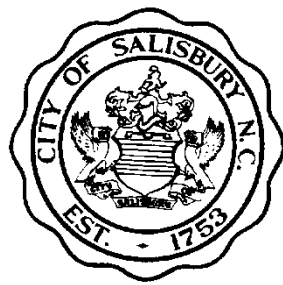


City of Salisbury

NORTH CAROLINA



*Comprehensive Annual Financial Report
Fiscal Year Ending June 30, 2015*



CITY OF SALISBURY

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

MAYOR, CITY COUNCIL, AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

Paul B. Woodson, Jr. - Mayor

Margaret A. Blackwell - Mayor Pro-tem

William R. Kennedy

Karen K. Alexander

William B. Miller

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

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S. Wade Furches – Finance Manager
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Jacira V. Garner – Accountant
Evans C. Ballard – Budget and Benchmarking Analyst
Melissa D. Drye – Management Analyst



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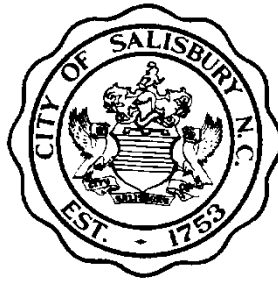
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November 18, 2015

The Honorable Mayor Paul B. Woodson, Jr.,
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, 2015 (FY15). We are particularly proud of the fact that this Report has been entirely prepared by the City's Business and 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 Martin Starnes & Associates, CPAs, P.A., an independent firm of certified public accountants, and their opinion is included in the Report.

GENERAL

The financial statements have been prepared in compliance with applicable requirements of the General Statutes of North Carolina and are consistent with the standards and guidelines recognized for governmental accounting and reporting contained in both *Audits of State and Local Governmental Units*, an audit guide prepared by the Committee of Governmental Accounting of the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards*, issued by the Comptroller General of the United States. Among the other resources used in the preparation of the financial statements, the Business and 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The auditor's reports and the Schedule of Expenditures of Federal and State awards, required as part of a single audit, are found in the Compliance Section of this report.

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

The City's Comprehensive Annual Financial Report for the year ended June 30, 2014, was awarded a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ECONOMIC CONDITION AND OUTLOOK

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

The location also allows the City to serve as a trading and distribution center for the County and portions of surrounding counties. The local economy has been stabilized by steady growth as we emerge from the recent recession. Taxable retail sales in Rowan County for the twelve months that ended June 30, 2015, increased over \$97 million (9.7%) from the prior fiscal year to \$1.1 billion, the County's highest total ever in history. Projects creating more than 500 jobs were announced in Salisbury and Rowan County in the past 18 months. The development of The Shoppe at Summit Park of Julian Road started in 2015. The new shopping center will accommodate Hobby Lobby, Dick's Sporting Goods, Kirkland's, Five Below, and Salsarita's Fresh Cantina. The new stores began opening in September 2015. This new development is a sign of the strong growing economy in Salisbury.

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 1980's, over \$122 million have been invested in the redevelopment of Salisbury's downtown. Renovations to very visible, key buildings during the past fiscal year have kept the revitalization momentum going. In the downtown area, over 90% of the first floor business and retail space is currently occupied. The past fiscal year saw a net gain of 14 new downtown businesses and 16 façade renovations. FY15 saw total investment in the downtown area of \$1.9 million, and more development is on the horizon. The owners of the Mowery Building have begun a restoration and expansion project that will total over \$600,000 and create 29 new jobs.

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, 2015, was a great year in many ways as the City Management Team has strived to maintain high levels of service while working to keep the cost of those services at a reasonable level. Each year, in February, 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 major focus areas identified by City Council at the 2015 retreat were *Marketing the City and Fibrant, Planning for Infrastructure Improvements, Using Virtual Permitting to Promote Development, Continuing Collaboration with the Rowan-Salisbury School System, and Implementing a Neglected Housing Initiative to address housing blight and revitalization.*

One of the objectives adopted by City Council at the Annual Goal Setting Retreat is to *provide reliable, competitive, sustainable broadband infrastructure for our community with a focus on exceeding customer expectation.* In December 2010, City Council launched a Fiber-to-the-Home system, the largest project in our history and created a new Broadband Services Fund (brand name – Fibrant) through which the City offers cable television, telephone, and internet services. This fiber-optic cable system gives greater bandwidth, translating into much faster speeds and greater capacity for data. Fibrant brings leading-edge communications and entertainment services to the City. In terms of economic development, it is a big plus for businesses looking to either move here or maintain their presence here. For example, in the new Salisbury Business Center, Integro Technologies is leveraging Fibrant for video conferencing, phone systems, data intensive web-based activities, and daily high-speed remote server backups. FY12 was the first full fiscal year that Fibrant was in business. Now that the system is established and a new redundancy system is in place, the City has ramped up its sales efforts as it looks to continue to grow a strong customer base. The Broadband Services Fund had its first profitable year on the full accrual basis in FY15, and we look forward to sustained profitability. During FY15 the City increased its customer base by 16% to almost 3,500 customers, and sales increased by 25.8%. Our customers are treated to the great, home-grown customer service as we indeed look to exceed customers' expectations.

One of City Council's Objectives last year was to improve organizational development and partnerships. In FY13 the City established the first Salisbury Youth Council. In FY15 the City began its inaugural Salisbury Citizen's Academy. The Salisbury Citizen's Academy is a new tool used by our local government to educate, inform and engage citizens, build positive relationships, increase communication between government officials and citizens, and inspire future municipal leaders. Studies have shown that citizen academies have an impact on the civic engagement of all participants regardless of demographics. Participants are gaining a better understanding of issues, and the diversity of citizens who participate is improved. The Salisbury Citizens Academy allows citizens an opportunity to meet with elected officials and staff and gain inside views of city operations for a greater understanding of how and why Salisbury provides its services

The City of Salisbury has a vibrant and thriving downtown. The revitalization of Salisbury's downtown area has been recognized by being named one of the Ten Great Neighborhoods under the American Planning Association's Great Places in America program. Downtown Salisbury was only the second North Carolina neighborhood to win a Great Places award. The accomplishments of our downtown are deeply rooted in our focus areas of *Organizational Development and Partnerships and Economic Development.* In addition to serving as a retail center, the downtown has become a great place for events and festivals such as the annual Pops at the Post, Wine about Winter, the Busker's Bash, and the Arts Night Out. In 2015 the City hosted Slide the City which features a 1,000 foot water slide and has made stops in cities across the country. During FY15, more than 20 such events and festivals brought thousands of people into our downtown area. In the spring of 2015 the Salisbury Public Art Committee opened its seventh annual Salisbury Sculpture Show. The Sculpture Show has garnered attention from a number of media outlets. The City's downtown revitalization effort is admired statewide, as evidenced by the receipt of several awards in the North Carolina Main Street Awards competition.

In 2010 the City of Salisbury was one of the first seventeen cities in the country to be awarded a Choice Neighborhood Planning Grant from the Department of Housing and Urban Development. The \$170,000 grant funded a two-year planning process in conjunction with the Salisbury Housing Authority and residents of the City's West Side to create a vision for revitalizing housing and improving access to education, transportation, health services, and other human service needs. The resident-driven plan that was created focuses on effective collaboration with other agencies to leverage future grants and in-kind contributions to achieve the plan goals. Those goals include the redevelopment of an aging public housing complex in the neighborhood, additional community policing strategies, and increasing youth programs and parental support. Since adoption of the transformation plan by the City Council in 2012, the NC Housing Finance Agency has awarded two rounds of tax credit financing totaling almost \$1.5 million on the \$17 million mixed income housing development to replace the outdated Civic Park Apartments. Construction of the new housing development has begun, and the first housing units of Phase I were completed in the Summer of 2015, and new residents are moving in. Phase I includes 80 mixed-income apartments in three beautiful new buildings. The continued transformation of the area is nothing short of amazing, and will become an area that the City of Salisbury will be proud of.

One of the primary focus areas of the City Council and the City management team is *Financial Sustainability and Accountability*. For the third consecutive year, the City has grown its Fund Balance, increasing total Fund Balance in the General Fund by 87% since FY11. The City's Financial Services Department continues to strive for excellence and received the Certificate of Achievement for Excellence in Financial Reporting for FY14.

FUTURE DEVELOPMENTS

The City will continue to grow the customer base of Fibrant. The City has become one of a only a few "gig cities" in the United States by offering internet speeds of up to one gigabit per second. In September 2015 the City announced that Fibrant has reached speeds of 10 gigabits per second. The speed upgrade was heralded by speakers, including Governor Pat McCrory, as a way to attract new businesses to Salisbury and North Carolina. Salisbury may be the first municipally-owned network in the country to offer such lightning fast speeds to its residential and commercial customers.

Construction on the new Civic Park Apartments will continue into FY16 and beyond. Construction of the new 3,000 square foot community building will soon be completed. Phase II will provide an additional 90 housing units in 25 different buildings and will include one-, two-, three-, and four-bedroom apartments and town homes. The second phase will also include a children's playground, picnic area, and a tot lot. The City has committed \$150,000 of its HOME funds for the project. Other initiatives for the area include efforts to establish a community foundation with the sole purpose of implementing the West End Transformation Plan in collaboration with the City, Housing Authority, local colleges, other agencies and human service organizations. The revitalization of the West End Community is a collaboration of efforts from the City and the Salisbury Housing Authority, and is an example of how organizations can unite to initiate change for the betterment of the community.

In 2014, the City of Salisbury adopted a new incentive grant program to help prompt private investment in the downtown, and by doing so, increase the City's tax base. Aging buildings, fire suppression requirements, and outdated electrical systems are just a few of the challenges of urban revitalization. The incentive grants are designed to offset some of these upfront costs in order to promote new construction and building rehabilitation projects. New residential development in the downtown is a top priority for the City. By increasing the number of people living downtown, these incentives will help expand the market base for restaurants, retail, commercial activities, and special events; thereby benefitting existing merchants and attracting new business. By facilitating rehabilitation of existing buildings, the program will aid in the preservation of our historic urban fabric and character, which is a key driver for tourism and economic development. Since adoption of the new incentives in October 2015, the City Council has awarded a \$50,000 grant for a micro-brewery

expansion that involves rehabilitation of a vacant historic building in the City's entertainment district. City Council recently awarded another \$50,000 grant in the restoration of the Mowery Building.

Salisbury and Rowan County will continue their emergence from the recent recession. As mentioned earlier, several new stores and businesses began opening in September 2015. On the heels of the addition of a new Courtyard by Marriott hotel that opened in 2013, the City will soon be adding a new Holiday Inn Express and a Home2 Suites hotel. These three new hotels will add a total of 277 new rooms and suites in the City. In FY15 Gildan Yarns completed construction of two ring-spinning facilities near Salisbury. The Company will create 400 new jobs and has invested \$180 million in our local economy. While not directly located in Salisbury's city limits, Gildan has become one of our largest water users. In October 2015, Agility Fuel Systems had a grand opening of its new 204,000 square foot East Coast headquarters in Salisbury. Agility is a leading provider of highly-engineered natural gas fuel systems for heavy duty commercial vehicles. Agility has the largest market share in its industry. The company invested a total of \$20 million in the new facility, and will hire 150 employees for its first shift production with the possibility of adding a second shift in the future.

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 FY15 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 maintains a comprehensive five-year Capital Improvement Program (CIP). The CIP is both a planning and a financial tool used to prepare for future capital needs. Currently, the City's CIP focuses on General Fund needs and Water and Sewer Fund needs. With the launch of the new Broadband Services Fund, the needs for that fund will be incorporated into the CIP in future years. The City's CIP defines a capital improvement as a major construction, repair, or additions to buildings, parks, streets, bridges, and other City facilities costing \$10,000 or more and having a useful life of more than three years.

Despite the uncertain economy of recent years, the City's investment in its infrastructure continues – as is evident in the City's launching of its new fiber-to-the-home utility. Salisbury is leading the way with this state-of-the-art communication and entertainment broadband system. This is the infrastructure of the future, as is evidenced by the \$7.2 billion ARRA funding to expand broadband access and adoption in communities across the United States.

CONCLUSION

As previously discussed in this transmittal letter, the City's economy is stable and strong. While we are confident that new retail stores and the ongoing redevelopment in the downtown will help to further strengthen the local economy, our City management is always preparing for the next crisis. Management and staff are always looking for ways to control operating and capital expenditures while continuing to assure our citizens that the City will be able to provide the quality of services that they have come to enjoy and expect. We strive to continue to provide the most value and the very best customer service to the citizens of Salisbury and the customers of Salisbury-Rowan Utilities and Fibrant.

The future continues to hold many other uncertainties. Federal and State mandates impact local governments in all areas of operations. The citizens of Salisbury have come to expect and appreciate high levels of service they enjoy. The City will continue to focus on its core values, mission, and vision to provide quality services to all of our citizens. Although, the City faces rising operational costs, our Council and management are constantly guarding against unnecessary tax and utility rate increases. All City operations are being asked to maintain their readiness to respond to our citizens in these challenging times. Overall, new retail in the City and sound management by our City Council will continue to provide the City a stable financial position from which we may serve the citizens of Salisbury for years to come.

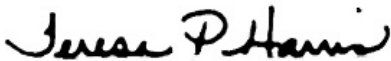
ACKNOWLEDGMENTS

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

For the preparation of this Report, the City is especially indebted to 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, 2014

Executive Director/CEO

City of Salisbury

Organizational Chart



CITY OF SALISBURY
LIST OF PRINCIPAL OFFICIALS

June 30, 2015

Mayor	Paul B. Woodson, Jr
Mayor Pro Tem	Margaret A. Blackwell
Council Member	William R. Kennedy
Council Member	William B. Miller
Council Member	Karen K. Alexander
City Manager	W. Lane Bailey
Assistant City Manager	John A. Sofley, Jr
Assistant City Manager	Zack Kyle
City Clerk	Myra B. Heard
Finance Director	Teresa P. Harris
Human Resources Director	Ruth C. Kennerly
Fire Chief	Robert A. Parnell
Police Chief	Rory B. Collins
Utilities Director	James D. Behmer
Public Services Director	Tony L. Cinquemani
City Engineer	Wendy G. Brindle
Community Planning Services Director	Janet S. Gapen
Broadband Services General Manager	Kent A. Winrich

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 50 degrees, with a low around 32 degrees. The total snowfall is normally about 6 inches each year. In the summer, the high averages about 87 degrees, with a low of 66 degrees.

POPULATION

The population of the City of Salisbury has increased steadily during the past decade. This is due to both annexations and internal growth stimulated by the local economy. Population currently is estimated to be 33,726 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 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 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, and Broadband Services. The City provides a full range of municipal services allowable under State law including law enforcement, fire protection, zoning and code enforcement, recreation centers and parks, cemeteries, street maintenance, sanitation, and water and sewer systems.

UTILITIES

Salisbury operates its own water and sewer system. The Yadkin River, which forms the northeast boundary of Rowan County, provides Salisbury with an abundant supply of good water. The average daily flow is nearly 2 billion gallons per day, and the minimum recorded one-day flow is 150 million gallons. The Salisbury water system, conventional in design and closely controlled, has a treatment capacity of 12 million gallons per day. Average daily production during fiscal year 2014 was 8.7 million gallons per day. The filter plant is designed for expansion as needed to 18 million gallons per day by adding pumping and settling capacity. An arterial system of distribution mains has been constructed to assure maximum fire protection to all parts of the city.

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

Salisbury's 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.

The City now offers cable television, high-speed internet, and digital telephone services through its Broadband Services Fund. Fibrant went live in December 2010 and had 3,500 customers by June 30, 2015.

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

TRANSPORTATION

Salisbury, nearly the geographic and population center of North Carolina, is located on Interstate Highway 85, 42 miles from Charlotte, 52 miles from Greensboro and 39 miles from Winston-Salem. It is the crossroads of I-85, U.S. 29, 52, 70, 601 and N.C. 150. Over 3.5 million people live within 90 miles of Salisbury, 1.75 million within 55 miles and 60% of the population of the United States within an overnight truck haul. The seaports of Wilmington, Morehead City, Charleston, and Norfolk are less than a one-day truck haul away.

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

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

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

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

MOTELS

An ideal area for meetings and conventions, Salisbury has eleven (11) motels, with nearly 1,000 rooms, and three (3) bed and breakfast establishments in our historic district.

EDUCATION

Salisbury is home to two (2) colleges and a technical school. Catawba College was founded in Newton, North Carolina in 1851, and moved to Salisbury in 1925. Catawba has thirty (30) buildings comprising a physical plant unsurpassed in the East for a college of this size and style. It has a total enrollment of 1,500 Liberal Arts students and is affiliated with the United Church of Christ. Livingstone College was founded in 1879, and has 1,000 Liberal Arts students. It is supported by the

African Methodist Episcopal Zion Church. Rowan-Cabarrus Community College offers two-year educational programs leading to the associate's degree in applied science. In addition, one-year diploma programs are offered in five fields. There is a total enrollment of approximately 4,700 full-time students. The City is also home to Hood Theological Seminary, a private graduate school that prepares students for ministry and has grown to 300 students.

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

ARTS AND ENTERTAINMENT

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

The 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 new 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

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

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

The Salisbury Community Park and Athletic Complex 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

Each year, the Salisbury-Rowan Chamber of Commerce presents the National Sportscasters and Sportswriters Awards Program. The program has been a big success. The National Sportscasters and Sportswriters Awards Program has attracted national attention to the City. Each year nationally renowned sportscasters and sportswriters visit Salisbury to attend the annual awards program. The City's downtown area host many special events, including several "night outs," throughout the year featuring bands and entertainment.



Financial Section



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

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

Independent Auditor's Report

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

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, as of and for the year ended June 30, 2015, 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 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*.

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

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

Opinions

In our opinion, 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 of Salisbury, North Carolina, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officer's Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions 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.

Supplementary Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Salisbury's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, statistical tables, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015 on our consideration of the City of Salisbury'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 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 of Salisbury's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 18, 2015

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, 2015. 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 \$142,508,895 (*net position*).
- The government's total net position increased by \$5,762,064. The City's total assets and deferred outflows of resources increased by \$1,076,675. Capital assets before depreciation increased by \$1.27 million. The City recognized \$9.4 million in depreciation expense in FY15.
- As of the close of the current fiscal year, the City of Salisbury's governmental funds reported combined ending fund balances of \$17,940,855, with an increase of \$2,065,610 from the prior year. Approximately 27 percent of the General Fund ending fund balance, or \$4,784,458, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund balance was \$7,039,896, or 22.6 percent of total general fund expenditures and transfers for the fiscal year, as compared to 19 percent in the prior year.
- The City of Salisbury's total long-term debt decreased by \$7,686,630, or 9.7%, during the current fiscal year due to paying off portions of previously existing debt. The City did not borrow any money during FY15.
- 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 2014, 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 April 2015. Also, Standard and Poor's issued a rating on the City's 2008 Certificates of Participation of AA-. Moody's Investors Service has affirmed the 2008 COPs at a Baa3 with a stable outlook in April 2015.

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 Law Enforcement Officers’ Special Separation Allowance, its Boards and Commissions, the Municipal Service District, and the Town of East Spencer’s water and sewer operations. All of the City’s fiduciary activities are reported in the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 45 and 46. We excluded these activities from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 47-74 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 77-82 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 22,330,787	\$ 20,318,184	\$ 24,515,202	\$ 20,475,082	\$ 46,845,989	\$ 40,793,266
Capital assets	41,945,788	42,622,285	142,551,604	147,746,630	184,497,392	190,368,915
Deferred outflows of resources	963,235	-	329,700	397,460	1,292,935	397,460
Total assets and deferred outflows of resources	<u>\$ 65,239,810</u>	<u>\$ 62,940,469</u>	<u>\$ 167,396,506</u>	<u>\$ 168,619,172</u>	<u>\$ 232,636,316</u>	<u>\$ 231,559,641</u>
Long-term liabilities outstanding	\$ 10,494,012	\$ 11,306,547	\$ 69,116,250	\$ 75,254,769	\$ 79,610,262	\$ 86,561,316
Other liabilities	2,743,808	2,650,160	2,567,771	2,528,838	5,311,579	5,178,998
Deferred inflows of resources	3,878,220	1,232	1,327,360	-	5,205,580	1,232
Total liabilities and deferred inflows of resources	<u>\$ 17,116,040</u>	<u>\$ 13,957,939</u>	<u>\$ 73,011,381</u>	<u>\$ 77,783,607</u>	<u>\$ 90,127,421</u>	<u>\$ 91,741,546</u>
Net position:						
Net investments in capital assets	\$ 35,682,857	\$ 36,648,493	\$ 78,308,385	\$ 77,582,377	\$ 113,991,242	\$ 114,230,870
Restricted	4,120,183	4,540,819	-	-	4,120,183	4,540,819
Unrestricted	8,320,730	7,793,218	16,076,740	13,253,188	24,397,470	21,046,406
Total net position	<u>\$ 48,123,770</u>	<u>\$ 48,982,530</u>	<u>\$ 94,385,125</u>	<u>\$ 90,835,565</u>	<u>\$ 142,508,895</u>	<u>\$ 139,818,095</u>

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 \$142,508,895 as of June 30, 2015, an increase of \$2,690,800 from the fiscal year ended June 30, 2014. The largest portion of the City's net assets (80%) 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 of Salisbury uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate the liabilities. An additional portion of the City of Salisbury's net position, \$4,120,183, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,397,470 is unrestricted. Also, the City of Salisbury implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$3,071,264. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Salisbury's management.

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 97.68%, which is up slightly from 97.47% a year ago.
- An increase in current property tax revenues of \$354,452 due to a small tax increase.

- An increase in sales tax receipts of \$443,479, or 8.1%, from last year and \$1.37 million from five years ago. This increase is due to an improving local economy and several new retail businesses in the City and Rowan County.
- Continued low cost of debt due to the City's favorable bond ratings.

CITY OF SALISBURY CHANGES IN NET POSITION

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 3,929,094	\$ 4,512,716	\$ 31,671,075	\$ 28,844,910	\$ 35,600,169	\$ 33,357,626
Operating grants and contributions	1,845,698	1,791,226	469,421	558,062	2,315,119	2,349,288
Capital grants and contributions	-	79,807	-	575,019	-	654,826
General revenues:						
Property taxes	18,744,275	18,490,266	-	-	18,744,275	18,490,266
Other taxes	5,898,259	5,454,780	-	-	5,898,259	5,454,780
Intergovernmental revenue	3,270,152	3,138,583	-	-	3,270,152	3,138,583
Other	17,471	24,738	97,534	191,619	115,005	216,357
Total revenues	<u>\$ 33,704,949</u>	<u>\$ 33,492,116</u>	<u>\$ 32,238,030</u>	<u>\$ 30,169,610</u>	<u>\$ 65,942,979</u>	<u>\$ 63,661,726</u>
Expenses:						
General government	\$ 8,975,017	\$ 9,704,764	\$ -	\$ -	\$ 8,975,017	\$ 9,704,764
Public safety	11,455,490	11,788,115	-	-	11,455,490	11,788,115
Transportation	4,440,902	4,150,618	-	-	4,440,902	4,150,618
Environmental protection	1,481,637	1,472,922	-	-	1,481,637	1,472,922
Culture and recreation	2,432,466	2,365,534	-	-	2,432,466	2,365,534
Community and economic development	2,480,317	2,285,065	-	-	2,480,317	2,285,065
Education	38,107	38,107	-	-	38,107	38,107
Interest and fees on long-term debt	517,340	510,887	-	-	517,340	510,887
Water and sewer	-	-	21,398,672	20,985,348	21,398,672	20,985,348
Broadband Services	-	-	5,020,558	5,059,343	5,020,558	5,059,343
Stormwater	-	-	927,399	936,526	927,399	936,526
Mass transit	-	-	1,013,010	1,098,881	1,013,010	1,098,881
Total expenses	<u>\$ 31,821,276</u>	<u>\$ 32,316,012</u>	<u>\$ 28,359,639</u>	<u>\$ 28,080,098</u>	<u>\$ 60,180,915</u>	<u>\$ 60,396,110</u>
Change in net position before transfers	\$ 1,883,673	\$ 1,176,104	\$ 3,878,391	\$ 2,089,512	\$ 5,762,064	\$ 3,265,616
Transfers	(454,340)	(413,474)	454,340	413,474	-	-
Change in net position	<u>\$ 1,429,333</u>	<u>\$ 762,630</u>	<u>\$ 4,332,731</u>	<u>\$ 2,502,986</u>	<u>\$ 5,762,064</u>	<u>\$ 3,265,616</u>
Net position, beginning	\$ 48,982,530	\$ 48,219,900	\$ 90,835,565	\$ 88,332,579	\$ 139,818,095	\$ 136,552,479
Restatement	(2,288,093)		(783,171)		(3,071,264)	-
Net position, beginning, restated	<u>\$ 46,694,437</u>	<u>\$ 48,219,900</u>	<u>\$ 90,052,394</u>	<u>\$ 88,332,579</u>	<u>\$ 136,746,831</u>	<u>\$ 136,552,479</u>
Net position, ending	<u>\$ 48,123,770</u>	<u>\$ 48,982,530</u>	<u>\$ 94,385,125</u>	<u>\$ 90,835,565</u>	<u>\$ 142,508,895</u>	<u>\$ 139,818,095</u>

Governmental activities - Governmental activities increased the City's net position by \$1,429,233. Increases in revenues from sales taxes and utilities franchise taxes totaled \$855,642. Governmental expenditures decreased almost \$500,000 from the prior fiscal year.

Business-type activities - Business-type activities increased the City's net position by \$4,332,731. The Water and Sewer Fund's reported a change in net position of \$3,012,147 is due to the slight rate increase and cost-control measures aimed at reducing operating costs. The Broadband Services Fund completed its fourth full year of operations, and turned its first profit on a full-accrual basis in the amount of \$1,086,102. The number of active Broadband customers increased by 16% from June 30, 2014 to June 30, 2015, and operating revenue increased by 26.6%. The Stormwater Fund had a gain of \$226,224, and the Mass Transit Fund had a small gain of \$8,258.

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 \$13,622,394, while total fund balance reached \$17,933,379. 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 43.64% of general fund expenditures, while total fund balance represents 57.5% of the same amount.

At June 30, 2015, the governmental funds of the City of Salisbury reported a combined fund balance of \$17,940,855, a 13% increase from last year. As discussed earlier, increased revenues and controlled spending resulted in 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 \$526,186. The difference between the original budget and the final amended budget can be briefly summarized as follows:

- The City was awarded a \$400,000 grant from the US Environmental Protection Agency that is being used to conduct a community-wide Brownfields assessment. The City has only expended about \$27,000 of this grant by June 30, 2015.
- The City received \$35,698 in grants that are restricted for use by the Police Department.
- The City appropriated \$31,893 in insurance proceeds and \$19,148 in donations for the Parks and Recreation Department, and \$22,000 for the City's annual Sculpture Show.

Some revenues were less than the budgeted amounts primarily because some appropriated grant funds, such as the Brownfields grant mentioned above, and donations had not been earned, and therefore not received by June 30, 2015. 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 \$2,065,608 during the fiscal year ended June 30, 2015.

Proprietary Funds

The City of Salisbury's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Proprietary Funds at the end of the fiscal year was \$16,076,740. Operations of the Water and Sewer Fund, Stormwater Fund, and Transit Fund increased Net Position by \$3,012,147, \$226,224, and \$8,258, respectively. Operations of the Broadband Services Fund increased Net Position by \$1,086,102, but the Fund still has a net deficit of \$11,555,632. The Broadband Services Fund began selling services in December 2010, and expects a growing customer base to eliminate this deficit in future years. The customer base continues to grow each month, and consisted of almost 3,500 customers as of June 30, 2015, an increase of approximately 500 customers during this fiscal year. The aforementioned implementation of GASB Statement 68 decreased the Proprietary Funds' Net Position by \$783,171.

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, 2015 totals \$182,442,657 (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 5.2 percent, whereas capital assets in the business-type activities decreased by 3.9 percent, due to recording total depreciation of \$9.4 million.

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

- The City purchased and installed new information technology equipment and upgrades totaling \$400,095.
- The City purchased new in-car cameras for the Police Department for \$115,460.
- The City purchased a new Compost Turner for \$50,758 for the Stormwater Fund.
- The City capitalized \$251,956 for two Sewer Line extension projects.
- Purchase of new vehicles and motorized equipment totaling \$454,182 in the General Fund and \$53,520 in the Water and Sewer Fund.

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

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 7,736,361	\$ 7,736,361	\$ 2,128,067	\$ 2,128,067	\$ 9,864,428	\$ 9,864,428
Construction in progress	-	-	-	-	-	-
Buildings	7,461,678	7,747,115	14,576,120	15,092,718	22,037,798	22,839,833
Improvements other than buildings	6,973,183	7,209,817	-	-	6,973,183	7,209,817
Equipment	2,588,977	2,694,456	2,492,840	3,113,427	5,081,817	5,807,883
Vehicles and motorized equipment	2,664,552	2,929,037	958,708	1,210,821	3,623,260	4,139,858
Infrastructure	12,990,259	14,305,499	121,871,912	126,201,597	134,862,171	140,507,096
Total	\$ 40,415,010	\$ 42,622,285	\$ 142,027,647	\$ 147,746,630	\$ 182,442,657	\$ 190,368,915

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, 2015, the City of Salisbury had total long-term debt outstanding of \$71,750,564 (not including compensated absences and other postemployment benefits). Of this, \$545,000 is general obligation debt backed by the full faith and credit of the City and \$26,750,426 represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The City owes \$37,633,106 on various installment purchases, including \$32.1 million borrowed to finance the City's Broadband Services utility.

CITY OF SALISBURY'S OUTSTANDING DEBT

(not including compensated absences or postemployment benefits)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 270,000	\$ 475,000	\$ 275,000	\$ 1,440,000	\$ 545,000	\$ 1,915,000
Revenue bonds	-	-	26,750,426	28,648,396	26,750,426	28,648,396
State bond loans	-	-	3,595,012	4,477,518	3,595,012	4,477,518
Capital leases	-	-	2,983,020	3,610,296	2,983,020	3,610,296
Installment purchases	4,434,566	5,439,205	33,198,540	35,070,779	37,633,106	40,509,984
HUD Section 108 loan	244,000	276,000	-	-	244,000	276,000
Total	\$ 4,948,566	\$ 6,190,205	\$ 66,801,998	\$ 73,246,989	\$ 71,750,564	\$ 79,437,194

The City of Salisbury's total outstanding debt decreased by \$7,686,630 (9.7 percent) during the past fiscal year.

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+) and the 2008 COPS were upgraded to AA- (from A). Conversely, in April 2014, Moody's Investors Services downgraded the general obligation debt from A1 to A3, the 2010 revenue refunding bonds from Aa3 to A3, and the 2008 Certifications of Participation from Aa3 to Baa3. In April 2015, Moody's affirmed those ratings. Fitch lowered its ratings on the revenue refunding bonds from AA- to A+ in September 2014. 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 \$187,625,057.

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 while Salisbury, like the rest of the nation, continues to be in period of severe economic slowdown, some improvement is evident.

- Average unemployment in Salisbury for the fiscal year ended June 30, 2015, was 5.9%, which is down from the 7.3% unemployment of the fiscal year ended June 30, 2014. The average unemployment rate for the State of North Carolina for the past fiscal year was 5.8%, which is down from 7.1% for the previous fiscal year.
- Retail sales continued to be strong in fiscal year ended June 30, 2015. The County's sales subject to North Carolina sales taxes increased over \$97 million (9.7%) from the previous year to \$1,100,048,946. This is the highest sales total in City history. 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 \$443,479 from the previous year to \$5,898,259. This total represents a 24% increase over the last four fiscal years.
- The total value of building permits issued in Rowan County for the past fiscal year was \$94.1 million. This represents an increase from the prior fiscal year of \$22.4 million, a 31.2% increase. This total value is the highest the City has seen since the fiscal year ended June 30, 2009.
- The occupancy rates for first floor office and retail space in the City's downtown area continues to be over 90% and redevelopment activity in the downtown is stable and strong.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2016

Governmental Activities

General Fund – In FY2016, the General Fund budget is up 11.8% from the prior fiscal to \$40.3 million. The City expects revenue from current year property taxes to increase slightly to \$18.2 million due to a slight tax increase and growth in the tax base. Revenues from sales taxes are expected to increase over 8%, to \$5.9 million, partly due to a new shopping center that opened in September 2015. City Council appropriated \$1.8 million in Fund Balance to pay for several new infrastructure projects, public safety gear, downtown incentives, and a previous commitment to help fund a new downtown central office building for the Rowan Salisbury School system.

Personnel costs will increase due to increases in health insurance cost and a 2.5% merit raise given to eligible employees.

Business-Type Activities

Water and Sewer Fund – Water and Sewer rates will not increase for FY2016. As with the General Fund, there will be a 2.5% merit raise given to eligible employees along with increases due to the added fringe benefit costs. The FY2016 Water and Sewer Fund budget is basically unchanged from FY2015.

Broadband Services Fund – As previously mentioned, the City launched a brand new enterprise – a Fiber to the Home system that provides leading-edge communications and entertainment services to our residents and businesses. This is one of the largest projects in the City’s history. The City expects an 8.8% increase in Broadband Services revenues from a continually growing customer base.

Mass Transit Fund – Ridership of the City’s buses is stable due to the continued low cost of individual transportation. The City continues to explore new ways and new routes to enhance the level of service provided. The Mass Transit Fund’s budget in FY2016 increased 50.6% over FY2015 due to our change from a Rural to Urban funding area. The City expects to receive a substantial increase in grant funding due to the reclassification. The fund will be monitored throughout the year to ensure we are receiving adequate Federal and State funding to offset our operations. The City’s annual General Fund contribution to the Mass Transit Fund will remain the same as FY2015.

Stormwater Fund – In FY2013, City Council implemented a Stormwater Utility to bring the City in compliance with unfunded Federal and State mandates. For FY2016, the fee for residential properties was increased from \$4.25 to \$5.00 monthly, while the fee for commercial and industrial properties is structured in 5 tiers based on the ERUs of each property and remained unchanged. The funds generated from this utility are going toward meeting the permit requirements, maintaining, operating, mapping and improving the public system. In FY2016, with the increase in residential charges, the City expects revenues to increase 8% to \$1.25 million.

REQUESTS FOR INFORMATION

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

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CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Salisbury, Inc.	Salisbury Tourism and Cultural Development Commission
ASSETS					
Cash and cash equivalents	\$ 16,510,564	\$ 12,473,410	\$ 28,983,974	\$ 139,214	\$ 29,608
Taxes receivables (net)	719,118	-	719,118	-	-
Accrued interest receivable on taxes	109,300	-	109,300	-	-
Accounts receivable (net)	957,895	6,486,204	7,444,099	8,952	-
Interest receivable	14,464	25,022	39,486	-	-
Due from other governments	2,883,655	149,784	3,033,439	-	-
Inventories	333,409	1,248,923	1,582,332	-	-
Prepaid items	154,845	3,394	158,239	-	-
Prepaid insurance on bonds	-	370,963	370,963	-	-
Net pension asset - LEO	13,107	-	13,107	-	-
Real estate held for investment	-	-	-	1,108,000	-
Restricted cash and cash equivalents	634,430	3,757,502	4,391,932	1,082	-
Total current assets	<u>\$ 22,330,787</u>	<u>\$ 24,515,202</u>	<u>\$ 46,845,989</u>	<u>\$ 1,257,248</u>	<u>\$ 29,608</u>
Non-current assets					
Net pension asset - LGERS	\$ 1,530,778	\$ 523,957	\$ 2,054,735	\$ -	\$ -
Capital assets					
Land, improvements, and construction in progress	7,736,361	2,128,067	9,864,428	-	-
Other capital assets, net of depreciation	32,678,649	139,899,580	172,578,229	21,230	-
Total non-current assets	<u>\$ 41,945,788</u>	<u>\$ 142,551,604</u>	<u>\$ 184,497,392</u>	<u>\$ 21,230</u>	<u>\$ -</u>
Total assets	<u>\$ 64,276,575</u>	<u>\$ 167,066,806</u>	<u>\$ 231,343,381</u>	<u>\$ 1,278,478</u>	<u>\$ 29,608</u>
DEFERRED OUTFLOW OF RESOURCES					
Contributions to pension plan in current fiscal year	\$ 963,235	\$ 329,700	\$ 1,292,935	\$ -	\$ -
LIABILITIES					
Accounts payable and accrued expenses	\$ 2,445,659	\$ 1,218,878	\$ 3,664,537	\$ 2,184	\$ -
Accrued interest payable	40,712	674,127	714,839	10,858	-
Advances from grantors	257,437	-	257,437	-	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	674,766	674,766	-	-
Long-term liabilities:					
Due within one year	1,103,672	5,622,037	6,725,709	34,707	-
Due in more than one year	9,390,340	63,494,213	72,884,553	877,273	-
Total liabilities	<u>\$ 13,237,820</u>	<u>\$ 71,684,021</u>	<u>\$ 84,921,841</u>	<u>\$ 925,022</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	\$ 245	\$ -	\$ 245	\$ -	\$ -
Pension deferrals	3,877,975	1,327,360	5,205,335	-	-
Total deferred inflows of resources	<u>\$ 3,878,220</u>	<u>\$ 1,327,360</u>	<u>\$ 5,205,580</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Net investments in capital assets	\$ 35,682,857	\$ 78,308,385	\$ 113,991,242	\$ 21,230	\$ -
Restricted for:					
Stabilization by State Statute	3,863,123	-	3,863,123	-	-
Community Development	128,722	-	128,722	1,082	-
Public Safety	116,738	-	116,738	-	-
Cultural and Recreation	11,600	-	11,600	-	-
Tourism Promotion	-	-	-	-	29,608
Unrestricted	8,320,730	16,076,740	24,397,470	331,144	-
Total net position	<u>\$ 48,123,770</u>	<u>\$ 94,385,125</u>	<u>\$ 142,508,895</u>	<u>\$ 353,456</u>	<u>\$ 29,608</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, 2015

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	\$ 8,975,017	\$ 1,001,470	\$ 162,786	\$ -	\$ (7,810,761)	\$ -	\$ (7,810,761)	\$ -	\$ -
Public safety	11,455,490	376,740	67,455	-	(11,011,295)	-	(11,011,295)	-	-
Transportation	4,440,902	175,182	976,363	-	(3,289,357)	-	(3,289,357)	-	-
Environmental protection	1,481,637	2,173,339	-	-	691,702	-	691,702	-	-
Culture and recreation	2,432,466	131,904	62,078	-	(2,238,484)	-	(2,238,484)	-	-
Community and economic development	2,480,317	70,459	577,016	-	(1,832,842)	-	(1,832,842)	-	-
Education	38,107	-	-	-	(38,107)	-	(38,107)	-	-
Interest and fees on long-term debt	517,340	-	-	-	(517,340)	-	(517,340)	-	-
Total governmental activities	<u>\$ 31,821,276</u>	<u>\$ 3,929,094</u>	<u>\$ 1,845,698</u>	<u>\$ -</u>	<u>\$ (26,046,484)</u>	<u>\$ -</u>	<u>\$ (26,046,484)</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:									
Water and Sewer	\$ 21,398,672	\$ 24,327,901	\$ -	\$ -	\$ -	\$ 2,929,229	\$ 2,929,229	\$ -	\$ -
Broadband Services	5,020,558	6,092,803	-	-	-	1,072,245	1,072,245	-	-
Stormwater	927,399	1,153,178	-	-	-	225,779	225,779	-	-
Mass Transit	1,013,010	97,193	469,421	-	-	(446,396)	(446,396)	-	-
Total business-type activities	<u>\$ 28,359,639</u>	<u>\$ 31,671,075</u>	<u>\$ 469,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,780,857</u>	<u>\$ 3,780,857</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 60,180,915</u>	<u>\$ 35,600,169</u>	<u>\$ 2,315,119</u>	<u>\$ -</u>	<u>\$ (26,046,484)</u>	<u>\$ 3,780,857</u>	<u>\$ (22,265,627)</u>	<u>\$ -</u>	<u>\$ -</u>
Component units:									
Downtown Salisbury, Inc.	\$ 357,494	\$ 67,326	\$ 129,000	\$ 85,135	\$ -	\$ -	\$ -	\$ (76,033)	\$ -
Salisbury Tourism and Cultural Development Commission	355,844	-	-	-	-	-	-	-	(355,844)
Total Component Units	<u>\$ 713,338</u>	<u>\$ 67,326</u>	<u>\$ 129,000</u>	<u>\$ 85,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,033)</u>	<u>\$ (355,844)</u>
General revenues:									
Taxes:									
Property taxes, levied for general purpose					\$ 18,744,275	\$ -	\$ 18,744,275	\$ 127,266	\$ -
Sales and other taxes					5,898,259	-	5,898,259	-	358,086
Unrestricted intergovernmental revenues					3,270,152	-	3,270,152	-	-
Unrestricted investment earnings					17,471	97,534	115,005	-	36
Total general revenues					<u>\$ 27,930,157</u>	<u>\$ 97,534</u>	<u>\$ 28,027,691</u>	<u>\$ 127,266</u>	<u>\$ 358,122</u>
Transfers					(454,340)	454,340	-	-	-
Total general revenues and transfers					<u>\$ 27,475,817</u>	<u>\$ 551,874</u>	<u>\$ 28,027,691</u>	<u>\$ 127,266</u>	<u>\$ 358,122</u>
Change in net position					\$ 1,429,333	\$ 4,332,731	\$ 5,762,064	\$ 51,233	\$ 2,278
Net position-beginning					48,982,530	90,835,565	139,818,095	302,223	27,330
Restatement					(2,288,093)	(783,171)	(3,071,264)	-	-
Net position, beginning, restated					<u>\$ 46,694,437</u>	<u>\$ 90,052,394</u>	<u>\$ 136,746,831</u>	<u>\$ 302,223</u>	<u>\$ 27,330</u>
Net position-ending					<u>\$ 48,123,770</u>	<u>\$ 94,385,125</u>	<u>\$ 142,508,895</u>	<u>\$ 353,456</u>	<u>\$ 29,608</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, 2015

<u>ASSETS</u>	<u>General Fund</u>	<u>Non-Major Fund</u>	<u>Total Government Funds</u>
Cash and cash equivalents	\$ 15,193,388	\$ 6,023	\$ 15,199,411
Taxes receivable, net	719,118	-	719,118
Accounts receivable	955,685	2,211	957,896
Interest receivable	13,572	-	13,572
Due from other governments	2,845,474	38,181	2,883,655
Internal balances	8,000	(8,000)	-
Inventories	333,409	-	333,409
Prepaid items	154,845	-	154,845
Restricted cash and investments	634,430	-	634,430
Total assets	<u>\$ 20,857,921</u>	<u>\$ 38,415</u>	<u>\$ 20,896,336</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,947,742	\$ 30,939	\$ 1,978,681
Advances from grantors	257,437	-	257,437
Total liabilities	<u>\$ 2,205,179</u>	<u>\$ 30,939</u>	<u>\$ 2,236,118</u>
Deferred Inflows of Resources:			
Property taxes receivable	\$ 719,118	\$ -	\$ 719,118
Prepaid taxes	245	-	245
Total deferred inflows of resources	<u>\$ 719,363</u>	<u>\$ -</u>	<u>\$ 719,363</u>
Fund balances:			
Nonspendable:			
Inventories	\$ 333,409	\$ -	\$ 333,409
Prepaid items	154,845	-	154,845
Restricted:			
Stabilization by State Statute	3,822,731	40,392	3,863,123
Debt Service	216,413	-	216,413
Community Development	128,722	-	128,722
Public Safety	116,738	-	116,738
Cultural and Recreation	11,600	-	11,600
Committed: Capital Replacement	4,310,985	-	4,310,985
Assigned: Subsequent Year's Budget	1,798,040	-	1,798,040
Unassigned	7,039,896	(32,916)	7,006,980
Total fund balances	<u>\$ 17,933,379</u>	<u>\$ 7,476</u>	<u>\$ 17,940,855</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,857,921</u>	<u>\$ 38,415</u>	<u>\$ 20,896,336</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, 2015

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

Total Fund Balance, Governmental Funds		\$ 17,940,855
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 92,152,398	
Accumulated depreciation	<u>(51,737,388)</u>	40,415,010
Net pension asset		1,530,778
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		963,235
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds:		
Accrued interest receivable from taxes		109,300
Intangible asset - advance funding of pension obligation		13,107
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.		845,066
Deferred inflows of resources for property taxes receivable		719,118
Pension related deferrals		(3,877,975)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds:		
Long-term debt		(4,948,566)
Accrued interest on long-term debt		(40,712)
Other postemployment benefits		(4,256,785)
Accrued compensated absences		<u>(1,288,661)</u>
Net position of governmental activities		<u><u>\$ 48,123,770</u></u>

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

CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Non-Major Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 18,873,342	\$ -	\$ 18,873,342
Unrestricted intergovernmental	9,168,411	-	9,168,411
Restricted intergovernmental	1,219,515	528,873	1,748,388
Charges for services	3,605,738	-	3,605,738
Miscellaneous	<u>412,909</u>	<u>24,436</u>	<u>437,345</u>
Total revenues	<u>\$ 33,279,915</u>	<u>\$ 553,309</u>	<u>\$ 33,833,224</u>
EXPENDITURES			
Current:			
General government	\$ 8,658,635	\$ 63,019	\$ 8,721,654
Public safety	11,514,936	-	11,514,936
Transportation	3,073,246	-	3,073,246
Environmental protection	1,472,928	-	1,472,928
Culture and recreation	2,277,387	-	2,277,387
Community and economic development	2,004,884	443,375	2,448,259
Education	38,107	-	38,107
Debt service:			
Principal	1,209,639	32,000	1,241,639
Interest and fees	<u>510,205</u>	<u>14,913</u>	<u>525,118</u>
Total expenditures	<u>\$ 30,759,967</u>	<u>\$ 553,307</u>	<u>\$ 31,313,274</u>
Surplus of revenues over expenditures	<u>\$ 2,519,948</u>	<u>\$ 2</u>	<u>\$ 2,519,950</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) other funds	<u>\$ (454,340)</u>	<u>\$ -</u>	<u>\$ (454,340)</u>
Total other financing sources (Uses)	<u>\$ (454,340)</u>	<u>\$ -</u>	<u>\$ (454,340)</u>
Net change in fund balance	\$ 2,065,608	\$ 2	\$ 2,065,610
Fund balances-beginning	<u>15,867,771</u>	<u>7,474</u>	<u>15,875,245</u>
Fund balances-ending	<u>\$ 17,933,379</u>	<u>\$ 7,476</u>	<u>\$ 17,940,855</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, 2015

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

Net changes in fund balances - total governmental funds		\$ 2,065,610
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	\$ (117,814)	
Changes in accrued interest receivable on taxes	(11,252)	
Changes in advance funding of pension obligation	<u>4,324</u>	(124,742)
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	\$ 981,991	
Depreciation expense for governmental assets	<u>(3,189,266)</u>	(2,207,275)
Contributions to the the pension plan in the current fiscal year are not included on the Statement of Activities		963,265
Net revenue of Internal Service Funds determined to be Governmental Fund Type		(28,704)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.		
Principal payments on long-term debt	\$ 1,241,639	
Increase in accrued interest payable	<u>7,778</u>	1,249,417
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	\$ (89,134)	
Pension expense	(59,134)	
Change in OPEB liability	<u>(339,970)</u>	<u>(488,238)</u>
Total changes in net position of governmental activities		<u>\$ 1,429,333</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, 2015

	General Fund			Variance with Final Budget Positive (Negative)
	Original			
	Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 18,159,748	\$ 18,159,748	\$ 18,873,342	\$ 713,594
Unrestricted intergovernmental	8,060,000	8,060,000	9,168,411	1,108,411
Restricted intergovernmental	2,672,591	3,103,919	1,219,515	(1,884,404)
Charges for services	3,808,096	3,824,096	3,605,738	(218,358)
Miscellaneous	<u>481,248</u>	<u>560,106</u>	<u>412,909</u>	<u>(147,197)</u>
Total revenues	<u>\$ 33,181,683</u>	<u>\$ 33,707,869</u>	<u>\$ 33,279,915</u>	<u>\$ (427,954)</u>
Expenditures:				
Current:				
General government	\$ 8,279,855	\$ 8,762,371	\$ 8,658,635	\$ 103,736
Public safety	13,336,285	12,974,066	11,514,936	1,459,130
Transportation	3,808,555	3,982,371	3,073,246	909,125
Environmental protection	1,442,066	1,483,696	1,472,928	10,768
Cultural and recreation	2,295,231	2,281,925	2,277,387	4,538
Community and economic development	2,306,122	2,509,742	2,004,884	504,858
Education	38,107	38,107	38,107	-
Debt service:				
Principal retirement	1,212,039	1,212,039	1,209,639	2,400
Interest and fees	<u>510,089</u>	<u>510,218</u>	<u>510,205</u>	<u>13</u>
Total expenditures	<u>\$ 33,228,349</u>	<u>\$ 33,754,535</u>	<u>\$ 30,759,967</u>	<u>\$ 2,994,568</u>
Surplus of revenues over expenditures	<u>\$ (46,666)</u>	<u>\$ (46,666)</u>	<u>\$ 2,519,948</u>	<u>\$ 2,566,614</u>
Other financing sources (uses):				
Transfers to other funds	\$ (454,340)	\$ (454,340)	\$ (454,340)	\$ -
Long-term debt issued	<u>501,006</u>	<u>501,006</u>	<u>-</u>	<u>(501,006)</u>
Total other financing sources (uses)	<u>\$ 46,666</u>	<u>\$ 46,666</u>	<u>\$ (454,340)</u>	<u>\$ (501,006)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,065,608</u>	<u>\$ 2,065,608</u>
Fund balances, beginning of year			<u>15,867,771</u>	
Fund balances, end of year			<u>\$ 17,933,379</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, 2015

	Enterprise Funds					Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 11,542,680	\$ -	\$ 535,048	\$ 395,682	\$ 12,473,410	\$ 1,311,153
Accounts receivable (net)	4,445,147	1,797,740	241,727	1,590	6,486,204	-
Interest receivable	10,761	13,551	365	345	25,022	892
Due from other governments	20,942	2,305	1,454	125,083	149,784	-
Internal balances	8,056,095	(8,056,095)	-	-	-	-
Prepaid items	3,394	-	-	-	3,394	-
Inventories	390,470	851,581	-	6,872	1,248,923	-
Prepaid insurance on bonds	-	370,963	-	-	370,963	-
Restricted assets:						
Cash and cash equivalents	674,766	3,082,736	-	-	3,757,502	-
Total current assets	\$ 25,144,255	\$ (1,937,219)	\$ 778,594	\$ 529,572	\$ 24,515,202	\$ 1,312,045
Noncurrent assets:						
Net pension asset	\$ 410,125	\$ 13,767	\$ 45,615	\$ 54,450	\$ 523,957	-
Capital assets:						
Land	2,128,067	-	-	-	2,128,067	-
Buildings and improvements	194,104,510	25,973,590	-	582,345	220,660,445	-
Equipment	10,736,280	453,929	112,988	2,002,436	13,305,633	-
Accumulated depreciation	(88,584,690)	(3,165,490)	(23,953)	(2,292,365)	(94,066,498)	-
Total noncurrent assets	\$ 118,794,292	\$ 23,275,796	\$ 134,650	\$ 346,866	\$ 142,551,604	\$ -
Total assets	\$ 143,938,547	\$ 21,338,577	\$ 913,244	\$ 876,438	\$ 167,066,806	\$ 1,312,045
Deferred outflow of resources						
Contributions to pension plan	\$ 258,070	\$ 8,664	\$ 28,703	\$ 34,263	\$ 329,700	\$ -
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 863,769	\$ 261,154	\$ 62,489	\$ 31,466	\$ 1,218,878	\$ 466,979
Interest payable	318,832	355,295	-	-	674,127	-
Bonds, notes, and loans payable	3,771,925	1,809,000	-	-	5,580,925	-
Compensated absences	33,206	900	3,174	3,832	41,112	-
Liabilities payable from restricted assets						
Customer deposits	674,766	-	-	-	674,766	-
Total current liabilities	\$ 5,662,498	\$ 2,426,349	\$ 65,663	\$ 35,298	\$ 8,189,808	\$ 466,979
Noncurrent liabilities:						
Bonds, notes, and loans payable	\$ 30,930,073	\$ 30,291,000	\$ -	\$ -	\$ 61,221,073	\$ -
Other postemployment benefits	1,526,377	142,553	87,139	147,067	1,903,136	-
Compensated absences	298,856	8,095	28,570	34,483	370,004	-
Total noncurrent liabilities	\$ 32,755,306	\$ 30,441,648	\$ 115,709	\$ 181,550	\$ 63,494,213	\$ -
Total liabilities	\$ 38,417,804	\$ 32,867,997	\$ 181,372	\$ 216,848	\$ 71,684,021	\$ 466,979
Deferred inflow of resources						
Pension deferrals	\$ 1,038,985	\$ 34,876	\$ 115,558	\$ 137,941	\$ 1,327,360	\$ -
NET POSITION						
Net investment in capital assets	\$ 83,682,169	\$ (5,755,235)	\$ 89,035	\$ 292,416	\$ 78,308,385	\$ -
Unrestricted	21,057,659	(5,800,397)	555,982	263,496	16,076,740	845,066
Total net position	\$ 104,739,828	\$ (11,555,632)	\$ 645,017	\$ 555,912	\$ 94,385,125	\$ 845,066

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, 2015

	Enterprise Funds					Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 22,633,737	\$ 5,570,429	\$ 1,151,779	\$ 86,510	\$ 29,442,455	\$ 4,905,012
Water and sewer taps	538,529	-	-	-	538,529	-
Other operating revenues	<u>1,155,635</u>	<u>522,374</u>	<u>1,399</u>	<u>10,683</u>	<u>1,690,091</u>	<u>-</u>
Total operating revenues	<u>\$ 24,327,901</u>	<u>\$ 6,092,803</u>	<u>\$ 1,153,178</u>	<u>\$ 97,193</u>	<u>\$ 31,671,075</u>	<u>\$ 4,905,012</u>
OPERATING EXPENSES						
Management and administration	\$ 4,269,873	\$ 46,293	\$ 514,619	\$ 284,138	\$ 5,114,923	\$ 4,934,509
Water resources	2,078,385	-	-	-	2,078,385	-
Maintenance and construction	5,190,696	-	-	-	5,190,696	-
Wastewater collection and treatment	2,372,798	-	-	-	2,372,798	-
Environmental services	553,960	-	-	-	553,960	-
Broadband programming	-	1,815,216	-	-	1,815,216	-
Broadband services	-	236,170	-	-	236,170	-
Broadband service delivery	-	835,820	-	-	835,820	-
Stormwater program	-	-	402,231	-	402,231	-
Mass transit operations	-	-	-	641,778	641,778	-
Depreciation	<u>5,369,505</u>	<u>741,953</u>	<u>10,549</u>	<u>87,094</u>	<u>6,209,101</u>	<u>-</u>
Total operating expenses	<u>\$ 19,835,217</u>	<u>\$ 3,675,452</u>	<u>\$ 927,399</u>	<u>\$ 1,013,010</u>	<u>\$ 25,451,078</u>	<u>\$ 4,934,509</u>
Operating income (loss)	<u>\$ 4,492,684</u>	<u>\$ 2,417,351</u>	<u>\$ 225,779</u>	<u>\$ (915,817)</u>	<u>\$ 6,219,997</u>	<u>\$ (29,497)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	\$ 82,918	\$ 13,857	\$ 445	\$ 314	\$ 97,534	\$ 793
Interest expense	(1,563,455)	(1,318,609)	-	-	(2,882,064)	-
Bond issuance costs	-	(26,497)	-	-	(26,497)	-
Intergovernmental revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>469,421</u>	<u>469,421</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>\$ (1,480,537)</u>	<u>\$ (1,331,249)</u>	<u>\$ 445</u>	<u>\$ 469,735</u>	<u>\$ (2,341,606)</u>	<u>\$ 793</u>
Income (loss) before transfers	\$ 3,012,147	\$ 1,086,102	\$ 226,224	\$ (446,082)	\$ 3,878,391	\$ (28,704)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,340</u>	<u>454,340</u>	<u>-</u>
Change in net position	\$ 3,012,147	\$ 1,086,102	\$ 226,224	\$ 8,258	\$ 4,332,731	\$ (28,704)
Total net position, previously reported	\$ 102,340,705	\$ (12,621,157)	\$ 486,975	\$ 629,042	\$ 90,835,565	\$ 873,770
Restatement	<u>(613,024)</u>	<u>(20,577)</u>	<u>(68,182)</u>	<u>(81,388)</u>	<u>(783,171)</u>	<u>-</u>
Total net position, beginning, restated	<u>\$ 101,727,681</u>	<u>\$ (12,641,734)</u>	<u>\$ 418,793</u>	<u>\$ 547,654</u>	<u>\$ 90,052,394</u>	<u>\$ 873,770</u>
Net position, ending	<u>\$ 104,739,828</u>	<u>\$ (11,555,632)</u>	<u>\$ 645,017</u>	<u>\$ 555,912</u>	<u>\$ 94,385,125</u>	<u>\$ 845,066</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, 2015

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 22,696,539	\$ 5,060,606	\$ 1,105,783	\$ 86,062	\$ 28,948,990	\$ -
Cash received from interfund services provided	-	-	-	-	-	4,905,012
Cash paid for goods and services	(9,553,894)	(2,634,214)	(509,625)	(391,991)	(13,089,724)	(4,961,757)
Cash paid to or on behalf of employees for services	(4,830,543)	(155,384)	(389,814)	(543,863)	(5,919,604)	-
Customer deposits received	333,643	-	-	-	333,643	-
Customer deposits returned	(311,242)	-	-	-	(311,242)	-
Other receipts	1,155,635	522,374	1,399	10,683	1,690,091	-
Net cash provided (used) by operating activities	<u>\$ 9,490,138</u>	<u>\$ 2,793,382</u>	<u>\$ 207,743</u>	<u>\$ (839,109)</u>	<u>\$ 11,652,154</u>	<u>\$ (56,745)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	\$ -	\$ -	\$ -	\$ 454,340	\$ 454,340	\$ -
Loans (to) from other funds	(295,078)	295,078	-	-	-	-
Intergovernmental revenues	-	-	-	489,370	489,370	-
Total cash flows provided (used) by noncapital financing activities	<u>\$ (295,078)</u>	<u>\$ 295,078</u>	<u>\$ -</u>	<u>\$ 943,710</u>	<u>\$ 943,710</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	\$ (426,611)	\$ -	\$ (50,758)	\$ (11,145)	\$ (488,514)	\$ -
Principal paid on bond maturities and equipment contracts	(4,701,991)	(1,743,000)	-	-	(6,444,991)	-
Interest paid on bond maturities and equipment contracts	(1,590,101)	(1,345,764)	-	-	(2,935,865)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (6,718,703)</u>	<u>\$ (3,088,764)</u>	<u>\$ (50,758)</u>	<u>\$ (11,145)</u>	<u>\$ (9,869,370)</u>	<u>\$ -</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES						
Investment earnings	\$ 73,419	\$ 304	\$ 113	\$ 6	\$ 73,842	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 2,549,776	\$ -	\$ 157,098	\$ 93,462	\$ 2,800,336	\$ (56,745)
Balances-beginning of the year	9,667,670	3,082,736	377,950	302,220	13,430,576	1,367,898
Balances-end of the year	<u>\$ 12,217,446</u>	<u>\$ 3,082,736</u>	<u>\$ 535,048</u>	<u>\$ 395,682</u>	<u>\$ 16,230,912</u>	<u>\$ 1,311,153</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	<u>\$ 4,492,684</u>	<u>\$ 2,417,351</u>	<u>\$ 225,779</u>	<u>\$ (915,817)</u>	<u>\$ 6,219,997</u>	<u>\$ (29,497)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	\$ 5,369,505	\$ 741,953	\$ 10,549	\$ 87,094	\$ 6,209,101	\$ -
Pension expense	15,836	532	1,761	2,102	20,231	-
Changes in current assets and liabilities:						
(Increase) decrease in accounts receivable	(475,727)	(509,823)	(45,996)	(448)	(1,031,994)	-
(Increase) decrease in inventory	(40,585)	198,012	-	(984)	156,443	-
(Increase) decrease in due from other governments	11,656	2,438	134	(466)	13,762	-
(Increase) decrease in prepaid items	(3,394)	-	-	-	(3,394)	-
Increase (decrease) in accounts payable and accrued liabilities	105,748	(55,321)	20,390	(1,983)	68,834	(27,248)
Increase (decrease) in compensated absences payable	17,017	(1,978)	(5,801)	1,809	11,047	-
(Increase) decrease in deferred outflows of resources for pensions	(258,070)	(8,663)	(28,703)	(34,263)	(329,699)	-
Increase (decrease) in accrued OPEB liability	233,067	8,881	29,630	23,847	295,425	-
Increase (decrease) in customer deposits	22,401	-	-	-	22,401	-
Total adjustments	<u>\$ 4,997,454</u>	<u>\$ 376,031</u>	<u>\$ (18,036)</u>	<u>\$ 76,708</u>	<u>\$ 5,432,157</u>	<u>\$ (27,248)</u>
Net cash provided (used) by operating activities	<u>\$ 9,490,138</u>	<u>\$ 2,793,382</u>	<u>\$ 207,743</u>	<u>\$ (839,109)</u>	<u>\$ 11,652,154</u>	<u>\$ (56,745)</u>

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

CITY OF SALISBURY, NORTH CAROLINA
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2015

	<u>Fiduciary Funds</u>	
	Pension Trust	
	<u>Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 609,316	\$ 53,353
Interest receivable	540	-
Accounts receivable	<u>-</u>	<u>462,332</u>
 Total assets	 <u>\$ 609,856</u>	 <u>\$ 515,685</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	<u>\$ 2,371</u>	<u>\$ 515,685</u>
 Total liabilities	 <u>\$ 2,371</u>	 <u>\$ 515,685</u>
 <u>NET POSITION</u>		
Held in trust for participants	<u>\$ 607,485</u>	<u>\$ -</u>

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

CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUND
For the Year Ended June 30, 2015

Additions:	
Employer contributions	\$ 198,107
Investment earnings	<u>596</u>
Total additions	<u>\$ 198,703</u>
Deductions:	
Retirement payments	<u>\$ 257,183</u>
Total deductions	<u>\$ 257,183</u>
Net increase	\$ (58,480)
Net position, beginning of year	<u>665,965</u>
Net position, end of year	<u><u>\$ 607,485</u></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, 2015**

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component 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.

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.

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

Fund Financial Statements – The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*,

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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:

Special Revenue Fund - Special revenue funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City maintains one Special Revenue Fund, a Community Development Fund.

The City reports the following major enterprise funds:

Water and Sewer Fund – used to account for the City’s water and sewer operations, Broadband Services Fund – used to account for the City’s broadband operations, the Stormwater Utility Fund – used to account for the City’s stormwater program, and the Mass Transit Fund – used to account for the City’s mass transit system operations.

The City reports the following other fund types:

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

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

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

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

measurement focus, except for the Agency Funds, which have no measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from 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. 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 revenues. Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program expenses are incurred, there is 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 Funds, which are

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the City Council. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, 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 its component units to invest in obligations of the United States or obligations fully guaranteed, both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and its component units' investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

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.

	Governmental Activities	Business Type Activities	Total
Debt Service Reserve	\$ 216,413	\$ 3,082,736	\$ 3,299,149
Unexpended grants and donations	257,060	-	257,060
Unexpended assessments	160,957	-	160,957
Customer Deposits-Water and Sewer Fund	-	674,766	674,766
	634,430	3,757,502	4,391,932

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

are based on the assessed values of January 1, 2014. 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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2002, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

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 one item that meets this criterion,

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

contributions made to the pension plan in the 2015 fiscal year. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 Debt Service – portion of fund balance that is restricted for debt service payments by certain debt covenants. The restricted fund balance in the governmental funds is different than the restricted net position in the statement of net position due to unspent debt proceeds of \$216,413.

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.

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

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

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

The City also has a minimum fund balance policy that states that the desired minimum 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. Pensions

For purposes of measuring the net pension asset, 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’ 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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 \$11,555,632. The City began implementation of its new Broadband Services system during the fiscal year ending June 30, 2009 and began offering broadband services in the fall of 2010. The fund's start-up operations were funded by proceeds from the issuance of Certificates of Participation and interest income on those proceeds. The deficit net position 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 unit, these deposits are considered to be held by the City's and the components' agent in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City or its component unit under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has deposits in banks utilizing both the Dedicated Method and the Pooling Method. The City has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

At June 30, 2015, the City's deposits had a carrying amount of \$13,904,522 and a bank balance of \$14,207,068. Of the bank balance, \$1,307,163 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2015, the City's petty cash fund totaled \$5,565.

2. Investments

At June 30, 2015, the City had \$20,128,488 invested with the North Carolina Capital Management Trust's Cash Portfolio.

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 investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2015.

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, 2015
General Fund:	
Taxes receivable	\$ 355,000
Accounts receivable	100,000
	\$ 455,000
Enterprise Funds:	
Water and Sewer Fund receivables	\$ 230,000
Broadband Services Fund receivables	100,000
	\$ 330,000

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 \$1,108,000. As of June 30, 2015, the carrying value of the Empire Hotel has been reduced to the most recent appraised value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,736,361	\$ -	\$ -	\$ 7,736,361
Total capital assets not being depreciated	<u>\$ 7,736,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,736,361</u>
Capital assets being depreciated:				
Buildings	\$ 11,897,156	\$ -	\$ -	\$ 11,897,156
Other improvements	10,884,090	-	-	10,884,090
Equipment	10,030,964	558,446	22,303	10,567,107
Vehicles and motorized equipment	14,370,445	423,545	126,569	14,667,421
Infrastructure	<u>36,400,263</u>	<u>-</u>	<u>-</u>	<u>36,400,263</u>
Total capital assets being depreciated	<u>\$ 83,582,918</u>	<u>\$ 981,991</u>	<u>\$ 148,872</u>	<u>\$ 84,416,037</u>
Less accumulated depreciation for:				
Buildings	\$ 4,150,041	\$ 285,437	\$ -	\$ 4,435,478
Other improvements	3,674,273	236,634	-	3,910,907
Equipment	7,336,508	663,925	22,303	7,978,130
Vehicles and motorized equipment	11,441,408	688,030	126,569	12,002,869
Infrastructure	<u>22,094,764</u>	<u>1,315,240</u>	<u>-</u>	<u>23,410,004</u>
Total accumulated depreciation	<u>\$ 48,696,994</u>	<u>\$ 3,189,266</u>	<u>\$ 148,872</u>	<u>\$ 51,737,388</u>
Total capital assets being depreciated, net	<u>\$ 34,885,924</u>	<u>\$ (2,207,275)</u>	<u>\$ -</u>	<u>\$ 32,678,649</u>
Governmental activity capital assets, net	<u><u>\$ 42,622,285</u></u>	<u><u>\$ (2,207,275)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,415,010</u></u>

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

General government	\$ 702,897
Public safety	637,945
Transportation	1,552,544
Environmental protection	32,803
Cultural and recreational	195,102
Community and economic development	<u>67,975</u>
Total depreciation expense	<u><u>\$ 3,189,266</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 2,128,067	\$ -	\$ -	\$ 2,128,067
Total capital assets not being depreciated	<u>\$ 2,128,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,128,067</u>
Capital assets being depreciated:				
Buildings	\$ 20,966,498	\$ 33,059	\$ -	\$ 20,999,557
Plant and distribution systems	172,842,286	251,955	-	173,094,241
Furniture and maintenance equipment	5,740,035	35,359	30,428	5,744,966
Vehicles and motorized equipment	4,905,776	107,841	11,591	5,002,026
Total capital assets being depreciated	<u>\$204,454,595</u>	<u>\$ 428,214</u>	<u>\$ 42,019</u>	<u>\$204,840,790</u>
Less accumulated depreciation for:				
Buildings	\$ 10,105,415	\$ 427,932	\$ -	\$ 10,533,347
Plant and distribution systems	66,371,949	4,012,473	-	70,384,422
Furniture and maintenance equipment	2,675,873	659,791	30,428	3,305,236
Vehicles and motorized equipment	4,103,967	269,309	11,591	4,361,685
Total accumulated depreciation	<u>\$ 83,257,204</u>	<u>\$ 5,369,505</u>	<u>\$ 42,019</u>	<u>\$ 88,584,690</u>
Total capital assets being depreciated, net	<u>\$ 121,197,391</u>	<u>\$ (4,941,291)</u>	<u>\$ -</u>	<u>\$ 116,256,100</u>
Water and Sewer Fund capital assets, net	<u>\$ 123,325,458</u>	<u>\$ (4,941,291)</u>	<u>\$ -</u>	<u>\$ 118,384,167</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	-	-	63,577
Vehicles and motorized equipment	390,352	-	-	390,352
Total capital assets being depreciated	<u>\$ 26,427,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,427,519</u>
Less accumulated depreciation for:				
Building	\$ 407,431	\$ 113,702	\$ -	\$ 521,133
Plant and distribution systems	1,694,263	569,167	-	2,263,430
Furniture and maintenance equipment	45,450	9,203	-	54,653
Vehicles and motorized equipment	276,393	49,881	-	326,274
Total accumulated depreciation	<u>\$ 2,423,537</u>	<u>\$ 741,953</u>	<u>\$ -</u>	<u>\$ 3,165,490</u>
Total capital assets being depreciated, net	<u>\$ 24,003,982</u>	<u>\$ (741,953)</u>	<u>\$ -</u>	<u>\$ 23,262,029</u>
Broadband Services Fund capital assets, net	<u>\$ 24,003,982</u>	<u>\$ (741,953)</u>	<u>\$ -</u>	<u>\$ 23,262,029</u>
Stormwater Fund				
Capital assets being depreciated:				
Furniture and maintenance equipment	\$ 36,345	\$ 18,420	\$ -	\$ 54,765
Vehicles and motorized equipment	25,885	32,338	-	58,223
Total capital assets being depreciated	<u>\$ 62,230</u>	<u>\$ 50,758</u>	<u>\$ -</u>	<u>\$ 112,988</u>
Less accumulated depreciation for:				
Furniture and maintenance equipment	\$ 5,207	\$ 5,372	\$ -	\$ 10,579
Vehicles and motorized equipment	8,197	5,177	-	13,374
Total accumulated depreciation	<u>\$ 13,404</u>	<u>\$ 10,549</u>	<u>\$ -</u>	<u>\$ 23,953</u>
Stormwater Fund capital assets, net	<u>\$ 48,826</u>	<u>\$ 40,209</u>	<u>\$ -</u>	<u>\$ 89,035</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities - continued				
Transit Fund				
Capital assets being depreciated:				
Buildings and improvements	\$ 580,900	\$ 11,145	\$ 9,700	\$ 582,345
Furniture and maintenance equipment	127,112	-	-	127,112
Vehicles and motorized equipment	1,875,324	-	-	1,875,324
Total capital assets being depreciated	<u>\$ 2,583,336</u>	<u>\$ 11,145</u>	<u>\$ 9,700</u>	<u>\$ 2,584,781</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 489,901	\$ 19,168	\$ 9,700	\$ 499,369
Furniture and maintenance equipment	127,112	-	-	127,112
Vehicles and motorized equipment	1,597,958	67,926	-	1,665,884
	<u>\$ 2,214,971</u>	<u>\$ 87,094</u>	<u>\$ 9,700</u>	<u>\$ 2,292,365</u>
Transit Fund capital assets, net	<u>\$ 368,365</u>	<u>\$ (75,949)</u>	<u>\$ -</u>	<u>\$ 292,416</u>
Business-type activities capital assets, net	<u><u>\$ 147,746,631</u></u>	<u><u>\$ (5,718,984)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 142,027,647</u></u>

Construction commitments

The City has no active construction projects as of June 30, 2015.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$1,292,935 for the year ended June 30, 2015.

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, 2015, the City reported an asset of \$2,054,735 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset 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, 2014, the City's proportion was 0.348%, which was a decrease of 0.011% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$79,337. At June 30, 2015, 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	\$ -	\$ 224,515
Net difference between projected and actual earnings on pension plan investments	-	4,783,377
Changes in proportion and differences between City contributions and proportionate share of contributions	-	197,443
City contributions subsequent to the measurement date	1,292,935	-
Total	1,292,935	5,205,335

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

\$1,292,935 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 asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:	
2016	\$ 1,301,598
2017	1,301,598
2018	1,301,598
2019	<u>1,300,541</u>
	<u>\$ 5,205,335</u>

Actuarial Assumptions - The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 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, 2013, valuation were based on the results of an actuarial experience study for the period January 1, 2005, through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014, to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

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 asset to changes in the discount rate - The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, 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 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 6,974,659	\$(2,054,735)	\$(9,657,193)

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 administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the North Carolina General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the General Assembly. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	16
Active plan members	79
Total	95

A separate report was not issued for the plan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

2. Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

3. Contributions

North Carolina statutes require the City to provide these retirement benefits. The City has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$198,107 or 5.85% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are paid by the General Fund.

The annual required contribution for the current year was determined as part of the December 31, 2013, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013, was 17 years.

2. Annual Pension Cost and Net Pension Asset

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

Annual required contribution	\$ 193,480
Interest on net pension obligation	(439)
Adjustment to annual required contribution	742
Annual pension cost	\$ 193,783
Contributions made	198,107
Increase in net pension asset	\$ 4,324
Net pension asset beginning of year	8,783
Net pension asset end of year	\$ 13,107

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2015	\$ 193,783	102.23%	\$ 13,107
6/30/2014	159,744	98.69%	8,783
6/30/2013	150,804	97.45%	10,868

3. Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 30.34 percent funded. The actuarial accrued liability for benefits was \$2,103,903, and the actuarial value of assets was \$638,220, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,465,683. The covered payroll (annual payroll of active employees covered by the plan) was \$3,387,944, and the ratio of the UAAL to the covered payroll was 43.26 percent. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan

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 percent of each law enforcement officer's salary. In addition to this requirement, the City has elected to contribute to the Plan an amount equal to 3 percent of the monthly salary of each employee not engaged in law enforcement. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$888,032, which consisted of \$611,550 from the City and \$276,482 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, 70 retirees are eligible for post-employment health benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Firefighters	Law Enforcement Officers
Retirees and dependents receiving benefits	41	13	13
Active plan members	236	63	65
Total	277	76	78

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.

The current annual required contribution is 9.11% of annual covered payroll. For the fiscal year ended June 30, 2015, the City made payments for post-employment health benefit premiums of \$699,729, or 4.53% of covered payroll. The City is self-insured for current employees, but retirees are covered by the Affordable Health Care Act. The City's contributions for employees not engaged in law enforcement and for law enforcement officers represented 3.70% and 4.55% 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 thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 1,406,860
Interest on net pension obligation	183,939
Adjustment to annual required contribution	(255,674)
Annual pension cost	\$ 1,335,125
Contributions made	699,729
Increase in net pension obligation	\$ 635,396
Net pension obligation beginning of year	5,524,525
Net pension obligation end of year	\$ 6,159,921

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 1,335,125	52.4%	\$ 6,159,921
2014	1,384,750	33.1%	5,524,525
2013	1,182,482	33.1%	4,598,476

5. Funded Status and Funding Progress

As of December 31, 2014, 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 \$14,105,161. The covered payroll (annual payroll of active employees covered by the plan) was \$15,430,991, and the ratio of the UAAL to the covered payroll was 91.4 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

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, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investment calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.0 percent annually. The investment rate included a 3 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 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, 2013, 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

considers these contributions to be immaterial. Due to a surplus in the death benefit, the State temporarily stopped employer contributions to the Death Benefit Plan beginning July 1, 2012. The temporary relief period is based on the number of years the City had contributed to the Plan as of December 31, 2010. The City of Salisbury's contributions to the Plan will resume in 2016.

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:

Contributions to pension plan in current fiscal year	\$ 1,292,935
Total deferred outflows of resources	<u>\$ 1,292,935</u>

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

Property taxes receivable (General Fund)	\$ 719,118
Prepaid property taxes (General Fund)	245
Pension deferrals	<u>5,205,335</u>
Total deferred inflows of resources	<u>\$ 5,924,698</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 \$300,000 deductible for this coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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:

	Year ended June 30, 2013	Year ended June 30, 2014	Year ended June 30, 2015
Unpaid claims, beginning of fiscal year	\$ 472,587	\$ 528,449	\$ 471,914
Incurred claims (including IBNRs)	4,644,360	5,214,353	4,591,030
Claim payments	<u>(4,588,498)</u>	<u>(5,270,888)</u>	<u>(4,632,931)</u>
Unpaid claims, end of fiscal year	<u>\$ 528,449</u>	<u>\$ 471,914</u>	<u>\$ 430,013</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, 2015 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 were issued for the acquisition and improvement of parks and recreation facilities. Those general obligation bonds issued to finance the construction of facilities in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2015 are comprised of the following individual issues:

	<u>Balance June 30, 2015</u>
Serviced by the General Fund	
\$905,000 Refunding Bonds, Series 2012, rate of 1.635% issued April 2012, maturing serially to 2017	\$ <u>270,000</u>
Serviced by the Water and Sewer Fund	
\$830,000 Refunding Bonds, Series 2012, rate of 1.635% issued April 2012, maturing serially to 2017	<u>275,000</u>
	<u>\$ 275,000</u>
Total General Obligation Indebtedness	<u>\$ 545,000</u>

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

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 200,000	\$ 4,414	\$ 180,000	\$ 4,496	\$ 380,000	\$ 8,910
2017	<u>70,000</u>	<u>1,145</u>	<u>95,000</u>	<u>1,554</u>	<u>165,000</u>	<u>2,699</u>
	<u>\$ 270,000</u>	<u>\$ 5,559</u>	<u>\$ 275,000</u>	<u>\$ 6,050</u>	<u>\$ 545,000</u>	<u>\$ 11,609</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

b. Installment Purchases

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

	<u>Balance June 30, 2015</u>
Serviced by the Governmental Activities	
\$1,000,000 installment purchase contract for capital improvements, rate of 5.25%, issued December 2000, payable in 30 semi-annual payments of \$33,333 principal plus interest	\$ 33,333
\$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	1,426,272
\$2,305,000 Certificates of Participation for facilities renovations, rate of 5.33% issued December 2008, payable in 10 annual payments of \$230,000 principal, plus semi-annual interest payments	920,000
\$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	<u>2,054,961</u>
	<u>\$ 4,434,566</u>
Serviced by Business-Type Activities	
\$1,292,399 installment purchase contract to purchase telecommunications equipment, rate of 1.85%, issued August 2013, payable in 20 semi-annual payments of \$64,620 principal plus interest	\$ 1,098,540
\$17,335,000 Certificates of Participation for construction of broadband services project, rates ranging from 3.25% to 5.625%, with an average rate of 5.33%, payable in 16 annual payments, plus semi-annual interest. This debt includes \$3,082,736 to establish a debt service reserve.	15,800,000
\$16,928,000 Refunding Certificates of Participation, issued April 2013, interest rate of 2.24%, payable in 16 annual payments, plus semi-annual interest payments.	<u>16,300,000</u>
	<u>\$ 33,198,540</u>
Total Installment Purchase indebtedness	<u><u>\$ 37,633,106</u></u>

The future minimum payments of the installment purchases as of June 30, 2015 total \$48,293,283, including \$10,660,177 of interest are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 742,806	\$ 133,192	\$ 1,938,240	\$ 1,229,602	\$ 2,681,046	\$ 1,362,794
2017	709,472	108,981	1,981,240	1,181,279	2,690,712	1,290,260
2018	709,472	84,899	2,029,240	1,130,427	2,738,712	1,215,326
2019	709,472	60,334	2,115,240	1,044,530	2,824,712	1,104,864
2020	479,472	35,196	2,206,240	950,424	2,685,712	985,620
2021-2025	1,083,872	38,577	11,968,340	3,583,972	13,052,212	3,622,549
2026-2029	-	-	10,960,000	1,078,764	10,960,000	1,078,764
	<u>\$ 4,434,566</u>	<u>\$ 461,179</u>	<u>\$ 33,198,540</u>	<u>\$ 10,198,998</u>	<u>\$ 37,633,106</u>	<u>\$ 10,660,177</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 \$15,059,957 at June 30, 2014, and total accumulated depreciation of \$5,198,168. The future minimum lease payments at June 30, 2015, total \$3,350,841, including \$367,821 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, 2015, were as follows:

Year Ending June 30,	Capital Leases	
	Principal	Interest
2016	\$ 627,275	\$ 82,881
2017	446,476	63,658
2018	269,490	50,555
2019	259,490	42,054
2020	239,490	34,103
2021-2025	889,634	85,886
2026-2027	251,165	8,684
	<u>\$ 2,983,020</u>	<u>\$ 367,821</u>

d. State Bond Loans

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

	Balance June 30, 2015
\$5,000,000 State Bond Loan, average rate of 3.43%, issued November 1997 maturing serially to 2017	\$ 500,000
\$450,120 State Bond Loan, average rate of 3.43%, issued November 1997 maturing serially to 2017	45,012
\$3,000,000 State Bond Loan, average rate of 2.60%, issued November 1999 maturing serially to 2019	750,000
\$9,200,000 State Bond Loan, average rate of 2.60%, issued June 2000 maturing serially to 2020	<u>2,300,000</u>
Total State Bond Loans	<u>\$ 3,595,012</u>

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

Year Ending June 30,	Business-Type Activities State Bond Loans	
	Principal	Interest
2016	\$ 882,506	\$ 97,994
2017	882,506	72,787
2018	610,000	47,580
2019	610,000	31,720
2020	610,000	15,860
	<u>\$ 3,595,012</u>	<u>\$ 265,941</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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:

	Balance June 30, 2015
\$6,000,000 Water and Sewer Revenue Bonds, Series 2006, rate of 3.99%, issued December 2006, maturing serially to 2026	\$ 4,013,426
\$6,000,000 Water and Sewer Revenue Bonds, Series 2009, rate of 4.14%, issued October 2009, maturing serially to 2025	4,397,000
\$16,065,000 Water and Sewer Revenue Refunding Bonds, Series 2010, average rate of 3.0425%, issued November 2010, maturing 2027	12,870,000
\$6,550,000 Water Sewer Revenue Refunding Bonds, Series 2012, rate of 2.615%, issued April 2012, maturing serially to 2028	5,470,000
Total Revenue Bonds	\$ 26,750,426

The future payments of the revenue bonds are as follows:

Year Ending June 30,	Business-Type Activities Revenue Bonds	
	Principal	Interest
2016	\$ 1,952,904	\$ 1,059,634
2017	2,020,280	983,806
2018	2,103,118	907,834
2019	2,026,435	838,928
2020	2,107,251	753,838
2021-2025	11,902,415	2,410,474
2026-2028	4,638,023	287,124
	\$ 26,750,426	\$ 7,241,638

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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
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%

- (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 40 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$33,992,064. Principal and interest paid for the current fiscal year and total customer net revenues were \$6,292,092 and \$24,410,819, 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
2016	\$ 32,000	\$ 12,313
2017	32,000	10,672
2018	32,000	8,995
2019	32,000	7,288
2020	34,000	5,498
2021-2023	82,000	5,765
	<u>\$ 244,000</u>	<u>\$ 50,531</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

g. Changes in Long-Term Liabilities

	June 30, 2014	Additions	Retirements	June 30, 2015	Current Portion of Balance
Governmental Activities					
General Fund					
General obligation bonds	\$ 475,000	\$ -	\$ 205,000	\$ 270,000	\$ 200,000
Installment purchases	5,439,205	-	1,004,639	4,434,566	742,806
Other postemployment benefits	3,916,815	339,970	-	4,256,785	-
Net pension liability (LGERS)	3,231,942		3,231,942	-	
Compensated absences	1,199,527	988,510	899,376	1,288,661	128,866
Special Revenue Fund					
Section 108 loan	276,000	-	32,000	244,000	32,000
	<u>\$ 14,538,489</u>	<u>\$ 1,328,480</u>	<u>\$ 5,372,957</u>	<u>\$ 10,494,012</u>	<u>\$ 1,103,672</u>
Business-type activities					
Water and Sewer Fund					
General obligation bonds	\$ 1,440,000	\$ -	\$ 1,165,000	\$ 275,000	\$ 180,000
Revenue bonds	28,648,396	-	1,897,970	26,750,426	1,952,904
Installment purchases	1,227,779	-	129,239	1,098,540	129,240
State loans	4,477,518	-	882,506	3,595,012	882,506
Capital leases	3,610,296	-	627,276	2,983,020	627,275
Other postemployment benefits	1,293,310	233,067	-	1,526,377	-
Net pension liability (LGERS)	865,900		865,900	-	
Compensated absences	315,045	216,943	199,926	332,062	33,206
Broadband Services Fund					
Installment purchases	33,843,000	-	1,743,000	32,100,000	1,809,000
Other postemployment benefits	133,672	8,881	-	142,553	-
Net pension liability (LGERS)	29,066		29,066	-	
Compensated absences	10,973	5,369	7,347	8,995	900
Mass Transit Fund					
Other postemployment benefits	123,220	23,847	-	147,067	-
Net pension liability (LGERS)	114,962		114,962	-	
Compensated absences	36,506	20,232	18,423	38,315	3,832
Stormwater Fund					
Other postemployment benefits	57,509	29,630	-	87,139	-
Net pension liability (LGERS)	96,307		96,307	-	
Compensated absences	37,545	9,602	15,403	31,744	3,174
	<u>\$ 76,361,004</u>	<u>\$ 547,571</u>	<u>\$ 7,792,325</u>	<u>\$ 69,116,250</u>	<u>\$ 5,622,037</u>
Total	<u>\$ 90,899,493</u>	<u>\$ 1,876,051</u>	<u>\$ 13,165,282</u>	<u>\$ 79,610,262</u>	<u>\$ 6,725,709</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan has a net pension liability at the beginning of the fiscal year.

The legal debt margin for the City as of June 30, 2014, is \$187,625,057. Liabilities for Other Postemployment Benefits and Compensated Absences are liquated from the funds in which the liabilities occur.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Accounts payable	\$ 1,615,078	\$ 977,589
Accrued payroll and payroll liabilities	657,319	216,759
Other accrued liabilities	<u>173,262</u>	<u>24,530</u>
	<u>\$ 2,445,659</u>	<u>\$ 1,218,878</u>

C. Interfund Balances and Activity

1. Transfers to/from Other Funds

Transfers during the year ended June 30, 2015, consisted of \$454,340 that was transferred from the General Fund to the Mass Transit Fund to move unrestricted revenues to help finance activities that must be accounted for in the Mass Transit Fund in accordance with budgetary appropriations, including amounts provided for matching funds of the Mass Transit grant programs.

2. Due To/Due From Other Funds

At June 30, 2015, the Broadband Services Fund owed the Water and Sewer Fund \$8,056,095 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 \$8,000 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>17,933,379</u>
Less:	
Inventories	333,409
Prepaid Items	154,845
Restricted for Stabilization by State Statute	<u>3,822,731</u>
	<u>\$ 4,310,985</u>
Fund Balance Available for Appropriation	\$ 13,622,394
Working Capital/Fund Balance Policy	<u>3,075,997</u>
Remaining Fund Balance in excess of Working Working Capital/Fund Balance Policy	<u>\$ 10,546,397</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, are computed as follows:

	<u>Governmental Funds</u>	<u>Business-Type Funds</u>	<u>Total</u>
Net investment in capital assets	\$ 40,415,010	\$ 142,027,647	\$ 182,442,657
Less capital debt for:			
Gross debt	\$ 4,948,566	\$ 66,801,998	\$ 71,750,564
Less:			
Unspent debt proceeds	<u>(216,413)</u>	<u>(3,082,736)</u>	<u>(3,299,149)</u>
Net capital debt	<u>\$ 4,732,153</u>	<u>\$ 63,719,262</u>	<u>\$ 68,451,415</u>
Net investment in capital assets	<u>\$ 35,682,857</u>	<u>\$ 78,308,385</u>	<u>\$ 113,991,242</u>

Note 4. Commitments and Contingencies

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

Note 5. Changes in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$2,288,093 and \$783,171, respectively.

Required Supplemental Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules 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

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Last Six Fiscal Years

Actuarial Valuation Date <u>December 31,</u>	(1) Actuarial Value of Assets	(2)	(3)	Funded Ratio <u>(1) / (2)</u>	(4) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll <u>(3) / (4)</u>
		Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL) <u>(2) - (1)</u>			
2014	\$ 638,220	\$ 2,103,903	\$ 1,465,683	30.34%	\$ 3,387,944	43.26%
2013	712,152	2,212,350	1,500,198	32.19%	3,228,342	46.47%
2012	812,217	2,210,489	1,398,272	36.74%	3,251,425	43.00%
2011	887,070	2,217,485	1,330,415	40.00%	3,267,613	40.72%
2010	981,661	2,147,160	1,165,499	45.72%	3,590,878	32.46%
2009	998,396	2,157,750	1,159,354	46.27%	3,695,445	31.37%

CITY OF SALISBURY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Six Fiscal Years

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	\$ 193,480	102
2014	159,402	99
2013	146,957	97
2012	144,453	92
2011	153,652	90
2010	111,143	99

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
* Includes inflation at	3.00%
Cost of living adjustments	N/A

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)
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
2015	\$ 1,406,860	49.7
2014	1,456,513	31.5
2013	1,177,488	32.9
2012	1,177,488	31.4
2011	1,181,147	19.7
2010	1,190,644	13.8

Notes to the Required Schedules:

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

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return*	4.00%
Medical cost trend rate*	7.75% - 5.0%
Year of ultimate trend rate	2018
* 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 TWO FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2015	2014
Salisbury's proportion of the net pension liability (asset) (%)	0.34841%	0.35990%
Salisbury's proportion of the net pension liability (asset) (\$)	\$ (2,054,735)	\$ 4,338,177
Salisbury's covered-employee payroll	\$ 17,831,698	\$ 17,342,485
Salisbury's proritonate share of the net pension liability (asset) as a percentage of its cover-employee payroll	(11.52%)	25.01%
Plan fiduciary net postion as a percentage of the total pension liability**	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.

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,292,935	\$ 1,266,914
Contributions in relation to the contractually required contribution	<u>1,292,935</u>	<u>1,266,914</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Salisbury's covered-employee payroll	\$ 17,871,354	\$ 17,831,698
Contributions as a percentage of covered-employee payroll	7.23%	7.10%

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, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

	<u>2015</u>		Variance with Budget Positive (Negative)	<u>2014</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:				
Taxes:				
General property-current	\$ 17,168,498	\$ 17,984,759	\$ 816,261	\$ 17,630,307
General property-prior	661,000	517,307	(143,693)	725,159
Auto tax	215,000	250,610	35,610	332,235
Interest on delinquent tax	115,000	120,532	5,532	173,228
Other tax	250	134	(116)	300
	<u>\$ 18,159,748</u>	<u>\$ 18,873,342</u>	<u>\$ 713,594</u>	<u>\$ 18,861,229</u>
Unrestricted intergovernmental:				
Local option sales tax	\$ 5,320,000	\$ 5,898,259	\$ 578,259	\$ 5,454,780
Utilities franchise tax	1,675,000	2,105,388	430,388	1,693,225
Telecommunications sales tax	570,000	584,662	14,662	608,239
Video franchise fee	250,000	261,763	11,763	256,095
Wine and beer tax	136,000	160,852	24,852	146,285
State reimbursement hold harmless	-	-	-	313,103
Other	109,000	157,487	48,487	121,636
	<u>\$ 8,060,000</u>	<u>\$ 9,168,411</u>	<u>\$ 1,108,411</u>	<u>\$ 8,593,363</u>
Restricted intergovernmental:				
State street aid - Powell Bill	\$ 975,000	\$ 976,363	\$ 1,363	\$ 969,180
Brownfield's Grant	400,000	27,796	(372,204)	-
CMAQ grants	649,600	-	(649,600)	-
Police Grants	62,528	24,101	(38,427)	45,895
Firefighter's assistance grant	828,567	-	(828,567)	99,276
Utility relocation grants	-	-	-	202,134
Other	188,224	191,255	3,031	293,129
	<u>\$ 3,103,919</u>	<u>\$ 1,219,515</u>	<u>\$ (1,884,404)</u>	<u>\$ 1,609,614</u>
Charges for services:				
Environmental protection	\$ 2,004,000	\$ 2,052,587	\$ 48,587	\$ 1,940,529
Culture and recreation	160,000	131,904	(28,096)	162,497
Code services fees	60,000	46,023	(13,977)	34,373
Public safety	388,200	376,741	(11,459)	397,948
Cemetery	120,000	120,753	753	123,541
Radio antenna and paging rentals	295,000	231,266	(63,734)	263,679
Rentals and sale of property	276,900	263,094	(13,806)	251,447
Licenses and permits	360,000	206,059	(153,941)	459,926
Community services	154,496	175,182	20,686	144,681
Other	5,500	2,129	(3,371)	6,090
	<u>\$ 3,824,096</u>	<u>\$ 3,605,738</u>	<u>\$ (218,358)</u>	<u>\$ 3,784,711</u>

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CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

For the Year Ended June 30, 2015

With Comparative Actual Amounts for Year Ended June 30, 2014

	2015		Variance with Budget Positive (Negative)	2014
	Budget	Actual		Actual
REVENUES (continued):				
Miscellaneous:				
Interest earned on investments	\$ 27,000	\$ 16,679	\$ (10,321)	\$ 23,360
Donations	252,707	97,311	(155,396)	198,637
Other	280,399	298,919	18,520	494,930
	<u>\$ 560,106</u>	<u>\$ 412,909</u>	<u>\$ (147,197)</u>	<u>\$ 716,927</u>
Total revenues	<u>\$ 33,707,869</u>	<u>\$ 33,279,915</u>	<u>\$ (427,954)</u>	<u>\$ 33,565,844</u>
OTHER FINANCING SOURCES:				
Long-term debt issued	\$ 501,006	\$ -	\$ (501,006)	\$ 2,417,601
Total other financing sources	<u>\$ 501,006</u>	<u>\$ -</u>	<u>\$ (501,006)</u>	<u>\$ 2,417,601</u>
Total revenues and other financing sources	<u>\$ 34,208,875</u>	<u>\$ 33,279,915</u>	<u>\$ (928,960)</u>	<u>\$ 35,983,445</u>
EXPENDITURES:				
Current:				
General government:				
City council	\$ 169,466	\$ 154,245	\$ 15,221	\$ 115,964
City administration	593,285	573,916	19,369	1,253,854
Human resources	1,150,224	1,148,325	1,899	931,463
Financial services	874,072	856,070	18,002	885,138
Business services	232,503	211,753	20,750	251,155
Fleet management	488,145	480,793	7,352	470,476
Public services administration	208,166	206,965	1,201	193,939
Infrastructure Services	1,937,078	1,934,857	2,221	1,919,228
Telecommunication	430,217	418,855	11,362	2,600,328
Information technologies	2,679,215	2,672,856	6,359	2,104,439
	<u>\$ 8,762,371</u>	<u>\$ 8,658,635</u>	<u>\$ 103,736</u>	<u>\$ 10,725,984</u>
Public safety:				
Police:				
Administration	\$ 949,800	\$ 944,162	\$ 5,638	\$ 846,005
Services	1,413,597	1,394,269	19,328	1,713,346
Operations	4,498,708	4,397,918	100,790	4,027,903
Fire	6,111,961	4,778,587	1,333,374	4,688,641
	<u>\$ 12,974,066</u>	<u>\$ 11,514,936</u>	<u>\$ 1,459,130</u>	<u>\$ 11,275,895</u>
Transportation:				
Engineering	\$ 1,232,378	\$ 350,833	\$ 881,545	\$ 472,529
Streets	2,186,589	2,171,987	14,602	1,865,037
Street lighting	563,404	550,426	12,978	550,433
	<u>\$ 3,982,371</u>	<u>\$ 3,073,246</u>	<u>\$ 909,125</u>	<u>\$ 2,887,999</u>

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CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

For the Year Ended June 30, 2015

With Comparative Actual Amounts for Year Ended June 30, 2014

	2015		Variance with Budget Positive (Negative)	2014
	Budget	Actual		Actual
EXPENDITURES :				
Current (continued):				
Environmental protection:				
Solid waste management	\$ 1,258,274	\$ 1,250,539	\$ 7,735	\$ 1,405,276
Cemetery	225,422	222,389	3,033	263,403
	<u>\$ 1,483,696</u>	<u>\$ 1,472,928</u>	<u>\$ 10,768</u>	<u>\$ 1,668,679</u>
Culture and recreation	<u>\$ 2,281,925</u>	<u>\$ 2,277,387</u>	<u>\$ 4,538</u>	<u>\$ 2,186,862</u>
Community and economic development:				
Community development	\$ 1,256,200	\$ 766,072	\$ 490,128	\$ 1,050,650
Code Enforcement	304,698	296,523	8,175	297,554
The Plaza	182,491	181,451	1,040	173,483
Developmental services	766,353	760,838	5,515	491,327
	<u>\$ 2,509,742</u>	<u>\$ 2,004,884</u>	<u>\$ 504,858</u>	<u>\$ 2,013,014</u>
Education	<u>\$ 38,107</u>	<u>\$ 38,107</u>	<u>\$ -</u>	<u>\$ 38,107</u>
Debt service:				
Principal	\$ 1,212,039	\$ 1,209,639	\$ 2,400	\$ 1,680,533
Interest and fees	510,218	510,205	13	488,613
	<u>\$ 1,722,257</u>	<u>\$ 1,719,844</u>	<u>\$ 2,413</u>	<u>\$ 2,169,146</u>
Total expenditures	<u>\$ 33,754,535</u>	<u>\$ 30,759,967</u>	<u>\$ 2,994,568</u>	<u>\$ 32,965,686</u>
OTHER FINANCING USES:				
Transfers to other funds	<u>\$ (454,340)</u>	<u>\$ (454,340)</u>	<u>\$ -</u>	<u>\$ (413,474)</u>
Total other financing uses	<u>\$ (454,340)</u>	<u>\$ (454,340)</u>	<u>\$ -</u>	<u>\$ (413,474)</u>
Total expenditures and other financing uses	<u>\$ 34,208,875</u>	<u>\$ 31,214,307</u>	<u>\$ 2,994,568</u>	<u>\$ 33,379,160</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,065,608</u>	<u>\$ 2,065,608</u>	<u>\$ 2,604,285</u>
FUND BALANCES, BEGINNING		<u>15,867,771</u>		<u>13,263,486</u>
FUND BALANCES, ENDING		<u>\$ 17,933,379</u>		<u>\$ 15,867,771</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, 2015
With Comparative Actual Amounts for the Year Ended June 30, 2014

	2015		Variance with Budget Positive (Negative)	2014
	Budget	Actual		Actual
REVENUES:				
Intergovernmental:				
Federal	\$ 925,145	\$ 528,873	\$ (396,272)	\$ 261,419
Miscellaneous:				
Other	35,000	24,436	(10,564)	34,438
Total revenues	<u>\$ 960,145</u>	<u>\$ 553,309</u>	<u>\$ (406,836)</u>	<u>\$ 295,857</u>
EXPENDITURES:				
Current:				
General government	\$ 79,168	\$ 63,019	\$ 16,149	\$ 67,720
Community and economic development	834,064	443,375	390,689	183,926
Debt Service:				
Principal	32,000	32,000	-	32,000
Interest	14,913	14,913	-	15,475
Total expenditures	<u>\$ 960,145</u>	<u>\$ 553,307</u>	<u>\$ 406,838</u>	<u>\$ 299,121</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ -</u>	\$ 2	<u>\$ 2</u>	\$ (3,264)
FUND BALANCE, BEGINNING		7,474		10,738
FUND BALANCE, ENDING		<u>\$ 7,476</u>		<u>\$ 7,474</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.

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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, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

	<u>2015</u>		Variance with Budget Positive (Negative)	<u>2014</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
OPERATING REVENUES:				
Charges for services	\$ 21,300,337	\$ 22,633,737	\$ 1,333,400	\$ 21,428,605
Water and sewer taps	458,120	538,529	80,409	279,427
Other operating revenues	<u>1,112,000</u>	<u>1,155,635</u>	<u>43,635</u>	<u>1,065,850</u>
Total operating revenues	<u>22,870,457</u>	<u>24,327,901</u>	<u>1,457,444</u>	<u>22,773,882</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 4,454,344	\$ 4,268,292	\$ 186,052	\$ 4,358,399
Water resources	2,218,292	2,078,386	139,906	2,039,002
Maintenance and construction	6,323,728	5,190,695	1,133,033	4,558,510
Wastewater collection and treatment	2,511,028	2,366,528	144,500	2,484,355
Environmental services	<u>609,237</u>	<u>553,960</u>	<u>55,277</u>	<u>561,301</u>
Total operating expenses other than depreciation	<u>\$ 16,116,629</u>	<u>\$ 14,457,861</u>	<u>\$ 1,658,768</u>	<u>\$ 14,001,567</u>
NONOPERATING REVENUES (EXPENDITURES):				
Investment earnings	\$ 29,000	\$ 9,656	\$ (19,344)	\$ 12,849
State grant	-	-	-	575,019
Capital outlay	(490,735)	(428,215)	62,520	(2,723,064)
Payment of debt principal	(4,701,992)	(4,701,991)	1	(4,596,862)
Interest expense	<u>(1,590,101)</u>	<u>(1,590,101)</u>	<u>-</u>	<u>(1,619,980)</u>
Net nonoperating revenues (expenditures)	<u>\$ (6,753,828)</u>	<u>\$ (6,710,651)</u>	<u>\$ 43,177</u>	<u>\$ (8,352,038)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 3,159,389</u>	<u>\$ 3,159,389</u>	<u>\$ 420,277</u>
OTHER FINANCING SOURCES (USES):				
Debt issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,292,399</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>\$ -</u>	<u>\$ 3,159,389</u>	<u>\$ 3,159,389</u>	<u>\$ 1,712,676</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Revenues over expenditures and other financing sources (uses)		\$ 3,159,389		
Capital outlay		428,215		
Depreciation		(5,369,505)		
Payment of debt principal		4,701,991		
Proceeds from capital leases		-		
Interest income from Capital Projects Fund		73,261		
Increase in accrued OPEB liability		(233,067)		
Interest expense adjustment		26,646		
Deferred outflows of resources for contributions made to pension plan in current fiscal year		258,070		
Pension expense		(15,836)		
Vacation pay		<u>(17,017)</u>		
Change in net position		<u>\$ 3,012,147</u>		

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, 2015

With Comparative Actual Amounts for Year Ended June 30, 2014

	2015		Variance with Budget Positive (Negative)	2014
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 5,687,737	\$ 5,570,429	\$ (117,308)	\$ 4,428,763
Other operating revenues	522,374	522,374	-	382,994
Total operating revenues	<u>6,210,111</u>	<u>6,092,803</u>	<u>(117,308)</u>	<u>4,811,757</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 44,403	\$ 37,413	\$ 6,990	\$ 174,757
Programming	1,937,806	1,815,216	122,590	1,588,956
Broadband services	236,848	236,170	678	180,534
Services delivery	933,678	845,929	87,749	1,015,440
Total operating expenses other than depreciation	<u>\$ 3,152,735</u>	<u>\$ 2,934,728</u>	<u>\$ 218,007</u>	<u>\$ 2,959,687</u>
NONOPERATING REVENUES (EXPENDITURES):				
Investment earnings	\$ 31,510	\$ 13,857	\$ (17,653)	\$ 103,476
Capital outlay	-	-	-	-
Bond issuance costs	-	-	-	-
Payment of debt principal	(1,743,000)	(1,743,000)	-	(420,000)
Interest expense	(1,345,886)	(1,345,764)	122	(1,306,524)
Net nonoperating expenditures	<u>\$ (3,057,376)</u>	<u>\$ (3,074,907)</u>	<u>\$ (17,531)</u>	<u>\$ (1,623,048)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 83,168</u>	<u>\$ 83,168</u>	<u>\$ 229,022</u>
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>\$ -</u>	<u>\$ 83,168</u>	<u>\$ 83,168</u>	<u>\$ 229,022</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Revenues under expenditures and other financing sources (uses)		\$ 83,168		
Depreciation		(741,953)		
Bond amortization		(26,497)		
Payment of debt principal		1,743,000		
Increase in accrued OPEB liability		(8,881)		
Interest expense adjustment		27,156		
Deferred outflows of resources for contributions made to pension plan in current fiscal year		8,663		
Pension expense		(532)		
Vacation pay		1,978		
Change in net position		<u>\$ 1,086,102</u>		

CITY OF SALISBURY, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

	2015		Variance with Budget Positive (Negative)	2014
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 1,145,383	\$ 1,151,779	\$ 6,396	\$ 1,151,983
Other operating revenues	<u>1,200</u>	<u>1,399</u>	<u>199</u>	<u>1,582</u>
Total operating revenues	<u>\$ 1,146,583</u>	<u>\$ 1,153,178</u>	<u>\$ 6,595</u>	<u>\$ 1,153,565</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 528,660	\$ 514,831	\$ 13,829	\$ 437,689
Street cleaning	164,034	117,330	46,704	134,914
Storm drainage	134,377	118,073	16,304	127,193
Leaf Collection	<u>171,514</u>	<u>169,729</u>	<u>1,785</u>	<u>184,454</u>
Total operating expenditures other than depreciation	<u>\$ 998,585</u>	<u>\$ 919,963</u>	<u>\$ 78,622</u>	<u>\$ 884,250</u>
NONOPERATING REVENUES (EXPENDITURES):				
Interest on investments	\$ -	\$ 445	\$ 445	\$ 434
Capital outlay	<u>(147,998)</u>	<u>(50,758)</u>	<u>97,240</u>	<u>(23,200)</u>
Total nonoperating revenues (expenditures)	<u>\$ (147,998)</u>	<u>\$ (50,313)</u>	<u>\$ 97,685</u>	<u>\$ (22,766)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 182,902</u>	<u>\$ 182,902</u>	<u>\$ 246,549</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ 182,902		
Depreciation		(10,549)		
Capital outlay		50,758		
Increase in accrued OPEB liability		(29,630)		
Deferred outflows of resources for contributions made to pension plan in current fiscal year		28,703		
Pension expense		(1,761)		
Vacation pay		<u>5,801</u>		
Change in net position		<u>\$ 226,224</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, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

	2015		Variance with Budget Positive (Negative)	2014
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 118,000	\$ 86,510	\$ (31,490)	\$ 91,483
Other operating revenues	-	10,683	10,683	14,223
Total operating revenues	\$ 118,000	\$ 97,193	\$ (20,807)	\$ 105,706
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 311,421	\$ 292,452	\$ 18,969	\$ 285,702
Mass transit operations	770,389	639,969	130,420	687,661
Total operating expenditures other than depreciation	\$ 1,081,810	\$ 932,421	\$ 149,389	\$ 973,363
NONOPERATING REVENUES (EXPENDITURES):				
Intergovernmental	\$ 544,596	\$ 469,421	\$ (75,175)	\$ 558,062
Interest on investments	-	314	314	386
Capital outlay	(35,126)	(11,144)	23,982	(17,551)
Total nonoperating revenues (expenditures)	\$ 509,470	\$ 458,591	\$ (50,879)	\$ 540,897
Revenues under expenditures	\$ (454,340)	\$ (376,637)	\$ 77,703	\$ (326,760)
OTHER FINANCING SOURCES:				
Operating transfers in:				
General fund	\$ 454,340	\$ 454,340	\$ -	\$ 413,474
REVENUES OVER (UNDER) EXPENDITURES AND AND OTHER FINANCING SOURCES				
	\$ -	\$ 77,703	\$ 77,703	\$ 86,714
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ 77,703		
Depreciation		(87,094)		
Capital outlay		11,144		
Increase in accrued OPEB liability		(23,847)		
Deferred outflows of resources for contributions made to pension plan in current fiscal year		34,263		
Pension expense		(2,102)		
Vacation pay		(1,809)		
Change in net position		\$ 8,258		

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, 2015

With Comparative Totals at June 30, 2014

<u>ASSETS</u>	<u>Workers'</u> <u>Compensation</u>	<u>Employee</u> <u>Health Care</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
CURRENT ASSETS				
Cash and investments	\$ 654,588	\$ 656,565	\$ 1,311,153	\$ 1,367,898
Interest receivable	<u>668</u>	<u>224</u>	<u>892</u>	<u>99</u>
Total assets	<u>\$ 655,256</u>	<u>\$ 656,789</u>	<u>\$ 1,312,045</u>	<u>\$ 1,367,997</u>
<u>LIABILITIES AND NET POSITION</u>				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 36,966</u>	<u>\$ 430,013</u>	<u>\$ 466,979</u>	<u>\$ 494,227</u>
NET POSITION, UNRESTRICTED	<u>\$ 618,290</u>	<u>\$ 226,776</u>	<u>\$ 845,066</u>	<u>\$ 873,770</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, 2015
With Comparative Totals For The Year Ended June 30, 2014

	Workers' Compensation	Employee Health Care	Totals	
			2015	2014
OPERATING REVENUES:				
Charges for services	\$ 248,500	\$ 4,656,512	\$ 4,905,012	\$ 5,683,778
OPERATING EXPENSES:				
Employee benefits	<u>343,479</u>	<u>4,591,030</u>	<u>4,934,509</u>	<u>5,472,228</u>
OPERATING INCOME	\$ (94,979)	\$ 65,482	\$ (29,497)	\$ 211,550
NONOPERATING REVENUES				
Interest earned on investments	<u>615</u>	<u>178</u>	<u>793</u>	<u>1,378</u>
CHANGE IN NET POSITION	\$ (94,364)	\$ 65,660	\$ (28,704)	\$ 212,928
TOTAL NET POSITION, BEGINNING	<u>712,654</u>	<u>161,116</u>	<u>873,770</u>	<u>660,842</u>
TOTAL NET POSITION, ENDING	<u>\$ 618,290</u>	<u>\$ 226,776</u>	<u>\$ 845,066</u>	<u>\$ 873,770</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, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

	<u>2015</u>	<u>2014</u>		
	<u>Financial</u>	<u>Actual</u>	<u>Variance with</u>	<u>Actual</u>
	<u>Plan</u>	<u>Actual</u>	<u>Financial Plan</u>	<u>Actual</u>
			<u>Positive</u>	
			<u>(Negative)</u>	
OPERATING REVENUES:				
Charges for services	\$ 428,500	\$ 248,500	\$ (180,000)	\$ 470,815
OPERATING EXPENDITURES:				
Employee benefits	\$ 429,500	\$ 343,479	\$ 86,021	\$ 257,875
NONOPERATING REVENUES:				
Interest on investments	\$ 1,000	\$ 615	\$ (385)	\$ 948
Revenues over (under) expenditures	\$ -	\$ (94,364)	\$ (94,364)	\$ 213,888
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (94,364)</u>	<u>\$ (94,364)</u>	<u>\$ 213,888</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, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

	2015		Variance with Financial Plan Positive (Negative)	2014
	Financial Plan	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 4,750,000	\$ 4,656,512	\$ (93,488)	\$ 5,212,963
OPERATING EXPENDITURES:				
Employee benefits	\$ 4,750,000	\$ 4,591,030	\$ 158,970	\$ 5,214,353
NONOPERATING REVENUES:				
Interest on investments	\$ -	\$ 178	\$ 178	\$ 430
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 65,660</u>	<u>\$ 65,660</u>	<u>\$ (960)</u>

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015
With Comparative Totals For The Year Ended June 30, 2014

	Workers' Compensation	Employee Health Care	Totals	
			2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services provided	\$ 248,500	\$ 4,656,512	\$ 4,905,012	\$ 5,683,778
Cash paid for goods and services	<u>(328,826)</u>	<u>(4,632,931)</u>	<u>(4,961,757)</u>	<u>(5,512,468)</u>
Net cash provided (used) by operating activities	<u>\$ (80,326)</u>	<u>\$ 23,581</u>	<u>\$ (56,745)</u>	<u>\$ 171,310</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,736</u>
Net increase (decrease) in cash and cash equivalents	\$ (80,326)	\$ 23,581	\$ (56,745)	\$ 175,046
Balances-beginning of the year	<u>734,914</u>	<u>632,984</u>	<u>1,367,898</u>	<u>1,192,852</u>
Balances-end of the year	<u>\$ 654,588</u>	<u>\$ 656,565</u>	<u>\$ 1,311,153</u>	<u>\$ 1,367,898</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (94,979)	\$ 65,482	\$ (29,497)	\$ 211,550
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in current assets and liabilities:				
Increase (decrease) in accounts payable and accrued liabilities	<u>14,653</u>	<u>(41,901)</u>	<u>(27,248)</u>	<u>(40,240)</u>
Net cash provided (used) by operating activities	<u>\$ (80,326)</u>	<u>\$ 23,581</u>	<u>\$ (56,745)</u>	<u>\$ 171,310</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, 2015

With Comparative Totals at June 30, 2014

	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	2015	2014
<u>ASSETS</u>										
Cash and investments	\$ 2,796	\$ 3,807	\$ 40,562	\$ 402	\$ 1,570	\$ 3,649	\$ -	\$ 567	\$ 53,353	\$ 73,152
Interest receivable	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	7,750	372,515	9,391	30,085	42,591	-	-	462,332	409,492
Total assets	<u>\$ 2,796</u>	<u>\$ 11,557</u>	<u>\$ 413,077</u>	<u>\$ 9,793</u>	<u>\$ 31,655</u>	<u>\$ 46,240</u>	<u>\$ -</u>	<u>\$ 567</u>	<u>\$ 515,685</u>	<u>\$ 482,644</u>
<u>LIABILITIES</u>										
Accounts payable and accrued liabilities	<u>\$ 2,796</u>	<u>\$ 11,557</u>	<u>\$ 413,077</u>	<u>\$ 9,793</u>	<u>\$ 31,655</u>	<u>\$ 46,240</u>	<u>\$ -</u>	<u>\$ 567</u>	<u>\$ 515,685</u>	<u>\$ 482,644</u>

CITY OF SALISBURY, NORTH CAROLINA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<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	\$ 17,250	\$ 133,086	\$ 146,529	\$ 3,807
Accounts receivable	5,691	141,343	139,284	7,750
Total assets	\$ 22,941	\$ 274,429	\$ 285,813	\$ 11,557
LIABILITIES				
Accounts payable and accrued liabilities	\$ 22,941	\$ 274,429	\$ 285,813	\$ 11,557
<u>EAST SPENCER UTILITY FUND:</u>				
ASSETS				
Cash and investments	\$ 45,161	\$ 893,398	\$ 897,997	\$ 40,562
Interest receivable	-	-	-	-
Accounts receivable	331,847	1,275,707	1,235,039	372,515
Total Assets	\$ 377,008	\$ 2,169,105	\$ 2,133,036	\$ 413,077
LIABILITIES				
Accounts payable and accrued liabilities	\$ 377,008	\$ 2,169,105	\$ 2,133,036	\$ 413,077
<u>ROCKWELL GARBAGE FUND</u>				
ASSETS				
Cash and investments	\$ 317	\$ 73,288	\$ 73,203	\$ 402
Accounts receivable	9,058	65,496	65,163	9,391
Total Assets	\$ 9,375	\$ 138,784	\$ 138,366	\$ 9,793
LIABILITIES				
Accounts payable and accrued liabilities	\$ 9,375	\$ 138,784	\$ 138,366	\$ 9,793
<u>GRANITE QUARRY GARBAGE FUND</u>				
ASSETS				
Cash and investments	\$ 1,220	\$ 145,092	\$ 144,742	\$ 1,570
Accounts receivable	26,129	194,779	190,823	30,085
Total Assets	\$ 27,349	\$ 339,871	\$ 335,565	\$ 31,655
LIABILITIES				
Accounts payable and accrued liabilities	\$ 27,349	\$ 339,871	\$ 335,565	\$ 31,655

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CITY OF SALISBURY, NORTH CAROLINA
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2015

(continued)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>SPENCER GARBAGE FUND</u>				
ASSETS				
Cash and investments	\$ 2,449	\$ 227,375	\$ 226,175	\$ 3,649
Accounts receivable	36,767	308,739	302,915	42,591
Total Assets	<u>\$ 39,216</u>	<u>\$ 536,114</u>	<u>\$ 529,090</u>	<u>\$ 46,240</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 39,216</u>	<u>\$ 536,114</u>	<u>\$ 529,090</u>	<u>\$ 46,240</u>
<u>TOURISM AND CULTURAL DEVELOPMENT FUND:</u>				
ASSETS				
Cash and investments	<u>\$ -</u>	<u>\$ 358,086</u>	<u>\$ 358,086</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 358,086</u>	<u>\$ 358,086</u>	<u>\$ -</u>
<u>SALISBURY-ROWAN HUMAN RELATIONS COUNCIL FUND</u>				
ASSETS				
Cash and investments	<u>\$ 3,959</u>	<u>\$ 25,155</u>	<u>\$ 28,547</u>	<u>\$ 567</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 3,959</u>	<u>\$ 25,155</u>	<u>\$ 28,547</u>	<u>\$ 567</u>
<u>TOTAL AGENCY FUNDS:</u>				
ASSETS				
Cash and investments	\$ 73,152	\$ 1,855,480	\$ 1,875,279	\$ 53,353
Accrued interest	-	-	-	-
Accounts receivable	409,492	1,986,064	1,933,224	462,332
Total assets	<u>\$ 482,644</u>	<u>\$ 3,841,544</u>	<u>\$ 3,808,503</u>	<u>\$ 515,685</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 482,644</u>	<u>\$ 3,816,389</u>	<u>\$ 3,779,956</u>	<u>\$ 515,685</u>



Other Schedules



G-1
CITY OF SALISBURY, NORTH CAROLINA
GENERAL FUND
PROPERTY TAXES RECEIVABLE
June 30, 2015

Tax Year	Fiscal Year Ended June 30	Assessed Valuation *	Taxes Levied Prior to June 30, 2014	Collections and Credits Prior to June 30, 2014	Taxes Receivable June 30, 2014	Levy Additions Year Ended June 30, 2015	Collections and Credits Year Ended June 30, 2015	(Note) Other Credits	Taxes Receivable June 30, 2015
2014	2015	\$2,827,214,000				\$ 18,906,370	\$ 18,468,008	\$ -	\$ 438,362
2013	2014	2,837,751,208	\$ 18,614,455	\$ 18,142,635	\$ 471,820	21	272,372	-	199,469
2012	2013	2,770,069,536	17,904,696	17,674,856	229,840	-	108,734	-	121,106
2011	2012	2,770,069,536	17,339,063	17,152,438	186,625	-	117,935	-	68,690
2010	2011	2,916,307,629	17,470,493	17,399,773	70,720	-	12,602	-	58,118
2009	2010	2,902,150,012	17,459,442	17,399,398	60,044	-	6,282	-	53,762
2008	2009	2,889,983,197	17,334,870	17,286,542	48,328	-	4,275	-	44,053
2007	2008	2,826,097,249	16,966,584	16,928,383	38,201	-	2,892	-	35,309
2006	2007	2,416,776,551	15,352,505	15,324,672	27,833	-	1,356	-	26,477
2005	2006	2,332,871,603	14,642,168	14,612,472	29,696	-	924	-	28,772
2004	2005	2,205,157,905	13,758,035	13,734,210	23,825	-	634	23,191	-
			<u>\$ 166,842,311</u>	<u>\$ 147,512,744</u>	<u>\$ 1,186,932</u>	<u>\$ 18,906,391</u>	<u>\$ 18,996,014</u>	<u>\$ 23,191</u>	<u>\$ 1,074,118</u>
Less allowance for uncollectible accounts									<u>355,000</u>
Ad valorem taxes receivable - net									<u>\$ 719,118</u>
Reconciliation of Collections and Credits with revenues									
Revenues per Statement B-1									
							\$ 17,984,759		
							517,307		
							<u>250,610</u>		
Ad valorem tax revenue							\$ 18,752,676		
Discounts allowed							152,212		
Late listing penalties							10,347		
Abatement of prior year taxes							<u>80,779</u>		
Total collections and credits							<u>\$ 18,996,014</u>		

* All taxable property is assessed at one hundred percent (100%) of its estimated value at the time of revaluation.
Note: Ten year statute of limitations write-off.

CITY OF SALISBURY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

For the Year Ended June 30, 2015

	<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	\$2,823,306,748	\$0.6569	\$ 18,546,278	\$17,199,953	\$ 1,346,325
Registered motor vehicles taxed at prior year's rates	8,644,801	0.6374	55,104	-	55,104
Auto registration fee			239,877	-	239,877
Penalties			<u>9,682</u>	<u>9,682</u>	<u>-</u>
TOTAL	\$2,831,951,549		<u>\$ 18,850,941</u>	<u>\$17,209,635</u>	<u>\$ 1,641,306</u>
DISCOVERY					
Current year rates	1,117,992		7,344	7,344	-
Prior years rates			83,084	83,084	-
Penalties			<u>4,052</u>	<u>4,052</u>	<u>-</u>
TOTAL			<u>\$ 94,480</u>	<u>\$ 94,480</u>	<u>-</u>
ABATEMENTS	<u>(5,855,541)</u>		<u>\$ (39,051)</u>	<u>\$ (35,940)</u>	<u>\$ (3,111)</u>
TOTAL PROPERTY VALUATION	<u>\$2,827,214,000</u>				
NET LEVY			\$ 18,906,370	\$17,268,175	\$ 1,638,195
Less uncollected tax at June 30, 2015			<u>438,362</u>	<u>437,414</u>	<u>948</u>
CURRENT YEAR'S TAXES COLLECTED			<u>\$ 18,468,008</u>	<u>\$16,830,761</u>	<u>\$1,637,247</u>
PERCENT OF CURRENT YEAR COLLECTED			<u>97.68%</u>	<u>97.47%</u>	<u>99.94%</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	122-129
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	130-135
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	136-142
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	143-144
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	145-149
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				
	2006	2007	2008	2009	2010
Governmental activities					
Net investment in capital assets	\$ 32,777,082	\$ 36,272,178	\$ 36,525,374	\$ 37,816,470	\$ 38,831,003
Restricted	-	-	-	216,413	591,581
Unrestricted	<u>6,600,846</u>	<u>7,180,425</u>	<u>8,148,501</u>	<u>7,691,236</u>	<u>6,001,521</u>
Total Governmental net position	<u>\$ 39,377,928</u>	<u>\$ 43,452,603</u>	<u>\$ 44,673,875</u>	<u>\$ 45,724,119</u>	<u>\$ 45,424,105</u>
Business-type activities					
Net investment in capital assets	\$ 72,574,520	\$ 73,759,751	\$ 77,307,128	\$ 75,728,506	\$ 76,682,748
Unrestricted	<u>9,010,320</u>	<u>10,909,457</u>	<u>9,671,332</u>	<u>12,737,154</u>	<u>11,659,840</u>
Total business-type net position	<u>\$ 81,584,840</u>	<u>\$ 84,669,208</u>	<u>\$ 86,978,460</u>	<u>\$ 88,465,660</u>	<u>\$ 88,342,588</u>
Primary government					
Net investment in capital assets	\$ 105,351,602	\$ 110,031,929	\$ 113,832,502	\$ 113,544,976	\$ 115,513,751
Restricted	-	-	-	216,413	591,581
Unrestricted	<u>15,611,166</u>	<u>18,089,882</u>	<u>17,819,833</u>	<u>20,428,390</u>	<u>17,661,361</u>
Total primary government net position	<u>\$ 120,962,768</u>	<u>\$ 128,121,811</u>	<u>\$ 131,652,335</u>	<u>\$ 134,189,779</u>	<u>\$ 133,766,693</u>

Schedule 1

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental activities					
Net investment in capital assets	\$ 39,495,804	\$ 38,522,820	\$ 37,783,298	\$ 36,648,493	\$ 35,682,857
Restricted	4,846,985	4,851,968	4,657,799	4,503,277	4,120,183
Unrestricted	<u>850,814</u>	<u>3,181,778</u>	<u>5,778,803</u>	<u>7,830,760</u>	<u>8,320,730</u>
Total Governmental net position	<u>\$ 45,193,603</u>	<u>\$ 46,556,566</u>	<u>\$ 48,219,900</u>	<u>\$ 48,982,530</u>	<u>\$ 48,123,770</u>
Business-type activities					
Net investment in capital assets	\$ 74,697,761	\$ 79,246,490	\$ 77,077,799	\$ 77,582,377	\$ 78,308,385
Unrestricted	<u>13,195,867</u>	<u>11,964,751</u>	<u>11,254,780</u>	<u>13,253,188</u>	<u>16,076,740</u>
Total business-type net position	<u>\$ 87,893,628</u>	<u>\$ 91,211,241</u>	<u>\$ 88,332,579</u>	<u>\$ 90,835,565</u>	<u>\$ 94,385,125</u>
Primary government					
Net investment in capital assets	\$114,193,565	\$117,769,310	\$ 114,861,097	\$ 114,230,870	\$ 113,991,242
Restricted	4,846,985	4,851,968	4,657,799	4,503,277	4,120,183
Unrestricted	<u>14,046,681</u>	<u>15,146,529</u>	<u>17,033,583</u>	<u>21,083,948</u>	<u>24,397,470</u>
Total primary government net position	<u>\$133,087,231</u>	<u>\$137,767,807</u>	<u>\$ 136,552,479</u>	<u>\$ 139,818,095</u>	<u>\$ 142,508,895</u>

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

Expenses	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities:					
General government	\$ 6,620,291	\$ 7,545,934	\$ 8,584,267	\$ 7,607,018	\$ 9,000,546
Public safety	10,559,567	11,018,172	11,855,275	12,600,709	12,781,599
Transportation	5,718,272	5,079,652	5,875,717	4,870,333	5,720,250
Environmental protection	1,785,667	2,139,937	2,203,772	2,459,565	1,903,354
Culture and recreation	2,637,583	2,593,105	2,830,610	2,934,389	2,977,724
Community and economic development	2,260,752	2,094,261	2,025,313	1,938,878	1,861,576
Education	42,342	42,342	42,342	42,342	42,342
Interest on long-term debt	297,212	414,815	358,688	449,945	365,136
Total governmental activities expenses	<u>\$ 29,921,686</u>	<u>\$ 30,928,218</u>	<u>\$ 33,775,984</u>	<u>\$ 32,903,179</u>	<u>\$ 34,652,527</u>
Business-type activities:					
Water and Sewer	\$ 18,131,596	\$ 18,636,493	\$ 19,488,977	\$ 19,961,739	\$ 20,703,446
Broadband Services				230,474	828,584
Stormwater					
Mass Transit	977,470	1,194,223	1,258,857	1,347,215	1,217,603
Total business-type activities	<u>\$ 19,109,066</u>	<u>\$ 19,830,716</u>	<u>\$ 20,747,834</u>	<u>\$ 21,539,428</u>	<u>\$ 22,749,633</u>
Total primary governmental expenses	<u>\$ 49,030,752</u>	<u>\$ 50,758,934</u>	<u>\$ 54,523,818</u>	<u>\$ 54,442,607</u>	<u>\$ 57,402,160</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 3,207,322	\$ 3,796,433	\$ 3,889,331	\$ 3,343,256	\$ 3,543,676
Public safety	473,190	459,350	464,189	456,266	433,727
Transportation	139,704	127,207	157,217	148,212	129,223
Environmental protection	981,344	1,156,391	1,208,241	1,549,055	1,221,279
Culture and recreation	164,896	167,781	175,416	165,332	153,833
Community and economic development	504,285	444,382	201,558	209,970	134,399
Operating grants and contributions	1,943,637	1,547,688	1,821,205	1,710,521	2,507,060
Capital grants and contributions	2,406,145	3,684,048	1,376,213	986,905	759,641
Total governmental activities program revenues	<u>\$ 9,820,523</u>	<u>\$ 11,383,280</u>	<u>\$ 9,293,370</u>	<u>\$ 8,569,517</u>	<u>\$ 8,882,838</u>
Business-type activities:					
Charges for services:					
Water and Sewer	\$ 17,789,555	\$ 19,384,892	\$ 20,463,596	\$ 20,738,138	\$ 21,353,577
Broadband Services					
Stormwater					
Mass Transit	80,372	85,835	88,633	105,874	109,235
Operating grants and contributions	452,326	482,692	479,227	507,040	509,046
Capital grants and contributions	43,765	1,960,331	771,686	722,209	-
Total business-type activities program revenues	<u>\$ 18,366,018</u>	<u>\$ 21,913,750</u>	<u>\$ 21,803,142</u>	<u>\$ 22,073,261</u>	<u>\$ 21,971,858</u>
Total primary governmental program revenues	<u>\$ 28,186,541</u>	<u>\$ 33,297,030</u>	<u>\$ 31,096,512</u>	<u>\$ 30,642,778</u>	<u>\$ 30,854,696</u>
Net (expense)/revenue					
Governmental activities	\$ (20,101,163)	\$ (19,544,938)	\$ (24,482,614)	\$ (24,333,662)	\$ (25,769,689)
Business-type activities	(743,048)	2,083,034	1,055,308	533,833	(777,775)
Total primary governmental net expense	<u>\$ (20,844,211)</u>	<u>\$ (17,461,904)</u>	<u>\$ (23,427,306)</u>	<u>\$ (23,799,829)</u>	<u>\$ (26,547,464)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 14,580,037	\$ 15,237,001	\$ 16,755,835	\$ 17,162,719	\$ 17,379,089
Sales and other taxes	4,755,926	4,928,404	5,220,704	4,732,043	4,526,014
Intergovernmental revenues	2,731,869	2,818,573	3,446,122	3,251,711	3,494,579
Unrestricted investment earnings	379,137	544,213	461,939	244,222	109,254
Miscellaneous	175,357	449,991	257,067	446,592	351,058
Transfers	(213,118)	(358,569)	(437,781)	(453,381)	(390,319)
Total governmental activities	<u>\$ 22,409,208</u>	<u>\$ 23,619,613</u>	<u>\$ 25,703,886</u>	<u>\$ 25,383,906</u>	<u>\$ 25,469,675</u>
Business-type activities:					
Investment earnings	\$ 342,961	\$ 642,765	\$ 816,163	\$ 499,986	\$ 264,384
Miscellaneous	2,420	-	-	-	-
Transfers	213,118	358,569	437,781	453,381	390,319
Total business-type activities	<u>\$ 558,499</u>	<u>\$ 1,001,334</u>	<u>\$ 1,253,944</u>	<u>\$ 953,367</u>	<u>\$ 654,703</u>
Total primary government	<u>\$ 22,967,707</u>	<u>\$ 24,620,947</u>	<u>\$ 26,957,830</u>	<u>\$ 26,337,273</u>	<u>\$ 26,124,378</u>
Change in Net Position					
Governmental activities	\$ 2,308,045	\$ 4,074,675	\$ 1,221,272	\$ 1,050,244	\$ (300,014)
Business-type activities	(184,549)	3,084,368	2,309,252	1,487,200	(123,072)
Total primary government	<u>\$ 2,123,496</u>	<u>\$ 7,159,043</u>	<u>\$ 3,530,524</u>	<u>\$ 2,537,444</u>	<u>\$ (423,086)</u>

Schedule 2

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

Expenses	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental activities:					
General government	\$ 8,638,802	\$ 8,858,997	\$ 7,505,862	\$ 9,704,764	\$ 8,975,017
Public safety	13,065,399	12,013,621	11,971,909	11,788,115	11,455,490
Transportation	5,410,397	5,227,558	4,676,309	4,150,618	4,440,902
Environmental protection	2,372,108	1,672,367	1,470,400	1,472,922	1,481,637
Culture and recreation	2,852,895	2,564,518	2,372,225	2,365,534	2,432,466
Community and economic development	1,868,213	2,335,285	3,114,076	2,285,065	2,480,317
Education	42,342	38,107	38,107	38,107	38,107
Interest on long-term debt	323,639	442,531	586,480	510,887	517,340
Total governmental activities expenses	<u>\$ 34,573,795</u>	<u>\$ 33,152,984</u>	<u>\$ 31,735,368</u>	<u>\$ 32,316,012</u>	<u>\$ 31,821,276</u>
Business-type activities:					
Water and Sewer	\$ 21,352,837	\$ 21,501,799	\$ 20,722,706	\$ 20,985,348	\$ 21,398,672
Broadband Services	3,735,371	6,787,748	8,096,019	5,059,343	5,020,558
Stormwater			883,201	936,526	927,399
Mass Transit	1,175,654	1,053,025	1,086,236	1,098,881	1,013,010
Total business-type activities	<u>\$ 26,263,862</u>	<u>\$ 29,342,572</u>	<u>\$ 30,788,162</u>	<u>\$ 28,080,098</u>	<u>\$ 28,359,639</u>
Total primary governmental expenses	<u>\$ 60,837,657</u>	<u>\$ 62,495,556</u>	<u>\$ 62,523,530</u>	<u>\$ 60,396,110</u>	<u>\$ 60,180,915</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 3,528,014	\$ 3,573,724	\$ 1,480,475	\$ 1,485,412	\$ 1,001,470
Public safety	446,473	432,019	522,063	397,948	376,740
Transportation	141,241	175,285	169,651	144,681	175,182
Environmental protection	1,102,823	1,408,604	1,751,408	2,064,070	2,173,339
Culture and recreation	156,726	160,059	166,221	162,497	131,904
Community and economic development	136,921	375,299	169,605	258,108	70,459
Operating grants and contributions	2,334,124	2,140,686	1,861,365	1,791,226	1,845,698
Capital grants and contributions	912,385	97,785	972,479	79,807	-
Total governmental activities program revenues	<u>\$ 8,758,707</u>	<u>\$ 8,363,461</u>	<u>\$ 7,093,267</u>	<u>\$ 6,383,749</u>	<u>\$ 5,774,792</u>
Business-type activities:					
Charges for services:					
Water and Sewer	\$ 22,139,692	\$ 23,637,076	\$ 22,344,591	\$ 22,773,882	\$ 24,327,901
Broadband Services	610,074	2,621,168	3,867,051	4,811,757	6,092,803
Stormwater			1,152,613	1,153,565	1,153,178
Mass Transit	134,131	125,809	114,717	105,706	97,193
Operating grants and contributions	549,621	614,416	605,706	558,062	469,421
Capital grants and contributions	1,725,935	5,002,523	270,330	575,019	-
Total business-type activities program revenues	<u>\$ 25,159,453</u>	<u>\$ 32,000,992</u>	<u>\$ 28,355,008</u>	<u>\$ 29,977,991</u>	<u>\$ 32,140,496</u>
Total primary governmental program revenues	<u>\$ 33,918,160</u>	<u>\$ 40,364,453</u>	<u>\$ 35,448,275</u>	<u>\$ 36,361,740</u>	<u>\$ 37,915,288</u>
Net (expense)/revenue					
Governmental activities	\$ (25,815,088)	\$ (24,789,523)	\$ (24,642,101)	\$ (25,932,263)	\$ (26,046,484)
Business-type activities	(1,104,409)	2,658,420	(2,433,154)	1,897,893	3,780,857
Total primary governmental net expense	<u>\$ (26,919,497)</u>	<u>\$ (22,131,103)</u>	<u>\$ (27,075,255)</u>	<u>\$ (24,034,370)</u>	<u>\$ (22,265,627)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 17,410,646	\$ 17,289,944	\$ 17,796,508	\$ 18,490,266	\$ 18,744,275
Sales and other taxes	4,752,432	5,260,348	5,303,387	5,454,780	5,898,259
Intergovernmental revenues	3,540,146	3,463,465	3,425,372	3,138,583	3,270,152
Unrestricted investment earnings	99,759	86,424	65,080	24,738	17,471
Miscellaneous	198,388	469,090	128,560	-	-
Transfers	(416,785)	(416,785)	(413,474)	(413,474)	(454,340)
Total governmental activities	<u>\$ 25,584,586</u>	<u>\$ 26,152,486</u>	<u>\$ 26,305,433</u>	<u>\$ 26,694,893</u>	<u>\$ 27,475,817</u>
Business-type activities:					
Investment earnings	\$ 238,664	\$ 242,408	\$ 166,183	\$ 191,619	\$ 97,534
Miscellaneous	-	-	-	-	-
Transfers	416,785	416,785	413,474	413,474	454,340
Total business-type activities	<u>\$ 655,449</u>	<u>\$ 659,193</u>	<u>\$ 579,657</u>	<u>\$ 605,093</u>	<u>\$ 551,874</u>
Total primary government	<u>\$ 26,240,035</u>	<u>\$ 26,811,679</u>	<u>\$ 26,885,090</u>	<u>\$ 27,299,986</u>	<u>\$ 28,027,691</u>
Change in Net Position					
Governmental activities	\$ (230,502)	\$ 1,362,963	\$ 1,663,332	\$ 762,630	\$ 1,429,333
Business-type activities	(448,960)	3,317,613	(1,853,497)	2,502,986	4,332,731
Total primary government	<u>\$ (679,462)</u>	<u>\$ 4,680,576</u>	<u>\$ (190,165)</u>	<u>\$ 3,265,616</u>	<u>\$ 5,762,064</u>

Schedule 3

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

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ 3,873,682	\$ 3,334,316	\$ 3,618,321	\$ 4,426,599	\$ 4,405,420
Unreserved	<u>3,310,681</u>	<u>3,538,413</u>	<u>4,446,572</u>	<u>4,514,032</u>	<u>4,499,117</u>
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
 Total General Fund	 <u>\$ 7,184,363</u>	 <u>\$ 6,872,729</u>	 <u>\$ 8,064,893</u>	 <u>\$ 8,940,631</u>	 <u>\$ 8,904,537</u>
 All other governmental funds					
Reserved	\$ 523,350	\$ 7,724	\$ 36,736	\$ 81,400	\$ 31,427
Unreserved, reported in:					
Special revenue funds	182,446	92,834	(30,759)	(76,713)	(27,823)
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,035,631</u>	<u>382,328</u>
Restricted					
 Total all other governmental funds	 <u>\$ 705,796</u>	 <u>\$ 100,558</u>	 <u>\$ 5,977</u>	 <u>\$ 2,040,318</u>	 <u>\$ 385,932</u>

Schedule 3

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

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	319,844	327,754	710,508	548,414	488,254
Restricted	4,839,986	4,822,687	4,874,212	4,719,690	4,296,204
Committed	2,811,084	3,587,402	3,974,716	4,261,316	4,310,985
Assigned					1,798,040
Unassigned	<u>515,476</u>	<u>1,830,280</u>	<u>3,704,050</u>	<u>6,338,351</u>	<u>7,039,896</u>
Total General Fund	<u>\$ 8,486,390</u>	<u>\$ 10,568,123</u>	<u>\$ 13,263,486</u>	<u>\$ 15,867,771</u>	<u>\$ 17,933,379</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	9,840	7,474	7,476
Capital projects funds	-	-	-	-	-
Restricted	<u>6,999</u>	<u>10,723</u>	<u>898</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 6,999</u>	<u>\$ 10,723</u>	<u>\$ 10,738</u>	<u>\$ 7,474</u>	<u>\$ 7,476</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				
	2006	2007	2008	2009	2010
Revenues					
Taxes	\$ 14,523,959	\$ 15,152,988	\$ 16,731,217	\$ 16,960,723	\$ 17,121,590
Licenses and permits	574,669	473,488	413,940	393,755	420,876
Intergovernmental	9,851,051	9,592,656	10,708,309	10,489,900	10,637,419
Charges for services	2,248,157	2,490,586	2,503,642	2,941,277	2,640,751
Investment earnings	331,121	410,322	394,806	197,380	98,466
Miscellaneous	942,243	602,044	701,002	642,012	496,933
Administrative charges	2,070,628	2,275,159	2,417,857	2,536,683	2,554,510
Total revenues	<u>\$ 30,541,828</u>	<u>\$ 30,997,243</u>	<u>\$ 33,870,773</u>	<u>\$ 34,161,730</u>	<u>\$ 33,970,545</u>
Expenditures					
General government	\$ 6,198,248	\$ 6,604,904	\$ 7,087,851	\$ 7,392,264	\$ 9,208,823
Public safety	13,692,442	13,235,698	11,591,654	11,800,925	12,654,815
Transportation	4,613,922	4,143,049	4,844,531	4,969,657	4,729,571
Environmental protection	1,801,115	1,994,245	2,198,012	2,269,806	1,804,449
Culture and recreation	2,601,386	2,590,253	3,031,619	3,148,062	2,814,908
Economic and physical development	2,227,480	2,269,786	2,069,328	1,934,441	2,339,095
Education	42,342	42,342	42,342	42,342	42,342
Debt service					
Principal	666,950	954,857	2,012,386	1,129,427	1,296,442
Interest and fees	287,965	394,837	364,620	350,909	380,261
Issuance fees				65,437	-
Total expenditures	<u>\$ 32,131,850</u>	<u>\$ 32,229,971</u>	<u>\$ 33,242,343</u>	<u>\$ 33,103,270</u>	<u>\$ 35,270,706</u>
Excess of revenues over (under) expenditures	<u>\$ (1,590,022)</u>	<u>\$ (1,232,728)</u>	<u>\$ 628,430</u>	<u>\$ 1,058,460</u>	<u>\$ (1,300,161)</u>
Other financing sources (uses)					
Transfers out	\$ (213,118)	\$ (358,569)	\$ (437,781)	\$ (453,381)	\$ (390,319)
Section 108 loans	-	-	-	-	-
Refunding bonds issued					
Payment to refund bond escrow agent					
Installment purchase financing	3,565,680	674,425	906,934	2,305,000	-
Total other financing sources (uses)	<u>\$ 3,352,562</u>	<u>\$ 315,856</u>	<u>\$ 469,153</u>	<u>\$ 1,851,619</u>	<u>\$ (390,319)</u>
Net change in fund balances	<u>\$ 1,762,540</u>	<u>\$ (916,872)</u>	<u>\$ 1,097,583</u>	<u>\$ 2,910,079</u>	<u>\$ (1,690,480)</u>
Total capital expenditures included above	\$ 1,629,005	\$ 3,982,859	\$ 1,735,087	\$ 3,218,811	\$ 3,772,963
Debt services as a percentage of noncapital expenditures	3.1%	4.8%	7.5%	5.2%	5.3%

Schedule 4

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Revenues					
Taxes	\$ 17,295,252	\$ 17,263,974	\$ 17,798,183	\$ 18,861,229	\$ 18,873,342
Licenses and permits	335,602	369,109	366,729	414,427	153,895
Intergovernmental	10,899,089	11,298,587	11,447,178	10,464,396	10,916,799
Charges for services	2,559,210	3,103,104	3,750,913	3,370,284	3,451,843
Investment earnings	92,629	82,763	42,062	16,329	16,679
Miscellaneous	334,184	630,817	414,055	735,036	420,666
Administrative charges	2,608,011	2,652,777	3,043,931	-	-
Total revenues	<u>\$ 34,123,977</u>	<u>\$ 35,401,131</u>	<u>\$ 36,863,051</u>	<u>\$ 33,861,701</u>	<u>\$ 33,833,224</u>
Expenditures					
General government	\$ 8,869,055	\$ 9,256,814	\$ 9,873,172	\$ 10,793,704	\$ 8,721,654
Public safety	13,103,690	11,692,748	11,471,178	11,275,895	11,514,936
Transportation	5,072,925	3,931,193	3,642,785	2,887,999	3,073,246
Environmental protection	1,814,708	1,637,390	1,446,495	1,668,679	1,472,928
Culture and recreation	2,709,176	2,359,866	2,225,672	2,186,862	2,277,387
Economic and physical development	2,266,733	2,242,324	3,156,793	2,196,940	2,448,259
Education	42,342	38,107	38,107	38,107	38,107
Debt service					
Principal	1,206,824	1,268,348	1,361,089	1,712,533	1,241,639
Interest and fees	332,819	472,495	538,908	504,088	525,118
Issuance fees	-	-	-	-	-
Total expenditures	<u>\$ 35,418,272</u>	<u>\$ 32,899,285</u>	<u>\$ 33,754,199</u>	<u>\$ 33,264,807</u>	<u>\$ 31,313,274</u>
Excess of revenues over (under) expenditures	<u>\$ (1,294,295)</u>	<u>\$ 2,501,846</u>	<u>\$ 3,108,852</u>	<u>\$ 596,894</u>	<u>\$ 2,519,950</u>
Other financing sources (uses)					
Transfers out	\$ (416,785)	\$ (416,785)	\$ (413,474)	\$ (413,474)	\$ (454,340)
Section 108 loans	-	-	-	-	-
Refunding bonds issued		905,000	-	-	-
Payment to refund bond escrow agent		(904,604)	-	-	-
Installment purchase financing	914,000	-	-	2,417,601	-
Total other financing sources (uses)	<u>\$ 497,215</u>	<u>\$ (416,389)</u>	<u>\$ (413,474)</u>	<u>\$ 2,004,127</u>	<u>\$ (454,340)</u>
Net change in fund balances	<u>\$ (797,080)</u>	<u>\$ 2,085,457</u>	<u>\$ 2,695,378</u>	<u>\$ 2,601,021</u>	<u>\$ 2,065,610</u>
Total capital expenditures included above	\$ 3,789,327	\$ 817,974	\$ 788,382	\$ 2,471,991	\$ 1,023,973
Debt services as a percentage of noncapital expenditures	4.9%	5.4%	5.8%	7.2%	5.8%

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
2006	\$ 14,580,037	\$ 4,755,926	\$ 1,863,690	\$ 21,199,653
2007	15,237,001	4,928,404	2,029,281	22,194,686
2008	16,755,835	5,220,704	2,533,067	24,509,606
2009	17,162,719	4,732,043	2,493,549	24,388,311
2010	17,379,089	4,526,014	2,542,211	24,447,314
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

* 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	
2006	0.6150	0.1600	0.6300	1.4050
2007	0.6250	0.1600	0.6300	1.4150
2008	0.5900	0.1600	0.5950	1.3450
2009	0.5900	0.1600	0.5950	1.3450
2010	0.5900	0.1600	0.5950	1.3450
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

Source: Rowan County Tax Assessor.

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

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

Schedule 7

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

Fiscal Year Ended June 30	Real Property		Personal Property		Public Service Companies
	Residential Property	Commercial Property	Motor Vehicles	Other	
2006	\$ 1,033,163,052	\$ 766,165,600	\$180,632,571	\$ 304,196,940	\$ 61,623,601
2007	1,062,656,530	807,518,731	180,085,538	321,667,603	57,991,527
2008	1,278,010,578	979,777,296	203,330,301	321,212,171	60,025,014
2009	1,313,367,427	997,804,691	201,392,686	331,012,807	63,736,172
2010	1,302,210,389	1,030,493,844	173,246,565	354,549,352	60,768,581
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

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
2006	\$ 12,910,161	\$ 2,332,871,603	\$ 0.6150	100.00%
2007	13,143,378	2,416,776,551	0.6250	100.00%
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%

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>2015</u>			<u>2006</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.	\$ 183,284,410	1	6.48%	\$ 108,709,544	1	4.66%
Henkel Corporation	34,498,000	2	1.22%			
AKZO Nobel	30,422,677	3	1.08%			
Duke Energy Corporation	29,386,458	4	1.04%	23,639,522	3	1.01%
Norandal USA	26,672,706	5	0.94%	18,790,530	5	0.81%
Centro Heritage Innes Street, LLC	22,881,304	6	0.81%	27,416,727	2	1.18%
Wal-Mart Real Estate Business	12,983,572	7	0.46%	13,319,132	9	0.57%
BRC Salisbury LLC	10,845,372	8	0.38%			
Piedmont Natural Gas	11,467,222	9	0.41%			
Hutton Growth Salisbury, LLC	10,818,160	10	0.38%			
ICI Americas				18,782,974	4	0.81%
Bellsouth Telephone				16,735,903	6	0.72%
Rowan Regional Medical Center				15,620,000	7	0.67%
Salisbury Mall, Ltd.				14,009,826	8	0.60%
Keffer Management				11,560,232	10	0.50%
Totals	<u>\$ 384,939,108</u>		<u>13.62%</u>	<u>\$ 268,584,390</u>		<u>11.51%</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
2006	\$ 14,642,168	\$ 14,239,283	97.25%	\$ 374,113	\$ 14,613,396	99.80%
2007	15,353,108	14,885,545	96.95%	441,086	15,326,631	99.83%
2008	16,966,584	16,463,376	97.03%	467,899	16,931,275	99.79%
2009	17,334,870	16,646,171	96.03%	644,646	17,290,817	99.75%
2010	17,459,442	16,675,302	95.51%	730,378	17,405,680	99.69%
2011	17,470,493	16,668,635	95.41%	743,740	17,412,375	99.67%
2012	17,339,063	16,525,289	95.31%	745,084	17,270,373	99.60%
2013	17,904,696	17,181,570	95.96%	602,020	17,783,590	99.32%
2014	18,614,476	18,142,635	97.47%	272,372	18,415,007	98.93%
2015	18,906,370	18,468,008	97.68%	-	18,468,008	97.68%

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	State Loans
2006	\$ 2,075,000	\$ 7,277,152	532,000	\$ 10,592,712		\$ 19,774,236	\$ 11,537,566
2007	1,875,000	7,228,720	500,000	9,286,300		25,045,997	10,655,060
2008	1,675,000	6,355,267	468,000	8,054,887		31,587,521	9,772,554
2009	1,475,000	7,762,840	436,000	6,888,474	31,973,281	30,448,803	8,890,048
2010	1,275,000	6,698,398	404,000	5,742,062	32,052,617	35,261,442	8,007,542
2011	1,075,000	6,637,574	372,000	4,615,650	32,131,953	33,810,689	7,125,036
2012	905,000	5,601,226	340,000	3,491,651	32,211,289	32,171,040	6,242,530
2013	690,000	4,487,137	308,000	2,625,000	33,965,775	30,485,857	5,360,024
2014	475,000	5,439,205	276,000	1,440,000	35,070,779	28,648,396	4,477,518
2015	270,000	4,434,566	244,000	275,000	33,198,540	26,750,426	3,595,012

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	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2006	\$ 2,799,885	\$ 54,590,557	9.19%	\$ 1,867
2007	2,535,695	57,128,779	8.95%	1,864
2008	2,274,849	60,190,086	8.56%	1,940
2009	2,007,264	89,883,719	12.34%	2,866
2010	1,732,856	91,175,927	12.81%	2,826
2011	1,456,531	87,226,444	11.43%	2,586
2012	4,864,846	85,829,594	10.99%	2,547
2013	4,237,571	82,161,377	10.28%	2,444
2014	3,610,296	79,439,208	9.67%	2,355
2015	2,983,020	71,752,579	8.46%	2,113

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
2006	\$ 2,075,000	\$ 10,592,712	\$ 12,667,712	0.54%	433
2007	1,875,000	9,286,300	11,161,300	0.46%	364
2008	1,675,000	8,054,887	9,729,887	0.34%	314
2009	1,475,000	6,888,474	8,363,474	0.29%	267
2010	1,275,000	5,742,062	7,017,062	0.24%	217
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

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, 2015**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Rowan County	\$ 73,474,186	23.85%	\$ 17,524,229
City of Salisbury direct debt			<u>6,190,205</u>
Total direct and overlapping debt			<u><u>\$ 23,714,434</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				
	2006	2007	2008	2009	2010
Debt limit	\$ 187,662,541	\$ 194,393,594	\$ 227,388,429	\$ 232,585,103	\$ 233,701,498
Total net debt applicable to limit	<u>22,744,749</u>	<u>20,925,715</u>	<u>18,360,003</u>	<u>50,981,225</u>	<u>47,500,933</u>
Legal debt margin	<u>\$ 164,917,792</u>	<u>\$ 173,467,879</u>	<u>\$ 209,028,426</u>	<u>\$ 181,603,878</u>	<u>\$ 186,200,565</u>
Total net debt applicable to the limit as a percentage of debt limit	12.12%	10.76%	8.07%	21.92%	20.33%

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				
	2011	2012	2013	2014	2015
Debt limit	\$ 234,972,905	\$ 223,323,818	\$ 223,385,340	\$ 228,786,183	\$ 228,786,183
Total net debt applicable to limit	<u>45,916,708</u>	<u>47,074,012</u>	<u>45,705,483</u>	<u>45,637,820</u>	<u>41,161,126</u>
Legal debt margin	<u>\$ 189,056,197</u>	<u>\$ 176,249,806</u>	<u>\$ 177,679,857</u>	<u>\$ 183,148,363</u>	<u>\$ 187,625,057</u>
Total net debt applicable to the limit as a percentage of debt limit	19.54%	21.08%	20.46%	19.95%	17.99%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 2,837,751,208
Add back: exempt real property	<u>22,076,075</u>
Total assessed value	\$ 2,859,827,283
Debt Limit (8% of total assessed value)	228,786,183
Debt applicable to limit:	
General obligation bonds	545,000
Capitalized lease and installment purchase obligations	<u>40,616,126</u>
Legal debt margin	<u>\$ 187,625,057</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
2006	\$ 18,132,373	\$ 11,843,353	\$ 6,289,020	\$ 1,610,535	\$ 5,094,339	390.49%	123.45%
2007	19,888,170	12,384,082	7,504,088	1,828,958	5,208,347	410.29%	144.08%
2008	20,965,998	13,150,616	7,815,382	2,132,890	5,478,090	366.42%	142.67%
2009	20,968,062	13,521,208	7,446,854	2,592,000	5,687,303	287.30%	130.94%
2010	21,044,751	14,203,262	6,841,489	2,683,309	5,754,927	254.96%	118.88%
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%

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
2006	29,239	\$ 594,136,480	\$ 20,320	37.7	5.8%
2007	30,642	638,211,576	20,828	37.9	6.6%
2008	31,024	703,003,840	22,660	38.1	6.6%
2009	31,358	728,336,587	23,227	38.3	10.3%
2010	32,263	711,888,741	22,065	38.5	12.7%
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%

Sources: Population data provided by Office of State Management and Budget. Personal income, per capita 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	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rowan/Salisbury School System	2,730	1	13.32%	2,905	1	15.29%
Food Lion	2,000	2	9.76%	2,165	2	11.39%
W. G. (Bill) Hefner VA Medical Center	1,990	3	9.71%	1,300	3	6.84%
Rowan Regional Medical Center	1,200	4	5.85%	1,250	4	6.58%
Rowan County	753	5	3.67%	695	5	3.66%
Rowan-Cabarrus Community College	550	6	2.68%	425	8	2.24%
City of Salisbury	412	7	2.01%	447	6	2.35%
Piedmont Correctional Institute	411	8	2.00%	450	7	2.37%
Wal-Mart	392	9	1.91%	265	10	1.39%
Catawba College	250	10	1.22%			
Lutheran Services for the Aging				280	9	1.47%
Total	10,688		52.14%	10,182		53.59%

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

Function	Full-time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
City administration	7	8	9	9	9	9	10	11	9	9
Human resources	6	5	4	5	6	6	6	6	6	6
Business and Financial Services	16	15	17	16	16	23	21	22	27	25
Fleet management	11	11	11	12	11	10	11	10	11	11
Public services administration	3	4	4	3	3	3	3	3	3	3
Facilities maintenance	6	6	7	7	8	9	9	6		
Infrastructure services									17	14
Telecommunications	1	2	2	3	3	3	3	3	3	4
Information technologies	8	8	10	11	9	8	8	12	11	11
Public safety:										
Police:										
Officers	81	76	83	84	83	79	79	72	79	79
Civilians	22	20	20	18	17	21	19	20	7	7
Fire:										
Firefighters	68	74	76	73	76	76	75	75	71	72
Civilians	1	1	1	1	1	1	1	1	1	1
Transportation:										
Traffic operations	8	7	7	7	7	7	7	6	6	
Engineering	6	6	7	7	7	5	4	3	4	5
Streets	27	27	29	30	30	24	27	18	17	23
Environmental protection:										
Solid waste management	16	15	15	12	11	10	10	9	5	3
Cemetery	4	5	5	5	4	6	4	4	4	4
Culture and recreation	43	44	36	36	36	29	26	24	27	23
Community and economic development:										
Community planning services	6	7	7	11	7	8	5	4	4	3
Developmental services	5	5	4	3	3	2	5	5	5	4
Code Enforcement						3	3	3	3	2
Water and Sewer	89	83	83	86	92	90	89	83	84	83
Broadband Services				2	8	13	18	9	9	2
Stormwater Services								9	8	8
Mass Transit	13	13	13	12	10	8	11	10	9	10
	<u>447</u>	<u>442</u>	<u>450</u>	<u>453</u>	<u>457</u>	<u>453</u>	<u>454</u>	<u>428</u>	<u>430</u>	<u>412</u>

Source: City Human Resources Department.

Schedule 18

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

Function	Fiscal Year				
	2006	2007	2008	2009	2010
Police					
Calls resulting in a dispatch	34,556	36,091	40,442	41,261	35,447
Part I crimes reported (most serious)	2,527	2,371	2,862	2,636	1,189
Fire					
Total Fire Department responses	3,715	3,979	4,237	4,263	4,097
Value of fire loss	\$ 1,934,950	\$ 596,235	\$ 4,789,550	\$ 1,027,072	\$ 521,600
Streets					
Street miles maintained (lane miles)	321	321	340	340	347
Miles resurfaced (lanes miles)	14.8	9.8	10.5	4.0	4.8
Sanitation					
Refuse collected (tons per 1,000 population)	316	301	297	303	300
Recyclables collected (tons per 1,000 population)	58	51	54	44	40
Culture and recreation					
Program participations (per 1,000 population)	5,567	4,218	5,392	4,230	4,531
Water					
Utility accounts	15,996	16,691	16,750	17,100	17,500
New water connections	497	464	522	399	110
Average daily water consumption (millions of gallons per day)	5.7	7.4	7.9	7.7	7.9
Wastewater					
Average daily sewage treatment (thousands of gallons)	7.5	7.8	8.49	7.67	7.91

Sources: Various government departments.

Schedule 18

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

Function	2011	2012	2013	2014	2015
Police					
Calls resulting in a dispatch	34,673	31,668	30,610	34,146	36,456
Part I crimes reported (most serious)	2,359	2,346	2,064	2,181	1,762
Fire					
Total Fire Department responses	4,074	4,402	4,553	5,040	5,206
Value of fire loss	\$ 901,650	\$ 1,886,379	\$ 822,267	\$ 621,260	\$ 342,475
Streets					
Street miles maintained (lane miles)	344	345	342	342	342
Miles resurfaced (lanes miles)	6.3	6.0	4.0	4.8	5.6
Sanitation					
Refuse collected (tons per 1,000 population)	291	282	234	243	239
Recyclables collected (tons per 1,000 population)	29	30	45	46	46
Culture and recreation					
Program participations (per 1,000 population)	4,219	3,353	N/A	1,507	N/A
Water					
Utility accounts	18,000	19,080	18,900	18,890	18,257
New water connections	84	1,862	150	(15)	71
Average daily water consumption (millions of gallons per day)	8.4	8.7	8.7	8.7	9.2
Wastewater					
Average daily sewage treatment (thousands of gallons)	7.67	7.1	7.1	7.4	6.3

Sources: Various government departments.

Schedule 19

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

Function	Fiscal Year				
	2006	2007	2008	2009	2010
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	81	84	88	88	88
Fire:					
Fire stations	3	4	4	4	4
Fire apparatus	10	11	14	14	14
Highways and streets					
Streets (miles)	160.83	169.18	170.00	170.00	170.50
Culture and recreation					
Parks acreage	505	505	506	520	520
Parks	15	15	16	16	16
Recreation centers	4	4	4	4	4
Tennis courts	2	2	2	2	2
Water and Sewer Utility					
Utility customers	15,996	16,691	16,120	16,750	17,200
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	2011	2012	2013	2014	2015
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	88	88	88	85	91
Fire:					
Fire stations	4	4	4	4	5
Fire apparatus	14	14	14	14	14
Highways and streets					
Streets (miles)	170.50	170.50	170.50	171.65	171.65
Culture and recreation					
Parks acreage	520	520	520	520	520
Parks	16	16	16	16	16
Recreation centers	4	4	4	4	4
Tennis courts	2	2	2	2	2
Water and Sewer Utility					
Utility customers	18,000	18,900	19,000	19,500	19,522
Miles of water lines	405	405	405	405	420
Miles of sewer lines	393	393	393	393	398
Water treatment capacity (millions of gallons per day)	24.0	24.0	24.0	24.0	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



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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 18, 2015. The financial statements of the Salisbury Tourism and Cultural Development Commission and the Downtown Salisbury, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Salisbury'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 of Salisbury'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2015-002, which we consider to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Salisbury's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2015-001.

We noted certain matters that we reported to management of the City of Salisbury in a separate letter dated November 18, 2015.

City of Salisbury Responses to Findings

The City of Salisbury's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. The City of Salisbury's responses were not subjected to the auditing procedures applied in the audit of the financial statements and; accordingly, we express no opinion on them.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 18, 2015

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Salisbury, North Carolina with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The City of Salisbury's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 of Salisbury'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Salisbury's compliance with those requirements and performing, such other procedures as we considered necessary in the circumstances.

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

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Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

Opinion on Each Major Federal Program

In our opinion, the City of Salisbury 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, 2015.

Report on Internal Control Over Compliance

Management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Salisbury's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Salisbury's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 18, 2015

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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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the compliance of the City of Salisbury, North Carolina 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 of Salisbury's major State programs for the year ended June 30, 2015. City of Salisbury's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 of Salisbury's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Salisbury's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Salisbury 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, 2015.

Report on Internal Control Over Compliance

Management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Salisbury's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Salisbury's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 our requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 18, 2015

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors' Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL GRANTS:					
CASH PROGRAMS					
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Program:					
Community Development Block Grant-Entitlement Grants					
Entitlement Program	14.218	B-09-MC-37-0015	\$ 10,689	\$ -	\$ -
Entitlement Program	14.218	B-11-MC-37-0015	39,880	-	-
Entitlement Program	14.218	B-12-MC-37-0015	110,897	-	-
Entitlement Program	14.218	B-13-MC-37-0015	40,258	-	-
Entitlement Program	14.218	B-14-MC-37-0015	<u>223,218</u>	<u>-</u>	<u>24,435</u>
			<u>\$ 424,942</u>	<u>\$ -</u>	<u>\$ 24,435</u>
Pass-through N.C. Department of Housing Home Investment Partnership Program	14.239	R-90-SG-37-0117	<u>\$ 103,930</u>	<u>\$ -</u>	<u>\$ -</u>
Total U.S. Department of Housing And Urban Development			<u>\$ 528,872</u>	<u>\$ -</u>	<u>\$ 24,435</u>
U.S. DEPARTMENT OF JUSTICE					
Office of Justice Programs:					
Bureau of Justice Assistance					
Direct Program:					
Justice Assistance Grant	16.592	2011-DJ-BX-3206	\$ 15,297	\$ -	\$ -
Justice Assistance Grant	16.592	2012-DJ-BX-1169	<u>3,387</u>	<u>-</u>	<u>-</u>
			<u>\$ 18,684</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. DEPARTMENT OF TRANSPORTATION					
Nonurbanized Area Formula Grant					
Formula Grants for Rural Areas					
Administration	20.509	36233.25.15.1	\$ 148,292	\$ 9,268	\$ 154,068
Operating	20.509	36233.25.16.2	119,757	-	516,083
Capital	20.509	36233.25.16.3	<u>9,430</u>	<u>1,179</u>	<u>-</u>
			<u>\$ 277,479</u>	<u>\$ 10,447</u>	<u>\$ 670,151</u>
Total U.S. Department of Transportation			<u>\$ 277,479</u>	<u>\$ 10,447</u>	<u>\$ 670,151</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Brownfields Assessment and Cooperative Agreement					
	66.818	EPA-OSWER-OBLR-13-05	<u>\$ 27,796</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL ASSISTANCE - FEDERAL PROGRAMS			<u>\$ 852,831</u>	<u>\$ 10,447</u>	<u>\$ 694,586</u>

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

Year Ended June 30, 2015

(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>
STATE GRANTS:					
CASH PROGRAMS					
N.C. DEPARTMENT OF TRANSPORTATION					
Powell Bill	N/A		\$ -	\$ 976,432	\$ -
State Maintenance Assistance for Transit Systems	N/A	04-CTP-003	\$ -	\$ 181,495	\$ -
Total N. C. Department of Transportation			\$ -	\$ 1,157,927	\$ -
TOTAL ASSISTANCE - STATE PROGRAMS			\$ -	\$ 1,157,927	\$ -
TOTAL ASSISTANCE			<u>\$ 852,831</u>	<u>\$ 1,168,374</u>	<u>\$ 694,586</u>

CITY OF SALISBURY, NORTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2015

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, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable, or are limited, as to reimbursements. Pass-through entity identifying numbers are presented when available.

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2015

Section 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 not considered to be material weaknesses _____ ✓ Yes _____ None Reported

Noncompliance material to financial statements noted _____ ✓ Yes _____ No

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified not considered to be material weaknesses _____ Yes ✓ None Reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant – Entitlement Grants
20.509	Formula Grants for Rural Areas

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

Auditee qualified as low-risk auditee? _____ Yes ✓ No

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified not considered to be material weaknesses _____ Yes ✓ None Reported

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

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

Identification of major State program:
Powell Bill

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2015

Section II. Findings Related to the Audit of the Basic Financial Statements of City of Salisbury

Finding 2015-001

Criteria: 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 (deficit net position).

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

Effect: The City was in violation of North Carolina General Statutes.

Cause: Revenues and transfers in were not sufficient to cover total expenditures incurred in the Broadband Services Fund on a GAAP (full accrual) basis of accounting, but on the budgetary (modified accrual) basis of accounting revenues and transfers were sufficient to cover total expenditures in the Broadband Services Fund.

Recommendation: Implement a plan, as well as monitoring controls to eliminate the deficit net position over a period of time.

Name of Contact Person: Teresa P. Harris

Managements Response: 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 wishes to note 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.

Finding 2015-002

Criteria: Management should have a system of controls in place to reduce the likelihood of misappropriations of assets and errors in financial reporting.

Condition: Internal controls in the collections department were reviewed during audit procedures and found to be inadequate. Internal controls in place were not operating as they were designed.

Context: While documenting internal controls relating to the collections department, we noted that some personnel have the ability to make certain adjustments without requiring a secondary review. Adherence to all internal controls are not followed.

Cause: There is a limited number of personnel for certain internal control functions.

Effect: Misappropriation of assets and errors in financial reporting could result.

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
Year Ended June 30, 2015

Recommendation: Internal controls in the collections department should be closely monitored by Management and the Board. Employees in the collections department should be reminded of the internal controls in place and be required to adhere to them. Management should monitor the manual adjustments in the system in a timely manner. Restrictions on use of manual adjustments should be reviewed by Management and the Board.

Name of Contact Person: Teresa P. Harris

Managements Response: Management concurs with the condition noted above. Management has put procedures in place to address the condition noted above. Adequate review and procedures will be monitored by Management to ensure adherence to internal controls are being followed.

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2015

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

Finding 2014-001 – Repeated as 2015-001 for the Broadband Services Fund.

Finding 2014-002 – Was Corrected.

