greater bandwidth, translating into much faster speeds and greater capacity for data. Fibrant will bring leading-edge communications and entertainment services to the City. In terms of economic development, it will be a big plus for businesses looking to either move here or maintain their presence here. Initial test customers are reporting great satisfaction with Fibrant’s speed, with uploads of up to 100 megabits per second, which is about twenty times faster than the primary local internet provider. The fiber-optic system is good for public safety too. It will help to eliminate dead spots – places where the communications signals to Police car computers are weak – and improve safety for our officers and our citizens, which helps to meet another desired Council Outcome of *improving neighborhoods and safety for all areas of the City.* Currently, the City has approximately 150 test customers and Fibrant will be available to paying customers before winter of 2010.

With the creation of the new fiber-to-the-home enterprise, the City needed a facility to house those operations. In the fall of 2010 the City will open the new Salisbury Customer Service Center. The Center is a 26,000 square foot building with many “green” features that could qualify for LEED green building certification. In addition to the housing the City’s Fibrant operations, the Center will be the new home for our Business Office, Technology Services Department, Telecommunications Department and our Access-16 government education channel’s studio.

In its desire to meet the Outcome of having *an environment for creativity and innovation and a positive business climate,* City Council also set the following goals: create an Airport Development Zone and implement a new hotel occupancy tax. Both of these goals were accomplished during FY10. In partnership with Rowan County, the City did indeed help to create an Airport Development Zone. In an effort to lure more planes (and tax base) to the Rowan County airport, the City and County now refund a portion of taxes received on these planes back to the taxpayer. The City also has committed to setting aside a portion of the taxes received on the planes for future airport improvements. Also, City Council approved a new hotel occupancy tax which is being used by the new Salisbury Tourism and Cultural Development Commission to market Salisbury, promote tourism, and encourage development.

Another of City Council’s goals is to improve and enhance Downtown Salisbury. The revitalization of Salisbury’s downtown area continues to surge ahead. Over \$8.9 million dollars were invested into the downtown during FY10 by various public and private organizations. The City has worked with Downtown Salisbury, Inc. to bring more people to the downtown area. In addition to serving as a retail center, the downtown has become a great place for events and festivals such as the Lord Salisbury Festivals, Pops at the Post, Arts on Easy Street, and the annual Blues and Jazz Festival. In May 2010, the new Norvell Theater opened. The Norvell is used for student/children-only productions. The May production of Joseph and the Amazing Technicolor Dreamcoat featured over sixty young people who were involved in every aspect of the production. Also, in the spring of 2010 the Salisbury Public Art Committee opened its second annual Salisbury Sculpture Show. Fourteen sculptures were placed throughout the downtown and citizens are enjoying finding them, as in a scavenger hunt. The Sculpture Show has garnered attention from a number of media outlets. Since 2001, \$51 million has been invested in downtown Salisbury. That has led to a net gain

of 41 new businesses, many new jobs, and 40 new residential units. In FY10 the City completed its downtown parking lot improvement plan, adding additional parking spaces in the process. The City's downtown revitalization effort is admired statewide, as evidenced by the receipt of several awards in the North Carolina Main Street Awards competition.

City Council also desires to maintain quality management of the City and in each of its departments. One way of validating the quality of a City department is to seek national, state, and local recognition. The City's Water and Sewer Fund recently received the Platinum Peak Performance Award from the National Association of Clean Water Agencies. The award recognizes public wastewater treatment facilities for their compliance records. The City was one of only 120 wastewater treatment plant operators in the country, and one of only four in North Carolina, to receive the Platinum Award this year. The award signifies five or more years of 100% National Pollutant Discharge Elimination System permit compliance. The City's Management Services Department continues to excel as well, winning awards for both the Annual Budget and the Comprehensive Annual Financial Report from the Government Finance Officers Association of the United States and Canada.

### **FUTURE DEVELOPMENTS**

As previously discussed, the City is very close to launching the Fibrant enterprise and the opening of the new Customer Service Center. These are exciting, but still challenging times. While interest in Fibrant is high, the challenge of producing a product that will be clearly superior to the competition will be ongoing for years to come. City officials and management are confident that the infrastructure for the best communication and entertainment system is in place and will help assure that Salisbury will continue to be a vibrant community for our citizens and businesses.

The City's Water and Sewer department will be extremely busy with infrastructure expansions and renovations during the next fiscal year. Aging sewer infrastructure and stiffer federal and state regulations are being addressed through upgrades and additions to the Grant Creek and Town Creek Wastewater Treatment Plants. These projects, which should be completed by the spring of 2011, will upgrade obsolete facilities and provide additional treatment capacity. Also, the City and Rowan County have partnered to extend sewer service along Interstate 85 from Salisbury to southern Rowan County. This \$7 million project should stimulate growth and economic development along the County's primary growth corridor.

The City has been awarded over \$2 million in stimulus grants from the American Recovery and Reinvestment Act of 2009. Included in these awards are a \$756,650 grant to support the City's Mass Transit system and a \$643,076 grant from the US Department of Justice to provide salary and benefits for four police officers. The Transit grant will help the City purchase parts, garage equipment, and diagnostic software to sustain the City's fleet of buses, and will help the City maintain its commitment to providing affordable, accessible public transportation. The Community Oriented Policing Services grant has helped the City maintain its current staffing levels. The City will also be adding to the existing greenway with the help of ARRA grants as well.

### **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 comprehensive annual financial report. The component units are legally separate entities for which the primary government is primarily financially accountable or for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

### **SERVICES PROVIDED**

The City of Salisbury provides a full range of municipal services allowable under State law including law enforcement, fire protection, planning and development services, zoning and code enforcement, recreation centers and parks, cemeteries, street maintenance, and sanitation. In addition to these general government activities, the City provides and maintains water and sewer utilities and operates a mass transit system. In the fall of 2010, the City will begin offering cable, telephone, and internet services. This report includes all the City's fiscal activities in maintaining these services.

### **GOVERNMENT STRUCTURE**

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

### **ACCOUNTING SYSTEMS AND BUDGETARY CONTROL**

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

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

As a recipient of federal and state awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the City's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state awards, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for FY10 provided no instances of

material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

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. They are shown as a reservation of fund balance at June 30, 2010.

### **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, usage, and balances of financial resources), rather than upon net income determination. The statement of revenues, expenditures, and changes in fund balance is the primary governmental fund operating statement. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers, and other changes in fund balance.

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

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

## **FINANCIAL MANAGEMENT**

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

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

This financial management program allows the City to achieve its goal of expanded and improved services to the citizens of Salisbury. As discussed in the Management's Discussion and Analysis, the City continues to receive excellent 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 maintains a comprehensive five-year 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. With the launch of the new Broadband Services Fund, the needs for that fund will be incorporated into the CIP in future years. 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.

Despite the weak economy, the City's investment in its infrastructure continues – as is evident in the City's launching of its new fiber-to-the-home utility. Salisbury is leading the way with this state-of-the-art communication and entertainment broadband system. This is the infrastructure of the future, as is evidenced by the \$7.2 billion ARRA funding to expand broadband access and adoption in communities across the United States. In FY10 the City upgraded and improved three downtown parking lots to increase the number of parking spaces available and improve their overall appearance. The City is currently expanding our sidewalk system in three separate areas of the City using federal grants and our greenway will soon be expanded with ARRA funds.

The City continues to plan for future needs related to the City's water and sewer system. The City issued \$6 million revenue bonds in FY10. Current ongoing projects include expansion and improvements to the wastewater treatment plant, expansion of water and sewer lines into recently annexed areas, and the I-85 sewer extension project. The I-85 project is joint project with Rowan County and consists of 6 miles of gravity sewer lines that will enable economic development opportunities along the I-85 corridor from Salisbury towards the southern end of Rowan County.

## **CONCLUSION**

As previously discussed in this transmittal letter, the national, state, and local economies remain weak and unstable. While we are confident that new retail stores and the continued redevelopment in the downtown have helped to stabilize the local economy, our City management continues to prepare for lean times ahead. With the possibility of a continuing decrease in revenues due to layoffs and home foreclosures, management and staff are looking for ways to control operating and capital expenditures while continuing to assure our citizens that the City will be able to provide the quality of services that they have come to enjoy and expect.

The future continues to hold many other uncertainties as well. Federal and State mandates continue to impact local governments in all areas of operations. Nevertheless, the citizens of Salisbury have come to expect and appreciate high levels of service they enjoy. The management of the City is charged with managing its resources in the best possible manner to deliver those services at a cost citizens will agree to bear. The City will continue to focus on its core values, mission, and vision to provide quality services to all of our citizens. Although, the City faces rising operational costs, our Council and management are constantly guarding against unnecessary tax and utility rate increases. All City operations are being asked to maintain their readiness to respond to our citizens even as we face the possibilities of decreasing resources. Overall, new retail in the City and sound management by our City Council will continue to provide the City a stable financial position from which we may serve the citizens of Salisbury for years to come.

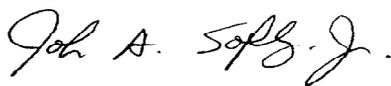
### ACKNOWLEDGMENTS

We wish to thank the Mayor, City Council and the City Manager for the support and trust they have given the Management Services Department. On behalf of the team of the Management Services Department, 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 Teresa P. Harris, Budget and Performance Management Manager, Mark D. Drye, Management Analyst, and Kizzy N. Lea, Accountant, and Evans C. Ballard, Budget and Benchmarking Analyst. 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,



John A. Sofley, Jr.  
Management Services Director



S. Wade Furches  
Finance Manager

# 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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



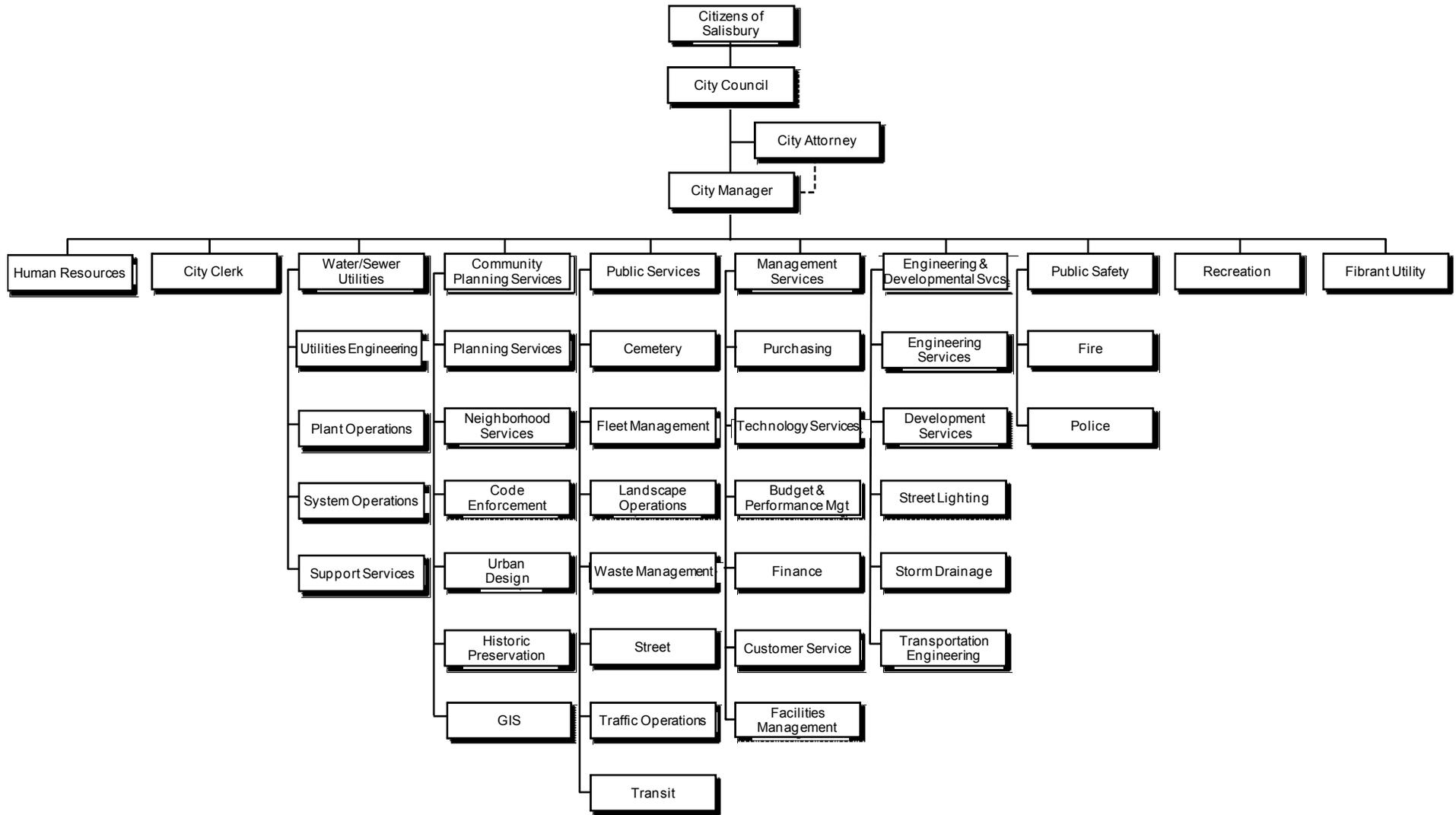
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# City of Salisbury Organizational Chart



**CITY OF SALISBURY**  
**LIST OF PRINCIPAL OFFICIALS**

June 30, 2010

Mayor	Susan W. Kluttz
Mayor Pro Tem	Margaret A. Blackwell
Council Member	Paul B. Woodson, Jr.
Council Member	William R. Kennedy
Council Member	William B. Miller
City Manager	David W. Treme
City Clerk	Myra B. Heard
Management Services Director	John A. Sofley, Jr.
Fire Chief	Robert A. Parnell
Engineering and Development Services Director	Daniel J. Mikkelson
Planning Director	Joseph C. Morris
Human Resources Director	Zack Kyle
Police Chief	Rory B. Collins
Public Services Director	Tony L. Cinquemani
Parks and Recreation Director	Gail Elder-White
Utilities Director	James D. Behmer
Interim Broadband Services Director	C. Michael Crowell
Interim Purchasing Agent	S. Wade Furches
Technology Services Manager	Randall A. Moran

## **FACTS AND INFORMATION ABOUT THE 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 50 degrees, with a low around 32 degrees. The total snowfall is normally about 6 inches each year. In the summer, the high averages about 87 degrees, with a low of 66 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 32,263 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. Davis, Daniel Boone, Lord Cornwallis, Richard Caswell and many other prominent local families as the Barkleys, Hoovers, and Polks, all ancestors of presidents or vice-presidents, appear time and again in the deeds and court minutes of the county.

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

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

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

### **GOVERNMENT**

The City of Salisbury's government is organized according to the Council-Manager form of government. The City Council, which formulates policy for the Administration of the City, together with the Mayor, constitutes the governing body of the City. The five (5) members are elected to serve two (2) year terms of office. The Mayor is elected from the five Council members. The Mayor presides at City Council meetings. Also, a Mayor Pro Tem is elected by City Council members to serve as Mayor during 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 nine staff departments: Management Services, Human Resources, Fire, Police, Land Management and Development, Public Services, Parks and Recreation, Public Utilities, and Broadband Services. The City provides a full range of municipal services allowable under State law including law enforcement, fire protection, zoning and code enforcement, recreation centers and parks, cemeteries, street maintenance, sanitation, and water and sewer systems.

### **UTILITIES**

Salisbury operates its own water and sewer system. The Yadkin River, which forms the northeast boundary of Rowan County, provides Salisbury with an abundant supply of good water. The average daily flow is nearly 2 billion gallons per day, and the minimum recorded one-day flow is 150 million gallons. The Salisbury water system, conventional in design and closely controlled, has a treatment capacity of 12 million gallons per day. Average daily production during fiscal year 2010 was 7.9 million gallons per day. The filter plant is designed for expansion as needed to 18 million gallons per day by adding pumping and settling capacity. An arterial system of distribution mains has been constructed to assure maximum fire protection to all parts of the city.

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

Salisbury's three 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 in 2006 was 12.5 million gallons.

The City will soon be offering cable television, high-speed internet, and digital telephone services through its Broadband Services Fund. Fibrant will "go live" in the fall of 2010.

Other utilities are provided by Duke Energy, Piedmont Natural Gas Company, Bellsouth Telephone, Windstream, and Time Warner Cable.

### **TRANSPORTATION**

Salisbury, nearly the geographic and population 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 3.5 million people live within 90 miles of Salisbury, 1.75 million within 55 miles and 60% of the population of the United States within an overnight truck haul. The seaports of Wilmington, Morehead City, Charleston, and Norfolk are less than a one-day truck haul away.

Rowan County 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 AirTran, American, Continental, Delta, United, and US Airways. There are also non-stop, international flight options available to Frankfurt, London, and San Juan, among other global destinations.

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

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

### **MOTELS**

An ideal area for meetings and conventions, Salisbury has fourteen (14) motels, with over 1,100 rooms, and two (2) bed and breakfast establishments in our historic district.

### **EDUCATION**

Salisbury is home to two (2) colleges and a technical school. Catawba College was founded in Newton, North Carolina in 1851, and moved to Salisbury in 1925. Catawba has thirty (30) buildings comprising a physical plant unsurpassed in the East for a college of this size and style. It has a total enrollment of 1,500 Liberal Arts students and is affiliated with the United Church of Christ.

Livingstone College was founded in 1879, and has 1,000 Liberal Arts students. It is supported by 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.

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. 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. Livingstone College also has a cultural series that brings artists to the community as well as an excellent drama group, The Julia B. Duncan Players.

The Piedmont Players, a community little theater 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 Theater, built in 1905, for their home. The Piedmont Players present five shows each season. In addition to these five shows, all second through fifth graders in the Rowan-Salisbury School System attend the Norvell Children's Theater, which opened in 2009, for an annual production that is cast entirely with children. Piedmont Players has received an award at the annual North Carolina Theatre Conference for having the best community theater in the state.

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. This center serves as a network for professional and local folk artists and presents classes, concerts, and other folk artist activities for the general public.

## **COMMUNITY FACILITIES**

Salisbury is served daily by The Salisbury Post. Four (4) radio stations provide for local programming. WBTV has a satellite newsroom located in Salisbury. Local reception provides coverage of all major networks in addition to cable television facilities.

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

The Salisbury Community Park and Athletic Complex opened in April 2001. Amenities at the 314 acre park include baseball/softball fields, soccer fields, picnic shelters, play structures and a nine-acre lake suitable for fishing and equipped with a handicap accessible pier.

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

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

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

## **SPECIAL EVENTS**

Each year, the Salisbury-Rowan Chamber of Commerce presents the National Sportscasters and Sportswriters Awards Program. The program has been a big success. The National Sportscasters and Sportswriters Awards Program has attracted national attention to the City. Each year nationally renowned sportscasters and sportswriters visit Salisbury to attend the annual awards program.



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

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

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Salisbury, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Salisbury's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of Downtown Salisbury, Inc. which represents 97 percent, 94 percent and 69 percent respectively, of the assets, net assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon 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 reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Downtown Salisbury, Inc. and Salisbury Tourism and Cultural Development Commission were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina, as of June 30, 2010, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2010, on our consideration of City of Salisbury's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Law Enforcement Officers' Special Separation Allowance, Schedule of Funding Progress, Schedule of Employer Contributions and related notes, and the Other Post-Employment Benefit schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Salisbury, North Carolina. The introductory information, combining and individual fund financial statements and other schedules and the statistical tables, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Martin Starnes & Associates, CPAs, P.A.  
November 22, 2010

## 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, 2010. 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 begin on page 33.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Salisbury's governmental and business-type activities exceeded its liabilities at the close of the fiscal year by \$133,766,693 (*net assets*).
- The government's total net assets decreased by \$423,086. The City's total assets increased by \$4,017,950, due primarily to the City's borrowing of \$6,000,000 to finance the construction of water and sewer facilities.
- As of the close of the current fiscal year, the City of Salisbury's governmental funds reported combined ending fund balances of \$9,290,469, a decrease of \$1,690,480 from the prior year, which is primarily due to spending \$1,657,037 of debt proceeds (borrowed in the previous fiscal year) on City facilities. Approximately 48 percent of the ending fund balance, or \$4,499,117, is available in the General Fund for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund of \$4,499,117 was 13.4 percent of total general fund expenditures and transfers for the fiscal year.
- The City of Salisbury's total long-term debt increased by \$1,292,207 or 1.4%, during the current fiscal year. As previously mentioned The City issued \$6 million of new debt, primarily for the purpose of constructing water and sewer facilities. The City did pay off \$4.9 million of previously existing debt.
- The City's general obligation bond ratings of "A+" was reaffirmed by Standard and Poor's in April 2010 and Moody's Investors Service reaffirmed "A1" in October 2008. In May, 2010, Fitch Ratings updated its ratings on the 1998A and 2002 Combined Enterprise System revenue bonds to "AA-" with a stable outlook. Also, in October 2008 the City's 2008 Certificates of Participation received ratings of "A3" from Moody's Investors Service and "A" from Standard and Poor's.

### 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 overall financial status, in a manner similar to a private-sector business.

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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary fund statements.

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

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

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets 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 and mass transit services offered by the City of Salisbury, as well as the City's new broadband services. The final category is the component unit. The City's component units, Downtown Salisbury, Inc. and the Salisbury Tourism and Cultural Development Commission, are important to the City because they serve to promote the City and its downtown. Although legally separate from the City, Downtown Salisbury Inc.'s and the Salisbury Tourism and Cultural Development Commission's revenues

consist largely of hotel occupancy taxes, municipal service district taxes, and supplemental appropriations from the City, all of which must be approved by City Council.

## **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 two categories: governmental funds and proprietary 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 Assets 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 activity, its new broadband services activity, and for its mass transit operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Salisbury. The City uses internal service funds to account for two activities – its self-insured health insurance and worker compensation insurance. Because most of the costs of these operations are attributable to governmental rather than business-type activities, the

internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds – The City is the trustee, or fiduciary for its Law Enforcement Officers’ Special Separation Allowance, its Boards and Commissions, the Municipal Service District, and the Town of East Spencer’s water and sewer operations. All of the City’s fiduciary activities are reported in the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 43 and 44. 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 45-68 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 71-74 of this report.

**THE CITY OF SALISBURY’S NET ASSETS**

Figure 1

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 14,587,554	\$ 16,233,061	\$ 30,633,843	\$ 43,811,358	\$ 45,221,397	\$ 60,044,419
Capital assets	46,616,820	45,238,267	146,305,209	128,842,790	192,922,029	174,081,057
<b>Total assets</b>	<b>\$ 61,204,374</b>	<b>\$ 61,471,328</b>	<b>\$ 176,939,052</b>	<b>\$ 172,654,148</b>	<b>\$ 238,143,426</b>	<b>\$ 234,125,476</b>
Long-term liabilities outstanding	\$ 11,904,092	\$ 12,357,877	\$ 83,779,239	\$ 80,872,294	\$ 95,683,331	\$ 93,230,171
Other liabilities	3,876,177	3,389,332	4,817,225	3,316,194	8,693,402	6,705,526
<b>Total liabilities</b>	<b>\$ 15,780,269</b>	<b>\$ 15,747,209</b>	<b>\$ 88,596,464</b>	<b>\$ 84,188,488</b>	<b>\$ 104,376,733</b>	<b>\$ 99,935,697</b>
Net assets:						
Invested in capital assets, net of related debt	\$ 38,831,003	\$ 37,816,471	\$ 76,682,748	\$ 75,728,506	\$ 115,513,751	\$ 113,544,977
Restricted	591,581	216,413	3,150,905	3,150,905	3,742,486	3,367,318
Unrestricted	6,001,521	7,691,235	8,508,935	9,586,249	14,510,456	17,277,484
<b>Total net assets</b>	<b>\$ 45,424,105</b>	<b>\$ 45,724,119</b>	<b>\$ 88,342,588</b>	<b>\$ 88,465,660</b>	<b>\$ 133,766,693</b>	<b>\$ 134,189,779</b>
<b>Total liabilities and net assets</b>	<b>\$ 61,204,374</b>	<b>\$ 61,471,328</b>	<b>\$ 176,939,052</b>	<b>\$ 172,654,148</b>	<b>\$ 238,143,426</b>	<b>\$ 234,125,476</b>

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of the City of Salisbury exceeded liabilities by \$133,766,693 as of June 30, 2010, a decrease of \$423,086 from the fiscal year ended June 30, 2009.

The largest portion of the City’s net assets (86.3%) reflects the City’s investment in capital assets (e.g. land, buildings, machinery, equipment, water and sewer treatment facilities, water and sewer lines, and

broadband lines), less any related debt still outstanding that was issued to acquire or build those items. The City of Salisbury uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of Salisbury's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Of the remaining net assets, \$14,510,456 (10.8%) 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 95.51%, which has decreased slightly, but not significantly, since last year.
- Increased property tax revenues of \$216,370 due to economic growth.
- Continued low cost of debt due to the City's excellent bond ratings.

**CITY OF SALISBURY CHANGES IN NET ASSETS**

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 5,616,137	\$ 5,872,091	\$ 21,462,812	\$ 20,844,012	\$ 27,078,949	\$ 26,716,103
Operating grants and contributions	2,507,060	1,710,521	509,046	507,040	3,016,106	2,217,561
Capital grants and contributions	759,641	986,905	-	722,209	759,641	1,709,114
General revenues:						
Property taxes	17,379,089	17,162,719	-	-	17,379,089	17,162,719
Other taxes	4,526,014	4,732,043	-	-	4,526,014	4,732,043
Intergovernmental revenue	3,494,579	3,251,711	-	-	3,494,579	3,251,711
Other	460,312	690,814	264,384	499,986	724,696	1,190,800
Total revenues	<u>\$ 34,742,832</u>	<u>\$ 34,406,804</u>	<u>\$ 22,236,242</u>	<u>\$ 22,573,247</u>	<u>\$ 56,979,074</u>	<u>\$ 56,980,051</u>
Expenses:						
General government	\$ 9,000,546	\$ 7,607,018	\$ -	\$ -	\$ 9,000,546	\$ 7,607,018
Public safety	12,781,599	12,600,709	-	-	12,781,599	12,600,709
Transportation	5,720,250	4,870,333	-	-	5,720,250	4,870,333
Environmental protection	1,903,354	2,459,565	-	-	1,903,354	2,459,565
Culture and recreation	2,977,724	2,934,389	-	-	2,977,724	2,934,389
Community and economic development	1,861,576	1,938,878	-	-	1,861,576	1,938,878
Education	42,342	42,342	-	-	42,342	42,342
Interest and feeson long-term debt	365,136	449,945	-	-	365,136	449,945
Water and sewer	-	-	20,703,446	19,961,739	20,703,446	19,961,739
Broadband Services	-	-	828,584	230,474	828,584	230,474
Mass transit	-	-	1,217,603	1,347,215	1,217,603	1,347,215
Total expenses	<u>\$ 34,652,527</u>	<u>\$ 32,903,179</u>	<u>\$ 22,749,633</u>	<u>\$ 21,539,428</u>	<u>\$ 57,402,160</u>	<u>\$ 54,442,607</u>
Change in net assets before transfers	\$ 90,305	\$ 1,503,625	\$ (513,391)	\$ 1,033,819	\$ (423,086)	\$ 2,537,444
Transfers	(390,319)	(453,381)	390,319	453,381	-	-
Change in net assets	\$ (300,014)	\$ 1,050,244	\$ (123,072)	\$ 1,487,200	\$ (423,086)	\$ 2,537,444
Net assets, July 1	45,724,119	44,673,875	88,465,660	86,978,460	134,189,779	131,652,335
Net assets, June 30	<u>\$ 45,424,105</u>	<u>\$ 45,724,119</u>	<u>\$ 88,342,588</u>	<u>\$ 88,465,660</u>	<u>\$ 133,766,693</u>	<u>\$ 134,189,779</u>

Governmental activities - Governmental activities decreased the City's net assets by \$300,014. As mentioned previously, this decrease is primarily attributable to spending \$1.6 million from its Capital Project Fund on the City's facilities. These capital outlays were partially offset by \$504,000 increase in infrastructure assets due to new development contributed by developers.

Business-type activities - Business-type activities decreased the City's net assets by \$123,072. The Water and Sewer Fund had a net income of \$761,067. The Mass Transit Fund had a loss of \$209,003, primarily due to the recognition of depreciation. The Broadband Services fund, still in the start up phase, had a net loss of \$675,136.

## **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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Salisbury. As of June 30, 2010, unreserved fund balance of the General Fund was \$4,499,117, while total fund balance for the General Fund was \$8,904,537. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13.4 percent of total General Fund expenditures and transfers, while total fund balance represents 26.5 percent of that same amount.

At June 30, 2010, the governmental funds of the City of Salisbury reported a combined fund balance of \$9,290,469, a 15 percent decrease from last year. As discussed earlier, the City borrowed \$2.3 million during the previous fiscal year to finance some needed facility renovations and improvements. During the fiscal year that ended June 30, 2010, the City spent over \$1.6 million of these debt proceeds on various facilities throughout the City.

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 \$505,519. The difference between the original budget and the final amended budget can be briefly summarized as follows:

- The City has been awarded over \$355,000 for various police grants that will be used to purchase equipment.
- The City received \$80,000 for various other donations and \$70,000 from insurance proceeds that were used to repair damaged City vehicles and facilities.

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, 2010. The City had not earned these funds because the related expenditures had not been made. Therefore, these unearned grants had no effect on the General Fund's change in fund balance, which decreased by \$36,094 during the fiscal year ended June 30, 2009.

### **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. Unrestricted net assets of the Proprietary Funds at the end of the fiscal year were to \$8,508,935. The total net assets of the Water and Sewer Fund increased by \$761,067, and the total net assets of the Mass Transit Fund decreased by \$209,003. The Broadband Services Fund has a net deficit of \$675,136. This fund is still in the start-up phase, and therefore is incurring expenses, but is not generating revenue. The Broadband Services Fund will begin providing services to customers in the fall of 2010.

### **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, 2010 totals \$192,922,029 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, water and sewer treatment facilities, and water and sewer lines. The City's capital assets in the governmental-type assets increased 3 percent, whereas capital assets in the business-type activities increased by 13.6 percent, primarily because of Construction in Progress in the Broadband Services Fund.

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

- Expenditures on the construction of water and sewer infrastructure totaling \$5,721,725. Almost all of these expenditures were incurred on projects that were still in progress as of the end of the fiscal year.
- Expenditures on the construction of the City's new broadband system were \$11,438,881. These expenditures are classified as Construction in Progress on the Statement of Net Assets.
- The City has spent \$5,209,299 on a new Customer Service Center which will house the City's new Broadband Services operations, the Business Office, and the Technology Services department. The facility will open in December 2010.
- General infrastructure taken over via contributions from developers included streets valued at \$504,000.
- Purchase of a new vehicles totaling \$1,156,551 in the General Fund, \$229,405 in the Water and Sewer Fund, and \$208,617 in the Broadband Services Fund. The General Fund vehicles included ten police cars and a new fire truck.

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

Figure 3

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Land	\$ 7,736,361	\$ 7,736,361	\$ 2,072,067	\$ 2,072,067	\$ 9,808,428	\$ 9,808,428
Construction in progress	1,423,656	899,246	37,020,685	16,042,752	38,444,341	16,941,998
Buildings	7,123,562	7,366,051	11,889,987	12,366,260	19,013,549	19,732,311
Improvements other than buildings	7,453,445	6,005,797	-	-	7,453,445	6,005,797
Equipment	1,122,591	961,502	638,452	482,258	1,761,043	1,443,760
Vehicles and motorized equipment	2,970,849	2,702,414	1,617,235	1,516,499	4,588,084	4,218,913
Infrastructure	18,786,356	19,566,896	93,066,783	96,362,954	111,853,139	115,929,850
<b>Total</b>	<b>\$ 46,616,820</b>	<b>\$ 45,238,267</b>	<b>\$ 146,305,209</b>	<b>\$ 128,842,790</b>	<b>\$ 192,922,029</b>	<b>\$ 174,081,057</b>

Additional information on the City's capital assets can be found in note 2.A.4. of the Basic Financial Statements.

Long-term Debt - As of June 30, 2010, the City of Salisbury had total long-term debt outstanding of \$91,173,917 (not including compensated absences and other postemployment benefits). Of this, \$7,017,062 is general obligation debt backed by the full faith and credit of the City and \$35,261,442 represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The City owes \$38,751,015 on various installment purchases, including \$32 million borrowed to finance the City's new Broadband Services utility.

**CITY OF SALISBURY'S OUTSTANDING DEBT**

(not including compensated absences or postemployment benefits)

Figure 4

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
General obligation bonds	\$ 1,275,000	\$ 1,475,000	\$ 5,742,062	\$ 6,888,474	\$ 7,017,062	\$ 8,363,474
Revenue bonds	-	-	35,261,442	30,448,803	35,261,442	30,448,803
State bond loans	-	-	8,007,542	8,890,048	8,007,542	8,890,048
Capital leases	-	-	1,732,856	2,007,264	1,732,856	2,007,264
Installment purchases	6,698,398	7,762,840	32,052,617	31,973,281	38,751,015	39,736,121
HUD Section 108 loan	404,000	436,000	-	-	404,000	436,000
<b>Total</b>	<b>\$ 8,377,398</b>	<b>\$ 9,673,840</b>	<b>\$ 82,796,519</b>	<b>\$ 80,207,870</b>	<b>\$ 91,173,917</b>	<b>\$ 89,881,710</b>

The City of Salisbury's total outstanding debt increased by \$1,292,207 (1.4 percent) during the past fiscal year. The City issued \$6 million in revenue bonds that are being used to construct water and sewer

infrastructure. The City did pay down its outstanding debt by paying \$4,906,706 in principal payments during the fiscal year.

As mentioned in the financial highlights section of this document, the City of Salisbury maintained its A1 bond rating from Moody's Investor Service and A+ rating from Standard and Poor's Corporation and AA- from Fitch Ratings. These bond ratings are a clear indication of the sound financial condition of the City of Salisbury. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Salisbury is \$186,200,565.

Additional information regarding the City of Salisbury's long-term debt can be found in Note 2.B.6 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following key indicators show that while Salisbury, like the rest of the nation, continues to be in period of severe economic slowdown, some improvement is evident.

- Average unemployment in Salisbury for the fiscal year ended June 30, 2010, was 12.7%, which is up from the 10.3% unemployment of the fiscal year ended June 30, 2009. The average unemployment rate for the State of North Carolina for the past fiscal year was 10.8%, which is up from 8.86% for the previous fiscal year.
- Despite the fact that unemployment remains high, retail sales in Rowan County were strong in fiscal year ended June 30, 2010. The County's sales subject to North Carolina sales taxes increased over \$30 million (4.1%) from the previous year to \$769,698,387. 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.
- Home sales in Rowan County continued to fall during the past fiscal year. The number of homes sold dropped 15.1% during the past fiscal year and have fallen 52.7% over the past three fiscal years. The average sales price for homes actually increased by 1.3% in the past year, but still show a 4.4% decrease over the past four years.
- The total number of building permits issued decreased by 14.8% from the prior fiscal year and the total value of permits issued decreased from \$74 million to \$57 million, a 23% drop.
- On the bright side, The occupancy rates for first floor office and retail space in the City's downtown area continues to be approximately 90% and redevelopment activity in the downtown is strong.

### **BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

#### **Governmental Activities**

General Fund – The City expects that revenues for the fiscal year ending June 30, 2011 will increase about 4.5 percent, or \$1.5 million, over the prior fiscal year to \$35 million. The City expects revenue from property tax collections to increase \$350,000 (2%) due to an increasing tax base. Salisbury's property tax rates remain unchanged from FY10. Collections of local sales tax revenues are not expected

to increase due to the continued economic slowdown. The City also anticipates borrowing almost \$1 million to finance the purchase of a new fire truck and other equipment.

Expenditures in the General Fund are also expected to rise approximately 4.5 percent. Personnel costs will increase due to mandated increases in health insurance cost, workers compensation, and contributions to the Local Government Retirement System. In trying to adopt a responsible budget, no merit raises for City employees were budgeted for the second consecutive year and City Council has temporarily frozen some vacant positions. City Council did, however, approve a one-time bonus averaging \$500 per employee to recognize their outstanding performance, commitment, and customer service. As mentioned previously, the City will open the new Salisbury Customer Service Center in upcoming fiscal year, which will increase operational costs such as utilities, maintenance, and insurance.

### **Business – Type Activities**

Water and Sewer Fund - The water and sewer rates in the City will increase by 5.57%. Amidst continued economic concerns and higher operating costs, the City has strived to maximize resources to meet the difficult task of stabilizing water and sewer rates. As with the General Fund, there will be no merit raises given to employees in FY10, but personnel cost will increase due to the added fringe benefit costs. Operating expenses, including increasing fuel, gas, and electric costs and the costly repairs of our aging infrastructure, will account for the majority of the rate increase. In the new fiscal year the City and Rowan County will complete a 6-mile sewer line project along Interstate 85 from Salisbury to southern Rowan County through a jointly-funded \$7 million project. This project is expected to stimulate growth and economic development in Rowan County's primary growth corridor. The Water and Sewer Fund will not issue any new debt, but will be re-financing some existing revenue bonds. This refunding will save the City over \$1 million over the next sixteen years.

Broadband Services Fund – As previously mentioned, the City will soon launch a brand new enterprise –a Fiber to the Home system which will ensure that leading-edge communications and entertainment services will be available to our residents and businesses. The City is nearing completion of the installation of fiber optic system. The new enterprise will be housed in the new Customer Service Center. The Broadband Services Fund has been incurring personnel and other operating costs as the City prepares for the launch of its new system.

Mass Transit Fund – Ridership of the City's buses is increasing due to the cost of individual transportation. The City continues to explore new ways and new routes to enhance the level of service provided. The Mass Transit Fund's budget will remain about the same as the FY10 budget, with no major increases, except for increase personnel costs. The City's annual General Fund contribution to the Mass Transit Fund will remain at \$390,319.

### **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 Management Services Director, City of Salisbury, 132 North Main Street, Salisbury, NC 28144.

A-1  
**CITY OF SALISBURY, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Salisbury, Inc.	Salisbury Tourism and Cultural Development Commission
<u>ASSETS</u>					
Cash and cash equivalents	\$ 9,047,274	\$ 13,132,335	\$ 22,179,609	\$ 18,439	\$ 86,802
Taxes receivables (net)	1,078,457	-	1,078,457	-	-
Accrued interest receivable on taxes	110,300	-	110,300	-	-
Accounts receivable (net)	741,522	3,618,863	4,360,385	14,597	-
Interest receivable	29,459	36,714	66,173	-	-
Due from other governments	2,596,672	302,362	2,899,034	-	-
Inventories	312,560	369,511	682,071	-	-
Prepaid items	38,579	-	38,579	-	-
Advance funding of pension obligation	41,150	-	41,150	-	-
Real estate held for investment	-	-	-	2,428,274	-
Restricted assets:					
Cash and cash equivalents	591,581	13,174,058	13,765,639	24,998	-
Capital assets					
Land, improvements, and construction in progress	9,160,017	39,092,752	48,252,769	-	-
Other capital assets, net of depreciation	37,456,803	107,212,457	144,669,260	17,848	-
Total assets	<u>\$ 61,204,374</u>	<u>\$ 176,939,052</u>	<u>\$ 238,143,426</u>	<u>\$ 2,504,156</u>	<u>\$ 86,802</u>
<u>LIABILITIES</u>					
Accounts payable and accrued expenses	\$ 3,496,175	\$ 1,419,153	\$ 4,915,328	\$ -	\$ -
Unearned revenue	317,135	-	317,135	2,500	-
Accrued interest payable	62,867	1,152,119	1,214,986	15,993	-
Customer deposits	-	554,299	554,299	-	-
Liabilities to be paid from restricted assets	-	1,691,654	1,691,654	-	-
Long-term liabilities:					
Due within one year	1,405,837	3,983,810	5,389,647	3,156	-
Due in more than one year	10,498,255	79,795,429	90,293,684	1,212,891	-
Total liabilities	<u>\$ 15,780,269</u>	<u>\$ 88,596,464</u>	<u>\$ 104,376,733</u>	<u>\$ 1,234,540</u>	<u>\$ -</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	\$ 38,831,003	\$ 76,682,748	\$ 115,513,751	\$ 9,099	\$ -
Restricted for:					
Debt service	216,413	3,150,905	3,367,318	-	-
Capital projects	375,168	-	375,168	24,998	-
Unrestricted	6,001,521	8,508,935	14,510,456	1,235,519	86,802
Total net assets	<u>\$ 45,424,105</u>	<u>\$ 88,342,588</u>	<u>\$ 133,766,693</u>	<u>\$ 1,269,616</u>	<u>\$ 86,802</u>

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

**CITY OF SALISBURY, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2010**

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 9,000,546	\$ 3,543,676	\$ -	\$ -
Public safety	12,781,599	433,727	773,849	-
Transportation	5,720,250	129,223	1,168,610	759,641
Environmental protection	1,903,354	1,221,279	2,353	-
Culture and recreation	2,977,724	153,833	65,260	-
Community and economic development	1,861,576	134,399	496,988	-
Education	42,342	-	-	-
Interest and fees on long-term debt	365,136	-	-	-
Total governmental activities	\$ 34,652,527	\$ 5,616,137	\$ 2,507,060	\$ 759,641
Business-type activities:				
Water and Sewer	\$ 20,703,446	\$ 21,353,577	\$ -	\$ -
Broadband Services	828,584	-	-	-
Mass Transit	1,217,603	109,235	509,046	-
Total business-type activities	\$ 22,749,633	\$ 21,462,812	\$ 509,046	\$ -
Total primary government	\$ 57,402,160	\$ 27,078,949	\$ 3,016,106	\$ 759,641
Component units:				
Downtown Salisbury, Inc.	\$ 487,073	\$ 28,387	\$ 98,500	\$ 125,218
Salisbury Tourism and Cultural Development Commission	85,159	171,961	-	-
Total Component Units	\$ 572,232	\$ 200,348	\$ 98,500	\$ 125,218
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Sales and other taxes				
Unrestricted intergovernmental revenues				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets-beginning				
Net assets-ending				

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

**Net (Expense) Revenue and Changes in Net Assets**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total Primary Government	Downtown Salisbury, Inc.	Salisbury Tourism and Cultural Development Commission
\$ (5,456,870)	\$ -	\$ (5,456,870)	\$ -	\$ -
(11,574,023)	-	(11,574,023)	-	-
(3,662,776)	-	(3,662,776)	-	-
(679,722)	-	(679,722)	-	-
(2,758,631)	-	(2,758,631)	-	-
(1,230,189)	-	(1,230,189)	-	-
(42,342)	-	(42,342)	-	-
(365,136)	-	(365,136)	-	-
<u>\$ (25,769,689)</u>	<u>\$ -</u>	<u>\$ (25,769,689)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 650,131	\$ 650,131	\$ -	\$ -
-	(828,584)	(828,584)	-	-
-	(599,322)	(599,322)	-	-
<u>\$ -</u>	<u>\$ (777,775)</u>	<u>\$ (777,775)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (25,769,689)</u>	<u>\$ (777,775)</u>	<u>\$ (26,547,464)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (234,968)	
-	-	-	-	86,802
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (234,968)</u>	<u>\$ 86,802</u>
\$ 17,379,089	\$ -	\$ 17,379,089	\$ 129,368	\$ -
4,526,014	-	4,526,014	-	-
3,494,579	-	3,494,579	-	-
109,254	264,384	373,638	-	-
351,058	-	351,058	5,095	-
<u>\$ 25,859,994</u>	<u>\$ 264,384</u>	<u>\$ 26,124,378</u>	<u>\$ 134,463</u>	<u>\$ -</u>
(390,319)	390,319	-	-	-
<u>\$ 25,469,675</u>	<u>\$ 654,703</u>	<u>\$ 26,124,378</u>	<u>\$ 134,463</u>	<u>\$ -</u>
\$ (300,014)	\$ (123,072)	\$ (423,086)	\$ (100,505)	\$ 86,802
45,724,119	88,465,660	134,189,779	1,370,121	-
<u>\$ 45,424,105</u>	<u>\$ 88,342,588</u>	<u>\$ 133,766,693</u>	<u>\$ 1,269,616</u>	<u>\$ 86,802</u>

A-3  
**CITY OF SALISBURY, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2010**

<u>ASSETS</u>	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Government Funds</u>
Cash and cash equivalents	\$ 7,592,301	\$ 630,736	\$ 8,223,037
Taxes receivable, net	1,078,457	-	1,078,457
Accounts receivable	739,951	1,571	741,522
Interest receivable	26,751	-	26,751
Due from other governments	2,559,648	37,016	2,596,664
Due from other fund	23,000	-	23,000
Inventories	312,560	-	312,560
Prepaid items	38,579	-	38,579
Restricted cash and investments	216,413	375,168	591,581
Total assets	<u>\$ 12,587,660</u>	<u>\$ 1,044,491</u>	<u>\$ 13,632,151</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,287,531	\$ 635,559	\$ 2,923,090
Due to other fund	-	23,000	23,000
Deferred revenue	1,395,592	-	1,395,592
Total liabilities	<u>\$ 3,683,123</u>	<u>\$ 658,559</u>	<u>\$ 4,341,682</u>
Fund balances:			
Reserved for:			
Encumbrances	\$ 488,518	\$ -	\$ 488,518
Inventories	312,560	-	312,560
Debt Service	216,413	-	216,413
Prepaid items	38,579	-	801,078
State statute	3,349,350	31,427	3,380,777
Unreserved, reported in:			
General Fund	4,499,117	-	4,499,117
Capital Projects Fund	-	382,328	382,328
Special Revenue Fund	-	(27,823)	(27,823)
Total fund balances	<u>\$ 8,904,537</u>	<u>\$ 385,932</u>	<u>\$ 9,290,469</u>
Total liabilities and fund balances	<u>\$ 12,587,660</u>	<u>\$ 1,044,491</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	46,616,820
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Accrued interest receivable from taxes	110,300
Intangible asset - advance funding of pension obligation	41,150
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 assets.	253,868
Liabilities for earned but deferred revenues in fund statements.	1,078,457
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds:	
Long-term debt	(8,377,398)
Accrued interest on long-term debt	(62,867)
Other postemployment benefits	(1,536,571)
Accrued compensated absences	(1,990,123)
Net assets of governmental activities	<u>\$ 45,424,105</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, 2010**

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 17,121,590	\$ -	\$ 17,121,590
Unrestricted intergovernmental	8,020,593	-	8,020,593
Restricted intergovernmental	2,238,231	378,595	2,616,826
Charges for services	5,616,137	-	5,616,137
Miscellaneous	552,814	42,585	595,399
Total revenues	<u>\$ 33,549,365</u>	<u>\$ 421,180</u>	<u>\$ 33,970,545</u>
<b>EXPENDITURES</b>			
Current:			
General government	\$ 7,517,267	\$ 1,691,556	\$ 9,208,823
Public safety	12,636,120	18,695	12,654,815
Transportation	4,707,230	22,341	4,729,571
Environmental protection	1,804,449	-	1,804,449
Culture and recreation	2,814,908	-	2,814,908
Community and economic development	2,049,220	289,875	2,339,095
Education	42,342	-	42,342
Debt service:			
Principal	1,264,442	32,000	1,296,442
Interest	359,162	21,099	380,261
Total expenditures	<u>\$ 33,195,140</u>	<u>\$ 2,075,566</u>	<u>\$ 35,270,706</u>
Surplus (deficiency) of revenues over expenditures	<u>\$ 354,225</u>	<u>\$ (1,654,386)</u>	<u>\$ (1,300,161)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from (to) other funds	<u>\$ (390,319)</u>	<u>\$ -</u>	<u>\$ (390,319)</u>
Total other financing sources	<u>\$ (390,319)</u>	<u>\$ -</u>	<u>\$ (390,319)</u>
Net change in fund balance	\$ (36,094)	\$ (1,654,386)	\$ (1,690,480)
Fund balances-beginning	<u>8,940,631</u>	<u>2,040,318</u>	<u>10,980,949</u>
Fund balances-ending	<u>\$ 8,904,537</u>	<u>\$ 385,932</u>	<u>\$ 9,290,469</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, 2010**

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

Net changes in fund balances - total governmental funds		\$ (1,690,480)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in deferred revenue for property tax revenues	\$ 224,399	
Changes in accrued interest receivable on taxes	33,100	
Changes in advance funding of pension obligation	<u>(936)</u>	256,563
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay expenditures which were capitalized	\$ 3,772,963	
Depreciation expense for governmental assets	<u>(2,876,291)</u>	896,672
Loss on disposition of asset		(22,119)
Infrastructure contributed by developers is considered a capital contribution for the statements of activities.		504,000
Net revenue (loss) of Internal Service Funds determined to be Governmental Fund Type		(713,560)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.		
Principal payments on long-term debt		1,296,442
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	\$ (86,423)	
Change in OPEB liability	(756,234)	
Change in accrued interest payable	<u>15,125</u>	<u>(827,532)</u>
Total changes in net assets of governmental activities		<u>\$ (300,014)</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, 2010**

	<b>General Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues:				
Taxes	\$ 17,341,879	\$ 17,341,879	\$ 17,121,590	\$ (220,289)
Unrestricted intergovernmental	8,329,628	8,329,628	8,020,593	(309,035)
Restricted intergovernmental	3,279,348	3,618,949	2,238,231	(1,380,718)
Charges for services	5,856,626	5,856,626	5,616,137	(240,489)
Miscellaneous	659,186	809,467	552,814	(256,653)
Total revenues	<u>\$ 35,466,667</u>	<u>\$ 35,956,549</u>	<u>\$ 33,549,365</u>	<u>\$ (2,407,184)</u>
Expenditures:				
Current:				
General government	\$ 7,909,181	\$ 8,113,951	\$ 7,517,267	\$ 596,684
Public safety	12,882,251	13,257,451	12,636,120	621,331
Transportation	6,422,586	6,262,338	4,707,230	1,555,108
Environmental protection	1,991,394	2,055,348	1,804,449	250,899
Cultural and recreation	3,061,808	3,015,051	2,814,908	200,143
Community and economic development	2,002,540	2,071,140	2,049,220	21,920
Education	42,342	42,342	42,342	-
Debt service:				
Principal retirement	1,264,442	1,264,442	1,264,442	-
Interest and other charges	359,179	359,179	359,162	17
Total expenditures	<u>\$ 35,935,723</u>	<u>\$ 36,441,242</u>	<u>\$ 33,195,140</u>	<u>\$ 3,246,102</u>
Surplus (deficiency) of revenues over expenditures	<u>\$ (469,056)</u>	<u>\$ (484,693)</u>	<u>\$ 354,225</u>	<u>\$ 838,918</u>
Other financing sources (uses):				
Transfers to other funds	\$ (390,319)	\$ (390,319)	\$ (390,319)	\$ -
Fund balance appropriated	859,375	875,012	-	(875,012)
Total other financing sources (uses)	<u>\$ 469,056</u>	<u>\$ 484,693</u>	<u>\$ (390,319)</u>	<u>\$ (875,012)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,094)</u>	<u>\$ (36,094)</u>
Fund balances, beginning of year			<u>8,940,631</u>	
Fund balances, end of year			<u>\$ 8,904,537</u>	

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

## CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2010

	Enterprise Funds				Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Transit Fund	Total	Internal Service Funds
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 12,123,784	\$ 954,316	\$ 54,235	\$ 13,132,335	\$ 824,237
Accounts receivable (net)	3,618,100	-	763	3,618,863	-
Interest receivable	36,714	-	-	36,714	2,708
Due from other governments	183,234	73,015	46,113	302,362	8
Prepaid items	-	-	-	-	-
Inventories	362,153	-	7,358	369,511	-
Restricted assets:					
Cash and cash equivalents	<u>1,089,167</u>	<u>12,084,891</u>	<u>-</u>	<u>13,174,058</u>	<u>-</u>
Total current assets	<u>\$ 17,413,152</u>	<u>\$ 13,112,222</u>	<u>\$ 108,469</u>	<u>\$ 30,633,843</u>	<u>\$ 826,953</u>
Noncurrent assets:					
Capital assets:					
Land	\$ 2,072,067	\$ -	\$ -	\$ 2,072,067	\$ -
Buildings and improvements	164,215,742	-	467,924	164,683,666	-
Equipment	6,701,306	280,764	2,002,436	8,984,506	-
Construction in progress	17,127,257	19,893,428	-	37,020,685	-
Accumulated depreciation	<u>(64,585,499)</u>	<u>(17,502)</u>	<u>(1,852,714)</u>	<u>(66,455,715)</u>	<u>-</u>
Total noncurrent assets	<u>\$ 125,530,873</u>	<u>\$ 20,156,690</u>	<u>\$ 617,646</u>	<u>\$ 146,305,209</u>	<u>\$ -</u>
Total assets	<u>\$ 142,944,025</u>	<u>\$ 33,268,912</u>	<u>\$ 726,115</u>	<u>\$ 176,939,052</u>	<u>\$ 826,953</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,307,614	\$ 57,117	\$ 54,422	\$ 1,419,153	\$ 573,085
Liabilities payable from restricted assets	478,000	1,213,654	-	1,691,654	-
Interest payable	550,436	601,683	-	1,152,119	-
Bonds, notes, and loans payable	3,936,579	-	-	3,936,579	-
Compensated absences	38,801	3,100	5,330	47,231	-
Customer deposits	<u>554,299</u>	<u>-</u>	<u>-</u>	<u>554,299</u>	<u>-</u>
Total current liabilities	<u>\$ 6,865,729</u>	<u>\$ 1,875,554</u>	<u>\$ 59,752</u>	<u>\$ 8,801,035</u>	<u>\$ 573,085</u>
Noncurrent liabilities:					
Bonds, notes, and loans payable	\$ 46,807,323	\$ 32,052,617	\$ -	\$ 78,859,940	\$ -
Other postemployment benefits	435,775	30,006	44,630	510,411	-
Compensated absences	<u>349,209</u>	<u>27,902</u>	<u>47,967</u>	<u>425,078</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 47,592,307</u>	<u>\$ 32,110,525</u>	<u>\$ 92,597</u>	<u>\$ 79,795,429</u>	<u>\$ -</u>
Total liabilities	<u>\$ 54,458,036</u>	<u>\$ 33,986,079</u>	<u>\$ 152,349</u>	<u>\$ 88,596,464</u>	<u>\$ 573,085</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	\$ 75,876,138	\$ 188,964	\$ 617,646	\$ 76,682,748	\$ -
Restricted for debt service	-	3,150,905	-	3,150,905	-
Unrestricted	<u>12,609,851</u>	<u>(4,057,036)</u>	<u>(43,880)</u>	<u>8,508,935</u>	<u>253,868</u>
Total net assets	<u>\$ 88,485,989</u>	<u>\$ (717,167)</u>	<u>\$ 573,766</u>	<u>\$ 88,342,588</u>	<u>\$ 253,868</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 ASSETS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	Enterprise Funds				Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Transit Fund	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 19,450,920	\$ -	\$ 93,711	\$ 19,544,631	\$ 4,011,808
Water and sewer taps	278,774	-	-	278,774	-
Other operating revenues	1,623,883	-	15,524	1,639,407	-
Total operating revenues	<u>\$ 21,353,577</u>	<u>\$ -</u>	<u>\$ 109,235</u>	<u>\$ 21,462,812</u>	<u>\$ 4,011,808</u>
OPERATING EXPENSES					
Management and administration	\$ 4,105,131	\$ 278,795	\$ 322,122	\$ 4,706,048	\$ 4,736,156
Water resources	1,886,501	-	-	1,886,501	-
Maintenance and construction	4,928,537	-	-	4,928,537	-
Wastewater collection and treatment	2,587,131	-	-	2,587,131	-
Environmental services	695,962	-	-	695,962	-
Broadband sales and marketing	-	110,861	-	110,861	-
Broadband programming	-	35,528	-	35,528	-
Broadband services	-	235,413	-	235,413	-
Broadband service delivery	-	72,865	-	72,865	-
Mass transit operations	-	-	706,167	706,167	-
Depreciation	4,235,946	15,786	189,314	4,441,046	-
Total operating expenses	<u>\$ 18,439,208</u>	<u>\$ 749,248</u>	<u>\$ 1,217,603</u>	<u>\$ 20,406,059</u>	<u>\$ 4,736,156</u>
Operating income (loss)	<u>\$ 2,914,369</u>	<u>\$ (749,248)</u>	<u>\$ (1,108,368)</u>	<u>\$ 1,056,753</u>	<u>\$ (724,348)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	\$ 110,936	\$ 153,448	\$ -	\$ 264,384	\$ 10,788
Interest expense	(2,144,662)	(79,336)	-	(2,223,998)	-
Bond issuance costs	(119,576)	-	-	(119,576)	-
Intergovernmental revenues	-	-	509,046	509,046	-
Total nonoperating revenue (expenses)	<u>\$ (2,153,302)</u>	<u>\$ 74,112</u>	<u>\$ 509,046</u>	<u>\$ (1,570,144)</u>	<u>\$ 10,788</u>
Income (loss) before transfers	\$ 761,067	\$ (675,136)	\$ (599,322)	\$ (513,391)	\$ (713,560)
Transfers from other funds	-	-	390,319	390,319	-
Change in net assets	\$ 761,067	\$ (675,136)	\$ (209,003)	\$ (123,072)	\$ (713,560)
Total net assets - beginning	<u>87,724,922</u>	<u>(42,031)</u>	<u>782,769</u>	<u>88,465,660</u>	<u>967,428</u>
Total net assets - ending	<u>\$ 88,485,989</u>	<u>\$ (717,167)</u>	<u>\$ 573,766</u>	<u>\$ 88,342,588</u>	<u>\$ 253,868</u>

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

A-9  
**CITY OF SALISBURY, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2010**

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Transit Fund	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 19,405,580	\$ -	\$ 94,470	\$ 19,500,050	\$ -
Cash received from interfund services provided	-	-	-	-	4,011,808
Cash paid for goods and services	(8,782,674)	(299,796)	(423,713)	(9,506,183)	(4,792,800)
Cash paid to or on behalf of employees for services	(4,728,213)	(367,850)	(574,195)	(5,670,258)	-
Customer deposits received	210,770	-	-	210,770	-
Customer deposits returned	(198,004)	-	-	(198,004)	-
Other receipts	1,623,883	-	15,524	1,639,407	-
Net cash provided (used) by operating activities	<u>\$ 7,531,342</u>	<u>\$ (667,646)</u>	<u>\$ (887,914)</u>	<u>\$ 5,975,782</u>	<u>\$ (780,992)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	\$ -	\$ -	\$ 390,319	\$ 390,319	\$ -
Intergovernmental revenues	-	-	486,480	486,480	-
Total cash flows provided by noncapital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 876,799</u>	<u>\$ 876,799</u>	<u>\$ -</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	\$ (6,917,038)	\$ (14,180,380)	\$ -	\$ (21,097,418)	\$ -
Principal paid on bond maturities and equipment contracts	(3,610,265)	-	-	(3,610,265)	-
Interest paid on bond maturities and equipment contracts	(2,090,782)	-	-	(2,090,782)	-
Proceeds from sale of revenue bonds	6,000,000	-	-	6,000,000	-
Net cash provided (used) by capital and related financing activities	<u>\$ (6,618,085)</u>	<u>\$ (14,180,380)</u>	<u>\$ -</u>	<u>\$ (20,798,465)</u>	<u>\$ -</u>
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>					
Investment earnings	\$ 111,139	\$ 153,448	\$ -	\$ 264,587	\$ 13,152
Net increase (decrease) in cash and cash equivalents	\$ 1,024,396	\$ (14,694,578)	\$ (11,115)	\$ (13,681,297)	\$ (767,840)
Balances-beginning of the year	12,188,555	27,733,785	65,350	39,987,690	1,592,077
Balances-end of the year	<u>\$ 13,212,951</u>	<u>\$ 13,039,207</u>	<u>\$ 54,235</u>	<u>\$ 26,306,393</u>	<u>\$ 824,237</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 2,914,369	\$ (749,248)	\$ (1,108,368)	\$ 1,056,753	\$ (724,348)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>					
Depreciation	\$ 4,235,946	\$ 15,786	\$ 189,314	\$ 4,441,046	\$ -
<b>Changes in current assets and liabilities:</b>					
(Increase) decrease in accounts receivable	(324,114)	-	759	(323,355)	-
(Increase) decrease in inventory	(39,085)	-	4,116	(34,969)	-
(Increase) decrease in due from other governments	(26,513)	(2,626)	1,552	(27,587)	(8)
(Increase) decrease in prepaid items	-	-	-	-	47,803
Increase (decrease) in accounts payable and accrued liabilities	505,642	30,485	(3,295)	532,832	(104,439)
Increase (decrease) in compensated absences payable	30,141	12,943	5,344	48,428	-
Increase (decrease) in accrued OPEB liability	222,190	25,014	22,664	269,868	-
Increase (decrease) in customer deposits	12,766	-	-	12,766	-
Total adjustments	<u>\$ 4,616,973</u>	<u>\$ 81,602</u>	<u>\$ 220,454</u>	<u>\$ 4,919,029</u>	<u>\$ (56,644)</u>
Net cash provided (used) by operating activities	<u>\$ 7,531,342</u>	<u>\$ (667,646)</u>	<u>\$ (887,914)</u>	<u>\$ 5,975,782</u>	<u>\$ (780,992)</u>

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

**CITY OF SALISBURY, NORTH CAROLINA**  
**COMBINING STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2010**

	<b>Fiduciary Funds</b>	
	<b>Pension Trust</b>	
	<b>Fund</b>	<b>Agency Funds</b>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 978,004	\$ 127,196
Accounts receivable	-	138,780
Interest receivable	3,059	-
Total assets	\$ 981,063	\$ 265,976
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ -	\$ 265,976
Total liabilities	\$ -	\$ 265,976
<u>NET ASSETS</u>		
Held in trust for participants	\$ 981,063	\$ -

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

**CITY OF SALISBURY, NORTH CAROLINA**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**PENSION TRUST FUND**  
**For the Year Ended June 30, 2010**

Additions:	
Employer contributions	\$ 109,807
Investment earnings	<u>8,818</u>
Total additions	<u>\$ 118,625</u>
Deductions:	
Retirement payments	<u>\$ 128,129</u>
Total deductions	<u>\$ 128,129</u>
Net increase	\$ (9,504)
Net assets, beginning of year	<u>990,567</u>
Net assets, end of year	<u><u>\$ 981,063</u></u>

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

# CITY OF SALISBURY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### 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 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 Units

Downtown Salisbury, Inc. was created to serve the interests of merchants and property owners in the downtown Salisbury area. Eight board members, one of whom is appointed by the City Council, govern the Corporation. The Corporation's revenue sources are almost entirely dependent on the City Council's approval of a municipal service district tax levy and a supplemental appropriation as part of the annual budget process. Complete financial statements for the component unit may be obtained from the unit's administrative offices at Downtown Salisbury, Inc., 100 West Innes Street Suite 300, Salisbury, NC 28144.

The Salisbury Tourism and Cultural Development Commission was created to market Salisbury and promote tourism and cultural development. Nine board members, all of whom are appointed by the City Council, govern the Commission. The Commission's revenue sources are entirely dependent on the City Council's approval of a hotel occupancy tax. Complete financial statements for the component unit may be obtained from the unit's administrative offices at the City of Salisbury, 132 North Main Street, Salisbury, NC 28144.

#### Related Organization

The Housing Authority of Salisbury's governing board is appointed entirely by the City's Mayor. However, the City has no further accountability for the Housing Authority's operations.

#### B. Basis of Presentation

Government-wide Statements – The statement of net assets and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

Special Revenue 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.

Capital Projects Fund - Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds). North Carolina General Statutes require the establishment of a capital project fund to account for the proceeds of each bond order or order authorizing any debt instrument and for all other resources used for the 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, Broadband Services Fund – used to account for the City’s broadband operations, and the 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.).

Fiduciary and Agency Funds – Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets which are reported using accounting principles similar to proprietary funds. The City’s fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust fund and agency). Since by definition these assets are being held for the benefit of third parties and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City’s Fiduciary Funds consist of one Pension Trust Fund and four Agency Funds. The Pension Trust Fund is used to account for the Law Enforcement Officers’ Separation Allowance, a single-employer public employee retirement system for the City’s law enforcement officers. The Agency Funds are the Boards and Commissions Fund, the Municipal Service District Fund, the Town of East Spencer Utilities Fund, and the Tourism and Cultural Development Commission Fund.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the Agency Funds which have no measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Rowan County is responsible for billing and collecting the property taxes on registered vehicles on behalf of all municipalities and special tax districts in the county, including the City of Salisbury. For motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Rowan County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred 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 assets available to finance the program. It is the

## NOTES TO THE FINANCIAL STATEMENTS

City's policy to first apply general revenues, followed by categorical block grants, and then by cost-reimbursement grants.

As permitted by accounting principles generally accepted in the United States of America, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its general government and enterprise funds.

### D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance 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 Project Fund and Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. These appropriations continue until the project is completed. 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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the City Council. During the year, several 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 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 its component units to invest in obligations of the United States or obligations fully guaranteed, both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and its component units' investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

The City's and its component units' investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

#### 2. Cash and Cash Equivalents

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

#### 3. Restricted Assets

The unexpended debt proceeds and related interest earnings of the Capital Projects Funds are classified as restricted assets in the Statement of Net Assets because their use is completely restricted for the purpose for which the debt was originally issued. Restricted assets also include debt proceeds that have been set aside as Debt Service Reserves as required by bond covenants.

NOTES TO THE FINANCIAL STATEMENTS

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values of January 1, 2008. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

The inventories of the City's Water and Sewer Fund consist of materials and supplies held for subsequent use. The inventories are valued at cost, on a first-in, first-out 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 certain 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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. 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.

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

<u>Asset Class</u>	<u>Useful Lives</u>
Infrastructure	25
Buildings and enterprise systems	40
Improvements	40
Vehicles	5
Furniture and equipment	10
Computer equipment	3

Property, plant, and equipment of Downtown Salisbury, Inc. are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Useful Lives</u>
Furniture and equipment	10

## NOTES TO THE FINANCIAL STATEMENTS

### 8. 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 assets. Bond premiums and discounts, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related 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.

### 9. Compensated Absences

The vacation policy of the City provides for the accumulation of earned vacation leave as follows: police officers, 470 hours; firefighters, 582 hours; and all other employees, 360 hours. Vacation leave for the City is fully vested when earned. 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.

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.

The City's liabilities for compensated absences in the governmental funds are liquidated from the General Fund and the liabilities of the enterprise funds are liquidated from the Water and Sewer Fund, Broadband Services Fund, and the Mass Transit Fund.

### 10. Net Assets/Fund Balances

Net Assets – Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Invested in capital assets, net of related debt, represents the portion of net assets associated with non-liquid assets less the outstanding capital asset related debt. Restricted net assets represent constraints on resources that are either internally imposed by City Council for future capital projects or 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, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and due from other governments that have not been offset by deferred revenues.

## NOTES TO THE FINANCIAL STATEMENTS

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts that remain unperformed at year-end.

Reserved for debt service – portion of fund balance that available to pay for debt service payments as required by installment purchase financing.

Reserved for inventories – a portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for prepaid items - portion of total fund balance that has been expended for the benefit of future periods.

Unreserved:

Undesignated – portion of total fund balance available for appropriation that is uncommitted at year-end.

### 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 deferred 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.

### G. Use of Estimates

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

## Note 2. Stewardship, Compliance, and Accountability

### A. Deficit Fund Balance or Retained Earnings of Individual Funds

The City's Broadband Services Fund has deficit net assets of \$717,167. The City began implementation of its new Broadband Services system during the fiscal year ending June 30, 2009 with plans to begin offering broadband services in the fall of 2010. The fund's start-up operations are being funded by proceeds from the issuance of Certificates of Participation and interest income on those proceeds. The deficit fund balance will be eliminated after the system begins operations and generates sales.

NOTES TO THE FINANCIAL STATEMENTS

Note 3. Detail Notes On All Funds

A. Assets

1. Deposits

All deposits of the City and its component units are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's and component units' agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the component unit, 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 unit 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, 2010, the City's deposits had a carrying amount of \$15,527,787 and a bank balance of \$15,935,348. Of the bank balance, \$2,078,015 was covered by federal depository insurance and the remainder was covered by collateral held under either the Dedicated Method or the Pooling Method. At June 30, 2010, the City's petty cash fund totaled \$3,215.

2. Investments

At June 30, 2010, the City had \$21,519,446 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

Interest Rate Risk – The City does not have a formal 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.

Concentration of Credit Risk – The City places no limit on the amount that the City may invest in any one issuer, but has no investments that exceed 5% of the City's total investments.

3. Receivables - Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>June 30, 2010</u>
General Fund:	
Taxes receivable	<u>\$ 300,000</u>
Enterprise Funds:	
Utility receivables	<u>\$ 95,000</u>

NOTES TO THE FINANCIAL STATEMENTS

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 7,736,361	\$ -	\$ -	\$ 7,736,361
Construction in progress	899,246	2,056,465	1,532,055	1,423,656
Total capital assets not being depreciated	<u>\$ 8,635,607</u>	<u>\$ 2,056,465</u>	<u>\$ 1,532,055</u>	<u>\$ 9,160,017</u>
<b>Capital assets being depreciated:</b>				
Buildings	\$ 10,150,058	\$ -	\$ -	\$ 10,150,058
Other improvements	8,588,848	1,640,267	-	10,229,115
Equipment	6,593,573	451,736	7,381	7,037,928
Vehicles and motorized equipment	12,487,744	1,156,551	878,280	12,766,015
Infrastructure	35,130,140	504,000	-	35,634,140
Total capital assets being depreciated	<u>\$ 72,950,363</u>	<u>\$ 3,752,554</u>	<u>\$ 885,661</u>	<u>\$ 75,817,256</u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$ 2,784,007	\$ 242,489	\$ -	\$ 3,026,496
Other improvements	2,583,051	192,619	-	2,775,670
Equipment	5,632,071	290,647	7,381	5,915,337
Vehicles and motorized equipment	9,785,330	865,996	856,160	9,795,166
Infrastructure	15,563,244	1,284,540	-	16,847,784
Total accumulated depreciation	<u>\$ 36,347,703</u>	<u>\$ 2,876,291</u>	<u>\$ 863,541</u>	<u>\$ 38,360,453</u>
Total capital assets being depreciated, net	<u>\$ 36,602,660</u>	<u>\$ 876,263</u>	<u>\$ 22,120</u>	<u>\$ 37,456,803</u>
<b>Governmental activity capital assets, net</b>	<u><u>\$ 45,238,267</u></u>	<u><u>\$ 2,932,728</u></u>	<u><u>\$ 1,554,175</u></u>	<u><u>\$ 46,616,820</u></u>

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

General government	\$ 1,437,332
Public safety	662,289
Transportation	431,997
Environmental protection	67,201
Cultural and recreational	215,137
Land management and development	62,335
Total depreciation expense	<u><u>\$ 2,876,291</u></u>

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities</b>				
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,072,067	\$ -	\$ -	\$ 2,072,067
Construction in progress	10,846,504	6,321,725	40,972	17,127,257
Total capital assets not being depreciated	<u>\$ 12,918,571</u>	<u>\$ 6,321,725</u>	<u>\$ 40,972</u>	<u>\$ 19,199,324</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	\$ 164,160,990	\$ 54,752	\$ -	\$ 164,215,742
Furniture and maintenance equipment	2,247,757	229,405	21,816	2,455,346
Vehicles and motorized equipment	4,126,318	389,575	269,933	4,245,960
Total capital assets being depreciated	<u>\$ 170,535,065</u>	<u>\$ 673,732</u>	<u>\$ 291,749</u>	<u>\$ 170,917,048</u>
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	\$ 55,431,776	\$ 3,827,196	\$ -	\$ 59,258,972
Furniture and maintenance equipment	1,848,530	94,475	13,454	1,929,551
Vehicles and motorized equipment	3,352,633	314,275	269,932	3,396,976
Total accumulated depreciation	<u>\$ 60,632,939</u>	<u>\$ 4,235,946</u>	<u>\$ 283,386</u>	<u>\$ 64,585,499</u>
Total capital assets being depreciated, net	<u>\$ 109,902,126</u>	<u>\$ (3,562,214)</u>	<u>\$ 8,363</u>	<u>\$ 106,331,549</u>
<b>Water and Sewer Fund capital assets, net</b>	<u>\$ 122,820,697</u>	<u>\$ 2,759,511</u>	<u>\$ 49,335</u>	<u>\$ 125,530,873</u>
<b>Broadband Services Fund</b>				
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ 5,196,248	\$ 14,957,343	\$ 260,163	\$ 19,893,428
<b>Capital assets being depreciated:</b>				
Furniture and maintenance equipment	\$ -	\$ 51,546	\$ -	\$ 51,546
Vehicles and motorized equipment	20,601	208,617	-	229,218
Total capital assets being depreciated	<u>\$ 20,601</u>	<u>\$ 260,163</u>	<u>\$ -</u>	<u>\$ 280,764</u>
<b>Less accumulated depreciation for:</b>				
Furniture and maintenance equipment	\$ -	\$ 2,309	\$ -	\$ 2,309
Vehicles and motorized equipment	1,717	13,476	-	15,193
Total accumulated depreciation	<u>\$ 1,717</u>	<u>\$ 15,785</u>	<u>\$ -</u>	<u>\$ 17,502</u>
Total capital assets being depreciated, net	<u>\$ 18,884</u>	<u>\$ 244,378</u>	<u>\$ -</u>	<u>\$ 263,262</u>
<b>Broadband Services Fund capital assets, net</b>	<u>\$ 5,215,132</u>	<u>\$ 15,201,721</u>	<u>\$ 260,163</u>	<u>\$ 20,156,690</u>
<b>Transit Fund</b>				
<b>Capital assets being depreciated:</b>				
Buildings and improvements	\$ 467,924	\$ -	\$ -	\$ 467,924
Furniture and maintenance equipment	127,112	-	-	127,112
Vehicles and motorized equipment	1,875,324	-	-	1,875,324
Total capital assets being depreciated	<u>\$ 2,470,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,470,360</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	\$ 467,924	\$ -	\$ -	\$ 467,924
Furniture and maintenance equipment	44,081	19,611	-	63,692
Vehicles and motorized equipment	1,151,394	169,704	-	1,321,098
	<u>\$ 1,663,399</u>	<u>\$ 189,315</u>	<u>\$ -</u>	<u>\$ 1,852,714</u>
<b>Transit Fund capital assets, net</b>	<u>\$ 806,961</u>	<u>\$ (189,315)</u>	<u>\$ -</u>	<u>\$ 617,646</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 128,842,790</u>	<u>\$ 17,771,917</u>	<u>\$ 309,498</u>	<u>\$ 146,305,209</u>

NOTES TO THE FINANCIAL STATEMENTS

Construction commitments

The City has active construction projects as of June 30, 2010. At year-end, the City’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Water and Sewer Treatment Facilities	\$ 2,152,653	\$ 1,463,423
Salisbury Customer Service Center	5,209,299	1,428,247
Broadband Services Network	<u>16,635,129</u>	<u>1,319,435</u>
	<u>\$ 23,997,081</u>	<u>\$ 4,211,105</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees’ Retirement System

*Plan Description.* The City of Salisbury contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees’ Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.90% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Salisbury are established and may be amended by the North Carolina General Assembly. The City’s contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$921,923, \$889,326, and \$790,428, respectively. The contributions made by the City equaled the required contributions for each year.

b. Law Enforcement Officers’ Special Separation Allowance

1. Plan Description

The City 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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the North Carolina General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the General Assembly. The City’s CAFR includes financial statements and required supplementary information for the Separation Allowance. A separate report was not issued for the plan.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	8
Active plan members	<u>88</u>
Total	<u>96</u>

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

*Basis of Accounting.* Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments.* As noted in Note 1E previously, cash and investments are held in a single central depository with each fund owning a pro-rata share. Therefore, cash and investments are essentially demand deposits and are considered to be cash and cash equivalents. Investments are reported at cost which approximates market.

3. Contributions

North Carolina statutes require the City to provide these retirement benefits. The City has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$109,807 or 2.97% of annual covered payroll. 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 paid by the General Fund.

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation adjustment of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2009 was 21 years.

4. Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 111,143
Interest on net pension obligation	(3,051)
Adjustment to annual required contribution	2,651
Annual pension cost	<u>\$ 110,743</u>
Contributions made	<u>109,807</u>
Increase in net pension asset	\$ (936)
Net pension asset beginning of year	<u>42,086</u>
Net pension asset end of year	<u><u>\$ 41,150</u></u>

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2010	\$ 110,743	99.15%	\$ 41,150
6/30/2009	98,866	96.14%	42,086
6/30/2008	83,582	101.56%	45,903

5. Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 46.27 percent funded. The actuarial accrued liability for benefits was \$2,157,750, and the actuarial value of assets

## NOTES TO THE FINANCIAL STATEMENTS

was \$998,396, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,159,354. The covered payroll (annual payroll of active employees covered by the plan) was \$3,695,445, and the ratio of the UAAL to the covered payroll was 31.37 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### c. Supplemental Retirement Income Plan

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

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5 percent 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 percent 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, 2009 were \$961,809, which consisted of \$628,384 from the City and \$333,425 from the employees.

### d. Firemen's and Rescue Squad Workers' Pension Fund

*Plan Description:* The State of North Carolina contributes, on behalf of the City of Salisbury, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy:* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

For the fiscal year ended June 30, 2010, the City has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$20,497 for the 72 firefighters employed firemen who perform firefighting duties for the City's fire department.

### e. Other Post-employment Benefits

#### Healthcare Benefits

*Plan Description:* Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The plan provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local

NOTES TO THE FINANCIAL STATEMENTS

Governmental Employees' Retirement System (System), qualify for unreduced retirement benefits from the System, and have at least 15 years of creditable service with the City. The City Council may amend the benefit provisions. A separate report was not issued for the plan. Currently, thirty-four retirees are eligible for post-employment health benefits.

Membership of the HCB Plan consisted of the following at December 31, 2007, the date of the latest actuarial valuation:

	General Employees	Firefighters	Law Enforcement Officers
Retirees and dependents receiving benefits	23	5	3
Active plan members	276	72	82
Total	<u>299</u>	<u>77</u>	<u>85</u>

*Funding Policy* - the City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under the City's plan. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution is 7.02% of annual covered payroll. For the fiscal year ended June 30, 2010, the City made payments for post-employment health benefit premiums of \$164,542. The City is self-insured for employee and retiree health care benefit. The City's contributions for employees engaged in law enforcement and for law enforcement officers represented 0.8% and 0.9% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage. The City's obligation to contribute to the HCB Plan may be amended by the City Council.

*Summary of Significant Accounting Policies* - Postemployment expenditures are made from the General Fund, the Water and Sewer Fund, and the Mass Transit Fund, depending on where the employee worked prior to retirement. Those funds are maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

Annual required contribution	\$ 1,190,644
Interest on net pension obligation	40,835
Adjustment to annual required contribution	(40,835)
Annual pension cost	<u>\$ 1,190,644</u>
Contributions made	164,542
Increase in net pension obligation	<u>\$ 1,026,102</u>
Net pension obligation beginning of year	<u>1,020,880</u>
Net pension obligation end of year	<u><u>\$ 2,046,982</u></u>

NOTES TO THE FINANCIAL STATEMENTS

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 1,190,644	14.3%	\$ 2,046,982
2009	1,190,644	14.3%	1,020,880

*Funded Status and Funding Progress* - As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for the benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$11,949,933. The covered payroll (annual payroll of active employees covered by the plan) was \$16,950,981, and the ratio of the UAAL to the covered payroll was 70.5 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

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

In the December 31, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer’s own investment calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 11.0 to 5.0 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, was 30 years.

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 his/her death. Death benefits must be at least \$25,000 but cannot exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2010, the City made contributions to the State for death benefits of \$20,756. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% and 0.14% of covered payroll, respectively. The

NOTES TO THE FINANCIAL STATEMENTS

contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

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

3. Deferred/Unearned Revenue

As discussed in Note 1C, property taxes receivable that are measurable but not available are recorded as taxes receivable and as deferred revenue. Likewise, prepaid property taxes or privilege licenses have not met the recognition criteria and are recorded as deferred revenue. Unearned revenue in the General Fund represents grants and donations received for various projects. The balance in deferred revenue in the governmental fund statements at year end, including these items, is composed of the following elements:

	<u>General Fund</u>
Unearned	
Unspent grants and donations	\$ 308,741
Prepaid property taxes	8,394
Unavailable	
Taxes receivable, net	<u>1,078,457</u>
Total deferred revenue	<u>\$ 1,395,592</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. This pool provides \$1,000,000 in general liability coverage, \$3,000,000 in liability coverage for law enforcement officers, and \$3,000,000 for automobile liability. In addition, the City maintains replacement cost insurance on real and personal property, including boiler and machinery, in an amount of \$152,114,930. The pool is reinsured through commercial companies for single occurrence claims against general liability, and auto liability, and property in excess of \$500,000. In accordance with G.S. 159-29, the City’s employees that 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 that have access to funds are bonded under a blanket bond for \$100,000.

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

In addition, the City currently self-insures an employee health benefits program through a third party administrator. However, the City's exposure is limited to \$60,000 per individual and to 120% 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 \$300,000 deductible 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:

NOTES TO THE FINANCIAL STATEMENTS

	Year ended June 30, 2008	Year ended June 30, 2009	Year ended June 30, 2010
Unpaid claims, beginning of fiscal year	\$ 521,485	\$ 548,835	\$ 573,354
Incurred claims (including IBNRs)	3,568,061	3,809,166	4,304,283
Claim payments	<u>(3,540,711)</u>	<u>(3,784,647)</u>	<u>(4,336,092)</u>
Unpaid claims, end of fiscal year	<u>\$ 548,835</u>	<u>\$ 573,354</u>	<u>\$ 541,545</u>

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

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2010 the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. 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 \$7,898,494. The future minimum lease payments at June 30, 2010 total \$2,040,141, including \$307,285 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, 2010 were as follows:

Year Ending June 30,	Capital Leases	
	Principal	Interest
2011	\$ 276,324	\$ 72,745
2012	283,334	61,480
2013	240,799	50,370
2014	240,799	40,830
2015	240,799	31,260
2016-2020	440,801	50,020
2021	10,000	580
	<u>\$ 1,732,856</u>	<u>\$ 307,285</u>

b. Installment Purchases

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

Installment purchase contract from Bank of America for construction and capital improvements of facilities, dated December 22, 2000 in the amount of \$1,000,000, payable in thirty semi-annual installments consisting of \$33,333 principal plus interest at an effective rate of 5.25%.

Installment purchase contract from First Bank for the financing of real estate, dated June 30, 2008 in the amount of \$906,934, payable in fifty-nine monthly payments of \$6,397 and one final payment of all remaining principal plus accrued interest, which is due in July 2013. The City intends to refinance the final payment which will be approximately \$658,000.

NOTES TO THE FINANCIAL STATEMENTS

Installment purchase contract from Wachovia Bank and Trust for the purchase of new telecommunications equipment dated April 12, 2004 in the amount of \$1,990,500, payable in eighteen semi-annual installments consisting of \$110,583 principal plus interest at an effective rate of 2.93%.

Installment purchase contract from Bank of America for construction and improvements of City facilities dated May 5, 2006 in the amount of \$3,565,680, payable in thirty semi-annual installments consisting of \$118,856 principal plus interest at 3.83%.

Installment purchase contract from RBC Centura for the purchase of a fire truck dated January 2, 2007 in the amount of \$674,425, payable in eight semi-annual installments consisting of \$84,303 principal plus interest at 3.57%.

In December 2008, the City issued Certificates of Participation in the amount of \$35,865,000 with interest rates ranging from 3.25% to 5.625% and an average coupon rate of 5.33%. \$33,560,000 of the amount borrowed is for the construction of the City's new "Fiber to the Home" broadband project. The debt issued for the broadband project includes \$3,024,567 to pay the interest costs during the construction phase of the project and \$3,367,319 to establish debt service reserves. Principal payments for the broadband debt will begin in March 2013. The debt service payments related to the broadband project will be paid from the Broadband Fund. The remaining \$2,305,000 was borrowed to finance various renovations and improvement to several of the City's existing facilities. Debt service payments related to the facilities improvements will be paid from the General Fund.

The future minimum payments of the installment purchases as of June 30, 2010 total \$63,470,781, including \$23,212,383 of interest are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 974,825	\$ 251,754	\$ -	\$ 1,736,594	\$ 974,825	\$ 1,988,348
2012	807,847	218,467	-	1,736,594	807,847	1,955,061
2013	809,663	189,279	1,330,000	1,736,594	2,139,663	1,925,873
2014	1,192,078	140,071	1,380,000	1,683,394	2,572,078	1,823,465
2015	534,379	117,643	1,440,000	1,624,744	1,974,379	1,742,387
2016-2020	2,141,894	280,847	8,195,000	7,129,770	10,336,894	7,410,617
2021-2025	237,712	6,828	10,510,000	4,813,212	10,747,712	4,820,040
2026-2009	-	-	10,705,000	1,546,592	10,705,000	1,546,592
	<u>\$ 6,698,398</u>	<u>\$ 1,204,889</u>	<u>\$ 33,560,000</u>	<u>\$ 22,007,494</u>	<u>\$ 40,258,398</u>	<u>\$ 23,212,383</u>
Unamortized costs			<u>(1,507,383)</u>		<u>(1,507,383)</u>	
	<u>\$ 6,698,398</u>	<u>\$ 1,204,889</u>	<u>\$ 32,052,617</u>	<u>\$ 22,007,494</u>	<u>\$ 38,751,015</u>	<u>\$ 23,212,383</u>

c. General Obligation Indebtedness

The City's general obligation bonds serviced by the governmental funds were issued for the acquisition and improvement of parks and recreation facilities. Those general obligation bonds issued to finance the construction of facilities in the operations of the water and sewer system and which are being retired by it resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

NOTES TO THE FINANCIAL STATEMENTS

Bonds payable at June 30, 2010 are comprised of the following individual issues:

	<u>Balance June 30, 2010</u>
Serviced by the General Fund	
\$3,000,000 Parks and Recreation Bonds, Series 1997, average rate of 4.77%, issued December 1997, maturing serially to 2017	\$ 1,275,000
Serviced by the Water and Sewer Fund	
\$3,250,000 Water Bonds, Series 1998, average rate of 4.40%, issued June 1998, maturing serially to 2017	1,150,000
\$12,100,000 Refunding Bonds, Series 2003, average rate of 3.43%, issued August 2003, maturing serially to 2015	
This amount is net of unamortized issuance cost and interest of \$492,938.	<u>4,592,062</u>
Total General Obligation Indebtedness	<u>\$ 7,017,062</u>

Annual debt service requirements to maturity for general obligation indebtedness are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 200,000	\$ 61,350	\$ 1,225,000	\$ 235,788	\$ 1,425,000	\$ 297,138
2012	200,000	51,750	1,210,000	192,387	1,410,000	244,137
2013	200,000	42,150	1,190,000	148,462	1,390,000	190,612
2014	200,000	32,550	1,175,000	103,794	1,375,000	136,344
2015	200,000	22,950	1,160,000	54,419	1,360,000	77,369
2016-2017	275,000	17,100	275,000	16,875	550,000	33,975
	<u>\$ 1,275,000</u>	<u>\$ 227,850</u>	<u>\$ 6,235,000</u>	<u>\$ 751,725</u>	<u>\$ 7,510,000</u>	<u>\$ 979,575</u>
Unamortized costs	-	-	(492,938)	-	(492,938)	-
	<u>\$ 1,275,000</u>	<u>\$ 227,850</u>	<u>\$ 5,742,062</u>	<u>\$ 751,725</u>	<u>\$ 7,017,062</u>	<u>\$ 979,575</u>

Advance Refunding

On August 12, 2003, the City issued \$12.1 million in general obligation Water and Sewer Refunding Bonds with an interest rate of 3.43% to advance refund \$11.9 million of outstanding Water and Sewer Funds with interest rates ranging from 5.28% to 6.52%. The net proceeds of \$11.9 million were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, as of August 12, 2003, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the Water and Sewer Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,183,050. This difference represents bond issuance cost of \$157,772 and the present value of future interest payments to be made by the escrow agent. This difference is reported in the accompanying financial statements, net of the current year's amortization of \$98,587, as a deduction from bonds payable and is being charged to operations through the year 2015, the life of the new debt, which is shorter than the life of the refunded debt, using the straight-line method which approximates the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over twelve years by \$352,806 and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$309,359.

NOTES TO THE FINANCIAL STATEMENTS

d. State Bond Loans

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

	<u>Balance June 30, 2010</u>
\$5,000,000 State Bond Loan, average rate of 3.43%, issued November 1997 maturing serially to 2017	\$ 1,750,000
\$450,120 State Bond Loan, average rate of 3.43%, issued November 1997 maturing serially to 2017	157,542
\$3,000,000 State Bond Loan, average rate of 2.60%, issued November 1999 maturing serially to 2019	1,500,000
\$9,200,000 State Bond Loan, average rate of 2.60%, issued June 2000 maturing serially to 2020	<u>4,600,000</u>
Total State Bond Loans	<u><u>\$ 8,007,542</u></u>

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

<u>Year Ending June 30,</u>	<u>Business-Type Activities State Bond Loans</u>	
	<u>Principal</u>	<u>Interest</u>
	2011	\$ 882,506
2012	882,506	198,822
2013	882,506	173,615
2014	882,506	148,408
2015	882,506	123,201
2016-2020	<u>3,595,012</u>	<u>265,940</u>
	<u><u>\$ 8,007,542</u></u>	<u><u>\$ 1,134,015</u></u>

e. Revenue Bonds

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

	<u>Balance June 30, 2010</u>
\$2,040,000 Water and Sewer Revenue Bonds, Series 1998, average rate of 4.78%, issued January 1998, maturing serially to 2018	\$ 1,045,000
\$20,505,000 Water and Sewer Revenue Bonds, Series 2002, average rate of 3.66%, issued May 2002, maturing serially to 2027 The amount is net of unamortized issuance costs of \$356,809	16,058,191
\$6,000,000 Water and Sewer Revenue Bonds, Series 2006, rate of 3.99%, issued December 2006, maturing serially to 2026	5,262,201
\$7,400,000 Water and Sewer Revenue Bonds, Series 2007, rate of 4.06%, issued October 2007, maturing serially to 2028	6,896,050
\$6,000,000 Water and Sewer Revenue Bonds, Series 2009, rate of 4.14%, issued October 2009, maturing serially to 2025	<u>6,000,000</u>
Total Revenue Bonds	<u><u>\$ 35,261,442</u></u>

NOTES TO THE FINANCIAL STATEMENTS

The future payments of the revenue bonds are as follows:

Year Ending June 30,	Business-Type Activities	
	Revenue Bonds	
	Principal	Interest
2011	\$ 1,552,749	\$ 1,577,918
2012	1,619,935	1,508,642
2013	1,693,940	1,436,376
2014	1,763,795	1,364,292
2015	1,841,538	1,287,597
2016-2020	10,169,453	5,152,733
2021-2025	12,131,456	2,719,216
2026-2029	4,845,385	350,877
	<u>\$ 35,618,251</u>	<u>\$ 15,397,651</u>
Unamortized costs	(356,809)	-
	<u>\$ 35,261,442</u>	<u>\$ 15,397,651</u>

The Revenue Bond General Trust Indenture requires that the City must maintain certain debt covenants relating to reporting requirements, annual budgets, and minimum utility funds 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. 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	All Debt	Parity Debt	All Debt
2008	\$ 20,965,998	\$ 13,150,616	\$ 7,815,382	\$ 2,132,890	\$ 5,478,090	366.42%	142.67%
2009	20,968,062	13,521,208	7,446,854	2,592,200	5,687,303	287.28%	130.94%
2010	21,044,751	14,203,262	6,841,489	2,683,309	5,754,927	254.96%	118.88%

- (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 \$41,945,000 in water and sewer system revenues bonds issued from January 1998 to October 2009. 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 2029. Annual principal and interest payments on the bonds are expected to require less than 40 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$51,015,902.

f. HUD Section 108 Loan

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

NOTES TO THE FINANCIAL STATEMENTS

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
	2011	\$ 32,000
2012	32,000	18,449
2013	32,000	16,993
2014	32,000	15,475
2015	32,000	13,913
2016-2020	162,000	44,766
2021-2023	82,000	5,765
	<u>\$ 404,000</u>	<u>\$ 135,185</u>

g. Changes in Long-Term Liabilities

	June 30, 2009	Additions	Retirements	Change in Unamortized Costs	June 30, 2010	Current Portion of Balance
<b>Governmental Activities</b>						
General obligation bonds	\$ 1,475,000	\$ -	\$ 200,000	\$ -	\$ 1,275,000	\$ 200,000
Installment purchases	7,762,840	-	1,064,442	-	6,698,398	974,825
Section 108 loan	436,000	-	32,000	-	404,000	32,000
Other postemployment benefits	780,337	756,234	-	-	1,536,571	-
Compensated absences	1,903,700	1,083,953	997,530	-	1,990,123	199,012
	<u>\$ 12,357,877</u>	<u>\$ 1,840,187</u>	<u>\$ 2,293,972</u>	<u>\$ -</u>	<u>\$ 11,904,092</u>	<u>\$ 1,405,837</u>
<b>Business-type activities</b>						
General obligation bonds	\$ 6,888,474	\$ -	\$ 1,245,000	\$ 98,588	\$ 5,742,062	\$ 1,225,000
Revenue bonds	30,448,803	6,000,000	1,208,350	20,989	35,261,442	1,552,749
Installment purchases	31,973,281	-	-	79,336	32,052,617	-
State loans	8,890,048	-	882,506	-	8,007,542	882,506
Capital leases	2,007,264	-	274,408	-	1,732,856	276,324
Other postemployment benefits	240,543	269,868	-	-	510,411	-
Compensated absences	423,881	266,141	217,713	-	472,309	47,231
	<u>\$ 80,872,294</u>	<u>\$ 6,536,009</u>	<u>\$ 3,827,977</u>	<u>\$ 198,913</u>	<u>\$ 83,779,239</u>	<u>\$ 3,983,810</u>
<b>Total</b>	<u>\$ 93,230,171</u>	<u>\$ 8,376,196</u>	<u>\$ 6,121,949</u>	<u>\$ 198,913</u>	<u>\$ 95,683,331</u>	<u>\$ 5,389,647</u>

7. Accounts Payable

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

	Governmental Activities	Business-type Activities
Accounts payable	\$ 2,334,371	\$ 1,093,668
Accrued payroll and payroll liabilities	1,029,126	325,485
Other accrued liabilities	132,678	-
	<u>\$ 3,496,175</u>	<u>\$ 1,419,153</u>

NOTES TO THE FINANCIAL STATEMENTS

C. Interfund Balances and Activity

1. Transfers to/from Other Funds

Transfers during the year ended June 30, 2010, consisted of \$390,319 that was transferred from the General Fund to the Mass Transit Fund to cover the City's share of the operational expenses of the Mass Transit Fund.

2. Due To/Due From Other Funds

At June 30, 2010, the Special Revenue Fund owed the General Fund \$23,000 for a temporary loan to cover cash needs while awaiting reimbursements of grant-funded expenditures from other governments.

D. Net Assets

Capital Assets, Net of Related Debt

Capital assets, net of related debt at June 30, 2010, are computed as follows:

	<u>Governmental Funds</u>	<u>Business-Type Funds</u>	<u>Total</u>
Capital assets, net of accumulated depreciation	\$ 46,616,820	\$ 146,305,209	\$ 192,922,029
Less capital debt for:			
Gross debt	\$ 8,377,398	\$ 82,796,519	\$ 91,173,917
Less:			
Debt proceeds issued for Debt Service Reserve	(216,413)	(3,150,905)	(3,367,318)
Other unexpended debt proceeds	<u>(375,168)</u>	<u>(10,023,153)</u>	<u>(10,398,321)</u>
Net capital debt	<u>\$ 7,785,817</u>	<u>\$ 69,622,461</u>	<u>\$ 77,408,278</u>
Capital assets, net of related debt	<u>\$ 38,831,003</u>	<u>\$ 76,682,748</u>	<u>\$ 115,513,751</u>

Note 3. Joint Venture

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints an additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2010, the City reported revenues and expenditures for the payments of \$52,617 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2010. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, NC 27603.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 4. Commitments and Contingencies

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. Pronouncements Issued But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued the following pronouncement prior to June 30, 2010 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statement of the City.

- GASB Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions"

## CITY OF SALISBURY, NORTH CAROLINA

## LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF FUNDING PROGRESS

Last Six Fiscal Years

<b>Actuarial Valuation Date December 31,</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) Projected Unit Credit</b>	<b>(3) Unfunded AAL (UAAL) (2) - (1)</b>	<b>Funded Ratio (1) / (2)</b>	<b>(4) Annual Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll (3) / (4)</b>
2009	\$ 998,396	\$2,157,750	\$1,159,354	46.27%	\$ 3,695,445	31.37%
2008	958,101	1,657,377	699,276	57.81%	3,597,762	19.44%
2007	911,032	1,503,627	592,595	60.59%	3,306,677	17.92%
2006	832,627	1,253,054	420,427	66.45%	3,147,324	13.36%
2005	746,287	1,220,368	474,081	61.15%	3,043,907	15.57%
2004	636,417	1,214,344	577,927	52.41%	2,940,751	19.65%

## CITY OF SALISBURY, NORTH CAROLINA

## LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

## Last Six Fiscal Years

<b>Fiscal Year Ended <u>June 30,</u></b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2010	\$ 111,143	99
2009	99,388	96
2008	84,075	102
2007	87,266	105
2006	100,962	108
2005	104,153	100

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return*	5.00%
Projected salary increases*	4.5% - 12.3%
* Includes inflation at	3.75%
Cost of living adjustments	N/A

CITY OF SALISBURY, NORTH CAROLINA

OTHER POST EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

<b>Actuarial Valuation Date December 31,</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) Projected Unit Credit</b>	<b>(3) Unfunded AAL (UAAL) (2) - (1)</b>	<b>Funded Ratio (1) / (2)</b>	<b>(4) Annual Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll (3) / (4)</b>
2007	\$ -	\$ 11,949,933	\$ 11,949,933	0.00%	\$16,950,981	70.50%

CITY OF SALISBURY, NORTH CAROLINA

OTHER POST EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 1,190,644	14.3
2009	1,190,644	13.8

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return*	4.00%
Medical cost trend rate*	11.0% - 5.0%
Year of ultimate trend rate	2016
* Includes inflation at	3.75%

**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, 2010**  
**With Comparative Actual Amounts for Year Ended June 30, 2009**

	<u>2010</u>		<b>Variance with Budget Positive (Negative)</b>	<u>2009</u>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>REVENUES:</b>				
Taxes:				
General property-current	\$ 16,579,141	\$ 16,265,211	\$ (313,930)	\$ 16,209,266
General property-prior	436,000	519,342	83,342	425,774
Auto tax	236,438	228,335	(8,103)	234,649
Interest on delinquent tax	90,000	108,433	18,433	90,746
Other tax	300	269	(31)	288
	<u>\$ 17,341,879</u>	<u>\$ 17,121,590</u>	<u>\$ (220,289)</u>	<u>\$ 16,960,723</u>
Unrestricted intergovernmental:				
Local option sales tax	\$ 4,884,229	\$ 4,526,014	\$ (358,215)	\$ 4,732,043
Utilities franchise tax	1,545,613	1,513,348	(32,265)	1,426,051
Telecommunications sales tax	750,000	734,812	(15,188)	765,922
Video franchise fee	300,000	293,951	(6,049)	301,576
Wine and beer tax	145,860	44,663	(101,197)	139,324
State reimbursement hold harmless	633,923	707,829	73,906	601,863
Other	70,003	199,976	129,973	16,975
	<u>\$ 8,329,628</u>	<u>\$ 8,020,593</u>	<u>\$ (309,035)</u>	<u>\$ 7,983,754</u>
Restricted intergovernmental:				
State street aid - Powell Bill	\$ 872,322	\$ 873,028	\$ 706	\$ 980,137
Train Station Grant	329,923	255,641	(74,282)	660,077
Firefighter's assistance grant	241,650	241,650	-	-
Other	2,175,054	867,912	(1,307,142)	589,007
	<u>\$ 3,618,949</u>	<u>\$ 2,238,231</u>	<u>\$ (1,380,718)</u>	<u>\$ 2,229,221</u>
Charges for services:				
Environmental protection	\$ 1,099,157	\$ 1,078,449	\$ (20,708)	\$ 1,388,085
Culture and recreation	181,000	153,833	(27,167)	165,332
Code services fees	15,000	134,399	119,399	18,950
Public safety	407,552	433,727	26,175	456,266
Cemetery	181,000	142,830	(38,170)	160,970
Radio antenna and paging rentals	157,848	191,133	33,285	162,541
Radio repair charges	212,450	15,222	(197,228)	83,018
Rentals and sale of property	392,460	342,501	(49,959)	353,098
Licenses and permits	383,539	420,876	37,337	393,755
Administrative charges	2,652,820	2,554,510	(98,310)	2,536,683
Community services	145,800	129,223	(16,577)	129,262
Other	28,000	19,434	(8,566)	23,755
	<u>\$ 5,856,626</u>	<u>\$ 5,616,137</u>	<u>\$ (240,489)</u>	<u>\$ 5,871,715</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, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	2010		Variance with Budget Positive (Negative)	2009
	Budget	Actual		Actual
REVENUES (continued):				
Miscellaneous:				
Interest earned on investments	\$ 136,000	\$ 94,732	\$ (41,268)	\$ 197,380
Donations	413,579	145,875	(267,704)	191,656
Other	259,888	312,207	52,319	373,106
	<u>\$ 809,467</u>	<u>\$ 552,814</u>	<u>\$ (256,653)</u>	<u>\$ 762,142</u>
Total revenues	<u>\$ 35,956,549</u>	<u>\$ 33,549,365</u>	<u>\$ (2,407,184)</u>	<u>\$ 33,807,555</u>
OTHER FINANCING SOURCES:				
Long-term debt issued	\$ -	\$ -	\$ -	\$ 216,413
Fund balance appropriated	875,012	-	(875,012)	-
Total other financing sources	<u>\$ 875,012</u>	<u>\$ -</u>	<u>\$ (875,012)</u>	<u>\$ 216,413</u>
Total revenues and other financing sources	<u>\$ 36,831,561</u>	<u>\$ 33,549,365</u>	<u>\$ (3,282,196)</u>	<u>\$ 34,023,968</u>
EXPENDITURES:				
Current:				
General government:				
City council	\$ 188,299	\$ 175,662	\$ 12,637	\$ 135,624
City administration	994,531	974,360	20,171	914,494
Purchasing	138,291	123,949	14,342	134,874
Human resources	761,045	745,161	15,884	622,601
Finance	1,473,907	1,422,667	51,240	1,404,364
Fleet management	799,698	788,233	11,465	811,866
Public services administration	225,380	224,400	980	342,274
Facilities Maintenance	1,338,935	1,314,627	24,308	1,152,550
Telecommunication	716,252	542,741	173,511	574,592
Information technologies	1,477,613	1,205,467	272,146	1,218,766
	<u>\$ 8,113,951</u>	<u>\$ 7,517,267</u>	<u>\$ 596,684</u>	<u>\$ 7,312,005</u>
Public safety:				
Police:				
Administration	\$ 495,180	\$ 451,538	\$ 43,642	\$ 470,644
Services	1,685,499	1,618,934	66,565	1,478,866
Operations	5,844,534	5,379,193	465,341	5,032,350
Fire	5,232,238	5,186,455	45,783	4,819,065
	<u>\$ 13,257,451</u>	<u>\$ 12,636,120</u>	<u>\$ 621,331</u>	<u>\$ 11,800,925</u>
Transportation:				
Traffic operations	\$ 599,894	\$ 564,558	\$ 35,336	\$ 542,900
Engineering	2,474,619	1,156,792	1,317,827	1,745,435
Streets	2,755,075	2,553,992	201,083	2,304,225
Street lighting	432,750	431,888	862	377,097
	<u>\$ 6,262,338</u>	<u>\$ 4,707,230</u>	<u>\$ 1,555,108</u>	<u>\$ 4,969,657</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, 2010**  
**With Comparative Actual Amounts for Year Ended June 30, 2009**

	<u>2010</u>		<b>Variance with Budget Positive (Negative)</b>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES :				
Current (continued):				
Environmental protection:				
Solid waste management	\$ 1,770,845	\$ 1,531,132	\$ 239,713	\$ 1,993,732
Cemetery	284,503	273,317	11,186	276,074
	<u>\$ 2,055,348</u>	<u>\$ 1,804,449</u>	<u>\$ 250,899</u>	<u>\$ 2,269,806</u>
Culture and recreation:				
Landscaping	\$ 671,339	\$ 637,931	\$ 33,408	\$ 641,271
Recreation	2,343,712	2,176,977	166,735	2,506,791
	<u>\$ 3,015,051</u>	<u>\$ 2,814,908</u>	<u>\$ 200,143</u>	<u>\$ 3,148,062</u>
Community and economic development:				
Community development	\$ 1,073,898	\$ 1,065,252	\$ 8,646	\$ 886,741
Code Enforcement	310,083	310,003	80	184,499
The Plaza	242,924	242,417	507	242,670
Developmental services	444,235	431,548	12,687	412,078
	<u>\$ 2,071,140</u>	<u>\$ 2,049,220</u>	<u>\$ 21,920</u>	<u>\$ 1,725,988</u>
Education	\$ 42,342	\$ 42,342	\$ -	\$ 42,342
Debt service:				
Principal	\$ 1,264,442	\$ 1,264,442	\$ -	\$ 1,097,427
Interest	359,179	359,162	17	328,637
	<u>\$ 1,623,621</u>	<u>\$ 1,623,604</u>	<u>\$ 17</u>	<u>\$ 1,426,064</u>
Total expenditures	<u>\$ 36,441,242</u>	<u>\$ 33,195,140</u>	<u>\$ 3,246,102</u>	<u>\$ 32,694,849</u>
OTHER FINANCING USES:				
Transfers to other funds	\$ 390,319	\$ 390,319	\$ -	\$ 453,381
Total expenditures and other financing uses	<u>\$ 36,831,561</u>	<u>\$ 33,585,459</u>	<u>\$ 3,246,102</u>	<u>\$ 33,148,230</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (36,094)</u>	<u>\$ (36,094)</u>	<u>\$ 875,738</u>
FUND BALANCES, BEGINNING		<u>8,940,631</u>		<u>8,064,893</u>
FUND BALANCES, ENDING		<u>\$ 8,904,537</u>		<u>\$ 8,940,631</u>



**CITY OF SALISBURY, NORTH CAROLINA**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

**June 30, 2010**

<u>ASSETS</u>	<u>Special Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects Fund</u>	<u>Total</u>
Cash and investments	\$ 11,997	\$ 993,907	\$ 1,005,904
Accounts receivable	-	1,571	1,571
Due from other governments	<u>31,427</u>	<u>5,589</u>	<u>37,016</u>
Total assets	<u>\$ 43,424</u>	<u>\$ 1,001,067</u>	<u>\$ 1,044,491</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 16,820	\$ 618,739	\$ 635,559
Due to other funds	<u>23,000</u>	<u>-</u>	<u>23,000</u>
Total liabilities	<u>\$ 39,820</u>	<u>\$ 618,739</u>	<u>\$ 658,559</u>
 FUND EQUITY			
Fund balance:			
Reserved by State statute	\$ 31,427	\$ -	\$ 31,427
Unreserved:			
Undesignated	<u>(27,823)</u>	<u>382,328</u>	<u>354,505</u>
Total fund equity	<u>\$ 3,604</u>	<u>\$ 382,328</u>	<u>\$ 385,932</u>
Total liabilities and fund equity	<u>\$ 43,424</u>	<u>\$ 1,001,067</u>	<u>\$ 1,044,491</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, 2010

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES:			
Restricted intergovernmental	\$ 378,595	\$ -	\$ 378,595
Miscellaneous	<u>38,851</u>	<u>3,734</u>	<u>42,585</u>
Total revenues	<u>\$ 417,446</u>	<u>\$ 3,734</u>	<u>\$ 421,180</u>
EXPENDITURES:			
General government	\$ 75,555	\$ 1,616,001	\$ 1,691,556
Community and economic development	289,875	-	289,875
Public safety			
Fire	-	18,695	18,695
Transportation	-	22,341	22,341
Debt Service:			
Principal	32,000	-	32,000
Interest	21,099	-	21,099
Issuance fees	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 418,529</u>	<u>\$ 1,657,037</u>	<u>\$ 2,075,566</u>
NET INCREASE (DECREASE) IN FUND BALANCE	\$ (1,083)	\$ (1,653,303)	\$ (1,654,386)
FUND BALANCE, BEGINNING	<u>4,687</u>	<u>2,035,631</u>	<u>2,040,318</u>
FUND BALANCE, ENDING	<u><u>\$ 3,604</u></u>	<u><u>\$ 382,328</u></u>	<u><u>\$ 385,932</u></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, 2010  
With Comparative Actual Amounts for the Year Ended June 30, 2009

	2010		Variance with Budget Positive (Negative)	2009
	Budget	Actual		Actual
REVENUES:				
Intergovernmental:				
Federal	\$ 952,168	\$ 378,595	\$ (573,573)	\$ 276,925
Miscellaneous:				
Other	70,000	38,851	(31,149)	64,769
Total revenues	<u>\$ 1,022,168</u>	<u>\$ 417,446</u>	<u>\$ (604,722)</u>	<u>\$ 341,694</u>
EXPENDITURES:				
Current:				
General government	\$ 82,808	\$ 75,555	\$ 7,253	\$ 80,259
Community and economic development	886,261	289,875	596,386	208,453
Debt Service:				
Principal	32,000	32,000	-	32,000
Interest	21,099	21,099	-	22,272
Total expenditures	<u>\$ 1,022,168</u>	<u>\$ 418,529</u>	<u>\$ 603,639</u>	<u>\$ 342,984</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,083)</u>	<u>\$ (1,083)</u>	<u>\$ (1,290)</u>
FUND BALANCE, BEGINNING		<u>4,687</u>		<u>5,977</u>
FUND BALANCE, ENDING		<u>\$ 3,604</u>		<u>\$ 4,687</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, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Miscellaneous				
Interest earned on investments	\$ 70,000	\$ 12,481	\$ 3,734	\$ 16,215
EXPENDITURES:				
General government	\$ 1,970,614	\$ -	\$ 1,616,001	\$ 1,616,001
Public safety				
Fire	100,195	-	18,695	18,695
Transportation	22,341	-	22,341	22,341
Debt issuance fees	65,437	65,437	-	65,437
Total expenditures	\$ 2,158,587	\$ 65,437	\$ 1,657,037	\$ 1,722,474
Total revenues under expenditures	\$ (2,088,587)	\$ (52,956)	\$ (1,653,303)	\$ (1,706,259)
OTHER FINANCING SOURCES				
Proceeds from issuance of debt	\$ 2,088,587	\$2,088,587.00	\$ -	\$ 2,088,587
NET INCREASE IN FUND BALANCE	\$ -	\$ 2,035,631	\$ (1,653,303)	\$ 382,328
FUND BALANCE, BEGINNING			2,035,631	
FUND BALANCE, ENDING			\$ 382,328	

**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, 2010**  
**With Comparative Actual Amounts for Year Ended June 30, 2009**

	<u>2010</u>		<u>2009</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>	<u>Actual</u>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 20,591,766	\$ 19,450,920	\$ (1,140,846)	\$ 18,916,137
Water and sewer taps	375,000	278,774	(96,226)	332,367
Other operating revenues	1,003,194	946,218	(56,976)	1,509,382
Total operating revenues	<u>21,969,960</u>	<u>20,675,912</u>	<u>(1,294,048)</u>	<u>20,757,886</u>
<b>OPERATING EXPENDITURES OTHER THAN DEPRECIATION:</b>				
Management and administration	\$ 4,043,023	\$ 3,882,941	\$ 160,082	\$ 4,073,023
Water resources	2,116,058	1,924,080	191,978	1,936,018
Maintenance and construction	5,793,659	4,916,471	877,188	4,305,885
Wastewater collection and treatment	2,631,501	2,587,909	43,592	2,299,365
Environmental services	719,627	686,924	32,703	664,647
Total operating expenses other than depreciation	<u>\$ 15,303,868</u>	<u>\$ 13,998,325</u>	<u>\$ 1,305,543</u>	<u>\$ 13,278,938</u>
<b>NONOPERATING REVENUES (EXPENDITURES):</b>				
Investment earnings	\$ 70,000	\$ 44,588	\$ (25,412)	\$ 103,426
Capital outlay	(1,612,428)	(1,232,760)	379,668	(662,500)
Interest expense	(2,096,082)	(2,090,782)	5,300	(2,119,468)
Net nonoperating revenues (expenditures)	<u>\$ (3,638,510)</u>	<u>\$ (3,278,954)</u>	<u>\$ 359,556</u>	<u>\$ (2,678,542)</u>
Revenues over expenditures	<u>\$ 3,027,582</u>	<u>\$ 3,398,633</u>	<u>\$ 371,051</u>	<u>\$ 4,800,406</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Payment of debt principal	\$ (3,610,265)	\$ (3,610,265)	\$ -	\$ (3,574,798)
Transfer to Capital Projects Fund	(250,000)	(250,000)	-	(1,250,000)
Fund balance appropriated	832,683	-	(832,683)	-
Total other financing sources (uses)	<u>\$ (3,027,582)</u>	<u>\$ (3,860,265)</u>	<u>\$ (832,683)</u>	<u>\$ (4,824,798)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND</b>				
OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ (461,632)</u>	<u>\$ (461,632)</u>	<u>\$ (24,392)</u>
<b>RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:</b>				
Revenues under expenditures and other financing sources (uses)		\$ (461,632)		
Capital outlay		1,232,760		
Depreciation		(4,235,946)		
Loss on disposals of capital assets		(8,363)		
Bond amortization		(119,576)		
Payment of debt principal		3,610,265		
Interest income from Capital Projects Fund		66,348		
Developers contributions in Capital Projects Fund		691,280		
Transfer to Capital Projects Fund		250,000		
Increase in accrued OPEB liability		(222,190)		
Interest expense adjustment		(53,880)		
Inventories		42,141		
Vacation pay		(30,140)		
Change in net assets		<u>\$ 761,067</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, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Miscellaneous				
Interest on investments	\$ 515,590	\$ 4,081,514	\$ 66,348	\$ 4,147,862
EXPENDITURES-SEWER PROJECT				
Construction	\$ 15,751,753	\$ 7,671,030	\$ 4,878,381	\$ 12,549,411
Engineering	1,880,577	2,228,240	320,584	2,548,824
Total expenditures-Sewer project	\$ 17,632,330	\$ 9,899,270	\$ 5,198,965	\$ 15,098,235
EXPENDITURES-WATER PROJECT				
Construction	\$ 2,683,506	\$ 612,177	\$ 221,831	\$ 834,008
Engineering	350,850	335,057	300,929	635,986
Total expenditures-Water project	\$ 3,034,356	\$ 947,234	\$ 522,760	\$ 1,469,994
Total expenditures	\$ 20,666,686	\$ 10,846,504	\$ 5,721,725	\$ 16,568,229
Total revenues under expenditures	\$ (20,151,096)	\$ (6,764,990)	\$ (5,655,377)	\$ (12,420,367)
OTHER FINANCING SOURCES:				
Proceeds from sale of bonds	\$ 17,391,750	\$ 11,794,460	\$ 6,000,000	\$ 17,794,460
Developer contributions	1,759,346	600,000	691,280	1,291,280
Contribution from Water and Sewer Fund	1,000,000	-	250,000	250,000
Total other financing sources	\$ 20,151,096	\$ 12,394,460	\$ 6,941,280	\$ 19,335,740
Unexpended revenues and receipts	\$ -	\$ 5,629,470	\$ 1,285,903	\$ 6,915,373

## 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, 2010**

**With Comparative Actual Amounts for Year Ended June 30, 2009**

	2010		Variance with Budget Positive (Negative)	2009
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 253,642	\$ 247,309	\$ 6,333	\$ 111,775
Sales and marketing	168,270	110,861	57,409	36,261
Programming	109,825	35,528	74,297	-
Broadband services	411,475	228,941	182,534	57,670
Services delivery	329,709	72,866	256,843	-
Total operating expenses other than depreciation	<u>\$ 1,272,921</u>	<u>\$ 695,505</u>	<u>\$ 577,416</u>	<u>\$ 205,706</u>
NONOPERATING REVENUES:				
Investment earnings	\$ 13,000	\$ 1,937	\$ (11,063)	\$ 15,201
Net nonoperating revenues	<u>\$ 13,000</u>	<u>\$ 1,937</u>	<u>\$ (11,063)</u>	<u>\$ 15,201</u>
Revenues over (under) expenditures	<u>\$ (1,259,921)</u>	<u>\$ (693,568)</u>	<u>\$ 566,353</u>	<u>\$ (190,505)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of bonds	\$ -	\$ -	\$ -	\$ 4,934,805
Fund balance appropriated	<u>1,259,921</u>	<u>-</u>	<u>(1,259,921)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 1,259,921</u>	<u>\$ -</u>	<u>\$ (1,259,921)</u>	<u>\$ 4,934,805</u>
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ (693,568)</u>	<u>\$ (693,568)</u>	<u>\$ 4,744,300</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Revenues under expenditures and other financing sources (uses)		\$ (693,568)		
Depreciation		(15,786)		
Increase in accrued OPEB liability		(25,014)		
Interest income from Capital Projects Fund		151,511		
Bond amortization		(79,336)		
Vacation pay		<u>(12,943)</u>		
Change in net assets		<u>\$ (675,136)</u>		

## CITY OF SALISBURY, NORTH CAROLINA

## BROADBAND SERVICES CAPITAL PROJECTS FUND

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

From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Miscellaneous				
Interest on investments	\$ 565,000	\$ 173,242	\$ 151,511	\$ 324,753
EXPENDITURES-BROADBAND PROJECT				
Broadband systems	\$ 20,009,209	\$ 4,026,489	\$ 10,031,450	\$ 14,057,939
Buildings	4,569,700	169,000.00	3,189,299	3,358,299
Bond issuance fees	1,586,719	1,586,719.00	-	1,586,719
Capitalized interest	3,024,567	419,677	1,736,594	2,156,271
Total expenditures	\$ 29,190,195	\$ 6,201,885	\$ 14,957,343	\$ 21,159,228
Total revenues under expenditures	\$ (28,625,195)	\$ (6,028,643)	\$ (14,805,832)	\$ (20,834,475)
OTHER FINANCING SOURCES:				
Proceeds from sale of bonds	\$ 28,625,195	\$ 28,625,195	\$ -	\$ 28,625,195
Total other financing sources	\$ 28,625,195	\$ 28,625,195	\$ -	\$ 28,625,195
Unexpended revenues and receipts	\$ -	\$ 22,596,552	\$ (14,805,832)	\$ 7,790,720

## CITY OF SALISBURY, NORTH CAROLINA

## MASS TRANSIT FUND

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)For the Year Ended June 30, 2010  
With Comparative Actual Amounts for Year Ended June 30, 2009

	2010		Variance with Budget Positive (Negative)	2009
	Budget	Actual		Actual
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 95,000	\$ 93,711	\$ (1,289)	\$ 91,923
Other operating revenues	<u>-</u>	<u>15,524</u>	<u>15,524</u>	<u>13,951</u>
Total operating revenues	<u>\$ 95,000</u>	<u>\$ 109,235</u>	<u>\$ 14,235</u>	<u>\$ 105,874</u>
<b>OPERATING EXPENDITURES OTHER THAN DEPRECIATION:</b>				
Management and administration	\$ 301,664	\$ 294,115	\$ 7,549	\$ 292,110
Mass transit operations	<u>735,659</u>	<u>706,167</u>	<u>29,492</u>	<u>721,470</u>
Total operating expenditures other than depreciation	<u>\$ 1,037,323</u>	<u>\$ 1,000,282</u>	<u>\$ 37,041</u>	<u>\$ 1,013,580</u>
<b>NONOPERATING REVENUES (EXPENDITURES):</b>				
Intergovernmental	\$ 600,082	\$ 509,046	\$ (91,036)	\$ 1,229,249
Interest on investments	72	-	(72)	-
Capital outlay	<u>(48,150)</u>	<u>-</u>	<u>48,150</u>	<u>(769,319)</u>
Total nonoperating revenues (expenditures)	<u>\$ 552,004</u>	<u>\$ 509,046</u>	<u>\$ (42,958)</u>	<u>\$ 459,930</u>
Revenues under expenditures	<u>\$ (390,319)</u>	<u>\$ (382,001)</u>	<u>\$ 8,318</u>	<u>\$ (447,776)</u>
<b>OTHER FINANCING SOURCES:</b>				
Operating transfers in:				
General fund	<u>\$ 390,319</u>	<u>\$ 390,319</u>	<u>\$ -</u>	<u>\$ 453,381</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND AND OTHER FINANCING SOURCES</b>				
	<u>\$ -</u>	<u>\$ 8,318</u>	<u>\$ 8,318</u>	<u>\$ 5,605</u>
<b>RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:</b>				
Excess of expenses over revenues, above		\$ 8,318		
Depreciation		(189,314)		
Increase in accrued OPEB liability		(22,664)		
Vacation pay		<u>(5,343)</u>		
Change in net assets		<u>\$ (209,003)</u>		



## CITY OF SALISBURY, NORTH CAROLINA

## INTERNAL SERVICE FUNDS

## COMBINING BALANCE SHEET

June 30, 2010

With Comparative Totals at June 30, 2009

<u>ASSETS</u>	<u>Workers'</u> <u>Compensation</u>	<u>Employee</u> <u>Health Care</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
CURRENT ASSETS				
Cash and investments	\$ 112,756	\$ 711,481	\$ 824,237	\$ 1,592,077
Interest receivable	485	2,223	2,708	5,072
Due from other government	8	-	8	-
Prepaid items	-	-	-	47,803
Total assets	<u>\$ 113,249</u>	<u>\$ 713,704</u>	<u>\$ 826,953</u>	<u>\$ 1,644,952</u>
<u>LIABILITIES AND FUND EQUITY</u>				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 31,540	\$ 541,545	\$ 573,085	\$ 677,524
NET ASSETS	<u>81,709</u>	<u>172,159</u>	<u>253,868</u>	<u>967,428</u>
Total liabilities and net assets	<u>\$ 113,249</u>	<u>\$ 713,704</u>	<u>\$ 826,953</u>	<u>\$ 1,644,952</u>

## CITY OF SALISBURY, NORTH CAROLINA

## INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2010  
With Comparative Totals For The Year Ended June 30, 2009

	Workers' Compensation	Employee Health Care	Totals	
			2010	2009
OPERATING REVENUES:				
Charges for services	\$ 327,000	\$ 3,684,808	\$ 4,011,808	\$ 4,158,568
OPERATING EXPENSES:				
Employee benefits	<u>431,873</u>	<u>4,304,283</u>	<u>4,736,156</u>	<u>4,198,317</u>
OPERATING INCOME	\$ (104,873)	\$ (619,475)	\$ (724,348)	\$ (39,749)
NONOPERATING REVENUES				
Interest earned on investments	<u>1,368</u>	<u>9,420</u>	<u>10,788</u>	<u>34,361</u>
NET INCOME (DEFICIT)	\$ (103,505)	\$ (610,055)	\$ (713,560)	\$ (5,388)
NET ASSETS, BEGINNING	<u>185,214</u>	<u>782,214</u>	<u>967,428</u>	<u>972,816</u>
NET ASSETS, ENDING	<u>\$ 81,709</u>	<u>\$ 172,159</u>	<u>\$ 253,868</u>	<u>\$ 967,428</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, 2010**  
**With Comparative Actual Amounts for Year Ended June 30, 2009**

	<u>2010</u>		<b>Variance with Budget Positive (Negative)</b>	<u>2009</u>
	<b>Financial Plan</b>	<b>Actual</b>		<b>Actual</b>
OPERATING REVENUES:				
Charges for services	\$ 330,400	\$ 327,000	\$ (3,400)	\$ 213,200
OPERATING EXPENDITURES:				
Employee benefits	\$ 334,000	\$ 431,873	\$ (97,873)	\$ 389,151
NONOPERATING REVENUES:				
Interest on investments	\$ 3,600	\$ 1,368	\$ (2,232)	\$ 6,765
Revenues over (under) expenditures	\$ -	\$ (103,505)	\$ (103,505)	\$ (169,186)
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (103,505)</u>	<u>\$ (103,505)</u>	<u>\$ (169,186)</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, 2010**  
**With Comparative Actual Amounts for Year Ended June 30, 2009**

	<u>2010</u>		<b>Variance with Budget Positive (Negative)</b>	<u>2009</u>
	<b>Financial Plan</b>	<b>Actual</b>		<b>Actual</b>
OPERATING REVENUES:				
Charges for services	<u>\$ 3,879,719</u>	<u>\$ 3,684,808</u>	<u>\$ (194,911)</u>	<u>\$ 3,945,368</u>
OPERATING EXPENDITURES:				
Employee benefits	<u>\$ 3,889,719</u>	<u>\$ 4,304,283</u>	<u>\$ (414,564)</u>	<u>\$ 3,809,166</u>
NONOPERATING REVENUES:				
Interest on investments	<u>\$ 10,000</u>	<u>\$ 9,420</u>	<u>\$ (580)</u>	<u>\$ 27,596</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (610,055)</u>	<u>\$ (610,055)</u>	<u>\$ 163,798</u>

## CITY OF SALISBURY, NORTH CAROLINA

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010  
With Comparative Totals For The Year Ended June 30, 2009

	Workers' Compensation	Employee Health Care	Totals	
			2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services provided	\$ 327,000	\$ 3,684,808	\$ 4,011,808	\$ 4,158,568
Cash paid for goods and services	<u>(456,709)</u>	<u>(4,336,091)</u>	<u>(4,792,800)</u>	<u>(4,133,906)</u>
Net cash provided (used) by operating activities	<u>\$ (129,709)</u>	<u>\$ (651,283)</u>	<u>\$ (780,992)</u>	<u>\$ 24,662</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	<u>\$ 1,698</u>	<u>\$ 11,454</u>	<u>\$ 13,152</u>	<u>\$ 31,963</u>
Net increase (decrease) in cash and cash equivalents	\$ (128,011)	\$ (639,829)	\$ (767,840)	\$ 56,625
Balances-beginning of the year	<u>240,767</u>	<u>1,351,310</u>	<u>1,592,077</u>	<u>1,535,452</u>
Balances-end of the year	<u>\$ 112,756</u>	<u>\$ 711,481</u>	<u>\$ 824,237</u>	<u>\$ 1,592,077</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (104,873)	\$ (619,475)	\$ (724,348)	\$ (39,749)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in current assets and liabilities:				
(Increase) decrease in due from other government	(8)	-	(8)	26
(Increase) decrease in prepaid expenses	47,803	-	47,803	(47,803)
Increase (decrease) in accounts payable and accrued liabilities	<u>(72,631)</u>	<u>(31,808)</u>	<u>(104,439)</u>	<u>112,188</u>
Net cash provided (used) by operating activities	<u>\$ (129,709)</u>	<u>\$ (651,283)</u>	<u>\$ (780,992)</u>	<u>\$ 24,662</u>



## CITY OF SALISBURY, NORTH CAROLINA

## AGENCY FUNDS

## COMBINING BALANCE SHEET

June 30, 2010

With Comparative Totals at June 30, 2009

	Agency				Totals	
	Boards and Commissions	Municipal Service District	East Spencer Utility Fund	Tourism and Cultural Development Fund	2010	2009
<u>ASSETS</u>						
Cash and investments	\$ 2,796	\$ 1,683	\$ 122,717	\$ -	\$ 127,196	\$ 103,992
Accounts receivable	<u>-</u>	<u>8,995</u>	<u>129,785</u>	<u>-</u>	<u>138,780</u>	<u>137,390</u>
Total assets	<u>\$ 2,796</u>	<u>\$ 10,678</u>	<u>\$ 252,502</u>	<u>\$ -</u>	<u>\$ 265,976</u>	<u>\$ 241,382</u>
<u>LIABILITIES</u>						
Accounts payable and accrued liabilities	<u>\$ 2,796</u>	<u>\$ 10,678</u>	<u>\$ 252,502</u>	<u>\$ -</u>	<u>\$ 265,976</u>	<u>\$ 241,382</u>

## CITY OF SALISBURY, NORTH CAROLINA

## AGENCY FUNDS

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>BOARDS AND COMMISSIONS FUND:</u>				
ASSETS				
Cash and investments	\$ 2,796	\$ -	\$ -	\$ 2,796
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,796	\$ -	\$ -	\$ 2,796
<u>MUNICIPAL SERVICE DISTRICT FUND:</u>				
ASSETS				
Cash and investments	\$ 3,762	\$ 133,901	\$ 135,980	\$ 1,683
Accounts receivable	7,528	133,070	131,603	8,995
Total assets	\$ 11,290	\$ 266,971	\$ 267,583	\$ 10,678
LIABILITIES				
Accounts payable and accrued liabilities	\$ 11,290	\$ -	\$ 612	\$ 10,678
<u>EAST SPENCER UTILITY FUND:</u>				
ASSETS				
Cash and investments	\$ 97,434	\$ 1,438,617	\$ 1,413,334	\$ 122,717
Accounts receivable	129,862	1,015,487	1,015,564	129,785
Total Assets	\$ 227,296	\$ 2,454,104	\$ 2,428,898	\$ 252,502
LIABILITIES				
Accounts payable and accrued liabilities	\$ 227,296	\$ 25,206	\$ -	\$ 252,502
<u>TOURISM AND CULTURAL DEVELOPMENT FUND:</u>				
ASSETS				
Cash and investments	\$ -	\$ 171,961	\$ 171,961	\$ -
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 171,961	\$ 171,961	\$ -
<u>TOTAL AGENCY FUNDS:</u>				
ASSETS				
Cash and investments	\$ 103,992	\$ 1,744,479	\$ 1,721,275	\$ 127,196
Accounts receivable	137,390	1,148,557	1,147,167	138,780
Total assets	\$ 241,382	\$ 2,893,036	\$ 2,868,442	\$ 265,976
LIABILITIES				
Accounts payable and accrued liabilities	\$ 241,382	\$ 197,167	\$ 172,573	\$ 265,976

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**CITY OF SALISBURY, NORTH CAROLINA**  
**GENERAL FUND**  
**PROPERTY TAXES RECEIVABLE**  
**For the Year Ended June 30, 2010**

<b>Tax Year</b>	<b>Fiscal Year Ended June 30</b>	<b>Assessed Valuation *</b>	<b>Taxes Levied Prior to June 30, 2009</b>	<b>Collections and Credits Prior to June 30, 2009</b>	<b>Taxes Receivable June 30, 2009</b>	<b>Levy Additions Year Ended June 30, 2010</b>	<b>Collections and Credits Year Ended June 30, 2010</b>	<b>(Note) Other Credits</b>	<b>Taxes Receivable June 30, 2010</b>
2009	2010	\$2,902,150,012				\$ 17,459,069	\$ 16,675,302		\$ 783,767
2008	2009	2,889,983,197	\$ 17,334,870	\$ 16,646,171	\$ 688,699		425,687		263,012
2007	2008	2,826,097,249	16,966,584	16,797,874	168,710		62,002		106,708
2006	2007	2,416,776,551	15,352,505	15,295,145	57,360		16,076		41,284
2005	2006	2,332,871,603	14,642,134	14,591,174	50,960		7,682		43,278
2004	2005	2,205,157,905	13,758,035	13,723,724	34,311		2,616		31,695
2003	2004	2,171,562,439	12,643,078	12,617,259	25,819		1,576		24,243
2002	2003	1,862,739,075	11,255,315	11,218,672	36,643		988		35,655
2001	2002	1,854,810,966	11,190,158	11,164,318	25,840		883		24,957
2000	2001	1,820,568,216	10,937,764	10,913,352	24,412		554		23,858
1999	2000	1,764,727,945	10,160,220	10,138,916	21,304		634	20,670	-
			<u>\$ 134,240,663</u>	<u>\$ 116,460,434</u>	<u>\$ 1,134,058</u>	<u>\$ 17,459,069</u>	<u>\$ 17,194,000</u>	<u>\$ 20,670</u>	<u>\$ 1,378,457</u>
									<u>300,000</u>
									<u>\$ 1,078,457</u>
Reconciliation of Collections and Credits with revenues									
	Revenues per Statement B-1								
							\$ 16,265,211		
							519,342		
							<u>228,335</u>		
							\$ 17,012,888		
							130,510		
							<u>50,602</u>		
							<u>\$ 17,194,000</u>		

\* All taxable property is assessed at one hundred percent (100%) of its estimated value at the time of revaluation.

Note: Ten year statute of limitations write-off.

## CITY OF SALISBURY, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY

For the Year Ended June 30, 2010

	City Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	ORIGINAL LEVY				
Property taxed at current year's rates	\$2,895,486,373	\$0.590	\$ 17,083,364	\$ 16,436,701	\$ 646,663
Registered motor vehicles taxed at prior year's rates	68,386,660	0.590	403,485	-	403,485
Auto registration fee			229,453	1,833	227,620
Penalties			46,848	46,848	-
TOTAL	\$2,963,873,033		\$ 17,763,150	\$ 16,485,382	\$ 1,277,768
DISCOVERY					
Current year rates	1,880,208		11,093	10,057	1,036
Prior years rates			78,472	78,472	-
Penalties			24,352	24,352	-
TOTAL			\$ 113,917	\$ 112,881	\$ 1,036
ABATEMENTS	(63,603,229)		\$ (417,998)	\$ (398,568)	\$ (19,430)
TOTAL PROPERTY VALUATION	<u>\$2,902,150,012</u>				
NET LEVY			\$ 17,459,069	\$ 16,199,695	\$ 1,259,374
Less uncollected tax at June 30, 2010			783,767	600,588	183,179
CURRENT YEAR'S TAXES COLLECTED			<u>\$ 16,675,302</u>	<u>\$15,599,107</u>	<u>\$1,076,195</u>
PERCENT OF CURRENT YEAR COLLECTED			<u>95.51%</u>	<u>96.29%</u>	<u>85.45%</u>

**Schedule 1**

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	\$ 30,737,822	\$ 30,380,102	\$ 31,657,961	\$ 32,777,082	\$ 36,272,178	\$ 36,525,374	\$ 37,816,470	\$ 38,831,003
Restricted	-	-	-	-	-	-	216,413	591,581
Unrestricted	4,771,163	4,694,890	5,411,922	6,600,846	7,180,425	8,148,501	7,691,236	6,001,521
Total Governmental activities net assets	<u>\$ 35,508,985</u>	<u>\$ 35,074,992</u>	<u>\$ 37,069,883</u>	<u>\$ 39,377,928</u>	<u>\$ 43,452,603</u>	<u>\$ 44,673,875</u>	<u>\$ 45,724,119</u>	<u>\$ 45,424,105</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 54,424,878	\$ 62,840,912	\$ 71,848,222	\$ 72,574,520	\$ 73,759,751	\$ 77,307,128	\$ 75,728,506	\$ 76,682,748
Restricted	-	-	-	-	-	-	3,150,905	3,150,905
Unrestricted	19,813,181	14,281,971	9,921,167	9,010,320	10,909,457	9,671,332	9,586,249	8,508,935
Total business-type activities net assets	<u>\$ 74,238,059</u>	<u>\$ 77,122,883</u>	<u>\$ 81,769,389</u>	<u>\$ 81,584,840</u>	<u>\$ 84,669,208</u>	<u>\$ 86,978,460</u>	<u>\$ 88,465,660</u>	<u>\$ 88,342,588</u>
Primary government								
Invested in capital assets, net of related debt	\$ 85,162,700	\$ 93,221,014	\$ 103,506,183	\$ 105,351,602	\$ 110,031,929	\$ 113,832,502	\$ 113,544,976	\$ 115,513,751
Restricted	-	-	-	-	-	-	3,367,318	3,742,486
Unrestricted	24,584,344	18,976,861	15,333,089	15,611,166	18,089,882	17,819,833	17,277,485	14,510,456
Total primary government net assets	<u>\$ 109,747,044</u>	<u>\$ 112,197,875</u>	<u>\$ 118,839,272</u>	<u>\$ 120,962,768</u>	<u>\$ 128,121,811</u>	<u>\$ 131,652,335</u>	<u>\$ 134,189,779</u>	<u>\$ 133,766,693</u>

**Schedule 2**

**CITY OF SALISBURY  
CHANGES IN NET ASSETS  
Last Eight Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
Governmental activities:								
General government	\$ 5,975,738	\$ 5,887,422	\$ 6,575,855	\$ 6,620,291	\$ 7,545,934	\$ 8,584,267	\$ 7,607,018	\$ 9,000,546
Public safety	9,739,181	10,111,491	10,444,970	10,559,567	11,018,172	11,855,275	12,600,709	12,781,599
Transportation	4,313,179	4,869,631	4,659,387	5,718,272	5,079,652	5,875,717	4,870,333	5,720,250
Environmental protection	1,469,017	1,619,517	1,653,027	1,785,667	2,139,937	2,203,772	2,459,565	1,903,354
Culture and recreation	2,392,991	2,579,491	2,566,970	2,637,583	2,593,105	2,830,610	2,934,389	2,977,724
Community and economic development	2,013,771	2,386,640	2,099,674	2,260,752	2,094,261	2,025,313	1,938,878	1,861,576
Education	42,342	42,342	42,342	42,342	42,342	42,342	42,342	42,342
Interest on long-term debt	251,693	258,177	306,022	297,212	414,815	358,688	449,945	365,136
Total governmental activities expenses	<u>\$ 26,197,912</u>	<u>\$ 27,754,711</u>	<u>\$ 28,348,247</u>	<u>\$ 29,921,686</u>	<u>\$ 30,928,218</u>	<u>\$ 33,775,984</u>	<u>\$ 32,903,179</u>	<u>\$ 34,652,527</u>
Business-type activities:								
Water and Sewer	\$ 15,484,513	\$ 16,179,987	\$ 17,063,018	\$ 18,131,596	\$ 18,636,493	\$ 19,488,977	\$ 19,961,739	\$ 20,703,446
Broadband Services							230,474	828,584
Mass Transit	629,268	661,552	817,899	977,470	1,194,223	1,258,857	1,347,215	1,217,603
Total business-type activities	<u>\$ 16,113,781</u>	<u>\$ 16,841,539</u>	<u>\$ 17,880,917</u>	<u>\$ 19,109,066</u>	<u>\$ 19,830,716</u>	<u>\$ 20,747,834</u>	<u>\$ 21,539,428</u>	<u>\$ 22,749,633</u>
Total primary governmental expenses	<u>\$ 42,311,693</u>	<u>\$ 44,596,250</u>	<u>\$ 46,229,164</u>	<u>\$ 49,030,752</u>	<u>\$ 50,758,934</u>	<u>\$ 54,523,818</u>	<u>\$ 54,442,607</u>	<u>\$ 57,402,160</u>
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
General government	\$ 2,854,620	\$ 3,009,494	\$ 3,185,185	\$ 3,207,322	\$ 3,796,433	\$ 3,889,331	\$ 3,343,256	\$ 3,543,676
Public safety	410,211	414,782	416,920	473,190	459,350	464,189	456,266	433,727
Transportation	125,244	40,219	52,545	139,704	127,207	157,217	148,212	129,223
Environmental protection	946,998	954,506	966,049	981,344	1,156,391	1,208,241	1,549,055	1,221,279
Culture and recreation	162,916	236,236	251,084	164,896	167,781	175,416	165,332	153,833
Community and economic development	160,377	389,325	310,430	504,285	444,382	201,558	209,970	134,399
Operating grants and contributions	3,187,615	1,632,833	2,007,717	1,943,637	1,547,688	1,821,205	1,710,521	2,507,060
Capital grants and contributions	4,990,317	605,851	2,150,557	2,406,145	3,684,048	1,376,213	986,905	759,641
Total governmental activities program revenues	<u>\$ 12,838,298</u>	<u>\$ 7,283,246</u>	<u>\$ 9,340,487</u>	<u>\$ 9,820,523</u>	<u>\$ 11,383,280</u>	<u>\$ 9,293,370</u>	<u>\$ 8,569,517</u>	<u>\$ 8,882,838</u>

Business-type activities:								
Charges for services:								
Water and Sewer	\$ 14,301,184	\$ 14,484,161	\$ 15,342,078	\$ 17,789,555	\$ 19,384,892	\$ 20,463,596	\$ 20,738,138	\$ 21,353,577
Mass Transit	66,669	64,571	64,225	80,372	85,835	88,633	105,874	109,235
Operating grants and contributions	372,724	372,506	405,706	452,326	482,692	479,227	507,040	509,046
Capital grants and contributions	<u>9,927,332</u>	<u>2,821,330</u>	<u>5,040,339</u>	<u>43,765</u>	<u>1,960,331</u>	<u>771,686</u>	<u>722,209</u>	<u>-</u>
Total business-type activities								
program revenues	\$ <u>24,667,909</u>	\$ <u>17,742,568</u>	\$ <u>20,852,348</u>	\$ <u>18,366,018</u>	\$ <u>21,913,750</u>	\$ <u>21,803,142</u>	\$ <u>22,073,261</u>	\$ <u>21,971,858</u>
Total primary governmental								
program revenues	\$ <u>37,506,207</u>	\$ <u>25,025,814</u>	\$ <u>30,192,835</u>	\$ <u>28,186,541</u>	\$ <u>33,297,030</u>	\$ <u>31,096,512</u>	\$ <u>30,642,778</u>	\$ <u>30,854,696</u>
<b>Net (expense)/revenue</b>								
Governmental activities	\$ (13,359,614)	\$ (20,471,465)	\$ (19,007,760)	\$ (20,101,163)	\$ (19,544,938)	\$ (24,482,614)	\$ (24,333,662)	\$ (25,769,689)
Business-type activities	<u>8,554,128</u>	<u>901,029</u>	<u>2,971,431</u>	<u>(743,048)</u>	<u>2,083,034</u>	<u>1,055,308</u>	<u>533,833</u>	<u>(777,775)</u>
Total primary governmental net expense	\$ <u>(4,805,486)</u>	\$ <u>(19,570,436)</u>	\$ <u>(16,036,329)</u>	\$ <u>(20,844,211)</u>	\$ <u>(17,461,904)</u>	\$ <u>(23,427,306)</u>	\$ <u>(23,799,829)</u>	\$ <u>(26,547,464)</u>
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Taxes								
Property taxes	\$ 11,220,630	\$ 12,608,225	\$ 13,589,368	\$ 14,580,037	\$ 15,237,001	\$ 16,755,835	\$ 17,162,719	\$ 17,379,089
Sales and other taxes	3,382,414	4,232,748	4,410,547	4,755,926	4,928,404	5,220,704	4,732,043	4,526,014
Intergovernmental revenues	1,932,454	2,822,659	2,848,989	2,731,869	2,818,573	3,446,122	3,251,711	3,494,579
Unrestricted investment earnings	88,655	81,428	176,287	379,137	544,213	461,939	244,222	109,254
Miscellaneous	351,418	277,847	151,030	175,357	449,991	257,067	446,592	351,058
Transfers	<u>(160,282)</u>	<u>(160,282)</u>	<u>(173,570)</u>	<u>(213,118)</u>	<u>(358,569)</u>	<u>(437,781)</u>	<u>(453,381)</u>	<u>(390,319)</u>
Total governmental activities	\$ <u>16,815,289</u>	\$ <u>19,862,625</u>	\$ <u>21,002,651</u>	\$ <u>22,409,208</u>	\$ <u>23,619,613</u>	\$ <u>25,703,886</u>	\$ <u>25,383,906</u>	\$ <u>25,469,675</u>
Business-type activities:								
Investment earnings	\$ 363,091	\$ 184,999	\$ 231,288	\$ 342,961	\$ 642,765	\$ 816,163	\$ 499,986	\$ 264,384
Miscellaneous	952,766	1,638,514	1,270,217	2,420	-	-	-	-
Transfers	<u>160,282</u>	<u>160,282</u>	<u>173,570</u>	<u>213,118</u>	<u>358,569</u>	<u>437,781</u>	<u>453,381</u>	<u>390,319</u>
Total business-type activities	\$ <u>1,476,139</u>	\$ <u>1,983,795</u>	\$ <u>1,675,075</u>	\$ <u>558,499</u>	\$ <u>1,001,334</u>	\$ <u>1,253,944</u>	\$ <u>953,367</u>	\$ <u>654,703</u>
Total primary government	\$ <u>18,291,428</u>	\$ <u>21,846,420</u>	\$ <u>22,677,726</u>	\$ <u>22,967,707</u>	\$ <u>24,620,947</u>	\$ <u>26,957,830</u>	\$ <u>26,337,273</u>	\$ <u>26,124,378</u>
<b>Change in Net Assets</b>								
Governmental activities	\$ 3,455,675	\$ (608,840)	\$ 1,994,891	\$ 2,308,045	\$ 4,074,675	\$ 1,221,272	\$ 1,050,244	\$ (300,014)
Business-type activities	<u>10,030,267</u>	<u>2,884,824</u>	<u>4,646,506</u>	<u>(184,549)</u>	<u>3,084,368</u>	<u>2,309,252</u>	<u>1,487,200</u>	<u>(123,072)</u>
Total primary government	\$ <u>13,485,942</u>	\$ <u>2,275,984</u>	\$ <u>6,641,397</u>	\$ <u>2,123,496</u>	\$ <u>7,159,043</u>	\$ <u>3,530,524</u>	\$ <u>2,537,444</u>	\$ <u>(423,086)</u>

Note: The City began to report accrual information for governmental activities when it implemented GASB 34 in fiscal year 2003.

**Schedule 3**

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

	<b>Fiscal Year</b>				
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
General Fund					
Reserved	\$2,594,214	\$1,765,414	\$2,230,658	\$2,853,273	\$3,588,992
Unreserved	<u>3,212,978</u>	<u>3,110,420</u>	<u>3,023,678</u>	<u>2,956,660</u>	<u>3,195,428</u>
Total General Fund	<u>\$5,807,192</u>	<u>\$4,875,834</u>	<u>\$5,254,336</u>	<u>\$5,809,933</u>	<u>\$6,784,420</u>
All other governmental funds					
Reserved	\$ 6,445	\$ 4,448	\$ 129,802	\$ 20,261	\$ 36,819
Unreserved, reported in:					
Special revenue funds	136,677	64,354	-	173,894	60,125
Capital projects funds	<u>295,471</u>	<u>54,312</u>	<u>9,155</u>	<u>(373,049)</u>	<u>(753,745)</u>
Total all other governmental funds	<u>\$ 438,593</u>	<u>\$ 123,114</u>	<u>\$ 138,957</u>	<u>\$ (178,894)</u>	<u>\$ (656,801)</u>

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$3,873,682	\$3,334,316	\$3,618,321	\$4,426,599	\$4,405,420
<u>3,310,681</u>	<u>3,538,413</u>	<u>4,446,572</u>	<u>4,514,032</u>	<u>4,499,117</u>
<u>\$7,184,363</u>	<u>\$6,872,729</u>	<u>\$8,064,893</u>	<u>\$8,940,631</u>	<u>\$8,904,537</u>
\$ 523,350	\$ 7,724	\$ 36,736	\$ 81,400	\$ 31,427
182,446	92,834	(30,759)	(76,713)	(27,823)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,035,631</u>	<u>382,328</u>
<u>\$ 705,796</u>	<u>\$ 100,558</u>	<u>\$ 5,977</u>	<u>\$2,040,318</u>	<u>\$ 385,932</u>

**Schedule 4**

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

	<b>Fiscal Year</b>				
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Revenues</b>					
Taxes	\$ 10,720,050	\$ 11,097,422	\$ 11,197,550	\$ 12,517,710	\$ 13,786,408
Licenses and permits	533,554	550,831	551,498	538,560	589,274
Intergovernmental	9,659,947	7,167,125	9,379,967	9,451,550	9,266,863
Charges for services	2,307,975	2,227,465	2,257,355	2,080,488	2,216,314
Investment earnings	508,696	170,968	86,796	76,874	161,387
Miscellaneous	1,561,916	737,488	534,802	817,495	757,105
Administrative charges	1,505,714	1,581,000	1,660,050	1,743,053	1,711,559
Total revenues	<u>\$ 26,797,852</u>	<u>\$ 23,532,299</u>	<u>\$ 25,668,018</u>	<u>\$ 27,225,730</u>	<u>\$ 28,488,910</u>
<b>Expenditures</b>					
General government	\$ 5,336,349	\$ 5,360,451	\$ 4,704,820	\$ 7,942,599	\$ 6,201,936
Public safety	8,860,001	8,941,298	9,850,071	10,095,655	10,717,282
Transportation	3,721,416	2,978,265	4,117,773	3,600,475	3,636,014
Environmental protection	1,413,534	1,406,346	1,561,086	1,671,908	1,902,570
Culture and recreation	4,272,125	2,666,102	2,195,856	2,568,374	2,495,888
Economic and physical development	2,021,636	2,168,981	3,002,561	2,374,662	2,074,433
Education	42,342	42,342	42,342	42,342	42,342
Debt service					
Principal	707,050	764,467	774,176	646,750	630,890
Interest	300,193	290,602	260,553	250,437	308,405
Issuance fees					
Total expenditures	<u>\$ 26,674,646</u>	<u>\$ 24,618,854</u>	<u>\$ 26,509,238</u>	<u>\$ 29,193,202</u>	<u>\$ 28,009,760</u>
Excess of revenues over (under) expenditures	<u>\$ 123,206</u>	<u>\$ (1,086,555)</u>	<u>\$ (841,220)</u>	<u>\$ (1,967,472)</u>	<u>\$ 479,150</u>
<b>Other financing sources (uses)</b>					
Transfers out	\$ (160,282)	\$ (160,282)	\$ (160,282)	\$ (160,282)	\$ (173,570)
Section 108 loans	-	-	221,000	375,000	-
Installment purchase financing	1,000,000	-	1,000,000	1,990,500	191,000
Total other financing sources (uses)	<u>\$ 839,718</u>	<u>\$ (160,282)</u>	<u>\$ 1,060,718</u>	<u>\$ 2,205,218</u>	<u>\$ 17,430</u>
Net change in fund balances	<u>\$ 962,924</u>	<u>\$ (1,246,837)</u>	<u>\$ 219,498</u>	<u>\$ 237,746</u>	<u>\$ 496,580</u>
Total capital expenditures included above	\$ 3,325,887	\$ 1,255,215	\$ 2,326,603	\$ 3,486,270	\$ 1,755,532
Debt services as a percentage of noncapital expenditures	4.3%	4.5%	4.3%	3.5%	3.6%

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 14,523,959	\$ 15,152,988	\$ 16,731,217	\$ 16,960,723	\$ 17,121,590
574,669	473,488	413,940	393,755	420,876
9,851,051	9,592,656	10,708,309	10,489,900	10,637,419
2,248,157	2,490,586	2,503,642	2,941,277	2,640,751
331,121	410,322	394,806	197,380	98,466
942,243	602,044	701,002	642,012	496,933
2,070,628	2,275,159	2,417,857	2,536,683	2,554,510
<u>\$ 30,541,828</u>	<u>\$ 30,997,243</u>	<u>\$ 33,870,773</u>	<u>\$ 34,161,730</u>	<u>\$ 33,970,545</u>
\$ 6,198,248	\$ 6,604,904	\$ 7,087,851	\$ 7,392,264	\$ 9,208,823
13,692,442	13,235,698	11,591,654	11,800,925	12,654,815
4,613,922	4,143,049	4,844,531	4,969,657	4,729,571
1,801,115	1,994,245	2,198,012	2,269,806	1,804,449
2,601,386	2,590,253	3,031,619	3,148,062	2,814,908
2,227,480	2,269,786	2,069,328	1,934,441	2,339,095
42,342	42,342	42,342	42,342	42,342
666,950	954,857	2,012,386	1,129,427	1,296,442
287,965	394,837	364,620	350,909	380,261
			65,437	-
<u>\$ 32,131,850</u>	<u>\$ 32,229,971</u>	<u>\$ 33,242,343</u>	<u>\$ 33,103,270</u>	<u>\$ 35,270,706</u>
<u>\$ (1,590,022)</u>	<u>\$ (1,232,728)</u>	<u>\$ 628,430</u>	<u>\$ 1,058,460</u>	<u>\$ (1,300,161)</u>
\$ (213,118)	\$ (358,569)	\$ (437,781)	\$ (453,381)	\$ (390,319)
-	-	-	-	-
<u>3,565,680</u>	<u>674,425</u>	<u>906,934</u>	<u>2,305,000</u>	<u>-</u>
<u>\$ 3,352,562</u>	<u>\$ 315,856</u>	<u>\$ 469,153</u>	<u>\$ 1,851,619</u>	<u>\$ (390,319)</u>
<u>\$ 1,762,540</u>	<u>\$ (916,872)</u>	<u>\$ 1,097,583</u>	<u>\$ 2,910,079</u>	<u>\$ (1,690,480)</u>
\$ 1,629,005	\$ 3,982,859	\$ 1,735,087	\$ 3,218,811	\$ 3,772,963
3.1%	4.8%	7.5%	5.2%	5.3%

**Schedule 5**

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Utilities Franchise Tax *</b>	<b>Total</b>
2003	\$ 11,220,630	\$ 3,382,414	\$ 1,879,808	\$ 16,482,852
2004	12,608,225	4,232,748	2,306,834	19,147,807
2005	13,589,368	4,306,693	1,886,178	19,782,239
2006	14,580,037	4,755,926	1,863,690	21,199,653
2007	15,237,001	4,928,404	2,029,281	22,194,686
2008	16,755,835	5,220,704	2,533,067	24,509,606
2009	17,162,719	4,732,043	2,493,549	24,388,311
2010	17,379,089	4,526,014	2,542,211	24,447,314

\* Includes Telecommunications taxes and Video Franchise Fees.

**Schedule 6**

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

<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>Overlapping Rates</b>		<b>Total Direct &amp; Overlapping Rates</b>
		<b>Municipal Service District</b>	<b>Rowan County</b>	
2001	0.6000	0.1600	0.6350	1.3950
2002	0.6000	0.1600	0.6350	1.3950
2003	0.6000	0.1600	0.6350	1.3950
2004	0.5800	0.1600	0.6300	1.3700
2005	0.6150	0.1600	0.6300	1.4050
2006	0.6150	0.1600	0.6300	1.4050
2007	0.6250	0.1600	0.6300	1.4150
2008	0.5900	0.1600	0.5950	1.3450
2009	0.5900	0.1600	0.5950	1.3450
2010	0.5900	0.1600	0.5950	1.3450

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.  
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**

<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Public Service Companies</b>
	<b>Residential</b>	<b>Commercial</b>	<b>Motor</b>	<b>Other</b>	
	<b>Property</b>	<b>Property</b>	<b>Vehicles</b>		
2001	\$ 762,717,104	\$ 585,247,128	\$161,220,823	\$ 254,357,661	\$ 64,805,231
2002	789,423,038	597,292,462	165,098,479	242,724,452	67,482,463
2003	804,305,286	606,716,922	161,818,125	235,755,742	64,817,634
2004	974,241,834	726,060,709	163,148,412	253,884,469	65,288,150
2005	993,670,143	748,068,340	165,961,939	247,661,995	61,461,308
2006	1,033,163,052	766,165,600	180,632,571	304,196,940	61,623,601
2007	1,062,656,530	807,518,731	180,085,538	321,667,603	57,991,527
2008	1,278,010,578	979,777,296	203,330,301	321,212,171	60,025,014
2009	1,313,367,427	997,804,691	201,392,686	331,012,807	63,736,172
2010	1,302,210,389	1,030,493,844	173,246,565	354,549,352	60,768,581

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.

<b>Less:</b>	<b>Total Actual</b>	<b>Total</b>	<b>Assessed</b>
<b>Tax Exempt</b>	<b>and Taxable</b>	<b>Direct</b>	<b>Value as a</b>
<b>Real Property</b>	<b>Assessed</b>	<b>Tax</b>	<b>Percentage of</b>
	<b>Value</b>	<b>Rate</b>	<b>Actual Value</b>
\$ 7,779,731	\$ 1,820,568,216	\$ 0.600	100.00%
7,209,928	1,854,810,966	0.600	100.00%
10,688,772	1,862,724,937	0.600	100.00%
11,202,095	2,171,421,479	0.580	100.00%
11,665,820	2,205,157,905	0.615	100.00%
12,910,161	2,332,871,603	0.615	100.00%
13,143,378	2,416,776,551	0.625	100.00%
16,258,111	2,826,097,249	0.590	100.00%
17,330,586	2,889,983,197	0.590	100.00%
19,118,719	2,902,150,012	0.590	100.00%

**Schedule 8**

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

<u>Taxpayer</u>	<u>2010</u>			<u>2001</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.	\$ 172,563,981	1	5.95%	\$ 66,704,201	1	3.66%
AKZO Nobel	27,997,538	2	0.96%			
Norandal USA	27,301,375	3	0.94%	27,920,968	3	1.53%
Duke Energy Corporation	24,584,197	4	0.85%	22,841,972	6	1.25%
Centro Heritage Innes Street, LLC	24,387,623	5	0.84%	23,473,338	5	1.29%
Henkel Corporation	16,617,760	6	0.57%			
Salisbury Mall, Ltd.	16,530,782	7	0.57%	15,399,142	8	0.85%
Bellsouth Telephone	14,286,370	8	0.49%	18,912,449	7	1.04%
Wal-Mart Stores	14,143,271	9	0.49%			
Piedmont Natural Gas	13,403,365	10	0.46%			
BRC Salisbury LLC				30,985,510	2	1.70%
ICI Americas				25,962,701	4	1.43%
Cone Mills Corporation				12,670,814	10	0.70%
Ball Metal Beverage Container				14,259,412	9	0.78%
<b>Totals</b>	<u>\$ 351,816,262</u>		<u>12.12%</u>	<u>\$ 259,130,507</u>		<u>14.23%</u>

Source: Rowan County Tax Assessor

**Schedule 9**

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

<b>Fiscal Year Ended June 30</b>	<b>Total Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2001	\$ 10,937,764	\$ 10,553,137	96.48%	\$ 360,769	\$ 10,913,906	99.78%
2002	11,190,158	10,823,799	96.73%	341,402	11,165,201	99.78%
2003	11,255,233	10,892,049	96.77%	327,611	11,219,660	99.68%
2004	12,642,260	12,235,549	96.78%	383,286	12,618,835	99.81%
2005	13,758,035	13,420,155	97.54%	306,185	13,726,340	99.77%
2006	14,642,134	14,239,283	97.25%	359,573	14,598,856	99.70%
2007	15,353,108	14,885,545	96.95%	425,676	15,311,221	99.73%
2008	16,966,584	16,463,376	97.03%	396,500	16,859,876	99.37%
2009	17,334,870	16,646,171	96.03%	425,687	17,071,858	98.48%
2010	17,459,069	16,675,302	95.51%	-	16,675,302	95.51%

**Schedule 10**

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>			
	<b>General Obligation Bonds</b>	<b>Installment Purchases</b>	<b>Section 108 Loan</b>	<b>General Obligation Bonds</b>	<b>Installment Purchases</b>	<b>Revenue Bonds</b>	<b>State Loans</b>
2001	\$ 3,025,000	\$ 2,999,206	-	\$ 17,360,000		\$ 1,835,000	\$15,950,096
2002	2,825,000	2,434,738	-	16,080,000		21,745,280	15,067,590
2003	2,645,000	2,840,562	\$ 221,000	14,805,000		21,541,269	14,185,084
2004	2,465,000	4,364,312	596,000	13,285,537		20,972,259	13,302,578
2005	2,265,000	4,156,422	564,000	11,934,124		20,383,247	12,420,072
2006	2,075,000	7,277,152	532,000	10,592,712		19,774,236	11,537,566
2007	1,875,000	7,228,720	500,000	9,286,300		25,045,997	10,655,060
2008	1,675,000	6,355,267	468,000	8,054,887		31,587,521	9,772,554
2009	1,475,000	7,762,840	436,000	6,888,474	31,973,281	30,448,803	8,890,048
2010	1,275,000	6,698,398	404,000	5,742,062	32,052,617	35,261,442	8,007,542

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.

<u>Capital Leases</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>
\$ 4,135,606	\$ 45,304,908	9.08%
3,874,595	62,027,203	12.14%
3,611,283	59,849,198	10.92%
3,341,606	58,327,292	10.54%
3,070,497	54,793,362	9.78%
2,799,885	54,588,551	9.19%
2,535,695	57,126,772	8.95%
2,274,849	60,188,078	8.56%
2,007,264	89,881,710	12.34%
1,732,856	91,173,917	12.81%

**Schedule 11**

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

<b>Fiscal Year</b>	<b>Governmental General Obligation Bonds</b>	<b>Business-type General Obligation Bonds</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2000	\$ 3,225,000	\$ 18,645,000	\$ 21,870,000	1.24%	795
2001	3,025,000	17,360,000	20,385,000	1.12%	770
2002	2,825,000	16,080,000	18,905,000	1.02%	712
2003	2,645,000	14,805,000	17,450,000	0.94%	619
2004	2,465,000	13,285,537	15,750,537	0.73%	559
2005	2,265,000	11,934,124	14,199,124	0.64%	503
2006	2,075,000	10,592,712	12,667,712	0.54%	433
2007	1,875,000	9,286,300	11,161,300	0.46%	364
2008	1,675,000	8,054,887	9,729,887	0.34%	314
2009	1,475,000	6,888,474	8,363,474	0.29%	267
2010	1,275,000	5,742,062	7,017,062	0.24%	217

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, 2010**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Rowan County	\$ 93,083,354	24.62%	\$ 22,920,825
City of Salisbury direct debt			<u>8,377,398</u>
Total direct and overlapping debt			<u>\$ 31,298,223</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**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt limit	\$ 145,645,457	\$ 148,384,877	\$ 149,017,995	\$ 173,713,718
Total net debt applicable to limit	<u>27,518,771</u>	<u>25,214,433</u>	<u>23,901,845</u>	<u>21,006,455</u>
Legal debt margin	<u>\$ 118,126,686</u>	<u>\$ 123,170,444</u>	<u>\$ 125,116,150</u>	<u>\$ 152,707,263</u>
Total net debt applicable to the limit as a percentage of debt limit	18.89%	16.99%	16.04%	12.09%

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.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 176,412,632	\$ 187,662,541	\$ 194,393,594	\$ 227,388,429	\$ 232,585,103	\$ 233,701,498
<u>19,226,043</u>	<u>22,744,749</u>	<u>20,925,715</u>	<u>18,360,003</u>	<u>50,981,225</u>	<u>47,500,933</u>
<u>\$ 157,186,589</u>	<u>\$ 164,917,792</u>	<u>\$ 173,467,879</u>	<u>\$ 209,028,426</u>	<u>\$ 181,603,878</u>	<u>\$ 186,200,565</u>
10.90%	12.12%	10.76%	8.07%	21.92%	20.33%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Assessed value	\$ 2,902,150,012
Add back: exempt real property	<u>19,118,719</u>
Total assessed value	\$ 2,921,268,731
Debt Limit (8% of total assessed value)	233,701,498
Debt applicable to limit:	
General obligation bonds	7,017,062
Capitalized lease and installment purchase obligations	<u>40,483,871</u>
Legal debt margin	<u>\$ 186,200,565</u>

**Schedule 14**

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

<b>Fiscal Year</b>	<b>Gross Revenues</b>	<b>Operating Expenditures</b>	<b>Net Revenues Available</b>	<b>Deb Service Requirements</b>		<b>Coverage Ratios</b>	
				<b>Parity Debt</b>	<b>All Debt</b>	<b>Parity Debt</b>	<b>All Debt</b>
2001	\$ 12,715,931	\$ 8,635,605	\$ 4,080,326	\$ 1,529,666	\$ 4,056,167	266.75%	100.60%
2002	14,401,251	8,934,754	5,466,497	1,572,591	4,322,337	347.61%	126.47%
2003	15,297,190	10,022,035	5,275,155	2,405,500	5,088,957	219.30%	103.66%
2004	16,218,662	10,696,926	5,521,736	2,892,846	5,413,301	190.88%	102.00%
2005	16,841,357	10,952,357	5,889,000	2,868,321	5,192,745	205.31%	113.41%
2006	18,132,373	11,843,353	6,289,020	1,610,535	5,094,339	390.49%	123.45%
2007	19,888,170	12,384,082	7,504,088	1,828,958	5,208,347	410.29%	144.08%
2008	20,965,998	13,150,616	7,815,382	2,132,890	5,478,090	366.42%	142.67%
2009	20,968,062	13,521,208	7,446,854	2,592,000	5,687,303	287.30%	130.94%
2010	21,044,751	14,203,262	6,841,489	2,683,309	5,754,927	254.96%	118.88%

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.

For fiscal years prior to 2006 parity debt service requirements included revenue bonds and N. C. Clean Water Bonds. Beginning in 2006 parity debt includes only revenue bonds.

Schedule 15

CITY OF SALISBURY  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2001	26,462	\$ 499,179,168	\$ 18,864	36.9	6.5%
2002	26,559	511,021,719	19,241	37.1	5.7%
2003	28,199	547,991,167	19,433	37.3	5.7%
2004	28,199	553,433,574	19,626	37.3	9.0%
2005	28,249	560,036,425	19,825	37.5	6.0%
2006	29,239	594,136,480	20,320	37.7	5.8%
2007	30,642	638,211,576	20,828	37.9	6.6%
2008	31,024	703,003,840	22,660	38.1	6.6%
2009	31,358	728,336,587	23,227	38.3	10.3%
2010	32,263	711,888,741	22,065	38.5	12.7%

Sources: Population data provided by Office of State Management and Budget.  
Personal income, per capital income, and median age data are based on the latest census with estimated fluctuations for non-census years.  
Unemployment rates are provided by the NC Employment Security Commission.

**Schedule 16**

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

<b>Employer</b>	<b>2010</b>			<b>2001</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Rowan/Salisbury School System	3,123	1	16.02%	2,500	1	13.89%
W. G. (Bill) Hefner VA Medical Center	1,795	2	9.21%	1,300	3	7.22%
Food Lion	1,498	3	7.68%	2,350	2	13.06%
Rowan Regional Medical Center	1,000	4	5.13%	1,250	4	6.94%
Rowan County	737	5	3.78%	650	5	3.61%
Piedmont Correctional Institute	475	6	2.44%	450	7	2.50%
City of Salisbury	457	7	2.34%	445	8	2.47%
Rowan-Cabarrus Community College	337	8	1.73%			
Catawba College	250	9	1.28%			
Lutheran Services for the Aging	214	10	1.10%	280	10	1.56%
Fieldcrest Cannon				590	6	3.28%
Telespectrum Worldwide, Inc.				300	9	
<b>Total</b>	<b>9,886</b>		<b>50.70%</b>	<b>10,115</b>		<b>54.53%</b>

Note: Information was taken from annual reports published by the Rowan County Chamber of Commerce of the largest employers in Rowan County.

**Schedule 17**

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

	<b>Full-time Equivalent Employees as of June 30</b>									
<b>Function</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
General government:										
City administration	7	6	6	7	7	7	8	9	9	9
Human resources	6	6	6	6	6	6	5	4	5	6
Finance	17	18	15	17	18	17	17	19	19	19
Fleet management	12	12	11	11	10	11	11	11	12	11
Public services administration	3	3	3	4	4	3	4	4	3	3
Facilities Maintenance	4	3	5	5	5	6	6	7	7	8
Information technologies	8	8	7	8	8	8	8	10	11	9
Public safety:										
Police:										
Officers	79	81	78	78	78	81	76	83	84	83
Civilians	20	21	20	21	20	22	20	20	18	17
Fire:										
Firefighters	64	66	66	65	67	68	74	76	73	76
Civilians	3	3	1	2	1	1	1	1	1	1
Transportation:										
Traffic operations	8	8	8	8	8	8	7	7	7	7
Engineering	5	5	4	5	7	6	6	7	7	7
Streets	26	26	25	26	24	27	27	29	30	30
Environmental protection:										
Solid waste management	16	15	14	15	18	16	15	15	12	11
Cemetery	4	4	4	4	3	4	5	5	5	4
Culture and recreation:										
Landscaping	14	14	13	12	12	12	14	11	12	11
Recreation	30	29	27	31	30	31	30	25	24	25
Community and economic development:										
Community development	9	7	6	6	6	6	7	7	11	7
Developmental services	5	5	5	4	5	5	5	4	3	3
Water and Sewer	84	89	89	91	89	89	83	83	86	92
Broadband Services									2	8
Mass Transit	11	12	12	12	12	13	13	13	12	10
	<u>435</u>	<u>441</u>	<u>425</u>	<u>438</u>	<u>438</u>	<u>447</u>	<u>442</u>	<u>450</u>	<u>453</u>	<u>457</u>

Source: City Human Resources Department.

**Schedule 18**

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

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Police				
Calls resulting in a dispatch	47,374	40,582	37,316	36,213
Part I crimes reported (most serious)	2,070	1,538	1,948	1,860
Fire				
Total Fire Department responses	2,794	2,922	3,030	3,141
Value of fire loss	\$ 752,200	\$ 1,635,340	\$ 539,300	\$ 222,095
Streets				
Street miles maintained (lane miles)	294	294	308	311
Miles resurfaced (lanes miles)	16.0	9.6	5.0	11.5
Sanitation				
Refuse collected (tons per 1,000 population)	319	323	310	304
Recyclables collected (tons per 1,000 population)	38	86	72	73
Culture and recreation				
Program participations (per 1,000 population)	N/A	N/A	6,741	6,107
Water				
Utility accounts	15,000	15,000	15,641	15,797
New water connections	439	566	340	240
Average daily water consumption (millions of gallons per day)	6.2	6.2	6.2	6.1
Wastewater				
Average daily sewage treatment (thousands of gallons)	-	-	-	-

Sources: Various government departments.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
34,904	34,556	36,091	40,442	41,261	35,447
2,785	2,527	2,371	2,862	2,636	1,189
3,242	3,715	3,979	4,237	4,263	4,097
\$709,917	\$1,934,950	\$ 596,235	\$4,789,550	\$ 1,027,072	\$ 521,600
317	321	321	340	340	347
10.4	14.8	9.8	10.5	4.0	4.8
302	316	301	297	303	300
66	58	51	54	44	40
5,205	5,567	4,218	5,392	4,230	4,531
15,954	15,996	16,691	16,750	17,100	16,950
305	497	464	522	399	110
6.1	5.7	7.4	7.9	7.7	7.9
-	7.5	7.8	8.49	7.67	7.91

**Schedule 19**

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

<b>Function</b>	<b>Fiscal Year</b>					
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Public safety						
Police:						
Stations	1	1	1	1	1	1
Patrol units	79	81	78	78	78	81
Fire:						
Fire stations	3	3	3	3	3	3
Fire apparatus	9	9	10	10	10	10
Highways and streets						
Streets (miles)	147.11	147.86	154.16	154.34	158.85	160.83
Culture and recreation						
Parks acreage	455	455	455	505	505	505
Parks	15	15	15	15	15	15
Recreation centers	4	4	4	4	4	4
Tennis courts	2	2	2	2	2	2
Water and Sewer Utility						
Utility customers	15,000	15,000	15,641	15,797	15,954	15,996
Miles of water lines	380	380	380	402	402	405
Miles of sewer lines	387	390	390	391	391	393
Water treatment capacity (millions of gallons per day)	12.0	12.0	12.0	12.0	12.0	24.0
Sewage treatment capacity (millions of gallons per day)	12.5	12.5	12.5	12.5	12.5	12.5

Sources: Various city departments.

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
1	1	1	1
84	88	88	88
4	4	4	4
11	14	14	14
169.18	170.00	170.00	170.50
505	506	520	520
15	16	16	16
4	4	4	4
2	2	2	2
16,691	16,120	16,750	17,200
405	405	405	405
393	393	393	393
24.0	24.0	24.0	24.0
12.5	12.5	12.5	12.5



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

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

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

To the Honorable Mayor and Members of the City Council  
City of Salisbury, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the City of Salisbury, North Carolina, as of and for the year ended June 30, 2010, which collectively comprises the City of Salisbury's basic financial statements and have issued our report thereon dated November 22, 2010. Our report includes a reference to 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. Other auditors audited the financial statements of Downtown Salisbury, Inc, as described in our report on the City of Salisbury's financial statements. The financial statements of Downtown Salisbury, Inc. and Salisbury Tourism and Cultural Development Commission were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Salisbury's internal control over financial reporting as a basis for designing our auditing procedures 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 of Salisbury's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the City Council, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Martin Starnes & Associates, CPAs, P.A.  
November 22, 2010

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

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

## **Report On Compliance With Requirements That Could Have a Direct and Material Effect On Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

To the Honorable Mayor and Members of the City Council  
City of Salisbury, North Carolina

### **Compliance**

We have audited the compliance of the City of Salisbury, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 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 its major federal programs for the year ended June 30, 2010. The City of Salisbury, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Salisbury's management. Our responsibility is to express an opinion on the City of Salisbury's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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 of Salisbury'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. Our audit does not provide a legal determination on the City of Salisbury's compliance with those requirements.

In our opinion, the City of Salisbury, North Carolina complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

## Internal Control Over Compliance

The management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Salisbury's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our consideration of the 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 deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Martin Starnes & Associates, CPAs, P.A.  
November 22, 2010

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

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

## **Report On Compliance With Requirements That Could Have a Direct and Material Effect On Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act**

To the Honorable Mayor and Members of the City Council  
City of Salisbury, North Carolina

### **Compliance**

We have audited the compliance of the City of Salisbury, North Carolina, with the types of compliance requirements described in the applicable sections of OMB Circular A-133 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 its major State programs for the year ended June 30, 2010. The City of Salisbury's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Salisbury's management. Our responsibility is to express an opinion on the City of Salisbury, North Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, 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 of Salisbury, North Carolina'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. Our audit does not provide a legal determination on the City of Salisbury, North Carolina's compliance with those requirements.

In our opinion, the City of Salisbury, North Carolina complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2010.

## Internal Control Over Compliance

The management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Salisbury's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Martin Starnes & Associates, CPAs, P.A.  
November 22, 2010

**CITY OF SALISBURY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2010**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors' Number	Federal Direct & Pass-through Expenditures	State Expenditures	Local Expenditures
<b>FEDERAL GRANTS:</b>					
<b>CASH PROGRAMS</b>					
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Direct Program:					
Community Development Block Grant					
Entitlement Program	14.218	B-03-MC-37-0015	\$ 61	\$ -	\$ -
Entitlement Program	14.218	B-05-MC-37-0015	15,171	-	-
Entitlement Program	14.218	B-06-MC-37-0015	5,067	-	-
Entitlement Program	14.218	B-07-MC-37-0015	33,099	-	-
Entitlement Program	14.218	B-08-MC-37-0015	49,791	-	-
Entitlement Program	14.218	B-08-MC-37-0015	<u>143,215</u>	<u>-</u>	<u>36,955</u>
			<u>\$ 246,404</u>	<u>\$ -</u>	<u>\$ 36,955</u>
Pass-through N.C. Department of Housing Finance Agency HOME Program	14.239	R-90-SG-37-0117	<u>\$ 79,741</u>	<u>\$ -</u>	<u>\$ 569</u>
Total U.S. Department of Housing And Urban Development			<u>\$ 326,145</u>	<u>\$ -</u>	<u>\$ 37,524</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
Federal Emergency Management Agency					
Direct Program:					
Assistance to Firefighter's Grant	97.044	EMW-2008-FO-11210	<u>\$ 241,650</u>	<u>\$ -</u>	<u>\$ -</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>					
Office of Justice Programs:					
Office of Community Oriented Policing Services					
Direct Program:					
ARRA - COPS Hiring Recovery Program	16.710	2009-RK-WX-0581	<u>\$ 168,230</u>	<u>\$ -</u>	<u>\$ -</u>
National Institute of Justice					
Coverdell Forensic Science Improvement					
Grants Program	16.742	2009-CD-BX-0086	<u>\$ 80,179</u>	<u>\$ -</u>	<u>\$ -</u>
Bureau of Justice Assistance					
Direct Program:					
ARRA - Justice Assistance Grant	16.592	2008-DJ-BX-0573	\$ 65,958	\$ -	\$ -
Justice Assistance Grant	16.592	2009-DJ-BX-1074	39,002	-	-
Justice Assistance Grant	16.592	2008-DJ-BX-0573	<u>8,098</u>	<u>-</u>	<u>-</u>
			<u>\$ 113,058</u>	<u>\$ -</u>	<u>\$ -</u>
Pass-through N.C. Department of Crime Control and Public Safety:					
Project SAFE Neighborhoods Grant	16.609	080-1-08-001-BB-054	\$ 13,418	\$ -	\$ -
Project SAFE Neighborhoods Grant	16.609	080-1-09-001-BH-184	<u>23,404</u>	<u>-</u>	<u>7,802</u>
			<u>\$ 36,822</u>	<u>\$ -</u>	<u>\$ 7,802</u>
Total U.S. Department of Justice			<u>\$ 398,289</u>	<u>\$ -</u>	<u>\$ 7,802</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year Ended June 30, 2010**

**(Continued)**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors' Number	Federal Direct & Pass-through Expenditures	State Expenditures	Local Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>					
Pass-through N.C. Department of Transportation:					
Bicycle Grant	20.205	37309.1.1	\$ 45,336	\$ -	\$ -
CMAQ - Ozone Transportation Grant	20.205	C-4905	\$ 12,073	\$ -	\$ -
Urban Mass Transportation Grants					
Administration	20.509	36233.25.10.1	\$ 132,797	\$ 8,300	\$ 24,900
Operating	20.509	36233.25.11.2	135,650	-	542,599
			<u>\$ 268,447</u>	<u>\$ 8,300</u>	<u>\$ 567,499</u>
Total U.S. Department of Transportation			<u>\$ 325,856</u>	<u>\$ 8,300</u>	<u>\$ 567,499</u>
TOTAL ASSISTANCE - FEDERAL PROGRAMS			<u>\$ 1,291,940</u>	<u>\$ 8,300</u>	<u>\$ 612,825</u>
<b>STATE GRANTS:</b>					
<b>CASH PROGRAMS</b>					
<b>N.C. DEPARTMENT OF TRANSPORTATION</b>					
Powell Bill	N/A		\$ -	\$ 873,387	\$ -
State Maintenance Assistance for Transit Systems	N/A	04-CTP-003	\$ -	\$ 225,924	\$ -
Sidewalk Construction Grants					
Salisbury High School Area Project	N/A	44008.3.3	\$ -	\$ 49,282	\$ -
Sports Complex Area Project	N/A	44008.3.2	-	71,037	-
Horah Stree Area Project	N/A	44008.3.1	-	153,411	-
			<u>\$ -</u>	<u>\$ 273,730</u>	<u>\$ -</u>
Rail Division					
Salisbury Train Station Platform and Canopy Grant	N/A	7500005420	\$ -	\$ 255,641	\$ 28,405
Total N. C. Department of Transportation			<u>\$ -</u>	<u>\$ 1,628,682</u>	<u>\$ 28,405</u>
<b>N.C. HEALTH AND WELLNESS TRUST FUND</b>					
Fit Community Phase III Grant			\$ -	\$ 57,900	\$ -
<b>N.C. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY</b>					
Governor's Crime Commission	N/A	080-1-09-R06-RJ-111	\$ -	\$ 57,489	\$ -
TOTAL ASSISTANCE - STATE PROGRAMS			<u>\$ -</u>	<u>\$ 1,744,071</u>	<u>\$ 28,405</u>
TOTAL ASSISTANCE			<u>\$ 1,291,940</u>	<u>\$ 1,752,371</u>	<u>\$ 641,230</u>

**CITY OF SALISBURY, NORTH CAROLINA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year Ended June 30, 2010**

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**1. General**

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the City of Salisbury, North Carolina, and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF SALISBURY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2010**

**Section I. Summary of auditor's results:**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes     No
- Significant deficiency(ies) \_\_\_\_\_ Yes     None Reported

Noncompliance material to financial statements noted \_\_\_\_\_ Yes     No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? \_\_\_\_\_ Yes     No
- Significant deficiency(ies) \_\_\_\_\_ Yes     None Reported

Type of auditor's report issued on compliance for major federal program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? \_\_\_\_\_ Yes     No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.044	Assistance to Firefighters Grant
16.710	ARRA-COPs Hiring Recovery Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes    \_\_\_\_\_ No

State Awards

Internal control over major State programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes     No
- Significant deficiency(ies) \_\_\_\_\_ Yes     None Reported

Type of auditor's report issued on compliance for major State program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Program? \_\_\_\_\_ Yes     No

Identification of major State program:

Powell Bill  
 Rail Division Salisbury Train Station Platform and Canopy Grant

**Section II. Findings Related to the Audit of the Basic Financial Statements of City of Salisbury**  
 None reported.

**Section III. Federal Award Findings and Questioned Costs**  
 None.

**Section IV. State Award Findings and Questioned Costs**  
 None.

**CITY OF SALISBURY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2010**

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There were no prior year audit findings.

