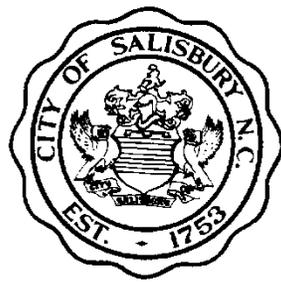


City of Salisbury

NORTH CAROLINA



*Comprehensive Annual Financial Report
Fiscal Year Ending June 30, 2017*



CITY OF SALISBURY

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

MAYOR, CITY COUNCIL, AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

Karen K. Alexander - Mayor

Margaret A. Blackwell - Mayor Pro-tem

William B. Miller

Kenneth L. Hardin

David B. Post

OFFICIALS

W. Lane Bailey
City Manager

Zack Kyle
Assistant City Manager

John A. Sofley, Jr.
Assistant City Manager

Report Prepared By
City Financial Services Department

Teresa P. Harris – Finance Director
S. Wade Furches – Finance Manager
Shannon C. Moore – Budget and Performance Manager
Anna R. Bumgarner – Purchasing Manager
Mark D. Drye – Senior Management Analyst
Jacira V. Garner – Accountant
Melissa D. Drye – Management Analyst



Introductory Section



CONTENTS

	Page
INTRODUCTORY SECTION	
Table of contents	1 - 3
Letter of transmittal	4 - 11
GFOA Certificate of Achievement	12
Organizational chart	13
List of principal officials	14
Facts and information about the City of Salisbury, North Carolina	15 - 17
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	21 - 23
MANAGEMENT'S DISCUSSION AND ANALYSIS	24 - 34
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
A-1 Statement of Net Position	35
A-2 Statement of Activities	36
FUND FINANCIAL STATEMENTS	
A-3 Balance Sheet – Governmental Funds	37
A-3 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	38
A-4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	39
A-5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	40
A-6 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund	41
A-7 Statement of Fund Net Position – Proprietary Funds	42
A-8 Statement of Revenues, Expenses, and Changes in Funds Net Position – Proprietary Funds	43
A-9 Statement of Cash Flows – Proprietary Funds	44
A-10 Statement of Fiduciary Net Position	45
Notes to financial statements	47-75
REQUIRED SUPPLEMENTAL INFORMATION	
A-11 Law Enforcement Officers' Special Separation Allowance - Schedule of Change In Total Pension Liability	79
A-12 Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll	80
A-13 Other Postemployment Benefits – Schedule of Funding Progress	81
A-14 Other Postemployment Benefits – Schedule of Employer Contributions	82
A-15 Schedule of Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System	83
A-16 Schedule of Contributions – Local Government Employees' Retirement System	84

CONTENTS

Page

SUPPLEMENTARY FINANCIAL DATA

Combining and individual Fund financial statements and schedules

General Fund:

B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	89-91
-----	----------------------------------------------------------------------------------------	-------

Non-Major Governmental Funds:

C-1	Special Revenue Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	95
-----	---------------------------------------------------------------------------------------------------------------	----

Proprietary Fund Types:

D-1	Water and Sewer Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	99
D-2	Water and Sewer Capital Project Fund – Schedule of Revenue and Expenditures – Budget and Actual (Non-GAAP)	100
D-3	Broadband Services Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	101
D-4	Stormwater Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	102
D-5	Mass Transit Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	103

Internal Service Funds:

E-1	Combining State of Net Position	107
E-2	Combining Statement of Revenues, Expenses, and Changes in Fund Balances	108
E-3	Workers’ Compensation Fund – Schedule of Revenues and Expenditures – Financial Plan and Actual (Non-GAAP)	109
E-4	Employee Health Care Fund – Schedule of Revenues and Expenditures – Financial Plan and Actual (Non-GAAP)	110
E-5	Combining Statement of Cash Flows	111

Agency Funds:

F-1	Combining Balance Sheet	115
F-2	Statement of Changes in Assets and Liabilities	116-117

Other schedules:

G-1	Property Taxes Receivable	121
G-2	Analysis of Current Tax Levy	122

STATISTICAL SECTION

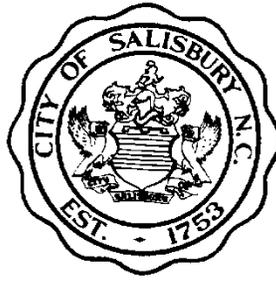
Schedule 1	Net Position by Component – Last Ten Fiscal Years	126-127
Schedule 2	Changes in Net Position - Last Ten Fiscal Years	128-129
Schedule 3	Fund Balances of Governmental Funds - Last Ten Fiscal Years	130-131
Schedule 4	Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	132-133
Schedule 5	Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years	134
Schedule 6	Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	135

CONTENTS

	Page
Schedule 7 Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	136-137
Schedule 8 Principal Property Taxpayers – Current Year and Nine Years Ago	138
Schedule 9 Property Tax Levies and Collections – Last Ten Fiscal Years	139
Schedule 10 Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	140-141
Schedule 11 Ratio of General Bond Debt Outstanding - Last Ten Fiscal Years	142
Schedule 12 Direct and Overlapping Governmental Activities Debt	143
Schedule 13 Legal Debt Margin Information – Last Ten Fiscal Years	144-145
Schedule 14 Pledged Revenue Coverage – Water and Sewer Revenue Bonds – Last Ten Fiscal Years	146
Schedule 15 Demographic and Economic Statistics – Last Ten Fiscal Years	147
Schedule 16 Principal Employers – Current and Nine Years Ago	148
Schedule 17 Full-time Equivalent City Government Employees by Function – Last Ten Fiscal Years	149
Schedule 18 Operating Indicators by Function – Last Ten Fiscal Years	150-151
Schedule 19 Capital Asset Statistics by Function – Last Ten Fiscal Years	152-153

COMPLIANCE SECTION

Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	157-158
Independent Auditor’s Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act	159-160
Independent Auditor’s Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act	161-162
Schedule of Expenditures of Federal and State Awards	163-164
Notes to Schedule of Expenditures of Federal and State Awards	165
Schedule of Findings, Responses, and Questioned Costs	166-168
Corrective Action Plan	169
Summary Schedule of Prior Year Findings	170



December 15, 2017

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

We are pleased to present the Comprehensive Annual Financial Report (Report) of the City of Salisbury (City) for the fiscal year ended June 30, 2017 (FY17). We are particularly proud of the fact that this Report has been entirely prepared by the City's Financial Services Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects, and it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The accompanying financial statements have been audited by Elliott Davis, PLLC, an independent firm of certified public accountants, and their opinion is included in the Report.

GENERAL

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

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

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the State Single Audit Implementation Act, and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The auditor's reports and the Schedule of Expenditures of Federal and State Awards, required as part of a single audit, are found in the Compliance Section of this report.

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

The City's Comprehensive Annual Financial Report for the year ended June 30, 2016, was awarded a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ECONOMIC CONDITION AND OUTLOOK

The City of Salisbury, with a population of over 34,000, is located in the heart of North Carolina. Salisbury is a "gig-City" with Internet speeds over one gig per second provided by its City-owned broadband system. 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. The local economy has been stable, with steady growth as we have emerged from the recent recession. Taxable retail sales in Rowan County for the 12 months that ended June 30, 2017, increased over \$116 million (10%) from the prior fiscal year to \$1.283 billion, the County's highest total ever. In March 2016, the North Carolina General Assembly expanded the State's sales base to include repairs, maintenance and installation services.

The story of downtown Salisbury is one of public-private partnerships committed to maintaining our place as one of the best downtown districts in North Carolina. Since the early 1980s, over \$130 million have been invested in the redevelopment of Salisbury's downtown. New businesses in the downtown area include the New Sarum Brewing Company and Morgan Ridge Railwalk Brewery and Eatery. Even more restaurants – the Shuckin' Shack, The Smoke Pit, City Tavern, and Palermo's Italian Cuisine – opened during FY17, and all appear to be doing well. The downtown is home to 314 commercial spaces and 149 condominiums/apartments. The past fiscal year saw a net gain of seven new downtown businesses, four business expansions, three completed building rehabilitation projects, and 13 façade renovations. FY17 saw total investment in the downtown area of \$6.5 million.

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

MAJOR INITIATIVES

The fiscal year ended June 30, 2017, was challenging in many ways, but it was also a successful year as management and staff have strived to maintain high levels of service while working to keep costs at a reasonable level. Each year, City Council holds its Annual Goal Setting Retreat. These retreats give our Council time to reflect on the past year's challenges and successes and then establish desired objectives and set goals for achievement in the upcoming fiscal year. The goals and objectives identified by City Council at the 2016 retreat were broken down into five key categories – *Priority Initiatives-One Year Tactical Plan, Planning and Development Initiatives, Financial Sustainability and Accountability, Utilities and Community Infrastructure, and Organizational Development and Partnerships.*

In March 2016, The Atlantic magazine printed an article titled “Eleven Signs a City Will Succeed.” Salisbury has several of the traits mentioned in the article. Two of the traits are: public-private partnerships are real and the City has a downtown. As discussed earlier, millions of dollars have been invested in the City's downtown. The majority of those investments were made by private investors. The City provides help in the form of various incentives. Another sign that a city will succeed, according to The Atlantic, is having craft breweries. More than 2,000 people attended the grand opening of New Sarum Salisbury Brewing Company in April 2016. New Sarum is located in the downtown and was awarded a Downtown Revitalization Incentive Grant by City Council. The Council also awarded a Downtown Revitalization Incentive grant to a second craft brewery, Morgan Ridge Railwalk Brewery and Eatery. The total investments in the two breweries exceeded \$3.6 million. A Downtown Revitalization Incentive was also given for a mixed use-residential/retail redevelopment that includes the new City Tavern, which serves a variety of craft beers. The City also helped to facilitate pass-through grants from the North Carolina Department of Commerce for the Morgan Ridge and City View projects. All three of these businesses are thriving in downtown Salisbury.

The City of Salisbury strongly supports arts and entertainment, as evidenced by the various local theatres in the downtown area. One example of the strong arts initiative is the City's annual Sculpture Show. The City hosted its first Sculpture Show in 2009. It consists of public art placed downtown and on the City's four college campuses. The Sculpture Show recently received a City Livability Award (one of five nationwide in cities under 100,000 population) from the U. S. Conference of Mayors and the Improving Quality of Life Award from the N. C. Centralina Council of Governments. Artists from across the country enter the nine-month exhibition through an open call for entries. Salisbury supports our arts and entertainment district in other ways as well, such as streetscape improvements in the arts district. Salisbury was awarded the Best Public-Private Partnership in Downtown Revitalization Award of Merit for streetscape improvements that support our Lee Street Theater and Performing Arts Center.

The City's Water and Sewer Department began its system-wide meter change-out project in FY17. The new “smart” meters have advanced metering infrastructure and automated readings. This is expected to be a \$7.2 million project. Through June 30, 2017, the City had spent almost \$5.4 million on the project. The City's water and sewer department is strong, as evidenced by receipt of the N. C. Area Wide Optimization Award that recognizes systems that demonstrate outstanding turbidity and microbial removal. The new meters are one way that the City is working to keep its infrastructure up to date.

The City's Mass Transit system provides bus services throughout the City with three regular routes Monday through Friday, plus two express routes on the weekend. FY17 was a great year for our Transit system. In July 2016, the Transit system and Livingstone College began a one-year trial where the College pays the City \$61,000 per year, and the City provides bus service for all students, faculty, and staff, at no cost to the individual. This provides a much needed mobility option to help them utilize community resources such as retail outlets, medical facilities, recreational facilities, and our downtown. Due to the success of the one-year trial, the program will continue in FY18. In September 2016, The Transit system received a Performance Excellence Award from the N. C. Department of Transportation. Awards were presented to community transportation organizations based on demographics and transit size. Salisbury took the top prize in the Peer 2, Urban

Category. Also, the Transit system had its first Federal Transit Administration Triennial Review, as required by Chapter 53 of Title 49. The review focused on compliance in 17 areas, and the City passed with flying colors as only minor deficiencies were found in three areas. The reviewers commented that they were very impressed with the City's grant management and program implement practices, especially for a first-time grantee.

One of the primary focus areas of the City Council and the City management team is *Financial Sustainability and Accountability*. The City has more than doubled the Fund Balance in its General Fund since FY11. The City's Financial Services Department continues to strive for excellence and received the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award for FY16. The City has also received the 2017 Excellence in Communications Award from NC3C (City and County Communications Professionals) and was recognized by the N. C. Department of Labor with a First Year, Silver Award for maintaining a safe and healthy workplace in 2016.

FUTURE DEVELOPMENTS

A key structure in downtown Salisbury, the Empire Hotel, has been vacant for decades. In August 2016, the City and Downtown Salisbury, Inc. announced that they have reached an agreement to sell the building to Historic Preservation Partners Holdings, LLC. The developer anticipates that the redevelopment of the property will cost a total of \$20 million and plans to turn the old hotel into retail space and market-value apartments. The developer specializes in redeveloping historic buildings in medium to small towns up and down the East Coast. The redevelopment project would allow for 29,000 square feet of retail space and between 50 to 70 apartments. Because of the magnitude and scope of the project, closing on the purchase has been extended until April 2018, but the project is still on "go" and citizens are excited for it to move forward, as evidenced by the turnout for a recent open house and tour of the facility. The redevelopment of the Empire Hotel will be a cornerstone to the continued revitalization of downtown Salisbury.

The City plans to build two new fire stations in the next five years. One of the stations will be an addition, while the other will be a replacement for Station Number 3. The City has acquired land for the new station and is in the process of securing land for the replacement station. Both will provide a much-needed realignment of fire equipment and personnel with the goal of improving response times and maintaining our ISO rating. The FY18 budget included funds for land acquisition and design services.

The City has begun the process of developing a comprehensive 10-year comprehensive Capital Improvement Plan for the General Fund and the Water and Sewer Fund. The City is using the CIP to plan the timing and financing of needed capital improvements for the next 10 years. The initial General Fund CIP included funding for the two fire stations mentioned above. All of the items in the General Fund CIP scheduled for the first year were funded in the FY17 annual budget. The Water and Sewer Fund CIP will help assure that our infrastructure will remain reliable into the future. The FY18 budget provides funding to complete the meter change-out mentioned earlier. The City will begin construction on Crane Creek sewer lift station and force main improvement project in the upcoming fiscal year. The wastewater headworks and influent pump station project at Grants Creek is currently in the design phase.

REPORTING ENTITY

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

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

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

SERVICES PROVIDED

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

GOVERNMENT STRUCTURE

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

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

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

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

As a recipient of federal and state awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the City's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state awards, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for FY16 provided no instances of material weaknesses in the internal control structure.

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

BASIS OF ACCOUNTING

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

FUND ACCOUNTING

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

FUND CATEGORIES

Governmental funds are those through which governmental functions typically are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities, except those accounted for in the proprietary fund, are accounted for through governmental funds. The governmental fund measurement focus is based upon determination of financial position and changes in financial position (sources, 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 good bond ratings from various rating agencies. This is a reflection of the City's continued sound financial condition.

LONG-TERM FINANCIAL PLANNING

The City of Salisbury has typically maintained a comprehensive five-year Capital Improvement Program (CIP), and has started the process of extending this out to a 10-year plan. 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 Broadband Services Fund, the needs for that fund will be incorporated into the CIP in the upcoming year. The City's CIP defines a capital improvement as a major construction, repair, or additions to buildings, parks, streets, bridges, and other city facilities costing \$10,000 or more and having a useful life of more than three years.

One example of the City's continued investment in our infrastructure is the aforementioned system-wide meter replacement project currently under way in the Water and Sewer Fund. The total project will cost \$7.2 million and will take about two years to complete.

CONCLUSION

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

The Council and management of the City continue to work on many complex and challenging issues. The safety of our citizens is at the top of the list, as evidenced by Council's decision to significantly increase salaries of our sworn law enforcement officers and plans for the future of our Fire Department. Our City Council is also currently working with an Advisory Committee made up of community leaders to study feasible options for the future of our Broadband Services utility. We are working to implement the comprehensive Capital Improvement Plan for all of our major funds. Our Council and management team are working hard to maintain quality services for our citizens within a reasonable budget. We believe that if our Council, management, staff, and citizens all work together, we can meet our challenges head on and maintain our City as a great place to live and work.

ACKNOWLEDGMENTS

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

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

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

Respectfully submitted,



Teresa P. Harris
Finance Director



S. Wade Furches
Finance Manager



Government Finance Officers Association

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

Presented to

**City of Salisbury
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City of Salisbury

Organizational Chart



CITY OF SALISBURY
LIST OF PRINCIPAL OFFICIALS

Mayor	Karen K. Alexander
Mayor Pro Tem	Margaret A. Blackwell
Council Member	Kenneth L. Hardin
Council Member	William B. Miller
Council Member	David B. Post
City Manager	W. Lane Bailey
Assistant City Manager	John A. Sofley, Jr
Assistant City Manager	Zack Kyle
City Clerk	Myra B. Heard
Communications Director	Linda M. McElroy
Finance Director	Teresa P. Harris
Human Resources Director	Ruth C. Kennerly
Fire Chief	Robert A. Parnell
Police Chief	Jerome P. Stokes
Utilities Director	James D. Behmer
Public Services Director	Tony L. Cinquemani
City Engineer	Wendy G. Brindle
Community Planning Services Director	Janet S. Gapen
Mass Transit Director	Rodney L. Harrison
Parks and Recreation Director	Nick Aceves
Interim Broadband Services Director	Evans C. Ballard

FACTS AND INFORMATION ABOUT CITY OF SALISBURY, NORTH CAROLINA

LOCATION

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

CLIMATE

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

POPULATION

The population of the City of Salisbury has increased steadily during the past decade. This is due to both annexations and internal growth stimulated by the local economy. Population currently is estimated to be 34,459 based upon estimates from the North Carolina Office of State Planning.

HISTORY

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

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

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

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

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

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

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

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

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

GOVERNMENT

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

The City Council appoints the City Manager to serve as the City's Chief Executive Officer. The City Manager is responsible for implementing the policies of the City Council, directing business and administrative procedures, and appointing departmental officers. At the present time, the City Manager is assisted by the City

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

UTILITIES

Salisbury operates its own water and sewer system. The Yadkin River, which forms the northeast boundary of Rowan County, provides Salisbury with an abundant supply of good water. The average daily flow is nearly 2 billion gallons per day, and the minimum recorded one-day flow is 150 million gallons. The Salisbury water system, conventional in design and closely controlled, has a treatment capacity of 24 million gallons per day. Average daily production during fiscal year 2017 was 9.6 million gallons per day, with a peak daily production of 13 million gallons. An arterial system of distribution mains has been constructed to assure maximum fire protection to all parts of the city.

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

Salisbury's two wastewater treatment facilities serve as the area's regional wastewater utility with service expansion to the towns of Landis, China Grove, Spencer, East Spencer, Granite Quarry, and Rockwell. Total daily treatment capacity is 12.5 million gallons, and the average daily treatment for FY17 was 8.3 million gallons.

The City offers cable television, high-speed internet, and digital telephone services through its Broadband Services Fund. Fibrant went live in December 2010, and had over 3,481 customers at June 30, 2017.

Other utilities are provided by Duke Energy, Piedmont Natural Gas Company, AT & T, Windstream, and Time Warner Cable.

TRANSPORTATION

Salisbury, nearly the geographic center of North Carolina, is located on Interstate Highway 85, 42 miles from Charlotte, 52 miles from Greensboro and 39 miles from Winston-Salem. It is the crossroads of I-85, U.S. 29, 52, 70, 601 and N.C. 150. Over 7 million people live within 100 miles of Salisbury, 3.25 million within 50 miles. The seaports of Wilmington, Morehead City, Charleston, and Norfolk are less than a one-day truck haul away.

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

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

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

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

MOTELS

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

EDUCATION

Salisbury is home to four (4) colleges. Catawba College was founded in Newton, North Carolina in 1851, and moved to Salisbury in 1925. Catawba has thirty (30) buildings comprising a physical plant unsurpassed in the East for a college of this size and style. It has a total enrollment of 1,300 Liberal Arts students and is affiliated with the United Church of Christ. U.S. News and World Report ranked Catawba 15th among Best Regional Colleges in the South for 2016. Livingstone College was founded in 1879, and has 1,300 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. The City is also home to Hood Theological Seminary, a private graduate school that prepares students for ministry and has grown to 300 students.

Novant Health Rowan Medical Center and Campbell University have a working agreement that establishes the hospital as a teaching hospital. The partnership includes training in the areas of primary care, family medicine, general surgery, OB/GYN, pediatrics, psychiatry, and

other critical services with an emphasis on the unique needs of underserved communities.

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

ARTS AND ENTERTAINMENT

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

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

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

COMMUNITY FACILITIES

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

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

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

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

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

SPECIAL EVENTS

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



Financial Section





Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Downtown Salisbury, Inc., which represent 97 percent, 81 percent, and 52 percent, respectively of the assets, net position and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Downtown Salisbury, Inc., is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Downtown Salisbury, Inc., and the Salisbury Tourism and Cultural Development Commission were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of New Accounting Standard

As discussed in Note 5 to the financial statements, the City adopted provisions of Governmental Accounting Standards Board (GASB) Statement Number 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective July 1, 2016. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Other Information

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

The combining and individual fund financial statements, schedule of property taxes receivable, schedule of current tax levy, and the schedule of expenditures of state and federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as previously described and the reports of other auditors, the combining and individual fund financial statements, schedule of property taxes receivable, schedule of current tax levy and the schedule of expenditures of state and federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Raleigh, North Carolina
December 15, 2017

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, 2017. We encourage readers to read the information presented here in conjunction with the transmittal letter which begins on page 4 and the City's financial statements which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Salisbury's governmental and business-type activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$150,423,820 (*net position*).
- The government's total net position increased by \$3,199,136. The City's total assets and deferred outflows of resources increased by \$5,046,043. Capital assets before depreciation increased by \$7,881,059. The City recognized \$9.7 million in depreciation expense in FY17.
- As of the close of the current fiscal year, the City of Salisbury's governmental funds reported combined ending fund balances of \$19,504,186, with an increase of \$1,148,274 from the prior year. Approximately 29% of the Governmental Fund ending fund balance, or \$5,718,676, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund balance was \$7,654,126 or 22% of total general fund expenditures and transfers for the fiscal year, as compared to 23.2% in the prior year. The beginning fund balance of the General Fund was restated and reduced by \$2,787,966 due to the implementation of GASB Statement 73.
- The City of Salisbury's total long-term debt decreased by \$7,505,974, or 11.5%, during the current fiscal year due to paying off portions of previously existing debt. The City did complete a bond refunding but did not borrow any new money during FY17.
- The City's general obligation bonds have received a rating by Standard and Poor's of AA- in 2013, with a stable outlook. Moody's Investors Service affirmed A3 with a stable outlook on those bonds in April 2015. In 2016, Fitch Ratings issued an A+ rating to the City's 2010 revenue refunding bonds, with a stable outlook. Moody's affirmed an A3 rating with a stable outlook to the refunding bonds in June 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Salisbury's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Salisbury.

BASIC FINANCIAL STATEMENTS

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

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

The next statements (Exhibits A-3 through A-11) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

and the Salisbury Tourism and Cultural Development Commission's revenues consist largely of hotel occupancy taxes, municipal service district taxes, and supplemental appropriations from the City, all of which must be approved by City Council.

FUND FINANCIAL STATEMENTS

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Salisbury, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Salisbury can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 47-75 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Salisbury’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 79-84 of this report.

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

THE CITY OF SALISBURY'S NET POSITION

Figure 1

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 25,220,221	\$ 23,131,518	\$ 25,257,030	\$ 27,553,738	\$ 50,477,251	\$ 50,685,256
Capital assets	38,547,133	39,784,703	137,570,047	137,492,545	176,117,180	177,277,248
Total assets	63,767,354	62,916,221	162,827,077	165,046,283	226,594,431	227,962,504
Deferred outflows of resources	4,245,446	945,069	3,438,240	324,501	7,683,686	1,269,570
Total assets and deferred outflows of resources	\$ 68,012,800	\$ 63,861,290	\$ 166,265,317	\$ 165,370,784	\$ 234,278,117	\$ 229,232,074
Long-term liabilities outstanding	\$ 17,011,593	\$ 11,209,975	\$ 59,552,453	\$ 64,254,821	\$ 76,564,046	\$ 75,464,796
Other liabilities	3,245,314	2,922,516	3,338,849	2,554,126	6,584,163	5,476,642
Total liabilities	20,256,907	14,132,491	62,891,302	66,808,947	83,148,209	80,941,438
Deferred inflows of resources	514,317	794,312	191,771	271,640	706,088	1,065,952
Total liabilities and deferred inflows of resources	\$ 20,771,224	\$ 14,926,803	\$ 63,083,073	\$ 67,080,587	\$ 83,854,297	\$ 82,007,390
Net position:						
Net investments in capital assets	\$ 35,384,844	\$ 36,027,355	\$ 84,806,909	\$ 79,354,208	\$ 120,191,753	\$ 115,381,563
Restricted	5,221,501	4,719,068	-	-	5,221,501	4,719,068
Unrestricted	6,635,231	8,188,064	18,375,335	18,935,989	25,010,566	27,124,053
Total net position	\$ 47,241,576	\$ 48,934,487	\$ 103,182,244	\$ 98,290,197	\$ 150,423,820	\$ 147,224,684

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Salisbury exceeded liabilities and deferred inflows by \$150,423,820 as of June 30, 2017, an increase of \$3,199,136 from the fiscal year ended June 30, 2016. The largest portion of the City's net assets (79.7%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, equipment, water and sewer treatment facilities, water and sewer lines, and broadband network). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate the liabilities. An additional portion of the City of Salisbury's net position, \$5,221,501, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$25,010,566 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.39%, which is up slightly from 97.83% a year ago.
- An increase in local option sales tax receipts of \$854,045, or 13.3%, from last year and \$2 million from five years ago. Effective March 1, 2016, the North Carolina General Assembly expanded the sales and use tax base to include repair, maintenance, and installation services. This increase is also attributable to new retail businesses in the City and Rowan County in the past two years.
- As a result of the implementation of GASB Statement Number 73, the City reported the total pension liability for its Law Enforcement Officers Special Separation Allowance (LEOSSA), and

the related restatement of beginning Net Position decreased Net Position by \$2,787,966. This restatement also affected Unrestricted Net Position.

CITY OF SALISBURY CHANGES IN NET POSITION

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 4,126,380	\$ 3,900,431	\$ 32,508,571	\$ 30,971,851	\$ 36,634,951	\$ 34,872,282
Operating grants and contributions	2,022,328	1,964,896	618,631	738,351	2,640,959	2,703,247
Capital grants and contributions	483,450	-	-	-	483,450	-
General revenues:						
Property taxes	19,249,072	18,719,543	-	-	19,249,072	18,719,543
Other taxes	7,287,305	6,433,260	-	-	7,287,305	6,433,260
Intergovernmental revenue	3,285,759	3,432,476	-	-	3,285,759	3,432,476
Other	116,185	44,586	179,846	120,464	296,031	165,050
Total revenues	<u>\$ 36,570,479</u>	<u>\$ 34,495,192</u>	<u>\$ 33,307,048</u>	<u>\$ 31,830,666</u>	<u>\$ 69,877,527</u>	<u>\$ 66,325,858</u>
Expenses:						
General government	\$ 6,110,635	\$ 5,907,274	\$ -	\$ -	\$ 6,110,635	\$ 5,907,274
Public safety	13,296,732	12,163,943	-	-	13,296,732	12,163,943
Transportation	6,149,487	5,195,912	-	-	6,149,487	5,195,912
Environmental protection	1,496,207	1,452,363	-	-	1,496,207	1,452,363
Culture and recreation	2,049,283	2,553,783	-	-	2,049,283	2,553,783
Community and economic development	2,887,589	3,219,393	-	-	2,887,589	3,219,393
Education	38,107	38,107	-	-	38,107	38,107
Interest and fees on long-term debt	666,604	481,335	1,910,921	2,714,621	2,577,525	3,195,956
Water and sewer	-	-	20,688,762	20,011,424	20,688,762	20,011,424
Broadband Services	-	-	6,184,401	6,477,634	6,184,401	6,477,634
Stormwater	-	-	1,085,030	898,295	1,085,030	898,295
Mass transit	-	-	1,326,667	1,103,470	1,326,667	1,103,470
Total expenses	<u>\$ 32,694,644</u>	<u>\$ 31,012,110</u>	<u>\$ 31,195,781</u>	<u>\$ 31,205,444</u>	<u>\$ 63,890,425</u>	<u>\$ 62,217,554</u>
Change in net position before transfers	\$ 3,875,835	\$ 3,483,082	\$ 2,111,267	\$ 625,222	\$ 5,987,102	\$ 4,108,304
Transfers	(2,780,780)	(3,279,850)	2,780,780	3,279,850	-	-
Change in net position	<u>\$ 1,095,055</u>	<u>\$ 203,232</u>	<u>\$ 4,892,047</u>	<u>\$ 3,905,072</u>	<u>\$ 5,987,102</u>	<u>\$ 4,108,304</u>
Net position, beginning	\$ 48,934,487	\$ 48,123,770	\$ 98,290,197	\$ 94,385,125	\$ 147,224,684	\$ 142,508,895
Restatement	(2,787,966)	607,485	-	-	(2,787,966)	607,485
Net position, beginning, restated	<u>\$ 46,146,521</u>	<u>\$ 48,731,255</u>	<u>\$ 98,290,197</u>	<u>\$ 94,385,125</u>	<u>\$ 144,436,718</u>	<u>\$ 143,116,380</u>
Net position, ending	<u>\$ 47,241,576</u>	<u>\$ 48,934,487</u>	<u>\$ 103,182,244</u>	<u>\$ 98,290,197</u>	<u>\$ 150,423,820</u>	<u>\$ 147,224,684</u>

Governmental activities - Governmental activities increased the City's net position by \$1,095,055. Increases in revenues from sales taxes and utilities franchise taxes totaled \$811,843. A 1.2 cent increase in the tax rate and growth in the tax base resulted in an increase in property taxes received of \$639,975. Governmental expenditures increased by \$1.68 million from the prior fiscal year.

Business-type activities - Business-type activities increased the City's net position by \$4,892,047. The Water and Sewer Fund reported a change in net position of \$4,119,648. Charges for services in the Water

and Sewer Fund increased by more than \$2 million due in part to a 2.5% rate increase and increased usage by the City's largest customer. The Broadband Service Fund reports a profit of \$610,415 on the full accrual basis. The Stormwater Fund had a gain of \$250,842, and the Mass Transit Fund had a small loss of \$88,858.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

The General Fund is the chief operating fund of the City of Salisbury. At the end of the current fiscal year, the City's fund balance available for appropriation in the General Fund was \$14,171,578, while total fund balance reached \$19,499,610. Salisbury's City Council has determined that the City should maintain an available fund balance of at least 10% of general fund balance expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 40.48% of general fund expenditures, while total fund balance represents 55.7% of the same amount.

At June 30, 2017, the governmental funds of the City of Salisbury reported a combined fund balance of \$19,504,186, a 6.26% increase from last year. As discussed earlier, increased property taxes, sales taxes, and utility franchise taxes are primarily responsible for this increase.

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

Total amendments to the General Fund increased revenues and other sources of funds and expenditures by \$1,542,724. The difference between the original budget and the final amended budget can be briefly summarized as follows:

- The City refunded General Fund debt and budgeted \$690,000 for the refunding proceeds.
- The City received three grants totaling \$456,840 from the NC Department of Commerce that were passed through to developers as part of downtown revitalization grants.
- The City appropriated \$70,877 for various donations and \$69,746 insurance proceeds.

Some revenues were less than the budgeted amounts primarily because some appropriated grant funds and donations had not been earned, and therefore not received by June 30, 2017. The City had not earned these funds because the related expenditures had not been made. Therefore, these unearned grants had no effect on the General Fund's change in fund balance, which increased by \$1,147,626 during the fiscal year ended June 30, 2017.

Proprietary Funds

The City of Salisbury's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Total Net Position of the Proprietary Funds was \$103,182,244 at the end of the fiscal year. Of that amount, \$84,806,909 represents the Net Investment in Capital Assets and \$18,375,335 is unrestricted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Salisbury's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$176,117,180 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, fiber optic lines, water and sewer treatment facilities, and water and sewer lines. The City's capital assets in the governmental-type assets decreased 1.7%, and capital assets in the business-type activities are virtually unchanged. The City recorded total depreciation of \$9.7 million.

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

- The City purchased 73 self-contained breathing apparatus units for \$579,500 for the Fire Department.
- The City purchased land for a new fire station for \$154,347.
- The City purchased two new garbage trucks for \$240,319 and various equipment for the Street Department totaling \$501,165.
- The City purchased and equipped eight new police cars for \$248,041.
- The City capitalized improvements to the Centerview Sewer Outfall in the amount of \$879,681.
- In the Water and Sewer Capital Project Fund, the City spent \$5,299,879 on the Advanced Metering Infrastructure project to install automated meters. This project was still ongoing as of June 30, 2017, and is included in Construction in Progress on the Balance Sheet.

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

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 7,890,708	\$ 7,736,361	\$ 2,278,119	\$ 2,128,067	\$ 10,168,827	\$ 9,864,428
Construction in progress	152,919	27,275	5,655,277	964,038	5,808,196	991,313
Buildings	6,890,806	7,176,242	13,476,398	14,015,770	20,367,204	21,192,012
Improvements other than buildings	6,499,914	6,736,549	-	-	6,499,914	6,736,549
Equipment	2,577,356	2,575,100	1,958,486	2,375,558	4,535,842	4,950,658
Vehicles and motorized equipment	4,175,657	3,858,160	726,872	712,571	4,902,529	4,570,731
Infrastructure	10,359,773	11,675,016	113,474,895	117,296,541	123,834,668	128,971,557
Total	\$ 38,547,133	\$ 39,784,703	\$ 137,570,047	\$ 137,492,545	\$ 176,117,180	\$ 177,277,248

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

Long-term Debt - As of June 30, 2017, the City of Salisbury had total long-term debt outstanding of \$57,688,860 (not including compensated absences and other postemployment benefits). Of this, \$22,777,243 represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The City owes \$30,992,348 on various installment purchases, including \$27,170,000 of debt on the City's Broadband utility system. This debt was refunding in September 2016.

CITY OF SALISBURY'S OUTSTANDING DEBT
(not including compensated absences or postemployment benefits)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ -	\$ 70,000	\$ -	\$ 95,000	\$ -	\$ 165,000
Revenue bonds	-	-	22,777,243	24,797,523	22,777,243	24,797,523
State bond loans	-	-	1,830,000	2,712,506	1,830,000	2,712,506
Capital leases	-	-	1,909,269	2,355,745	1,909,269	2,355,745
Installment purchases	2,982,289	3,691,761	28,010,059	31,260,299	30,992,348	34,952,060
HUD Section 108 loan	180,000	212,000	-	-	180,000	212,000
Total	\$ 3,162,289	\$ 3,973,761	\$ 54,526,571	\$ 61,221,073	\$ 57,688,860	\$ 65,194,834

The City of Salisbury's total outstanding debt decreased by \$7,505,974 (11.5%) during the past fiscal year. The City has reduced its total outstanding debt by \$27,598,722 in the last five years.

As mentioned in the financial highlights section of this document, the City's bond ratings are strong and stable. In October 2013, Standard and Poor's upgraded the general obligation debt to AA- (from an A+). Conversely, in April 2014, Moody's Investors Services downgraded the general obligation debt from A1 to A3 and the 2010 revenue refunding bonds from Aa3 to A3. In April 2015, Moody's affirmed those ratings. Fitch affirmed its ratings on the revenue refunding bonds of A+ in August 2015. The ratings downgrades from Moody's and Fitch were due to the losses incurred in the Broadband Services Fund and the interfund loans from the Water and Sewer Fund to the Broadband Services Fund in prior years. Despite the downgrades, the City's bond ratings are solid and are an indication of the sound financial condition of the City of Salisbury.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Salisbury is \$196,432,525.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Average unemployment in Rowan County for the fiscal year ended June 30, 2017, was 5.2%, which is down from the 5.78% unemployment of the fiscal year ended June 30, 2016. The average unemployment rate for the State of North Carolina for the past fiscal year was 4.9%, which is down from 5.45% for the previous fiscal year.
- Retail sales continued to be strong in fiscal year ended June 30, 2017. The County's sales subject to North Carolina sales taxes increased over \$116 million (10%) from the previous year to \$1,283,409,334. This is the highest sales total in the County's history. This increase can be attributed, in part, to the aforementioned changes to sales tax laws made by the NC State General Assembly. Although sales tax information is no longer published for cities by the NC Department of Revenue, sales in the City have historically accounted for about two-thirds of sales in the County. The City's sales tax revenues increased \$854,045 from the previous year to \$7,287,305. This total represents a 38.5% increase over the last five fiscal years.
- The total value of building permits issued in Rowan County for the past fiscal year was \$135.2 million. This represents an increase from the prior fiscal year of \$23.5 million, a 21% increase. This total value is the highest the City has seen since the fiscal year ended June 30, 2008.
- The occupancy rates for first floor office and retail space in the City's downtown area has dropped below 90%, but the additions of the craft breweries and several new restaurants, and the future development of the Empire Hotel should spur additional redevelopment and renovation projects.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2018

Governmental Activities

General Fund – In FY2018, the General Fund budget is up 3.1% from the prior fiscal to \$42.8 million. City Council approved a 3.76 cent increase in the property tax rate, which will provide \$1.04 million in additional revenue. This additional revenue is needed to right-size the Police Department's budget to address salaries and provide necessary equipment to improve our community's public safety. City Council appropriated \$2.3 million in Fund Balance to pay for improvements and extension to Newsome Road, design services and land acquisition for two new fire stations, and an increase in the transfer to the Broadband Services Fund. The City also plans to borrow \$2.2 million via installment purchase financing to purchase two new fire trucks.

Personnel costs will increase due to market adjustments for sworn Law Enforcement Officers, a 1.5% Cost of Living Adjustment (COLA) for all qualifying employees, and 1% merit raise for employees who show commitment to exceptional customer service.

Business-Type Activities

Water and Sewer Fund – Water and Sewer rates will increase by 2.6% for the fiscal year ending June 30, 2018, based on the Consumer Price Index for urban consumers in the South Region. As with the General Fund, there will be a 1.5% COLA and 1% merit raise for eligible employees, along with increases due to the added fringe benefit costs. We have developed a 10-year Capital Improvement Plan (CIP) to adequately fund the system's infrastructure needs while maintaining competitive rates in our region. The FY18 budget dedicates funding to complete the change-out of all of our customer's water meters to "smart meters" and

improvements to the Crane Creek sewer lift station. The City will also continue the Water and Sewer Fund's incentive fund for public/private fire lines that could stimulate downtown residential development, as well as offer more substantial fire protection in the historic district. The funding for the FY18 CIP will be provided by revenue growth from the rate increase and new developments within our service area.

Broadband Services Fund – The City's Fiber-to-the-Home enterprise provides performance and reliability that are second to none. The financial performance of the system, however, faces significant challenges. The Broadband Services Fund will continue to depend on contributions from the General Fund until revenues become sufficient to cover all expenses of the fund. The FY18 budget includes \$300,000 in principal payment on its inter-fund loan from the Water and Sewer Fund.

Mass Transit Fund – The City's Mass Transit System has recently been re-classified as an Urban Transit System. The FY18 budget includes \$61,000 in new revenues from a partnership with Livingstone College to provide a transit service outside of traditional hours and routes. The General Fund contribution to the Mass Transit Fund will be unchanged from FY17.

Stormwater Fund – The FY18 budget did not increase any of the existing Stormwater fees. In FY18, the City will continue its commitment to funding drainage grants on private properties that benefit the City and includes new software to prioritize capital improvements to our drainage system.

REQUESTS FOR INFORMATION

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

A-1
CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2017

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Downtown</u>	<u>Salisbury Tourism and Cultural Development Commission</u>
	<u>Activities</u>	<u>Activities</u>		<u>Salisbury, Inc.</u>	<u>Commission</u>
<u>ASSETS</u>					
Cash and investments	\$ 18,651,185	\$ 17,432,064	\$ 36,083,249	\$ 101,274	\$ 34,999
Taxes receivables (net)	600,044	-	600,044	-	-
Accrued interest receivable on taxes	117,113	-	117,113	-	61
Accounts receivable (net)	1,149,362	5,807,314	6,956,676	4,166	-
Interest receivable	34,372	33,405	67,777	-	-
Due from other governments	3,707,787	228,787	3,936,574	-	-
Inventories	354,467	953,752	1,308,219	-	-
Prepaid items	142,899	-	142,899	1,602	-
Real estate held for investment	-	-	-	880,000	-
Restricted cash and cash equivalents	462,992	801,708	1,264,700	1,082	-
Total current assets	<u>\$ 25,220,221</u>	<u>\$ 25,257,030</u>	<u>\$ 50,477,251</u>	<u>\$ 988,124</u>	<u>\$ 35,060</u>
Non-current assets					
Capital assets					
Land, improvements, and construction in progress	\$ 8,043,627	\$ 7,933,396	\$ 15,977,023	\$ -	\$ -
Other capital assets, net of depreciation	30,503,506	129,636,651	160,140,157	12,534	-
Total non-current assets	<u>\$ 38,547,133</u>	<u>\$ 137,570,047</u>	<u>\$ 176,117,180</u>	<u>\$ 12,534</u>	<u>\$ -</u>
Total assets	<u>\$ 63,767,354</u>	<u>\$ 162,827,077</u>	<u>\$ 226,594,431</u>	<u>\$ 1,000,658</u>	<u>\$ 35,060</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>					
Deferred amount on refunding	\$ -	\$ 1,763,433	\$ 1,763,433	\$ -	\$ -
Pension Deferrals	3,065,714	1,254,022	4,319,736	-	-
Contributions to pension plan in current fiscal year	1,179,732	420,785	1,600,517	-	-
	<u>\$ 4,245,446</u>	<u>\$ 3,438,240</u>	<u>\$ 7,683,686</u>	<u>\$ -</u>	<u>\$ -</u>
<u>LIABILITIES</u>					
Accounts payable and accrued expenses	\$ 2,915,843	\$ 1,820,305	\$ 4,736,148	\$ 4,150	\$ -
Accrued interest payable	25,901	716,836	742,737	10,428	-
Advances from grantors	303,570	50,000	353,570	-	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	751,708	751,708	6,000	-
Long-term liabilities:					
Net pension liability (LGRS)	4,789,030	1,958,933	6,747,963	-	-
Total pension liability (LEOSSA)	2,665,194	-	2,665,194	-	-
Net pension liability (OPEB)	5,064,642	2,552,252	7,616,894	-	-
Due within one year	875,516	5,193,318	6,068,834	41,274	-
Due in more than one year	3,617,211	49,847,950	53,465,161	784,983	-
Total liabilities	<u>\$ 20,256,907</u>	<u>\$ 62,891,302</u>	<u>\$ 83,148,209</u>	<u>\$ 846,835</u>	<u>\$ -</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Prepaid taxes	\$ 278	\$ -	\$ 278	\$ -	\$ -
Pension deferrals	514,039	191,771	705,810	-	-
Total deferred inflows of resources	<u>\$ 514,317</u>	<u>\$ 191,771</u>	<u>\$ 706,088</u>	<u>\$ -</u>	<u>\$ -</u>
<u>NET POSITION</u>					
Net investments in capital assets	\$ 35,384,844	\$ 84,806,909	\$ 120,191,753	\$ 12,534	\$ -
Restricted for:					
Stabilization by State Statute	4,917,931	-	4,917,931	-	-
Community Development	113,754	-	113,754	1,082	-
Public Safety	61,918	-	61,918	-	-
Cultural and Recreation	127,898	-	127,898	-	-
Tourism Promotion	-	-	-	-	35,060
Unrestricted	6,635,231	18,375,335	25,010,566	140,207	-
Total net position	<u>\$ 47,241,576</u>	<u>\$ 103,182,244</u>	<u>\$ 150,423,820</u>	<u>\$ 153,823</u>	<u>\$ 35,060</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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total Primary Government	Downtown Salisbury, Inc.	Salisbury Tourism and Cultural Development Commission
Primary government:									
Governmental activities:									
General government	\$ 6,110,635	\$ 829,987	\$ 21,860	\$ -	\$ (5,258,788)	\$ -	\$ (5,258,788)	\$ -	\$ -
Public safety	13,296,732	487,081	133,619	-	(12,676,032)	-	(12,676,032)	-	-
Transportation	6,149,487	174,125	1,221,575	-	(4,753,787)	-	(4,753,787)	-	-
Environmental protection	1,496,207	2,104,171	-	-	607,964	-	607,964	-	-
Culture and recreation	2,049,283	136,147	88,968	10,610	(1,813,558)	-	(1,813,558)	-	-
Community and economic development	2,887,589	394,869	556,306	472,840	(1,463,574)	-	(1,463,574)	-	-
Education	38,107	-	-	-	(38,107)	-	(38,107)	-	-
Interest and fees on long-term debt	666,604	-	-	-	(666,604)	-	(666,604)	-	-
Total governmental activities	\$ 32,694,644	\$ 4,126,380	\$ 2,022,328	\$ 483,450	\$ (26,062,486)	\$ -	\$ (26,062,486)	\$ -	\$ -
Business-type activities:									
Water and Sewer	\$ 21,982,707	\$ 25,934,277	\$ -	\$ -	\$ -	\$ 3,951,570	\$ 3,951,570	\$ -	\$ -
Broadband Services	6,801,377	5,093,067	-	-	-	(1,708,310)	(1,708,310)	-	-
Stormwater	1,085,030	1,330,802	-	-	-	245,772	245,772	-	-
Mass Transit	1,326,667	150,425	618,631	-	-	(557,611)	(557,611)	-	-
Total business-type activities	\$ 31,195,781	\$ 32,508,571	\$ 618,631	\$ -	\$ -	\$ 1,931,421	\$ 1,931,421	\$ -	\$ -
Total primary government	\$ 63,890,425	\$ 36,634,951	\$ 2,640,959	\$ 483,450	\$ (26,062,486)	\$ 1,931,421	\$ (24,131,065)	\$ -	\$ -
Component units:									
Downtown Salisbury, Inc.	\$ 429,279	\$ 99,284	\$ 131,500	\$ 71,126	\$ -	\$ -	\$ -	\$ (127,369)	\$ -
Salisbury Tourism and Cultural Development Commission	394,880	-	-	-	-	-	-	-	(394,880)
Total Component Units	\$ 824,159	\$ 99,284	\$ 131,500	\$ 71,126	\$ -	\$ -	\$ -	\$ (127,369)	\$ (394,880)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					\$ 19,249,072	\$ -	\$ 19,249,072	\$ 135,368	\$ -
Local option sales taxes					7,287,305	-	7,287,305	-	-
Occupancy taxes					-	-	-	-	400,080
Unrestricted intergovernmental revenues					3,285,759	-	3,285,759	-	-
Unrestricted investment earnings					116,185	179,846	296,031	-	170
Total general revenues					\$ 29,938,321	\$ 179,846	\$ 30,118,167	\$ 135,368	\$ 400,250
Transfers					(2,780,780)	2,780,780	-	-	-
Total general revenues and transfers					\$ 27,157,541	\$ 2,960,626	\$ 30,118,167	\$ 135,368	\$ 400,250
Change in net position					\$ 1,095,055	\$ 4,892,047	\$ 5,987,102	\$ 7,999	\$ 5,370
Net position-beginning					\$ 48,934,487	\$ 98,290,197	\$ 147,224,684	\$ 145,824	\$ 29,690
Restatement					(2,787,966)	-	(2,787,966)	-	-
Net position, beginning, restated					\$ 46,146,521	\$ 98,290,197	\$ 144,436,718	\$ 145,824	\$ 29,690
Net position-ending					\$ 47,241,576	\$ 103,182,244	\$ 150,423,820	\$ 153,823	\$ 35,060

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

A-3
CITY OF SALISBURY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

<u>ASSETS</u>	<u>General Fund</u>	<u>Non-Major Community Development Fund</u>	<u>Total Government Funds</u>
Cash and investments	\$ 15,962,134	\$ 2,752	\$ 15,964,886
Taxes receivable, net	600,044	-	600,044
Accounts receivable	1,146,103	1,772	1,147,875
Interest receivable	29,078	191	29,269
Due from other governments	3,622,485	85,302	3,707,787
Due from other fund	33,000	-	33,000
Inventories	354,467	-	354,467
Prepaid items	142,899	-	142,899
Restricted cash and investments	462,992	-	462,992
Total assets	<u>\$ 22,353,202</u>	<u>\$ 90,017</u>	<u>\$ 22,443,219</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,949,700	\$ 52,441	\$ 2,002,141
Due to other fund	-	33,000	33,000
Advances from grantors	303,570	-	303,570
Total liabilities	<u>\$ 2,253,270</u>	<u>\$ 85,441</u>	<u>\$ 2,338,711</u>
Deferred Inflows of Resources:			
Property taxes receivable	\$ 600,044	\$ -	\$ 600,044
Prepaid taxes	278	-	278
Total deferred inflows of resources	<u>\$ 600,322</u>	<u>\$ -</u>	<u>\$ 600,322</u>
Fund balances:			
Nonspendable:			
Inventories	\$ 354,467	\$ -	\$ 354,467
Prepaid items	142,899	-	142,899
Restricted:			
Stabilization by State Statute	4,830,666	87,265	4,917,931
Community Development	113,754	-	113,754
Public Safety	61,918	-	61,918
Cultural and Recreation	127,898	-	127,898
Committed:			
Capital Replacement	3,367,568	-	3,367,568
LEO Special Separation Allowance	550,020	-	550,020
Assigned: Subsequent Year's Budget	2,296,294	-	2,296,294
Unassigned	7,654,126	(82,689)	7,571,437
Total fund balances	<u>\$ 19,499,610</u>	<u>\$ 4,576</u>	<u>\$ 19,504,186</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,353,202</u>	<u>\$ 90,017</u>	<u>\$ 22,443,219</u>

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

A-3
CITY OF SALISBURY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

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

Total Fund Balance, Governmental Funds		\$ 19,504,186
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 92,774,635	
Accumulated depreciation	<u>(54,227,502)</u>	38,547,133
Deferred outflows of resources related to pensions are not reported in the funds		4,245,446
Other long-term assets are not available to pay for current-period expenditures and therefore are not inflows of resources in the funds:		
Accrued interest receivable from taxes		117,113
Internal service funds are used by management to charge the costs of certain activities, such as self insurance for health care and workers compensation, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		1,779,187
Deferred inflows of resources for property taxes receivable		600,044
Pension related deferrals		(514,039)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds:		
Long-term debt		(3,162,289)
Accrued interest on long-term debt		(25,901)
Net pension liability - LGERS		(4,789,030)
Other postemployment benefits		(5,064,642)
Total pension liability - Law Enforcement Separation Allowance		(2,655,194)
Accrued compensated absences		<u>(1,340,438)</u>
Net position of governmental activities		<u>\$ 47,241,576</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, 2017

	<u>General Fund</u>	<u>Non-Major Community Development Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 19,337,385	\$ -	\$ 19,337,385
Unrestricted intergovernmental	10,573,064	-	10,573,064
Restricted intergovernmental	2,032,982	334,218	2,367,200
Charges for services	3,577,759	-	3,577,759
Miscellaneous	<u>638,483</u>	<u>153,494</u>	<u>791,977</u>
Total revenues	<u>\$ 36,159,673</u>	<u>\$ 487,712</u>	<u>\$ 36,647,385</u>
EXPENDITURES			
Current:			
General government	\$ 6,105,018	\$ 79,349	\$ 6,184,367
Public safety	13,707,675	-	13,707,675
Transportation	5,005,879	-	5,005,879
Environmental protection	1,640,900	-	1,640,900
Culture and recreation	1,820,776	-	1,820,776
Community and economic development	2,470,357	365,043	2,835,400
Education	38,107	-	38,107
Debt service:			
Principal	779,472	32,000	811,472
Interest and fees	<u>450,252</u>	<u>10,672</u>	<u>460,924</u>
Total expenditures	<u>\$ 32,018,436</u>	<u>\$ 487,064</u>	<u>\$ 32,505,500</u>
Surplus (deficit) of revenues over (under) expenditures	<u>\$ 4,141,237</u>	<u>\$ 648</u>	<u>\$ 4,141,885</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	\$ (2,780,780)	\$ -	\$ (2,780,780)
Refunding bonds issued	690,000	-	690,000
Payment to refund bond escrow agent	<u>(902,831)</u>	<u>-</u>	<u>(902,831)</u>
Total other financing sources	<u>\$ (2,993,611)</u>	<u>\$ -</u>	<u>\$ (2,993,611)</u>
Net change in fund balance	\$ 1,147,626	\$ 648	\$ 1,148,274
Fund balances-beginning	<u>\$ 18,351,984</u>	<u>\$ 3,928</u>	<u>\$ 18,355,912</u>
Fund balances-ending	<u>\$ 19,499,610</u>	<u>\$ 4,576</u>	<u>\$ 19,504,186</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, 2017

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

Net changes in fund balances - total governmental funds		\$ 1,148,274
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in deferred inflow of resources for property tax revenues	\$ (91,069)	
Changes in accrued interest receivable on taxes	<u>2,756</u>	(88,313)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital outlay expenditures which were capitalized	\$ 2,152,395	
Depreciation expense for governmental assets	<u>(3,389,965)</u>	(1,237,570)
Contributions to the the pension plan in the current fiscal year are not included on the Statement of Activities		1,028,704
Benefit payments paid for the LEOSSA are not included on the Statement of Activities		151,028
Net revenue of Internal Service Funds determined to be Governmental Fund Type		701,711
The issuance of long-term debt provides current financial resources to		
Principal payments on long-term debt	\$ 811,472	
Increase in accrued interest payable	<u>7,151</u>	818,623
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	\$ 13,466	
Pension expense	(1,053,363)	
Change in OPEB liability	<u>(387,505)</u>	<u>(1,427,402)</u>
Total changes in net position of governmental activities		<u>\$ 1,095,055</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, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 19,167,178	\$ 19,167,178	\$ 19,337,385	\$ 170,207
Unrestricted intergovernmental	9,823,000	9,823,000	10,573,064	750,064
Restricted intergovernmental	3,473,725	3,959,413	2,032,982	(1,926,431)
Charges for services	3,556,196	3,561,896	3,577,759	15,863
Miscellaneous	<u>427,920</u>	<u>572,843</u>	<u>638,483</u>	<u>65,640</u>
Total revenues	<u>\$ 36,448,019</u>	<u>\$ 37,084,330</u>	<u>\$ 36,159,673</u>	<u>\$ (924,657)</u>
Expenditures:				
Current:				
General government	\$ 6,354,209	\$ 6,570,160	\$ 6,105,018	\$ 465,142
Public safety	15,981,453	16,283,562	13,707,675	2,575,887
Transportation	7,375,219	7,075,539	5,005,879	2,069,660
Environmental protection	1,743,849	1,663,082	1,640,900	22,182
Cultural and recreation	1,913,144	1,923,454	1,820,776	102,678
Community and economic development	2,586,675	3,071,481	2,470,357	601,124
Education	38,107	38,107	38,107	-
Debt service:				
Principal retirement	779,472	779,472	779,472	-
Interest and fees	<u>450,267</u>	<u>457,431</u>	<u>450,252</u>	<u>7,179</u>
Total expenditures	<u>\$ 37,222,395</u>	<u>\$ 37,862,288</u>	<u>\$ 32,018,436</u>	<u>\$ 5,843,852</u>
Surplus of revenues over expenditures	<u>\$ (774,376)</u>	<u>\$ (777,958)</u>	<u>\$ 4,141,237</u>	<u>\$ 4,919,195</u>
Other financing sources (uses):				
Transfers to other funds	\$ (2,784,348)	\$ (2,784,348)	\$ (2,780,780)	\$ 3,568
Long-term debt issued	2,130,012	2,130,012	-	(2,130,012)
Refunding bonds issued	-	690,000	690,000	-
Payment to refund bond escrow agent	-	(902,831)	(902,831)	-
Fund balance appropriated	<u>1,428,712</u>	<u>1,645,125</u>	<u>-</u>	<u>(1,645,125)</u>
Total other financing sources (uses)	<u>\$ 774,376</u>	<u>\$ 777,958</u>	<u>\$ (2,993,611)</u>	<u>\$ (3,771,569)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,147,626</u>	<u>\$ 1,147,626</u>
Fund balances, beginning of year			<u>18,351,984</u>	
Fund balances, end of year			<u>\$ 19,499,610</u>	

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

A-7
CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Enterprise Funds					Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 15,623,871	\$ 189,708	\$ 1,046,610	\$ 571,875	\$ 17,432,064	\$ 2,686,299
Accounts receivable (net)	4,262,850	1,311,222	223,577	9,665	5,807,314	1,487
Interest receivable	30,504	370	1,398	1,133	33,405	5,103
Due from other governments	16,370	1,429	1,557	209,431	228,787	-
Inventories	402,205	547,275	-	4,272	953,752	-
Restricted assets:						
Cash and cash equivalents	790,208	11,500	-	-	801,708	-
Total current assets	\$ 21,126,008	\$ 2,061,504	\$ 1,273,142	\$ 796,376	\$ 25,257,030	\$ 2,692,889
Noncurrent assets:						
Due from other fund	\$ 7,101,961	\$ -	\$ -	\$ -	\$ 7,101,961	\$ -
Capital assets:						
Land	2,278,119	-	-	-	2,278,119	-
Buildings and improvements	195,021,798	25,973,590	-	582,345	221,577,733	-
Equipment	11,512,222	577,745	250,525	2,138,565	14,479,057	-
Construction in progress	5,655,277	-	-	-	5,655,277	-
Accumulated depreciation	(99,206,198)	(4,595,932)	(106,169)	(2,511,840)	(106,420,139)	-
Total noncurrent assets	\$ 122,363,179	\$ 21,955,403	\$ 144,356	\$ 209,070	\$ 144,672,008	\$ -
Total assets	\$ 143,489,187	\$ 24,016,907	\$ 1,417,498	\$ 1,005,446	\$ 169,929,038	\$ 2,692,889
Deferred outflow of resources						
Deferred amount on refunding	\$ -	\$ 1,763,433	\$ -	\$ -	\$ 1,763,433	\$ -
Pension dererrals	808,223	241,475	92,874	111,450	1,254,022	-
Contributions to pension plan	271,200	81,025	31,164	37,396	420,785	-
	\$ 1,079,423	\$ 2,085,933	\$ 124,038	\$ 148,846	\$ 3,438,240	\$ -
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 1,250,128	\$ 473,794	\$ 25,212	\$ 71,171	\$ 1,820,305	\$ 913,702
Interest payable	262,329	454,507	-	-	716,836	-
Bonds, notes, and loans payable	3,111,848	2,030,000	-	-	5,141,848	-
Advances from grantors	50,000	-	-	-	50,000	-
Compensated absences	37,289	7,335	2,705	4,141	51,470	-
Liabilities payable from restricted assets						
Customer deposits	740,208	11,500	-	-	751,708	-
Total current liabilities	\$ 5,451,802	\$ 2,977,136	\$ 27,917	\$ 75,312	\$ 8,532,167	\$ 913,702
Noncurrent liabilities:						
Bonds, notes, and loans payable	\$ 24,244,723	\$ 25,140,000	\$ -	\$ -	\$ 49,384,723	\$ -
Due to other fund	-	7,101,961	-	-	7,101,961	-
Net pension liability	1,262,544	377,211	145,081	174,097	1,958,933	-
Other postemployment benefits	1,985,861	224,658	144,715	197,018	2,552,252	-
Compensated absences	335,598	66,018	24,342	37,269	463,227	-
Total noncurrent liabilities	\$ 27,828,726	\$ 32,909,848	\$ 314,138	\$ 408,384	\$ 61,461,096	\$ -
Total liabilities	\$ 33,280,528	\$ 35,886,984	\$ 342,055	\$ 483,696	\$ 69,993,263	\$ 913,702
Deferred inflow of resources						
Pension deferrals	\$ 123,596	\$ 36,928	\$ 14,203	\$ 17,044	\$ 191,771	\$ -
NET POSITION						
Net investment in capital assets	\$ 87,904,647	\$ (3,451,164)	\$ 144,356	\$ 209,070	\$ 84,806,909	\$ -
Unrestricted	23,259,839	(6,369,908)	1,040,922	444,482	18,375,335	1,779,187
Total net position	\$ 111,164,486	\$ (9,821,072)	\$ 1,185,278	\$ 653,552	\$ 103,182,244	\$ 1,779,187

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

CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Enterprise Funds					Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 24,473,452	\$ 4,860,507	\$ 1,329,245	\$ 140,539	\$ 30,803,743	\$ 6,733,765
Water and sewer taps	370,244	-	-	-	370,244	-
Other operating revenues	<u>1,090,581</u>	<u>232,560</u>	<u>1,557</u>	<u>9,886</u>	<u>1,334,584</u>	<u>-</u>
Total operating revenues	<u>\$ 25,934,277</u>	<u>\$ 5,093,067</u>	<u>\$ 1,330,802</u>	<u>\$ 150,425</u>	<u>\$ 32,508,571</u>	<u>\$ 6,733,765</u>
OPERATING EXPENSES						
Management and administration	\$ 5,054,200	\$ 424,426	\$ 706,076	\$ 355,823	\$ 6,540,525	\$ 6,043,461
Water resources	2,866,512	-	-	-	2,866,512	-
Maintenance and construction	2,696,058	-	-	-	2,696,058	-
Wastewater collection and treatment	4,018,705	-	-	-	4,018,705	-
Environmental services	556,418	-	-	-	556,418	-
Broadband sales and marketing	-	322,099	-	-	322,099	-
Broadband programming	-	1,803,970	-	-	1,803,970	-
Broadband services	-	1,386,746	-	-	1,386,746	-
Broadband service delivery	-	1,542,554	-	-	1,542,554	-
Stormwater program	-	-	353,768	-	353,768	-
Mass transit operations	-	-	-	866,546	866,546	-
Depreciation	<u>5,496,869</u>	<u>704,606</u>	<u>25,186</u>	<u>104,298</u>	<u>6,330,959</u>	<u>-</u>
Total operating expenses	<u>\$ 20,688,762</u>	<u>\$ 6,184,401</u>	<u>\$ 1,085,030</u>	<u>\$ 1,326,667</u>	<u>\$ 29,284,860</u>	<u>\$ 6,043,461</u>
Operating income (loss)	<u>\$ 5,245,515</u>	<u>\$ (1,091,334)</u>	<u>\$ 245,772</u>	<u>\$ (1,176,242)</u>	<u>\$ 3,223,711</u>	<u>\$ 690,304</u>
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	\$ 168,078	\$ 3,267	\$ 5,070	\$ 3,431	\$ 179,846	\$ 11,407
Interest and other charges	(1,293,945)	(616,976)	-	-	(1,910,921)	-
Intergovernmental revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>618,631</u>	<u>618,631</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>\$ (1,125,867)</u>	<u>\$ (613,709)</u>	<u>\$ 5,070</u>	<u>\$ 622,062</u>	<u>\$ (1,112,444)</u>	<u>\$ 11,407</u>
Income (loss) before transfers	\$ 4,119,648	\$ (1,705,043)	\$ 250,842	\$ (554,180)	\$ 2,111,267	\$ 701,711
Transfers from other funds	<u>-</u>	<u>2,315,458</u>	<u>-</u>	<u>465,322</u>	<u>2,780,780</u>	<u>-</u>
Change in net position	\$ 4,119,648	\$ 610,415	\$ 250,842	\$ (88,858)	\$ 4,892,047	\$ 701,711
Net position, beginning	<u>\$ 107,044,838</u>	<u>\$ (10,431,487)</u>	<u>\$ 934,436</u>	<u>\$ 742,410</u>	<u>\$ 98,290,197</u>	<u>\$ 1,077,476</u>
Net position, ending	<u>\$ 111,164,486</u>	<u>\$ (9,821,072)</u>	<u>\$ 1,185,278</u>	<u>\$ 653,552</u>	<u>\$ 103,182,244</u>	<u>\$ 1,779,187</u>

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

CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Business-Type Activities					Governmental
	Enterprise Funds					Internal
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 24,222,350	\$ 5,366,961	\$ 1,336,599	\$ 133,310	\$ 31,059,220	\$ -
Cash received from interfund services provided	-	-	-	-	-	6,732,278
Cash paid for goods and services	(9,448,325)	(3,423,933)	(633,332)	(488,059)	(13,993,649)	(5,627,357)
Cash paid to or on behalf of employees for services	(5,345,008)	(1,545,383)	(401,837)	(664,808)	(7,957,036)	-
Customer deposits received	264,900	10,750	-	-	275,650	-
Customer deposits returned	(224,256)	(3,250)	-	-	(227,506)	-
Other receipts	1,090,581	232,560	1,557	9,886	1,334,584	-
Net cash provided (used) by operating activities	<u>\$ 10,560,242</u>	<u>\$ 637,705</u>	<u>\$ 302,987</u>	<u>\$ (1,009,671)</u>	<u>\$ 10,491,263</u>	<u>\$ 1,104,921</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	\$ -	\$ 2,315,458	\$ -	\$ 465,322	\$ 2,780,780	\$ -
Decrease in due (to) from other funds	687,907	(687,907)	-	-	-	-
Intergovernmental revenues	-	-	-	636,497	636,497	-
Total cash flows provided by noncapital financing activities	<u>\$ 687,907</u>	<u>\$ 1,627,551</u>	<u>\$ -</u>	<u>\$ 1,101,819</u>	<u>\$ 3,417,277</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	\$ (6,000,803)	\$ (107,590)	\$ (14,631)	\$ (70,387)	\$ (6,193,411)	\$ -
Advance from grantors	50,000	-	-	-	50,000	-
Proceeds from refunding debt	-	28,990,000	-	-	28,990,000	-
Payments to refunded bond escrow agent	-	(31,972,437)	-	-	(31,972,437)	-
Principal paid on bond maturities and equipment contracts	(3,573,502)	(1,820,000)	-	-	(5,393,502)	-
Interest paid on bond maturities and equipment contracts	(1,321,993)	(243,654)	-	-	(1,565,647)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (10,846,298)</u>	<u>\$ (5,153,681)</u>	<u>\$ (14,631)</u>	<u>\$ (70,387)</u>	<u>\$ (16,084,997)</u>	<u>\$ -</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES						
Investment earnings	\$ 155,663	\$ 2,897	\$ 4,360	\$ 2,906	\$ 165,826	\$ 8,110
Net increase (decrease) in cash and cash equivalents	\$ 557,514	\$ (2,885,528)	\$ 292,716	\$ 24,667	\$ (2,010,631)	\$ 1,113,031
Balances-beginning of the year	15,856,565	3,086,736	753,894	547,208	20,244,403	1,573,268
Balances-end of the year	<u>\$ 16,414,079</u>	<u>\$ 201,208</u>	<u>\$ 1,046,610</u>	<u>\$ 571,875</u>	<u>\$ 18,233,772</u>	<u>\$ 2,686,299</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	<u>\$ 5,245,515</u>	<u>\$ (1,091,334)</u>	<u>\$ 245,772</u>	<u>\$ (1,176,242)</u>	<u>\$ 3,223,711</u>	<u>\$ 690,304</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	\$ 5,496,869	\$ 704,606	\$ 25,186	\$ 104,298	\$ 6,330,959	\$ -
Pension expense	26,417	82,229	3,789	4,519	116,954	-
Changes in current assets and liabilities:						
(Increase) decrease in accounts receivable	(621,346)	506,454	7,354	(7,229)	(114,767)	(1,487)
Decrease in inventory	638	42,480	-	1,616	44,734	-
(Increase) decrease in due from other governments	8,319	(1,409)	766	123	7,799	-
Increase (decrease) in accounts payable and accrued liabilities	104,702	253,349	(6,257)	36,930	388,724	416,104
Increase (decrease) in compensated absences payable	31,549	60,542	(1,811)	1,638	91,918	-
Increase in accrued OPEB liability	226,935	73,288	28,188	24,676	353,087	-
Increase in customer deposits	40,644	7,500	-	-	48,144	-
Total adjustments	<u>\$ 5,314,727</u>	<u>\$ 1,729,039</u>	<u>\$ 57,215</u>	<u>\$ 166,571</u>	<u>\$ 7,267,552</u>	<u>\$ 414,617</u>
Net cash provided (used) by operating activities	<u>\$ 10,560,242</u>	<u>\$ 637,705</u>	<u>\$ 302,987</u>	<u>\$ (1,009,671)</u>	<u>\$ 10,491,263</u>	<u>\$ 1,104,921</u>

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

CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF NET POSITION
FIDUCIARY FUND

June 30, 2017

	<u>Agency Funds</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 68,355
Interest receivable	68
Accounts receivable	<u>513,322</u>
 Total assets	 <u>\$ 581,745</u>
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	<u>\$ 581,745</u>
 Total liabilities	 <u>\$ 581,745</u>

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



CITY OF SALISBURY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies

The accounting policies of the City of Salisbury (City) and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

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

Discretely Presented Component Units

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

The Salisbury Tourism and Cultural Development Commission was created to market Salisbury and promote tourism and cultural development. The North Carolina General Legislature enacted session law 2009-428 which authorized the City of Salisbury to levy a room occupancy and tourism development tax, and the City Council adopted a resolution levying this tax on November 14, 2011. 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. Board members of the Housing Authority have full autonomy upon being appointed.

B. Basis of Presentation

Government-wide Statements – The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. 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. Funds that are fiduciary in nature are not included in the Government-wide Statements.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid to the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

The City reports the following major governmental fund:

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

The City reports the following non-major governmental fund:

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

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following other fund types:

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General, Special Revenue, and Enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Enterprise Capital Projects Fund, which is consolidated with the operating funds for reporting purposes. These appropriations continue until the project is completed. The City has two internal service funds, the Workers' Compensation Fund and the Employee Health Care Fund, that operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. 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, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the City and its component units are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and its component units may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and its component units may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Unexpended debt proceeds are classified as restricted assets in the Balance Sheet because their use is completely restricted for the purpose for which the debt was originally issued. Restricted assets include debt proceeds that have been set aside as Debt Service Reserves as required by bond covenants and unspent grant monies classified as unearned revenues. Unexpended assessments include amounts held for the future developments and sidewalk construction. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
Unexpended grants and donations	\$ 303,570	\$ 50,000	\$ 353,570
Unexpended assessments	159,422	-	159,422
Customer Deposits	-	751,708	751,708
	\$ 462,992	\$ 801,708	\$ 1,264,700

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

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

7. Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than a specified amount and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: buildings, \$10,000; furniture and equipment, \$5,000; infrastructure, \$100,000; and improvements other than buildings or infrastructure, \$5,000. All land is recorded as a capital asset without regard to any significant value. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period, and it will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, contributions made to the pension plan in the 2017 fiscal year and deferred outflows on debt refunding. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period, and it will not be recognized as revenue until then. The City has three items that meet the criterion for this category - prepaid taxes, taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the City provides for the accumulation of earned vacation leave as follows: police officers, 446 hours; firefighters, 466 hours; and all other employees, 360 hours. Vacation leave for the City is fully vested when earned. The City pays retiring employees their accumulated vacation leave up to these limits. An employee who resigns prior to being eligible for retirement will be paid out a maximum of 240 hours of vacation leave. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been included as a current liability in the government-wide and fund financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

11. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

F. Revenues, Expenditures, and Expenses

1. Grant Revenue

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

2. Investment Income

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

3. Inter-fund Transactions

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

Note 2. Stewardship, Compliance, and Accountability

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

The City's Broadband Services Fund has deficit net position of \$9,821,072. The City began implementation of its new Broadband Services system during the fiscal year ending June 30, 2009 and

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

began offering broadband services in the fall of 2010. The fund's start-up operations were funded by proceeds from the issuance of Certificates of Participation and interest income on those proceeds. The deficit net position has decreased for the past three fiscal years and will be eliminated after the system generates sufficient sales.

Note 3. Detail Notes On All Funds

A. Assets

1. Deposits

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

At June 30, 2017, the City's deposits had a carrying amount of \$10,371,424 and a bank balance of \$10,726,861. Of the bank balance, \$908,683 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2017, the City's petty cash fund totaled \$5,565.

2. Investments

At June 30, 2017, the City's investments were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value at 6/30/2017</u>	<u>Less than 6 Months</u>	<u>6-12 Months</u>
Commercial Paper	Fair Value - Level 2	\$ 11,901,296	\$ 9,922,368	\$ 1,978,928
NC Capital Management				
Trust - Government Portfolio	Fair Value - Level 1	<u>15,138,019</u>	<u>15,138,019</u>	-
Total		<u>\$ 27,039,315</u>	<u>\$ 25,060,387</u>	<u>\$ 1,978,928</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

Credit Risk – The City places no formal policy regarding credit risk, but has internal management procedures that limit the City's investments to the provision of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in Commercial Paper were rated P1 by Standard and Poor's and A1 or higher by Moody's Investors Service. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017.

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

3. Receivables - Allowances for Doubtful Accounts

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

Fund	June 30, 2017
Governmental Activities:	
Taxes receivable	\$ 361,000
Accounts receivable	100,000
	\$ 461,000
Enterprise Funds:	
Water and Sewer Fund receivables	\$ 650,000
Broadband Services Fund receivables	737,000
Stormwater Fund receivables	87,000
	\$ 1,474,000

4. Real Estate Held for Investment – Component Unit

Downtown Salisbury, Inc. holds real estate for investment and future development. The organization had purchased the Empire Hotel for \$1,000,000 and a gift was recorded in the amount of \$1,262,000 for a total initial carrying amount of \$2,262,000, which represented its appraised value at the time. In June 2011, the hotel property was appraised for \$880,000. As of June 30, 2017, the carrying value of the Empire Hotel has been reduced to the most recent appraised value. In August 2016, Downtown Salisbury, Inc. announced an agreement to sell the building to a developer. The developer has been granted an extension to April 2018 to finalize the sale of the property.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. Capital Assets

Primary Government

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

	Beginning				Ending
	<u>Balances</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 7,736,361	\$ 154,347	\$ -	\$ -	\$ 7,890,708
Construction in progress	<u>27,275</u>	<u>125,644</u>	<u>-</u>	<u>-</u>	<u>152,919</u>
Total capital assets not being depreciated	<u>\$ 7,763,636</u>	<u>\$ 279,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,043,627</u>
Capital assets being depreciated:					
Buildings	\$ 11,897,156	\$ -	\$ -	\$ -	\$ 11,897,156
Other improvements	10,849,853	-	-	-	10,849,853
Equipment	8,317,233	695,890	-	-	9,013,123
Vehicles and motorized equipment	16,040,346	1,176,514	(50,488)	595,759	16,570,613
Infrastructure	<u>36,400,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,400,263</u>
Total capital assets being depreciated	<u>\$83,504,851</u>	<u>\$ 1,872,404</u>	<u>\$ (50,488)</u>	<u>\$ 595,759</u>	<u>\$84,731,008</u>
Less accumulated depreciation for:					
Buildings	\$ 4,720,914	\$ 285,436	\$ -	\$ -	\$ 5,006,350
Other improvements	4,113,304	236,635	-	-	4,349,939
Equipment	5,742,133	693,634	-	-	6,435,767
Vehicles and motorized equipment	12,182,186	859,017	(50,488)	595,759	12,394,956
Infrastructure	<u>24,725,247</u>	<u>1,315,243</u>	<u>-</u>	<u>-</u>	<u>26,040,490</u>
Total accumulated depreciation	<u>\$51,483,784</u>	<u>\$ 3,389,965</u>	<u>\$ (50,488)</u>	<u>\$ 595,759</u>	<u>\$54,227,502</u>
Total capital assets being depreciated, net	<u>\$32,021,067</u>	<u>\$(1,517,561)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$30,503,506</u>
Governmental activity capital assets, net	<u><u>\$39,784,703</u></u>	<u><u>\$(1,237,570)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$38,547,133</u></u>

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

General government	\$ 706,659
Public safety	728,541
Transportation	1,620,971
Environmental protection	69,099
Culture and recreational	212,260
Community and economic development	<u>52,435</u>
Total depreciation expense	<u><u>\$ 3,389,965</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Business-type activities					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land	\$ 2,128,067	\$ 150,052	\$ -	\$ -	\$ 2,278,119
Construction in progress	964,038	4,691,239	-	-	5,655,277
Total capital assets not being depreciated	<u>\$ 3,092,105</u>	<u>\$ 4,841,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,933,396</u>
Capital assets being depreciated:					
Buildings	\$ 20,999,557		\$ -	\$ -	\$ 20,999,557
Plant and distribution systems	173,094,241	928,000	-	-	174,022,241
Furniture and maintenance equipment	6,136,600	134,681	-	-	6,271,281
Vehicles and motorized equipment	5,029,324	311,881	(16,226)	84,038	5,240,941
Total capital assets being depreciated	<u>\$ 205,259,722</u>	<u>\$ 1,374,562</u>	<u>\$ (16,226)</u>	<u>\$ 84,038</u>	<u>\$ 206,534,020</u>
Less accumulated depreciation for:					
Buildings	\$ 10,958,785	\$ 397,022	\$ -	\$ -	\$ 11,355,807
Plant and distribution systems	74,390,626	4,180,479	-	-	78,571,105
Furniture and maintenance equipment	3,956,042	701,274	-	-	4,657,316
Vehicles and motorized equipment	4,504,140	218,094	(16,226)	84,038	4,621,970
Total accumulated depreciation	<u>\$ 93,809,593</u>	<u>\$ 5,496,869</u>	<u>\$ (16,226)</u>	<u>\$ 84,038</u>	<u>\$ 99,206,198</u>
Total capital assets being depreciated, net	<u>\$ 111,450,129</u>	<u>\$ (4,122,307)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,327,822</u>
Water and Sewer Fund capital assets, net	<u>\$ 114,542,234</u>	<u>\$ 718,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,261,218</u>
Broadband Services Fund					
Capital assets being depreciated:					
Buildings	\$ 4,548,067	\$ -	\$ -	\$ -	\$ 4,548,067
Plant and distribution systems	21,425,523	-	-	-	21,425,523
Furniture and maintenance equipment	63,577	107,590	-	-	171,167
Vehicles and motorized equipment	390,352	-	16,226	-	406,578
Total capital assets being depreciated	<u>\$ 26,427,519</u>	<u>\$ 107,590</u>	<u>\$ 16,226</u>	<u>\$ -</u>	<u>\$ 26,551,335</u>
Less accumulated depreciation for:					
Building	\$ 634,835	\$ 113,702	\$ -	\$ -	\$ 748,537
Plant and distribution systems	2,832,597	569,167	-	-	3,401,764
Furniture and maintenance equipment	55,856	8,254	-	-	64,110
Vehicles and motorized equipment	351,812	13,483	16,226	-	381,521
Total accumulated depreciation	<u>\$ 3,875,100</u>	<u>\$ 704,606</u>	<u>\$ 16,226</u>	<u>\$ -</u>	<u>\$ 4,595,932</u>
Total capital assets being depreciated, net	<u>\$ 22,552,419</u>	<u>\$ (597,016)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,955,403</u>
Broadband Services Fund capital assets, net	<u>\$ 22,552,419</u>	<u>\$ (597,016)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,955,403</u>
Stormwater Fund					
Capital assets being depreciated:					
Furniture and maintenance equipment	\$ 184,404	\$ 14,631		\$ -	\$ 199,035
Vehicles and motorized equipment	25,885	-	25,605	-	51,490
Total capital assets being depreciated	<u>\$ 210,289</u>	<u>\$ 14,631</u>	<u>\$ 25,605</u>	<u>\$ -</u>	<u>\$ 250,525</u>
Less accumulated depreciation for:					
Furniture and maintenance equipment	\$ 36,827	\$ 20,009		\$ -	\$ 56,836
Vehicles and motorized equipment	18,551	5,177	25,605	-	49,333
Total accumulated depreciation	<u>\$ 55,378</u>	<u>\$ 25,186</u>	<u>\$ 25,605</u>	<u>\$ -</u>	<u>\$ 106,169</u>
Stormwater Fund capital assets, net	<u>\$ 154,911</u>	<u>\$ (10,555)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,356</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Business-type activities - continued					
Transit Fund					
Capital assets being depreciated:					
Buildings and improvements	\$ 582,345	\$ -	\$ -	\$ -	\$ 582,345
Furniture and maintenance equipment	167,971	63,042	-	-	231,013
Vehicles and motorized equipment	1,875,324	7,345	24,883	-	1,907,552
Total capital assets being depreciated	<u>\$ 2,625,640</u>	<u>\$ 70,387</u>	<u>\$ 24,883</u>	<u>\$ -</u>	<u>\$ 2,720,910</u>
Less accumulated depreciation for:					
Buildings and improvements	\$ 520,579	\$ 28,648	\$ -	\$ -	\$ 549,227
Furniture and maintenance equipment	128,269	7,479	-	-	135,748
Vehicles and motorized equipment	1,733,811	68,171	24,883	-	1,826,865
	<u>\$ 2,382,659</u>	<u>\$ 104,298</u>	<u>\$ 24,883</u>	<u>\$ -</u>	<u>\$ 2,511,840</u>
Transit Fund capital assets, net	<u>\$ 242,981</u>	<u>\$ (33,911)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,070</u>
Business-type activities capital assets, net	<u>\$ 137,492,545</u>	<u>\$ 77,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,570,047</u>

Construction commitments

The City had active construction projects as of June 30, 2017. At year-end, the City's commitments on these projects was as follows:

Project	Spent-to-date	Remaining Commitment
Water and Sewer Treatment Facilities		
Advanced Metering Infrastructure	\$ 5,393,812	\$ 1,712,255
Grant's Creek Screen Retrofit	164,947	18,328
Other projects	96,518	-
Total Water and Sewer Fund	<u>\$ 5,655,277</u>	<u>\$ 1,730,583</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Salisbury employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Salisbury's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Salisbury were \$1,449,492 for the year ended June 30, 2017.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$6,747,963 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was 0.318%, which was a decrease of 0.041% from its proportion measured as of June 30, 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

For the year ended June 30, 2017, the City recognized pension expense of \$476,718. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 126,783	\$ 236,460
Changes of assumptions	462,175	-
Net difference between projected and actual earnings on pension plan investments	3,730,778	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	424,125
City contributions subsequent to the measurement date	1,449,492	-
Total	\$ 5,769,228	\$ 660,585

\$1,449,492 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:	
2018	\$ 480,583
2019	481,591
2020	1,684,932
2021	1,012,045
	\$ 3,659,151

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

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

Discount rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability (asset)	\$ 16,016,067	\$ 6,747,963	\$ (993,444)

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

b. Law Enforcement Officers' Special Separation Allowance

(1) Plan Description

The City of Salisbury administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	15
Active plan members	<u>81</u>
Total	<u><u>96</u></u>

(2) Summary of Significant Accounting Policies

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

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

(3) Actuarial Assumptions

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

Inflation	3.0%
Salary increases	3.50 to 7.35%, including inflation and productivity factor
Discount rate	3.86%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2015.

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

(4) Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$259,745 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of \$2,665,194. The total pension liability was measured as of December 31, 2016, based on a December 31, 2015, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$182,516.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions and other inputs	\$ -	\$ 45,225
Benefit payments and administrative expenses subsequent to the measurement date	151,025	-
Total	\$ 151,025	\$ 45,225

\$151,025 is reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:	
2018	\$ (9,768)
2019	(9,768)
2020	(9,768)
2021	(9,768)
2022	(6,153)
	\$ (45,225)

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.86%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.86%) or one-percentage-point higher (4.86%) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 2,860,630	\$ 2,665,194	\$ 2,485,772

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

Beginning balance	\$ 2,787,966
Changes for the year:	
Service Cost	97,072
Interest on the total pension liability	94,894
Changes of assumptions and other inputs	(54,993)
Benefit payments	(259,745)
Net pension obligation end of year	\$ 2,665,194

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

c. Supplemental Retirement Income Plan

(1) Plan Description

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

(2) Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each law enforcement officer's salary. In addition to this requirement, the City has elected to contribute to the Plan an amount equal to 3% of the monthly salary of each employee not engaged in law enforcement. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017, were \$987,097, which consisted of \$649,239 from the City and \$337,858 from the employees.

d. Other Post-employment Benefits (OPEB)

Healthcare Benefits

(1) Plan Description

Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The plan provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local 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 and did so as of January 1, 2012. Employees hired after that date are not eligible to participate in the plan. The City pays the full cost of coverage for retired employees' benefits. Coverage will continue for eligible retirees until the employee is eligible for Medicare. A separate report was not issued for the plan. Currently, 61 retirees are eligible for post-employment health benefits.

Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Firefighters</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	31	12	13
Active plan members	174	43	43
Total	205	55	56

(2) Funding Policy

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under the City's plan. Also, prior to January 1, 2012, the City's retirees could purchase coverage for their dependents at the City's group rates. As of January 1, 2012, retirees can no longer purchase coverage for their dependents. The City has chosen to fund the healthcare benefits on a pay as you go basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

The current annual required contribution is 9.11% of annual covered payroll. For the fiscal year ended June 30, 2017, the City made payments for post-employment health benefit premiums of \$570,137, or 6.61% of covered payroll. The City is self-insured for current employees and retiree health care benefit. The City's contributions for employees not engaged in law enforcement and for law enforcement officers represented 6.67% and 6.41% of covered payroll, respectively. The City's obligation to contribute to the HCB Plan may be amended by the City Council.

(3) 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 and accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

(4) 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 30 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	\$ 1,406,860
Interest on net OPEB obligation	246,397
Adjustment to annual required contribution	(342,528)
Annual OPEB cost	\$ 1,310,729
Contributions made	570,137
Increase in net OPEB obligation	\$ 740,592
Net OPEB obligation beginning of year	6,876,302
Net OPEB obligation end of year	\$ 7,616,894

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016, and 2015 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 1,310,729	43.5%	\$ 7,616,894
2016	1,310,729	45.3%	6,876,302
2015	1,335,125	52.4%	6,159,921

(5) Funded Status and Funding Progress

As of December 31, 2015, 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 \$10,597,281. The covered payroll (annual payroll of active employees covered by the plan) was \$12,676,426, and the ratio of the UAAL to the covered payroll was 83.6%. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

(6) 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, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% 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 7.75 to 5.0% annually. The investment rate included a 3% 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 five-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, 2015, 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 the employee's death, but the death benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

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

3. Deferred Outflows and Inflows of Resources

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

Deferred amount on refunding	\$ 1,763,433
Contributions to pension plan in current fiscal year	1,449,492
Benefit payments made for LEOSSA	151,025
Differences between expected and actual experience	126,783
Changes of assumptions	462,175
Net difference between projected and actual earnings on pension plan investments	3,730,778
Total deferred outflows of resources	<u>\$ 7,683,686</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

	<u>Statement of</u> <u>Net Position</u>	<u>General Fund</u> <u>Balance Sheet</u>
Prepaid taxes	\$ 278	\$ 278
Taxes receivable	-	600,044
Differences between expected and actual experience	236,460	-
Changes in proportion and differences between City contributions and proportionate share of contributions	424,125	-
Changes of assumptions and other inputs (LEOSSA)	<u>45,225</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ 706,088</u>	<u>\$ 600,322</u>

4. Risk Management

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Year ended</u> <u>June 30, 2016</u>	<u>Year ended</u> <u>June 30, 2017</u>
Unpaid claims, beginning of fiscal year	\$ 430,013	\$ 491,763
Incurred claims (including IBNRs)	4,562,402	5,079,219
Claim payments	<u>(4,500,652)</u>	<u>(4,683,127)</u>
Unpaid claims, end of fiscal year	<u>\$ 491,763</u>	<u>\$ 887,855</u>

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

5. Claims, Judgments, and Contingent Liabilities

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

6. Long-Term Obligations

a. General Obligation Indebtedness

The City's General Obligation Bonds serviced by the Governmental Funds and the Water and Sewer Fund were paid off during the fiscal year ended June 30, 2017. All general obligation bonds were collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements were appropriated when due.

b. Installment Purchases

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

	<u>Balance</u> <u>June 30, 2017</u>
<u>Serviced by the Governmental Activities</u>	
\$3,565,680 Installment Purchase Contract for construction and facilities, improvements, rate of 3.83%, issued May 2006, payable in 30 semi-annual payments of \$118,856 principal plus interest through May 2021	\$ 950,848
\$690,000 Refunding Installment Purchase Contract dated September 14, 2016, interest rate 2.06%, payable in 3 annual principal payments, plus semi-annual interest payments through March 2029	460,000
\$2,417,601 Installment Purchase Contract to purchase telecommunications equipment, rate of 1.85%, issued August 2013, payable in 20 semi-annual payments of \$120,880 principal plus interest through August 2023	<u>1,571,441</u>
	<u>\$ 2,982,289</u>
<u>Serviced by Business-Type Activities</u>	
\$1,292,399 Installment Purchase Contract to purchase telecommunications equipment, rate of 1.85%, issued August 2013, payable in 20 semi-annual payments of \$64,620 principal plus interest through August 2023	\$ 840,059
\$29,680,000 Refunding Installment Purchase Contract dated September 14, 2016, interest rate 2.06%, payable in 13 annual principal payments, plus semi-annual interest payments through March 2029	<u>27,170,000</u>
	<u>\$ 28,010,059</u>
Total Installment Purchase indebtedness	<u>\$ 30,992,348</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

The future minimum payments of the installment purchases as of June 30, 2017 total \$34,960,620, including \$3,968,272 of interest are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 709,472	\$ 84,899	\$ 2,159,240	\$ 546,753	\$ 2,868,712	\$ 631,652
2019	709,472	60,335	2,199,240	511,122	2,908,712	571,457
2020	479,472	35,196	2,234,240	475,242	2,713,712	510,438
2021	479,472	21,600	2,274,240	431,879	2,753,712	453,479
2022	241,760	10,194	2,324,240	387,692	2,566,000	397,886
2023-2027	362,641	6,783	11,838,859	1,242,386	12,201,500	1,249,169
2028-2029	-	-	4,980,000	154,191	4,980,000	154,191
	<u>\$ 2,982,289</u>	<u>\$ 219,007</u>	<u>\$ 28,010,059</u>	<u>\$ 3,749,265</u>	<u>\$ 30,992,348</u>	<u>\$ 3,968,272</u>

Advance Refunding

On September 14, 2016, the City completed a \$29.68 million Installment Financing refunding to advance refund the \$30.981 million outstanding Certificates of Participation above. As a result of this refunding, the Certificates of Participation were considered to be defeased. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt (total outstanding debt less Debt Service Reserve) of \$1,894,268. This difference represents debt issuance costs of \$96,781 and the present value of future interest payments to be made by the City's escrow agent. The City completed the advance refunding to reduce its total debt service payments over 13 years by \$2,307,256 (net of prior debt service reserve). As part of the refunding, the City released the Debt Service Reserve required by the refunded Certificates of Participation. The City will obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,641,072. The unamortized deferred amount as of June 30, 2017, was \$1,763,433.

c. Capital Leases

The City has entered into various agreements to lease certain water and sewer distribution systems. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Interest rates on these agreements range from 3.385% to 5.6%. The City has recorded water and sewer assets related to these leases at the City's cost of \$20,258,125. Those assets have a net book value of \$13,540,597 at June 30, 2017, and total accumulated depreciation of \$6,717,528. The future minimum lease payments at June 30, 2017, total \$2,130,551, including \$221,282 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, 2017, were as follows:

Year Ending June 30,	Capital Leases	
	Principal	Interest
2018	\$ 269,490	\$ 50,555
2019	259,490	42,054
2020	239,490	34,103
2021	219,490	27,312
2022	209,490	21,680
2023-2027	711,819	45,578
	<u>\$ 1,909,269</u>	<u>\$ 221,282</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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</u> <u>June 30, 2017</u>
\$9,200,000 State Bond Loan, average rate of 2.60%, issued June 2000 maturing serially to 2020	\$ 1,380,000
\$3,000,000 State Bond Loan, average rate of 2.60%, issued November 1999 maturing serially to 2020	<u>450,000</u>
Total State Bond Loans	<u>\$ 1,830,000</u>

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

Year Ending <u>June 30,</u>	Business-Type Activities	
	State Bond Loans	
	Principal	Interest
2018	\$ 610,000	\$ 47,580
2019	610,000	31,720
2020	<u>610,000</u>	<u>15,860</u>
	<u>\$ 1,830,000</u>	<u>\$ 95,160</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</u> <u>June 30, 2017</u>
\$6,000,000 Water and Sewer Revenue Bonds, Series 2006, rate of 3.99%, issued December 2006, maturing serially to 2026	\$ 3,440,243
\$6,000,000 Water and Sewer Revenue Bonds, Series 2009, rate of 4.14%, issued October 2009, maturing serially to 2025	3,657,000
\$16,065,000 Water and Sewer Revenue Refunding Bonds, Series 2010, average rate of 3.0425%, issued November 2010, maturing 2027	10,945,000
\$6,550,000 Water Sewer Revenue Refunding Bonds, Series 2012, rate of 2.615%, issued April 2012, maturing serially to 2028	<u>4,735,000</u>
Total Revenue Bonds	<u>\$ 22,777,243</u>

The future payments of the revenue bonds are as follows:

Year Ending <u>June 30,</u>	Business-Type Activities	
	Revenue Bonds	
	Principal	Interest
2018	\$ 2,103,118	\$ 907,834
2019	2,026,435	838,928
2020	2,107,251	753,838
2021	2,188,586	674,721
2022	2,280,461	582,587
2023-2027	11,586,392	1,428,553
2028	<u>485,000</u>	<u>11,737</u>
	<u>\$ 22,777,243</u>	<u>\$ 5,198,198</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

Fiscal Year	Gross Revenues (1)	Operating Expenditures(2)	Net Revenues Available for Revenue Bond Debt Service	Debt Service Requirements		Coverage Ratios	
				Parity Debt (3)	All Debt	Parity Debt	All Debt
2015	\$ 24,410,819	\$ 14,465,712	\$ 9,945,107	\$3,010,325	\$ 6,292,092	330.37%	158.06%
2016	23,734,822	14,690,866	\$ 9,043,956	3,012,537	5,218,769	300.21%	173.30%
2017	26,102,355	15,191,893	\$ 10,910,462	3,004,086	4,895,495	363.19%	222.87%

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

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$42,015,000 in water and sewer system revenues bonds issued from January 1998 to April 2012. Proceeds from the bonds provided financing for various water and sewer system capital projects. The bonds are payable solely from water and sewer customer net revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 25% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$27,975,441. Principal and interest paid for the current fiscal year and total customer net revenues were \$4,895,495 and \$26,102,355, respectively.

f. HUD Section 108 Loan

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

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

Year Ending June 30,	Governmental Activities HUD Section 108 Loan	
	Principal	Interest
2018	\$ 32,000	\$ 8,995
2019	32,000	7,288
2020	34,000	5,498
2021	34,000	3,630
2022	34,000	1,740
2023	14,000	395
	<u>\$ 180,000</u>	<u>\$ 27,546</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

g. Changes in Long-Term Liabilities

	June 30, 2016	Additions	Retirements	June 30, 2017	Current Portion of Balance
Governmental Activities					
General Fund					
General obligation bonds	\$ 70,000	\$ -	\$ 70,000	\$ -	\$ -
Installment purchases	3,691,761	690,000	1,399,472	2,982,289	709,472
Other postemployment benefits	4,677,137	387,505	-	5,064,642	-
Net pension liability (LGERS)	1,199,322	3,589,708	-	4,789,030	-
Total pension liability (LEO)	5,851	2,649,343	-	2,655,194	-
Compensated absences	1,353,904	979,494	992,960	1,340,438	134,044
Special Revenue Fund					
Section 108 loan	212,000	-	32,000	180,000	32,000
	<u>\$ 11,209,975</u>	<u>\$ 8,296,050</u>	<u>\$ 2,494,432</u>	<u>\$ 17,011,593</u>	<u>\$ 875,516</u>
Business-type activities					
Water and Sewer Fund					
General obligation bonds	\$ 95,000	\$ -	\$ 95,000	\$ -	\$ -
Revenue bonds	24,797,523	-	2,020,280	22,777,243	2,103,118
Installment purchases	969,299	-	129,240	840,059	129,240
State loans	2,712,506	-	882,506	1,830,000	610,000
Capital leases	2,355,745	-	446,476	1,909,269	269,490
Other postemployment benefits	1,758,926	226,935	-	1,985,861	-
Net pension liability (LGERS)	321,581	940,963	-	1,262,544	-
Compensated absences	341,338	256,792	225,243	372,887	37,289
Broadband Services Fund					
Installment purchases	30,291,000	28,990,000	32,111,000	27,170,000	2,030,000
Other postemployment benefits	151,370	73,288	-	224,658	-
Net pension liability (LGERS)	10,795	366,416	-	377,211	-
Compensated absences	12,811	116,126	55,584	73,353	7,335
Mass Transit Fund					
Other postemployment benefits	172,342	24,676	-	197,018	-
Net pension liability (LGERS)	43,339	130,758	-	174,097	-
Compensated absences	39,772	15,666	14,028	41,410	4,141
Stormwater Fund					
Other postemployment benefits	116,527	28,188	-	144,715	-
Net pension liability (LGERS)	36,089	108,992	-	145,081	-
Compensated absences	28,858	44,682	46,493	27,047	2,705
	<u>\$ 64,254,821</u>	<u>\$ 31,323,482</u>	<u>\$ 36,025,850</u>	<u>\$ 59,552,453</u>	<u>\$ 5,193,318</u>
Total	<u>\$ 75,464,796</u>	<u>\$ 39,619,532</u>	<u>\$ 38,520,282</u>	<u>\$ 76,564,046</u>	<u>\$ 6,068,834</u>

The legal debt margin for the City as of June 30, 2017, is \$196,432,525. Liabilities for Other Postemployment Benefits and Compensated Absences are liquidated from the funds in which the liabilities occur.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

(7) Accounts Payable

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable	\$ 1,500,573	\$ 1,437,686
Accrued payroll and payroll liabilities	869,340	358,967
Other accrued liabilities	<u>545,930</u>	<u>23,652</u>
	<u>\$ 2,915,843</u>	<u>\$ 1,820,305</u>

C. Interfund Balances and Activity

1. Transfers to/from Other Funds

Transfers to/from other funds during the fiscal year ending June 30, 2017, consisted of the following:

From the General Fund to the Broadband Services Fund	\$ 2,315,458
From the General Fund to the Mass Transit Fund	<u>465,322</u>
	<u>\$ 2,780,780</u>

2. Due To/Due From Other Funds

At June 30, 2017, the Broadband Services Fund owed the Water and Sewer Fund \$7,101,961 for a temporary loan to help fund services in the early stages of operations. The terms of the arrangement require the Broadband Services Fund to repay the Water and Sewer Fund interest at a rate of 1.0%. Also, the Special Revenue Fund owed the General Fund \$33,000 for a temporary loan to cover cash needs while awaiting reimbursements of grant-funded expenditures from another government.

D. Fund Balance

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

Total Fund Balance - General Fund	\$ <u>19,499,610</u>
Less:	
Inventories	354,467
Prepaid Items	142,899
Restricted for Stabilization by State Statute	<u>4,830,666</u>
	<u>\$ 5,328,032</u>
Fund Balance Available for Appropriation	\$ 14,171,578
Working Capital/Fund Balance Policy	<u>1,417,158</u>
Remaining Fund Balance in excess of Working Capital/Fund Balance Policy	<u>\$ 12,754,420</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

E. Net Investment in Capital Assets

Net investments in capital assets at June 30, 2017, are computed as follows:

	Governmental Funds	Business-Type Funds	Total
Net capital assets	\$ 38,547,133	\$ 137,570,047	\$ 176,117,180
Less capital debt:			
Gross debt	\$ 3,162,289	\$ 54,526,571	\$ 57,688,860
Less:			
Deferred amount on refunding	-	(1,763,433)	(1,763,433)
	\$ 3,162,289	\$ 52,763,138	\$ 55,925,427
Net investment in capital assets	\$ 35,384,844	\$ 84,806,909	\$ 120,191,753

Note 4. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 5. Changes in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 73 in the fiscal year ended June 30, 2017. The implementation of this statement required the City to record beginning total pension liability and the effects of net position of benefit payments and administrative payments made by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position of the governmental activities decreased by \$2,787,966.

Note 6. Subsequent Events

Subsequent events have been evaluated through December 15, 2017, which is the date the financial statements were available to be issued.



Required Supplemental Financial Data

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

- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for Other Postemployment Benefits
- Schedule of Employer Contributions for Other Postemployment Benefits
- Notes to the Required Schedules for Other Postemployment Benefits
- Schedule of Proportionate Share of Net Pension Liability (Asset) – Local Government Employees' Retirement System
- Schedule of Employer Contributions - Local Government Employees' Retirement System

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2017</u>
Beginning balance	\$ 2,787,966
Service cost	97,072
Interest on total pension liability	94,804
Changes of assumptions or other inputs	(54,993)
Benefit payments	<u>(259,745)</u>
Ending balance of the total pension liability	<u>\$ 2,665,104</u>

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

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

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

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

Notes to the schedules:

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

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

CITY OF SALISBURY, NORTH CAROLINA

OTHER POST EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Projected Unit Credit	(3) Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	(4) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) / (4)
2015	\$ -	\$ 10,597,281	\$ 10,597,281	0.00%	\$12,676,426	83.60%
2013	-	14,105,161	14,105,161	0.00%	15,430,991	91.41%
2011	-	13,871,958	13,871,958	0.00%	18,288,282	75.85%
2010	-	12,501,550	12,501,550	0.00%	19,660,981	63.59%
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

Fiscal Year Ended <u>June 30,</u>	Annual Required Contribution	Percentage Contributed
2017	\$ 1,406,860	40.5
2016	1,406,860	42.2
2015	1,406,860	49.7

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	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Amortization factor	17.9837
Asset valuation method	Market value of assets
Actuarial assumptions	
Investment rate of return*	4.00%
Medical cost trend rate*	7.75% - 5.0%
Year of ultimate trend rate	2022
* Includes inflation at	3.00%

CITY OF SALISBURY, NORTH CAROLINA

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

REQUIRED SUPPLEMENTARY INFORMATION

LAST FOUR FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2017	2016	2015	2014
Salisbury's proportion of the net pension liability (asset) (%)	0.31795%	0.35899%	0.34841%	0.35990%
Salisbury's proportion of the net pension liability (asset) (\$)	\$ 6,747,963	\$ 1,611,126	\$ (2,054,735)	\$ 4,338,177
Salisbury's covered-employee payroll during the measurement period	\$19,476,154	\$18,596,557	\$17,831,698	\$17,342,485
Salisbury's proritonate share of the net pension liability (asset) as a percentage of its cover-employee payroll	34.65%	8.67%	(11.52%)	(25.01%)
Plan fiduciary net postion as a percentage of the total pension liability**	91.35%	98.09%	102.64%	94.35%

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

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

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

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

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

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

Supplementary Financial Data



General Fund

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

B-1
CITY OF SALISBURY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

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

	<u>2017</u>		Variance with Budget Positive (Negative)	<u>2016</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:				
Taxes:				
General property-current	\$ 18,153,178	\$ 18,622,670	\$ 469,492	\$ 17,982,695
General property-prior	613,000	369,550	(243,450)	404,505
Auto tax	250,000	237,556	(12,444)	237,477
Interest on delinquent tax	150,000	107,131	(42,869)	114,738
Other tax	1,000	478	(522)	3,076
	<u>\$ 19,167,178</u>	<u>\$ 19,337,385</u>	<u>\$ 170,207</u>	<u>\$ 18,742,491</u>
Unrestricted intergovernmental:				
Local option sales tax	\$ 6,500,000	\$ 7,287,305	\$ 787,305	\$ 6,433,260
Utilities franchise tax	2,270,000	2,248,295	(21,705)	2,294,589
Telecommunications sales tax	480,000	487,583	7,583	485,735
Video franchise fee	250,000	251,441	1,441	249,197
Wine and beer tax	160,000	155,180	(4,820)	149,367
Other	163,000	143,260	(19,740)	253,588
	<u>\$ 9,823,000</u>	<u>\$ 10,573,064</u>	<u>\$ 750,064</u>	<u>\$ 9,865,736</u>
Restricted intergovernmental:				
State street aid - Powell Bill	\$ 976,363	\$ 967,071	\$ (9,292)	\$ 974,470
Brownfield's Grant	198,014	195,338	(2,676)	174,190
CMAQ grants	1,376,315	156,000	(1,220,315)	116,500
Firefighter's assistance grant	556,219	-	(556,219)	-
Passthrough development grants	456,840	456,840	-	-
Police Grants	88,662	43,193	(45,469)	44,221
Other	307,000	214,540	(92,460)	123,466
	<u>\$ 3,959,413</u>	<u>\$ 2,032,982</u>	<u>\$ (1,926,431)</u>	<u>\$ 1,432,847</u>
Charges for services:				
Environmental protection	\$ 2,063,000	\$ 1,997,221	\$ (65,779)	\$ 2,042,159
Culture and recreation	205,700	136,147	(69,553)	136,509
Public safety	384,500	487,081	102,581	424,687
Cemetery	120,000	106,950	(13,050)	121,075
Radio antenna and paging rentals	270,000	288,032	18,032	246,788
Rentals and sale of property	259,300	301,849	42,549	252,047
Licenses and permits	57,200	62,735	5,535	65,615
Community services	159,196	174,125	14,929	160,197
Other	43,000	23,619	(19,381)	50,350
	<u>\$ 3,561,896</u>	<u>\$ 3,577,759</u>	<u>\$ 15,863</u>	<u>\$ 3,499,427</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, 2017

With Comparative Actual Amounts for Year Ended June 30, 2016

	2017		Variance with Budget Positive (Negative)	2016
	Budget	Actual		Actual
REVENUES (continued):				
Miscellaneous:				
Interest earned on investments	\$ 30,500	\$ 104,778	\$ 74,278	\$ 41,732
Donations	243,574	138,578	(104,996)	214,254
Other	298,769	395,127	96,358	376,012
	<u>\$ 572,843</u>	<u>\$ 638,483</u>	<u>\$ 65,640</u>	<u>\$ 631,998</u>
Total revenues	<u>\$ 37,084,330</u>	<u>\$ 36,159,673</u>	<u>\$ (924,657)</u>	<u>\$ 34,172,499</u>
OTHER FINANCING SOURCES:				
Long-term debt issued	\$ 2,130,012	\$ -	\$ (2,130,012)	\$ -
Refunding bonds issued	690,000	690,000	-	-
Fund balance appropriated	1,645,125	-	(1,645,125)	-
	<u>\$ 41,549,467</u>	<u>\$ 36,849,673</u>	<u>\$ (4,699,794)</u>	<u>\$ 34,172,499</u>
EXPENDITURES:				
Current:				
General government:				
City council	\$ 174,263	\$ 143,841	\$ 30,422	\$ 117,418
City administration	690,161	658,904	31,257	613,300
Human resources	1,101,551	1,083,249	18,302	1,234,296
Business and financial services	655,135	525,732	129,403	800,930
Fleet management	632,143	621,648	10,495	543,097
Public services administration	238,136	232,328	5,808	210,159
Infrastructure Services	1,116,055	1,057,575	58,480	2,060,149
Telecommunication	545,788	485,966	59,822	503,576
Information technologies	1,420,496	1,295,775	124,721	2,486,218
	<u>\$ 6,573,728</u>	<u>\$ 6,105,018</u>	<u>\$ 468,710</u>	<u>\$ 8,569,143</u>
Public safety:				
Police:				
Administration	\$ 1,184,634	\$ 1,183,291	\$ 1,343	\$ 1,153,551
Services	1,864,940	1,796,936	68,004	1,373,821
Operations	4,517,221	4,299,949	217,272	4,403,026
Fire	8,716,767	6,427,499	2,289,268	5,670,907
	<u>\$ 16,283,562</u>	<u>\$ 13,707,675</u>	<u>\$ 2,575,887</u>	<u>\$ 12,601,305</u>
Transportation:				
Engineering	\$ 2,667,016	\$ 753,868	\$ 1,913,148	\$ 912,555
Streets	3,600,850	3,475,566	125,284	2,342,337
Traffic control	202,017	196,387	5,630	177,856
Street lighting	605,656	580,058	25,598	566,219
	<u>\$ 7,075,539</u>	<u>\$ 5,005,879</u>	<u>\$ 2,069,660</u>	<u>\$ 3,998,967</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, 2017

With Comparative Actual Amounts for Year Ended June 30, 2016

	2017		Variance with Budget Positive (Negative)	2016
	Budget	Actual		Actual
EXPENDITURES :				
Current (continued):				
Environmental protection:				
Solid waste management	\$ 1,514,033	\$ 1,506,384	\$ 7,649	\$ 1,659,816
Cemetery	149,049	134,516	14,533	200,580
	<u>\$ 1,663,082</u>	<u>\$ 1,640,900</u>	<u>\$ 22,182</u>	<u>\$ 1,860,396</u>
Culture and recreation	<u>\$ 1,923,454</u>	<u>\$ 1,820,776</u>	<u>\$ 102,678</u>	<u>\$ 2,474,162</u>
Community and economic development:				
Community development	\$ 1,603,072	\$ 1,391,351	\$ 211,721	\$ 1,495,788
Code Enforcement	313,278	274,172	39,106	204,147
The Plaza	192,281	187,960	4,321	184,588
Developmental services	962,850	616,874	345,976	1,049,967
	<u>\$ 3,071,481</u>	<u>\$ 2,470,357</u>	<u>\$ 601,124</u>	<u>\$ 2,934,490</u>
Education	<u>\$ 38,107</u>	<u>\$ 38,107</u>	<u>\$ -</u>	<u>\$ 38,107</u>
Debt service:				
Principal	\$ 779,472	\$ 779,472	\$ -	\$ 942,805
Interest and fees	457,431	450,252	7,179	476,682
	<u>\$ 1,236,903</u>	<u>\$ 1,229,724</u>	<u>\$ 7,179</u>	<u>\$ 1,419,487</u>
Total expenditures	<u>\$ 37,865,856</u>	<u>\$ 32,018,436</u>	<u>\$ 5,847,420</u>	<u>\$ 33,896,057</u>
OTHER FINANCING USES:				
Transfers to other funds	\$ (2,780,780)	\$ (2,780,780)	\$ -	\$ (465,322)
Payment to refund bond escrow agent	<u>(902,831)</u>	<u>(902,831)</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>\$ (3,683,611)</u>	<u>\$ (3,683,611)</u>	<u>\$ -</u>	<u>\$ (465,322)</u>
Total expenditures and other financing uses	<u>\$ 41,549,467</u>	<u>\$ 35,702,047</u>	<u>\$ 5,847,420</u>	<u>\$ 34,361,379</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,147,626</u>	<u>\$ 1,147,626</u>	<u>\$ (188,880)</u>
FUND BALANCES, BEGINNING		\$ 18,351,984		\$ 17,933,379
Restatement		-		607,485
FUND BALANCES, BEGINNING, RESTATED		<u>\$ 18,351,984</u>		<u>\$ 18,540,864</u>
FUND BALANCES, ENDING		<u>\$ 19,499,610</u>		<u>\$ 18,351,984</u>



Non Major Governmental Fund

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

CITY OF SALISBURY, NORTH CAROLINA

SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT

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

For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance with Budget Positive (Negative)	2016
	Budget	Actual		Actual
REVENUES:				
Intergovernmental:				
Federal	\$ 841,799	\$ 334,218	\$ (507,581)	\$ 317,795
Miscellaneous:				
Other	147,400	153,494	6,094	24,992
Total revenues	<u>\$ 989,199</u>	<u>\$ 487,712</u>	<u>\$ (501,487)</u>	<u>\$ 342,787</u>
EXPENDITURES:				
Current:				
General government	\$ 89,466	\$ 79,349	\$ 10,117	\$ 83,932
Community and economic development	857,061	365,043	492,018	218,090
Debt Service:				
Principal	32,000	32,000	-	32,000
Interest	10,672	10,672	-	12,313
Total expenditures	<u>\$ 989,199</u>	<u>\$ 487,064</u>	<u>\$ 502,135</u>	<u>\$ 346,335</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ -</u>	\$ 648	<u>\$ 648</u>	\$ (3,548)
FUND BALANCE, BEGINNING		<u>3,928</u>		<u>7,476</u>
FUND BALANCE, ENDING		<u>\$ 4,576</u>		<u>\$ 3,928</u>



Proprietary Fund Types

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

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

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

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

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

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

D-1
CITY OF SALISBURY, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2017
With Comparative Actual Amounts for Year Ended June 30, 2016

	<u>2017</u>		Variance with Budget Positive (Negative)	<u>2016</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
OPERATING REVENUES:				
Charges for services:				
Water sales	\$ 10,387,923	\$ 12,556,579	\$ 2,168,656	\$ 11,523,731
Sewer charges	11,409,111	11,916,873	507,762	10,877,716
Water and sewer taps	350,000	370,244	20,244	305,985
Other operating revenues	<u>1,052,644</u>	<u>1,090,581</u>	<u>37,937</u>	<u>921,954</u>
Total operating revenues	<u>23,199,678</u>	<u>25,934,277</u>	<u>2,734,599</u>	<u>23,629,386</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 5,094,108	\$ 4,827,264	\$ 266,844	\$ 4,570,458
Water resources	2,989,317	2,863,512	125,805	2,849,575
Maintenance and construction	3,240,833	2,667,642	573,191	2,576,443
Wastewater collection and treatment	4,793,688	3,992,156	801,532	4,004,976
Environmental services	<u>607,591</u>	<u>556,418</u>	<u>51,173</u>	<u>538,079</u>
Total operating expenses other than depreciation	<u>\$ 16,725,537</u>	<u>\$ 14,906,992</u>	<u>\$ 1,818,545</u>	<u>\$ 14,539,531</u>
NONOPERATING REVENUES (EXPENDITURES):				
Investment earnings	\$ 17,000	\$ 88,600	\$ 71,600	\$ 28,635
State grant	260,000	-	(260,000)	-
Transfer to Capital Projects Fund	(3,200,000)	(3,200,000)	-	(900,000)
Capital outlay	(1,173,301)	(915,974)	257,327	(1,384,692)
Payment of debt principal	(3,573,502)	(3,573,502)	-	(3,771,925)
Interest expense	<u>(1,321,838)</u>	<u>(1,321,992)</u>	<u>(154)</u>	<u>(1,446,844)</u>
Net nonoperating revenues (expenditures)	<u>\$ (8,991,641)</u>	<u>\$ (8,922,868)</u>	<u>\$ 68,773</u>	<u>\$ (7,474,826)</u>
Revenues over expenditures	<u>\$ (2,517,500)</u>	<u>\$ 2,104,417</u>	<u>\$ 4,621,917</u>	<u>\$ 1,615,029</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out:				
Fund balance appropriated	<u>\$ 2,517,500</u>	<u>\$ -</u>	<u>\$ (2,517,500)</u>	<u>\$ -</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>\$ -</u>	<u>\$ 2,104,417</u>	<u>\$ 2,104,417</u>	<u>\$ 1,615,029</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Revenues over expenditures and other financing sources (uses)		\$ 2,104,417		
Capital outlay		915,974		
Depreciation		(5,496,869)		
Payment of debt principal		3,573,502		
Interest income from Capital Projects Fund		79,478		
Transfer to Capital Projects Fund		3,200,000		
Increase in accrued OPEB liability		(226,935)		
Interest expense adjustment		28,047		
Increase in net pension liability		(940,963)		
Increase in deferred outflows of resources-pensions		826,016		
Decrease in deferred inflows of resources-pensions		88,530		
Vacation pay		<u>(31,549)</u>		
Change in net position		<u>\$ 4,119,648</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, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Miscellaneous				
Interest on investments	\$ -	\$ 76,801	\$ 79,478	\$ 156,279
EXPENDITURES-WATER PROJECT				
Engineering and design	\$ 1,200,000	\$ 93,933	\$ 506,796	\$ 600,729
Construction	6,000,000	-	4,793,083	4,793,083
Total expenditures	\$ 7,200,000	\$ 93,933	\$ 5,299,879	\$ 5,393,812
Total revenues under expenditures	\$ (7,200,000)	\$ (17,132)	\$ (5,220,401)	\$ (5,237,533)
OTHER FINANCING SOURCES:				
Contribution from Water and Sewer Fund	\$ 7,200,000	\$ 2,500,000	\$ 3,200,000	\$ 5,700,000
Total other financing sources	\$ 7,200,000	\$ 2,500,000	\$ 3,200,000	\$ 5,700,000
Unexpended revenues and receipts	\$ -	\$ 2,482,868	\$ (2,020,401)	\$ 462,467

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, 2017

With Comparative Actual Amounts for Year Ended June 30, 2016

	2017		Variance with Budget Positive (Negative)	2016
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services				
Internet	\$ 2,877,655	\$ 2,299,085	\$ (578,570)	\$ 2,179,982
Video	2,285,247	1,750,354	(534,893)	2,197,846
Phone	905,655	811,068	(94,587)	910,016
Other operating revenues	<u>506,690</u>	<u>232,560</u>	<u>(274,130)</u>	<u>260,495</u>
Total operating revenues	<u>6,575,247</u>	<u>5,093,067</u>	<u>(1,482,180)</u>	<u>5,548,339</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 357,777	\$ 350,137	\$ 7,640	\$ 27,651
Sales and marketing	352,735	293,099	59,636	
Programming	2,035,092	1,803,970	231,122	1,826,263
Broadband services	1,782,817	1,356,205	426,612	288,896
Services delivery	<u>1,488,424</u>	<u>1,460,325</u>	<u>28,099</u>	<u>801,087</u>
Total operating expenses other than depreciation	<u>\$ 6,016,845</u>	<u>\$ 5,263,736</u>	<u>\$ 753,109</u>	<u>\$ 2,943,897</u>
NONOPERATING REVENUES (EXPENDITURES):				
Investment earnings	\$ 15,000	\$ 3,267	\$ (11,733)	\$ 12,591
Refunding bonds issued	32,099,327	28,990,000	(3,109,327)	-
Payment to refund bond escrow agent	(31,972,437)	(31,972,437)	-	-
Capital outlay	(274,235)	(107,590)	166,645	-
Payment of debt principal	(1,852,000)	(1,820,000)	32,000	(1,809,000)
Payment of inter-fund loan principal	(50,000)	(50,000)	-	(25,000)
Interest expense and fees	<u>(839,515)</u>	<u>(511,082)</u>	<u>328,433</u>	<u>(758,823)</u>
Net nonoperating expenditures	<u>\$ (2,873,860)</u>	<u>\$ (5,467,842)</u>	<u>\$ (2,593,982)</u>	<u>\$ (2,580,232)</u>
Revenues over (under) expenditures	<u>\$ (2,315,458)</u>	<u>\$ (5,638,511)</u>	<u>\$ (3,323,053)</u>	<u>\$ 24,210</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in:				
General Fund	<u>\$ 2,315,458</u>	<u>\$ 2,315,458</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>\$ -</u>	<u>\$ (3,323,053)</u>	<u>\$ (3,323,053)</u>	<u>\$ 24,210</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ (3,323,053)		
Capital outlay		107,590		
Depreciation		(704,606)		
Payment of debt principal		1,820,000		
Payment of inter-fund loan principal		50,000		
Proceeds from sale of refunding bonds		(28,990,000)		
Payment to refunded bond escrow agent		31,972,437		
Increase in accrued OPEB liability		(73,288)		
Interest expense and fees adjustment		(105,894)		
Increase in net pension liability		(366,416)		
Increase in deferred outflows of resources-pensions		313,995		
Increase in deferred inflows of resources-pensions		(29,808)		
Vacation pay		<u>(60,542)</u>		
Change in net position		<u>\$ 610,415</u>		

CITY OF SALISBURY, NORTH CAROLINA

STORMWATER FUND

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for Year Ended June 30, 2016

	2017		2016	
	Budget	Actual	Variance with Budget Positive (Negative)	Actual
OPERATING REVENUES:				
Charges for services	\$ 1,379,498	\$ 1,329,245	\$ (50,253)	\$ 1,183,586
Other operating revenues	<u>1,000</u>	<u>1,557</u>	<u>557</u>	<u>2,733</u>
Total operating revenues	<u>\$ 1,380,498</u>	<u>\$ 1,330,802</u>	<u>\$ (49,696)</u>	<u>\$ 1,186,319</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 718,985	\$ 675,910	\$ 43,075	\$ 475,365
Street cleaning	201,093	96,057	105,036	100,042
Storm drainage	152,978	102,110	50,868	125,656
Leaf Collection	<u>202,952</u>	<u>155,601</u>	<u>47,351</u>	<u>158,737</u>
Total operating expenditures other than depreciation	<u>\$ 1,276,008</u>	<u>\$ 1,029,678</u>	<u>\$ 246,330</u>	<u>\$ 859,800</u>
NONOPERATING REVENUES (EXPENDITURES):				
Interest on investments	\$ -	\$ 5,070	\$ 5,070	\$ 1,395
Capital outlay	<u>(104,490)</u>	<u>(14,631)</u>	<u>89,859</u>	<u>(87,651)</u>
Total nonoperating revenues (expenditures)	<u>\$ (104,490)</u>	<u>\$ (9,561)</u>	<u>\$ 94,929</u>	<u>\$ (86,256)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 291,563</u>	<u>\$ 291,563</u>	<u>\$ 240,263</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ 291,563		
Depreciation		(25,186)		
Capital outlay		14,631		
Increase in accrued OPEB liability		(28,188)		
Increase in net pension liability		(108,992)		
Increase in deferred outflows of resources-pensions		95,600		
Decrease in deferred inflows of resources-pensions		9,603		
Vacation pay		<u>1,811</u>		
Change in net position		<u>\$ 250,842</u>		

CITY OF SALISBURY, NORTH CAROLINA

MASS TRANSIT FUND

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for Year Ended June 30, 2016

	2017		Variance with Budget Positive (Negative)	2016
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 80,100	\$ 140,539	\$ 60,439	\$ 78,012
Other operating revenues	-	9,886	9,886	7,241
Total operating revenues	<u>\$ 80,100</u>	<u>\$ 150,425</u>	<u>\$ 70,325</u>	<u>\$ 85,253</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 332,867	\$ 326,627	\$ 6,240	\$ 307,243
Mass transit operations	1,091,435	864,909	226,526	690,652
Total operating expenditures other than depreciation	<u>\$ 1,424,302</u>	<u>\$ 1,191,536</u>	<u>\$ 232,766</u>	<u>\$ 997,895</u>
NONOPERATING REVENUES (EXPENDITURES):				
Intergovernmental	\$ 1,136,974	\$ 618,631	\$ (518,343)	\$ 738,351
Interest on investments	-	3,431	3,431	1,042
Capital outlay	(258,094)	(70,387)	187,707	(40,859)
Total nonoperating revenues (expenditures)	<u>\$ 878,880</u>	<u>\$ 551,675</u>	<u>\$ (327,205)</u>	<u>\$ 698,534</u>
Revenues under expenditures	<u>\$ (465,322)</u>	<u>\$ (489,436)</u>	<u>\$ (24,114)</u>	<u>\$ (214,108)</u>
OTHER FINANCING SOURCES:				
Operating transfers in:				
General fund	<u>\$ 465,322</u>	<u>\$ 465,322</u>	<u>\$ -</u>	<u>\$ 465,322</u>
REVENUES OVER (UNDER) EXPENDITURES AND AND OTHER FINANCING SOURCES				
	<u>\$ -</u>	<u>\$ (24,114)</u>	<u>\$ (24,114)</u>	<u>\$ 251,214</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ (24,114)		
Depreciation		(104,298)		
Capital outlay		70,387		
Increase in accrued OPEB liability		(24,676)		
Increase in net pension liability		(130,758)		
Increase in deferred outflows of resources-pensions		114,695		
Decrease in deferred inflows of resources-pensions		11,544		
Vacation pay		(1,638)		
Change in net position		<u>\$ (88,858)</u>		



Internal Service Funds

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

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

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

CITY OF SALISBURY, NORTH CAROLINA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

June 30, 2017
With Comparative Totals at June 30, 2016

<u>ASSETS</u>	<u>Workers'</u>	<u>Employee</u>	<u>Totals</u>	
	<u>Compensation</u>	<u>Health Care</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS				
Cash and investments	\$ 790,360	\$ 1,895,939	\$ 2,686,299	\$ 1,573,268
Accounts receivable	-	1,487	1,487	-
Interest receivable	<u>1,530</u>	<u>3,573</u>	<u>5,103</u>	<u>1,806</u>
 Total assets	 <u>\$ 791,890</u>	 <u>\$ 1,900,999</u>	 <u>\$ 2,692,889</u>	 <u>\$ 1,575,074</u>
 <u>LIABILITIES AND NET POSITION</u>				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 25,847</u>	<u>\$ 887,855</u>	<u>\$ 913,702</u>	<u>\$ 497,598</u>
 NET POSITION, UNRESTRICTED	 <u>\$ 766,043</u>	 <u>\$ 1,013,144</u>	 <u>\$ 1,779,187</u>	 <u>\$ 1,077,476</u>

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2017
With Comparative Totals For The Year Ended June 30, 2016

	Workers'	Employee	Totals			
			Compensation	Health Care	2017	2016
OPERATING REVENUES:						
Charges for services	\$ 840,600	\$ 5,893,165	\$ 6,733,765	\$ 5,215,857		
OPERATING EXPENSES:						
Employee benefits	<u>577,734</u>	<u>5,465,727</u>	<u>6,043,461</u>	<u>4,986,301</u>		
OPERATING INCOME (LOSS)	\$ 262,866	\$ 427,438	\$ 690,304	\$ 229,556		
NONOPERATING REVENUES						
Interest earned on investments	<u>2,870</u>	<u>8,537</u>	<u>11,407</u>	<u>2,854</u>		
CHANGE IN NET POSITION	\$ 265,736	\$ 435,975	\$ 701,711	\$ 232,410		
TOTAL NET POSITION, BEGINNING	<u>500,307</u>	<u>577,169</u>	<u>1,077,476</u>	<u>845,066</u>		
TOTAL NET POSITION, ENDING	<u>\$ 766,043</u>	<u>\$ 1,013,144</u>	<u>\$ 1,779,187</u>	<u>\$ 1,077,476</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, 2017
With Comparative Actual Amounts for Year Ended June 30, 2016

	<u>2017</u>		Variance with Financial Plan Positive (Negative)	<u>2016</u>
	Financial Plan	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 1,130,600	\$ 840,600	\$ (290,000)	\$ 304,850
OPERATING EXPENDITURES:				
Employee benefits	\$ 1,131,800	\$ 577,734	\$ 554,066	\$ 423,899
NONOPERATING REVENUES:				
Interest on investments	\$ 1,200	\$ 2,870	\$ 1,670	\$ 1,066
Revenues over (under) expenditures	\$ -	\$ 265,736	\$ 265,736	\$ (117,983)
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 265,736</u>	<u>\$ 265,736</u>	<u>\$ (117,983)</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, 2017
With Comparative Actual Amounts for Year Ended June 30, 2016

	2017		Variance with Financial Plan Positive (Negative)	2016
	Financial Plan	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 6,098,847	\$ 5,893,165	\$ (205,682)	\$ 4,911,007
OPERATING EXPENDITURES:				
Employee benefits	\$ 6,099,047	\$ 5,465,727	\$ 633,320	\$ 4,562,402
NONOPERATING REVENUES:				
Interest on investments	\$ 200	\$ 8,537	\$ 8,337	\$ 1,788
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 435,975</u>	<u>\$ 435,975</u>	<u>\$ 350,393</u>

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017
 With Comparative Totals For The Year Ended June 30, 2016

	Workers' Compensation	Employee Health Care	Totals	
			2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services provided	\$ 840,600	\$ 5,891,678	\$ 6,732,278	\$ 5,215,857
Cash paid for goods and services	<u>(557,722)</u>	<u>(5,069,635)</u>	<u>(5,627,357)</u>	<u>(4,955,682)</u>
Net cash provided (used) by operating activities	<u>\$ 282,878</u>	<u>\$ 822,043</u>	<u>\$ 1,104,921</u>	<u>\$ 260,175</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	<u>\$ 1,976</u>	<u>\$ 6,134</u>	<u>\$ 8,110</u>	<u>\$ 1,940</u>
Net increase (decrease) in cash and cash equivalents	\$ 284,854	\$ 828,177	\$ 1,113,031	\$ 262,115
Balances-beginning of the year	<u>505,506</u>	<u>1,067,762</u>	<u>1,573,268</u>	<u>1,311,153</u>
Balances-end of the year	<u>\$ 790,360</u>	<u>\$ 1,895,939</u>	<u>\$ 2,686,299</u>	<u>\$ 1,573,268</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 262,866	\$ 427,438	\$ 690,304	\$ 229,556
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in current assets and liabilities:				
(Increase) decrease in accounts receivable	-	(1,487)	(1,487)	-
Increase (decrease) in accounts payable and accrued liabilities	<u>20,012</u>	<u>396,092</u>	<u>416,104</u>	<u>30,619</u>
Net cash provided (used) by operating activities	<u>\$ 282,878</u>	<u>\$ 822,043</u>	<u>\$ 1,104,921</u>	<u>\$ 260,175</u>



Agency Funds

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

AGENCY FUNDS

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

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

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

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

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

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

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

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

CITY OF SALISBURY, NORTH CAROLINA

AGENCY FUNDS

COMBINING BALANCE SHEET

June 30, 2017

With Comparative Totals at June 30, 2016

	Agency							Totals		
	Boards and Commissions Fund	Municipal Service District Fund	East Spencer Utility Fund	Rockwell Garbage Fund	Granite Quarry Garbage Fund	Spencer Garbage Fund	Tourism and Cultural Development Fund	Salisbury- Rowan Human Relations Council Fund	2017	2016
<u>ASSETS</u>										
Cash and investments	\$ 2,796	\$ 4,741	\$ 13,467	\$ 280	\$ 1,203	\$ 2,756	\$ 35,060	\$ 8,052	\$ 68,355	\$ 78,852
Interest receivable	-	8	60	-	-	-	-	-	68	-
Accounts receivable	-	7,464	417,542	9,482	32,092	46,742	-	-	513,322	477,354
Total assets	<u>\$ 2,796</u>	<u>\$ 12,213</u>	<u>\$ 431,069</u>	<u>\$ 9,762</u>	<u>\$ 33,295</u>	<u>\$ 49,498</u>	<u>\$ 35,060</u>	<u>\$ 8,052</u>	<u>\$ 581,745</u>	<u>\$ 556,206</u>
<u>LIABILITIES</u>										
Accounts payable and accrued liabilities	<u>\$ 2,796</u>	<u>\$ 12,213</u>	<u>\$ 431,069</u>	<u>\$ 9,762</u>	<u>\$ 33,295</u>	<u>\$ 49,498</u>	<u>\$ 35,060</u>	<u>\$ 8,052</u>	<u>\$ 581,745</u>	<u>\$ 556,206</u>

CITY OF SALISBURY, NORTH CAROLINA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<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	\$ 5,563	\$ 138,970	\$ 139,792	\$ 4,741
Interest receivable	-	89	81	8
Accounts receivable	8,238	132,199	132,973	7,464
Total assets	<u>\$ 13,801</u>	<u>\$ 271,258</u>	<u>\$ 272,846</u>	<u>\$ 12,213</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 13,801</u>	<u>\$ 271,258</u>	<u>\$ 272,846</u>	<u>\$ 12,213</u>
<u>EAST SPENCER UTILITY FUND:</u>				
ASSETS				
Cash and investments	\$ 30,536	\$ 901,869	\$ 918,938	\$ 13,467
Interest receivable	-	224	164	60
Accounts receivable	381,522	875,235	839,215	417,542
Total Assets	<u>\$ 412,058</u>	<u>\$ 1,777,328</u>	<u>\$ 1,758,317</u>	<u>\$ 431,069</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 412,058</u>	<u>\$ 1,777,328</u>	<u>\$ 1,758,317</u>	<u>\$ 431,069</u>
<u>ROCKWELL GARBAGE FUND</u>				
ASSETS				
Cash and investments	\$ 653	\$ 48,713	\$ 49,086	\$ 280
Accounts receivable	9,710	48,505	48,733	9,482
Total Assets	<u>\$ 10,363</u>	<u>\$ 97,218</u>	<u>\$ 97,819</u>	<u>\$ 9,762</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 10,363</u>	<u>\$ 97,218</u>	<u>\$ 97,819</u>	<u>\$ 9,762</u>
<u>GRANITE QUARRY GARBAGE FUND</u>				
ASSETS				
Cash and investments	\$ 1,454	\$ 148,147	\$ 148,398	\$ 1,203
Accounts receivable	31,717	148,522	148,147	32,092
Total Assets	<u>\$ 33,171</u>	<u>\$ 296,669</u>	<u>\$ 296,545</u>	<u>\$ 33,295</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 33,171</u>	<u>\$ 296,669</u>	<u>\$ 296,545</u>	<u>\$ 33,295</u>

F-2
CITY OF SALISBURY, NORTH CAROLINA
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2017

(continued)

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>SPENCER GARBAGE FUND</u>				
ASSETS				
Cash and investments	\$ 3,053	\$ 230,983	\$ 231,280	\$ 2,756
Accounts receivable	46,167	231,588	231,013	46,742
Total Assets	<u>\$ 49,220</u>	<u>\$ 462,571</u>	<u>\$ 462,293</u>	<u>\$ 49,498</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 49,220</u>	<u>\$ 462,571</u>	<u>\$ 462,293</u>	<u>\$ 49,498</u>
<u>TOURISM AND CULTURAL DEVELOPMENT FUND:</u>				
ASSETS				
Cash and investments	<u>\$ 29,526</u>	<u>\$ 400,402</u>	<u>\$ 394,868</u>	<u>\$ 35,060</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 29,526</u>	<u>\$ 400,402</u>	<u>\$ 394,868</u>	<u>\$ 35,060</u>
<u>SALISBURY-ROWAN HUMAN RELATIONS COUNCIL FUND</u>				
ASSETS				
Cash and investments	<u>\$ 5,271</u>	<u>\$ 30,970</u>	<u>\$ 28,189</u>	<u>8,052</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 5,271</u>	<u>\$ 30,970</u>	<u>\$ 28,189</u>	<u>\$ 8,052</u>
<u>TOTAL AGENCY FUNDS:</u>				
ASSETS				
Cash and investments	\$ 78,852	\$ 1,900,054	\$ 1,910,551	\$ 68,355
Accrued interest	-	313	245	68
Accounts receivable	477,354	1,436,049	1,400,081	513,322
Total assets	<u>\$ 556,206</u>	<u>\$ 3,336,416</u>	<u>\$ 3,310,877</u>	<u>\$ 581,745</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 556,206</u>	<u>\$ 3,336,416</u>	<u>\$ 3,310,877</u>	<u>\$ 581,745</u>



Other Schedules



CITY OF SALISBURY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

For the Year Ended June 30, 2017

	<u>City Wide</u>			<u>Total Levy</u>	
	<u>Property</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property</u>	<u>Registered</u>
	<u>Valuation</u>			<u>Excluding</u>	<u>Registered</u>
			<u>Motor</u>	<u>Motor</u>	
			<u>Vehicles</u>	<u>Vehicles</u>	
ORIGINAL LEVY					
Property taxed at current year's rates	\$2,626,439,295	\$ 0.672	\$ 17,649,672	\$17,649,672	\$ -
Registered motor vehicles taxed under NC Vehicle Tax System	221,865,495	0.672	1,490,936	-	1,490,936
Auto registration fee			238,017	-	238,017
Penalties			<u>11,168</u>	<u>11,168</u>	<u>-</u>
TOTAL	\$2,848,304,790		<u>\$ 19,389,793</u>	<u>\$17,660,840</u>	<u>\$ 1,728,953</u>
DISCOVERY					
Current year rates	214,280		1,440	1,440	-
Prior years rates			16,232	16,232	-
Penalties			<u>4,160</u>	<u>4,160</u>	<u>-</u>
TOTAL			<u>\$ 21,832</u>	<u>\$ 21,832</u>	<u>-</u>
ABATEMENTS	<u>(5,729,507)</u>		<u>\$ (41,039)</u>	<u>\$ (41,039)</u>	<u>\$ -</u>
TOTAL PROPERTY VALUATION	<u>\$2,842,789,563</u>				
NET LEVY			\$ 19,370,586	\$17,641,633	\$ 1,728,953
Less uncollected tax at June 30, 2017			<u>311,819</u>	<u>311,358</u>	<u>461</u>
CURRENT YEAR'S TAXES COLLECTED			<u>\$ 19,058,767</u>	<u>\$17,330,275</u>	<u>\$1,728,492</u>
PERCENT OF CURRENT YEAR COLLECTED			<u>98.39%</u>	<u>98.24%</u>	<u>99.97%</u>

Statistical Section



This part of the City of Salisbury’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

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

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

Schedule 1

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities					
Net investment in capital assets	\$ 36,525,374	\$ 37,816,470	\$ 38,831,003	\$ 39,495,804	\$ 38,522,820
Restricted	-	216,413	591,581	4,846,985	4,851,968
Unrestricted	8,148,501	7,691,236	6,001,521	850,814	3,181,778
Total Governmental net position	<u>\$ 44,673,875</u>	<u>\$ 45,724,119</u>	<u>\$ 45,424,105</u>	<u>\$ 45,193,603</u>	<u>\$ 46,556,566</u>
Business-type activities					
Net investment in capital assets	\$ 77,307,128	\$ 75,728,506	\$ 76,682,748	\$ 74,697,761	\$ 79,246,490
Unrestricted	9,671,332	12,737,154	11,659,840	13,195,867	11,964,751
Total business-type net position	<u>\$ 86,978,460</u>	<u>\$ 88,465,660</u>	<u>\$ 88,342,588</u>	<u>\$ 87,893,628</u>	<u>\$ 91,211,241</u>
Primary government					
Net investment in capital assets	\$ 113,832,502	\$ 113,544,976	\$ 115,513,751	\$ 114,193,565	\$ 117,769,310
Restricted	-	216,413	591,581	4,846,985	4,851,968
Unrestricted	17,819,833	20,428,390	17,661,361	14,046,681	15,146,529
Total primary government net position	<u>\$ 131,652,335</u>	<u>\$ 134,189,779</u>	<u>\$ 133,766,693</u>	<u>\$ 133,087,231</u>	<u>\$ 137,767,807</u>

Schedule 1

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Governmental activities					
Net investment in capital assets	\$ 37,783,298	\$ 36,648,493	\$ 35,682,857	\$ 36,027,355	\$ 35,384,844
Restricted	4,657,799	4,503,277	4,120,183	4,719,068	5,221,501
Unrestricted	<u>5,778,803</u>	<u>7,830,760</u>	<u>8,320,730</u>	<u>8,188,064</u>	<u>6,635,231</u>
Total Governmental net position	<u>\$ 48,219,900</u>	<u>\$ 48,982,530</u>	<u>\$ 48,123,770</u>	<u>\$ 48,934,487</u>	<u>\$ 47,241,576</u>
Business-type activities					
Net investment in capital assets	\$ 77,077,799	\$ 77,582,377	\$ 78,308,385	\$ 79,354,208	\$ 84,806,909
Unrestricted	<u>11,254,780</u>	<u>13,253,188</u>	<u>16,076,740</u>	<u>18,935,989</u>	<u>18,375,335</u>
Total business-type net position	<u>\$ 88,332,579</u>	<u>\$ 90,835,565</u>	<u>\$ 94,385,125</u>	<u>\$ 98,290,197</u>	<u>\$ 103,182,244</u>
Primary government					
Net investment in capital assets	\$ 114,861,097	\$ 114,230,870	\$ 113,991,242	\$ 115,381,563	\$ 120,191,753
Restricted	4,657,799	4,503,277	4,120,183	4,719,068	5,221,501
Unrestricted	<u>17,033,583</u>	<u>21,083,948</u>	<u>24,397,470</u>	<u>27,124,053</u>	<u>25,010,566</u>
Total primary government net position	<u>\$ 136,552,479</u>	<u>\$ 139,818,095</u>	<u>\$ 142,508,895</u>	<u>\$ 147,224,684</u>	<u>\$ 150,423,820</u>

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

Expenses	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities:					
General government	\$ 8,584,267	\$ 7,607,018	\$ 9,000,546	\$ 8,638,802	\$ 8,858,997
Public safety	11,855,275	12,600,709	12,781,599	13,065,399	12,013,621
Transportation	5,875,717	4,870,333	5,720,250	5,410,397	5,227,558
Environmental protection	2,203,772	2,459,565	1,903,354	2,372,108	1,672,367
Culture and recreation	2,830,610	2,934,389	2,977,724	2,852,895	2,564,518
Community and economic development	2,025,313	1,938,878	1,861,576	1,868,213	2,335,285
Education	42,342	42,342	42,342	42,342	38,107
Interest on long-term debt	358,688	449,945	365,136	323,639	442,531
Total governmental activities expenses	<u>\$ 33,775,984</u>	<u>\$ 32,903,179</u>	<u>\$ 34,652,527</u>	<u>\$ 34,573,795</u>	<u>\$ 33,152,984</u>
Business-type activities:					
Water and Sewer	\$ 19,488,977	\$ 19,961,739	\$ 20,703,446	\$ 21,352,837	\$ 21,501,799
Broadband Services		230,474	828,584	3,735,371	6,787,748
Stormwater					
Mass Transit	1,258,857	1,347,215	1,217,603	1,175,654	1,053,025
Total business-type activities	<u>\$ 20,747,834</u>	<u>\$ 21,539,428</u>	<u>\$ 22,749,633</u>	<u>\$ 26,263,862</u>	<u>\$ 29,342,572</u>
Total primary governmental expenses	<u>\$ 54,523,818</u>	<u>\$ 54,442,607</u>	<u>\$ 57,402,160</u>	<u>\$ 60,837,657</u>	<u>\$ 62,495,556</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 3,889,331	\$ 3,343,256	\$ 3,543,676	\$ 3,528,014	\$ 3,573,724
Public safety	464,189	456,266	433,727	446,473	432,019
Transportation	157,217	148,212	129,223	141,241	175,285
Environmental protection	1,208,241	1,549,055	1,221,279	1,102,823	1,408,604
Culture and recreation	175,416	165,332	153,833	156,726	160,059
Community and economic development	201,558	209,970	134,399	136,921	375,299
Operating grants and contributions	1,821,205	1,710,521	2,507,060	2,334,124	2,140,686
Capital grants and contributions	1,376,213	986,905	759,641	912,385	97,785
Total governmental activities program revenues	<u>\$ 9,293,370</u>	<u>\$ 8,569,517</u>	<u>\$ 8,882,838</u>	<u>\$ 8,758,707</u>	<u>\$ 8,363,461</u>
Business-type activities:					
Charges for services:					
Water and Sewer	\$ 20,463,596	\$ 20,738,138	\$ 21,353,577	\$ 22,139,692	\$ 23,637,076
Broadband Services				610,074	2,621,168
Stormwater					
Mass Transit	88,633	105,874	109,235	134,131	125,809
Operating grants and contributions	479,227	507,040	509,046	549,621	614,416
Capital grants and contributions	771,686	722,209	-	1,725,935	5,002,523
Total business-type activities program revenues	<u>\$ 21,803,142</u>	<u>\$ 22,073,261</u>	<u>\$ 21,971,858</u>	<u>\$ 25,159,453</u>	<u>\$ 32,000,992</u>
Total primary governmental program revenues	<u>\$ 31,096,512</u>	<u>\$ 30,642,778</u>	<u>\$ 30,854,696</u>	<u>\$ 33,918,160</u>	<u>\$ 40,364,453</u>
Net (expense)/revenue					
Governmental activities	\$ (24,482,614)	\$ (24,333,662)	\$ (25,769,689)	\$ (25,815,088)	\$ (24,789,523)
Business-type activities	1,055,308	533,833	(777,775)	(1,104,409)	2,658,420
Total primary governmental net expense	<u>\$ (23,427,306)</u>	<u>\$ (23,799,829)</u>	<u>\$ (26,547,464)</u>	<u>\$ (26,919,497)</u>	<u>\$ (22,131,103)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 16,755,835	\$ 17,162,719	\$ 17,379,089	\$ 17,410,646	\$ 17,289,944
Sales and other taxes	5,220,704	4,732,043	4,526,014	4,752,432	5,260,348
Intergovernmental revenues	3,446,122	3,251,711	3,494,579	3,540,146	3,463,465
Unrestricted investment earnings	461,939	244,222	109,254	99,759	86,424
Miscellaneous	257,067	446,592	351,058	198,388	469,090
Transfers	(437,781)	(453,381)	(390,319)	(416,785)	(416,785)
Total governmental activities	<u>\$ 25,703,886</u>	<u>\$ 25,383,906</u>	<u>\$ 25,469,675</u>	<u>\$ 25,584,586</u>	<u>\$ 26,152,486</u>
Business-type activities:					
Investment earnings	\$ 816,163	\$ 499,986	\$ 264,384	\$ 238,664	\$ 242,408
Transfers	437,781	453,381	390,319	416,785	416,785
Total business-type activities	<u>\$ 1,253,944</u>	<u>\$ 953,367</u>	<u>\$ 654,703</u>	<u>\$ 655,449</u>	<u>\$ 659,193</u>
Total primary government	<u>\$ 26,957,830</u>	<u>\$ 26,337,273</u>	<u>\$ 26,124,378</u>	<u>\$ 26,240,035</u>	<u>\$ 26,811,679</u>
Change in Net Position					
Governmental activities	\$ 1,221,272	\$ 1,050,244	\$ (300,014)	\$ (230,502)	\$ 1,362,963
Business-type activities	2,309,252	1,487,200	(123,072)	(448,960)	3,317,613
Total primary government	<u>\$ 3,530,524</u>	<u>\$ 2,537,444</u>	<u>\$ (423,086)</u>	<u>\$ (679,462)</u>	<u>\$ 4,680,576</u>

Schedule 2

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

Expenses	Fiscal Year				
	2013	2014	2015	2016	2017
Governmental activities:					
General government	\$ 7,505,862	\$ 9,704,764	\$ 5,716,066	\$ 5,907,274	\$ 6,110,635
Public safety	11,971,909	11,788,115	11,455,490	12,163,943	13,296,732
Transportation	4,676,309	4,150,618	4,440,902	5,195,912	6,149,487
Environmental protection	1,470,400	1,472,922	1,481,637	1,452,363	1,496,207
Culture and recreation	2,372,225	2,365,534	2,432,466	2,553,783	2,049,283
Community and economic development	3,114,076	2,285,065	2,480,317	3,219,393	2,887,589
Education	38,107	38,107	38,107	38,107	38,107
Interest on long-term debt	586,480	510,887	517,340	481,335	666,604
Total governmental activities expenses	<u>\$ 31,735,368</u>	<u>\$ 32,316,012</u>	<u>\$ 28,562,325</u>	<u>\$ 31,012,110</u>	<u>\$ 32,694,644</u>
Business-type activities:					
Water and Sewer	\$ 20,722,706	\$ 20,985,348	\$ 21,398,672	\$ 21,429,812	\$ 21,982,707
Broadband Services	8,096,019	5,059,343	8,279,509	7,773,867	6,801,377
Stormwater	883,201	936,526	927,399	898,295	1,085,030
Mass Transit	1,086,236	1,098,881	1,013,010	1,103,470	1,326,667
Total business-type activities	<u>\$ 30,788,162</u>	<u>\$ 28,080,098</u>	<u>\$ 31,618,590</u>	<u>\$ 31,205,444</u>	<u>\$ 31,195,781</u>
Total primary governmental expenses	<u>\$ 62,523,530</u>	<u>\$ 60,396,110</u>	<u>\$ 60,180,915</u>	<u>\$ 62,217,554</u>	<u>\$ 63,890,425</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,480,475	\$ 1,485,412	\$ 804,630	\$ 715,721	\$ 829,987
Public safety	522,063	397,948	376,740	424,687	487,081
Transportation	169,651	144,681	175,182	160,197	174,125
Environmental protection	1,751,408	2,064,070	2,173,339	2,163,234	2,104,171
Culture and recreation	166,221	162,497	131,904	136,509	136,147
Community and economic development	169,605	258,108	267,299	300,083	394,869
Operating grants and contributions	1,861,365	1,791,226	1,845,698	1,964,896	2,022,328
Capital grants and contributions	972,479	79,807	-	-	483,450
Total governmental activities program revenues	<u>\$ 7,093,267</u>	<u>\$ 6,383,749</u>	<u>\$ 5,774,792</u>	<u>\$ 5,865,327</u>	<u>\$ 6,632,158</u>
Business-type activities:					
Charges for services:					
Water and Sewer	\$ 22,344,591	\$ 22,773,882	\$ 24,327,901	\$ 23,629,386	\$ 25,934,277
Broadband Services	3,867,051	4,811,757	6,092,803	6,070,893	5,093,067
Stormwater	1,152,613	1,153,565	1,153,178	1,186,319	1,330,802
Mass Transit	114,717	105,706	97,193	85,253	150,425
Operating grants and contributions	605,706	558,062	469,421	738,351	618,631
Capital grants and contributions	270,330	575,019	-	-	-
Total business-type activities program revenues	<u>\$ 28,355,008</u>	<u>\$ 29,977,991</u>	<u>\$ 32,140,496</u>	<u>\$ 31,710,202</u>	<u>\$ 33,127,202</u>
Total primary governmental program revenues	<u>\$ 35,448,275</u>	<u>\$ 36,361,740</u>	<u>\$ 37,915,288</u>	<u>\$ 37,575,529</u>	<u>\$ 39,759,360</u>
Net (expense)/revenue					
Governmental activities	\$ (24,642,101)	\$ (25,932,263)	\$ (22,787,533)	\$ (25,146,783)	\$ (26,062,486)
Business-type activities	(2,433,154)	1,897,893	521,906	504,758	1,931,421
Total primary governmental net expense	<u>\$ (27,075,255)</u>	<u>\$ (24,034,370)</u>	<u>\$ (22,265,627)</u>	<u>\$ (24,642,025)</u>	<u>\$ (24,131,065)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 17,796,508	\$ 18,490,266	\$ 18,744,275	\$ 18,719,543	\$ 19,249,072
Sales and other taxes	5,303,387	5,454,780	5,898,259	6,433,260	7,287,305
Intergovernmental revenues	3,425,372	3,138,583	3,270,152	3,432,476	3,285,759
Unrestricted investment earnings	65,080	24,738	17,471	44,586	116,185
Miscellaneous	128,560	-	-	-	-
Transfers	(413,474)	(413,474)	(3,713,291)	(3,279,850)	(2,780,780)
Total governmental activities	<u>\$ 26,305,433</u>	<u>\$ 26,694,893</u>	<u>\$ 24,216,866</u>	<u>\$ 25,350,015</u>	<u>\$ 27,157,541</u>
Business-type activities:					
Investment earnings	\$ 166,183	\$ 191,619	\$ 97,534	\$ 120,464	\$ 179,846
Transfers	413,474	413,474	3,713,291	3,279,850	2,780,780
Total business-type activities	<u>\$ 579,657</u>	<u>\$ 605,093</u>	<u>\$ 3,810,825</u>	<u>\$ 3,400,314</u>	<u>\$ 2,960,626</u>
Total primary government	<u>\$ 26,885,090</u>	<u>\$ 27,299,986</u>	<u>\$ 28,027,691</u>	<u>\$ 28,750,329</u>	<u>\$ 30,118,167</u>
Change in Net Position					
Governmental activities	\$ 1,663,332	\$ 762,630	\$ 1,429,333	\$ 203,232	\$ 1,095,055
Business-type activities	(1,853,497)	2,502,986	4,332,731	3,905,072	4,892,047
Total primary government	<u>\$ (190,165)</u>	<u>\$ 3,265,616</u>	<u>\$ 5,762,064</u>	<u>\$ 4,108,304</u>	<u>\$ 5,987,102</u>

Schedule 3

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

	Fiscal Year				
	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 3,618,321	\$ 4,426,599	\$ 4,405,420	\$ -	\$ -
Unreserved	<u>4,446,572</u>	<u>4,514,032</u>	<u>4,499,117</u>	-	-
Nonspendable				319,844	327,754
Restricted				4,839,986	4,822,687
Committed				2,811,084	3,587,402
Assigned					
Unassigned				<u>515,476</u>	<u>1,830,280</u>
 Total General Fund	 <u>\$ 8,064,893</u>	 <u>\$ 8,940,631</u>	 <u>\$ 8,904,537</u>	 <u>\$ 8,486,390</u>	 <u>\$ 10,568,123</u>
 All other governmental funds					
Reserved	\$ 36,736	\$ 81,400	\$ 31,427	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	(30,759)	(76,713)	(27,823)	-	-
Capital projects funds	<u>-</u>	<u>2,035,631</u>	<u>382,328</u>	-	-
Restricted				6,999	29,281
Unassigned				<u>-</u>	<u>(18,558)</u>
 Total all other governmental funds	 <u>\$ 5,977</u>	 <u>\$ 2,040,318</u>	 <u>\$ 385,932</u>	 <u>\$ 6,999</u>	 <u>\$ 10,723</u>

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

Schedule 3

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

	Fiscal Year				
	2013	2014	2015	2016	2017
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	710,508	548,414	488,254	557,974	497,366
Restricted	4,874,212	4,719,690	4,296,204	4,863,033	5,134,236
Committed	3,974,716	4,261,316	4,310,985	3,800,851	3,917,588
Assigned			1,798,040	1,180,000	2,296,294
Unassigned	<u>3,704,050</u>	<u>6,338,351</u>	<u>7,039,896</u>	<u>7,950,126</u>	<u>7,654,126</u>
 Total General Fund	 <u>\$ 13,263,486</u>	 <u>\$ 15,867,771</u>	 <u>\$ 17,933,379</u>	 <u>\$ 18,351,984</u>	 <u>\$ 19,499,610</u>
 All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted	9,840	37,542	40,392	72,448	87,074
Unassigned	<u>898</u>	<u>(30,068)</u>	<u>(32,916)</u>	<u>(68,520)</u>	<u>(82,498)</u>
 Total all other governmental funds	 <u>\$ 10,738</u>	 <u>\$ 7,474</u>	 <u>\$ 7,476</u>	 <u>\$ 3,928</u>	 <u>\$ 4,576</u>

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

Schedule 4

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues					
Taxes	\$ 16,731,217	\$ 16,960,723	\$ 17,121,590	\$ 17,295,252	\$ 17,263,974
Licenses and permits	413,940	393,755	420,876	335,602	369,109
Intergovernmental	10,708,309	10,489,900	10,637,419	10,899,089	11,298,587
Charges for services	2,503,642	2,941,277	2,640,751	2,559,210	3,103,104
Investment earnings	394,806	197,380	98,466	92,629	82,763
Miscellaneous	701,002	642,012	496,933	334,184	630,817
Administrative charges	2,417,857	2,536,683	2,554,510	2,608,011	2,652,777
Total revenues	<u>\$ 33,870,773</u>	<u>\$ 34,161,730</u>	<u>\$ 33,970,545</u>	<u>\$ 34,123,977</u>	<u>\$ 35,401,131</u>
Expenditures					
General government	\$ 7,087,851	\$ 7,392,264	\$ 9,208,823	\$ 8,869,055	\$ 9,256,814
Public safety	11,591,654	11,800,925	12,654,815	13,103,690	11,692,748
Transportation	4,844,531	4,969,657	4,729,571	5,072,925	3,931,193
Environmental protection	2,198,012	2,269,806	1,804,449	1,814,708	1,637,390
Culture and recreation	3,031,619	3,148,062	2,814,908	2,709,176	2,359,866
Economic and physical development	2,069,328	1,934,441	2,339,095	2,266,733	2,242,324
Education	42,342	42,342	42,342	42,342	38,107
Debt service					
Principal	2,012,386	1,129,427	1,296,442	1,206,824	1,268,348
Interest and fees	364,620	350,909	380,261	332,819	472,495
Issuance fees		65,437	-	-	-
Total expenditures	<u>\$ 33,242,343</u>	<u>\$ 33,103,270</u>	<u>\$ 35,270,706</u>	<u>\$ 35,418,272</u>	<u>\$ 32,899,285</u>
Excess of revenues over (under) expenditures	<u>\$ 628,430</u>	<u>\$ 1,058,460</u>	<u>\$ (1,300,161)</u>	<u>\$ (1,294,295)</u>	<u>\$ 2,501,846</u>
Other financing sources (uses)					
Transfers out	\$ (437,781)	\$ (453,381)	\$ (390,319)	\$ (416,785)	\$ (416,785)
Refunding bonds issued					905,000
Payment to refund bond escrow agent					(904,604)
Installment purchase financing	906,934	2,305,000	-	914,000	-
Total other financing sources (uses)	<u>\$ 469,153</u>	<u>\$ 1,851,619</u>	<u>\$ (390,319)</u>	<u>\$ 497,215</u>	<u>\$ (416,389)</u>
Net change in fund balances	<u>\$ 1,097,583</u>	<u>\$ 2,910,079</u>	<u>\$ (1,690,480)</u>	<u>\$ (797,080)</u>	<u>\$ 2,085,457</u>
Total capital expenditures included above	\$ 1,735,087	\$ 3,218,811	\$ 3,772,963	\$ 3,789,327	\$ 817,974
Debt services as a percentage of noncapital expenditures	7.5%	5.2%	5.3%	4.9%	5.4%

Schedule 4

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenues					
Taxes	\$ 17,798,183	\$ 18,861,229	\$ 18,873,342	\$ 18,742,491	\$ 19,337,385
Licenses and permits	366,729	414,427	153,895	65,615	62,735
Intergovernmental	11,447,178	10,464,396	10,916,799	11,616,378	12,940,264
Charges for services	3,750,913	3,370,284	3,451,843	3,433,812	3,515,024
Investment earnings	42,062	16,329	16,679	40,491	104,778
Miscellaneous	414,055	735,036	420,666	616,499	687,199
Administrative charges	3,043,931	-	-	-	-
Total revenues	<u>\$ 36,863,051</u>	<u>\$ 33,861,701</u>	<u>\$ 33,833,224</u>	<u>\$ 34,515,286</u>	<u>\$ 36,647,385</u>
Expenditures					
General government	\$ 9,873,172	\$ 10,793,704	\$ 8,721,654	\$ 5,838,547	\$ 6,184,367
Public safety	11,471,178	11,275,895	11,514,936	12,601,305	13,707,675
Transportation	3,642,785	2,887,999	3,073,246	3,998,967	5,005,879
Environmental protection	1,446,495	1,668,679	1,472,928	1,860,396	1,640,900
Culture and recreation	2,225,672	2,186,862	2,277,387	2,474,162	1,820,776
Economic and physical development	3,156,793	2,196,940	2,448,259	3,152,580	2,835,400
Education	38,107	38,107	38,107	38,107	38,107
Debt service					
Principal	1,361,089	1,712,533	1,241,639	974,805	811,472
Interest and fees	538,908	504,088	525,118	488,995	460,924
Issuance fees	-	-	-	-	-
Total expenditures	<u>\$ 33,754,199</u>	<u>\$ 33,264,807</u>	<u>\$ 31,313,274</u>	<u>\$ 31,427,864</u>	<u>\$ 32,505,500</u>
Excess of revenues over (under) expenditures	<u>\$ 3,108,852</u>	<u>\$ 596,894</u>	<u>\$ 2,519,950</u>	<u>\$ 3,087,422</u>	<u>\$ 4,141,885</u>
Other financing sources (uses)					
Transfers out	\$ (413,474)	\$ (413,474)	\$ (454,340)	\$ (3,279,850)	\$ (2,780,780)
Refunding bonds issued	-	-	-	-	690,000
Payment to refund bond escrow agent	-	-	-	-	(902,831)
Installment purchase financing	-	2,417,601	-	-	-
Total other financing sources (uses)	<u>\$ (413,474)</u>	<u>\$ 2,004,127</u>	<u>\$ (454,340)</u>	<u>\$ (3,279,850)</u>	<u>\$ (2,993,611)</u>
Net change in fund balances	<u>\$ 2,695,378</u>	<u>\$ 2,601,021</u>	<u>\$ 2,065,610</u>	<u>\$ (192,428)</u>	<u>\$ 1,148,274</u>
Total capital expenditures included above	\$ 788,382	\$ 2,471,991	\$ 1,023,973	\$ 2,560,483	\$ 2,152,395
Debt services as a percentage of noncapital expenditures	5.8%	7.2%	5.8%	5.1%	4.2%

Schedule 5

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

Fiscal Year	Property Tax	Sales Tax	Utilities Franchise Tax *	Total
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
2011	17,410,646	4,752,432	2,561,261	24,724,339
2012	17,289,944	5,260,348	2,510,388	25,060,680
2013	17,796,508	5,303,387	2,497,925	25,597,820
2014	18,490,266	5,454,780	2,557,559	26,502,605
2015	18,744,275	5,898,259	3,112,665	27,755,199
2016	18,719,543	6,433,260	3,432,476	28,585,279
2017	19,240,072	7,287,305	3,285,759	29,813,136

* Includes Telecommunications taxes and Video Franchise Fees.

Schedule 6

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

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

Source: Rowan County Tax Assessor.

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

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

Schedule 7

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

Fiscal Year Ended June 30	Real Property		Personal Property		Public Service Companies
	Residential	Commercial	Motor	Other	
	Property	Property	Vehicles		
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
2011	1,305,076,616	1,040,773,194	177,902,351	352,153,335	61,255,822
2012	1,226,933,424	971,771,009	180,575,459	352,447,978	59,819,853
2013	1,257,393,327	972,725,409	153,602,651	347,251,636	61,343,725
2014	1,235,667,135	972,277,733	252,958,212	339,868,008	59,056,195
2015	1,236,848,984	977,784,628	204,951,286	367,780,792	62,228,883
2016	1,167,980,619	1,043,691,268	216,798,030	335,426,769	69,437,235
2017	1,179,314,761	1,034,967,957	221,865,495	360,067,652	70,460,904

Source: Rowan County Tax Assessor.

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

Schedule 7

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

Fiscal Year Ended June 30	Less: Tax Exempt Real Property	Total Actual and Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2008	\$ 16,258,111	\$ 2,826,097,249	\$ 0.5900	100.00%
2009	17,330,586	2,889,983,197	0.5900	100.00%
2010	19,118,719	2,902,150,012	0.5900	100.00%
2011	20,853,689	2,916,307,629	0.5900	100.00%
2012	21,640,331	2,769,907,392	0.6135	100.00%
2013	22,247,212	2,770,069,536	0.6374	100.00%
2014	22,076,075	2,837,751,208	0.6374	100.00%
2015	22,380,573	2,827,214,000	0.6569	100.00%
2016	22,753,706	2,810,580,215	0.6600	100.00%
2017	23,887,206	2,842,789,563	0.6720	100.00%

Source: Rowan County Tax Assessor.

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

Schedule 8

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

<u>Taxpayer</u>	<u>2017</u>			<u>2008</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.	\$ 166,011,887	1	5.84%	\$ 148,410,543	1	5.25%
Henkel Corporation	34,718,585	2	1.22%			
AKZO Nobel	31,584,456	3	1.11%			
Duke Energy Corporation	30,669,165	4	1.08%	23,121,459	4	0.82%
Centro Heritage Innes Street, LLC	25,754,169	5	0.91%	24,387,623	3	0.86%
Norandal USA	23,107,411	6	0.81%	22,840,711	5	0.81%
Cole Mt. Salisbury, NC LLC	22,958,592	7	0.81%			
Wal-Mart Real Estate Business	13,002,662	8	0.46%	14,143,271	9	0.59%
BRC Salisbury LLC	12,025,915	9	0.42%	13,890,706	10	0.49%
MFW Associates	10,787,418	10	0.38%			
ICI Americas				30,923,939	2	1.09%
Bellsouth Telephone				14,965,875	7	0.53%
Rowan Regional Medical Center				18,325,254	6	0.65%
Salisbury Mall, Ltd.				14,584,123	8	0.52%
Totals	<u>\$ 370,620,260</u>		<u>13.04%</u>	<u>\$ 325,593,504</u>		<u>11.61%</u>

Source: Rowan County Tax Assessor

Schedule 9

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

Fiscal Year Ended June 30	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 16,966,584	\$ 16,463,376	97.03%	\$ 472,504	\$ 16,935,880	99.82%
2009	17,334,870	16,646,171	96.03%	650,002	17,296,173	99.78%
2010	17,459,442	16,675,302	95.51%	736,440	17,411,742	99.73%
2011	17,470,493	16,668,635	95.41%	752,828	17,421,463	99.72%
2012	17,339,063	16,525,289	95.31%	766,919	17,292,208	99.73%
2013	17,904,696	17,181,570	95.96%	661,497	17,843,067	99.66%
2014	18,614,476	18,142,635	97.47%	387,346	18,529,981	99.55%
2015	18,906,370	18,468,008	97.68%	332,852	18,800,860	99.44%
2016	18,800,286	18,392,372	97.83%	223,309	18,615,681	99.02%
2017	19,370,586	19,058,767	98.39%	-	19,058,767	98.39%

Schedule 10

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

Fiscal Year	Governmental Activities			Business-type Activities		
	General Obligation Bonds	Installment Purchases	Section 108 Loan	General Obligation Bonds	Installment Purchases	Revenue Bonds
2008	\$ 1,675,000	\$ 6,355,267	468,000	\$ 8,054,887	\$ -	\$ 31,587,521
2009	1,475,000	7,762,840	436,000	6,888,474	31,973,281	30,448,803
2010	1,275,000	6,698,398	404,000	5,742,062	32,052,617	35,261,442
2011	1,075,000	6,637,574	372,000	4,615,650	32,131,953	33,810,689
2012	905,000	5,601,226	340,000	3,491,651	32,211,289	32,171,040
2013	690,000	4,487,137	308,000	2,625,000	33,965,775	30,485,857
2014	475,000	5,439,205	276,000	1,440,000	35,070,779	28,648,396
2015	270,000	4,434,566	244,000	275,000	33,198,540	26,750,426
2016	70,000	3,691,761	212,000	95,000	31,260,299	24,797,523
2017	-	2,982,289	180,000	-	28,010,059	22,777,243

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

Schedule 10

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

Fiscal Year	<u>Business-type Activities</u>		Total Primary Government	Percentage of Personal Income	Per Capita
	State Loans	Capital Leases			
2008	\$ 9,772,554	\$ 2,274,849	\$ 60,188,078	8.56%	\$ 1,940
2009	8,890,048	2,007,264	89,881,710	12.34%	2,866
2010	8,007,542	1,732,856	91,173,917	12.81%	2,826
2011	7,125,036	1,456,531	87,224,433	11.43%	2,586
2012	6,242,530	4,864,846	85,827,582	10.99%	2,547
2013	5,360,024	4,237,571	82,159,364	10.28%	2,444
2014	4,477,518	3,610,296	79,437,194	9.67%	2,355
2015	3,595,012	2,983,020	71,750,564	8.46%	2,113
2016	2,712,506	2,355,745	65,194,834	7.43%	1,902
2017	1,830,000	1,909,269	57,688,860	6.38%	1,674

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

Schedule 11

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

Fiscal Year	Governmental General Obligation Bonds	Business-type General Obligation Bonds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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
2011	1,075,000	4,615,650	5,690,650	0.20%	169
2012	905,000	3,491,651	4,396,651	0.16%	130
2013	690,000	2,625,000	3,315,000	0.12%	99
2014	475,000	1,440,000	1,915,000	0.07%	57
2015	270,000	275,000	545,000	0.02%	16
2016	70,000	95,000	165,000	0.01%	5
2017	-	-	-	0.00%	-

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, 2017**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Rowan County	\$ 63,247,509	23.72%	\$ 14,999,254
City of Salisbury direct debt			<u>2,982,289</u>
Total direct and overlapping debt			<u><u>\$ 17,981,543</u></u>

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

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

Schedule 13

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	\$ 227,388,429	\$ 232,585,103	\$ 233,701,498	\$ 234,972,905	\$ 223,323,818
Total net debt applicable to limit	<u>18,360,003</u>	<u>50,981,225</u>	<u>47,500,933</u>	<u>45,916,708</u>	<u>47,074,012</u>
Legal debt margin	<u>\$ 209,028,426</u>	<u>\$ 181,603,878</u>	<u>\$ 186,200,565</u>	<u>\$ 189,056,197</u>	<u>\$ 176,249,806</u>
Total net debt applicable to the limit as a percentage of debt limit	8.07%	21.92%	20.33%	19.54%	21.08%

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

Schedule 13

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt limit	\$ 223,385,340	\$ 228,786,183	\$ 228,786,183	\$ 226,666,714	\$ 229,334,142
Total net debt applicable to limit	<u>45,705,483</u>	<u>45,637,820</u>	<u>41,161,126</u>	<u>37,472,805</u>	<u>32,901,617</u>
Legal debt margin	<u>\$ 177,679,857</u>	<u>\$ 183,148,363</u>	<u>\$ 187,625,057</u>	<u>\$ 189,193,909</u>	<u>\$ 196,432,525</u>
Total net debt applicable to the limit as a percentage of debt limit	20.46%	19.95%	17.99%	16.53%	14.35%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 2,842,789,563
Add back: exempt real property	<u>23,887,206</u>
Total assessed value	\$ 2,866,676,769
Debt Limit (8% of total assessed value)	229,334,142
Debt applicable to limit:	
Capitalized lease and installment purchase obligations	<u>32,901,617</u>
Legal debt margin	<u>\$ 196,432,525</u>

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

Schedule 14

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

Fiscal Year	Gross Revenues	Operating Expenditures	Net Revenues Available	Debt Service Requirements		Coverage Ratios	
				Parity Debt	All Debt	Parity Debt	All Debt
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%
2011	22,253,461	14,885,367	7,368,094	3,135,833	5,936,107	234.96%	124.12%
2012	23,758,916	14,643,931	9,114,985	3,061,815	6,391,834	297.70%	142.60%
2013	22,447,556	14,087,147	8,360,409	3,025,353	6,257,965	276.34%	133.60%
2014	22,861,204	14,238,470	8,622,734	3,009,771	6,216,842	286.49%	138.70%
2015	24,410,819	14,465,712	9,945,107	3,010,325	6,292,092	330.37%	158.06%
2016	23,734,822	14,690,866	9,043,956	3,012,537	5,218,769	300.21%	173.30%
2017	26,102,355	15,191,893	10,910,462	3,004,086	4,895,494	363.19%	222.87%

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**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
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%
2011	33,732	762,910,045	22,617	38.7	11.6%
2012	33,701	781,264,147	23,182	38.9	10.9%
2013	33,622	798,918,570	23,762	39.1	9.6%
2014	33,726	821,424,540	24,356	39.3	7.3%
2015	33,955	847,677,075	24,965	39.5	5.9%
2016	34,285	877,313,318	25,589	39.7	5.8%
2017	34,459	903,809,921	26,229	39.7	5.2%

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**

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Delhaize Food Lion	3,200	1	14.55%	2,330	2	11.95%
Rowan/Salisbury School System	3,000	2	13.64%	3,455	1	17.72%
W. G. (Bill) Hefner VA Medical Center	2,100	3	9.55%	1,730	3	8.87%
Novant Health Rowan Regional	1,552	4	7.05%	1,250	4	6.41%
Rowan County	827	5	3.76%	745	5	3.82%
Rowan-Cabarrus Community College	770	6	3.50%	310	9	1.59%
Piedmont Correctional Institute	450	7	2.05%	450	7	2.31%
City of Salisbury	416	8	1.89%	455	6	2.33%
Lutheran Services for the Aging	310	9	1.41%	280	10	1.44%
Catawba College	250	10	1.14%			
Wal-Mart				320	8	1.64%
Total	12,875		58.54%	11,325		58.08%

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

Schedule 17

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

	Full-time Equivalent Employees as of June 30									
Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
City administration	9	9	9	9	10	11	9	9	10	11
Human resources	4	5	6	6	6	6	6	6	5	7
Business and Financial Services	17	16	16	23	21	22	27	25	23	22
Fleet management	11	12	11	10	11	10	11	11	12	10
Public services administration	4	3	3	3	3	3	3	3	3	5
Facilities maintenance	7	7	8	9	9	6				
Infrastructure services							17	14	12	12
Telecommunications	2	3	3	3	3	3	3	4	3	3
Information technologies	10	11	9	8	8	12	11	11	12	8
Public safety:										
Police:										
Officers	83	84	83	79	79	72	79	79	70	69
Civilians	20	18	17	21	19	20	7	7	7	6
Fire:										
Firefighters	76	73	76	76	75	75	71	72	75	74
Civilians	1	1	1	1	1	1	1	1	2	2
Transportation:										
Traffic operations	7	7	7	7	7	6	6			
Engineering	7	7	7	5	4	3	4	5	10	11
Streets	29	30	30	24	27	18	17	23	26	35
Environmental protection:										
Solid waste management	15	12	11	10	10	9	5	3	4	5
Cemetery	5	5	4	6	4	4	4	4	4	1
Culture and recreation	36	36	36	29	26	24	27	23	28	17
Community and economic development:										
Community planning services	7	11	7	8	5	4	4	3	3	2
Developmental services	4	3	3	2	5	5	5	4	4	6
Code Enforcement				3	3	3	3	2	3	2
Water and Sewer	83	86	92	90	89	83	84	83	82	85
Broadband Services		2	8	13	18	9	9	2	2	3
Stormwater Services						9	8	8	7	7
Mass Transit	13	12	10	8	11	10	9	10	9	11
	<u>450</u>	<u>453</u>	<u>457</u>	<u>453</u>	<u>454</u>	<u>428</u>	<u>430</u>	<u>412</u>	<u>416</u>	<u>414</u>

Source: City Human Resources Department.

Schedule 18

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

Function	Fiscal Year				
	2008	2009	2010	2011	2012
Police					
Calls resulting in a dispatch	40,442	41,261	35,447	34,673	31,668
Part I crimes reported (most serious)	2,862	2,636	1,189	2,359	2,346
Fire					
Total Fire Department responses	4,237	4,263	4,097	4,074	4,402
Value of fire loss	\$4,789,550	\$1,027,072	\$ 521,600	\$ 901,650	\$1,886,379
Streets					
Street miles maintained (lane miles)	340	340	347	344	345
Miles resurfaced (lanes miles)	10.5	4.0	4.8	6.3	6.0
Sanitation					
Refuse collected (tons per 1,000 population)	297	303	300	291	282
Recyclables collected (tons per 1,000 population)	54	44	40	29	30
Culture and recreation					
Program participations (per 1,000 population)	5,392	4,230	4,531	4,219	3,353
Water					
Utility accounts	16,750	17,100	17,500	18,000	19,080
New water connections	522	399	110	84	1,862
Average daily water consumption (millions of gallons per day)	7.9	7.7	7.9	8.4	8.7
Wastewater					
Average daily sewage treatment (thousands of gallons)	8.49	7.67	7.91	7.67	7.1

Sources: Various government departments.

Schedule 18

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

Function	Fiscal Year				
	2013	2014	2015	2016	2017
Police					
Calls resulting in a dispatch	30,610	34,146	36,456	41,606	37,459
Part I crimes reported (most serious)	2,064	2,181	1,762	1,793	1,948
Fire					
Total Fire Department responses	4,553	5,040	5,206	5,719	5,994
Value of fire loss	\$ 822,267	\$ 621,260	\$ 342,475	\$ 1,557,398	\$ 1,438,775
Streets					
Street miles maintained (lane miles)	342	342	342	346	346
Miles resurfaced (lanes miles)	4.0	4.8	5.6	6.7	6.8
Sanitation					
Refuse collected (tons per 1,000 population)	234	243	239	253	269
Recyclables collected (tons per 1,000 population)	45	46	46	45	46
Culture and recreation					
Program participations (per 1,000 population)	N/A	1,507	N/A	N/A	N/A
Water					
Utility accounts	18,900	18,890	18,257	18,620	17,867
New water connections	150	(15)	71	25	23
Average daily water consumption (millions of gallons per day)	8.7	8.7	9.2	9.3	9.6
Wastewater					
Average daily sewage treatment (thousands of gallons)	7.1	7.4	6.3	8.7	8.3

Sources: Various government departments.

Schedule 19

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

Function	Fiscal Year				
	2008	2009	2010	2011	2012
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	88	88	88	88	88
Fire:					
Fire stations	4	4	4	4	4
Fire apparatus	14	14	14	14	14
Highways and streets					
Streets (miles)	170.00	170.00	170.50	170.50	170.50
Culture and recreation					
Parks acreage	506	520	520	520	520
Parks	16	16	16	16	16
Recreation centers	4	4	4	4	4
Tennis courts	10	10	10	10	10
Water and Sewer Utility					
Utility customers	16,120	16,750	17,200	18,000	18,900
Miles of water lines	405	405	405	405	405
Miles of sewer lines	393	393	393	393	393
Water treatment capacity (millions of gallons per day)	24.0	24.0	24.0	24.0	24.0
Sewage treatment capacity (millions of gallons per day)	12.5	12.5	12.5	12.5	12.5

Sources: Various city departments.

Schedule 19

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

Function	Fiscal Year				
	2013	2014	2015	2016	2017
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	88	85	91	90	90
Fire:					
Fire stations	4	4	5	5	5
Fire apparatus	14	14	14	14	14
Highways and streets					
Streets (miles)	170.50	171.65	171.65	172.62	172.62
Culture and recreation					
Parks acreage	520	520	520	508	508
Parks	16	16	16	16	16
Recreation centers	4	4	4	4	4
Tennis courts	10	10	10	10	10
Water and Sewer Utility					
Utility customers	19,000	19,500	19,522	19,522	19,522
Miles of water lines	405	405	420	421	421
Miles of sewer lines	393	393	398	399	399
Water treatment capacity (millions of gallons per day)	24.0	24.0	25.0	25.0	25.0
Sewage treatment capacity (millions of gallons per day)	12.5	12.5	12.5	12.5	12.5

Sources: Various city departments.



Compliance Section



**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina (the “City”) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 8, 2017. Our report includes a reference to other auditors who audited the financial statements of Downtown Salisbury, Inc., as described in our report on the City’s financial statements. This report does not include the results of other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Downtown Salisbury, Inc., and the Salisbury Tourism and Cultural Development Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies in internal control may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

City's Response to Findings

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

Purpose of This Report

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

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

Raleigh, North Carolina
December 15, 2017

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

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

Report on Compliance for Each Major Federal Program

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

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Raleigh, North Carolina
December 15, 2017

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

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

Report on Compliance for Each Major State Program

We have audited the City of Salisbury, North Carolina’s (the “City”) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City’s major state programs for the year ended June 30, 2017. The City’s major state programs are identified in the summary of auditor’s results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Elliott Davis, PLLC

Raleigh, North Carolina
December 15, 2017

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

Year Ended June 30, 2017

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors' Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL GRANTS:					
CASH PROGRAMS					
FEDERAL EMERGENCY MANAGEMENT AGENCY					
Pass-through N.C. Department of Public Safety					
Party Rock Fire Response Support	97.46	FMAG-5161	\$ 25,246	\$ -	\$ -
Hurricane Matthew, Robeson County Response Support	97.36	4285-DR-NC	<u>27,922</u>	<u>-</u>	<u>-</u>
			<u>\$ 53,168</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Program:					
Community Development Block Grant-Entitlement Grants					
Entitlement Program	14.218	B-12-MC-37-0015	\$ 48,747	\$ -	\$ -
Entitlement Program	14.218	B-13-MC-37-0015	61,630	-	-
Entitlement Program	14.218	B-14-MC-37-0015	10,064	-	-
Entitlement Program	14.218	B-15-MC-37-0015	61,992	-	-
Entitlement Program	14.218	B-16-MC-37-0015	<u>131,786</u>	<u>-</u>	<u>152,845</u>
			<u>\$ 314,219</u>	<u>\$ -</u>	<u>\$ 152,845</u>
Pass-through N.C. Department of Housing					
Home Investment Partnership Program	14.239	R-90-SG-37-0117	\$ 20,000	\$ -	\$ -
Total U.S. Department of Housing And Urban Development			<u>\$ 334,219</u>	<u>\$ -</u>	<u>\$ 152,845</u>
U.S. DEPARTMENT OF JUSTICE					
Office of Justice Programs:					
Bureau of Justice Assistance					
Direct Program:					
Justice Assistance Grant	16.592	2013-DJ-BX-1042	\$ 16,743	\$ -	\$ -
Justice Assistance Grant	16.592	2015-DJ-BX-1025	<u>17,023</u>	<u>-</u>	<u>-</u>
			<u>\$ 33,766</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. DEPARTMENT OF TRANSPORTATION					
Federal Transit Cluster					
Formula Grants for Urban Areas					
Operating	20.507	NC904595	\$ 144,903	\$ -	\$ 331,878
Capital	20.507	NC908595	<u>59,682</u>	<u>-</u>	<u>61,609</u>
Total U.S. Department of Transportation			<u>\$ 204,585</u>	<u>\$ -</u>	<u>\$ 393,487</u>
U.S. DEPARTMENT OF FEDERAL HIGHWAY ADMINISTRATION					
Pass-through N.C. Department of Transportation					
CMAQ - Newsome Road	20.205	C-5160	\$ 16,000	\$ -	\$ -

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

Year Ended June 30, 2017
(Continued)

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors' Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL GRANTS:					
CASH PROGRAMS - continued					
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Brownfields Assessment and Cooperative Agreement	66.818	EPA-OSWER-OBLR-13-05	\$ 195,338	\$ -	\$ -
TOTAL ASSISTANCE - FEDERAL PROGRAMS			<u>\$ 837,076</u>	<u>\$ -</u>	<u>\$ 546,332</u>
STATE GRANTS:					
CASH PROGRAMS					
N.C. DEPARTMENT OF TRANSPORTATION					
Powell Bill	N/A		\$ -	\$ 968,609	\$ -
Community Transportation Grants					
Administration	20.509	36233.25.17.1	\$ -	\$ 118,139	\$ 237,683
Capital	20.509	36233.25.17.3		15,480	1,721
Capital	20.509	36233.25.18.3	-	78,129	10,401
			<u>\$ -</u>	<u>\$ 211,748</u>	<u>\$ 249,805</u>
State Maintenance Assistance for					
Transit Systems	N/A	04-CTP-003	\$ -	\$ 202,298	\$ -
Sidewalk Grant	N/A	WBS #44489	\$ -	\$ 140,000	\$ 44,009
Total N. C. Department of Transportation			<u>\$ -</u>	<u>\$ 1,522,655</u>	<u>\$ 293,814</u>
N.C. DEPARTMENT OF COMMERCE					
Main Street Solution Fund-Morgan Ridge Railwalk			\$ -	\$ 200,000	\$ -
Rural Economic Development Grant-Morgan Ridge		2016-021-3201-2538		162,500	
Downtown Revitalization Grant		2017-046-1257-1534	-	94,340	-
Total N. C. Department of Commerce			<u>\$ -</u>	<u>\$ 456,840</u>	<u>\$ -</u>
TOTAL ASSISTANCE - STATE PROGRAMS			<u>\$ -</u>	<u>\$ 1,979,495</u>	<u>\$ 293,814</u>
TOTAL ASSISTANCE			<u>\$ 837,076</u>	<u>\$ 1,979,495</u>	<u>\$ 840,146</u>

CITY OF SALISBURY, NORTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2017

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Salisbury under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City of Salisbury, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Salisbury.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited, as to reimbursements. Pass-through entity identifying numbers are presented when available.

Note 3: Indirect Cost Rate

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Cluster
66.818	Brownfields Assessment and Cleanup Cooperative Agreements

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

Auditee qualified as low-risk auditee? No

State Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

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

Identification of major state programs:

Powell Bill

II. FINANCIAL STATEMENT FINDINGS

2017-001 - Broadband Services Fund Deficit Net Position (repeated and updated finding from prior year 2016-001)

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

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

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

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

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

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

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

2017-002 – Data Collection Form Timeliness

Criteria: Code of Federal Regulations 200.512 (a) requires that the data collection form and reporting package must be submitted within the earlier of 30 calendar days after the receipt of the auditor's report, or nine months after the end of the audit period.

Condition: The audit report for the year ended June 30, 2016 was received by the City on December 9, 2016 and the report was submitted to the clearinghouse on January 19, 2017, which is more than 30 days after the report issuance date.

Context: In assessing the City's risk profile for the Single Audit, we noted the condition described above.

Effect: The data collection form and reporting package were submitted after the deadline.

Cause: The City failed to prepare and submit the data collection form and reporting package before the deadline as described above due to process changes resulting from a change in auditors.

II. FINANCIAL STATEMENT FINDINGS, Continued

Recommendation: We recommend that management implement a plan to timely complete and submit the data collection form and report package to the Federal Audit Clearinghouse.

Views of Responsible Officials: Management concurs with the condition and recommendation above, and procedures have been put in place to insure the timely filing of the data collection form.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported



CORRECTIVE ACTION PLAN

2017-001 – Broadband Services Fund Deficit Net Position (repeated and updated finding from prior year 2016-001)

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

2017-002 – Data Collection Form Timeliness

City of Salisbury management concurs with the finding and recommendation. Procedures have been put in place to insure the timely filing of the data collection form.

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2017

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

Finding 2016-001 – Repeated as 2017-001 for the Broadband Services Fund.