

CITY OF SALISBURY

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 1999

MAYOR, CITY COUNCIL, AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

Susan W. Klutz - Mayor

Paul B. Woodson, Jr. - Mayor Pro-tem

William R. Burgin

William R. Kennedy

R. Scott Maddox

OFFICIALS

David W. Treme
City Manager

John A. Sofley, Jr.
Finance Director

Report Prepared By

City Finance Department

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C. Michael Crowell - Technology Services Manager

Dewey D. Peck - Purchasing Agent

Clara A. Bost - Customer Service Supervisor



Introductory Section

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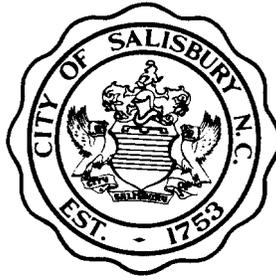
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October 25, 1999

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

We are pleased to submit the Comprehensive Annual Financial Report (Report) of the City of Salisbury (City) for the fiscal year ended June 30, 1999 (FY99). We are particularly proud of the fact this Report has been entirely prepared by the City's Finance Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects, and it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The accompanying financial statements have been audited by McGladrey & Pullen, LLP, 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 Finance 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.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, organizational chart, a list of principal officials, and facts and information about the City. The financial section includes the general purpose financial statements, the combining and individual fund and account group financial statements, and other schedules, as well as the auditor's opinion on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendment 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*. Information related to the compliance audit and the schedule of expenditures of federal and State awards are included 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. 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 generally accepted accounting principles and applicable legal requirements.

The City's Comprehensive Annual Financial Report for the year ended June 30, 1998, 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 Comprehensive Annual Financial Report meets the Certificate of Achievement Program's requirements and intend to submit 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 a recently expanded 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. Community leaders are excited about the construction of a new commercial retail center nearing completion. Gross retail sales in Salisbury for the twelve months ended June 30, 1999, increased in excess of eight million dollars to \$656,812,313, an increase of 1.24% over last year's figures. Total Rowan County sales increased by almost two percent to \$1,077,265,394.

Salisbury has fared well economically in comparison to many other locales over the last several years. The economic processes of several years past propelled renewal within the community, providing local business, civic, and government leaders the opportunity to plan and direct a renewed industrial recruitment focus to further broaden and stabilize the City and County's economic base. The region's advantages and opportunities have become an attractive selling point for new businesses and industries locating or expanding in the area. The average unemployment rate over the past twelve months ended June 30, 1999, was a modest 3.4%, up 0.4% from 3.0% in 1998. This is slightly higher than the state unemployment rate which averaged 3.2%. The low unemployment rate is primarily due to a diversified industry base coupled with orderly growth and expansion of existing industries and the location of new industries and businesses in the area. Over the past 18 months, more than 1,600 new jobs have been created and in excess of \$44 million has been invested in new business and industry construction and expansions in Rowan County.

The downtown area continues to go against the trend of retail exodus to area malls. The downtown business district continues to be a thriving retail center for area merchants. During the past fiscal year various developers, along with City and County governments, have committed to investments in excess of \$12,000,000 in the downtown area. These investments will bring additional shopping, office space, banking and parking to the downtown business district. In addition, the renovation of the Meroney Theater by the Piedmont Players, Inc. has helped increase business for the downtown area merchants and brought an entertainment facet to the downtown district. The Theater is used by the Piedmont Players, a local community theater group, approximately six times a year to produce and stage theatrical performances.

The City's proximity to the State's metropolitan regions and the growth in the City and County provides many advantages and challenges. 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

During FY99, the City of Salisbury began and continued several efforts focused on the concerns, wants and needs of its citizens identified in FY95 and in a Municipal Service Survey completed in the spring of 1997. These efforts were made and accomplished in spite of the difficulties in trying to balance the citizens' needs and attain goals with the limited financial resources available. The City made major strides toward meeting those wants and needs during FY99. Five areas worth noting were the continued progress in the City's improvement of City neighborhoods, continued revitalization of downtown Salisbury, identification and recruitment of new development, establishment of a strategic growth plan, and the construction of a comprehensive sports complex.

The improvement of City neighborhoods and communities is one of the foremost goals that came from the City Council's Annual Future Directions and Goal Setting Conference. The City's Community Development Department has made significant progress towards accomplishing this goal. During the past fiscal year the City opened its new Business and Community Center. The Center will serve as a gathering place for residents of the West End neighborhood and will encourage new minority-owned businesses to establish their roots within the center. The City is also involved in a project to revitalize the Park Avenue neighborhood. A site has been purchased for a new community center, and a new park, which was designed by members of the Park Avenue Neighborhood organization, is currently under construction. Council has also placed a high priority on developing and maintaining a feeling of safety for all areas of the City. The Police Department has continued to make its presence known through the Community Policing Program and their comprehensive approach to problem solving in neighborhoods and communities. The City has installed computers in police cars to enable the officers to access information in the databases of state law enforcement agencies, and will soon be installing video cameras. These computers and cameras will help to increase the level of safety for the officers and the citizens of Salisbury.

The City continues to support and encourage the revitalization of the downtown business district that began in the early 1980's. Contractors have recently completed renovating a former bank building into a new City Hall. The newly added office space and the continuing renovations of the existing office building should enable the City's staff to more efficiently serve the needs of the community. Another step in the redevelopment of the downtown area was the City's purchase of the former Flowers Bakery property in July 1997. The City has begun to sell parts of that property to various developers which, along with other proposed projects, will lead to an estimated \$12,000,000 in revitalization investments into the downtown area.

The City's tax base has continued to increase due to commercial development, such as the new Innes Street Market, which added retail space, restaurants, and a bank during the past fiscal year. Also, FY99 saw the demolition of the abandoned Towne Mall and a nearby hotel. New development in that area will include an all-suite hotel and a fast-food restaurant. Because of developments such as these, total assessed property valuation increased over seven percent during FY99. These increases in the tax base will help to insure the City's continued economic stability.

The City is currently is in the process of establishing a long-range plan for controlled growth – the 2020 Strategic Growth Plan. A long-term plan is necessary to assure that the City will be prepared to handle the expected continued growth during the next two decades. The 2020 plan will include new strategies and policies concerning regional water and sewer service, regional planning, new urbanism, and public safety.

The City will be arranging community workshops to educate the public about different aspects of new urbanism.

Finally, the Parks and Recreation Department made considerable progress on the new Salisbury Community Park and Athletic Complex during FY99. Plans for design and construction of the initial phase of the park were completed and construction is well under way. An official ground breaking was held in early 1999.

FUTURE DEVELOPMENTS

As discussed above, the Parks and Recreation Department will continue their efforts as the Salisbury Community Park and Athletic Complex takes shape. If construction goes as planned, the park is scheduled to open in the fall of 2000. The City has already received grants and donations toward future projects within the park.

Regulatory compliance mandates are driving the Water and Sewer Utility's capital improvement program for FY99 and beyond. The North Carolina Division of Environmental Health has mandated that our water treatment plant must be upgraded. The first of several upgrade projects was completed in May, 1999, with the total upgrade scheduled to be completed in FY03. These projects will be paid for with a combination of state loan funds and general obligation bonds. Also, the two existing wastewater treatment plants must be upgraded to maintain compliance until a new plant is mandated. A comprehensive study will determine the capital needs and a project schedule will be adopted in FY00. Construction will begin during FY00.

The City will continue to participate in the Benchmarking Project being conducted by the Institute of Government of the University of North Carolina at Chapel Hill. The purpose of this project is to provide an external context in which to examine local government performance. The initial services that were evaluated are police services, street maintenance and solid waste collection. During the next phase of the project, the City's fire services will be evaluated. The City hopes to improve existing service by establishing local government performance measures which can be compared to other municipalities in order to assess our performance. City goal setting, team building, goals evaluation, and determining levels of service will all be enhanced by participating in the implementation of uniform performance measure standards that will allow for a municipality's performance to be assessed.

REPORTING ENTITY

This Report includes all funds, account groups, agencies, commissions, and boards which are dependent on the City or over which the City may exercise control. The City of Salisbury (as legally defined) is considered to be a primary government. Current governmental standards for accounting and financial reporting require inclusion of the primary government as well as its component unit in a published comprehensive annual financial report. The component unit is a legally separate entity for which the primary government is primarily financially accountable or for which the nature and significance of their relationship with the primary government 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 unit, Downtown Salisbury Inc., is reported in a separate column in the combined financial statements to emphasize that it is 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, zoning and code enforcement, recreation centers and parks, cemeteries, street maintenance, sanitation, and water and sewer systems.

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 FY99 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of departmental balances are not released until additional appropriations are made available. Open encumbrances lapse at year end and are reinstated against the subsequent year's appropriation. They are shown as a reservation of fund balance at June 30, 1999.

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 AND ACCOUNT GROUP 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 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.

In addition to these three fund types, there is a fourth category of accounting entity, the account groups. Account groups are used to establish accounting control and accountability for the government's general fixed assets and the unmatured principal of the general long-term debt. These two account groups do not, however, account for any fixed assets or unmatured principal of any long-term debt for any proprietary fund.

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 at a reasonable cost to the citizens of Salisbury. Additionally, the City's bond rating of "A1" by Moody's Investors Service, Inc. and "A+" by Standard and Poor's Corporation was reaffirmed in June 1998. This is a reflection of the City's continued sound financial condition.

EXHIBIT 1

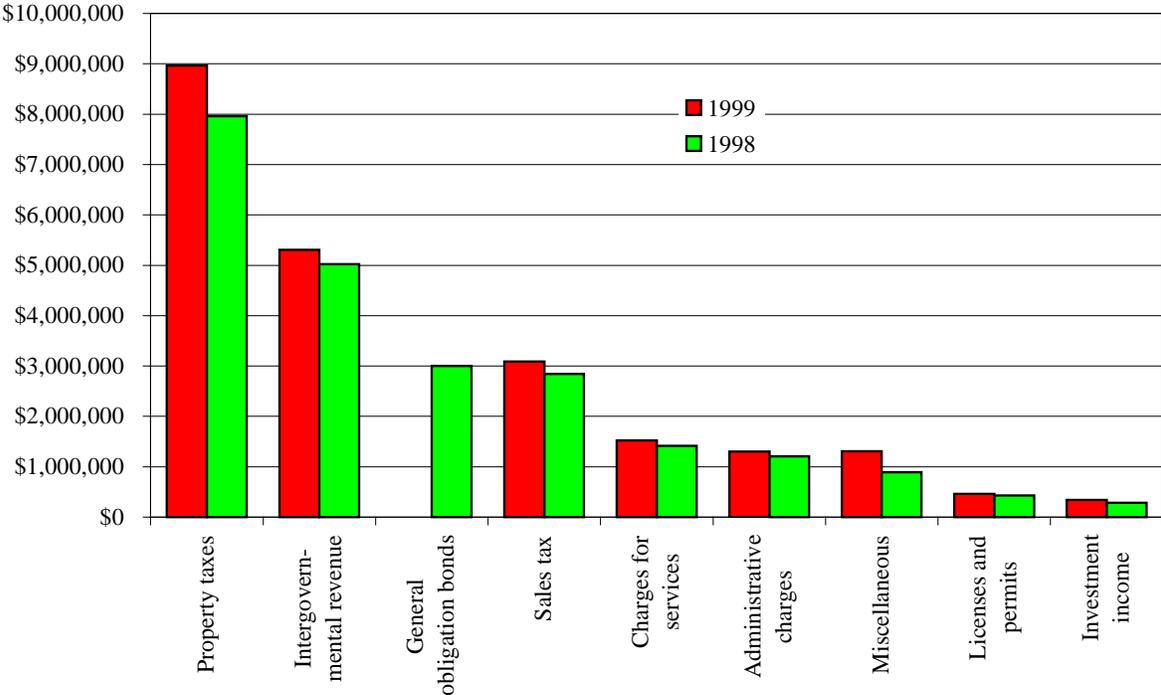
**COMPARATIVE SCHEDULE OF REVENUES
AND OTHER FINANCING SOURCES
GOVERNMENTAL FUNDS**

| Source | 1999 | | 1998 | | Increase (Decrease) | Percent Increase (Decrease) |
|---|---------------------|------------------------------------|------------------------------------|---------------------|------------------------|-----------------------------------|
| | Percent of Total | Fiscal Year Ended June 30, 1999 | Fiscal Year Ended June 30, 1998 | | | |
| Property taxes, penalties, interest, and other taxes | 40.22% | \$ 8,969,699 | \$ 7,964,895 | \$ 1,004,804 | 12.62% | |
| Intergovernmental revenue | 23.80% | 5,308,227 | 5,022,098 | 286,129 | 5.70% | |
| General obligation bonds | - | - | 3,000,000 | (3,000,000) | (100.00%) | |
| Sales tax | 13.86% | 3,091,079 | 2,847,595 | 243,484 | 8.55% | |
| Charges for services | 6.82% | 1,520,687 | 1,416,622 | 104,065 | 7.35% | |
| Administrative charges | 5.83% | 1,299,875 | 1,207,500 | 92,375 | 7.65% | |
| Miscellaneous | 5.86% | 1,306,069 | 888,934 | 417,135 | 46.93% | |
| Licenses and permits | 2.09% | 466,325 | 427,718 | 38,607 | 9.03% | |
| Investment income | 1.52% | 341,132 | 284,365 | 56,767 | 19.96% | |
| Total | 100.00% | \$ 22,303,093 | \$ 23,059,727 | \$ (756,634) | (3.28%) | |

(Derived from Statements B-3, C-2 and D-2)

EXHIBIT 2

**REVENUES AND OTHER FINANCING SOURCES
GOVERNMENTAL FUNDS**



REVENUES - GOVERNMENTAL FUNDS

As illustrated in Exhibits 1 and 2, the \$756,634 (3.28%) decrease in revenues in the City’s governmental funds from FY98 is the result of extraordinary revenue from general obligation bonds during the prior year. Revenues from all other sources increased \$2,243,366. Property taxes, including penalties, interest, and other taxes (40.22%) and intergovernmental revenue (23.80%) continue to be the major revenue sources to governmental funds. These sources comprise a total of 64.02% of such revenues and increased \$1,290,933 over FY98.

Property Tax Revenues

After three consecutive “no-tax increase” years, the City had a four and one-half (4.5) cent tax rate increase to sixty-two (62) cents per \$100 assessed valuation. This increase was necessary due to citizens’ increased levels of desired City services and long range strategies and goals adopted by the City Council. The tax rate for the downtown tax district remained at sixteen (16) cents per \$100 assessed valuation. The tax receipts from the downtown district are utilized by Downtown Salisbury, Inc. for advertising and promotional activities in the district. These tax receipts are accounted for in the Municipal Service District Agency Fund and are not included in Exhibit 1. Total property tax revenue, including prior year collections increased \$1,004,804 (12.62%).

Total assessed valuation increased \$100,311,706 (7.26%) in FY99. Exhibit 3 depicts this change by types of assessed property, while Exhibit 4 graphically illustrates the City's property tax base.

EXHIBIT 3

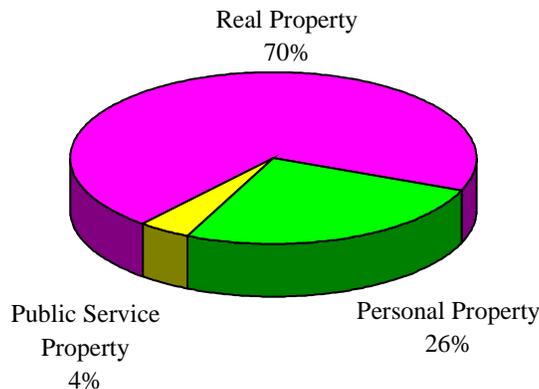
ASSESSED VALUATION

| Source | 1999 | Fiscal Year Ended June 30, | | Increase | Percent |
|-------------------------|------------------|----------------------------|------------------|----------------|------------|
| | Percent of Total | 1999 | 1998 | (Decrease) | (Decrease) |
| Real Property | 70.32% | \$ 1,042,366,457 | \$ 967,242,955 | \$ 75,123,502 | 7.77% |
| Personal Property | 25.78% | 382,196,263 | 357,072,088 | 25,124,175 | 7.04% |
| Public Service Property | 3.90% | 57,889,345 | 57,825,316 | 64,029 | 0.11% |
| Total | 100.00% | \$ 1,482,452,065 | \$ 1,382,140,359 | \$ 100,311,706 | 7.26% |

(Derived from Table 5)

EXHIBIT 4

1999 ASSESSED VALUATION



The percentage of current taxes collected in FY99 decreased slightly from FY98. Exhibit 5 compares collections in FY99 and FY98. When all property tax collections are considered, the rate of collection decreased from 100.63% during FY98 to 98.85% in 1999.

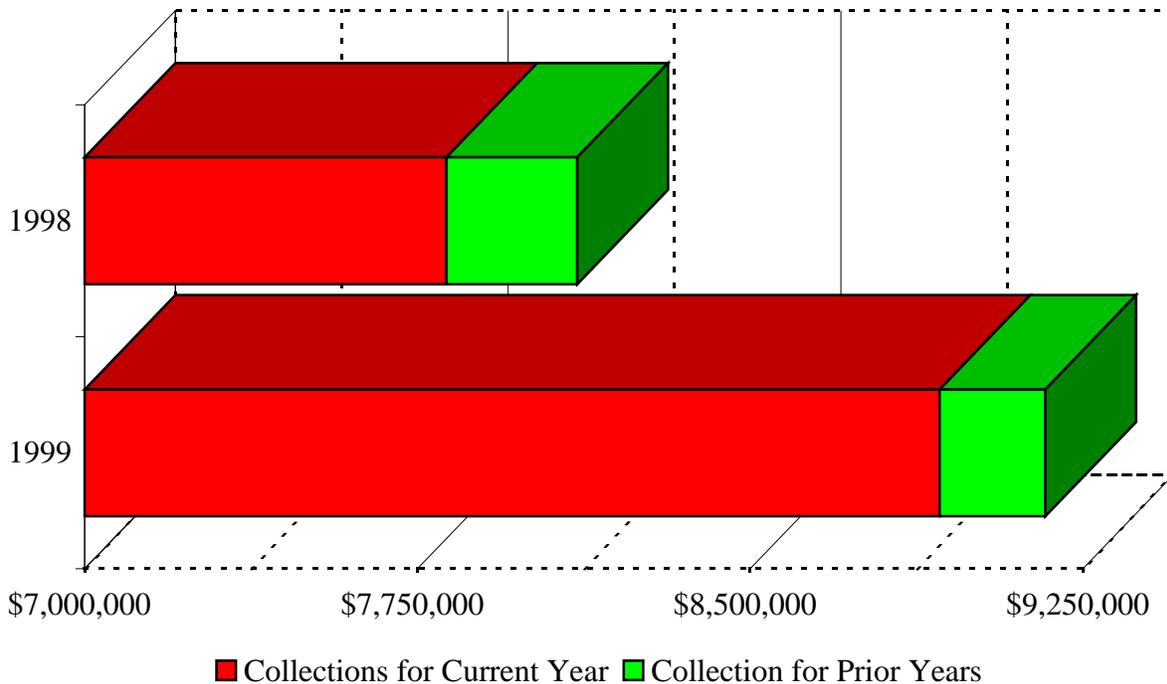
**EXHIBIT 5
TAX COLLECTIONS**

| Fiscal Year | | Percent | Percent of |
|-----------------------|-----------------|---------------------|---------------------|
| Ended June 30, | Tax Levy | Collected in | Total |
| | | Year of Levy | Collected to |
| | | | Tax Levy |
| 1999 | \$ 9,271,351 | 96.28% | 98.85% |
| 1998 | \$ 8,059,604 | 96.97% | 100.63% |

(Derived from Table 4)

Exhibit 6 graphically illustrates tax collections for the two years. The collection effort continues for a ten year period, after which any uncollected amount is written off. In FY99, a total of \$15,226 was written off.

**EXHIBIT 6
TOTAL TAX COLLECTIONS BY YEAR**



Intergovernmental Revenue

Intergovernmental revenues, which is primarily composed of State-shared revenues, increased \$286,129 (5.70%) over FY98. The most significant reason for this increase is a \$194,279 increase in reimbursements from the City's federal Community Development Block Grant.

Sales Tax

Sales tax revenue comprises 13.86% of the City's total governmental revenues. This year, sales tax revenue increased \$243,484 (8.55%) from FY98. As discussed earlier, the City's local economy has continued to increase in energy, and the resulting increase in retail sales has continued to boost sales tax revenue to higher levels each year.

Investment Income

Interest earned on investments is an important contributing factor in maintaining a stable tax rate. During FY99, \$341,132 earned on investments was the equivalent of more than 2 cents on the local tax rate.

Other Revenues

Administrative charges to the Water and Sewer Fund increased \$92,375 (7.65%). This increase is due to an increase in the underlying expenditures for the utility provided by the General Fund based on an existing formula used to calculate the amount of reimbursement. Miscellaneous revenues, including sale of property, rental of property, donations, and other unclassified revenues, increased \$417,135 (46.93%). Miscellaneous revenues during FY99 were high due to the sale of one parcel of the former Flowers Bakery property for \$165,428 and an increase of \$337,047 in donations. Charges for services increased \$104,065 (7.35%). This is attributable to increases across-the-board in user fees and charges.

EXPENDITURES AND OTHER FINANCING USES - GOVERNMENTAL FUNDS

Total expenditures and other financing uses increased \$1,245,935 (5.51%) during FY99. Total expenditures and other financing uses were \$23,868,306, which is approximately \$5.46 million or 18.64% under budget. Although salaries and fringe benefit costs increased throughout the City, these increases were offset by holding the line on operational expenditures, except for increases for much needed facilities maintenance.

EXHIBIT 7

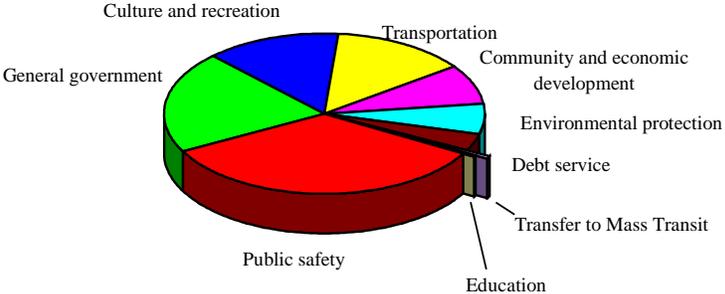
COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GOVERNMENTAL FUNDS

| Function | 1999 | | Fiscal Year Ended June 30, | | Increase | Percent |
|----------------------------------|-------------------------|----------------------|-----------------------------------|---------------------|-------------------|----------------|
| | Percent of Total | 1999 | 1998 | (Decrease) | (Decrease) | |
| Public safety | 33.99% | \$ 8,113,842 | \$ 6,900,177 | \$ 1,213,665 | 17.59% | |
| General government | 20.35% | 4,856,896 | 4,403,617 | 453,279 | 10.29% | |
| Culture and recreation | 13.70% | 3,271,023 | 3,931,369 | (660,346) | (16.80%) | |
| Transportation | 13.56% | 3,237,416 | 3,047,455 | 189,961 | 6.23% | |
| Community & economic development | 8.10% | 1,932,935 | 2,219,221 | (286,286) | (12.90%) | |
| Environmental protection | 6.16% | 1,470,108 | 1,331,161 | 138,947 | 10.44% | |
| Debt service | 3.28% | 783,462 | 617,008 | 166,454 | 26.98% | |
| Transfer to Mass Transit | 0.67% | 160,282 | 130,021 | 30,261 | 23.27% | |
| Education | 0.19% | 42,342 | 42,342 | - | - | |
| Total | 100.00% | \$ 23,868,306 | \$ 22,622,371 | \$ 1,245,935 | 5.51% | |

(Derived from Statements B-2, C-2, and D-2)

Exhibit 7 presents a comparison of expenditures by function, while Exhibit 8 graphically illustrates where the expenditures occurred. A brief analysis of major changes follows.

EXHIBIT 8
EXPENDITURES AND OTHER FINANCING USES
GOVERNMENTAL FUNDS – 1999



Public Safety

The City’s Public Safety programs include police and fire service protection for which expenditures increased \$1,213,665 (17.59%) in FY99. Total Police Department expenditures increased \$428,353. This increase is mainly due to the FY99 acquisition of new police software and in-car computers at a cost of \$220,611. The Police Department’s operational expenditures were held at approximately the same level as in FY98. Fire Department expenditures increased \$785,312. During FY99 the Fire Department acquired a new pumper at a cost of \$426,210 and land for a new fire station at a cost of \$202,184, which account for the majority of this increase.

General Government

General government includes the expenditures of the City Council, City Manager, Finance, Purchasing, Information Technologies, Human Resources, City Office Buildings, Telecommunications, Public Services Administration, and Fleet Management. The FY98 increase of \$453,279 (10.29%) is attributable to renovations to City Hall and the City Office Building totaling \$610,980.

Culture and Recreation

Culture and recreation includes the Recreation and Landscaping departments. All the City's recreation programs, parks, recreation centers, and cultural activities and appropriations are accounted for in the Recreation Department. Culture and recreation experienced a decrease of \$660,346 or 16.80% during FY99. During FY99 the City spent \$636,404 less on the new Salisbury Community Park and Athletic Complex than in FY98, which included the purchase of 314 acres of land.

Transportation

Transportation expenditures, which includes street maintenance, lighting, traffic engineering, and Powell Bill, increased \$189,961 (6.23%) in FY99. This increase is attributable to the purchase of new street maintenance equipment totaling \$180,955.

Community and Economic Development

Expenditures during FY99 decreased \$286,286 or 12.90% in the City's community and economic development programs. These programs are comprised of the City's Community Development Department, Housing and Urban Development (HUD) grant programs, Developmental Services Department, and the Plaza. This decrease in expenditures is due to purchases of real estate totaling \$547,294 during FY98, including the purchase of the former Flowers Bakery property for \$504,782. The decrease in the purchase of real estate offsets the increase in expenditures in the City's Special Revenue Fund, Housing and Urban Development (HUD) Fund. Total HUD expenditures increased \$123,495 and included renovations to the West End Community Center.

Environmental Protection

The City's environmental protection programs are comprised of the Solid Waste Management and Cemetery departments. Expenditures increased during FY99 by \$138,947 or 10.44%. During FY99 the City purchased a new refuse collection truck for \$119,077.

Debt Service

Debt service expenditures increased \$166,454, a 26.98% increase. This increase is due to \$171,719 of additional debt payments on \$3,000,000 Parks and Recreation Bonds, which were issued during the prior fiscal year.

The City's \$3,425,000 of general obligation bonds issued for various public improvement projects show as debt outstanding in the general long-term debt account group at June 30, 1999. The bonds are backed by the full faith and taxing power of the City. The City also has \$1,296,547 in capital leases payable which are included in the general long-term debt account group. The general obligation bonds and the capital leases are being retired through the resources of the General Fund.

In addition to these bonds, the City accounts in the Water and Sewer Fund for an additional \$19,935,000 general obligation bonds, \$1,970,000 revenue bonds, and \$4,905,108 State Clean Water bonds outstanding at June 30, 1999 issued for Water and Sewer purposes. Also, the City has \$3,207,588 in outstanding capital leases incurred for Water and Sewer purposes.

Other Expenditures

The City supplement to the Salisbury Mass Transit System increased \$30,261 or 23.27% during FY99 while the supplement the City provides to the Rowan-Salisbury School System remained at last year's amount of \$42,342.

FUND BALANCE - GENERAL FUND

The \$4,368,245 fund balance of the General Fund at June 30, 1999, is \$508,741 less than the June 30, 1998 balance (see Exhibits 9 & 10). This decrease can be attributed to the renovation projects at City Hall and the City Office Building.

Funds available for the replacement of vehicles and other capital equipment decreased \$414,639. This decrease is due to aforementioned addition of a new pumper for the fire department. The portion of fund balance reserved by State statute decreased \$102,204 primarily due to a decrease in the total that was due from other governments as of June 30, 1999. The amount reserved for encumbrances is composed of \$384,576 for other obligations not satisfied as of year end. Unrestricted and undesignated fund balance

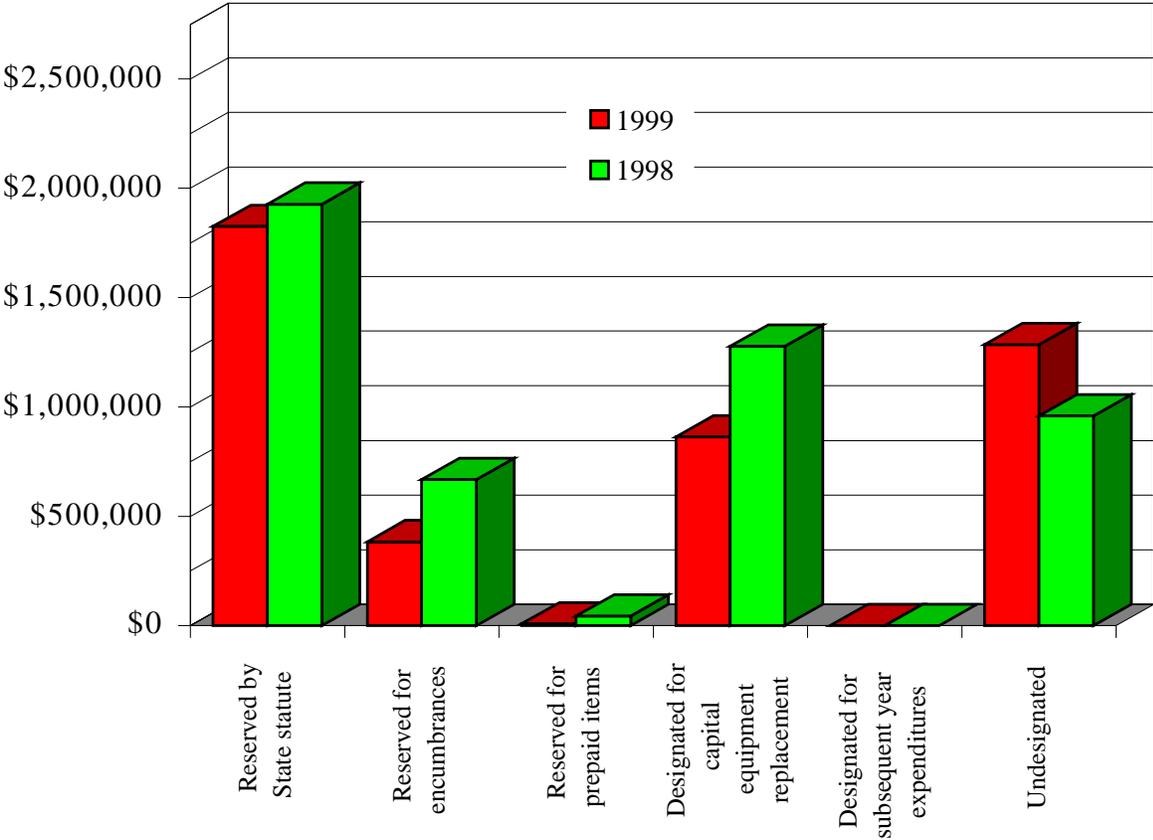
increased by \$326,708 to \$1,285,540, which is testimony to the budgetary process through which the efforts of City Council and management to curtail expenditures and to increase or create additional revenue sources are matched to exhibit a fiscally responsible organization.

EXHIBIT 9
FUND BALANCE
GENERAL FUND

| | <u>Fiscal Year Ended June 30,</u> | | <u>Increase</u> |
|--|-----------------------------------|-------------------------|-------------------------|
| | <u>1999</u> | <u>1998</u> | <u>(Decrease)</u> |
| Reserved by State statute | \$ 1,825,937 | \$ 1,928,141 | \$ (102,204) |
| Reserved for encumbrances | 384,576 | 667,772 | (283,196) |
| Reserved for prepaid items | 8,887 | 44,297 | (35,410) |
| Unreserved: | | | |
| Designated for capital equipment replacement | 863,305 | 1,277,944 | (414,639) |
| Undesignated | <u>1,285,540</u> | <u>958,832</u> | <u>326,708</u> |
| Total fund balance | <u>\$ 4,368,245</u> | <u>\$ 4,876,986</u> | <u>\$ (508,741)</u> |

(Derived from Statement B-1)

EXHIBIT 10
COMPARATIVE ANALYSIS OF FUND BALANCE



The City follows a policy of maintaining an adequate fund balance as a safeguard against unforeseen circumstances and to provide a solid foundation for the City's fiscal health. At June 30, 1999 fund balance equaled 18.96% of the General Fund's operating budget for the new fiscal year.

BONDED INDEBTEDNESS

Total outstanding general obligation debt, revenue bond debt, and State Clean Water Bonds at June 30, 1999 totaled \$30,235,108. North Carolina statutes provide that cities may maintain outstanding debt in an amount equal to eight percent (8%) of assessed valuation. The current statutory debt margin for the City is \$90,732,030.

CASH MANAGEMENT

The City's temporary idle cash is invested in interest bearing demand deposits, certificates of deposit, obligations of the U.S. Treasury and federal agencies, bankers acceptances, commercial paper, and the North Carolina Capital Management Trust. All revenues received are deposited the same day in a consolidated interest-bearing bank account. This bank account is drawn upon to meet all payroll and payable obligations, and the City maintains in this account only as much money as is required to meet current obligations. All other idle cash is invested in instruments authorized by the General Statutes of North Carolina. The average yield on investments was 4.46% for the year ended June 30, 1999.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. The City's entire investment portfolio at June 30, 1999, is classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. The remainder of the portfolio is exempt from risk categorization as the NC Capital Management Trust is an SEC registered mutual fund where the City is only a shareholder of a percentage of the fund and does not own any identifiable securities.

RISK MANAGEMENT

In the efforts to maintain services at a reasonable cost to the citizens of Salisbury, the City has developed and maintained a risk management program which encompasses nearly every aspect of the City's operations. Insurance liability coverage is obtained through a combination of commercial insurers, the insurance pool administered by the NC League of Municipalities, and self insurance. This approach has allowed the City to obtain maximal amounts of property and liability coverage at the most economical cost.

REVENUE - ENTERPRISE FUNDS

Enterprise funds revenue increased by \$84,945 (0.66%) over the previous fiscal year (see Exhibit 11). The revenue increased in the Water and Sewer Fund by \$23,919 (0.19%) despite the closing of the City's largest utility customer in the spring of 1999. Increased water and sewer rates generated additional revenue that helped to minimize the effect of the plant closing. Revenues in the Mass Transit Fund increased \$61,026 (22.43%). Transit fare revenues increased slightly by \$2,841 (3.89%) from the prior year. Other revenues increased \$58,185 (29.23%) due primarily to increased supplemental funding by the City's General Fund and the North Carolina Department of Transportation.

EXHIBIT 11
COMPARATIVE SCHEDULE OF REVENUES
ENTERPRISE FUNDS

| Source | 1999 | | Fiscal Year Ended June 30, | | Increase (Decrease) | Percent Increase (Decrease) |
|----------------------|---------------------|----------------------|----------------------------|------------------|------------------------|-----------------------------------|
| | Percent of Total | | 1999 | 1998 | | |
| Water and Sewer: | | | | | | |
| Charges for services | 88.20% | \$ 11,402,462 | \$ 11,429,925 | \$ (27,463) | (0.24%) | |
| Other revenues | 9.22% | 1,191,878 | 1,140,496 | 51,382 | 4.51% | |
| | <u>97.42%</u> | <u>\$ 12,594,340</u> | <u>\$ 12,570,421</u> | <u>\$ 23,919</u> | <u>0.19%</u> | |
| Mass Transit: | | | | | | |
| Charges for services | 0.59% | \$ 75,879 | \$ 73,038 | \$ 2,841 | 3.89% | |
| Other revenues | 1.99% | 257,222 | 199,037 | 58,185 | 29.23% | |
| | <u>2.58%</u> | <u>\$ 333,101</u> | <u>\$ 272,075</u> | <u>\$ 61,026</u> | <u>22.43%</u> | |
| Total | <u>100.00%</u> | <u>\$ 12,927,441</u> | <u>\$ 12,842,496</u> | <u>\$ 84,945</u> | <u>0.66%</u> | |

(Derived from Statement E-2, E-5, and E-9)

EXPENSES - ENTERPRISE FUNDS

Enterprise expenses increased \$1,333,736 (11.59%) over the prior fiscal year as shown in Exhibit 12. Water and Sewer Fund expenses, including depreciation, increased \$1,329,048 (12.04%). Administration expenses increased \$601,761 (29.35%), of which most can be attributable to increases in professional services expenditures for preliminary engineering designs and consultants. Operations expenses increased a modest \$46,473 (0.80%). Interest expense increased by \$188,792 from FY98 due to \$3,250,000 general obligation bonds issued during June 1998.

Mass Transit Fund expenses, including depreciation, increased only \$4,688 or 0.98%. When the effect of depreciation is removed, the Fund experienced an increase of \$18,120 (4.29%).

EXHIBIT 12
COMPARATIVE SCHEDULE OF EXPENSES
ENTERPRISE FUNDS

| Function | 1999 | | Fiscal Year Ended June 30, | | Increase (Decrease) | Percent Increase (Decrease) |
|------------------|---------------------|----------------------|----------------------------|---------------------|------------------------|-----------------------------------|
| | Percent of Total | | 1999 | 1998 | | |
| Water and Sewer: | | | | | | |
| Administration | 20.65% | \$ 2,652,225 | \$ 2,050,464 | \$ 601,761 | 29.35% | |
| Operations | 45.81% | 5,884,113 | 5,837,640 | 46,473 | 0.80% | |
| Interest | 12.06% | 1,549,157 | 1,360,365 | 188,792 | 13.88% | |
| Depreciation | 17.73% | 2,277,590 | 1,785,568 | 492,022 | 27.56% | |
| | <u>96.25%</u> | <u>\$ 12,363,085</u> | <u>\$ 11,034,037</u> | <u>\$ 1,329,048</u> | <u>12.04%</u> | |
| Mass Transit: | | | | | | |
| Administration | 0.86% | \$ 110,348 | \$ 101,506 | \$ 8,842 | 8.71% | |
| Services | 2.57% | 330,440 | 321,162 | 9,278 | 2.89% | |
| Depreciation | 0.32% | 40,687 | 54,119 | (13,432) | (24.82%) | |
| | <u>3.75%</u> | <u>\$ 481,475</u> | <u>\$ 476,787</u> | <u>\$ 4,688</u> | <u>0.98%</u> | |
| Total | <u>100.00%</u> | <u>\$ 12,844,560</u> | <u>\$ 11,510,824</u> | <u>\$ 1,333,736</u> | <u>11.59%</u> | |

(Derived from Statement E-2, E-5, and E-9)

FUND EQUITY - ENTERPRISE FUNDS

Water and Sewer Fund equity, as shown in Exhibit 13, increased by \$1,891,336 while the Mass Transit Fund equity increased by \$29,477 between July 1, 1998, and June 30, 1999. The Water and Sewer Fund equity increase was primarily the result of significant developer contributions. The increase in Mass Transit fund equity was due principally to the increase in funding from the City's General Fund and the North Carolina Department of Transportation. These factors resulted in net income before depreciation of \$52,595.

EXHIBIT 13

FUND EQUITY ENTERPRISE FUNDS

| | 1999 | 1998 | Increase (Decrease) |
|---------------------|---------------|---------------|------------------------|
| Water and Sewer: | | | |
| Contributed capital | \$ 31,443,947 | \$ 29,783,866 | \$ 1,660,081 |
| Retained earnings | 25,328,495 | 25,097,240 | 231,255 |
| | \$ 56,772,442 | \$ 54,881,106 | \$ 1,891,336 |
| Mass Transit: | | | |
| Contributed capital | \$ 1,489,991 | \$ 1,472,422 | \$ 17,569 |
| Retained earnings | (1,173,232) | (1,185,140) | 11,908 |
| | \$ 316,759 | \$ 287,282 | \$ 29,477 |
| Total fund equity | \$ 57,089,201 | \$ 55,168,388 | \$ 1,920,813 |

(Derived from Statement E-4 and E-8)

INTERNAL SERVICE FUNDS

The City maintains two internal service funds for the purpose of providing services to the City's other operational funds. These funds are the Workers' Compensation Fund and the Employee Health Care Fund.

The City is self-insured for workers' compensation claims with an excess policy. The Workers' Compensation Fund is used to account for monies provided by the City and interest earnings on those monies to provide funds for major workers' compensation claims. The City incurred \$116,315 in claims during the year which required the use of City funds but not our excess policy. FY99 claims were basically unchanged from the prior year, with an increase of only \$601. The City maintains a constant vigilant effort to hold costs to a minimum through the City's active development of risk reduction activities. These include reviewing employee accident reports, employee accident prevention training, employee health awareness activities, and newsletters to employees.

The City also is self-insured for its employee health care policy. Premiums are established for the various classes (individual, parent-child, and family) of health care annually. The City deposits its contribution together with the amounts withheld from employees' compensation into the Employee Health Care Fund monthly. All claims for benefits under the City's health care policy are paid from this Fund. The City also maintains specific stop loss coverage of \$40,000 per employee annually and an aggregate stop loss of 120% in excess of anticipated claims. During the year, the City incurred excess benefit claims for three covered individuals where the specific stop loss was applied. Claims for the year were \$225,962 (13.16%) higher than

last year. The Fund strives to maintain a balance in excess of the incurred but not reported claims estimate. However, as of June 30, 1999, cash and investment balances were less than the incurred but not reported claims estimate.

FIDUCIARY FUNDS

The City maintains three fiduciary funds: Boards and Commissions and Municipal Service District funds, which are agency funds, and the Law Officers' Special Separation Allowance Fund, a pension trust fund.

A municipal service district was established in Salisbury in 1986 together with a non-profit company named Downtown Salisbury, Inc. to administer the disbursement of funds received by the district. The City levies a tax rate of sixteen cents per \$100 assessed valuation on this special tax district. The Municipal Service District Fund is used to account for the collection of this tax and the remittance of it to Downtown Salisbury, Inc. During the year, the City remitted \$78,068 to Downtown Salisbury, Inc. from the Municipal Service District Fund.

The Boards and Commissions Fund is used to accumulate and disburse funds earned by the Community Appearance Commission and the Tree Board. At June 30, 1999, they had a balance of \$2,989 available for their use.

The Law Officers' Special Separation Allowance Fund was established to account for the pension activities mandated by State statute under the Law Enforcement Officers' Special Separation Allowance. The Fund accounts for contributions made by the City to provide for pension benefits, interest earnings on these monies, and the disbursement of pension amounts. During FY99, the City paid \$17,801 in pension benefits. The City conducts an actuarial review of the Plan on an annual basis and adjusts the required contributions to the Fund at the beginning of each fiscal year.

YEAR 2000

The Year 2000 issue is the result of the elimination of the first two digits from a year in software programs. Many programs will not be able to distinguish between the year 2000 and the year 1900, which might cause the programs to process data incorrectly or stop processing data altogether. The Governmental Accounting Standards Board has issued a technical bulletin that identifies five stages of work needed to achieve compliance. They are awareness, assessment, remediation, validation/testing, and implementation. The City is aware of the issues surrounding this problem and has addressed it in both software and hardware. We currently believe that all systems will be compliant by the year 2000.

CONCLUSION

The City of Salisbury has been fortunate to continue to experience rates of growth in its revenue base from taxable valuation during FY99. This growth was sufficient to accommodate expenditures during the year and maintain favorable fund equity.

As we look ahead to the future, a great financial responsibility awaits the City in the Water and Sewer Fund. The City will continue several projects begun during FY95 through FY99. Upcoming projects, which will be financed by \$9,200,000 in State Clean Water Bonds, will ensure a reliable supply of water for our residents; protect the environmental habitats of Grants Creek, Town Creek, and High Rock Lake, and generally provide for the future of our community. The magnitude of these projects is critically important to the City. Increasing State and federal water and wastewater mandates have required the City to make continual investment in water and sewer systems infrastructure and in costs to operate these systems. Significant capital

projects are underway and planned for the future. Now that we know what needs to be done, we will continue in earnest to complete the improvements to the Water and Sewer Utility for the next decade of growth.

The future holds many uncertainties. Federal and State mandates continue to severely press local governments in all areas of operations, not just water and sewer. The citizens of Salisbury have come to expect and appreciate the high level of service they enjoy. The management of the City is necessarily charged with managing its resources in the best possible manner to deliver those services at a cost citizens will agree to bear. As long as revenue growth rates do not decline unexpectedly; the costs of providing services do not escalate more rapidly than in previous years; and the City continues to evaluate all existing and potential revenue options, including annexations, we can accomplish this task. It will not be easy, but few challenges are. All City operations are being asked to contribute to the focused effort to maintain our ability and readiness to respond to our citizens. We have made it happen before, and we will make it happen again. Overall, continued growth and policy adjustments that have been initiated by City Council will continue to provide the City a stable financial position from which we may serve the citizens of Salisbury for years to come.

ACKNOWLEDGMENTS

We wish to thank the Mayor, City Council and the City Manager for the support and trust they have given the Finance Department. On behalf of the team of the Finance 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 Myra B. Heard, Finance Specialist, Mark D. Drye, Accountant, and Michael D. West, Productivity Analyst. Without their assistance, this Report could not have been prepared on a timely basis.

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

Respectfully submitted,

John A. Sofley, Jr.
Finance Director

S. Wade Furches
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Salisbury,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

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

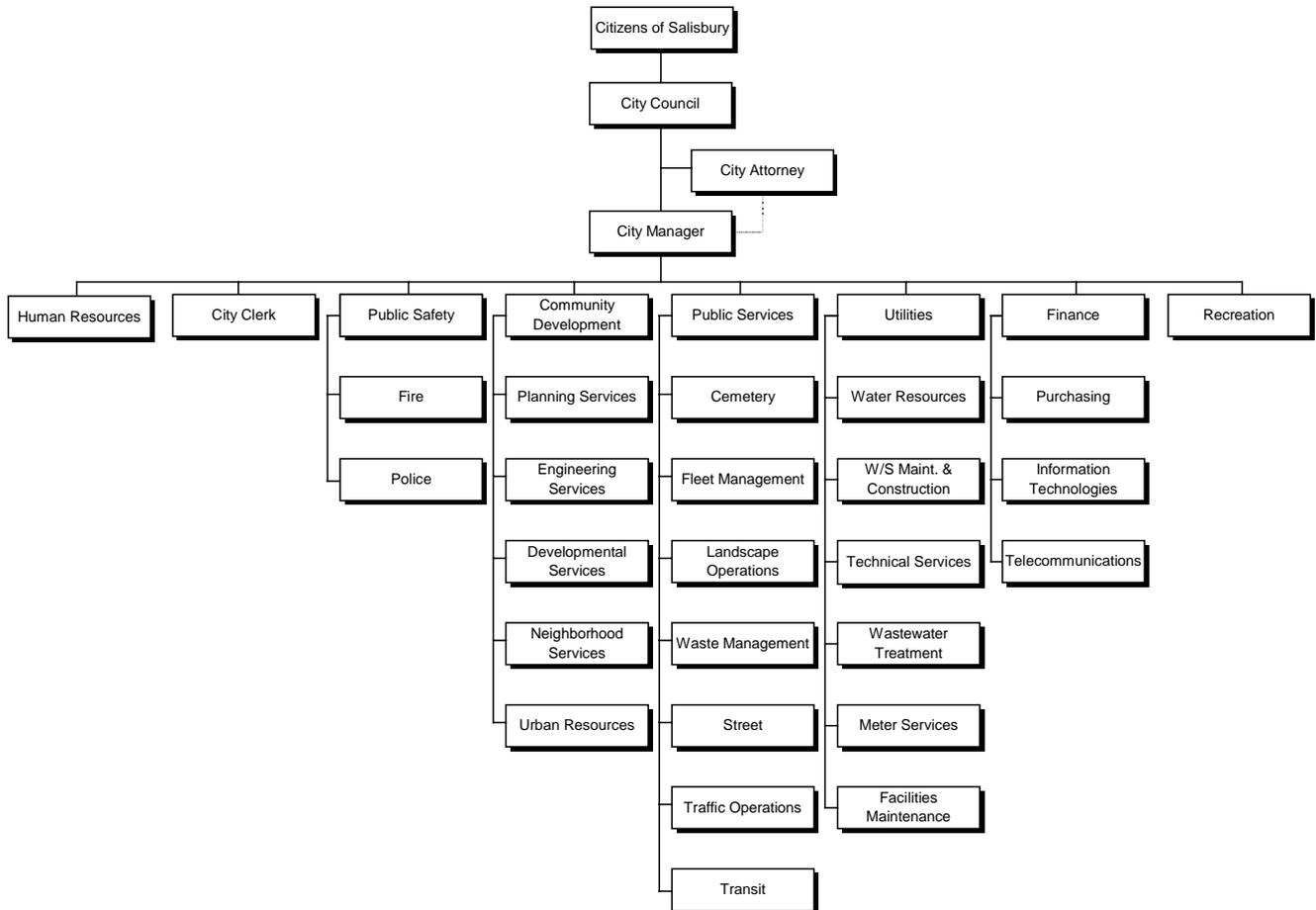



Cary Brueckner
President


Jeffrey L. Essler
Executive Director

CITY OF SALISBURY

ORGANIZATIONAL CHART



CITY OF SALISBURY
LIST OF PRINCIPAL OFFICIALS

June 30, 1999

| | |
|---|----------------------|
| Mayor | Susan W. Kluttz |
| Mayor Pro Tem | Paul B. Woodson, Jr. |
| Council Member | William R. Burgin |
| Council Member | William R. Kennedy |
| Council Member | R. Scott Maddox |
| City Manager | David W. Treme |
| Assistant City Manager | J. Foster Owen |
| City Clerk | Virginia P. Petrea |
| Finance Director | John A. Sofley, Jr. |
| Fire Chief | Samuel I. Brady |
| Land Management and Development Director | Larry W. Chilton |
| Technology Services Manager | C. Michael Crowell |
| Human Resources Director | Melissa H. Taylor |
| Police Chief | M. Chris Herring |
| Public Services Director | Vernon E. Sherrill |
| Purchasing Agent | Dewey D. Peck |
| Recreation Director | Gail Elder-White |
| Utilities Director | John C. Vest |

FACTS AND INFORMATION ABOUT THE CITY OF SALISBURY, NORTH CAROLINA

LOCATION

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

CLIMATE

The climate of the Salisbury area is moderate, a definite advantage to those who live and work here. The massive mountains of Western North Carolina form a natural barrier against the cold east-west winds. While definitely southern in climate, Salisbury is far enough north, and has sufficient altitude to escape the humid summers of many other southern regions. Extremes in climate are very rare and short-lived. In winter the high temperature is about 50 degrees, with a low around 32 degrees. The total snowfall is normally about 6 inches each year. In the summer, the high averages about 87 degrees, with a low of 66 degrees.

POPULATION

The City of Salisbury has been able to maintain its population during the 90's unlike many other similar sized cities. This is due to both annexations and internal growth stimulated by the local economy. Population currently is estimated to be 26,792.

HISTORY

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

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

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

according to Governor Arthur Dobbs who visited here in late 1755.

The Court House dates to 1753 and consists of deeds, marriages, and miscellaneous records of value. Papers formerly in the Clerk's Office such as the early court minutes are stored at the State Department of Archives in Raleigh. Familiar names in American history adorn these records.

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

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

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

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

GOVERNMENT

The City of Salisbury's government is organized according to the Council-Manager form of government. The City Council, which formulates policy for the Administration of the City, together with the Mayor, constitutes the governing body of the City. The five (5) members are elected to serve two (2) year terms of office. The Mayor is elected from the five (5) Council members. The

Mayor presides at City Council meetings. Also, a Mayor Pro Tem is elected by City Council members from the five (5) to serve as Mayor during her absence or disability.

The City Council appoints the City Manager to serve as the City's Chief Executive Officer. The City Manager is responsible for implementing the policies of the City Council, directing business and administrative procedures, and appointing departmental officers. At the present time, the City Manager is assisted by the City Clerk and eight staff departments including Finance, Human Resources, Fire, Police, Community Development, Public Services, Parks and Recreation, and Public Utilities.

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 300 million gallons. The Salisbury water system, conventional in design and closely controlled, has a treatment capacity of 12 million gallons per day. Average daily usage during 1999 was 7.7 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 three smaller towns in the County, Spencer, East Spencer, and Granite Quarry, and has been extended to a number of industrial sites well beyond the city limits. Additionally, Salisbury operates and maintains the well system for the Town of Rockwell. The water supply meets all federal and State quality requirements. Salisbury's water is fluoridated on a continuing basis. Salisbury's two wastewater treatment facilities serve as the area's regional wastewater utility with service expansion to the towns of Landis, China Grove, East Spencer, Granite Quarry, and Rockwell. Total daily treatment capacity in 1999 was 12.5 million gallons. Average daily treatment in 1999 was 8.75 million gallons per day.

The City of Salisbury owns and operates the water and sewer utility systems in both Granite Quarry and Rockwell and their surrounding area.

Other utilities are provided by Duke Power Company, Piedmont Natural Gas Company, Bellsouth Telephone, Concord Telephone, and Western Union.

TRANSPORTATION

Salisbury, nearly the geographic and population center of North Carolina, is located on Interstate Highway 85, 42 miles from Charlotte, 53 miles from Greensboro and 38 miles from Winston-Salem. It is the crossroads of I-85, U.S. 29, 52, 70, 601 and N.C. 150. Over 3 million people live within 90 miles of Salisbury, 1.5 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.

The major commercial airports at Charlotte and Greensboro-High Point are less than an hour's easy drive from Salisbury. These airports provide excellent service to all parts of the United States via United, USAirways, Delta, TWA, Continental, Eastwind and American Airlines. There are also direct flights available to London and Frankfurt.

Bus service is provided by Carolina Trailways and Greyhound with daily arrivals and departures. Their service also includes parcel shipments.

Local bus service is provided by the City's Transit System.

MOTELS

An ideal area for small conventions, Salisbury has ten (10) motels, with over 600 rooms, and two (2) bed and breakfast establishments in our historic district.

EDUCATION

Salisbury is home to two (2) colleges and a technical college. Catawba College has thirty (30) buildings comprising a physical plant unsurpassed in the East for a college of this size and style. It has a total enrollment of 1,300 Liberal Arts Co-ed students and

is affiliated with the United Church of Christ. Catawba College was founded in Newton, North Carolina in 1851, and opened in Salisbury in 1925.

Livingstone College was founded in 1879, and has 900 Liberal Arts Co-ed students. It is supported by the African Methodist Episcopal Zion Church; Hood Theological Seminary is located at Livingstone.

Rowan-Cabarrus Community College offers two-year educational programs leading to the associated degree in applied science. In addition, one-year diploma programs are offered in five fields. There is a total enrollment of approximately 3,500 full-time students.

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

ARTS AND ENTERTAINMENT

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

The Piedmont Players, a community little theater organization, provides excellent entertainment as well as a chance to participate in both its acting and technical activities. They have completely restored the historic Meroney Theater, built in 1905. This theater provides a home for the Players and other performing artists.

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

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

Rowan-Cabarrus Community College sponsors a Folk Heritage Center. This center serves as a network for professional and local folk artists and presents classes, concerts, and other folk artist activities for the general public.

COMMUNITY FACILITIES

Salisbury is served daily by The Salisbury Post. Four (4) radio stations provide for local programming. Although there are no local television stations, WBTV operates 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.

City Park has a completely equipped playground, tennis courts and a five (5) acre lake for fishing. Salisbury has a Civic Center with weight room, racquetball courts, auditorium, tennis courts and a handicap exercise trail.

Kesley-Scott Park is a fifteen (15) acre park located on Old Wilkesboro Road. Jaycee Sports Complex is a multi-use area with four (4) ball fields.

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.

In addition to these parks, the City of Salisbury is currently constructing a new community park that will total over 350 acres. The park will include athletic fields, passive areas, trails, and a lake. The initial phase of the project is currently under construction with an anticipated opening date in the fall of next year.

SPECIAL EVENTS

Each year, the Salisbury-Rowan Chamber of Commerce presents the National Sportscasters and Sportswriters Awards Program. The National Sportscasters and Sportswriters Awards Program has enjoyed a fantastic success. From its humble beginning to the present time, this program has attracted great national attention to the City. Each year celebrities visit Salisbury to attend the Annual Awards Program.



Financial Section



McGLADREY & PULLEN, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the City of Salisbury, North Carolina (the "City"), as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of Downtown Salisbury, Inc., which statements reflect total assets of \$306,032 as of June 30, 1999, and total revenues of \$286,432 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Downtown Salisbury, Inc., is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Salisbury, North Carolina as of June 30, 1999 and the results of its operations and its cash flows for its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 1999 on our consideration of City of Salisbury's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Salisbury, North Carolina. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory or statistical sections of this comprehensive annual financial report and, accordingly, we express no opinion on such data.

Greensboro, North Carolina
August 25, 1999

CITY OF SALISBURY, NORTH CAROLINA
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS,
AND DISCRETELY PRESENTED COMPONENT UNIT
June 30, 1999

| <u>ASSETS AND OTHER DEBIT</u> | Governmental Fund Types | | | Proprietary Fund Types | | Fiduciary Fund Type |
|---|-------------------------|--------------------|---------------------|------------------------|---------------------|------------------------|
| | General | Special Revenue | Capital Projects | Enterprise | Internal Service | Trust and Agency |
| Cash and investments | \$ 5,195,039 | \$ 115,604 | \$ 644,039 | \$ 4,558,293 | \$ 248,521 | \$ 247,711 |
| Taxes receivable (net of allowance for uncollectibles) | 433,229 | - | - | - | - | 2,552 |
| Accounts receivable (net of allowance for uncollectibles) | 553,933 | 661 | - | 1,960,643 | - | - |
| Interest receivable | 23,919 | - | - | 25,029 | 1,027 | 1,190 |
| Due from other governments | 1,248,085 | 82,567 | - | 45,626 | - | - |
| Inventories | - | - | - | 256,630 | - | - |
| Prepaid items | 8,887 | - | - | - | - | - |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | 9,857,587 | - | - |
| Accounts receivable | - | - | - | 294,286 | - | - |
| Interest receivable | - | - | - | 27,294 | - | - |
| Notes receivable | - | - | - | - | - | - |
| Fixed assets | - | - | - | 101,233,672 | - | - |
| Accumulated depreciation | - | - | - | (28,972,537) | - | - |
| Amount to be provided for retirement of general long-term debt | - | - | - | - | - | - |
| Total assets and other debit | <u>\$ 7,463,092</u> | <u>\$ 198,832</u> | <u>\$ 644,039</u> | <u>\$ 89,286,523</u> | <u>\$ 249,548</u> | <u>\$ 251,453</u> |

| <u>Account Groups</u> | | <u>Totals Primary Government</u> | <u>Component Unit</u> | <u>Totals Reporting Entity</u> | |
|-----------------------------|-------------------------------|----------------------------------|---------------------------------|--------------------------------|-------------------------------|
| <u>General Fixed Assets</u> | <u>General Long-term Debt</u> | <u>(Memorandum Only)</u> | <u>Downtown Salisbury, Inc.</u> | <u>(Memorandum Only) 1999</u> | <u>(Memorandum Only) 1998</u> |
| \$ - | \$ - | \$ 11,009,207 | \$ 148,764 | \$ 11,157,971 | \$ 13,161,334 |
| - | - | 435,781 | - | 435,781 | 355,297 |
| - | - | 2,515,237 | - | 2,515,237 | 2,203,608 |
| - | - | 51,165 | - | 51,165 | 37,372 |
| - | - | 1,376,278 | - | 1,376,278 | 1,706,833 |
| - | - | 256,630 | - | 256,630 | 250,765 |
| - | - | 8,887 | - | 8,887 | 53,011 |
| - | - | 9,857,587 | 134,531 | 9,992,118 | 11,997,560 |
| - | - | 294,286 | - | 294,286 | 198,320 |
| - | - | 27,294 | - | 27,294 | 24,128 |
| - | - | - | - | - | 63,215 |
| 25,809,137 | - | 127,042,809 | 59,626 | 127,102,435 | 119,288,156 |
| - | - | (28,972,537) | (36,889) | (29,009,426) | (26,751,770) |
| - | 5,460,029 | 5,460,029 | - | 5,460,029 | 5,973,620 |
| <u>\$ 25,809,137</u> | <u>\$ 5,460,029</u> | <u>\$ 129,362,653</u> | <u>\$ 306,032</u> | <u>\$ 129,668,685</u> | <u>\$ 128,561,449</u> |

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(continued)

CITY OF SALISBURY, NORTH CAROLINA

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS,
AND DISCRETELY PRESENTED COMPONENT UNIT

June 30, 1999

| LIABILITIES, EQUITY AND OTHER CREDIT | Governmental Fund Types | | | Proprietary Fund Types | | Fiduciary Fund Type |
|---|-------------------------|--------------------|---------------------|------------------------|---------------------|------------------------|
| | General | Special Revenue | Capital Projects | Enterprise | Internal Service | Trust and Agency |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | \$ 1,868,011 | \$ 37,295 | \$ - | \$ 1,181,681 | \$ 288,243 | \$ 6,267 |
| Outstanding checks in excess of bank balance | - | - | - | - | - | - |
| Interest payable | - | - | - | 219,973 | - | - |
| Liabilities payable from restricted assets | | | | 594,496 | | |
| Current maturities of long-term debt | - | - | - | 1,826,305 | - | - |
| Deferred revenue | 1,226,836 | - | - | - | - | - |
| Customer deposits | - | - | - | 183,476 | - | - |
| Long-term debt | - | - | - | 28,191,391 | - | - |
| Total liabilities | \$ 3,094,847 | \$ 37,295 | \$ - | \$ 32,197,322 | \$ 288,243 | \$ 6,267 |
| EQUITY AND OTHER CREDIT | | | | | | |
| Investment in general fixed assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributed capital | - | - | - | 32,933,938 | - | - |
| Retained earnings | - | - | - | 24,155,263 | (38,695) | - |
| Fund balances: | | | | | | |
| Reserved by State statute | 1,825,937 | 83,228 | - | - | - | 1,190 |
| Reserved for encumbrances | 384,576 | - | - | - | - | - |
| Reserved for prepaid items | 8,887 | - | - | - | - | - |
| Reserved for employees' pension benefits | - | - | - | - | - | 243,996 |
| Unreserved: | | | | | | |
| Designated for capital equipment replacement | 863,305 | - | - | - | - | - |
| Designated for subsequent year's expenditures | - | 78,309 | 644,039 | - | - | - |
| Undesignated | 1,285,540 | - | - | - | - | - |
| Total equity and other credit | \$ 4,368,245 | \$ 161,537 | \$ 644,039 | \$ 57,089,201 | \$ (38,695) | \$ 245,186 |
| Total liabilities, equity and other credit | \$ 7,463,092 | \$ 198,832 | \$ 644,039 | \$ 89,286,523 | \$ 249,548 | \$ 251,453 |

See Notes to Financial Statements.

| <u>Account Groups</u> | | <u>Totals Primary Government</u> | <u>Component Unit</u> | <u>Totals Reporting Entity</u> | |
|-----------------------------|-------------------------------|----------------------------------|---------------------------------|--------------------------------|-------------------------------|
| <u>General Fixed Assets</u> | <u>General Long-term Debt</u> | <u>(Memorandum Only)</u> | <u>Downtown Salisbury, Inc.</u> | <u>(Memorandum Only) 1999</u> | <u>(Memorandum Only) 1998</u> |
| \$ - | \$ - | \$ 3,381,497 | \$ 4,580 | \$ 3,386,077 | \$ 2,942,803 |
| - | - | - | - | - | 257,317 |
| - | - | 219,973 | - | 219,973 | 234,290 |
| - | - | 594,496 | - | 594,496 | 1,492,926 |
| - | - | 1,826,305 | - | 1,826,305 | 1,841,305 |
| - | - | 1,226,836 | - | 1,226,836 | 787,490 |
| - | - | 183,476 | - | 183,476 | 163,553 |
| - | 5,460,029 | 33,651,420 | - | 33,651,420 | 36,043,546 |
| <u>\$ -</u> | <u>\$ 5,460,029</u> | <u>\$ 41,084,003</u> | <u>\$ 4,580</u> | <u>\$ 41,088,583</u> | <u>\$ 43,763,230</u> |
| \$ 25,809,137 | \$ - | \$ 25,809,137 | \$ - | \$ 25,809,137 | \$ 22,368,896 |
| - | - | 32,933,938 | - | 32,933,938 | 31,256,288 |
| - | - | 24,116,568 | - | 24,116,568 | 24,115,361 |
| - | - | 1,910,355 | - | 1,910,355 | 1,997,183 |
| - | - | 384,576 | 134,531 | 519,107 | 667,772 |
| - | - | 8,887 | - | 8,887 | 44,297 |
| - | - | 243,996 | - | 243,996 | 202,831 |
| - | - | 863,305 | - | 863,305 | 1,277,944 |
| - | - | 722,348 | - | 722,348 | 1,793,590 |
| - | - | 1,285,540 | 166,921 | 1,452,461 | 1,074,057 |
| <u>\$ 25,809,137</u> | <u>\$ -</u> | <u>\$ 88,278,650</u> | <u>\$ 301,452</u> | <u>\$ 88,580,102</u> | <u>\$ 84,798,219</u> |
| <u>\$ 25,809,137</u> | <u>\$ 5,460,029</u> | <u>\$ 129,362,653</u> | <u>\$ 306,032</u> | <u>\$ 129,668,685</u> | <u>\$ 128,561,449</u> |

CITY OF SALISBURY, NORTH CAROLINA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNIT
For the Year Ended June 30, 1999

| | Governmental Fund Types | | |
|---|--------------------------------|----------------------------|-----------------------------|
| | General | Special Revenue | Capital Projects |
| REVENUES: | | | |
| Taxes | \$ 12,060,778 | \$ - | \$ - |
| License and permits | 466,325 | - | - |
| Intergovernmental | 4,607,972 | 700,255 | - |
| Charges for services | 1,520,687 | - | - |
| Miscellaneous | 1,375,752 | 196,101 | 75,348 |
| Administrative charges | 1,299,875 | - | - |
| Total revenues | <u>\$ 21,331,389</u> | <u>\$ 896,356</u> | <u>\$ 75,348</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | \$ 4,729,986 | \$ 126,910 | \$ - |
| Public safety | 8,113,842 | - | - |
| Transportation | 3,237,416 | - | - |
| Environmental protection | 1,470,108 | - | - |
| Culture and recreation | 2,162,351 | - | 1,108,672 |
| Community and economic development | 1,140,341 | 792,594 | - |
| Education | 42,342 | - | - |
| Debt service: | | | |
| Principal | 532,214 | - | - |
| Interest | 251,248 | - | - |
| Total expenditures | <u>\$ 21,679,848</u> | <u>\$ 919,504</u> | <u>\$ 1,108,672</u> |
| OTHER FINANCING USES: | | | |
| Operating transfers to other funds: | | | |
| Enterprise | 160,282 | - | - |
| Total expenditures and other financing uses | <u>\$ 21,840,130</u> | <u>\$ 919,504</u> | <u>\$ 1,108,672</u> |
| NET INCREASE (DECREASE) IN FUND BALANCE | \$ (508,741) | \$ (23,148) | \$ (1,033,324) |
| FUND BALANCE, BEGINNING | <u>4,876,986</u> | <u>184,685</u> | <u>1,677,363</u> |
| FUND BALANCE, ENDING | <u>\$ 4,368,245</u> | <u>\$ 161,537</u> | <u>\$ 644,039</u> |

See Notes to Financial Statements.

| Totals Primary Government (Memorandum Only) | Downtown Salisbury, Inc. | Totals Reporting Entity (Memorandum Only) |
|--|-------------------------------------|--|
| \$ 12,060,778 | \$ 63,989 | \$ 12,124,767 |
| 466,325 | - | 466,325 |
| 5,308,227 | 60,018 | 5,368,245 |
| 1,520,687 | - | 1,520,687 |
| 1,647,201 | 162,425 | 1,809,626 |
| 1,299,875 | - | 1,299,875 |
| <u>\$ 22,303,093</u> | <u>\$ 286,432</u> | <u>\$ 22,589,525</u> |
| | | |
| \$ 4,856,896 | \$ - | \$ 4,856,896 |
| 8,113,842 | - | 8,113,842 |
| 3,237,416 | - | 3,237,416 |
| 1,470,108 | - | 1,470,108 |
| 3,271,023 | - | 3,271,023 |
| 1,932,935 | 140,105 | 2,073,040 |
| 42,342 | - | 42,342 |
| | | - |
| 532,214 | - | 532,214 |
| 251,248 | - | 251,248 |
| <u>\$ 23,708,024</u> | <u>\$ 140,105</u> | <u>\$ 23,848,129</u> |
| | | |
| <u>160,282</u> | <u>-</u> | <u>160,282</u> |
| | | |
| <u>\$ 23,868,306</u> | <u>\$ 140,105</u> | <u>\$ 24,008,411</u> |
| | | |
| \$ (1,565,213) | \$ 146,327 | \$ (1,418,886) |
| <u>6,739,034</u> | <u>155,125</u> | <u>6,894,159</u> |
| | | |
| <u>\$ 5,173,821</u> | <u>\$ 301,452</u> | <u>\$ 5,475,273</u> |

CITY OF SALISBURY, NORTH CAROLINA

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

GENERAL FUND AND SPECIAL REVENUE FUND

For the Year Ended June 30, 1999

| | General Fund | | |
|---|---------------|---------------|----------------------------------|
| | Actual | Budget | Actual Over (Under) Budget |
| REVENUES: | | | |
| Taxes | \$ 12,060,778 | \$ 11,892,079 | \$ 168,699 |
| License and permits | 466,325 | 438,504 | 27,821 |
| Intergovernmental | 4,607,972 | 5,316,702 | (708,730) |
| Charges for services | 1,520,687 | 1,452,392 | 68,295 |
| Miscellaneous | 1,375,752 | 2,389,996 | (1,014,244) |
| Administrative charges | 1,299,875 | 1,299,875 | - |
| Total revenues | \$ 21,331,389 | \$ 22,789,548 | \$ (1,458,159) |
| OTHER FINANCING SOURCES: | | | |
| Sale of bonds | \$ - | \$ 1,000,000 | \$ (1,000,000) |
| Fund balance appropriated | - | 2,810,677 | (2,810,677) |
| Total revenues and other financing sources | \$ 21,331,389 | \$ 26,600,225 | \$ (5,268,836) |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | \$ 4,729,986 | \$ 6,198,866 | \$ (1,468,880) |
| Public safety | 8,113,842 | 8,575,756 | (461,914) |
| Transportation | 3,237,416 | 4,015,449 | (778,033) |
| Environmental protection | 1,470,108 | 1,676,556 | (206,448) |
| Culture and recreation | 2,162,351 | 3,909,403 | (1,747,052) |
| Community and economic development | 1,140,341 | 1,238,109 | (97,768) |
| Education | 42,342 | 42,342 | - |
| Debt service: | | | |
| Principal | 532,214 | 533,126 | (912) |
| Interest | 251,248 | 250,336 | 912 |
| Total expenditures | \$ 21,679,848 | \$ 26,439,943 | \$ (4,760,095) |
| OTHER FINANCING USES: | | | |
| Operating transfers to other funds: | | | |
| Mass transit | 160,282 | 160,282 | - |
| Total expenditures and other financing uses | \$ 21,840,130 | \$ 26,600,225 | \$ (4,760,095) |
| NET DECREASE IN FUND BALANCE | \$ (508,741) | \$ - | \$ (508,741) |
| FUND BALANCE, BEGINNING | 4,876,986 | | |
| FUND BALANCE, ENDING | \$ 4,368,245 | | |

See Notes to Financial Statements.

| Special Revenue Fund | | | Totals Memorandum Only | | |
|-----------------------------|---------------|---------------------|-------------------------------|---------------|---------------------|
| | | Actual | | | Actual |
| | | Over (Under) | | | Over (Under) |
| Actual | Budget | Budget | Actual | Budget | Budget |
| \$ - | \$ - | \$ - | \$ 12,060,778 | \$ 11,892,079 | \$ 168,699 |
| - | - | - | 466,325 | 438,504 | 27,821 |
| 700,255 | 1,008,882 | (308,627) | 5,308,227 | 6,325,584 | (1,017,357) |
| - | - | - | 1,520,687 | 1,452,392 | 68,295 |
| 196,101 | 148,000 | 48,101 | 1,571,853 | 2,537,996 | (966,143) |
| - | - | - | 1,299,875 | 1,299,875 | - |
| \$ 896,356 | \$ 1,156,882 | \$ (260,526) | \$ 22,227,745 | \$ 23,946,430 | \$ (1,718,685) |
| \$ - | \$ - | \$ - | \$ - | \$ 1,000,000 | \$ (1,000,000) |
| - | - | - | - | 2,810,677 | (2,810,677) |
| \$ 896,356 | \$ 1,156,882 | \$ (260,526) | \$ 22,227,745 | \$ 27,757,107 | \$ (5,529,362) |
| \$ 126,910 | \$ 128,800 | \$ (1,890) | \$ 4,856,896 | \$ 6,327,666 | \$ (1,470,770) |
| - | - | - | 8,113,842 | 8,575,756 | (461,914) |
| - | - | - | 3,237,416 | 4,015,449 | (778,033) |
| - | - | - | 1,470,108 | 1,676,556 | (206,448) |
| - | - | - | 2,162,351 | 3,909,403 | (1,747,052) |
| 792,594 | 1,028,082 | (235,488) | 1,932,935 | 2,266,191 | (333,256) |
| - | - | - | 42,342 | 42,342 | - |
| - | - | - | 532,214 | 533,126 | (912) |
| - | - | - | 251,248 | 250,336 | 912 |
| \$ 919,504 | \$ 1,156,882 | \$ (237,378) | \$ 22,599,352 | \$ 27,596,825 | \$ (4,997,473) |
| - | - | - | 160,282 | 160,282 | - |
| \$ 919,504 | \$ 1,156,882 | \$ (237,378) | \$ 22,759,634 | \$ 27,757,107 | \$ (4,997,473) |
| \$ (23,148) | \$ - | \$ (23,148) | (531,889) | - | \$ (531,889) |
| 184,685 | | | 5,061,671 | | |
| \$ 161,537 | | | \$ 4,529,782 | | |

CITY OF SALISBURY, NORTH CAROLINA
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS

ALL PROPRIETARY FUNDS

For the Year Ended June 30, 1999

| | Proprietary Fund Type | | Totals | |
|---|------------------------------|---------------------|--------------------------|----------------------|
| | Internal | | (Memorandum Only) | |
| | Enterprise | Service | 1999 | 1998 |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 11,478,341 | \$ 1,799,811 | \$ 13,278,152 | \$ 13,085,517 |
| Total operating revenues | <u>\$ 11,478,341</u> | <u>\$ 1,799,811</u> | <u>\$ 13,278,152</u> | <u>\$ 13,085,517</u> |
| OPERATING EXPENSES: | | | | |
| Management and administration | \$ 2,762,573 | \$ - | \$ 2,762,573 | \$ 2,151,970 |
| Water resources | 3,786,052 | - | 3,786,052 | 3,722,927 |
| Maintenance and distribution | 2,098,061 | - | 2,098,061 | 2,114,713 |
| Depreciation | 2,318,277 | - | 2,318,277 | 1,839,687 |
| Mass transit operations | 330,440 | - | 330,440 | 321,162 |
| Employee benefits | - | 2,059,231 | 2,059,231 | 1,832,668 |
| Total operating expenses | <u>\$ 11,295,403</u> | <u>\$ 2,059,231</u> | <u>\$ 13,354,634</u> | <u>\$ 11,983,127</u> |
| OPERATING INCOME (LOSS) | <u>\$ 182,938</u> | <u>\$ (259,420)</u> | <u>\$ (76,482)</u> | <u>\$ 1,102,390</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest earned on investments | \$ 806,015 | \$ 17,464 | \$ 823,479 | \$ 776,473 |
| Intergovernmental | 238,275 | - | 238,275 | 182,527 |
| Miscellaneous revenues | 404,810 | - | 404,810 | 401,880 |
| Interest expense | (1,549,157) | - | (1,549,157) | (1,360,365) |
| Net nonoperating revenues (expenses) | <u>\$ (100,057)</u> | <u>\$ 17,464</u> | <u>\$ (82,593)</u> | <u>\$ 515</u> |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | <u>\$ 82,881</u> | <u>\$ (241,956)</u> | <u>\$ (159,075)</u> | <u>\$ 1,102,905</u> |
| OPERATING TRANSFERS IN: | | | | |
| General Fund | <u>160,282</u> | <u>-</u> | <u>160,282</u> | <u>130,021</u> |
| NET INCOME (LOSS) | <u>\$ 243,163</u> | <u>\$ (241,956)</u> | <u>\$ 1,207</u> | <u>\$ 1,232,926</u> |
| RETAINED EARNINGS, BEGINNING | <u>23,912,100</u> | <u>203,261</u> | <u>24,115,361</u> | <u>22,882,435</u> |
| RETAINED EARNINGS (DEFICIT), ENDING | <u>\$ 24,155,263</u> | <u>\$ (38,695)</u> | <u>\$ 24,116,568</u> | <u>\$ 24,115,361</u> |

See Notes to Financial Statements.

CITY OF SALISBURY, NORTH CAROLINA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 1999

| | Proprietary Fund Type | | Totals | |
|---|------------------------------|--------------------------|-----------------------------|-----------------------------|
| | Internal | | (Memorandum Only) | |
| | Enterprise | Service | 1999 | 1998 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 182,938 | \$ (259,420) | \$ (76,482) | \$ 1,102,390 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation | 2,318,277 | - | 2,318,277 | 1,839,687 |
| Other receipts | 409,484 | - | 409,484 | 218,026 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in accounts and interest receivable | (277,914) | 122 | (277,792) | 33,723 |
| (Increase) decrease in inventory | (5,865) | - | (5,865) | 55,956 |
| (Increase) decrease due from other governments | 96,960 | - | 96,960 | 309,621 |
| (Increase) decrease in prepaid items | 8,714 | - | 8,714 | (8,714) |
| Increase (decrease) in accounts and interest payable and accrued liabilities | (897,988) | 23,287 | (874,701) | 695,271 |
| Increase (decrease) in customer deposits | 19,923 | - | 19,923 | 31,922 |
| Net cash provided by (used for) operating activities | <u>\$ 1,854,529</u> | <u>\$ (236,011)</u> | <u>\$ 1,618,518</u> | <u>\$ 4,277,882</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating grants received | \$ 238,275 | \$ - | \$ 238,275 | \$ 182,527 |
| Operating transfer from general fund | 160,282 | - | 160,282 | 130,021 |
| Net cash provided by noncapital financing activities | <u>\$ 398,557</u> | <u>\$ -</u> | <u>\$ 398,557</u> | <u>\$ 312,548</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from issuing general obligation bonds | \$ - | \$ - | \$ - | \$ 10,623,915 |
| Capital grants received | 17,569 | - | 17,569 | 9,264 |
| Interest paid on general obligation bonds | (1,549,157) | - | (1,549,157) | (1,360,368) |
| Disposition of assets | 4,723 | - | 4,723 | - |
| Acquisition of capital assets | (4,416,645) | - | (4,416,645) | (13,549,066) |
| Principal paid on general obligation bonds | (1,841,305) | - | (1,841,305) | (1,515,305) |
| Capital contributed by developers | 1,660,081 | - | 1,660,081 | 2,906,450 |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (6,124,734)</u> | <u>\$ -</u> | <u>\$ (6,124,734)</u> | <u>\$ (2,885,110)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received on investment securities | <u>\$ 801,341</u> | <u>\$ 17,464</u> | <u>\$ 818,805</u> | <u>\$ 776,473</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| | <u>\$ (3,070,307)</u> | <u>\$ (218,547)</u> | <u>\$ (3,288,854)</u> | <u>\$ 2,481,793</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING | | | | |
| | <u>17,486,187</u> | <u>467,068</u> | <u>17,953,255</u> | <u>15,471,462</u> |
| CASH AND CASH EQUIVALENTS, ENDING | | | | |
| | <u><u>\$ 14,415,880</u></u> | <u><u>\$ 248,521</u></u> | <u><u>\$ 14,664,401</u></u> | <u><u>\$ 17,953,255</u></u> |

See Notes to Financial Statements.

CITY OF SALISBURY, NORTH CAROLINA
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
For the Years Ended June 30, 1999
With Comparative Totals for the Year Ended June 30, 1998

| | <u>1999</u> | <u>1998</u> |
|------------------------|-------------------|-------------------|
| ADDITIONS: | | |
| Employer contributions | \$ 48,880 | \$ 48,441 |
| Investment income: | | |
| Interest | <u>10,692</u> | <u>8,359</u> |
| Total additions | <u>\$ 59,572</u> | <u>\$ 56,800</u> |
| DEDUCTIONS: | | |
| Employee benefits | <u>\$ 17,801</u> | <u>\$ 17,840</u> |
| Total deductions | <u>\$ 17,801</u> | <u>\$ 17,840</u> |
| NET INCREASE | \$ 41,771 | \$ 38,960 |
| FUND BALANCE: | | |
| Beginning of year | <u>203,415</u> | <u>164,455</u> |
| End of year | <u>\$ 245,186</u> | <u>\$ 203,415</u> |

See Notes to Financial Statements.

CITY OF SALISBURY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Unit

Downtown Salisbury, Inc. was created to serve the interests of merchants and property owners in the downtown Salisbury area. The Corporation is governed by eight board members, one of whom is appointed by the City Council. 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.

Salisbury New Horizons Housing Corporation, Inc., which had been shown as a component unit in prior years, is no longer a component unit and, therefore, has been removed from the financial statements. The Corporation's board members are no longer appointed by the City Council and its activities are no longer conducted by members of the City of Salisbury Community and Economic Development Department. Salisbury New Horizons Housing Corporation, Inc., is currently independent of the City of Salisbury.

Complete financial statements for the component unit may be obtained at the unit's administrative offices.

Downtown Salisbury, Inc.
Suite 300
100 W. Innes 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 - Fund Accounting

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds, but are a reporting device used to account for certain assets and liabilities of the Governmental Funds that are not recorded directly in those funds.

NOTES TO FINANCIAL STATEMENTS

The City uses the following fund categories (further divided by fund type) and account groups:

Governmental Funds are used to account for the City's governmental functions. Governmental funds include the following fund types:

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, transportation, environmental protection, culture and recreation, community and economic development, and general government services.

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

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

Proprietary Fund include the following fund types:

Enterprise Funds - Enterprise funds are used to account for those operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) 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. The City has two Enterprise Funds: the Water and Sewer Fund and the Mass Transit Fund. For financial reporting purposes, a Water and Sewer Capital Project Fund has been consolidated with enterprise operating funds.

Internal Service Funds - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The City maintains two internal service funds, the Workers' Compensation Fund and the Employee Health Care Fund. These funds are used to account for the resources and liabilities of the self insured funds.

Fiduciary Funds account for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary Funds include the following funds:

Agency Funds - Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains two agency funds: Boards and Commissions and Municipal Service District.

Pension trust fund - Pension trust funds are used to account for assets of employee retirement systems administered by the City. Pension trust funds are accounted for in essentially the same manner as proprietary funds. The City maintains one pension trust fund, the Law Enforcement Officers' Separation Allowance Fund, to account for the Law Enforcement Officers' Special Separation Allowance, a single-employer public employee retirement system.

Account Groups - The General Fixed Assets Account Group is used to account for fixed assets that are not accounted for in the proprietary funds. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of the proprietary funds.

NOTES TO FINANCIAL STATEMENTS

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Proprietary Funds and the Pension Trust Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity of the Proprietary Funds (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements for these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Pension trust funds are accounted for similarly; however, fund equity (net total assets) is recognized as being a fully reserved fund balance.

The basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting. The governmental fund types are presented in the financial statements on the same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City generally considers all revenues available if they are collected within 60 days after year end, except for property taxes. Ad valorem property taxes are not accrued because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Rowan County is responsible for billing and collecting the property taxes on registered vehicles on behalf of all municipalities and special tax districts in the county, including the City of Salisbury. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Rowan County from March 1998 through February 1999 apply to the fiscal year ended June 30, 1999. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 1999 because they are intended to finance the City's operations during the 2000 fiscal year.

Sales taxes collected and held by the State at year end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenues.

The City reports deferred revenue on its Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as

NOTES TO FINANCIAL STATEMENTS

when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. Exceptions to this general rule include: (1) certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources; and (2) principal and interest on general long-term debt which is recognized when due.

The Proprietary Fund and Pension Trust Fund are presented in the financial statements on the accrual basis. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period when incurred. In converting the enterprise funds from the modified accrual basis to the accrual basis, the changes required are adjustments for unpaid vacation pay, depreciation, capital expenditures, payments of principal on outstanding debt, and unpaid interest. As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations and Pension Trust Fund.

The Water and Sewer Fund reimburses the General Fund for expenditures made on its behalf in the finance department and certain other central services. The General Fund pays the Water and Sewer Fund for its normal billable charges. Both of these types of transactions are considered to be quasi-external transactions and are recorded as revenues and expenses in the appropriate funds.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General, Enterprise, and Special Revenue funds. All annual appropriations lapse at fiscal year end. Project ordinances are adopted for the Capital Project Fund and Enterprise fund capital projects. These appropriations continue until the project is completed. All budgets are prepared using the modified accrual basis of accounting.

Appropriations are made at the departmental level in the General Fund and the Water and Sewer Fund. Appropriations for the Special Revenue Fund and the Mass Transit Fund are made at the fund level. All appropriations are amended as necessary by the governing board. Expenditures may not legally exceed the appropriation level as determined by the Annual Budget Ordinance. A portion of fund balance may be appropriated to balance a fund's budget. The budget amounts shown represent the budget ordinance as amended at June 30 of the budget year. All annual appropriations lapse at year end. In the accompanying statements, appropriated fund balance is presented as an "other financing source".

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer appropriations between functional areas; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. During the fiscal year there were thirty-two (32) supplemental appropriations.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds, and enterprise funds.

NOTES TO FINANCIAL STATEMENTS

Budgets for the General Fund and special revenue funds are adopted on a basis consistent with GAAP. Budgets for the enterprise funds are adopted on a basis consistent with GAAP except that bond proceeds and contributed capital are treated as other financing sources, bond principal payments and additions to fixed assets are treated as expenditures, depreciation expense is not budgeted, and no accruals are made for interest expense and vacation pay.

As required by State law [G.S. 159-26(d)], the City maintains encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as "reserved for encumbrances" in the fund balance section of the balance sheet and will be charged against the subsequent year's budget. At June 30, 1999, \$384,576 of open purchase orders and contracts were outstanding in the General Fund.

E. Deposits and Investments

All deposits of the City and of Downtown Salisbury, Inc. are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and its component unit 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 unit 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 unit 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT), a SEC-registered (2a-7) money market mutual fund.

As required for periods beginning after June 15, 1997 by Statement 31 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and External Investment Pools", the City and Downtown Salisbury, Inc.'s investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued based on a computerized matrix system and/or appraisals by a pricing service. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

At June 30, 1999, the City had no investments that are required to be reported at fair value. Therefore, all investments are reported at cost.

F. Cash and Cash Equivalents

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

G. Restricted Assets

The unexpended bond proceeds of Water and Sewer Fund serial bonds issued by the City are classified as restricted assets for the Enterprise Fund because their use is completely restricted for the purpose for which the bonds were originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

NOTES TO FINANCIAL STATEMENTS

H. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values of January 1, 1998. As allowed by State law, the City has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

I. 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.

J. Inventories and Prepaid Items

Inventories are maintained in the enterprise funds for maintenance supplies. The inventories are valued at cost, on a first-in, first-out basis, which is not in excess of market. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

K. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets, consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation on all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | |
|----------------------------|------------|
| Buildings and improvements | 40 Years |
| Equipment | 3-10 Years |
| Vehicles | 4-10 Years |

L. Long-Term Debt

The City's long-term debt for water and sewer purposes is carried in the Water and Sewer Fund rather than in the General Long-Term Debt Account Group. The debt service requirements for the water and sewer debt are being met by water and sewer revenues, but the taxing power of the City is pledged to make these payments if water and sewer revenues should ever be insufficient. Long-term debt for other purposes is included in the General Long-Term Debt Account Group. The debt service requirements for all debt carried in the General Long-Term Debt Account Group are appropriated annually in the General Fund.

M. Compensated Absences

The Personnel Policy of the City provides that each employee in a regular full time position shall earn annual vacation leave at the rate of 12 to 21 days per calendar year, based on years of service, with such leave being fully vested when earned. Employees may accrue up to 30 days with less than seven years service, and 45 days with seven or more years of employment. Accumulated unpaid vacation is accrued in proprietary funds (using the accrual basis of accounting). Only the current portion is accrued in governmental funds (using the

NOTES TO FINANCIAL STATEMENTS

modified accrual basis of accounting). At June 30, 1999, accumulated earned vacation and salary related payments amounted to \$984,643 for the governmental funds and \$262,205 for the proprietary funds. Of the governmental funds' liability, \$246,161 is recognized as an accrued liability in the General Fund. The balance of \$738,482 is recognized in the general long-term debt account group while the liabilities of the enterprise funds are recognized as accrued liabilities in the funds themselves.

The City's Personnel Policy also provides for an unlimited accumulation of sick leave at the rate of one day per month. 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 liability has been reported for unpaid accumulated sick leave.

N. Fund Equity

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

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

The governmental fund types classify fund balances as follows:

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

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

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

Reserved for employees' pension benefits - portion of total fund balance available for appropriation to pay retirement benefits when due.

Designated for capital equipment replacement - fund balance that has been set aside to fund the replacement of vehicles and computer equipment.

Designated for subsequent year's expenditures – portion of the total fund balance available for appropriation that has been designated for the adopted subsequent year's budget ordinance.

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

O. Totals (Memorandum Only) Columns

The total columns on the accompanying financial statements are captioned as "Totals Primary Government (Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

P. Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and

NOTES TO FINANCIAL STATEMENTS

operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the City's financial position and operations or would cause the statements to be unduly complex or difficult to understand.

Note 2. Stewardship, Compliance and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

There were no material violations of finance-related legal and contractual provisions for the fiscal year ended June 30, 1999.

B. Excess of Expenditures Over Appropriations

There were no expenditures in excess of appropriated amounts for the fiscal year ended June 30, 1999.

C. Deficit Fund Balance or Retained Earnings of Individual Funds

The City's Mass Transit Fund had a retained earnings deficit of \$1,173,232 at June 30, 1999. The deficit is offset with \$1,489,991 of contributed capital which results in a fund equity in the Mass Transit Fund of \$316,759 at June 30, 1999.

Note 3. Detail Notes On All Funds And Account Groups

A. Cash and Investments

Total cash and investments were composed as follows:

| | | |
|-------------------------|----|-------------------|
| Cash on hand | \$ | 1,840 |
| Cash in demand deposits | | 910,276 |
| Certificates of Deposit | | 1,100,000 |
| Investments | | 18,854,678 |
| | \$ | <u>20,866,794</u> |

All deposits of the City and Downtown Salisbury, Inc., are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's and component units' agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the component units, these deposits are considered to be held by the City's and the components' agent in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City or its component units under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flow. 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.

At June 30, 1999, the City's deposits had a carrying amount of \$2,010,276 and a bank balance of \$2,129,385, of which \$211,448 was covered by federal depository insurance and \$1,917,937 was collateralized by securities. The carrying amount of deposits for Downtown Salisbury, Inc. was \$249,512 and the bank balance was \$246,826, of which \$200,000 was covered by federal depository insurance and \$46,826 was uninsured. Downtown Salisbury, Inc. also held \$33,783 in a short-term money market fund which was neither insured by federal depository insurance nor collateralized by securities.

NOTES TO FINANCIAL STATEMENTS

B. Investments

The investments of the City are categorized to give an indication of the level of custodial risk assumed by the City at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. At year end, the City had no investments which would be classified as Category 2 or 3. Investments of the Deferred Compensation agency fund are exempt from risk categorization because third-party custodians take delivery of the investment securities on behalf of the City. The investments in the North Carolina Capital Management Trust are exempt from risk categorization because the City does not own any identifiable securities, but is a shareholder of a percentage of the fund. At June 30, 1999, the City's investments were as follows:

| | Category 1 | Reported Value | Fair Value |
|-----------------------------------|--------------|----------------|---------------|
| U.S. Government Agencies | \$ 488,827 | \$ 488,827 | \$ 488,827 |
| Commercial Paper | 5,381,100 | 5,381,100 | 5,381,100 |
| | \$ 5,869,927 | | |
| North Carolina Capital Management | | | |
| Trust, Cash Portfolio | | 12,984,751 | 12,984,751 |
| Total Investments | | \$ 18,854,678 | \$ 18,854,678 |

State statutes authorize the City 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 (NC), local government or public authority in NC; savings certificates, investment certificates or shares or deposits in savings and loan associations organized in NC or federal savings and loan associations who have their principal office in NC; obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, and the United States Postal Service; the North Carolina Capital Management Trust, an SEC registered mutual fund established and administered by the State Treasurer; Certificates of Deposit issued by banks either organized under NC laws or having their principal office in NC; prime quality commercial paper and bankers acceptance bearing the highest grade of at least one nationally known rating service and not one below that by another nationally known rating service; and repurchase agreements.

At June 30, 1999, Downtown Salisbury, Inc. did not own any investments.

C. Ad Valorem Taxes Receivable

Property tax revenue is recognized as it becomes both measurable and available. Available, as defined, means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. No provision for an accrual of property tax was made in the accompanying financial statements because the amount was not considered to be material. The amount of the receivable is reduced by an allowance for doubtful accounts which is based upon past experience. An amount equal to the net receivable is shown as deferred revenue on the Combined Balance Sheet.

According to the North Carolina Tax Code, all real property and personal property is assessed for property tax purposes on January 1st of each year. The tax rate is set each year by the City Council at the time the final budget ordinance is adopted. Ad valorem taxes are levied on July 1, the beginning of the fiscal year except for ad valorem taxes on certain vehicles. Tax bills are initially prepared and mailed in July, and property taxes are due the first day of September each year, but can be received in the Tax Collector's Office until January 5th of the next year without interest at which time the property is subject to lien attachment. If payment is made after January 5th, the interest charge is 2 percent for the month of January and 3/4 percent

NOTES TO FINANCIAL STATEMENTS

every month thereafter until the bill is paid. On March 1st or as soon thereafter as practical, a certified notice of delinquent property taxes, penalties, assessments, and costs are mailed.

D. Receivable - Allowances for Doubtful Accounts

The amounts shown in the combined balance sheet for receivables are net of the following allowances for doubtful accounts.

| | |
|---|------------|
| General Fund: | |
| Allowance for uncollectible property taxes receivable | \$ 220,000 |
| Enterprise Fund: | |
| Water and Sewer Fund | |
| Allowance for uncollectible utility receivables | 30,000 |
| Agency Fund: | |
| Municipal Service District Fund | |
| Allowance for uncollectible property taxes receivable | 2,000 |

E. Fixed Assets

A summary of changes in general fixed assets follows:

| <u>General Fixed Assets</u> | Balances June 30, 1998 | Additions | Retirements | Transfers | Balances June 30, 1999 |
|----------------------------------|---------------------------|---------------------|-------------------|-------------|---------------------------|
| Land | \$ 1,350,993 | \$ 202,184 | \$ - | \$ - | \$ 1,553,177 |
| Buildings and improvements | 6,103,105 | 202,338 | 19,469 | 186,790 | 6,472,764 |
| Equipment | 12,066,727 | 1,830,588 | 113,581 | - | 13,783,734 |
| Construction in progress | 2,715,351 | 1,472,494 | 1,593 | (186,790) | 3,999,462 |
| Total general fixed assets | <u>\$ 22,236,176</u> | <u>\$ 3,707,604</u> | <u>\$ 134,643</u> | <u>\$ -</u> | <u>\$ 25,809,137</u> |
| <u>Function</u> | | | | | |
| General government | \$ 4,464,894 | \$ 534,573 | \$ 36,896 | \$ 10,009 | \$ 4,972,580 |
| Public safety | 5,361,584 | 964,222 | 48,453 | (11,037) | 6,266,316 |
| Transportation | 3,119,428 | 358,639 | 7,050 | (11,169) | 3,459,848 |
| Environmental protection | 1,174,879 | 158,165 | - | - | 1,333,044 |
| Culture and recreation | 3,437,922 | 1,668,867 | 28,251 | (1,796) | 5,076,742 |
| Community & economic development | 4,677,469 | 23,138 | 13,993 | 13,993 | 4,700,607 |
| Total general fixed assets | <u>\$ 22,236,176</u> | <u>\$ 3,707,604</u> | <u>\$ 134,643</u> | <u>\$ -</u> | <u>\$ 25,809,137</u> |
| <u>Funding Source</u> | | | | | |
| Assets purchased prior to FY86 | | | | | |
| from undetermined sources | \$ 3,213,622 | \$ - | \$ 23,076 | \$ - | \$ 3,190,546 |
| General Fund | 18,407,603 | 3,699,605 | 111,567 | - | 21,995,641 |
| Special Revenue | 614,951 | 7,999 | - | - | 622,950 |
| Total general fixed assets | <u>\$ 22,236,176</u> | <u>\$ 3,707,604</u> | <u>\$ 134,643</u> | <u>\$ -</u> | <u>\$ 25,809,137</u> |

Reconciliation of additions

| | |
|-----------------------------------|--------------------|
| Capital outlay expenditures | \$2,598,932 |
| Capital Project Fund expenditures | <u>1,108,672</u> |
| | <u>\$3,707,604</u> |

NOTES TO FINANCIAL STATEMENTS

In the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, expenditures include current and debt service classifications, but does not include a classification for capital outlays. Capital outlay expenditures were recorded in the functions as they were budgeted.

A summary of enterprise fund fixed assets at June 30, 1999, follows:

| | Fixed Assets | Depreciation | Net |
|----------------------------|-----------------------|----------------------|----------------------|
| Water and Sewer Fund: | | | |
| Land | \$ 2,074,567 | \$ - | \$ 2,074,567 |
| Buildings and improvements | 77,296,886 | 23,356,352 | 53,940,534 |
| Equipment | 5,998,112 | 4,297,696 | 1,700,416 |
| Construction in progress | 14,476,910 | - | 14,476,910 |
| Total Water and Sewer Fund | <u>\$ 99,846,475</u> | <u>\$ 27,654,048</u> | <u>\$ 72,192,427</u> |
| Mass Transit Fund: | | | |
| Buildings and improvements | \$ 481,794 | \$ 480,123 | \$ 1,671 |
| Equipment | 905,403 | 838,366 | 67,037 |
| Total Mass Transit Fund | <u>\$ 1,387,197</u> | <u>\$ 1,318,489</u> | <u>\$ 68,708</u> |
| | <u>\$ 101,233,672</u> | <u>\$ 28,972,537</u> | <u>\$ 72,261,135</u> |

As of June 30, 1999, Downtown Salisbury, Inc. held property and equipment with a net book value of \$22,737.

F. Deferred Revenue

As discussed in Note 3C, property taxes receivable that are measurable but not available are recorded as taxes receivable and as deferred revenue. Likewise, prepaid property taxes or privilege licenses have not met the recognition criteria and are recorded as deferred revenue. Other deferred revenue in the General Fund represents grants and donations received for the construction of the new Salisbury Community Park and other projects that have not yet been spent for those purposes as of June 30, 1999. The balance in deferred revenue at year end, including these items, is composed of the following elements:

| | General Fund |
|------------------------|---------------------|
| Taxes receivable, net | \$ 433,229 |
| Prepaid property taxes | 70,437 |
| Other deferred revenue | 723,170 |
| Total deferred revenue | <u>\$ 1,226,836</u> |

G. Long-Term Debt

A summary of changes in long-term debt follows:

| | June 30,1998 | Additions | Retirements | June 30,1999 |
|--------------------------|----------------------|------------------|---------------------|----------------------|
| General long-term debt: | | | | |
| General obligation bonds | \$ 3,625,000 | \$ - | \$ 200,000 | \$ 3,425,000 |
| Capital leases | 1,629,583 | - | 333,036 | 1,296,547 |
| Compensated absences | 719,037 | 19,445 | - | 738,482 |
| | <u>\$ 5,973,620</u> | <u>\$ 19,445</u> | <u>\$ 533,036</u> | <u>\$ 5,460,029</u> |
| Enterprise fund: | | | | |
| General obligation bonds | \$ 21,235,000 | \$ - | \$ 1,300,000 | \$ 19,935,000 |
| Revenue bonds | 2,040,000 | - | 70,000 | 1,970,000 |
| State loans | 5,177,614 | - | 272,506 | 4,905,108 |
| Capital leases | 3,406,387 | - | 198,799 | 3,207,588 |
| | <u>\$ 31,859,001</u> | <u>\$ -</u> | <u>\$ 1,841,305</u> | <u>\$ 30,017,696</u> |
| Total | <u>\$ 37,832,621</u> | <u>\$ 19,445</u> | <u>\$ 2,374,341</u> | <u>\$ 35,477,725</u> |

NOTES TO FINANCIAL STATEMENTS

The City has general obligation bonds in the General Fund Long-Term Debt Account Group for public improvements dated January 1, 1992. The bonds were issued for improvements to the City's parks and recreation areas and for sidewalk and parking facilities. These bonds have an average interest rate of 6.10% and mature serially to 2002.

In November 1993, the City issued \$373,000 general obligation bonds. The bonds were designated for improvements to the City's downtown parking facilities and for construction of recreation facilities. These bonds were issued at an average interest rate of 4.846% and mature serially to 2004.

The City issued \$355,000 general obligation bonds in November 1995 for public parks and recreation facilities improvements. The bonds were issued at an average interest rate of 5.2756% and mature serially to 2006.

In January 1998, the City issued \$3,000,000 general obligation bonds. The bonds were designated for parks and recreation facilities. The bonds were issued at an average interest rate of 4.7718% and mature serially to 2017.

The City has lease agreements to finance the acquisition of various equipment and facilities. These agreements qualified as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, were recorded at the present value of the future minimum lease payments as of the date of their inception.

These lease agreements are outlined as follows:

Lease of telecommunications equipment from BB&T Leasing Corporation, dated March 11, 1996, payable in eight semi-annual installments of \$54,438 at an effective interest rate of 3.93%.

Lease for capital improvements and acquisition of facilities from Wachovia Bank and Trust, dated December 20, 1996, payable in 14 semi-annual installments of \$149,223 at an effective interest rate of 4.91%.

The equipment and facilities acquired by these capital leases has been recorded in the General Fixed Assets Account Group at values totaling \$1,894,431.

Future maturities of general long-term debt, excluding accrued vacation pay, are as follows:

| Year Ending June 30, | General Obligation Bonds | | Capital Leases | | Total Debt Due | |
|-------------------------|--------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2000 | \$ 200,000 | \$ 166,158 | \$ 347,345 | \$ 59,978 | \$ 547,345 | \$ 226,136 |
| 2001 | 200,000 | 156,125 | 254,921 | 43,525 | 454,921 | 199,650 |
| 2002 | 200,000 | 146,092 | 267,591 | 30,854 | 467,591 | 176,946 |
| 2003 | 180,000 | 136,020 | 280,891 | 17,554 | 460,891 | 153,574 |
| 2004 | 180,000 | 127,210 | 145,799 | 3,589 | 325,799 | 130,799 |
| Thereafter | 2,465,000 | 796,000 | - | - | 2,465,000 | 796,000 |
| | <u>\$ 3,425,000</u> | <u>\$ 1,527,605</u> | <u>\$ 1,296,547</u> | <u>\$ 155,500</u> | <u>\$ 4,721,547</u> | <u>\$ 1,683,105</u> |

The general obligation bonds and capitalized leases are being retired by the resources of the General Fund. The general obligation bonds bear interest, payable semiannually, and are collateralized by the full faith, credit, and taxing power of the City. The capitalized leases are collateralized by the equipment and facilities on which the lease is given.

NOTES TO FINANCIAL STATEMENTS

Enterprise fund long-term debt (excluding capital leases) includes the following general and revenue bond issues and State Clean Water Bonds of the Water and Sewer Fund:

| | <u>June 30, 1999</u> |
|---|----------------------|
| Sanitary Sewer Series 1989, average rate of 6.5245% issued July 1989, maturing serially to 2008 | \$ 875,000 |
| Sanitary Sewer Series 1992, average rate of 6.10%, issued January 1992, maturing serially to 2011 | 750,000 |
| Refunding Bonds, Series 1993, average rate of 4.186%, issued November 1993, maturing serially to 2008 | 2,610,000 |
| Water and Sewer Bonds, Series 1995, average rate of 5.2756%, issued November 1995, maturing serially to 2015 | 12,000,000 |
| Water and Sewer Revenue Bonds, Series 1998A, average rate of 4.87%, issued January 1998, maturing serially to 2018 | 1,970,000 |
| Water Bonds, Series 1997, average rate of 4.74%, issued December 1997, maturing serially to 2008 | 625,000 |
| Water Bonds, Series 1998, average rate of 4.4%, issued June 1998, maturing serially to 2017 | 3,075,000 |
| State Bond Loan, average rate of 5.3%, issued November 1997, maturing serially to 2017 | 4,500,000 |
| State Bond Loan, average rate of 5.3%, issued November 1997, maturing serially to 2017 | 405,108 |
| | <u>\$ 26,810,108</u> |

The general obligation bonds were issued to finance the construction of facilities utilized in the operations of the water and sewer systems. The general obligation bonds are being retired by the resources of the Water and Sewer Fund. The general obligation bonds bear interest, payable semiannually, and are collateralized by the full faith, credit, and taxing power of the City.

The City also issues bonds where the City pledges income derived from the Enterprise Fund acquiring or constructing assets with the proceeds to pay debt service. In January 1998, the City issued \$2,040,000 revenue bonds to finance improvements to the City's sewer system. Revenue bonds outstanding as of June 30, 1999 consisted only of the January 1998 issue. The Revenue Bond General Trust Indenture requires that the City must maintain certain debt covenants relating to reporting requirements, annual budgets, and minimum utility funds revenues. As of and for the year ended June 30, 1999, all covenants have been met. Net revenues available for revenue bond debt service can not be less than one hundred twenty percent (120%) of the long-term debt service requirement for parity indebtedness. The calculations of the City's revenue bond coverage for the last two years are as follows:

| Fiscal Year | Gross Revenues (1) | Operating Expenditures(2) | Net Revenues Available for Revenue Bond Debt Service | Debt Service Requirements (3) | | | Coverage |
|----------------|-----------------------|------------------------------|---|-------------------------------|------------|------------|----------|
| | | | | Principal | Interest | Total | |
| 1998 | \$ 12,163,733 | \$ 7,888,104 | \$ 4,275,629 | \$ 272,506 | \$ 176,742 | \$ 449,248 | 951.73% |
| 1999 | 12,182,228 | 8,536,338 | 3,645,890 | 342,506 | 372,041 | 714,547 | 510.24% |

- (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 and N. C. State Clean Water Bonds only.

During the fiscal year ended June 30, 1998, the City entered into 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 4.5%. The City has recorded water and

NOTES TO FINANCIAL STATEMENTS

sewer assets related to these leases at their fair market value of \$3,802,476. The future minimum lease payments at June 30, 1999 total \$4,168,212, including \$960,624 of interest. The leases expire in 2006 and 2016 at which time the City will take ownership of the related assets.

Future maturities of enterprise fund long-term debt are as follows:

| Year Ending June 30, | Bonds | | Capital Leases | | Total Debt Due | |
|-------------------------|----------------------|----------------------|---------------------|-------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2000 | \$ 1,627,506 | \$ 1,364,934 | \$ 198,799 | \$ 110,071 | \$ 1,826,305 | \$ 1,475,005 |
| 2001 | 1,627,506 | 1,283,412 | 199,799 | 103,141 | 1,827,305 | 1,386,553 |
| 2002 | 1,622,506 | 1,201,803 | 199,799 | 97,021 | 1,822,305 | 1,298,824 |
| 2003 | 1,622,506 | 1,120,281 | 200,799 | 89,191 | 1,823,305 | 1,209,472 |
| 2004 | 1,622,506 | 1,038,727 | 200,799 | 82,171 | 1,823,305 | 1,120,898 |
| 2005 | 1,632,506 | 957,139 | 200,799 | 75,151 | 1,833,305 | 1,032,290 |
| 2006 | 1,637,506 | 874,992 | 198,799 | 68,131 | 1,836,305 | 943,123 |
| 2007 | 1,632,506 | 792,519 | 180,799 | 61,201 | 1,813,305 | 853,720 |
| 2008 | 1,582,506 | 710,134 | 180,799 | 55,081 | 1,763,305 | 765,215 |
| 2009 | 1,547,506 | 627,325 | 180,799 | 48,960 | 1,728,305 | 676,285 |
| 2010 | 1,552,506 | 546,841 | 180,799 | 42,840 | 1,733,305 | 589,681 |
| 2011 | 1,557,506 | 466,113 | 180,799 | 36,720 | 1,738,305 | 502,833 |
| 2012 | 1,562,506 | 385,091 | 180,799 | 30,600 | 1,743,305 | 415,691 |
| 2013 | 1,567,506 | 304,226 | 180,799 | 24,480 | 1,748,305 | 328,706 |
| 2014 | 1,572,506 | 222,943 | 180,799 | 18,360 | 1,753,305 | 241,303 |
| 2015 | 1,582,506 | 141,294 | 180,799 | 12,240 | 1,763,305 | 153,534 |
| 2016 | 587,506 | 59,280 | 180,804 | 5,265 | 768,310 | 64,545 |
| 2017 | 517,506 | 30,022 | - | - | 517,506 | 30,022 |
| 2018 | 155,000 | 3,774 | - | - | 155,000 | 3,774 |
| | <u>\$ 26,810,108</u> | <u>\$ 12,130,850</u> | <u>\$ 3,207,588</u> | <u>\$ 960,624</u> | <u>\$ 30,017,696</u> | <u>\$ 13,091,474</u> |

The City had a legal debt margin of \$90,732,030 at June 30, 1999.

H. Pension Cost

1. Local Government Employees' Retirement System

Plan Description. The City of Salisbury contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government 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, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.33%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Salisbury are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 1999, 1998, and 1997 were \$584,458, \$579,156, and \$554,696, respectively. The contributions made by the City equaled the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

2. Law Enforcement Officers' Special Separation Allowance

A. 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% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the North Carolina General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the General Assembly. The Separation Allowance is reported in the City's Comprehensive Annual Financial Report as a pension trust fund.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 1998, the Separation Allowance's membership consisted of:

| | |
|--|-----------|
| Retirees and beneficiaries currently receiving benefits | 2 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>75</u> |
| Total | <u>77</u> |

B. Summary of Significant Accounting Policies

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

Method Used to Value Investments. As noted in Note 1F. 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.

C. 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 \$48,880, or 2.03% 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, 1998 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.4% to 8.5% per year. Item (b) included an inflation adjustment of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 1998 was 21 years.

NOTES TO FINANCIAL STATEMENTS

D. 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 | \$ 51,401 |
| Interest on net pension obligation | (1,688) |
| Adjustment to annual required contribution | 2,076 |
| Annual pension cost | \$ 51,789 |
| Contributions made | 48,880 |
| Decrease in net pension asset | \$ (2,909) |
| Net pension asset beginning of year | 23,276 |
| Net pension asset end of year | \$ 20,367 |

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Asset |
|----------------------|------------------------------|----------------------------------|----------------------|
| 6/30/99 | \$51,789 | 94.38% | \$20,367 |
| 6/30/98 | 46,376 | 104.45% | 23,276 |
| 6/30/97 | 43,984 | 114.82% | 21,211 |

3. Supplemental Retirement Income Plan for Law Enforcement Officers

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 law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy: Article 12E of G.S. Chapter 143 requires that the City contribute each month an amount equal to 5 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 1999 were \$122,258 which consisted of \$122,258 from the City and \$0 from the law enforcement officers.

4. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description: The State of North Carolina contributes, on behalf of the City of Salisbury, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the fund. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

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

NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended June 30, 1999, the City has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$30,074 for the 66 employed firemen who perform firefighting duties for the City's fire department.

I. Other Postemployment Benefits

In addition to providing pension benefits, the City of Salisbury has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefits may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly 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. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 1999, the City made contributions to the State for death benefits of \$17,391. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.14% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

J. Contributed Capital

Grants, entitlement, and shared revenues restricted for the acquisition of or construction of capital assets are recorded as contributed capital. The following is a summary of changes in contributed capital for the year ended June 30, 1999:

| | Water and Sewer Fund | Mass Transit Fund | Total Enterprise Fund |
|--------------------------------|-------------------------|----------------------|--------------------------|
| Additions: | | | |
| Local developers | \$ 1,660,081 | \$ - | \$ 1,660,081 |
| Federal and state grants | - | 17,569 | 17,569 |
| Total additions | \$ 1,660,081 | \$ 17,569 | \$ 1,677,650 |
| Contributed capital, beginning | 29,783,866 | 1,472,422 | 31,256,288 |
| Contributed capital, ending | \$ 31,443,947 | \$ 1,489,991 | \$ 32,933,938 |

K. Water and Sewer Fund - Restricted Assets

The City has combined amounts restricted for capital projects and amounts for which the nature of the transaction generated a related liability with amounts available for general operating use in the statements for the Water and Sewer Fund. These amounts are not available to meet obligations arising from the operating activities of the fund. The amounts listed in the table below are restricted by capital project ordinance, by covenant related to the general obligation bond issue, and/or by the external source of the originating transaction.

A summary of these assets and related liabilities restricted for specific purposes at June 30, 1999, follows:

| | |
|----------------------|--------------|
| Cash and investments | \$ 9,857,587 |
| Accounts receivable | 294,286 |
| Interest receivable | 27,294 |
| Accounts payable | (594,496) |
| Customer deposits | (183,476) |

NOTES TO FINANCIAL STATEMENTS

L. Major Customer

One unrelated customer was responsible for generating approximately 10.9% of the City's Water and Sewer Fund revenues for the year ended June 30, 1999. That customer closed its Salisbury operations in 1999 and is no longer a customer of the Water and Sewer Fund.

Note 4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities. This pool provides general liability coverage to \$1,000,000 as well as \$1,000,000 for automobile liability. In addition, the City maintains replacement cost insurance on personal property, including boiler and machinery, in an amount of \$72,596,843. Other replacement cost property insurance includes coverage for electronic equipment in the amount of \$1,550,362, automobile physical damage insurance for \$7,197,502, and impounded vehicles for \$100,000. The City also provides coverage for employee dishonesty in the amount of \$100,000 and fidelity insurance of the Finance Director's office for \$100,000. The pool is reinsured through commercial companies for single occurrence claims against property, general liability, and auto liability in excess of \$300,000.

The City also maintains commercial liability insurance of \$1,000,000 for its public officials and \$1,000,000 for law enforcement professional liability. 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.

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 \$40,000 per individual and to 120% of estimated annual aggregate claims. The City also carries an excess workers' compensation policy through a commercial insurer in the amount of \$1,000,000. The City retains a \$300,000 deductible for this coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The liability for claims is reported in the current liabilities of the internal service funds. Changes in the balances of claims liabilities during the past two years are as follows:

| | Year ended June 30, 1997 | Year ended June 30, 1998 | Year ended June 30, 1999 |
|---|-----------------------------|-----------------------------|-----------------------------|
| Unpaid claims, beginning of fiscal year | \$ 242,584 | \$ 239,543 | \$ 261,614 |
| Incurred claims (including IBNRs) | 1,541,129 | 1,716,954 | 1,942,916 |
| Claim payments | (1,544,170) | (1,694,883) | (1,918,804) |
| Unpaid claims, end of fiscal year | \$ 239,543 | \$ 261,614 | \$ 285,726 |

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

Downtown Salisbury, Inc., is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The unit has commercial insurance covering property, general liability, and employee health coverage. Claims have not exceeded coverage in any of the past three years.

Note 5. Enterprise Funds - Segment Information

The City maintains two enterprise funds that provide water, sewer, and mass transit services. Segment information for the year ended June 30, 1999 is as follows:

NOTES TO FINANCIAL STATEMENTS

| | Water and Sewer Fund | Mass Transit Fund | Totals |
|-------------------------------|-------------------------|----------------------|---------------|
| Operating revenues | \$ 11,402,462 | \$ 75,879 | \$ 11,478,341 |
| Depreciation expense | 2,277,590 | 40,687 | 2,318,277 |
| Operating income (loss) | 588,534 | (405,596) | 182,938 |
| Operating grants | - | 238,275 | 238,275 |
| Operating transfers in | - | 160,282 | 160,282 |
| Net income | 231,255 | 11,908 | 243,163 |
| Current capital contributions | 1,660,081 | 17,569 | 1,677,650 |
| Total assets | 88,926,208 | 360,315 | 89,286,523 |
| Fixed assets, net | 72,192,427 | 68,708 | 72,261,135 |
| Fixed asset additions | 4,403,923 | 12,722 | 4,416,645 |
| Net working capital | 12,771,406 | 248,051 | 13,019,457 |
| Long-term debt | 30,017,696 | - | 30,017,696 |
| Retained earnings (deficit) | 25,328,495 | (1,173,232) | 24,155,263 |
| Contributed capital | 31,443,947 | 1,489,991 | 32,933,938 |
| Total equity | 56,772,442 | 316,759 | 57,089,201 |

Note 6. Joint Venture

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints an additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 1999, the City reported revenues and expenditures for the payments of \$43,393 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 1999. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828.

Note 7. Contingencies, Commitments and Subsequent Events

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City has been approved for \$9,200,000 in State Clean Water Bonds. These bonds will be used to finance several construction projects for facilities utilized by the Water and Sewer Fund. The City anticipates spending a portion of these funds during the fiscal year ending June 30, 2000.

At June 30, 1999, the City has \$200,997 in uncompleted construction contracts in the General Fund and are included in the reservation of fund balance for encumbrances. In addition, the City has \$8,580,270 in uncompleted construction contracts in the Water and Sewer Fund.

Note 8. Pending GASB Statements

At June 30, 1999, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, issued December, 1998, will be effective for the fiscal year ending June 30, 2001. This Statement imposes new standards for the timing of the recognition of revenue in certain nonexchange transactions. Nonexchange transaction types

NOTES TO FINANCIAL STATEMENTS

affected are government-mandated nonexchange transactions such as federal or state mandated programs and voluntary nonexchange transactions such as certain grants or private contributions. Management of the City has not yet determined what effect Statement No. 33 will have on its financial position or results of its operations.

GASB Statement No, 34, *Basis Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, issued June 1999, will be effective for the City for the year ending June 30, 2003. This Statement imposes new standards of financial reporting. Financial managers will be required to provide a management’s discussion and analysis (MD&A) that gives readers an analysis of the City’s overall financial position and results of the previous year’s operations. The titles and formats of the financial statements will change significantly. Governmental units will continue to provide budgetary information in their reports; however, under this Statement, they will be required to provide the government’s original budget as well as the final budget and actual results. Management has not yet completed its assessment of this Statement; however, it will have a significant effect on the overall financial statement presentation.

Required Supplemental Financial Data



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 December 31, | (1) Actuarial Value of Assets | (2) | (3) | Funded Ratio (1) / (2) | (4) Annual Covered Payroll | UAAL as a Percentage of Covered Payroll (3) / (4) |
|---|--|--|-------------------------------------|---------------------------|-------------------------------------|--|
| | | Actuarial Accrued Liability (AAL) Projected Unit Credit | Unfunded AAL (UAAL) (2) - (1) | | | |
| 1998 | \$ 222,945 | \$ 448,747 | \$ 225,802 | 49.68% | \$ 2,404,793 | 9.39% |
| 1997 | 179,257 | 436,656 | 257,399 | 41.05% | 2,391,215 | 10.76% |
| 1996 | 141,175 | 380,118 | 238,943 | 37.14% | 2,169,850 | 11.01% |
| 1995 | 110,262 | 352,314 | 242,052 | 31.30% | 1,998,555 | 12.11% |
| 1994 | 90,602 | 307,750 | 217,148 | 29.44% | 1,944,845 | 11.17% |
| 1993 | 69,182 | 297,781 | 228,599 | 23.23% | 1,811,784 | 12.62% |

CITY OF SALISBURY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Six Fiscal Years

| <u>Fiscal Year Ended June 30,</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|---|---|-----------------------------------|
| 1999 | \$ 51,401 | 95% |
| 1998 | 46,376 | 104 |
| 1997 | 43,984 | 115 |
| 1996 | 39,685 | 100 |
| 1995 | 46,916 | 100 |
| 1994 | 42,536 | 100 |

Notes to the Required Schedules:

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

| | |
|-------------------------------|-----------------------|
| Valuation date | 12/31/98 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level dollar closed |
| Remaining amortization period | 21 years |
| Asset valuation method | Market value |
| Actuarial assumptions | |
| Investment rate of return | 7.25% |
| Projected salary increases | 4.4% - 8.5% |
| Includes inflation at | 3.75% |
| Cost of living adjustments | N/A |



McGLADREY & PULLEN, L.L.P.
Certified Public Accountants and Consultants

Independent Auditor's

On Supplementary Information

Report

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

We have audited the general purpose financial statements of the City of Salisbury, North Carolina, as of and for the year ended June 30, 1999, and have issued our report thereon dated August 25, 1999. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The year 2000 supplementary information labeled "Year 2000 Issue" is not a required part of the basis financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and, therefore, do not express an opinion on it. In addition, we do not provide assurance that the City of Salisbury is or will become year 2000 compliant, that the City of Salisbury's year 2000 remediation efforts will be successful in whole or in part, or that parties with whom the City of Salisbury does business are or will become year 2000 compliant.

Greensboro, North Carolina
August 25, 1999

CITY OF SALISBURY, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999. Due to the elimination of the first two digits from a year in many software programs, programs will not be able to distinguish between the year 2000 and the year 1900 which may cause the programs to process data incorrectly or stop processing data altogether. The stages of work needed to achieve compliance are identified as: awareness, assessment, remediation, and validation/testing.

In September 1997, the City of Salisbury began converting its mission critical computer systems to be year 2000 compliant. At June 30, 1999, approximately 90% of the City's mission critical systems have completed the validation/testing stage, with all mission critical systems expected to be completed by October 31, 1999. The conversion plan includes a risk assessment process, identifying those systems determined to be critical for the uninterrupted provision of services to residents of the City. Some of these mission critical systems include utilities billing system, general ledger accounting system, and the criminal justice financial systems. All water and sewer operating systems have been converted or updated to be year 2000 compliant and are currently in the validation/testing stage. Tested mission critical systems are expected to be implemented by October 31, 1999. The total cost of the project is estimated to be \$451,350 and is being funded through operating cash flows. The City is recording expenditures for all costs associated with these systems changes. As of June 30, 1999, \$300,633 has been expended. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the City is or will be Year 2000 ready, that the City's remediation efforts will be successful in whole or in part, or that parties with whom the City does business will be year 2000 ready.

Supplementary Financial Data

General Fund

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

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CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND

COMPARATIVE BALANCE SHEETS

June 30, 1999 and 1998

| <u>ASSETS</u> | <u>1999</u> | <u>1998</u> |
|---|---------------------|---------------------|
| Cash and investments | \$ 5,195,039 | \$ 4,980,057 |
| Taxes receivable (net of allowance for uncollectible) | 433,229 | 351,775 |
| Accounts receivable | 553,933 | 412,869 |
| Interest receivable | 23,919 | 18,248 |
| Due from other governments | 1,248,085 | 1,497,024 |
| Prepaid items | <u>8,887</u> | <u>44,297</u> |
| Total assets | <u>\$ 7,463,092</u> | <u>\$ 7,304,270</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 1,868,011 | \$ 1,382,477 |
| Outstanding checks in excess of bank balance | - | 257,317 |
| Deferred revenue | <u>1,226,836</u> | <u>787,490</u> |
| Total liabilities | <u>\$ 3,094,847</u> | <u>\$ 2,427,284</u> |
| FUND EQUITY | | |
| Fund balances: | | |
| Reserved by State statute | \$ 1,825,937 | \$ 1,928,141 |
| Reserved for encumbrances | 384,576 | 667,772 |
| Reserved for prepaid items | 8,887 | 44,297 |
| Unreserved: | | |
| Designated for capital equipment replacement | 863,305 | 1,277,944 |
| Undesignated | <u>1,285,540</u> | <u>958,832</u> |
| Total fund equity | <u>\$ 4,368,245</u> | <u>\$ 4,876,986</u> |
| Total liabilities and fund equity | <u>\$ 7,463,092</u> | <u>\$ 7,304,270</u> |

CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND

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

For the Year Ended June 30, 1999

With Comparative Actual Amounts for the Year Ended June 30, 1998

| | 1999 | | 1998 | |
|---|----------------------|----------------------|----------------------------------|----------------------|
| | Actual | Budget | Actual Over (Under) Budget | Actual |
| REVENUES: | | | | |
| Taxes | \$ 12,060,778 | \$ 11,892,079 | \$ 168,699 | \$ 10,812,490 |
| License and permits | 466,325 | 438,504 | 27,821 | 427,718 |
| Intergovernmental | 4,607,972 | 5,316,702 | (708,730) | 4,516,122 |
| Charges for services | 1,520,687 | 1,452,392 | 68,295 | 1,416,622 |
| Miscellaneous | 1,375,752 | 2,389,996 | (1,014,244) | 818,057 |
| Administrative charges | 1,299,875 | 1,299,875 | - | 1,207,500 |
| Total revenues | <u>\$ 21,331,389</u> | <u>\$ 22,789,548</u> | <u>\$ (1,458,159)</u> | <u>\$ 19,198,509</u> |
| OTHER FINANCING SOURCES: | | | | |
| Sale of bonds | \$ - | \$ 1,000,000 | \$ (1,000,000) | \$ - |
| Fund balance appropriated | - | 2,810,677 | (2,810,677) | - |
| Total other financing sources | <u>\$ -</u> | <u>\$ 3,810,677</u> | <u>\$ (3,810,677)</u> | <u>\$ -</u> |
| Total revenues and other financing sources | <u>\$ 21,331,389</u> | <u>\$ 26,600,225</u> | <u>\$ (5,268,836)</u> | <u>\$ 19,198,509</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | \$ 4,729,986 | \$ 6,198,866 | \$ (1,468,880) | \$ 4,300,358 |
| Public safety | 8,113,842 | 8,575,756 | (461,914) | 6,900,177 |
| Transportation | 3,237,416 | 4,015,449 | (778,033) | 3,047,455 |
| Environmental protection | 1,470,108 | 1,676,556 | (206,448) | 1,331,161 |
| Culture and recreation | 2,162,351 | 3,909,403 | (1,747,052) | 2,186,293 |
| Community and economic development | 1,140,341 | 1,238,109 | (97,768) | 1,526,471 |
| Education | 42,342 | 42,342 | - | 42,342 |
| Debt service: | | | | |
| Principal | 532,214 | 533,126 | (912) | 417,200 |
| Interest | 251,248 | 250,336 | 912 | 199,808 |
| Total expenditures | <u>\$ 21,679,848</u> | <u>\$ 26,439,943</u> | <u>\$ (4,760,095)</u> | <u>\$ 19,951,265</u> |
| OTHER FINANCING Sources (USES): | | | | |
| Operating transfers to other funds: | | | | |
| Mass transit | 160,282 | 160,282 | - | 130,021 |
| Total expenditures and other financing uses | <u>\$ 21,840,130</u> | <u>\$ 26,600,225</u> | <u>\$ (4,760,095)</u> | <u>\$ 20,081,286</u> |
| NET INCREASE (DECREASE) IN FUND BALANCE | \$ (508,741) | \$ - | \$ (508,741) | \$ (882,777) |
| FUND BALANCE, BEGINNING | 4,876,986 | | | 5,759,763 |
| FUND BALANCE, ENDING | <u>\$ 4,368,245</u> | | | <u>\$ 4,876,986</u> |

CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL

For the Year Ended June 30, 1999

| REVENUES: | | | Actual Over |
|--|----------------------|----------------------|-----------------------|
| | Actual | Budget | (Under) Budget |
| Taxes: | | | |
| General property-current | \$ 8,685,909 | \$ 8,605,349 | \$ 80,560 |
| General property-prior | 237,133 | 268,000 | (30,867) |
| Interest on delinquent tax | 45,867 | 40,000 | 5,867 |
| Local option sales tax | 3,091,079 | 2,978,130 | 112,949 |
| Other tax | 790 | 600 | 190 |
| | <u>\$ 12,060,778</u> | <u>\$ 11,892,079</u> | <u>\$ 168,699</u> |
| Licenses and permits: | | | |
| Privilege license | \$ 291,384 | \$ 270,504 | \$ 20,880 |
| Franchises | 174,941 | 168,000 | 6,941 |
| | <u>\$ 466,325</u> | <u>\$ 438,504</u> | <u>\$ 27,821</u> |
| Intergovernmental: | | | |
| Federal | \$ 38,205 | \$ 163,712 | \$ (125,507) |
| State | 4,482,205 | 5,058,523 | (576,318) |
| Local | 87,562 | 94,467 | (6,905) |
| | <u>\$ 4,607,972</u> | <u>\$ 5,316,702</u> | <u>\$ (708,730)</u> |
| Charges for services: | | | |
| Supportive court services | \$ 26,756 | \$ 26,664 | \$ 92 |
| Community services | 134,509 | 124,190 | 10,319 |
| Culture and recreation | 167,996 | 182,871 | (14,875) |
| Environmental protection | 793,172 | 799,057 | (5,885) |
| Public safety | 398,254 | 319,610 | 78,644 |
| | <u>\$ 1,520,687</u> | <u>\$ 1,452,392</u> | <u>\$ 68,295</u> |
| Miscellaneous: | | | |
| Interest earned on investments | \$ 261,630 | \$ 268,779 | \$ (7,149) |
| Insurance proceeds | 30,980 | 16,292 | 14,688 |
| Rentals and sale of property | 511,515 | 641,966 | (130,451) |
| Other | 571,627 | 1,462,959 | (891,332) |
| | <u>\$ 1,375,752</u> | <u>\$ 2,389,996</u> | <u>\$ (1,014,244)</u> |
| Administrative charges: | | | |
| Interfund revenues | \$ 1,299,875 | \$ 1,299,875 | \$ - |
| Total revenues | <u>\$ 21,331,389</u> | <u>\$ 22,789,548</u> | <u>\$ (1,458,159)</u> |
| OTHER FINANCING SOURCES: | | | |
| Fund balance appropriated | \$ - | \$ 2,810,677 | \$ (2,810,677) |
| Sale of bonds | - | 1,000,000 | (1,000,000) |
| Total other financing sources | <u>\$ -</u> | <u>\$ 3,810,677</u> | <u>\$ (3,810,677)</u> |
| Total revenues and other financing sources | <u>\$ 21,331,389</u> | <u>\$ 26,600,225</u> | <u>\$ (5,268,836)</u> |

B-4
CITY OF SALISBURY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL
For the Year Ended June 30, 1999

| EXPENDITURES: | <u>Actual</u> | <u>Budget</u> | <u>Actual Over (Under) Budget</u> |
|---|----------------------|----------------------|---|
| Current: | | | |
| General government: | | | |
| City council | \$ 83,459 | \$ 87,851 | \$ (4,392) |
| City manager's office | 622,386 | 629,289 | (6,903) |
| Purchasing | 149,281 | 165,832 | (16,551) |
| Human resources | 342,549 | 350,764 | (8,215) |
| Finance | 727,090 | 753,703 | (26,613) |
| Fleet management | 588,569 | 594,371 | (5,802) |
| Public services administration | 159,083 | 164,881 | (5,798) |
| City office buildings | 921,672 | 2,256,495 | (1,334,823) |
| Telecommunication | 282,825 | 311,165 | (28,340) |
| Information technologies | 853,072 | 884,515 | (31,443) |
| | <u>\$ 4,729,986</u> | <u>\$ 6,198,866</u> | <u>\$ (1,468,880)</u> |
| Public safety: | | | |
| Police: | | | |
| Administration | \$ 462,558 | \$ 463,619 | \$ (1,061) |
| Services | 1,725,191 | 1,872,399 | (147,208) |
| Operations | 2,584,978 | 2,805,118 | (220,140) |
| Fire | 3,341,115 | 3,434,620 | (93,505) |
| | <u>\$ 8,113,842</u> | <u>\$ 8,575,756</u> | <u>\$ (461,914)</u> |
| Transportation: | | | |
| Traffic engineering | \$ 415,860 | \$ 476,173 | \$ (60,313) |
| Engineering | 748,797 | 1,153,882 | (405,085) |
| Streets | 1,766,778 | 2,070,759 | (303,981) |
| Street lighting | 305,981 | 314,635 | (8,654) |
| | <u>\$ 3,237,416</u> | <u>\$ 4,015,449</u> | <u>\$ (778,033)</u> |
| Environmental protection: | | | |
| Solid waste management | \$ 1,248,583 | \$ 1,435,323 | \$ (186,740) |
| Cemetery | 221,525 | 241,233 | (19,708) |
| | <u>\$ 1,470,108</u> | <u>\$ 1,676,556</u> | <u>\$ (206,448)</u> |
| Culture and recreation: | | | |
| Landscaping | \$ 705,423 | \$ 742,380 | \$ (36,957) |
| Recreation | 1,456,928 | 3,167,023 | (1,710,095) |
| | <u>\$ 2,162,351</u> | <u>\$ 3,909,403</u> | <u>\$ (1,747,052)</u> |
| Community and economic development: | | | |
| Community development | \$ 714,267 | \$ 728,226 | \$ (13,959) |
| The Plaza | 138,724 | 173,355 | (34,631) |
| Developmental services | 287,350 | 336,528 | (49,178) |
| | <u>\$ 1,140,341</u> | <u>\$ 1,238,109</u> | <u>\$ (97,768)</u> |
| Education | \$ 42,342 | \$ 42,342 | \$ - |
| Debt service: | | | |
| Principal | \$ 532,214 | \$ 533,126 | \$ (912) |
| Interest | 251,248 | 250,336 | 912 |
| | <u>\$ 783,462</u> | <u>\$ 783,462</u> | <u>\$ -</u> |
| Total expenditures | <u>\$ 21,679,848</u> | <u>\$ 26,439,943</u> | <u>\$ (4,760,095)</u> |
| OTHER FINANCING USES: | | | |
| Operating transfers to other funds: | | | |
| Mass transit | 160,282 | 160,282 | - |
| Total expenditures and other financing uses | <u>\$ 21,840,130</u> | <u>\$ 26,600,225</u> | <u>\$ (4,760,095)</u> |

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenues that are legally restricted to expenditures for particular purposes. The City has one special revenue fund.

Community Development Fund - 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
COMPARATIVE BALANCE SHEETS

June 30, 1999 and 1998

| <u>ASSETS</u> | <u>1999</u> | <u>1998</u> |
|---|-------------------|-------------------|
| Cash and investments | \$ 115,604 | \$ 186,655 |
| Accounts receivable | 661 | 1,235 |
| Due from other governments | <u>82,567</u> | <u>67,223</u> |
| Total assets | <u>\$ 198,832</u> | <u>\$ 255,113</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts payable and accrued liabilities | <u>\$ 37,295</u> | <u>\$ 70,428</u> |
| Total liabilities | <u>\$ 37,295</u> | <u>\$ 70,428</u> |
| <u>FUND EQUITY</u> | | |
| Fund balances: | | |
| Reserved by State statute | \$ 83,228 | \$ 68,458 |
| Unreserved: | | |
| Designated for subsequent year's expenditures | <u>78,309</u> | <u>116,227</u> |
| Total fund equity | <u>\$ 161,537</u> | <u>\$ 184,685</u> |
| Total liabilities and fund equity | <u>\$ 198,832</u> | <u>\$ 255,113</u> |

CITY OF SALISBURY, NORTH CAROLINA

SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT

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

For the Year Ended June 30, 1999
With Comparative Actual Amounts for the Year Ended June 30, 1998

| | 1999 | | 1998 | |
|---|-------------------|---------------------|----------------------------------|-------------------|
| | Actual | Budget | Actual Over (Under) Budget | Actual |
| REVENUES: | | | | |
| Intergovernmental: | | | | |
| Federal | \$ 700,255 | \$ 1,008,882 | \$ (308,627) | \$ 505,976 |
| Miscellaneous: | | | | |
| Interest earned on investments | 4,154 | - | 4,154 | 1,948 |
| Other | <u>191,947</u> | <u>148,000</u> | <u>43,947</u> | <u>282,134</u> |
| Total revenues | <u>\$ 896,356</u> | <u>\$ 1,156,882</u> | <u>\$ (260,526)</u> | <u>\$ 790,058</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | \$ 126,910 | \$ 128,800 | \$ (1,890) | \$ 103,259 |
| Community and economic development | <u>792,594</u> | <u>1,028,082</u> | <u>(235,488)</u> | <u>692,750</u> |
| Total expenditures | <u>\$ 919,504</u> | <u>\$ 1,156,882</u> | <u>\$ (237,378)</u> | <u>\$ 796,009</u> |
| NET INCREASE (DECREASE) IN FUND BALANCE | \$ (23,148) | <u>\$ -</u> | <u>\$ (23,148)</u> | \$ (5,951) |
| FUND BALANCE, BEGINNING | <u>184,685</u> | | | <u>190,636</u> |
| FUND BALANCE, ENDING | <u>\$ 161,537</u> | | | <u>\$ 184,685</u> |

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition or construction of capital projects, other than those financed by enterprise funds, internal service funds, or trust funds.

CITY OF SALISBURY, NORTH CAROLINA

CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEETS

June 30, 1999 and 1998

| <u>ASSETS</u> | <u>1999</u> | <u>1998</u> |
|---|-------------------|---------------------|
| Cash and investments | \$ 644,039 | \$ 1,677,363 |
| Total assets | <u>\$ 644,039</u> | <u>\$ 1,677,363</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| FUND EQUITY | | |
| Fund Balances: | | |
| Unreserved: | | |
| Designated for subsequent year's expenditures | \$ 644,039 | \$ 1,677,363 |
| Total fund equity | <u>\$ 644,039</u> | <u>\$ 1,677,363</u> |
| Total liabilities and fund equity | <u>\$ 644,039</u> | <u>\$ 1,677,363</u> |

CITY OF SALISBURY, NORTH CAROLINA

CAPITAL PROJECTS FUND

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

From Inception and for the Year Ended June 30, 1999

| | Project Authorization | Actual | | |
|--|--------------------------|----------------|----------------|----------------|
| | | Prior Years | Current Year | Total to Date |
| REVENUES: | | | | |
| Miscellaneous | | | | |
| Interest earned on investments | \$ 71,675 | \$ 170,919 | \$ 75,348 | \$ 246,267 |
| EXPENDITURES: | | | | |
| Culture and recreation | \$ 3,556,278 | \$ 2,080,607 | \$ 1,108,672 | \$ 3,189,279 |
| Transportation | 493,397 | 390,949 | - | 390,949 |
| Total expenditures | \$ 4,049,675 | \$ 2,471,556 | \$ 1,108,672 | \$ 3,580,228 |
| Total revenues over (under) expenditures | \$ (3,978,000) | \$ (2,300,637) | \$ (1,033,324) | \$ (3,333,961) |
| OTHER FUNDING SOURCES | | | | |
| Proceeds from sale of bonds | 3,978,000 | 3,978,000 | - | 3,978,000 |
| NET INCREASE (DECREASE) IN FUND BALANCE | \$ - | \$ 1,677,363 | \$ (1,033,324) | \$ 644,039 |
| FUND BALANCE, BEGINNING | | | 1,677,363 | |
| FUND BALANCE, ENDING | | | \$ 644,039 | |

Enterprise Funds

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.

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.

CITY OF SALISBURY, NORTH CAROLINA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET

June 30, 1999

With Comparative Totals at June 30, 1998

| <u>ASSETS</u> | <u>Water</u> | | <u>Totals</u> | |
|---|----------------------|---------------------|----------------------|----------------------|
| | <u>and Sewer</u> | <u>Mass Transit</u> | <u>1999</u> | <u>1998</u> |
| CURRENT ASSETS | | | | |
| Cash and investments | \$ 4,386,936 | \$ 171,357 | \$ 4,558,293 | \$ 5,488,627 |
| Accounts receivable (net of allowance for uncollectible) | 1,957,036 | 3,607 | 1,960,643 | 1,789,504 |
| Interest receivable | 24,259 | 770 | 25,029 | 17,386 |
| Due from other governments | - | 45,626 | 45,626 | 142,586 |
| Inventories | 186,383 | 70,247 | 256,630 | 250,765 |
| Prepaid items | - | - | - | 8,714 |
| Total current assets | <u>\$ 6,554,614</u> | <u>\$ 291,607</u> | <u>\$ 6,846,221</u> | <u>\$ 7,697,582</u> |
| RESTRICTED ASSETS | | | | |
| Cash | 9,857,587 | | 9,857,587 | 11,997,560 |
| Accounts receivable | 294,286 | | 294,286 | 198,320 |
| Interest receivable | 27,294 | - | 27,294 | 24,128 |
| Total restricted assets | <u>\$ 10,179,167</u> | <u>\$ -</u> | <u>\$ 10,179,167</u> | <u>\$ 12,220,008</u> |
| FIXED ASSETS | | | | |
| Land | \$ 2,074,567 | \$ - | \$ 2,074,567 | \$ 2,074,567 |
| Buildings and improvements | 77,296,886 | 481,794 | 77,778,680 | 71,078,629 |
| Equipment | 5,998,112 | 905,403 | 6,903,515 | 6,299,687 |
| Construction in progress | 14,476,910 | - | 14,476,910 | 17,434,861 |
| Less accumulated depreciation | (27,654,048) | (1,318,489) | (28,972,537) | (26,720,254) |
| Total fixed assets | <u>\$ 72,192,427</u> | <u>\$ 68,708</u> | <u>\$ 72,261,135</u> | <u>\$ 70,167,490</u> |
| Total assets | <u>\$ 88,926,208</u> | <u>\$ 360,315</u> | <u>\$ 89,286,523</u> | <u>\$ 90,085,080</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 1,138,125 | \$ 43,556 | \$ 1,181,681 | \$ 1,166,922 |
| Interest payable | 219,973 | - | 219,973 | 234,290 |
| Current maturities of long-term debt | 1,826,305 | - | 1,826,305 | 1,841,305 |
| Customer deposits | 183,476 | | 183,476 | 163,553 |
| Liabilities payable from restricted assets | 594,496 | - | 594,496 | 1,492,926 |
| Total current liabilities | <u>\$ 3,962,375</u> | <u>\$ 43,556</u> | <u>\$ 4,005,931</u> | <u>\$ 4,898,996</u> |
| LONG-TERM DEBT | | | | |
| Bonds payable | \$ 25,182,602 | \$ - | \$ 25,182,602 | \$ 26,810,108 |
| Capital leases payable | 3,008,789 | - | 3,008,789 | 3,207,588 |
| Total long term-debt | <u>\$ 28,191,391</u> | <u>\$ -</u> | <u>\$ 28,191,391</u> | <u>\$ 30,017,696</u> |
| FUND EQUITY | | | | |
| Contributed capital | \$ 31,443,947 | \$ 1,489,991 | \$ 32,933,938 | \$ 31,256,288 |
| Retained earnings (deficit) | 25,328,495 | (1,173,232) | 24,155,263 | 23,912,100 |
| Total fund equity | <u>\$ 56,772,442</u> | <u>\$ 316,759</u> | <u>\$ 57,089,201</u> | <u>\$ 55,168,388</u> |
| Total liabilities and fund equity | <u>\$ 88,926,208</u> | <u>\$ 360,315</u> | <u>\$ 89,286,523</u> | <u>\$ 90,085,080</u> |

CITY OF SALISBURY, NORTH CAROLINA

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGSFor the Year Ended June 30, 1999
With Comparative Totals For The Year Ended June 30, 1998

| | Water | | Totals | |
|--|---------------|----------------|---------------|---------------|
| | and Sewer | Mass Transit | 1999 | 1998 |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 11,402,462 | \$ 75,879 | \$ 11,478,341 | \$ 11,502,963 |
| OPERATING EXPENSES: | | | | |
| Management and administration | \$ 2,652,225 | \$ 110,348 | \$ 2,762,573 | \$ 2,151,970 |
| Water resources | 3,786,052 | - | 3,786,052 | 3,722,927 |
| Maintenance and distribution | 2,098,061 | - | 2,098,061 | 2,114,713 |
| Depreciation | 2,277,590 | 40,687 | 2,318,277 | 1,839,687 |
| Mass transit operations | - | 330,440 | 330,440 | 321,162 |
| Total operating expenses | \$ 10,813,928 | \$ 481,475 | \$ 11,295,403 | \$ 10,150,459 |
| OPERATING INCOME (LOSS) | \$ 588,534 | \$ (405,596) | \$ 182,938 | \$ 1,352,504 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest earned on investments | \$ 801,341 | \$ 4,674 | \$ 806,015 | \$ 755,126 |
| Intergovernmental | - | 238,275 | 238,275 | 182,527 |
| Miscellaneous revenues | 390,537 | 14,273 | 404,810 | 401,880 |
| Interest expense | (1,549,157) | - | (1,549,157) | (1,360,365) |
| Net nonoperating revenues (expenses) | \$ (357,279) | \$ 257,222 | \$ (100,057) | \$ (20,832) |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | \$ 231,255 | \$ (148,374) | \$ 82,881 | \$ 1,331,672 |
| OPERATING TRANSFERS IN: | | | | |
| General Fund | - | 160,282 | 160,282 | 130,021 |
| NET INCOME | \$ 231,255 | \$ 11,908 | \$ 243,163 | \$ 1,461,693 |
| RETAINED EARNINGS (DEFICIT), BEGINNING | 25,097,240 | (1,185,140) | 23,912,100 | 22,450,407 |
| RETAINED EARNINGS (DEFICIT), ENDING | \$ 25,328,495 | \$ (1,173,232) | \$ 24,155,263 | \$ 23,912,100 |

**CITY OF SALISBURY, NORTH CAROLINA
ENTERPRISE FUNDS**

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1999

With Comparative Totals for the Year Ended June 30, 1998

| | Water | | Totals | |
|---|-----------------------|---------------------|-----------------------|-----------------------|
| | and Sewer | Mass Transit | 1999 | 1998 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 588,534 | \$ (405,596) | \$ 182,938 | \$ 1,352,504 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation | 2,277,590 | 40,687 | 2,318,277 | 1,839,687 |
| Other receipts | 390,537 | 18,947 | 409,484 | 218,026 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in accounts and interest receivable | (275,718) | (2,196) | (277,914) | 27,471 |
| (Increase) decrease in inventory | (4,067) | (1,798) | (5,865) | 55,956 |
| (Increase) decrease due from other governments | - | 96,960 | 96,960 | 309,621 |
| (Increase) decrease in prepaid items | 8,158 | 556 | 8,714 | (8,714) |
| Increase (decrease) in accounts and interest payable and accrued liabilities | (902,411) | 4,423 | (897,988) | 680,617 |
| Increase (decrease) in customer deposits | 19,923 | - | 19,923 | 31,922 |
| Net cash provided by (used for) operating activities | <u>\$ 2,102,546</u> | <u>\$ (248,017)</u> | <u>\$ 1,854,529</u> | <u>\$ 4,507,090</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating grants received | \$ - | \$ 238,275 | \$ 238,275 | \$ 182,527 |
| Operating transfer from general fund | - | 160,282 | 160,282 | 130,021 |
| Net cash provided by noncapital financing activities | <u>\$ -</u> | <u>\$ 398,557</u> | <u>\$ 398,557</u> | <u>\$ 312,548</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from issuing general obligation bonds | \$ - | \$ - | \$ - | \$ 10,623,915 |
| Capital grants received | - | 17,569 | 17,569 | 9,264 |
| Interest paid on general obligation bonds | (1,549,157) | - | (1,549,157) | (1,360,368) |
| Disposition of capital assets | - | 4,723 | 4,723 | - |
| Acquisition of capital assets | (4,403,923) | (12,722) | (4,416,645) | (13,549,066) |
| Principal paid on general obligation bonds | (1,841,305) | - | (1,841,305) | (1,515,305) |
| Capital contributed by developers | 1,660,081 | - | 1,660,081 | 2,906,450 |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (6,134,304)</u> | <u>\$ 9,570</u> | <u>\$ (6,124,734)</u> | <u>\$ (2,885,110)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received on investment securities | <u>\$ 801,341</u> | <u>\$ -</u> | <u>\$ 801,341</u> | <u>\$ 755,126</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>\$ (3,230,417)</u> | <u>\$ 160,110</u> | <u>\$ (3,070,307)</u> | <u>\$ 2,689,654</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>17,474,940</u> | <u>11,247</u> | <u>17,486,187</u> | <u>14,796,533</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 14,244,523</u> | <u>\$ 171,357</u> | <u>\$ 14,415,880</u> | <u>\$ 17,486,187</u> |

CITY OF SALISBURY, NORTH CAROLINA

WATER AND SEWER FUND

COMPARATIVE BALANCE SHEETS

June 30, 1999 and 1998

| <u>ASSETS</u> | <u>1999</u> | <u>1998</u> |
|--|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and investments | \$ 4,386,936 | \$ 5,477,380 |
| Accounts receivable (net of allowance for uncollectible) | 1,957,036 | 1,787,376 |
| Interest receivable | 24,259 | 17,333 |
| Inventories | 186,383 | 182,316 |
| Prepaid items | - | 8,158 |
| Total current assets | <u>\$ 6,554,614</u> | <u>\$ 7,472,563</u> |
| RESTRICTED ASSETS | | |
| Cash | 9,857,587 | 11,997,560 |
| Accounts receivable | 294,286 | 198,320 |
| Interest receivable | 27,294 | 24,128 |
| Total restricted assets | <u>\$ 10,179,167</u> | <u>\$ 12,220,008</u> |
| FIXED ASSETS | | |
| Land | \$ 2,074,567 | \$ 2,074,567 |
| Buildings and improvements | 77,296,886 | 70,596,835 |
| Equipment | 5,998,112 | 5,402,283 |
| Construction in progress | 14,476,910 | 17,434,861 |
| Less accumulated depreciation | (27,654,048) | (25,442,452) |
| Total fixed assets | <u>\$ 72,192,427</u> | <u>\$ 70,066,094</u> |
| Total assets | <u><u>\$ 88,926,208</u></u> | <u><u>\$ 89,758,665</u></u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 1,138,125 | \$ 1,127,789 |
| Interest payable | 219,973 | 234,290 |
| Current maturities of long-term debt | 1,826,305 | 1,841,305 |
| Customer deposits | 183,476 | 163,553 |
| Liabilities payable from restricted assets | 594,496 | 1,492,926 |
| Total current liabilities | <u>\$ 3,962,375</u> | <u>\$ 4,859,863</u> |
| LONG-TERM DEBT | | |
| Bonds payable | \$ 25,182,602 | \$ 26,810,108 |
| Capital leases payable | 3,008,789 | 3,207,588 |
| Total long-term debt | <u>\$ 28,191,391</u> | <u>\$ 30,017,696</u> |
| FUND EQUITY | | |
| Contributed capital | \$ 31,443,947 | \$ 29,783,866 |
| Retained earnings | 25,328,495 | 25,097,240 |
| Total fund equity | <u>\$ 56,772,442</u> | <u>\$ 54,881,106</u> |
| Total liabilities and fund equity | <u><u>\$ 88,926,208</u></u> | <u><u>\$ 89,758,665</u></u> |

CITY OF SALISBURY, NORTH CAROLINA

WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
(NON-GAAP, MODIFIED ACCRUAL BASIS)For the Year Ended June 30, 1999
With Comparative Actual Amounts for Year Ended June 30, 1998

| | 1999 | | 1998 | |
|---|----------------|-----------------|----------------------------------|-----------------|
| | Actual | Budget | Actual Over (Under) Budget | Actual |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 11,402,462 | \$ 13,114,033 | \$ (1,711,571) | \$ 11,429,925 |
| OPERATING EXPENSES OTHER THAN DEPRECIATION: | | | | |
| Management and administration | \$ 2,611,098 | \$ 2,451,636 | \$ 159,462 | \$ 2,046,673 |
| Water resources | 3,790,874 | 4,000,269 | (209,395) | 3,694,992 |
| Maintenance and distribution | 2,097,306 | 2,204,600 | (107,294) | 2,089,728 |
| Total operating expenses other than depreciation | \$ 8,499,278 | \$ 8,656,505 | \$ (157,227) | \$ 7,831,393 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest on investments | \$ 801,341 | \$ 365,000 | \$ 436,341 | \$ 755,126 |
| Miscellaneous revenues | 390,537 | 242,799 | 147,738 | 385,370 |
| Interest expense | (1,534,840) | (1,549,177) | 14,337 | (1,314,777) |
| Net nonoperating revenues | \$ (342,962) | \$ (941,378) | \$ 598,416 | \$ (174,281) |
| Income (loss) from operations | \$ 2,560,222 | \$ 3,516,150 | \$ (955,928) | \$ 3,424,251 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Capital outlay | \$ (4,403,923) | \$ (12,853,997) | \$ 8,450,074 | \$ (22,069,804) |
| Contributed capital | 1,660,081 | 1,916,726 | (256,645) | 7,729,025 |
| Payment of debt principal | (1,841,305) | (1,841,305) | - | (1,515,305) |
| Proceeds from sale of bonds | - | 5,099,962 | (5,099,962) | 10,623,915 |
| Proceeds from capital leases | - | - | - | 3,604,186 |
| Retained earnings appropriated | - | 4,162,464 | (4,162,464) | - |
| Total other financing sources (uses) | \$ (4,585,147) | \$ (3,516,150) | \$ (1,068,997) | \$ (1,627,983) |
| EXCESS OF EXPENSES OVER REVENUES | \$ (2,024,925) | \$ - | \$ (2,024,925) | \$ 1,796,268 |
| RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL: | | | | |
| Excess of expenses over revenues | \$ (2,024,925) | | | |
| Capital outlay | 4,403,923 | | | |
| Depreciation | (2,277,590) | | | |
| Payment of debt principal | 1,841,305 | | | |
| Interest expense | (14,317) | | | |
| Inventories | 4,067 | | | |
| Vacation pay | (41,127) | | | |
| Contributed capital | (1,660,081) | | | |
| NET INCOME | \$ 231,255 | | | |

CITY OF SALISBURY, NORTH CAROLINA

WATER AND SEWER FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1999 and 1998

| | <u>1999</u> | <u>1998</u> |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating income | \$ 588,534 | \$ 1,756,253 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 2,277,590 | 1,785,568 |
| Other receipts | 390,537 | 201,516 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts and interest receivable | (275,718) | 23,141 |
| (Increase) decrease in inventory | (4,067) | 52,920 |
| (Increase) decrease in due from other governments | - | 407,890 |
| (Increase) decrease in prepaid items | 8,158 | (8,158) |
| Increase (decrease) in accounts and interest payable and accrued liabilities | (902,411) | 679,311 |
| Increase (decrease) in customer deposits | 19,923 | 31,922 |
| Net cash provided by operating activities | <u>\$ 2,102,546</u> | <u>\$ 4,930,363</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from issuing general obligation bonds | \$ - | \$ 10,623,915 |
| Interest paid on long-term debt | (1,549,157) | (1,360,368) |
| Acquisition of capital assets | (4,403,923) | (13,536,711) |
| Principal paid on long-term debt | (1,841,305) | (1,515,305) |
| Capital contributed by developers | 1,660,081 | 2,906,450 |
| Net cash (used for) capital and related financing activities | <u>\$ (6,134,304)</u> | <u>\$ (2,882,019)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received on investment securities | <u>\$ 801,341</u> | <u>\$ 755,126</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ (3,230,417) | \$ 2,803,470 |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>17,474,940</u> | <u>14,671,470</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 14,244,523</u> | <u>\$ 17,474,940</u> |

CITY OF SALISBURY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND

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

From Inception and for the Year Ended June 30, 1999

| | Project Authorization | Actual | | |
|---|--------------------------|-----------------|----------------|-----------------|
| | | Prior Years | Current Year | Total to Date |
| REVENUES | | | | |
| Miscellaneous | | | | |
| Interest on investments | \$ 200,000 | \$ 200,000 | \$ 509,790 | \$ 709,790 |
| EXPENSES-SEWER PROJECT | | | | |
| Construction | \$ 6,897,378 | \$ 1,780,464 | \$ 991,458 | \$ 2,771,922 |
| Engineering | 1,207,813 | 551,451 | 239,886 | 791,337 |
| Total expenses-Sewer project | \$ 8,105,191 | \$ 2,331,915 | \$ 1,231,344 | \$ 3,563,259 |
| EXPENSES-WATER PROJECT | | | | |
| Construction | \$ 13,424,776 | \$ 8,925,458 | \$ 1,025,072 | \$ 9,950,530 |
| Engineering | 2,404,164 | 1,962,060 | 645,728 | 2,607,788 |
| Total expenses-Water project | \$ 15,828,940 | \$ 10,887,518 | \$ 1,670,800 | \$ 12,558,318 |
| Total expenses | \$ 23,934,131 | \$ 13,219,433 | \$ 2,902,144 | \$ 16,121,577 |
| Total revenues (under) expenses | \$ (23,734,131) | \$ (13,019,433) | \$ (2,392,354) | \$ (15,411,787) |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from sale of bonds | \$ 20,576,190 | \$ 14,119,382 | \$ - | \$ 14,119,382 |
| Developer contributions | 2,124,731 | 1,577,160 | 349,944 | 1,927,104 |
| Operating transfers from water and sewer fund | 602,200 | 822,200 | 900,000 | 1,722,200 |
| Appropriated fund balance | 431,010 | - | - | - |
| Total other financing sources | \$ 23,734,131 | \$ 16,518,742 | \$ 1,249,944 | \$ 17,768,686 |
| Unexpended revenues and receipts | \$ - | \$ 3,499,309 | \$ (1,142,410) | \$ 2,356,899 |

CITY OF SALISBURY, NORTH CAROLINA

MASS TRANSIT FUND

COMPARATIVE BALANCE SHEETS

June 30, 1999 and 1998

| <u>ASSETS</u> | <u>1999</u> | <u>1998</u> |
|--|-----------------------|-----------------------|
| CURRENT ASSETS | | |
| Cash and investments | \$ 171,357 | \$ 11,247 |
| Accounts receivable (net of allowance for uncollectable) | 3,607 | 2,128 |
| Interest receivable | 770 | 53 |
| Due from other governments | 45,626 | 142,586 |
| Inventories | 70,247 | 68,449 |
| Prepaid items | - | 556 |
| Total current assets | <u>\$ 291,607</u> | <u>\$ 225,019</u> |
| FIXED ASSETS | | |
| Buildings and improvements | \$ 481,794 | \$ 481,794 |
| Equipment | 905,403 | 897,404 |
| Less accumulated depreciation | <u>(1,318,489)</u> | <u>(1,277,802)</u> |
| Total fixed assets | <u>\$ 68,708</u> | <u>\$ 101,396</u> |
| Total assets | <u>\$ 360,315</u> | <u>\$ 326,415</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 43,556 | \$ 39,133 |
| Total current liabilities | <u>\$ 43,556</u> | <u>\$ 39,133</u> |
| FUND EQUITY | | |
| Contributed capital | \$ 1,489,991 | \$ 1,472,422 |
| Retained earnings (deficit) | <u>(1,173,232)</u> | <u>(1,185,140)</u> |
| Total fund equity | <u>\$ 316,759</u> | <u>\$ 287,282</u> |
| Total liabilities and fund equity | <u>\$ 360,315</u> | <u>\$ 326,415</u> |

CITY OF SALISBURY, NORTH CAROLINA

MASS TRANSIT FUND

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
(NON-GAAP, MODIFIED ACCRUAL BASIS)For the Year Ended June 30, 1999
With Comparative Actual Amounts for Year Ended June 30, 1998

| | 1999 | | 1998 | |
|---|--------------|--------------|----------------------------------|--------------|
| | Actual | Budget | Actual Over (Under) Budget | Actual |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 75,879 | \$ 86,900 | \$ (11,021) | \$ 73,038 |
| OPERATING EXPENSES OTHER THAN DEPRECIATION: | | | | |
| Management and administration | \$ 109,270 | \$ 110,237 | \$ (967) | \$ 101,754 |
| Mass transit operations | 332,239 | 337,735 | (5,496) | 318,126 |
| Total operating expenses other than depreciation | \$ 441,509 | \$ 447,972 | \$ (6,463) | \$ 419,880 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Intergovernmental | \$ 238,275 | \$ 209,450 | \$ 28,825 | \$ 182,527 |
| Miscellaneous revenues | 18,947 | 10,200 | 8,747 | 16,510 |
| Total nonoperating revenues | \$ 257,222 | \$ 219,650 | \$ 37,572 | \$ 199,037 |
| Loss from operations | \$ (108,408) | \$ (141,422) | \$ 33,014 | \$ (147,805) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Capital outlay | \$ (12,722) | \$ (18,860) | \$ 6,138 | \$ (12,355) |
| Contributed capital | 17,569 | - | 17,569 | 9,264 |
| Operating transfers in: | | | | |
| General fund | 160,282 | 160,282 | - | 130,021 |
| Total other financing sources (uses) | \$ 165,129 | \$ 141,422 | \$ 23,707 | \$ 126,930 |
| EXCESS OF REVENUES OVER EXPENSES | \$ 56,721 | \$ - | \$ 56,721 | \$ (20,875) |
| RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL: | | | | |
| Excess of revenues over expenses, above | \$ 56,721 | | | |
| Depreciation | (40,687) | | | |
| Capital outlay | 12,722 | | | |
| Contributed capital | (17,569) | | | |
| Inventories | 1,798 | | | |
| Vacation pay | (1,077) | | | |
| NET INCOME | \$ 11,908 | | | |

CITY OF SALISBURY, NORTH CAROLINA

MASS TRANSIT FUND

COMPARATIVE STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 1999 and 1998

| | <u>1999</u> | <u>1998</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating (loss) | \$ (405,596) | \$ (403,749) |
| Adjustments to reconcile operating (loss) to net cash (used for) operating activities: | | |
| Depreciation | 40,687 | 54,119 |
| Other receipts | 18,947 | 16,510 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts and interest receivable | (2,196) | 4,330 |
| (Increase) decrease in inventory | (1,798) | 3,036 |
| (Increase) decrease in prepaid items | 556 | (556) |
| (Increase) decrease in due from other governments | 96,960 | (98,269) |
| Increase (decrease) in accounts and interest payable and accrued liabilities | 4,423 | 1,306 |
| Net cash (used for) operating activities | <u>\$ (248,017)</u> | <u>\$ (423,273)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Operating grants received | \$ 238,275 | \$ 182,527 |
| Operating transfer from general fund | 160,282 | 130,021 |
| Net cash provided by noncapital financing activities | <u>\$ 398,557</u> | <u>\$ 312,548</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Capital grants received | \$ 17,569 | \$ 9,264 |
| Disposition of capital assets | 4,723 | - |
| Acquisition of capital assets | <u>(12,722)</u> | <u>(12,355)</u> |
| Net cash provided by (used for) capital and related financing activities | <u>\$ 9,570</u> | <u>\$ (3,091)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ 160,110 | \$ (113,816) |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>11,247</u> | <u>125,063</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 171,357</u> | <u>\$ 11,247</u> |

Internal Service Funds

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

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

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

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING BALANCE SHEET

June 30, 1999

With Comparative Totals at June 30, 1998

| <u>ASSETS</u> | <u>Workers'</u> <u>Compensation</u> | <u>Employee</u> <u>Health Care</u> | <u>Totals</u> | |
|--|--|---------------------------------------|-------------------|-------------------|
| | | | <u>1999</u> | <u>1998</u> |
| CURRENT ASSETS | | | | |
| Cash and investments | \$ 58,611 | \$ 189,910 | \$ 248,521 | \$ 467,068 |
| Interest receivable | <u>274</u> | <u>753</u> | <u>1,027</u> | <u>1,149</u> |
| Total assets | <u>\$ 58,885</u> | <u>\$ 190,663</u> | <u>\$ 249,548</u> | <u>\$ 468,217</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 2,517 | \$ 285,726 | \$ 288,243 | \$ 264,956 |
| FUND EQUITY | | | | |
| Retained earnings (deficit) | <u>56,368</u> | <u>(95,063)</u> | <u>(38,695)</u> | <u>203,261</u> |
| Total liabilities and fund equity | <u>\$ 58,885</u> | <u>\$ 190,663</u> | <u>\$ 249,548</u> | <u>\$ 468,217</u> |

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGSFor the Year Ended June 30, 1999
With Comparative Totals For The Year Ended June 30, 1998

| | Workers' Compensation | Employee Health Care | Totals | |
|--------------------------------|--------------------------|-------------------------|--------------------|-------------------|
| | | | 1999 | 1998 |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ - | \$ 1,799,811 | \$ 1,799,811 | \$ 1,582,554 |
| OPERATING EXPENSES: | | | | |
| Employee benefits | <u>116,315</u> | <u>1,942,916</u> | <u>2,059,231</u> | <u>1,832,668</u> |
| OPERATING (LOSS) | \$ (116,315) | \$ (143,105) | \$ (259,420) | \$ (250,114) |
| NONOPERATING REVENUES | | | | |
| Interest earned on investments | <u>5,213</u> | <u>12,251</u> | <u>17,464</u> | <u>21,347</u> |
| NET INCOME (LOSS) | \$ (111,102) | \$ (130,854) | \$ (241,956) | \$ (228,767) |
| RETAINED EARNINGS, BEGINNING | <u>167,470</u> | <u>35,791</u> | <u>203,261</u> | <u>432,028</u> |
| RETAINED EARNINGS, ENDING | <u>\$ 56,368</u> | <u>\$ (95,063)</u> | <u>\$ (38,695)</u> | <u>\$ 203,261</u> |

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1999

With Comparative Totals for the Year Ended June 30, 1998

| | Workers' | Employee | Totals | |
|--|--------------|--------------|--------------|--------------|
| | | | Compensation | Health Care |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ (116,315) | \$ (143,105) | \$ (259,420) | \$ (250,114) |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in interest receivable | 234 | (112) | 122 | 6,252 |
| Increase (decrease) in accounts payable | (825) | 24,112 | 23,287 | 14,654 |
| Net cash (used for) operating activities | \$ (116,906) | \$ (119,105) | \$ (236,011) | \$ (229,208) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received on investment securities | \$ 5,213 | \$ 12,251 | \$ 17,464 | \$ 21,347 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | | | |
| | \$ (111,693) | \$ (106,854) | \$ (218,547) | \$ (207,861) |
| CASH AND CASH EQUIVALENTS, BEGINNING | | | | |
| | 170,304 | 296,764 | 467,068 | 674,929 |
| CASH AND CASH EQUIVALENTS, ENDING | | | | |
| | \$ 58,611 | \$ 189,910 | \$ 248,521 | \$ 467,068 |

CITY OF SALISBURY, NORTH CAROLINA
WORKERS' COMPENSATION INTERNAL SERVICE FUND
COMPARATIVE BALANCE SHEETS
June 30, 1999 and 1998

| <u>ASSETS</u> | <u>1999</u> | <u>1998</u> |
|--|------------------|-------------------|
| CURRENT ASSETS | | |
| Cash and investments | \$ 58,611 | \$ 170,304 |
| Interest receivable | <u>274</u> | <u>508</u> |
| Total assets | <u>\$ 58,885</u> | <u>\$ 170,812</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 2,517 | \$ 3,342 |
| FUND EQUITY | | |
| Retained earnings | <u>56,368</u> | <u>167,470</u> |
| Total liabilities and fund equity | <u>\$ 58,885</u> | <u>\$ 170,812</u> |

CITY OF SALISBURY, NORTH CAROLINA

WORKERS' COMPENSATION INTERNAL SERVICE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS

For the Year Ended June 30, 1999
With Comparative Totals For The Year Ended June 30, 1998

| | <u>1999</u> | <u>1998</u> |
|--------------------------------|------------------|-------------------|
| OPERATING REVENUES: | | |
| Charges for services | \$ - | \$ - |
| OPERATING EXPENSES: | | |
| Employee benefits | <u>116,315</u> | <u>115,714</u> |
| OPERATING INCOME (LOSS) | \$ (116,315) | \$ (115,714) |
| NONOPERATING REVENUES | | |
| Interest earned on investments | <u>5,213</u> | <u>9,554</u> |
| NET INCOME (LOSS) | \$ (111,102) | \$ (106,160) |
| RETAINED EARNINGS, BEGINNING | <u>167,470</u> | <u>273,630</u> |
| RETAINED EARNINGS, ENDING | <u>\$ 56,368</u> | <u>\$ 167,470</u> |

CITY OF SALISBURY, NORTH CAROLINA
WORKERS' COMPENSATION INTERNAL SERVICE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the Year Ended June 30, 1999
With Comparative Totals for the Year Ended June 30, 1998

| | <u>1999</u> | <u>1998</u> |
|---|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (116,315) | \$ (115,714) |
| Change in assets and liabilities: | | |
| (Increase) decrease in interest receivable | 234 | 3,173 |
| Increase (decrease) in accounts payable | <u>(825)</u> | <u>(7,417)</u> |
| Net cash provided by (used for) operating activities | \$ (116,906) | \$ (119,958) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received on investment securities | <u>5,213</u> | <u>9,554</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | \$ (111,693) | \$ (110,404) |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>170,304</u> | <u>280,708</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 58,611</u> | <u>\$ 170,304</u> |

CITY OF SALISBURY, NORTH CAROLINA
EMPLOYEE HEALTH CARE INTERNAL SERVICE FUND
COMPARATIVE BALANCE SHEETS

June 30, 1999 and 1998

| <u>ASSETS</u> | <u>1999</u> | <u>1998</u> |
|--|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash and investments | \$ 189,910 | \$ 296,764 |
| Interest receivable | <u>753</u> | <u>641</u> |
| Total assets | <u>\$ 190,663</u> | <u>\$ 297,405</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 285,726 | \$ 261,614 |
| FUND EQUITY | | |
| Retained earnings (deficit) | <u>(95,063)</u> | <u>35,791</u> |
| Total liabilities and fund equity | <u>\$ 190,663</u> | <u>\$ 297,405</u> |

CITY OF SALISBURY, NORTH CAROLINA
EMPLOYEE HEALTH CARE INTERNAL SERVICE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS

For the Year Ended June 30, 1999
With Comparative Totals For The Year Ended June 30, 1998

| | <u>1999</u> | <u>1998</u> |
|--------------------------------|--------------------|------------------|
| OPERATING REVENUES: | | |
| Charges for services | \$ 1,799,811 | \$ 1,582,554 |
| OPERATING EXPENSES: | | |
| Employee benefits | <u>1,942,916</u> | <u>1,716,954</u> |
| OPERATING INCOME (LOSS) | \$ (143,105) | \$ (134,400) |
| NONOPERATING REVENUES | | |
| Interest earned on investments | <u>12,251</u> | <u>11,793</u> |
| NET INCOME (LOSS) | \$ (130,854) | \$ (122,607) |
| RETAINED EARNINGS, BEGINNING | <u>35,791</u> | <u>158,398</u> |
| RETAINED EARNINGS, ENDING | <u>\$ (95,063)</u> | <u>\$ 35,791</u> |

CITY OF SALISBURY, NORTH CAROLINA
EMPLOYEE HEALTH CARE INTERNAL SERVICE FUND
COMPARATIVE STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1999
With Comparative Totals for the Year Ended June 30, 1998

| | <u>1999</u> | <u>1998</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (143,105) | \$ (134,400) |
| Change in assets and liabilities: | | |
| (Increase) decrease in interest receivable | (112) | 3,079 |
| Increase (decrease) in accounts payable | <u>24,112</u> | <u>22,071</u> |
| Net cash provided by (used for) operating activities | \$ (119,105) | \$ (109,250) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received on investment securities | <u>12,251</u> | <u>11,793</u> |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ (106,854) | \$ (97,457) |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>296,764</u> | <u>394,221</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 189,910</u> | <u>\$ 296,764</u> |



Trust and Agency Funds

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

PENSION TRUST FUND

Law Enforcement Officers' Special Separation Allowance Fund - to account for the accumulation of resources for pension benefit payments to qualified law enforcement officers.

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 which the City receives from the County and remits to the Downtown Salisbury, Inc.



CITY OF SALISBURY, NORTH CAROLINA

TRUST AND AGENCY FUNDS

COMBINING BALANCE SHEET

June 30, 1999

With Comparative Totals at June 30, 1998

| | <u>Pension Trust</u> | <u>Agency</u> | |
|--|---|-----------------------------------|---------------------------------------|
| | <u>Law Officers' Separation Allowance</u> | <u>Boards and Commissions</u> | <u>Municipal Service District</u> |
| <u>ASSETS</u> | | | |
| Cash and investments | \$ 244,270 | \$ 2,989 | \$ 452 |
| Taxes receivable (net allowance for uncollectible) | - | - | 2,552 |
| Interest receivable | <u>1,116</u> | <u>-</u> | <u>74</u> |
| Total assets | <u>\$ 245,386</u> | <u>\$ 2,989</u> | <u>\$ 3,078</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | <u>\$ -</u> | <u>\$ 2,989</u> | <u>\$ 3,078</u> |
| FUND EQUITY | | | |
| Fund Balances: | | | |
| Reserved by State statute | \$ 1,116 | \$ - | \$ - |
| Reserved for employees' pension benefits | <u>244,270</u> | <u>-</u> | <u>-</u> |
| Total fund equity | <u>\$ 245,386</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total liabilities and fund equity | <u>\$ 245,386</u> | <u>\$ 2,989</u> | <u>\$ 3,078</u> |

| <u>Totals</u> | |
|-------------------|-------------------|
| <u>1999</u> | <u>1998</u> |
| \$ 247,711 | \$ 250,648 |
| 2,552 | 3,522 |
| <u>1,190</u> | <u>589</u> |
| <u>\$ 251,453</u> | <u>\$ 254,759</u> |
| | |
| <u>\$ 6,067</u> | <u>\$ 51,344</u> |
| | |
| \$ 1,116 | \$ 584 |
| <u>244,270</u> | <u>202,831</u> |
| <u>\$ 245,386</u> | <u>\$ 203,415</u> |
| | |
| <u>\$ 251,453</u> | <u>\$ 254,759</u> |

CITY OF SALISBURY, NORTH CAROLINA

PENSION TRUST FUND
LAW OFFICERS' SEPARATION ALLOWANCE FUND

COMPARATIVE BALANCE SHEETS

June 30, 1999 and 1998

| <u>ASSETS</u> | <u>1999</u> | <u>1998</u> |
|--|-------------------|-------------------|
| Cash and investments | \$ 244,270 | \$ 202,831 |
| Interest receivable | <u>1,116</u> | <u>584</u> |
| Total assets | <u>\$ 245,386</u> | <u>\$ 203,415</u> |
| <u>FUND EQUITY</u> | | |
| FUND EQUITY | | |
| Fund balances: | | |
| Reserved by State statute | \$ 1,116 | \$ 584 |
| Reserved for employees' pension benefits | <u>244,270</u> | <u>202,831</u> |
| Total fund equity | <u>\$ 245,386</u> | <u>\$ 203,415</u> |

CITY OF SALISBURY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 1999

| | Balance July 1, 1998 | Additions | Deductions | Balance June 30, 1999 |
|---|-------------------------|-----------|------------|--------------------------|
| <u>BOARDS AND COMMISSIONS FUND:</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 47,603 | \$ - | \$ 44,614 | \$ 2,989 |
| LIABILITIES | | | | |
| Accounts payable | \$ 47,603 | \$ - | \$ 44,614 | \$ 2,989 |
| <u>MUNICIPAL SERVICE DISTRICT FUND:</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 214 | \$ 238 | \$ - | \$ 452 |
| Taxes receivable (net of allowance for uncollectible) | 3,522 | - | 970 | 2,552 |
| Interest receivable | 5 | 69 | - | 74 |
| Total assets | \$ 3,741 | \$ 307 | \$ 970 | \$ 3,078 |
| LIABILITIES | | | | |
| Accounts payable | \$ 3,741 | \$ - | \$ 663 | \$ 3,078 |
| <u>TOTAL AGENCY FUNDS:</u> | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 47,817 | \$ 238 | \$ 44,614 | \$ 3,441 |
| Taxes receivable (net of allowance for uncollectible) | 3,522 | - | 970 | 2,552 |
| Interest receivable | 5 | 69 | - | 74 |
| Total assets | \$ 51,344 | \$ 307 | \$ 45,584 | \$ 6,067 |
| LIABILITIES | | | | |
| Accounts payable | \$ 51,344 | \$ - | \$ 45,277 | \$ 6,067 |



General Fixed Asset Account Group

To account for fixed assets not used in proprietary fund operations or accounted for in Trust Funds.

H-1

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 1999

| | <u>Land</u> | <u>Buildings and Improvements</u> | <u>Equipment</u> | <u>Total</u> |
|-----------------------------------|---------------------|---------------------------------------|----------------------|----------------------|
| GENERAL GOVERNMENT: | | | | |
| City Administration | \$ - | \$ 1,040,802 | \$ 33,992 | \$ 1,074,794 |
| Human Resources | - | - | 70,873 | 70,873 |
| Information Technologies | - | - | 587,432 | 587,432 |
| Finance | - | - | 112,428 | 112,428 |
| Purchasing | - | 16,825 | 38,129 | 54,954 |
| City Hall | 106,671 | 1,111,451 | 79,651 | 1,297,773 |
| Telecommunications | 24,820 | 62,613 | 1,372,444 | 1,459,877 |
| Public Services Administration | - | 10,259 | 8,787 | 19,046 |
| Fleet Management | 889 | 44,912 | 249,602 | 295,403 |
| | <u>\$ 132,380</u> | <u>\$ 2,286,862</u> | <u>\$ 2,553,338</u> | <u>\$ 4,972,580</u> |
| PUBLIC SAFETY: | | | | |
| Police | \$ - | \$ 271,242 | \$ 2,669,159 | \$ 2,940,401 |
| Fire | 202,184 | 373,129 | 2,750,602 | 3,325,915 |
| | <u>\$ 202,184</u> | <u>\$ 644,371</u> | <u>\$ 5,419,761</u> | <u>\$ 6,266,316</u> |
| TRANSPORTATION: | | | | |
| Traffic Engineering | \$ - | \$ 45,895 | \$ 560,996 | \$ 606,891 |
| Engineering | - | 66,774 | 661,060 | 727,834 |
| Streets | - | 179,489 | 1,945,634 | 2,125,123 |
| | <u>\$ -</u> | <u>\$ 292,158</u> | <u>\$ 3,167,690</u> | <u>\$ 3,459,848</u> |
| ENVIRONMENTAL PROTECTION: | | | | |
| Cemetery | \$ - | \$ 12,262 | \$ 185,084 | \$ 197,346 |
| Solid Waste Management | - | - | 1,135,698 | 1,135,698 |
| | <u>\$ -</u> | <u>\$ 12,262</u> | <u>\$ 1,320,782</u> | <u>\$ 1,333,044</u> |
| CULTURE AND RECREATION: | | | | |
| Landscaping | \$ 164,546 | \$ 35,230 | \$ 681,854 | \$ 881,630 |
| Recreation | 77,311 | 3,678,344 | 439,457 | 4,195,112 |
| | <u>\$ 241,857</u> | <u>\$ 3,713,574</u> | <u>\$ 1,121,311</u> | <u>\$ 5,076,742</u> |
| LAND MANAGEMENT AND DEVELOPMENT: | | | | |
| Development Services | \$ - | \$ - | \$ 8,587 | \$ 8,587 |
| Community Development | 976,756 | 283,162 | 113,580 | 1,373,498 |
| The Plaza | - | 3,239,838 | 78,684 | 3,318,522 |
| | <u>\$ 976,756</u> | <u>\$ 3,523,000</u> | <u>\$ 200,851</u> | <u>\$ 4,700,607</u> |
| TOTAL GENERAL FIXED ASSETS | <u>\$ 1,553,177</u> | <u>\$ 10,472,227</u> | <u>\$ 13,783,733</u> | <u>\$ 25,809,137</u> |



Other Schedules

CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND
PROPERTY TAXES RECEIVABLE

For the Year Ended June 30, 1999

| <u>Tax Year</u> | <u>Fiscal Year Ended June 30</u> | <u>Assessed Valuation *</u> | <u>Taxes Levied Prior to June 30, 1998</u> | <u>Levy Additions Year Ended June 30, 1999</u> | <u>Collections and Credits Prior to June 30, 1998</u> | <u>Taxes Receivable June 30, 1998</u> | <u>Collections and Credits Year Ended June 30, 1999</u> | <u>(Note) Other Credits</u> | <u>Taxes Receivable June 30, 1999</u> |
|-----------------|----------------------------------|-----------------------------|--|--|---|---------------------------------------|---|-----------------------------|---------------------------------------|
| 1998 | 1999 | \$ 1,523,603,972 | - | \$ 9,271,351 | | | \$ 8,926,885 | \$ - | \$ 344,466 |
| 1997 | 1998 | 1,382,140,359 | 8,059,604 | 9,274 | 7,815,549 | 244,055 | 185,519 | - | 67,810 |
| 1996 | 1997 | 1,318,874,568 | 7,825,665 | | 7,745,679 | 79,986 | 26,350 | - | 53,636 |
| 1995 | 1996 | 1,280,584,979 | 7,529,260 | | 7,470,569 | 58,691 | 14,984 | - | 43,707 |
| 1994 | 1995 | 1,146,945,499 | 7,298,360 | | 7,248,100 | 50,260 | 5,152 | - | 45,108 |
| 1993 | 1994 | 1,151,692,595 | 6,785,288 | | 6,762,654 | 22,634 | 2,070 | - | 20,564 |
| 1992 | 1993 | 1,106,253,503 | 6,436,232 | | 6,416,133 | 20,099 | 1,292 | - | 18,807 |
| 1991 | 1992 | 1,084,365,929 | 6,054,055 | | 6,030,145 | 23,910 | 952 | - | 22,958 |
| 1990 | 1991 | 1,038,891,140 | 5,528,123 | | 5,505,953 | 22,170 | 464 | - | 21,706 |
| 1989 | 1990 | 804,993,392 | 4,803,630 | | 4,783,929 | 19,701 | 682 | - | 19,019 |
| 1988 | 1989 | 779,948,519 | 4,961,612 | - | 4,945,819 | 15,793 | 567 | (15,226) | - |
| | | | <u>\$ 65,281,829</u> | <u>\$ 9,280,625</u> | <u>\$ 64,724,530</u> | <u>\$ 557,299</u> | <u>\$ 9,164,917</u> | <u>\$ (15,226)</u> | <u>\$ 657,781</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, 1999

| | City Wide | | Municipal Service District | | Total Levy | Total Levy | |
|---|-------------------------|----------|----------------------------|----------|---------------------|--|---------------------------|
| | Property Valuation | Rate | Property Valuation | Rate | | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| | ORIGINAL LEVY | | | | | | |
| Property taxed at current year's rates | \$ 1,422,400,279 | \$ 0.620 | \$ 40,362,459 | \$ 0.160 | \$ 8,883,462 | | |
| Registered motor vehicles taxed at prior year's rates | 60,051,786 | 0.575 | 789,448 | 0.160 | 346,561 | | |
| Penalties | | | | | 5,855 | | |
| TOTAL | <u>\$ 1,482,452,065</u> | | <u>\$ 41,151,907</u> | | <u>\$ 9,235,878</u> | \$ 8,333,602 | \$ 902,276 |
| DISCOVERY | | | | | | | |
| Prior years taxes | | | | | 29,694 | 29,694 | |
| Penalties | | | | | 5,779 | 5,779 | |
| TOTAL TAX LEVY | | | | | \$ 9,271,351 | \$ 8,369,075 | \$ 902,276 |
| Less uncollected tax at June 30, 1999 | | | | | 344,466 | 228,581 | 115,885 |
| CURRENT YEAR'S TAXES COLLECTED | | | | | <u>\$ 8,926,885</u> | <u>\$ 8,140,494</u> | <u>\$ 786,391</u> |
| PERCENT OF CURRENT YEAR COLLECTED | | | | | <u>96.28%</u> | <u>97.27%</u> | <u>87.16%</u> |
| DISTRIBUTION OF LEVY | | | | | | | |
| General Fund | | | | | \$ 9,205,214 | | |
| Municipal Service District Fund | | | | | 66,137 | | |
| Total | | | | | <u>\$ 9,271,351</u> | | |

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF CASH AND INVESTMENT BALANCES

June 30, 1999

CASH AND INVESTMENTS IN THE FORM OF:

Cash:

| | | | |
|------------------------|----|------------------|--------------|
| Cash on hand | \$ | 1,840 | |
| In demand deposits | | 910,276 | |
| Certificate of deposit | | <u>1,100,000</u> | |
| | | | \$ 2,012,116 |

Investments:

| | | | |
|---|----|------------------|-------------------|
| North Carolina Capital Management Trust | \$ | 12,984,751 | |
| Fredie Mac discount note | | 488,827 | |
| Commercial paper | | <u>5,381,100</u> | |
| | | | <u>18,854,678</u> |

| | | | |
|----------------------------|--|--|----------------------|
| TOTAL CASH AND INVESTMENTS | | | \$ <u>20,866,794</u> |
|----------------------------|--|--|----------------------|

DISTRIBUTION BY FUNDS:

| | | | |
|------------------|--|--|----------------|
| General | | | \$ 5,195,039 |
| Special revenue | | | 115,604 |
| Capital projects | | | 644,039 |
| Enterprise | | | 14,415,880 |
| Internal service | | | 248,521 |
| Trust and agency | | | <u>247,711</u> |

| | | | |
|-----------------------------|--|--|----------------------|
| TOTAL DISTRIBUTION BY FUNDS | | | \$ <u>20,866,794</u> |
|-----------------------------|--|--|----------------------|

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF INTERFUND TRANSFERS

For the Year Ended June 30, 1999

| <u>Fund</u> | <u>Transfers</u> | |
|-------------|-------------------|-------------------|
| | <u>From</u> | <u>To</u> |
| General: | | |
| Enterprise | \$ - | \$ 160,282 |
| Enterprise: | | |
| General | <u>160,282</u> | <u>-</u> |
| | <u>\$ 160,282</u> | <u>\$ 160,282</u> |

Statistical Section

Table 1

**CITY OF SALISBURY, NORTH CAROLINA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION⁽¹⁾**

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | General Government | Public Safety | Transportation | Environmental Protection | Culture and Recreation | Community and Economic Development | Education | Debt Service | Total |
|---|-------------------------------|--------------------------|-----------------------|-------------------------------------|-----------------------------------|---|------------------|-------------------------|--------------|
| 1999 | \$ 4,856,896 | \$8,113,842 | \$ 3,237,416 | \$ 1,470,108 | \$ 3,271,023 | \$ 1,932,935 | \$ 42,342 | \$ 783,462 | \$23,708,024 |
| 1998 | 4,403,617 | 6,900,177 | 3,047,455 | 1,331,161 | 3,931,369 | 2,219,221 | 42,342 | 617,008 | 22,492,350 |
| 1997 | 3,610,184 | 7,735,362 | 3,868,084 | 1,291,270 | 2,130,301 | 1,351,865 | 42,342 | 981,853 | 21,011,261 |
| 1996 | 3,925,599 | 6,457,849 | 2,733,043 | 1,272,247 | 1,728,392 | 1,280,196 | 42,341 | 591,422 | 18,031,089 |
| 1995 | 3,233,167 | 6,190,774 | 2,288,917 | 1,896,681 | 1,358,848 | 1,826,750 | 42,342 | 401,797 | 17,239,276 |
| 1994 | 2,580,372 | 5,600,225 | 2,992,610 | 1,416,739 | 1,285,814 | 1,362,305 | 38,573 | 1,010,646 | 16,287,284 |
| 1993 | 2,860,671 | 5,110,480 | 2,401,666 | 1,740,467 | 1,238,830 | 1,483,384 | 38,573 | 524,880 | 15,398,951 |
| 1992 | 2,643,480 | 5,024,844 | 2,430,305 | 1,440,023 | 1,345,012 | 1,799,482 | 50,156 | 445,132 | 15,178,434 |
| 1991 | 3,935,437 | 5,063,196 | 2,429,835 | 1,408,004 | 1,127,897 | 2,272,321 | 74,581 | 184,602 | 16,495,873 |
| 1990 | 2,094,308 | 4,189,387 | 2,321,804 | 1,236,049 | 1,325,995 | 2,521,512 | 68,933 | 125,063 | 13,883,051 |

⁽¹⁾ Includes General, Special Revenue, and Capital Projects

Table 2

**CITY OF SALISBURY, NORTH CAROLINA
GENERAL GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾**

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Taxes | Licenses and Permits | Inter- governmental | Miscellaneous | Charges for Services | Administrative Charges | Total |
|---|--------------------------|---------------------------------|--------------------------------|----------------------|---------------------------------|-----------------------------------|---------------|
| 1999 | \$ 12,060,778 | \$ 466,325 | \$ 5,308,227 | \$ 1,647,201 | \$ 1,520,687 | \$ 1,299,875 | \$ 22,303,093 |
| 1998 | 10,812,490 | 427,718 | 5,022,098 | 1,173,299 | 1,416,622 | 1,207,500 | 20,059,727 |
| 1997 | 10,039,452 | 433,327 | 5,597,640 | 1,587,559 | 1,211,586 | 1,150,000 | 20,019,564 |
| 1996 | 9,575,016 | 365,826 | 4,711,430 | 1,364,885 | 1,035,203 | 1,073,975 | 18,126,335 |
| 1995 | 9,272,844 | 368,109 | 4,269,171 | 1,127,032 | 947,717 | 1,018,735 | 17,003,608 |
| 1994 | 8,764,206 | 260,226 | 4,588,710 | 994,730 | 915,299 | 790,000 | 16,313,171 |
| 1993 | 8,223,294 | 258,612 | 4,589,949 | 774,537 | 1,071,117 | 750,500 | 15,668,009 |
| 1992 | 7,845,134 ⁽²⁾ | 273,070 | 4,362,870 ⁽²⁾ | 736,322 | 748,284 | 690,000 | 14,655,680 |
| 1991 | 7,910,124 | 286,803 | 3,582,823 | 1,378,315 | 531,286 | 1,185,000 | 14,874,351 |
| 1990 | 6,860,071 | 153,928 | 4,163,968 | 926,693 | 388,977 | 675,000 | 13,168,637 |

⁽¹⁾ Includes General, Special Revenue, and Capital Projects

⁽²⁾ Intangibles taxes are recorded as intergovernmental revenues due to change in State Statute.

Table 3

CITY OF SALISBURY, NORTH CAROLINA

TAX REVENUE BY SOURCE⁽¹⁾

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Total Taxes | General Property Taxes | Sales Taxes | Intangible Taxes | Other Taxes |
|---|--------------------|---------------------------------------|--------------------|-----------------------------|--------------------|
| 1999 | \$ 12,060,778 | \$ 8,968,909 | \$ 3,091,079 | \$ - | \$ 790 |
| 1998 | 10,812,490 | 7,964,079 | 2,847,595 | - | 816 |
| 1997 | 10,039,452 | 7,445,338 | 2,593,133 | - | 981 |
| 1996 | 9,575,016 | 7,276,360 | 2,298,427 | - | 229 |
| 1995 | 9,272,844 | 7,155,829 | 2,114,118 | - | 2,897 |
| 1994 | 8,764,206 | 6,597,031 | 2,167,122 | - | 53 |
| 1993 | 8,223,294 | 6,255,598 | 1,966,150 | - | 1,546 |
| 1992 | 7,845,134 | 5,965,785 | 1,877,785 | - ⁽²⁾ | 1,564 |
| 1991 | 7,910,124 | 5,362,691 | 1,924,366 | 621,663 | 1,404 |
| 1990 | 6,860,071 | 4,704,891 | 1,602,340 | 551,268 | 1,572 |

⁽¹⁾ Includes General, Special Revenue, and Capital Projects

⁽²⁾ Intangibles taxes are recorded as intergovernmental revenues due to change in State Statute.

Table 4

**CITY OF SALISBURY, NORTH CAROLINA
PROPERTY TAX LEVIES, TAX COLLECTIONS AND CREDITS**

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Tax Year | Total Current Year Tax Levy | Current Tax Collections | Percent of Taxes Collected | Total Tax Collections | Ratio of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes | Ratio of Delinquent Taxes to Tax Levy |
|---|-----------------|--|------------------------------------|---|----------------------------------|---|---|--|
| 1999 | 1998 | \$ 9,271,351 | \$ 8,926,885 | 96.28% | \$ 9,164,917 | 98.85% | \$ 657,781 | 7.09% |
| 1998 | 1997 | 8,059,604 | 7,815,549 | 96.97% | 8,110,009 | 100.63% | 557,299 | 6.91% |
| 1997 | 1996 | 7,797,861 | 7,519,419 | 96.43% | 7,741,174 | 99.27% | 601,439 | 7.71% |
| 1996 | 1995 | 7,529,260 | 7,265,209 | 96.49% | 7,446,494 | 98.90% | 573,838 | 7.62% |
| 1995 | 1994 | 7,298,360 | 7,074,231 | 96.93% | 7,308,248 | 100.14% | 510,636 | 7.00% |
| 1994 | 1993 | 6,785,288 | 6,555,776 | 96.62% | 6,755,716 | 99.56% | 535,378 | 7.89% |
| 1993 | 1992 | 6,436,262 | 6,202,113 | 96.36% | 6,319,620 | 98.18% | 523,339 | 8.13% |
| 1992 | 1991 | 6,054,055 | 5,870,622 | 96.97% | 5,980,144 | 98.78% | 418,459 | 6.91% |
| 1991 | 1990 | 5,528,123 | 5,354,151 | 96.85% | 5,378,729 | 97.30% | 410,760 | 7.43% |
| 1990 | 1989 | 4,803,630 | 4,700,519 | 97.85% | 4,765,855 | 99.21% | 329,771 | 6.86% |

Table 5

**CITY OF SALISBURY, NORTH CAROLINA
 ASSESSED VALUE OF TAXABLE PROPERTY**

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Real Property | Personal Property | Public Service Property | Total |
|---|----------------------|------------------------------|------------------------------------|------------------|
| 1999 | \$ 1,042,366,457 | \$ 382,196,263 | \$ 57,889,345 | \$ 1,482,452,065 |
| 1998 | 967,242,955 | 357,072,088 | 57,825,316 | 1,382,140,359 |
| 1997 | 933,861,596 | 328,554,542 | 56,458,430 | 1,318,874,568 |
| 1996 | 922,430,180 | 299,703,247 | 58,451,552 | 1,280,584,979 |
| 1995 | 809,239,122 | 288,959,801 | 48,746,576 | 1,146,945,499 |
| 1994 | 805,310,028 | 294,329,533 | 52,053,034 | 1,151,692,595 |
| 1993 | 780,869,808 | 277,134,662 | 48,249,033 | 1,106,253,503 |
| 1992 | 770,155,060 | 266,853,282 | 47,357,587 | 1,084,365,929 |
| 1991 | 743,121,430 | 248,948,235 | 46,821,475 | 1,038,891,140 |
| 1990 | 532,481,085 | 236,919,000 | 35,593,307 | 804,993,392 |

Note: The levy of property taxes each year is based on the assessed value of taxable property as of January 1 preceding the beginning of the fiscal year on July 1. All taxable property is assessed at one hundred percent (100%) of its estimated actual value at time of revaluation. Revaluation of real property is required every eight years by North Carolina General Statutes. However, tax authorities may establish more frequent revaluation schedules. Rowan County completes revaluation every four years. Revaluation was completed for the levy of taxes in the year ended June 30, 1996. The assessment of taxable property being assessed after revaluation is accomplished in accordance with North Carolina G.S. 105.287.

Table 6

**CITY OF SALISBURY, NORTH CAROLINA
PROPERTY TAX LEVIES AND TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Fiscal Years

| Tax Levies | | | | | | |
|--------------------------|--------------------------|--------------------|----------------------|--------------|---------------------|--|
| City of Salisbury | | | | | | |
| Fiscal Year | Municipal Service | | | Total | Rowan County | |
| | General Fund | School Fund | District Fund | | | |
| 1999 | \$ 9,205,214 | \$ - | \$ 66,137 | \$ 9,271,351 | \$ 38,247,341 | |
| 1998 | 7,993,286 | - | 66,318 | 8,059,604 | 36,540,706 | |
| 1997 | 7,731,552 | - | 66,309 | 7,797,861 | 33,990,225 | |
| 1996 | 7,449,694 | - | 79,566 | 7,529,260 | 34,729,278 | |
| 1995 | 7,234,332 | - | 64,028 | 7,298,360 | 28,820,177 | |
| 1994 | 6,741,761 | - | 43,527 | 6,785,288 | 25,236,094 | |
| 1993 | 6,389,077 | - | 47,155 | 6,436,232 | 23,859,704 | |
| 1992 | 6,009,850 | - | 44,205 | 6,054,055 | 20,792,920 | |
| 1991 | 5,486,472 | - | 41,651 | 5,528,123 | 19,154,826 | |
| 1990 | 4,771,951 | 291,965 | 31,679 | 4,803,630 | 17,684,284 | |
| Tax Rates | | | | | | |
| 1999 | .620 | - | .16 | .780 | .6375 | |
| 1998 | .575 | - | .16 | .735 | .6375 | |
| 1997 | .575 | - | .16 | .735 | .6375 | |
| 1996 | .575 | - | .16 | .735 | .6375 | |
| 1995 | .625 | - | .17 | .795 | .6500 | |
| 1994 | .585 | - | .11 | .695 | .6000 | |
| 1993 | .575 | - | .11 | .685 | .5600 | |
| 1992 | .550 | - | .11 | .660 | .5050 | |
| 1991 | .525 | - | .11 | .635 | .5050 | |
| 1990 | .590 | - | .11 | .700 | .6100 | |

Note: Tax rate is per \$100 assessed valuation.

Source: Rowan County Tax Collector.

Table 7

CITY OF SALISBURY, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT⁽¹⁾

For the Year Ended June 30, 1999

| | Net General Obligation Debt <u>Outstanding</u> | Percentage Applicable to City of <u>Salisbury</u> | City of Salisbury's <u>Share of Debt</u> |
|-----------------------------------|---|--|---|
| City of Salisbury | \$ 3,425,000 | 100.00% | \$ 3,425,000 |
| Rowan County ⁽²⁾ | 36,750,000 | 24.73% | <u>9,088,275</u> |
| Total direct and overlapping debt | | | <u>\$ 12,513,275</u> |

⁽¹⁾ Based on assessed valuation.

⁽²⁾ Net debt and assessed valuation figures provided by Rowan County

Table 8

CITY OF SALISBURY, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
For the Year Ended June 30, 1999

| | | |
|---|------------------|------------------------|
| ASSESSED VALUE | | \$ 1,482,452,065 |
| | | X <u> .08</u> |
| Debt limit 8 percent of assessed value | | \$ 118,596,165 |
| Amount of debt applicable to debt limit: | | |
| Total bonded debt | \$ 23,360,000 | |
| Total capitalized lease obligation | <u>4,504,135</u> | |
| | | |
| Total amount of debt applicable to debt limit | | <u>27,864,135</u> |
| LEGAL DEBT MARGIN | | <u>\$ 90,732,030</u> |

Table 9**CITY OF SALISBURY, NORTH CAROLINA****SCHEDULE OF PRINCIPAL TAXPAYERS****For the Year Ended June 30, 1999**

| <u>Business</u> | <u>Type of Enterprise</u> | <u>1998 Assessed Valuation</u> | <u>Percentage Value of Total</u> |
|-----------------------------|---------------------------|--------------------------------|----------------------------------|
| Food Lion, Inc. | Commercial | \$ 60,284,203 | 4.07% |
| Norandal USA | Industrial | 26,611,488 | 1.80% |
| Belle Realty Co. | Real Estate | 25,125,268 | 1.69% |
| Cone Mills Corporation | Industrial | 24,028,372 | 1.62% |
| Duke Power Co. | Utility | 23,850,862 | 1.61% |
| Indopco | Industrial | 19,610,837 | 1.32% |
| Bellsouth Telephone | Communication | 17,202,134 | 1.16% |
| Reynolds Metal Co. | Manufacturing | 15,978,861 | 1.08% |
| Salisbury Mall Ltd. | Commercial | 14,138,096 | 0.95% |
| Salisbury Retail Associates | Commercial | <u>13,538,272</u> | <u>0.91%</u> |
| Totals | | <u>\$ 240,368,393</u> | <u>16.21%</u> |

Table 10

CITY OF SALISBURY, NORTH CAROLINA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Principal | Interest | Total Debt Service | Total General Expenditures⁽¹⁾ | Ratio of Debt Service to Total General Expenditures |
|---|------------------|-----------------|-------------------------------|---|--|
| 1999 | \$ 532,214 | \$ 251,248 | \$ 783,462 | \$ 23,708,024 | 3.30 % |
| 1998 | 417,200 | 199,808 | 617,008 | 22,492,350 | 2.74 |
| 1997 | 867,964 | 113,889 | 981,853 | 21,011,261 | 4.67 |
| 1996 | 504,210 | 87,212 | 591,422 | 18,031,089 | 3.28 |
| 1995 | 345,717 | 56,080 | 401,797 | 17,239,276 | 2.33 |
| 1994 | 905,918 | 104,728 | 1,010,646 | 16,287,284 | 6.21 |
| 1993 | 25,000 | 16,467 | 41,467 | 15,398,951 | 0.27 |
| 1992 | - | - | - | 15,178,434 | - |
| 1991 | - | - | - | 16,495,873 | - |
| 1990 | - | - | - | 13,883,051 | - |

⁽¹⁾ Includes General, Special Revenue, and Capital Project Funds.

Table 11
CITY OF SALISBURY, NORTH CAROLINA
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Population⁽¹⁾ | Assessed Value | Gross Bonded Debt⁽²⁾ | Debt Payable | | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|---|---------------------------------|-----------------------|--|---|----------------------------|---|---------------------------------------|
| | | | | From Enterprise Revenues | Net Bonded Debt | | |
| 1999 | 26,792 | \$ 1,482,452,065 | \$ 23,360,000 | \$ 19,935,000 | \$ 3,425,000 | 0.23% | \$ 127.84 |
| 1998 | 26,884 | 1,382,140,359 | 24,860,000 | 21,235,000 | 3,625,000 | 0.26% | 134.84 |
| 1997 | 26,177 | 1,314,039,114 | 19,055,000 | 18,330,000 | 725,000 | 0.06% | 27.70 |
| 1996 | 24,543 | 1,280,584,979 | 20,200,000 | 19,375,000 | 825,000 | 0.06% | 33.61 |
| 1995 | 25,444 | 1,146,945,499 | 6,755,000 | 6,220,000 | 535,000 | 0.05% | 21.03 |
| 1994 | 24,072 | 1,151,692,595 | 7,288,000 | 6,715,000 | 573,000 | 0.05% | 23.80 |
| 1993 | 23,916 | 1,106,253,503 | 7,100,000 | 6,875,000 | 225,000 | 0.02% | 9.41 |
| 1992 | 23,852 | 1,084,365,929 | 7,675,000 | 7,425,000 | 250,000 | 0.02% | 10.48 |
| 1991 | 23,770 | 1,038,891,140 | 6,825,000 | 6,825,000 | - | - | - |
| 1990 | 23,621 | 804,993,392 | 7,325,000 | 7,325,000 | - | - | - |

⁽¹⁾ Source: 1990; U.S. Census
1991-99; North Carolina Office of State Planning

⁽²⁾ Includes all long-term general obligation debt

Table 12**CITY OF SALISBURY, NORTH CAROLINA****PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS****Last Ten Fiscal Years**

| Fiscal Year Ended June 30 | Total Assessed Valuation | Commercial Construction^(a) | | Residential Construction^(a) | | Bank Deposits |
|--|-------------------------------------|--|---------------|---|---------------|-----------------------|
| | | Number of Units | Value | Number of Units | Value | |
| 1999 | \$ 1,482,452,065 | 66 | \$ 13,265,850 | 261 | \$ 30,996,550 | \$ N/A ^(b) |
| 1998 | 1,382,140,359 | 35 | 37,851,200 | 198 | 29,092,935 | 1,031,749,000 |
| 1997 | 1,314,039,114 | 28 | 25,472,369 | 149 | 18,103,685 | 1,031,185,000 |
| 1996 | 1,280,584,979 | 33 | 24,172,109 | 202 | 16,241,270 | 973,835,000 |
| 1995 | 1,146,945,499 | 43 | 6,752,768 | 173 | 10,436,842 | 987,406,000 |
| 1994 | 1,151,692,595 | 30 | 10,345,800 | 172 | 9,276,091 | 974,890,000 |
| 1993 | 1,106,253,503 | 30 | 24,184,900 | 91 | 6,849,700 | 1,007,363,000 |
| 1992 | 1,084,365,929 | 33 | 29,170,785 | 200 | 6,897,189 | 995,714,000 |
| 1991 | 1,038,891,140 | 39 | 11,755,500 | 151 | 6,427,685 | 714,350,000 |
| 1990 | 804,993,392 | 51 | 27,489,234 | 213 | 8,047,856 | 695,934,000 |

^(a) City of Salisbury, Developmental Services Department

^(b) Information not available at time of printing

Table 13

CITY OF SALISBURY, NORTH CAROLINA

MISCELLANEOUS STATISTICS

June 30, 1998

| | |
|-------------------------------------|---------------------|
| Date Established | 1753 |
| Form of Government | Council/Manager |
| Area | 17.62 Sq. Miles |
| Miles of Streets | 145.6 |
| Fire Protection: | |
| Number of Stations | 3 |
| Number of Fire Fighters | 63 |
| Number of Office Personnel | 2 |
| Police Protection: | |
| Number of Stations | 1 |
| Number of Police Officers | 76 |
| Number of Auxiliary Police Officers | 3 |
| Number of Civilians | 20 |
| Water and Sewer Utility: | |
| Number of Utility Customers | 13,000 |
| Average Daily Consumption | 7.7 Million Gallons |
| Miles of Water lines | 205 |
| Miles of Sewer lines | 233 |
| Number of Cemeteries | 7 |
| Business Licenses Issued | 2,466 |
| Recreation Facilities: | |
| Number of Parks | 15 |
| Number of Recreation Centers | 4 |
| Number of Tennis Facilities | 2 |
| Number of Acres | 455 |
| Employees: | |
| Full-Time | 422 |
| Permanent Part-Time | 12 |
| Temporary Full-Time | 34 |
| Temporary Part-Time | 19 |

Table 14

CITY OF SALISBURY, NORTH CAROLINA

DEMOGRAPHIC STATISTICS

For the Year Ended June 30, 1999

| Fiscal Year | Population Estimate⁽¹⁾ | Per Capita Income⁽²⁾ | Median Age⁽³⁾ | Unemployment Rate⁽⁴⁾ |
|--------------------|--|--|---------------------------------|--|
| 1999 | 26,792 | \$22,509 | 38.7 | 3.4% |
| 1998 | 26,884 | 21,631 | 38.5 | 3.0 |
| 1997 | 26,177 | 20,787 | 38.3 | 2.9 |
| 1996 | 24,543 | 19,976 | 38.1 | 3.6 |
| 1995 | 25,444 | 19,165 | 37.9 | 3.8 |
| 1994 | 24,072 | 17,600 | 37.7 | 3.3 |
| 1993 | 23,916 | 16,841 | 37.5 | 3.9 |
| 1992 | 23,852 | 16,138 | 37.4 | 5.5 |
| 1991 | 23,770 | 15,284 | 37.3 | 5.3 |
| 1990 | 23,621 | 15,109 | 37.2 | 4.2 |

Sources:

- ⁽¹⁾ 1991-99; North Carolina Office of State Planning
1990; U S Census
- ⁽²⁾ 1996-99; City of Salisbury Planning Division (estimate)
1990-95; State Library-Office of State Planning Statistical Database
Note: Figures are for Rowan County
- ⁽³⁾ 1991-99; City of Salisbury Planning Division (estimate)
1990; U S Census
- ⁽⁴⁾ 1990-99; N.C. Employment Security Commission
Note: Figures are for Rowan County

Compliance Section



McGLADREY & PULLEN, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report
On Compliance And On Internal Control Over Financial Reporting
Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards

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

We have audited the general purpose financial statements of the City of Salisbury, North Carolina, as of and for the year ended June 30, 1999, and have issued our report thereon dated August 25, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit the financial statements of Downtown Salisbury, Inc. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Downtown Salisbury, Inc. is based solely on the report of the other auditors.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Salisbury's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Salisbury in a separate letter dated August 25, 1999.

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

Greensboro, North Carolina
August 25, 1999



McGLADREY & PULLEN, LLP

Certified Public Accountants and Consultants

**Independent Auditor's Report
On Compliance With Requirements Applicable
To Each Major Federal Program And Internal Control Over
Compliance In Accordance With OMB Circular A-133
and the State Single Audit Implementation Act**

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

Compliance

We have audited the compliance of the City of Salisbury, North Carolina, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 1999. The City of Salisbury's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Salisbury's management. Our responsibility is to express an opinion on the City of Salisbury's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Salisbury's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Salisbury's compliance with those requirements.

In our opinion, the City of Salisbury complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Salisbury's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Greensboro, North Carolina
August 25, 1999



McGLADREY & PULLEN, LLP

Certified Public Accountants and Consultants

**Independent Auditor's Report
On Compliance With Requirements Applicable To Each Major State Program And
Internal Control Over Compliance In Accordance With OMB Circular A-133 and the
State Single Audit Implementation Act**

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

Compliance

We have audited the compliance of the City of Salisbury, North Carolina, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 1999. The City of Salisbury's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Salisbury's management. Our responsibility is to express an opinion on the City of Salisbury's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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. Our audit does not provide a legal determination on the City of Salisbury's compliance with those requirements.

In our opinion, the City of Salisbury complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Salisbury's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Greensboro, North Carolina
August 25, 1999

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 1999

| <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 Program | 14.218 | B-96-MC-37-0015 | \$ 36,132 | \$ - | \$ - |
| Entitlement Program | 14.218 | B-97-MC-37-0015 | 309,000 | | |
| Entitlement Program | 14.218 | B-98-MC-37-0015 | <u>201,804</u> | <u>-</u> | <u>-</u> |
| | | | <u>\$ 546,936</u> | <u>\$ -</u> | <u>\$ -</u> |
| Pass-through N.C. Department of Housing Finance Agency HOME Program | 14.239 | R-90-SG-37-0117 | \$ <u>153,319</u> | \$ - | \$ <u>38,876</u> |
| Total U.S. Department of Housing And Urban Development | | | \$ <u>700,255</u> | \$ - | \$ <u>38,876</u> |
| U.S. DEPARTMENT OF JUSTICE | | | | | |
| Office of Justice Programs: | | | | | |
| Office of Community Oriented Policing Services | | | | | |
| Direct Program: | | | | | |
| COPS Fast | 16.710 | 95-CF-WX-3853 | \$ <u>2,373</u> | \$ - | \$ <u>5,443</u> |
| Bureau of Justice Assistance | | | | | |
| Direct Program: | | | | | |
| Local Law Enforcement Block Grant | 16.592 | 97-LB-VX-4779 | \$ <u>35,832</u> | \$ - | \$ <u>3,981</u> |
| Passed through N. C. Department of Crime Control and Public Safety | 16.579 | | \$ <u>44,626</u> | \$ - | \$ <u>14,875</u> |
| Total U.S. Department of Justice | | | \$ <u>82,831</u> | \$ - | \$ <u>24,299</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | |
| Urban Mass Transportation Grants | 20.507 | 98-18-003 | | | |
| Capital | | 9.9043478 | \$ <u>13,665</u> | \$ <u>3,904</u> | \$ <u>1,952</u> |
| Urban Mass Transportation Grants | 20.507 | 98-18-003 | | | |
| Administration | | 9.9041530 | \$ 76,635 | \$ 16,422 | \$ 16,422 |
| Operating | | 9.9042530 | 89,634 | - | 238,902 |
| | | | <u>\$ 166,269</u> | <u>\$ 16,422</u> | <u>\$ 255,324</u> |
| Intermodal Surface Transportation Efficiency Act | | | | | |
| Railroad Station Improvement Program | 20.205 | 8.2632401 | \$ <u>49,252</u> | \$ <u>6,157</u> | \$ <u>6,156</u> |
| Total U.S. Department of Transportation | | | \$ <u>229,186</u> | \$ <u>26,483</u> | \$ <u>263,432</u> |
| TOTAL ASSISTANCE - FEDERAL PROGRAMS | | | \$ <u>1,012,272</u> | \$ <u>26,483</u> | \$ <u>326,607</u> |

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 1999

(Continued)

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Pass-through Grantors' Number | Federal Direct & Pass-through Expenditures | State Expenditures | Local Expenditures |
|--|---------------------------|----------------------------------|---|-----------------------|-----------------------|
| STATE GRANTS: | | | | | |
| CASH PROGRAMS | | | | | |
| N.C. DEPARTMENT OF TRANSPORTATION | | | | | |
| Powell Bill | N/A | | \$ - | \$ 896,099 | \$ 9,185 |
| State Maintenance Assistance for Transit Systems | N/A | 9.9051123 | \$ - | \$ 55,585 | \$ - |
| Lumber/Harrison Street Improvements | N/A | | \$ - | \$ 147,427 | \$ - |
| Sidewalk Construction | N/A | | \$ - | \$ 121,016 | \$ - |
| Total N. C. Department of Transportation | | | \$ - | \$ 1,220,127 | \$ 9,185 |
| N.C. DEPARTMENT OF CULTURAL RESOURCES | | | | | |
| Program for Nonprofit Organizations and Local Governments for Cultural, Historical, or Artistic Projects and For Museums | N/A | | \$ - | \$ 2,300 | \$ - |
| TOTAL ASSISTANCE - STATE PROGRAMS | | | \$ - | \$ 1,222,427 | \$ 9,185 |
| TOTAL ASSISTANCE | | | \$ 1,012,272 | \$ 1,248,910 | \$ 335,792 |

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

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 1999

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes x No

Reportable condition(s) identified not considered to be material weaknesses? _____ Yes x None Reported

Noncompliance material to financial statements noted _____ Yes x No

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes x No

Reportable condition(s) identified not considered to be material weaknesses? _____ Yes x None Reported

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

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

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

Major federal programs for City of Salisbury for the fiscal year ended June 30, 1999:

| | |
|---|-----------------|
| <u>Program Name</u> | <u>CFDA No.</u> |
| Community Development Block Grant Entitlement Program | 14.218 |

Major state programs for City of Salisbury for the fiscal year ended June 30, 1999:

| | |
|---------------------|------------------|
| <u>Program Name</u> | <u>Grant No.</u> |
| Powell Bill | N/A |

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

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

II. Federal Award Findings and Questioned Costs

U. S. Department of Housing and Urban Development
Finding: None

CITY OF SALISBURY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 1999

There were no prior year audit findings.

