

# City of Salisbury

NORTH CAROLINA



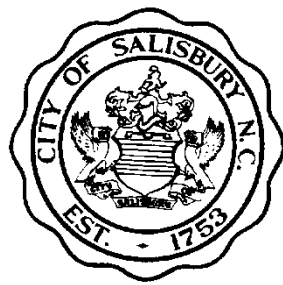
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*Comprehensive Annual Financial Report  
Fiscal Year Ending June 30, 2016*

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# CITY OF SALISBURY

## NORTH CAROLINA

### COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

MAYOR, CITY COUNCIL, AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

Karen K. Alexander - Mayor

Margaret A. Blackwell - Mayor Pro-tem

William B. Miller

Kenneth L. Hardin

David B. Post

OFFICIALS

W. Lane Bailey  
City Manager

Zack Kyle  
Assistant City Manager

John A. Sofley, Jr.  
Assistant City Manager

Report Prepared By  
City Financial Services Department

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



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# Introductory Section

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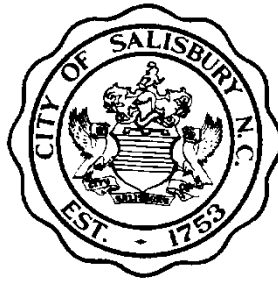


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December 9, 2016

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

We are pleased to present the Comprehensive Annual Financial Report (Report) of the City of Salisbury (City) for the fiscal year ended June 30, 2016 (FY16). We are particularly proud of the fact that this Report has been entirely prepared by the City's Financial Services Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects, and it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The accompanying financial statements have been audited by Elliott Davis Decosimo, PLLC, an independent firm of certified public accountants, and their opinion is included in the Report.

### GENERAL

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

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

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

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

The City's Comprehensive Annual Financial Report for the year ended June 30, 2015, was awarded a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **ECONOMIC CONDITION AND OUTLOOK**

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

The location also allows the City to serve as a trading and distribution center for the County and portions of surrounding counties. The local economy has been stable, with steady growth as we have emerged from the recent recession. Taxable retail sales in Rowan County for the 12 months that ended June 30, 2016, increased over \$66 million (6.1%) from the prior fiscal year to \$1.167 billion, the County's highest total ever. The development of The Shoppes at Summit Park on Julian Road opened during FY16. The new shopping center includes a Hobby Lobby, Dick's Sporting Goods, Kirkland's, Five Below, and Salsarita's Fresh Cantina. This new development is a sign of the strong, growing economy in Salisbury.

The story of downtown Salisbury is one of public-private partnerships committed to maintaining our place as one of the best downtown districts in North Carolina. Since the early 1980's, over \$130 million have been invested in the redevelopment of Salisbury's downtown. New businesses in the downtown area include the New Sarum Brewing Company and Morgan Ridge Railwalk Brewery and Eatery. Three more restaurants – the Shuckin' Shack, The Smoke Pit, and City Tavern – will open in the Fall of 2016. The downtown is home to 289 commercial spaces and 142 condominiums/apartments. The past fiscal year saw a net gain of five new downtown businesses, four business expansions, and 12 façade renovations. FY16 saw total investment in the downtown area of \$8.8 million.

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

## MAJOR INITIATIVES

The fiscal year ended June 30, 2016, was a year of change for the City Management Team. After hiring a new City Manager in April 2015, the City added a new Police Chief, a new Public Information Director, and a new Parks and Recreation Director. City Council and the management team continue to strive to provide excellent services for our citizens. Each year, City Council holds its Annual Goal Setting Retreat. These retreats give our Council time to reflect on the past year's challenges and successes and then establish desired objectives and set goals for achievement in the upcoming fiscal year. The goals and objectives identified by City Council at the 2016 retreat were broken down into five key categories – *Priority Initiatives-One Year Tactical Plan, Planning and Development Initiatives, Financial Sustainability and Accountability, Utilities and Community Infrastructure, and Organizational Development and Partnerships.*

One of the key pieces of the Planning and Development Initiatives is to work with the West End Neighborhood and stakeholders to implement the West End Transformation Plan. In 2012, the City and the Salisbury Housing Authority were awarded a Choice Neighborhood Planning Grant from the US Department of Housing and Urban Development to develop a Transformation Plan for the West End neighborhood. As part of that plan, the Housing Authority received an award to replace 80 units at Civic Park Apartments with a 170-unit mixed-income community. The NC Housing Finance Agency awarded two rounds of tax credit financing totaling \$1.5 million on the \$17 million community. The City and the Housing Authority held a grand opening of the new community, renamed Brenner Crossing, in October 2015. Brenner Crossing is a high-quality, affordable rental housing community. Phase I of Brenner Crossing is comprised of 80 apartments designed for working families at 60 percent of the area's median income or below. Phase II of the project was started in September 2015 and is nearing completion. It will add another 90 apartments and additional amenities, including children's play structures, a 3,000 square-foot clubhouse (with business center, fitness room, and meeting space), and recreational open space with a connection to the City's existing greenway. Phase III will consist of townhomes and quadplexes. The revitalization of the West End Community is an example of how organizations can collaborate to initiate change for the betterment of the community and the entire City.

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

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

One of the primary focus areas of the City Council and the City management team is *Financial Sustainability and Accountability*. The City has more than doubled its General Fund fund balance since FY11. The City's Financial Services Department continues to strive for excellence and received the Certificate of Achievement for Excellence in Financial Reporting for FY15, and the Distinguished Budget Presentation Award for FY16.

## **FUTURE DEVELOPMENTS**

A key structure in downtown Salisbury, the Empire Hotel, has been vacant for decades. In August 2016, the City and Downtown Salisbury, Inc. announced that they have reached an agreement to sell the building to Historic Preservation Partners Holdings LLC. The developer anticipates that the redevelopment of the property will cost a total of \$20 million, and plans to turn the old hotel into retail space and market-value apartments. The developer specializes in redeveloping historic buildings in medium to small towns up and down the East Coast. The redevelopment project would allow for 29,000 square feet of retail space and between 50 to 70 apartments. The redevelopment of the Empire Hotel will be a cornerstone to the continued revitalization of downtown Salisbury.

The City operates a strong water and sewer department and recently received the N. C. Area Wide Optimization Award that recognizes systems that demonstrate outstanding turbidity and microbial removal. The City's water and sewer department is preparing for the future with a system-wide meter change-out project. During FY16, City Council approved a \$7.2 million Capital Project Ordinance for the project. The City will be replacing the meters over a two-year period. The new meters will have advanced metering infrastructure and automated readings. They will provide more accurate billings via hourly water usage readings and will provide staff and customers with powerful tools to monitor and manage their water consumption. Staff will be able to notify customers quickly if problems, such as leaks, arise, and therefore, reduce the amount of water lost through leaks.

The City has begun the process of developing a comprehensive 10-year comprehensive Capital Improvement Plan for the General Fund and the Water and Sewer Fund. The City is using the CIP to plan the timing and financing of needed capital improvements for the next 10 years. The plan will help to determine future tax and rate increases. The initial General Fund CIP includes funding for projects such as Downtown Incentive Programs, replacement of Fire Station 3, and the construction of Fire Station 6. The Water and Sewer Fund CIP will help assure that our infrastructure will remain reliable into the future. Each item in the CIP is given a priority ranking of Mandated, Sustaining, Important, or Planned, and the projects are ranked from highest to lowest priority. All of the items in the General Fund CIP scheduled for the first year were funded in the FY17 annual budget. Some of the projects in the Water and Sewer Fund CIP scheduled for the first year were not funded in the FY17 budget so that we can continue to discuss the potential need for debt service financing. The City will begin the process of developing a 10-year CIP for the Broadband Service Fund in FY17. The CIP will be updated annually as part of the budget process and the resulting financial analysis will indicate the annual increases needed to fund the comprehensive plan. In a related matter, the Water and Sewer Fund has been awarded two \$130,000 Asset Inventory and Assessment grants from the state. These grants will help us perform condition assessments and develop a comprehensive management program for all of the critical components within our water and sewer systems.

## **REPORTING ENTITY**

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

primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

### **SERVICES PROVIDED**

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

### **GOVERNMENT STRUCTURE**

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

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

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

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

As a recipient of federal and state awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the City's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state awards, as well as to determine that the City has complied

with applicable laws and regulations. The results of the City's single audit for FY16 provided no instances of material weaknesses in the internal control structure.

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

### **BASIS OF ACCOUNTING**

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

### **FUND ACCOUNTING**

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

### **FUND CATEGORIES**

Governmental funds are those through which governmental functions typically are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities, except those accounted for in the proprietary fund, are accounted for through governmental funds. The governmental fund measurement focus is based upon determination of financial position and changes in financial position (sources, usage, and balances of financial resources), rather than upon net income determination. The statement of revenues, expenditures, and changes in fund balance is the primary governmental fund operating statement. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers, and other changes in fund balance.

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

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

## **FINANCIAL MANAGEMENT**

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

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

This financial management program allows the City to achieve its goal of expanded and improved services to the citizens of Salisbury. As discussed in the Management's Discussion and Analysis, the City continues to receive good bond ratings from various rating agencies. This is a reflection of the City's continued sound financial condition.

## **LONG-TERM FINANCIAL PLANNING**

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

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

## **CONCLUSION**

We believe that the future is bright for Salisbury. The City has received several N.C. Main Street awards and has been nationally recognized for our Sculpture Show. The National Main Street Center, a subsidiary of the National Trust for Historic Preservation, recently cited Salisbury for "economic vitality and fidelity in following the best-practice standards for historic preservation and community revitalization." Also, the City was one of 20 finalists in the nation for the 2016 All American City Award. As previously discussed, retail sales in the city and county are growing and have reached record highs for each of the last four fiscal years. The aforementioned redevelopment of the Empire Hotel should provide a significant boost to an already-thriving downtown, and provide additional economic expansion for the entire City.

The future holds many challenges too. It is imperative that we continue to plan for the future while maintaining our current fiscal strength. We will continue to work towards the stabilization and profitability of our Broadband Services Fund, and we are working to develop a comprehensive Capital Improvement Plan for all of our major funds. Our Council and management team are working hard to maintain quality services for our citizens within a reasonable budget. In order to better understand what our citizens want and need, we are having a series of discussions called Community Conversations to receive input on the needs of our citizens and their neighborhoods, and to disseminate information about various services available in the city. Also, our City Manager has an open, monthly Meet With the Manager hour, and our Police Department has community meetings called Coffee with a Cop. We believe that if our Council, management, staff, and citizens all work together, we can meet our challenges head on and maintain our City as a great place to live and work.



## ACKNOWLEDGMENTS

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

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

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

Respectfully submitted,



Teresa P. Harris  
Finance Director



S. Wade Furches  
Finance Manager



Government Finance Officers Association

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

Presented to

**City of Salisbury  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# City of Salisbury

## Organizational Chart



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

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

## **FACTS AND INFORMATION ABOUT CITY OF SALISBURY, NORTH CAROLINA**

### **LOCATION**

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

### **CLIMATE**

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

### **POPULATION**

The population of the City of Salisbury has increased steadily during the past decade. This is due to both annexations and internal growth stimulated by the local economy. Population currently is estimated to be 34,285 based upon estimates from the North Carolina Office of State Planning.

### **HISTORY**

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

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

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

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

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

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

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

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

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

### **GOVERNMENT**

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

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

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

## **UTILITIES**

Salisbury operates its own water and sewer system. The Yadkin River, which forms the northeast boundary of Rowan County, provides Salisbury with an abundant supply of good water. The average daily flow is nearly 2 billion gallons per day, and the minimum recorded one-day flow is 150 million gallons. The Salisbury water system, conventional in design and closely controlled, has a treatment capacity of 24 million gallons per day. Average daily production during fiscal year 2016 was 9.3 million gallons per day, with a peak daily production of 13 million gallons. An arterial system of distribution mains has been constructed to assure maximum fire protection to all parts of the city.

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

Salisbury's two wastewater treatment facilities serve as the area's regional wastewater utility with service expansion to the towns of Landis, China Grove, Spencer, East Spencer, Granite Quarry, and Rockwell. Total daily treatment capacity is 12.5 million gallons, and the average daily treatment for FY16 was 8.7 million gallons.

The City offers cable television, high-speed internet, and digital telephone services through its Broadband Services Fund. Fibrant went live in December 2010 and had over 3,500 customers by June 30, 2016.

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

## **TRANSPORTATION**

Salisbury, nearly the geographic center of North Carolina, is located on Interstate Highway 85, 42 miles from Charlotte, 52 miles from Greensboro and 39 miles from Winston-Salem. It is the crossroads of I-85, U.S. 29, 52, 70, 601 and N.C. 150. Over 7 million people

live within 100 miles of Salisbury, 3.25 million within 50 miles. The seaports of Wilmington, Morehead City, Charleston, and Norfolk are less than a one-day truck haul away.

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

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

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

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

## **MOTELS**

An ideal area for meetings and conventions, Salisbury has ten (10) motels, with nearly 1,000 rooms, and two (2) bed and breakfast establishments in our historic district. A new Holiday Inn Express will be opening by the end of 2016

## **EDUCATION**

Salisbury is home to four (4) colleges. Catawba College was founded in Newton, North Carolina in 1851, and moved to Salisbury in 1925. Catawba has thirty (30) buildings comprising a physical plant unsurpassed in the East for a college of this size and style. It has a total enrollment of 1,300 Liberal Arts students and is affiliated with the United Church of Christ. U.S. News and World Report ranked Catawba 15<sup>th</sup> among Best Regional Colleges in the South for 2016. Livingstone College was founded in 1879, and has 1,300 Liberal Arts students. It is supported by the African Methodist Episcopal Zion Church. Rowan-Cabarrus Community College offers two-year educational programs leading to the associate's degree in applied science. In addition, one-year diploma programs are offered in five fields. There is a total enrollment of approximately 4,700 full-time students. The City is also home to Hood Theological Seminary, a private graduate school that prepares students for ministry and has grown to 300 students.

Novant Health Rowan Medical Center and Campbell University have a working agreement that establishes the hospital as a teaching hospital. The partnership includes training in the areas of primary care, family medicine, general surgery, OB/GYN, pediatrics, psychiatry, and other critical services with an emphasis on the unique needs of underserved communities.

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

### **ARTS AND ENTERTAINMENT**

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

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

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

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

### **COMMUNITY FACILITIES**

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

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

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

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

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

### **SPECIAL EVENTS**

Each year, the Salisbury-Rowan Chamber of Commerce presents the National Sportscasters and Sportswriters Awards Program. The program has been a big success. The National Sportscasters and Sportswriters Awards Program has attracted national attention to the City. Each year nationally renowned sportscasters and sportswriters visit Salisbury to attend the annual awards program. Since 2009, the City has hosted an annual sculpture show where various artists display their art all over town and on our college campuses.





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# Financial Section

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Downtown Salisbury, Inc., which represent 97 percent, 83 percent, and 53 percent, respectively of the assets, net position and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Downtown Salisbury, Inc., is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Downtown Salisbury, Inc. and the Salisbury Tourism and Cultural Development Commission were not audited in accordance with *Government Auditing Standards*.

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

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

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Implementation of New Accounting Standard**

As discussed in Note 5 to the financial statements, the City adopted provisions of Governmental Accounting Standards Board (GASB) Statement Number 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, effective July 1, 2015. Our opinions are not modified with respect to this matter.

### **Required Supplementary Information**

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

## **Other Information**

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

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

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Raleigh, North Carolina  
December 9, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Salisbury, North Carolina, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Salisbury for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with the transmittal letter which begins on page 4 and the City's financial statements which follow this narrative.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Salisbury's governmental and business-type activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$147,224,684 (*net position*).
- The government's total net position increased by \$4,108,304. The City's total assets and deferred outflows of resources decreased by \$4,014,098. Capital assets before depreciation increased by \$637,219. The City recognized \$9.4 million in depreciation expense in FY16.
- As of the close of the current fiscal year, the City of Salisbury's governmental funds reported combined ending fund balances of \$18,355,912, with an increase of \$415,057 from the prior year. Approximately 30 percent of the Governmental Fund ending fund balance, or \$5,493,455, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund balance was \$7,950,126, or 23.2 percent of total general fund expenditures and transfers for the fiscal year, as compared to 22.6 percent in the prior year.
- The City of Salisbury's total long-term debt decreased by \$6,555,730, or 9.1%, during the current fiscal year due to paying off portions of previously existing debt. The City did not borrow any money during FY16.
- The City's general obligation bonds have received a rating by Standard and Poor's of AA- in 2013, with a stable outlook. Moody's Investors Service affirmed A3 with a stable outlook on those bonds in April 2015. In 2016, Fitch Ratings issued an A+ rating to the City's 2010 revenue refunding bonds, with a stable outlook. Moody's affirmed an A3 rating with a stable outlook to the refunding bonds in April 2015. Also, Standard and Poor's issued a rating on the City's 2008 Certificates of Participation of AA-. Moody's Investors Service has affirmed the 2008 COPs at a Baa3 with a stable outlook in April 2015.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## **BASIC FINANCIAL STATEMENTS**

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

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

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

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

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

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, environmental protection, community and economic development, and general administration. Property taxes, sales taxes, and state and federal grant funds finance most of these activities. The business-type activities are those services that the City charges fees to customers to help cover all or most of the cost of the services provided. These include the water and sewer, broadband services, stormwater services, and mass transit services offered by the City of

Salisbury. The final category is the component unit. The City's component units, Downtown Salisbury Inc. and the Salisbury Tourism and Cultural Development Commission, are important to the City because they serve to promote the City and its downtown. Although legally separate from the City, Downtown Salisbury Inc.'s and the Salisbury Tourism and Cultural Development Commission's revenues consist largely of hotel occupancy taxes, municipal service district taxes, and supplemental appropriations from the City, all of which must be approved by City Council.

## **FUND FINANCIAL STATEMENTS**

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

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

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



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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Salisbury’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 79-83 of this report.

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

**THE CITY OF SALISBURY'S NET POSITION**

Figure 1

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 23,131,518	\$ 22,940,643	\$ 27,553,738	\$ 24,515,202	\$ 50,685,256	\$ 47,455,845
Capital assets	39,784,703	41,945,788	137,492,545	142,551,604	177,277,248	184,497,392
Deferred outflows of resources	945,069	963,235	324,501	329,700	1,269,570	1,292,935
Total assets and deferred outflows of resources	\$ 63,861,290	\$ 65,849,666	\$ 165,370,784	\$ 167,396,506	\$ 229,232,074	\$ 233,246,172
Long-term liabilities outstanding	\$ 11,209,975	\$ 10,494,012	\$ 64,254,821	\$ 69,116,250	\$ 75,464,796	\$ 79,610,262
Other liabilities	2,922,516	2,746,179	2,554,126	2,567,771	5,476,642	5,313,950
Deferred inflows of resources	794,312	3,878,220	271,640	1,327,360	1,065,952	5,205,580
Total liabilities and deferred inflows of resources	\$ 14,926,803	\$ 17,118,411	\$ 67,080,587	\$ 73,011,381	\$ 82,007,390	\$ 90,129,792
Net position:						
Net investments in capital assets	\$ 36,027,355	\$ 35,682,857	\$ 79,354,208	\$ 78,308,385	\$ 115,381,563	\$ 113,991,242
Restricted	4,719,068	4,727,668	-	-	4,719,068	4,727,668
Unrestricted	8,188,064	8,320,730	18,935,989	16,076,740	27,124,053	24,397,470
Total net position	\$ 48,934,487	\$ 48,731,255	\$ 98,290,197	\$ 94,385,125	\$ 147,224,684	\$ 143,116,380

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Salisbury exceeded liabilities and deferred inflows by \$147,224,684 as of June 30, 2016, a decrease of \$4,108,304 from the fiscal year ended June 30, 2015. The largest portion of the City's net assets (78%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, equipment, water and sewer treatment facilities, water and sewer lines, and broadband network). The City of Salisbury uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate the liabilities. An additional portion of the City of Salisbury's net position, \$4,719,068, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$27,124,053 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.83%, which is up slightly from 97.68% a year ago.
- An increase in local option sales tax receipts of \$535,001, or 9.1%, from last year and \$1.68 million from five years ago. This increase is due to an improving local economy and several new retail businesses in the City and Rowan County.
- As a result of the implementation of GASB Statement Number 68, the City reports its share of Net Pension Liability, Deferred Inflows, and Deferred Outflows of the State's Local Governmental Retirement System. For FY16, net effect of the City's proportionate share reporting increased net position by \$1.4 million.
- Continued low cost of debt due to the City's favorable bond ratings.

**CITY OF SALISBURY CHANGES IN NET POSITION**

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,900,431	\$ 3,929,094	\$ 30,971,851	\$ 31,671,075	\$ 34,872,282	\$ 35,600,169
Operating grants and contributions	1,964,896	1,845,698	738,351	469,421	2,703,247	2,315,119
General revenues:						
Property taxes	18,719,543	18,744,275	-	-	18,719,543	18,744,275
Other taxes	6,433,260	5,898,259	-	-	6,433,260	5,898,259
Intergovernmental revenue	3,432,476	3,270,152	-	-	3,432,476	3,270,152
Other	44,586	17,471	120,464	97,534	165,050	115,005
Total revenues	\$ 34,495,192	\$ 33,704,949	\$ 31,830,666	\$ 32,238,030	\$ 66,325,858	\$ 65,942,979
Expenses:						
General government	\$ 5,907,274	\$ 5,716,066	\$ -	\$ -	\$ 5,907,274	\$ 5,716,066
Public safety	12,163,943	11,455,490	-	-	12,163,943	11,455,490
Transportation	5,195,912	4,440,902	-	-	5,195,912	4,440,902
Environmental protection	1,452,363	1,481,637	-	-	1,452,363	1,481,637
Culture and recreation	2,553,783	2,432,466	-	-	2,553,783	2,432,466
Community and economic development	3,219,393	2,480,317	-	-	3,219,393	2,480,317
Education	38,107	38,107	-	-	38,107	38,107
Interest and fees on long-term debt	481,335	517,340	2,714,621	2,908,561	3,195,956	3,425,901
Water and sewer	-	-	20,011,424	19,835,217	20,011,424	19,835,217
Broadband Services	-	-	6,477,634	6,934,403	6,477,634	6,934,403
Stormwater	-	-	898,295	927,399	898,295	927,399
Mass transit	-	-	1,103,470	1,013,010	1,103,470	1,013,010
Total expenses	\$ 31,012,110	\$ 28,562,325	\$ 31,205,444	\$ 31,618,590	\$ 62,217,554	\$ 60,180,915
Change in net position before transfers	\$ 3,483,082	\$ 5,142,624	\$ 625,222	\$ 619,440	\$ 4,108,304	\$ 5,762,064
Transfers	(3,279,850)	(3,713,291)	3,279,850	3,713,291	-	-
Change in net position	\$ 203,232	\$ 1,429,333	\$ 3,905,072	\$ 4,332,731	\$ 4,108,304	\$ 5,762,064
Net position, beginning	\$ 48,123,770	\$ 48,982,530	\$ 94,385,125	\$ 90,835,565	\$ 142,508,895	\$ 139,818,095
Restatement	607,485	(2,288,093)	-	(783,171)	607,485	(3,071,264)
Net position, beginning, restated	\$ 48,731,255	\$ 46,694,437	\$ 94,385,125	\$ 90,052,394	\$ 143,116,380	\$ 136,746,831
Net position, ending	\$ 48,934,487	\$ 48,123,770	\$ 98,290,197	\$ 94,385,125	\$ 147,224,684	\$ 142,508,895

Governmental activities - Governmental activities increased the City's net position by \$203,232. Increases in revenues from sales taxes and utilities franchise taxes totaled \$601,224. Governmental expenditures increased by \$2.4 million from the prior fiscal year.

Business-type activities - Business-type activities increased the City's net position by \$3,905,072. The Water and Sewer Fund's reported a change in net position of \$2,305,010 is due to the slight rate increase and cost-control measures aimed at reducing operating costs. The Broadband Services Fund completed its fifth full year of operations, and turned a profit on a full-accrual basis in the amount of \$1,124,145. The Stormwater Fund had a gain of \$289,419, and the Mass Transit Fund had a small gain of \$186,498.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

### **Governmental Funds**

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

The General Fund is the chief operating fund of the City of Salisbury. At the end of the current fiscal year, the City's fund balance available for appropriation in the General Fund was \$13,340,123, while total fund balance reached \$18,351,984. Salisbury's City Council has determined that the City should maintain an available fund balance of at least 10% of general fund balance expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 38.82% of general fund expenditures, while total fund balance represents 53.5% of the same amount.

At June 30, 2016, the governmental funds of the City of Salisbury reported a combined fund balance of \$18,355,912, a 2.3% increase from last year. As discussed earlier, increased revenues and controlled spending resulted in this increase.

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

Total amendments to the General Fund increased revenues and other sources of funds and expenditures by \$303,873. The difference between the original budget and the final amended budget can be briefly summarized as follows:

- The City received \$72,500 in insurance proceeds due to property damage caused by a fire.
- The City received \$112,133 in grants that are restricted for use by the Police Department.
- The City appropriated \$63,925 in donations and proceeds from sculpture sales from the City's annual Sculpture Show and \$55,315 in other donations.

Some revenues were less than the budgeted amounts primarily because some appropriated grant funds and donations had not been earned, and therefore not received by June 30, 2016. The City had not earned these funds because the related expenditures had not been made. Therefore, these unearned grants had no effect on the General Fund's change in fund balance, which decreased by \$188,880 during the fiscal year ended June 30, 2016.

### **Proprietary Funds**

The City of Salisbury's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Proprietary Funds at the end of the fiscal year was \$18,935,989. Operations of the Water and Sewer Fund, Stormwater Fund, and Transit

Fund increased Net Position by \$2,305,010, \$289,419, and \$186,498, respectively. Operations of the Broadband Services Fund increased Net Position by \$1,124,145, but the Fund still has a net deficit of \$10,431,487. The Broadband Services Fund began selling services in December 2010, and has over 3,500 customers.

### CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Salisbury's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totals \$177,277,248 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, fiber optic lines, water and sewer treatment facilities, and water and sewer lines. The City's capital assets in the governmental-type assets decreased 5.2 percent, and capital assets in the business-type activities decreased by 3.5 percent, due to recording total depreciation of \$9.4 million.

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

- The City purchased a new Sutphen Custom Pumper fire truck for \$508,599 and three other vehicles for the Fire Department for \$111,585.
- The City purchased equipment for the Street Department, including a dump truck, swaploader, and leaf vacuum, for \$388,175.
- The City purchased two new garbage trucks for \$464,326.
- The City purchased and equipped 11 new police cars for \$422,879.
- The City purchased a tractor for the Stormwater Fund for \$87,651 and maintenance vehicles for the Water and Sewer Fund totaling \$82,777. The City also spent \$431,810 on other equipment for the Water and Sewer Fund.

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

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 7,736,361	\$ 7,736,361	\$ 2,128,067	\$ 2,128,067	\$ 9,864,428	\$ 9,864,428
Construction in progress	27,275	-	964,038	-	991,313	-
Buildings	7,176,242	7,461,678	14,015,770	14,576,120	21,192,012	22,037,798
Improvements other than buildings	6,736,549	6,973,183	-	-	6,736,549	6,973,183
Equipment	2,575,100	2,588,977	2,375,558	2,492,840	4,950,658	5,081,817
Vehicles and motorized equipment	3,858,160	2,664,552	712,571	958,708	4,570,731	3,623,260
Infrastructure	11,675,016	12,990,259	117,296,541	121,871,912	128,971,557	134,862,171
<b>Total</b>	<b>\$ 39,784,703</b>	<b>\$ 40,415,010</b>	<b>\$ 137,492,545</b>	<b>\$ 142,027,647</b>	<b>\$ 177,277,248</b>	<b>\$ 182,442,657</b>

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

Long-term Debt - As of June 30, 2016, the City of Salisbury had total long-term debt outstanding of \$65,194,834 (not including compensated absences and other postemployment benefits). Of this, \$165,000 is general obligation debt backed by the full faith and credit of the City and \$24,797,523 represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The City owes \$34,952,060 on various installment purchases, including \$30,291,000 borrowed to finance the City's Broadband Services utility.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General obligation bonds	\$ 70,000	\$ 270,000	\$ 95,000	\$ 275,000	\$ 165,000	\$ 545,000
Revenue bonds	-	-	24,797,523	26,750,426	24,797,523	26,750,426
State bond loans	-	-	2,712,506	3,595,012	2,712,506	3,595,012
Capital leases	-	-	2,355,745	2,983,020	2,355,745	2,983,020
Installment purchases	3,691,761	4,434,566	31,260,299	33,198,540	34,952,060	37,633,106
HUD Section 108 loan	212,000	244,000	-	-	212,000	244,000
<b>Total</b>	<b>\$ 3,973,761</b>	<b>\$ 4,948,566</b>	<b>\$ 61,221,073</b>	<b>\$ 66,801,998</b>	<b>\$ 65,194,834</b>	<b>\$ 71,750,564</b>

The City of Salisbury's total outstanding debt decreased by \$6,555,730 (9.1 percent) during the past fiscal year.

As mentioned in the financial highlights section of this document, the City's bond ratings are strong and stable. In October 2013, Standard and Poor's upgraded the general obligation debt to AA- (from an A+) and the 2008 COPS were upgraded to AA- (from A). Conversely, in April 2014, Moody's Investors Services downgraded the general obligation debt from A1 to A3, the 2010 revenue refunding bonds from Aa3 to A3, and the 2008 Certifications of Participation from Aa3 to Baa3. In April 2015, Moody's affirmed those ratings. Fitch lowered its ratings on the revenue refunding bonds from AA- to A+ in September 2014. The ratings downgrades from Moody's and Fitch were due to the losses incurred in the Broadband Services Fund and the interfund loans from the Water and Sewer Fund to the Broadband Services Fund in prior years. Despite the downgrades, the City's bond ratings are solid and are an indication of the sound financial condition of the City of Salisbury.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Salisbury is \$189,183,909.

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

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

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

- Average unemployment in Salisbury for the fiscal year ended June 30, 2016, was 5.78%, which is down from the 5.9% unemployment of the fiscal year ended June 30, 2015. The average unemployment rate for the State of North Carolina for the past fiscal year was 5.45%, which is down from 5.83% for the previous fiscal year.
- Retail sales continued to be strong in fiscal year ended June 30, 2016. The County's sales subject to North Carolina sales taxes increased over \$66 million (6.1%) from the previous year to \$1,166,662,819. This is the highest sales total in the County's history. Although sales tax information is no longer published for cities by the NC Department of Revenue, sales in the City have historically accounted for about two-thirds of sales in the County. The City's sales tax revenues increased \$535,001 from the previous year to \$6,433,260. This total represents a 35% increase over the last five fiscal years.
- The total value of building permits issued in Rowan County for the past fiscal year was \$111.7 million. This represents an increase from the prior fiscal year of \$17.6 million, an 18.7% increase. This total value is the highest the City has seen since the fiscal year ended June 30, 2009.
- The occupancy rates for first floor office and retail space in the City's downtown area has dropped below 90%, but the additions of the craft breweries and new restaurants, and the future development of the Empire Hotel should spur additional redevelopment and renovation projects.

## **BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2017**

### **Governmental Activities**

General Fund – In FY2017, the General Fund budget is up 9.8% from the prior fiscal to \$42.4 million. City Council approved a 1.2 cent increase in the property tax rate, which will provide \$320,000 in additional revenue. Revenues from sales taxes are expected to increase slightly due to sales taxes now being charged on various services. City Council appropriated \$1.18 million in Fund Balance to pay for several new infrastructure projects – Newsome Road improvements which will include a bicycle lane, beginning construction of a new fire station, and a new roof for the Head Start building. The City also plans to borrow \$2.2 million via installment purchase financing to purchase 2 new fire trucks.

Personnel costs will increase due to increases in health insurance cost and a 3% merit raise given to eligible employees.

### **Business-Type Activities**

Water and Sewer Fund – Water and Sewer rates will increase by 2.5% for the fiscal year ending June 30, 2017. There was no rate increase for the fiscal year ended June 30, 2016. As with the General Fund, there will be a 3% merit raise given to eligible employees along with increases due to the added fringe

benefit costs. We have developed a 10-year Capital Improvement Plan to adequately fund the system's infrastructure needs while maintaining competitive rates in our region. The FY17 budget dedicates funding to begin the process of relocating and replacing the wastewater headworks and influent pump station at our Grants Creek wastewater facility, which was constructed in 1964. The City will also continue the Water and Sewer Fund's incentive fund for public/private fire lines that will spur downtown residential development, as well as offer more substantial fire protection in the historic district.

Broadband Services Fund – The City's Fiber-to-the-Home enterprise provides performance and reliability that are second to none. The financial performance of the system, however, faces significant challenges. The Broadband Services Fund will continue to depend on contributions from the General Fund until revenues become sufficient to cover all expenses of the fund.

Mass Transit Fund – The City's Mass Transit System has recently been re-classified as an Urban Transit system. We have secured some additional funding from the State and will continue to work to ensure adequate funding for our operations. The FY17 budget includes \$280,000 for an Automated Vehicle Location System, which tracks the locations of our buses and provides real-time tracking information. The system will alert riders of the next bus arrival time via a mobile app and on-street signs. The General Fund contribution to the Mass Transit Fund will be unchanged from FY16.

Stormwater Fund – In FY2013, City Council implemented a Stormwater Utility to bring the City in compliance with unfunded Federal and State mandates. The FY17 budget does not increase the residential stormwater fee, but the commercial rate will be increased 20% to fund additional rehabilitation projects and to purchase stream monitors. Stream monitors will allow staff to determine where pollution problems are occurring in the system. The increase in revenues will also help address infrastructure needs and improve flood control systems to protect our citizens and other City infrastructure.

#### **REQUESTS FOR INFORMATION**

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



A-1  
**CITY OF SALISBURY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Salisbury, Inc.	Salisbury Tourism and Cultural Development Commission
<b>ASSETS</b>					
Cash and cash equivalents	\$ 16,740,155	\$ 16,458,103	\$ 33,198,258	\$ 179,115	\$ 29,690
Taxes receivables (net)	691,113	-	691,113	-	-
Accrued interest receivable on taxes	114,357	-	114,357	-	-
Accounts receivable (net)	1,110,745	5,692,547	6,803,292	1,000	-
Interest receivable	18,978	19,385	38,363	-	-
Due from other governments	3,333,418	254,452	3,587,870	-	-
Inventories	337,843	998,486	1,336,329	-	-
Prepaid items	220,131	-	220,131	4,837	-
Prepaid insurance on bonds	-	344,465	344,465	-	-
Real estate held for investment	-	-	-	880,000	-
Restricted cash and cash equivalents	564,778	3,786,300	4,351,078	1,083	-
Total current assets	<u>\$ 23,131,518</u>	<u>\$ 27,553,738</u>	<u>\$ 50,685,256</u>	<u>\$ 1,066,035</u>	<u>\$ 29,690</u>
Non-current assets					
Capital assets					
Land, improvements, and construction in progress	\$ 7,763,636	\$ 3,092,105	\$ 10,855,741	\$ -	\$ -
Other capital assets, net of depreciation	32,021,067	134,400,440	166,421,507	16,223	-
Total non-current assets	<u>\$ 39,784,703</u>	<u>\$ 137,492,545</u>	<u>\$ 177,277,248</u>	<u>\$ 16,223</u>	<u>\$ -</u>
Total assets	<u>\$ 62,916,221</u>	<u>\$ 165,046,283</u>	<u>\$ 227,962,504</u>	<u>\$ 1,082,258</u>	<u>\$ 29,690</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Contributions to pension plan in current fiscal year	<u>\$ 945,069</u>	<u>\$ 324,501</u>	<u>\$ 1,269,570</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 2,696,731	\$ 1,216,531	\$ 3,913,262	\$ -	\$ -
Accrued interest payable	33,052	634,031	667,083	10,337	-
Advances from grantors	192,733	-	192,733	50,815	-
Liabilities to be paid from restricted assets:					
Customer deposits	-	703,564	703,564	-	-
Long-term liabilities:					
Net pension liability	1,205,173	411,804	1,616,977	-	-
Due within one year	946,862	5,467,780	6,414,642	34,707	-
Due in more than one year	9,057,940	58,375,237	67,433,177	840,575	-
Total liabilities	<u>\$ 14,132,491</u>	<u>\$ 66,808,947</u>	<u>\$ 80,941,438</u>	<u>\$ 936,434</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes	\$ 3,196	\$ -	\$ 3,196	\$ -	\$ -
Pension deferrals	791,116	271,640	1,062,756	-	-
Total deferred inflows of resources	<u>\$ 794,312</u>	<u>\$ 271,640</u>	<u>\$ 1,065,952</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>					
Net investments in capital assets	\$ 36,027,355	\$ 79,354,208	\$ 115,381,563	\$ 16,223	\$ -
Restricted for:					
Stabilization by State Statute	4,526,335	-	4,526,335	-	-
Community Development	131,125	-	131,125	1,083	-
Public Safety	49,840	-	49,840	-	-
Cultural and Recreation	11,768	-	11,768	-	-
Tourism Promotion	-	-	-	-	29,690
Unrestricted	<u>8,188,064</u>	<u>18,935,989</u>	<u>27,124,053</u>	<u>128,518</u>	<u>-</u>
Total net position	<u>\$ 48,934,487</u>	<u>\$ 98,290,197</u>	<u>\$ 147,224,684</u>	<u>\$ 145,824</u>	<u>\$ 29,690</u>

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

**CITY OF SALISBURY, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total Primary Government	Downtown Salisbury, Inc.	Salisbury Tourism and Cultural Development Commission
<b>Primary government:</b>									
Governmental Activities:									
General government	\$ 5,907,274	\$ 944,707	\$ 17,438	\$ -	\$ (4,945,129)	\$ -	\$ (4,945,129)	\$ -	\$ -
Public safety	12,163,943	424,687	115,867	-	(11,623,389)	-	(11,623,389)	-	-
Transportation	5,195,912	160,197	1,187,285	-	(3,848,430)	-	(3,848,430)	-	-
Environmental protection	1,452,363	2,163,234	-	-	710,871	-	710,871	-	-
Culture and recreation	2,553,783	136,509	73,693	-	(2,343,581)	-	(2,343,581)	-	-
Community and economic development	3,219,393	71,097	570,613	-	(2,577,683)	-	(2,577,683)	-	-
Education	38,107	-	-	-	(38,107)	-	(38,107)	-	-
Interest and fees on long-term debt	481,335	-	-	-	(481,335)	-	(481,335)	-	-
Total governmental activities	<u>\$ 31,012,110</u>	<u>\$ 3,900,431</u>	<u>\$ 1,964,896</u>	<u>\$ -</u>	<u>\$ (25,146,783)</u>	<u>\$ -</u>	<u>\$ (25,146,783)</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:									
Water and Sewer	\$ 21,429,812	\$ 23,629,386	\$ -	\$ -	\$ -	\$ 2,199,574	\$ 2,199,574	\$ -	\$ -
Broadband Services	7,773,867	6,070,893	-	-	-	(1,702,974)	(1,702,974)	-	-
Stormwater	898,295	1,186,319	-	-	-	288,024	288,024	-	-
Mass Transit	1,103,470	85,253	738,351	-	-	(279,866)	(279,866)	-	-
Total business-type activities	<u>\$ 31,205,444</u>	<u>\$ 30,971,851</u>	<u>\$ 738,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,758</u>	<u>\$ 504,758</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 62,217,554</u>	<u>\$ 34,872,282</u>	<u>\$ 2,703,247</u>	<u>\$ -</u>	<u>\$ (25,146,783)</u>	<u>\$ 504,758</u>	<u>\$ (24,642,025)</u>	<u>\$ -</u>	<u>\$ -</u>
Component units:									
Downtown Salisbury, Inc.	\$ 641,317	\$ 62,680	\$ 131,500	\$ 113,932	\$ -	\$ -	\$ -	\$ (333,205)	\$ -
Salisbury Tourism and Cultural Development Commission	381,071	-	-	-	-	-	-	-	(381,071)
Total Component Units	<u>\$ 1,022,388</u>	<u>\$ 62,680</u>	<u>\$ 131,500</u>	<u>\$ 113,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (333,205)</u>	<u>\$ (381,071)</u>
General revenues:									
Taxes:									
Property taxes, levied for general purpose					\$ 18,719,543	\$ -	\$ 18,719,543	\$ 125,573	\$ -
Local option sales taxes					6,433,260	-	6,433,260	-	381,071
Unrestricted intergovernmental revenues					3,432,476	-	3,432,476	-	-
Unrestricted investment earnings					44,586	120,464	165,050	-	82
Total general revenues					\$ 28,629,865	\$ 120,464	\$ 28,750,329	\$ 125,573	\$ 381,153
Transfers					(3,279,850)	3,279,850	-	-	-
Total general revenues and transfers					<u>\$ 25,350,015</u>	<u>\$ 3,400,314</u>	<u>\$ 28,750,329</u>	<u>\$ 125,573</u>	<u>\$ 381,153</u>
Change in net position					<u>\$ 203,232</u>	<u>\$ 3,905,072</u>	<u>\$ 4,108,304</u>	<u>\$ (207,632)</u>	<u>\$ 82</u>
Net position-beginning					\$ 48,123,770	\$ 94,385,125	\$ 142,508,895	\$ 353,456	\$ 29,608
Restatement					607,485	-	607,485	-	-
Net position, beginning, restated					<u>\$ 48,731,255</u>	<u>\$ 94,385,125</u>	<u>\$ 143,116,380</u>	<u>\$ 353,456</u>	<u>\$ 29,608</u>
Net position-ending					<u>\$ 48,934,487</u>	<u>\$ 98,290,197</u>	<u>\$ 147,224,684</u>	<u>\$ 145,824</u>	<u>\$ 29,690</u>

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

A-3  
**CITY OF SALISBURY, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

<u>ASSETS</u>	<u>General Fund</u>	<u>Non-Major Community Development Fund</u>	<u>Total Government Funds</u>
Cash and cash equivalents	\$ 15,165,730	\$ 1,157	\$ 15,166,887
Taxes receivable, net	691,113	-	691,113
Accounts receivable	1,109,046	1,699	1,110,745
Interest receivable	17,172	-	17,172
Due from other governments	3,262,669	70,749	3,333,418
Due from other fund	65,000	-	65,000
Inventories	337,843	-	337,843
Prepaid items	220,131	-	220,131
Restricted cash and investments	564,778	-	564,778
Total assets	<u>\$ 21,433,482</u>	<u>\$ 73,605</u>	<u>\$ 21,507,087</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,194,456	\$ 4,677	\$ 2,199,133
Due to other fund	-	65,000	65,000
Advances from grantors	192,733	-	192,733
Total liabilities	<u>\$ 2,387,189</u>	<u>\$ 69,677</u>	<u>\$ 2,456,866</u>
Deferred Inflows of Resources:			
Property taxes receivable	\$ 691,113	\$ -	\$ 691,113
Prepaid taxes	3,196	-	3,196
Total deferred inflows of resources	<u>\$ 694,309</u>	<u>\$ -</u>	<u>\$ 694,309</u>
Fund balances:			
Nonspendable:			
Inventories	\$ 337,843	\$ -	\$ 337,843
Prepaid items	220,131	-	220,131
Restricted:			
Stabilization by State Statute	4,453,887	72,448	4,526,335
Debt Service	216,413	-	216,413
Community Development	131,125	-	131,125
Public Safety	49,840	-	49,840
Cultural and Recreation	11,768	-	11,768
Committed:			
Capital Replacement	3,265,501	-	3,265,501
LEO Special Separation Allowance	535,350	-	535,350
Assigned: Subsequent Year's Budget	1,180,000	-	1,180,000
Unassigned	7,950,126	(68,520)	7,881,606
Total fund balances	<u>\$ 18,351,984</u>	<u>\$ 3,928</u>	<u>\$ 18,355,912</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,433,482</u>	<u>\$ 73,605</u>	<u>\$ 21,507,087</u>

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

A-3  
**CITY OF SALISBURY, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

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

Total Fund Balance, Governmental Funds		\$ 18,355,912
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 91,268,487	
Accumulated depreciation	<u>(51,483,784)</u>	39,784,703
Deferred outflows of resources related to pensions are not reported in the funds		945,069
Other long-term assets are not available to pay for current-period expenditures and therefore are not inflows of resources in the funds:		
Accrued interest receivable from taxes		114,357
Internal service funds are used by management to charge the costs of certain activities, such as self insurance for health care and workers compensation, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		1,077,476
Deferred inflows of resources for property taxes receivable		691,113
Pension related deferrals		(791,116)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds:		
Long-term debt		(3,973,761)
Accrued interest on long-term debt		(33,052)
Net pension liability		(1,205,173)
Other postemployment benefits		(4,677,137)
Accrued compensated absences		<u>(1,353,904)</u>
Net position of governmental activities		<u>\$ 48,934,487</u>

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

**CITY OF SALISBURY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Non-Major Community Development Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 18,742,491	\$ -	\$ 18,742,491
Unrestricted intergovernmental	9,865,736	-	9,865,736
Restricted intergovernmental	1,432,847	317,795	1,750,642
Charges for services	3,499,427	-	3,499,427
Miscellaneous	<u>631,998</u>	<u>24,992</u>	<u>656,990</u>
Total revenues	<u>\$ 34,172,499</u>	<u>\$ 342,787</u>	<u>\$ 34,515,286</u>
<b>EXPENDITURES</b>			
Current:			
General government	\$ 5,754,615	\$ 83,932	\$ 5,838,547
Public safety	12,601,305	-	12,601,305
Transportation	3,998,967	-	3,998,967
Environmental protection	1,860,396	-	1,860,396
Culture and recreation	2,474,162	-	2,474,162
Community and economic development	2,934,490	218,090	3,152,580
Education	38,107	-	38,107
Debt service:			
Principal	942,805	32,000	974,805
Interest and fees	<u>476,682</u>	<u>12,313</u>	<u>488,995</u>
Total expenditures	<u>\$ 31,081,529</u>	<u>\$ 346,335</u>	<u>\$ 31,427,864</u>
Surplus (deficit) of revenues over (under) expenditures	<u>\$ 3,090,970</u>	<u>\$ (3,548)</u>	<u>\$ 3,087,422</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (to) other funds	<u>\$ (3,279,850)</u>	<u>\$ -</u>	<u>\$ (3,279,850)</u>
Total other financing sources (Uses)	<u>\$ (3,279,850)</u>	<u>\$ -</u>	<u>\$ (3,279,850)</u>
Net change in fund balance	<u>\$ (188,880)</u>	<u>\$ (3,548)</u>	<u>\$ (192,428)</u>
Fund balances-beginning	\$ 17,933,379	\$ 7,476	\$ 17,940,855
Restatement	<u>607,485</u>	<u>-</u>	<u>607,485</u>
Fund balances-beginning, restated	<u>\$ 18,540,864</u>	<u>\$ 7,476</u>	<u>\$ 18,548,340</u>
Fund balances-ending	<u>\$ 18,351,984</u>	<u>\$ 3,928</u>	<u>\$ 18,355,912</u>

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

**CITY OF SALISBURY, NORTH CAROLINA**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2016**

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

Net changes in fund balances - total governmental funds		\$ (192,428)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in deferred inflow of resources for property tax revenues	\$ (28,005)	
Changes in accrued interest receivable on taxes	5,057	
Changes in advance funding of pension obligation	<u>(13,107)</u>	(36,055)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital outlay expenditures which were capitalized	\$ 2,587,758	
Depreciation expense for governmental assets	<u>(3,218,065)</u>	(630,307)
Contributions to the the pension plan in the current fiscal year are not included on the Statement of Activities		945,069
Net revenue of Internal Service Funds determined to be Governmental Fund Type		232,410
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.		
Principal payments on long-term debt	\$ 974,805	
Increase in accrued interest payable	<u>7,660</u>	982,465
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	\$ (65,243)	
Pension expense	(612,327)	
Change in OPEB liability	<u>(420,352)</u>	<u>(1,097,922)</u>
Total changes in net position of governmental activities		<u>\$ 203,232</u>

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

**CITY OF SALISBURY, NORTH CAROLINA  
GENERAL FUND**

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

**For the Year Ended June 30, 2016**

	<b>General Fund</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Final Budget</b>
	<b>Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Positive</b>
				<b>(Negative)</b>
Revenues:				
Taxes	\$ 18,577,074	\$ 18,577,074	\$ 18,742,491	\$ 165,417
Unrestricted intergovernmental	8,780,866	8,780,866	9,865,736	1,084,870
Restricted intergovernmental	3,995,477	4,076,410	1,432,847	(2,643,563)
Charges for services	3,668,996	3,674,396	3,499,427	(174,969)
Miscellaneous	<u>432,700</u>	<u>650,240</u>	<u>631,998</u>	<u>(18,242)</u>
Total revenues	<u>\$ 35,455,113</u>	<u>\$ 35,758,986</u>	<u>\$ 34,172,499</u>	<u>\$ (1,586,487)</u>
Expenditures:				
Current:				
General government	\$ 9,050,385	\$ 8,832,430	\$ 8,569,143	\$ 263,287
Public safety	13,610,594	13,496,101	12,601,305	894,796
Transportation	6,393,243	6,638,889	3,998,967	2,639,922
Environmental protection	1,939,285	1,904,003	1,860,396	43,607
Cultural and recreation	2,437,073	2,574,313	2,474,162	100,151
Community and economic development	3,003,568	3,292,285	2,934,490	357,795
Education	38,107	38,107	38,107	-
Debt service:				
Principal retirement	942,805	942,805	942,805	-
Interest and fees	<u>477,747</u>	<u>477,747</u>	<u>476,682</u>	<u>1,065</u>
Total expenditures	<u>\$ 37,892,807</u>	<u>\$ 38,196,680</u>	<u>\$ 33,896,057</u>	<u>\$ 4,300,623</u>
Surplus of revenues over expenditures	<u>\$ (2,437,694)</u>	<u>\$ (2,437,694)</u>	<u>\$ 276,442</u>	<u>\$ 2,714,136</u>
Other financing sources (uses):				
Transfers to other funds	\$ (465,322)	\$ (465,322)	\$ (465,322)	\$ -
Fund balance appropriated	<u>2,903,016</u>	<u>2,903,016</u>	<u>-</u>	<u>(2,903,016)</u>
Total other financing sources (uses)	<u>\$ 2,437,694</u>	<u>\$ 2,437,694</u>	<u>\$ (465,322)</u>	<u>\$ (2,903,016)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (188,880)</u>	<u>\$ (188,880)</u>
Fund balances, beginning of year			\$ 17,933,379	
Restatement			<u>607,485</u>	
Fund balances, beginning of year, restated			<u>18,540,864</u>	
Fund balances, end of year			<u>\$ 18,351,984</u>	
Reconciliation of Modified Accrual Basis with Full Accrual:				
Excess of revenues over expenses, above			\$ 276,442	
Expenses related to the Broadband Services Fund paid from the General Fund			<u>2,814,528</u>	
Excess of revenues over expenses, full accrual			<u>\$ 3,090,970</u>	

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

A-7  
**CITY OF SALISBURY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	<b>Enterprise Funds</b>					<b>Governmental</b>
	<b>Water and Sewer Fund</b>	<b>Broadband Services Fund</b>	<b>Non-Major Funds</b>		<b>Total</b>	<b>Activities</b>
			<b>Stormwater Fund</b>	<b>Transit Fund</b>		<b>Internal Service Funds</b>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 15,157,001	\$ -	\$ 753,894	\$ 547,208	\$ 16,458,103	\$ 1,573,268
Accounts receivable (net)	3,641,504	1,817,676	230,931	2,436	5,692,547	-
Interest receivable	18,089	-	688	608	19,385	1,806
Due from other governments	24,689	20	2,323	227,420	254,452	-
Inventories	402,843	589,755	-	5,888	998,486	-
Prepaid insurance on bonds	-	344,465	-	-	344,465	-
Restricted assets:						
Cash and cash equivalents	699,564	3,086,736	-	-	3,786,300	-
Total current assets	<u>\$ 19,943,690</u>	<u>\$ 5,838,652</u>	<u>\$ 987,836</u>	<u>\$ 783,560</u>	<u>\$ 27,553,738</u>	<u>\$ 1,575,074</u>
Noncurrent assets:						
Due from other fund	\$ 7,789,868	\$ -	\$ -	\$ -	\$ 7,789,868	\$ -
Capital assets:						
Land	2,128,067	-	-	-	2,128,067	-
Buildings and improvements	194,093,798	25,973,590	-	582,345	220,649,733	-
Equipment	11,165,924	453,929	210,289	2,043,295	13,873,437	-
Construction in progress	964,038	-	-	-	964,038	-
Accumulated depreciation	(93,809,593)	(3,875,100)	(55,378)	(2,382,659)	(100,122,730)	-
Total noncurrent assets	<u>\$ 122,332,102</u>	<u>\$ 22,552,419</u>	<u>\$ 154,911</u>	<u>\$ 242,981</u>	<u>\$ 145,282,413</u>	<u>\$ -</u>
Total assets	<u>\$ 142,275,792</u>	<u>\$ 28,391,071</u>	<u>\$ 1,142,747</u>	<u>\$ 1,026,541</u>	<u>\$ 172,836,151</u>	<u>\$ 1,575,074</u>
Deferred outflow of resources						
Contributions to pension plan	\$ 253,407	\$ 8,505	\$ 28,438	\$ 34,151	\$ 324,501	\$ -
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 930,376	\$ 220,445	\$ 31,469	\$ 34,241	\$ 1,216,531	\$ 497,598
Interest payable	290,377	343,654	-	-	634,031	-
Bonds, notes, and loans payable	3,573,502	1,852,000	-	-	5,425,502	-
Compensated absences	34,134	1,281	2,886	3,977	42,278	-
Liabilities payable from restricted assets						
Customer deposits	699,564	4,000	-	-	703,564	-
Total current liabilities	<u>\$ 5,527,953</u>	<u>\$ 2,421,380</u>	<u>\$ 34,355</u>	<u>\$ 38,218</u>	<u>\$ 8,021,906</u>	<u>\$ 497,598</u>
Noncurrent liabilities:						
Bonds, notes, and loans payable	\$ 27,356,571	\$ 28,439,000	\$ -	\$ -	\$ 55,795,571	\$ -
Due to other fund	-	7,789,868	-	-	7,789,868	-
Net pension liability	321,581	10,795	36,089	43,339	411,804	-
Other postemployment benefits	1,758,926	151,370	116,527	172,342	2,199,165	-
Compensated absences	307,204	11,530	25,972	35,795	380,501	-
Total noncurrent liabilities	<u>\$ 29,744,282</u>	<u>\$ 36,402,563</u>	<u>\$ 178,588</u>	<u>\$ 251,476</u>	<u>\$ 66,576,909</u>	<u>\$ -</u>
Total liabilities	<u>\$ 35,272,235</u>	<u>\$ 38,823,943</u>	<u>\$ 212,943</u>	<u>\$ 289,694</u>	<u>\$ 74,598,815</u>	<u>\$ 497,598</u>
Deferred inflow of resources						
Pension deferrals	\$ 212,126	\$ 7,120	\$ 23,806	\$ 28,588	\$ 271,640	\$ -
<b>NET POSITION</b>						
Net investment in capital assets	\$ 83,612,161	\$ (4,655,845)	\$ 154,911	\$ 242,981	\$ 79,354,208	\$ -
Unrestricted	23,432,677	(5,775,642)	779,525	499,429	18,935,989	1,077,476
Total net position	<u>\$ 107,044,838</u>	<u>\$ (10,431,487)</u>	<u>\$ 934,436</u>	<u>\$ 742,410</u>	<u>\$ 98,290,197</u>	<u>\$ 1,077,476</u>

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



**CITY OF SALISBURY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	<b>Enterprise Funds</b>					<b>Governmental</b>
	<b>Non-Major Funds</b>				<b>Total</b>	<b>Activities</b>
	<b>Water and Sewer Fund</b>	<b>Broadband Services Fund</b>	<b>Stormwater Fund</b>	<b>Transit Fund</b>		<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>						
Charges for services	\$ 22,401,447	\$ 5,548,339	\$ 1,183,586	\$ 78,012	\$ 29,211,384	\$ 5,215,857
Water and sewer taps	305,985	-	-	-	305,985	-
Other operating revenues	<u>921,954</u>	<u>522,554</u>	<u>2,733</u>	<u>7,241</u>	<u>1,454,482</u>	<u>-</u>
Total operating revenues	<u>\$ 23,629,386</u>	<u>\$ 6,070,893</u>	<u>\$ 1,186,319</u>	<u>\$ 85,253</u>	<u>\$ 30,971,851</u>	<u>\$ 5,215,857</u>
<b>OPERATING EXPENSES</b>						
Management and administration	\$ 4,712,517	\$ 36,469	\$ 494,970	\$ 321,067	\$ 5,565,023	\$ 4,986,301
Water resources	2,849,575	-	-	-	2,849,575	-
Maintenance and construction	2,581,943	-	-	-	2,581,943	-
Wastewater collection and treatment	4,004,976	-	-	-	4,004,976	-
Environmental services	541,855	-	-	-	541,855	-
Broadband programming	-	1,826,263	-	-	1,826,263	-
Broadband services	-	1,248,976	-	-	1,248,976	-
Broadband service delivery	-	2,656,316	-	-	2,656,316	-
Stormwater program	-	-	381,549	-	381,549	-
Mass transit operations	-	-	-	692,109	692,109	-
Depreciation	<u>5,320,558</u>	<u>709,610</u>	<u>21,776</u>	<u>90,294</u>	<u>6,142,238</u>	<u>-</u>
Total operating expenses	<u>\$ 20,011,424</u>	<u>\$ 6,477,634</u>	<u>\$ 898,295</u>	<u>\$ 1,103,470</u>	<u>\$ 28,490,823</u>	<u>\$ 4,986,301</u>
Operating income (loss)	<u>\$ 3,617,962</u>	<u>\$ (406,741)</u>	<u>\$ 288,024</u>	<u>\$ (1,018,217)</u>	<u>\$ 2,481,028</u>	<u>\$ 229,556</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment earnings	\$ 105,436	\$ 12,591	\$ 1,395	\$ 1,042	\$ 120,464	\$ 2,854
Interest expense	(1,418,388)	(1,296,233)	-	-	(2,714,621)	-
Intergovernmental revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>738,351</u>	<u>738,351</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>\$ (1,312,952)</u>	<u>\$ (1,283,642)</u>	<u>\$ 1,395</u>	<u>\$ 739,393</u>	<u>\$ (1,855,806)</u>	<u>\$ 2,854</u>
Income (loss) before transfers	\$ 2,305,010	\$ (1,690,383)	\$ 289,419	\$ (278,824)	\$ 625,222	\$ 232,410
Transfers from other funds	<u>-</u>	<u>2,814,528</u>	<u>-</u>	<u>465,322</u>	<u>3,279,850</u>	<u>-</u>
Change in net position	\$ 2,305,010	\$ 1,124,145	\$ 289,419	\$ 186,498	\$ 3,905,072	\$ 232,410
Net position, beginning	<u>\$ 104,739,828</u>	<u>\$ (11,555,632)</u>	<u>\$ 645,017</u>	<u>\$ 555,912</u>	<u>\$ 94,385,125</u>	<u>\$ 845,066</u>
Net position, ending	<u>\$ 107,044,838</u>	<u>\$ (10,431,487)</u>	<u>\$ 934,436</u>	<u>\$ 742,410</u>	<u>\$ 98,290,197</u>	<u>\$ 1,077,476</u>

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

## CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Water and Sewer Fund	Broadband Services Fund	Non-Major Funds		Total	Internal Service Funds
Stormwater Fund			Transit Fund			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 23,511,075	\$ 5,528,403	\$ 1,194,382	\$ 77,166	\$ 30,311,026	\$ -
Cash received from interfund services provided	-	-	-	-	-	5,215,857
Cash paid for goods and services	(9,517,472)	(3,656,009)	(521,667)	(371,560)	(14,066,708)	(4,955,682)
Cash paid to or on behalf of employees for services	(4,968,178)	(1,879,015)	(370,022)	(622,295)	(7,839,510)	-
Customer deposits received	249,600	4,300	-	-	253,900	-
Customer deposits returned	(224,802)	(300)	-	-	(225,102)	-
Other receipts	921,954	522,554	2,733	7,241	1,454,482	-
Net cash provided (used) by operating activities	\$ 9,972,177	\$ 519,933	\$ 305,426	\$ (909,448)	\$ 9,888,088	\$ 260,175
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from other funds	\$ -	\$ 2,814,528	\$ -	\$ 465,322	\$ 3,279,850	\$ -
Loans (to) from other funds	266,227	(266,227)	-	-	-	-
Intergovernmental revenues	-	-	-	635,732	635,732	-
Total cash flows provided (used) by noncapital financing activities	\$ 266,227	\$ 2,548,301	\$ -	\$ 1,101,054	\$ 3,915,582	\$ -
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	\$ (1,478,625)	\$ -	\$ (87,652)	\$ (40,859)	\$ (1,607,136)	\$ -
Principal paid on bond maturities and equipment contracts	(3,771,925)	(1,809,000)	-	-	(5,580,925)	-
Interest paid on bond maturities and equipment contracts	(1,446,843)	(1,281,376)	-	-	(2,728,219)	-
Net cash provided (used) by capital and related financing activities	\$ (6,697,393)	\$ (3,090,376)	\$ (87,652)	\$ (40,859)	\$ (9,916,280)	\$ -
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>						
Investment earnings	\$ 98,108	\$ 26,142	\$ 1,072	\$ 779	\$ 126,101	\$ 1,940
Net increase (decrease) in cash and cash equivalents	\$ 3,639,119	\$ 4,000	\$ 218,846	\$ 151,526	\$ 4,013,491	\$ 262,115
Balances-beginning of the year	12,217,446	3,082,736	535,048	395,682	16,230,912	1,311,153
Balances-end of the year	\$ 15,856,565	\$ 3,086,736	\$ 753,894	\$ 547,208	\$ 20,244,403	\$ 1,573,268
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 3,617,962	\$ (406,741)	\$ 288,024	\$ (1,018,217)	\$ 2,481,028	\$ 229,556
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	\$ 5,320,558	\$ 709,610	\$ 21,776	\$ 90,294	\$ 6,142,238	\$ -
Pension expense	(90,490)	(3,035)	(9,783)	(11,452)	(114,760)	-
Changes in current assets and liabilities:						
(Increase) decrease in accounts receivable	803,643	(19,936)	10,796	(846)	793,657	-
(Increase) decrease in inventory	(12,373)	261,826	-	984	250,437	-
(Increase) decrease in due from other governments	(3,747)	2,285	(869)	282	(2,049)	-
Decrease in prepaid items	3,394	-	-	-	3,394	-
Increase (decrease) in accounts payable and accrued liabilities	66,607	(40,709)	(31,020)	2,775	(2,347)	30,619
Increase (decrease) in compensated absences payable	9,276	3,816	(2,886)	1,457	11,663	-
Increase in accrued OPEB liability	232,549	8,817	29,388	25,275	296,029	-
Increase in customer deposits	24,798	4,000	-	-	28,798	-
Total adjustments	\$ 6,354,215	\$ 926,674	\$ 17,402	\$ 108,769	\$ 7,407,060	\$ 30,619
Net cash provided (used) by operating activities	\$ 9,972,177	\$ 519,933	\$ 305,426	\$ (909,448)	\$ 9,888,088	\$ 260,175

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

CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF NET POSITION  
FIDUCIARY FUND

June 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 78,852
Accounts receivable	<u>477,354</u>
 Total assets	 <u>\$ 556,206</u>
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	<u>\$ 556,206</u>
 Total liabilities	 <u>\$ 556,206</u>

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



**CITY OF SALISBURY, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Units

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

The Salisbury Tourism and Cultural Development Commission was created to market Salisbury and promote tourism and cultural development. The North Carolina General Legislature enacted session law 2009-428 which authorized the City of Salisbury to levy a room occupancy and tourism development tax, and the City Council adopted a resolution levying this tax on November 14, 2011. Nine board members, all of whom are appointed by the City Council, govern the Commission. The Commission's revenue sources are entirely dependent on the City Council's approval of a hotel occupancy tax. Complete financial statements for the component unit may be obtained from the unit's administrative offices at the City of Salisbury, 132 North Main Street, Salisbury, NC 28144.

Related Organization

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

B. Basis of Presentation

Government-wide Statements – The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

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

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

The City reports the following major governmental fund:

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

The City reports the following non-major governmental fund:

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

The City reports the following major enterprise funds:

Water and Sewer Fund – used to account for the City’s water and sewer operations and the Broadband Services Fund – used to account for the City’s broadband operations.

The City reports the following non-major enterprise funds:

Stormwater Utility Fund – used to account for the City’s stormwater program and the Mass Transit Fund – used to account for the City’s mass transit system operations.

The City reports the following other fund types:

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

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

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

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the Agency Funds, which have no measurement focus. The government-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Salisbury because the tax is levied by Rowan County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes are reported as general revenues rather than program revenues. Grant revenues which are unearned at year-end are recorded as unearned grant revenues. Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

**D. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General, Special Revenue, and Enterprise funds. All annual appropriations lapse at

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

fiscal year-end. Project ordinances are adopted for the Enterprise Capital Projects Fund, which is consolidated with the operating funds for reporting purposes. These appropriations continue until the project is completed. The City has two internal service funds, the Workers' Compensation Fund and the Employee Health Care Fund, that operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the City Council. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

	Governmental Activities	Business Type Activities	Total
Debt Service Reserve	\$ 216,413	\$ 3,082,736	\$ 3,299,149
Unexpended grants and donations	192,733	-	192,733
Unexpended assessments	155,632	-	155,632
Customer Deposits	-	703,564	703,564
	564,778	3,786,300	4,351,078



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values of January 1, 2015. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

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

7. Capital Assets

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

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

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

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

Asset Class	Estimated Useful Lives
Furniture and equipment	10

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period, and it will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period, and it will not be recognized as revenue until then. The City has three items that meet the criterion for this category - prepaid taxes, taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

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

12. Pensions

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

F. Revenues, Expenditures, and Expenses

1. Grant Revenue

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

2. Investment Income

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

3. Inter-fund Transactions

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

Note 2. Stewardship, Compliance, and Accountability

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

The City's Broadband Services Fund has deficit net position of \$10,431,487. The City began implementation of its new Broadband Services system during the fiscal year ending June 30, 2009 and began offering broadband services in the fall of 2010. The fund's start-up operations were funded by proceeds from the issuance of Certificates of Participation and interest income on those proceeds. The deficit net position has decreased for the past two fiscal years and will be eliminated after the system generates sufficient sales.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

Note 3. Detail Notes On All Funds

A. Assets

1. Deposits

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

At June 30, 2016, the City's deposits had a carrying amount of \$12,563,683 and a bank balance of \$13,601,440. Of the bank balance, \$1,337,970 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2016, the City's petty cash fund totaled \$5,565.

2. Investments

At June 30, 2016, the City's investments were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value at 6/30/2016</u>	<u>Maturity</u>	<u>Rating</u>
Commercial Paper	Fair Value - Level 2	\$ 1,981,211	4/13/2017	A1+/P1
Commercial Paper	Fair Value - Level 2	1,984,779	1/13/2017	A1/P1
Commercial Paper	Fair Value - Level 2	1,982,814	2/13/2017	A1/P1
NC Capital Management Trust - Cash Portfolio	Amortized Cost	<u>19,110,136</u>	N/A	Unrated
Total		<u>\$ 25,058,940</u>		

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

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

Credit Risk – The City places no formal policy regarding credit risk, but has internal management procedures that limit the City’s investments to the provision of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City’s investments in Commercial Paper were rated P1 by Standard and Poor’s and A1 or higher by Moody’s Investors Service. The City’s investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor’s as of June 30, 2016.

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

3. Receivables - Allowances for Doubtful Accounts

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

Fund	June 30, 2016
Governmental Activities:	
Taxes receivable	\$ 355,000
Accounts receivable	100,000
	\$ 455,000
Enterprise Funds:	
Water and Sewer Fund receivables	\$ 650,000
Broadband Services Fund receivables	437,000
	\$ 1,087,000

4. Real Estate Held for Investment – Component Unit

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 7,736,361	\$ -	\$ -	\$ 7,736,361
Construction in progress	<u>-</u>	<u>27,275</u>	<u>-</u>	<u>27,275</u>
Total capital assets not being depreciated	<u>\$ 7,736,361</u>	<u>\$ 27,275</u>	<u>\$ -</u>	<u>\$ 7,763,636</u>
<b>Capital assets being depreciated:</b>				
Buildings	\$ 11,897,156	\$ -	\$ -	\$ 11,897,156
Other improvements	10,884,090	-	34,237	10,849,853
Equipment	10,567,107	666,997	2,916,871	8,317,233
Vehicles and motorized equipment	14,667,421	1,893,486	520,561	16,040,346
Infrastructure	<u>36,400,263</u>	<u>-</u>	<u>-</u>	<u>36,400,263</u>
Total capital assets being depreciated	<u>\$ 84,416,037</u>	<u>\$ 2,560,483</u>	<u>\$ 3,471,669</u>	<u>\$ 83,504,851</u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$ 4,435,478	\$ 285,436	\$ -	\$ 4,720,914
Other improvements	3,910,907	236,634	34,237	4,113,304
Equipment	7,978,130	680,874	2,916,871	5,742,133
Vehicles and motorized equipment	12,002,869	699,878	520,561	12,182,186
Infrastructure	<u>23,410,004</u>	<u>1,315,243</u>	<u>-</u>	<u>24,725,247</u>
Total accumulated depreciation	<u>\$ 51,737,388</u>	<u>\$ 3,218,065</u>	<u>\$ 3,471,669</u>	<u>\$ 51,483,784</u>
Total capital assets being depreciated, net	<u>\$ 32,678,649</u>	<u>\$ (657,582)</u>	<u>\$ -</u>	<u>\$ 32,021,067</u>
<b>Governmental activity capital assets, net</b>	<u><u>\$ 40,415,010</u></u>	<u><u>\$ (630,307)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,784,703</u></u>

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

General government	\$ 663,198
Public safety	658,695
Transportation	1,581,258
Environmental protection	53,531
Culture and recreational	206,569
Community and economic development	<u>54,814</u>
Total depreciation expense	<u><u>\$ 3,218,065</u></u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities</b>				
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,128,067	\$ -	\$ -	\$ 2,128,067
Construction in progress	-	964,038	-	964,038
Total capital assets not being depreciated	<u>\$ 2,128,067</u>	<u>\$ 964,038</u>	<u>\$ -</u>	<u>\$ 3,092,105</u>
<b>Capital assets being depreciated:</b>				
Buildings	\$ 20,999,557	\$ -	\$ -	\$ 20,999,557
Plant and distribution systems	173,094,241	-	-	173,094,241
Furniture and maintenance equipment	5,744,966	404,455	12,821	6,136,600
Vehicles and motorized equipment	5,002,026	110,132	82,834	5,029,324
Total capital assets being depreciated	<u>\$204,840,790</u>	<u>\$ 514,587</u>	<u>\$ 95,655</u>	<u>\$205,259,722</u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$ 10,533,347	\$ 425,438	\$ -	\$ 10,958,785
Plant and distribution systems	70,384,422	4,006,204	-	74,390,626
Furniture and maintenance equipment	3,305,236	663,627	12,821	3,956,042
Vehicles and motorized equipment	4,361,685	225,289	82,834	4,504,140
Total accumulated depreciation	<u>\$ 88,584,690</u>	<u>\$ 5,320,558</u>	<u>\$ 95,655</u>	<u>\$ 93,809,593</u>
Total capital assets being depreciated, net	<u>\$ 116,256,100</u>	<u>\$ (4,805,971)</u>	<u>\$ -</u>	<u>\$ 111,450,129</u>
<b>Water and Sewer Fund capital assets, net</b>	<u>\$ 118,384,167</u>	<u>\$ (3,841,933)</u>	<u>\$ -</u>	<u>\$ 114,542,234</u>
<b>Broadband Services Fund</b>				
<b>Capital assets being depreciated:</b>				
Buildings	\$ 4,548,067	\$ -	\$ -	\$ 4,548,067
Plant and distribution systems	21,425,523	-	-	21,425,523
Furniture and maintenance equipment	63,577	-	-	63,577
Vehicles and motorized equipment	390,352	-	-	390,352
Total capital assets being depreciated	<u>\$ 26,427,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,427,519</u>
<b>Less accumulated depreciation for:</b>				
Building	\$ 521,133	\$ 113,702	\$ -	\$ 634,835
Plant and distribution systems	2,263,430	569,167	-	2,832,597
Furniture and maintenance equipment	54,653	1,203	-	55,856
Vehicles and motorized equipment	326,274	25,538	-	351,812
Total accumulated depreciation	<u>\$ 3,165,490</u>	<u>\$ 709,610</u>	<u>\$ -</u>	<u>\$ 3,875,100</u>
Total capital assets being depreciated, net	<u>\$ 23,262,029</u>	<u>\$ (709,610)</u>	<u>\$ -</u>	<u>\$ 22,552,419</u>
<b>Broadband Services Fund capital assets, net</b>	<u>\$ 23,262,029</u>	<u>\$ (709,610)</u>	<u>\$ -</u>	<u>\$ 22,552,419</u>
<b>Stormwater Fund</b>				
<b>Capital assets being depreciated:</b>				
Furniture and maintenance equipment	\$ 87,103	\$ 97,301	\$ -	\$ 184,404
Vehicles and motorized equipment	25,885	-	-	25,885
Total capital assets being depreciated	<u>\$ 112,988</u>	<u>\$ 97,301</u>	<u>\$ -</u>	<u>\$ 210,289</u>
<b>Less accumulated depreciation for:</b>				
Furniture and maintenance equipment	\$ 10,579	\$ 26,248	\$ -	\$ 36,827
Vehicles and motorized equipment	13,374	5,177	-	18,551
Total accumulated depreciation	<u>\$ 23,953</u>	<u>\$ 31,425</u>	<u>\$ -</u>	<u>\$ 55,378</u>
<b>Stormwater Fund capital assets, net</b>	<u>\$ 89,035</u>	<u>\$ 65,876</u>	<u>\$ -</u>	<u>\$ 154,911</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities - continued</b>				
<b>Transit Fund</b>				
<b>Capital assets being depreciated:</b>				
Buildings and improvements	\$ 582,345	\$ -	\$ -	\$ 582,345
Furniture and maintenance equipment	127,112	40,859	-	167,971
Vehicles and motorized equipment	1,875,324	-	-	1,875,324
Total capital assets being depreciated	\$ 2,584,781	\$ 40,859	\$ -	\$ 2,625,640
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	\$ 499,369	\$ 21,210	\$ -	\$ 520,579
Furniture and maintenance equipment	127,112	1,157	-	128,269
Vehicles and motorized equipment	1,665,884	67,927	-	1,733,811
	\$ 2,292,365	\$ 90,294	\$ -	\$ 2,382,659
<b>Transit Fund capital assets, net</b>	\$ 292,416	\$ (49,435)	\$ -	\$ 242,981
<b>Business-type activities capital assets, net</b>	\$ 142,027,647	\$ (4,535,102)	\$ -	\$ 137,492,545
Construction commitments				

The City had active construction projects as of June 30, 2016. At year-end, the City's commitments on these projects was as follows:

Project	Spent-to-date	Remaining Commitment
Water and Sewer Treatment Facilities		
Advanced Metering Infrastructure	\$ 93,933	\$ 7,106,067
Centerview Lift Station	870,105	51,535
Total Water and Sewer Fund	\$ 964,038	\$ 7,157,602

**B. Liabilities**

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

*Benefits Provided* - LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with

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

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

*Contributions* - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Salisbury employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Salisbury's contractually required contribution rate for the year ended June 30, 2016, was 7.01% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Salisbury were \$1,269,570 for the year ended June 30, 2016.

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2016, the City reported a liability of \$1,611,126 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.359%, which was an increase of 0.011% from its proportion measured as of June 30, 2014.

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For the year ended June 30, 2016, the City recognized pension expense of \$476,718. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 378,706
Net difference between projected and actual earnings on pension plan investments	-	458,682
Changes in proportion and differences between City contributions and proportionate share of contributions	-	225,368
City contributions subsequent to the measurement date	<u>1,269,570</u>	<u>-</u>
Total	<u>1,269,570</u>	<u>1,062,756</u>

\$1,269,570 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:

2017	\$ (604,194)
2018	(604,194)
2019	(603,119)
2020	<u>748,751</u>
	<u>\$ (1,062,756)</u>

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

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2005, through December 31, 2009.

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

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

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return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of percent. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability (asset)	\$ 11,234,606	\$ 1,611,126	\$(6,496,443)

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

b. Law Enforcement Officers' Special Separation Allowance

(1) Plan Description

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

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All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

(2) Summary of Significant Accounting Policies

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

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

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

(3) Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the current year was determined as part of the December 31, 2013, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.75% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 3.50% to 7.35% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2015, was 15 years.

(4) Annual Pension Cost and Net Pension Asset

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

Annual required contribution	\$ 198,148
Interest on net pension obligation	(655)
Adjustment to annual required contribution	<u>1,152</u>
Annual pension cost	\$ 198,645
Contributions made	<u>179,687</u>
Increase (decrease) in net pension asset	\$ 18,958
Net pension asset beginning of year	<u>(13,107)</u>
Net pension obligation end of year	<u><u>\$ 5,851</u></u>

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Assets reserved to pay benefits are reported as committed fund balance in the General Fund. Benefit payments reduce the net pension obligation.

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset) Obligation
6/30/2016	\$ 198,645	90.46%	\$ 5,851
6/30/2015	193,783	102.23%	(13,107)
6/30/2014	159,744	98.69%	(8,783)

(5) Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was 20.46 percent funded. The actuarial accrued liability for benefits was \$2,787,966 and the unfunded actuarial accrued liability (UAAL) of \$2,787,966. The covered payroll (annual payroll of active employees covered by the plan) was \$3,524,395, and the ratio of the UAAL to the covered payroll was 79.10 percent. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan

(1) Plan Description

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

(2) Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5 percent of each law enforcement officer's salary. In addition to this requirement, the City has elected to contribute to the Plan an amount equal to 3 percent of the monthly salary of each employee not engaged in law enforcement. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$967,051, which consisted of \$623,188 from the City and \$343,863 from the employees.

d. Other Post-employment Benefits (OPEB)

Healthcare Benefits

(1) Plan Description

Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The plan provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System), qualify for unreduced retirement benefits from the System, and have at least 15 years of creditable service with the City. The City Council may amend the benefit provisions and did so as of January 1, 2012. Employees hired after that date are not

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eligible to participate in the plan. The City pays the full cost of coverage for retired employees' benefits. Coverage will continue for eligible retirees until the employee is eligible for Medicare. A separate report was not issued for the plan. Currently, 61 retirees are eligible for post-employment health benefits.

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

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

(2) Funding Policy

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

The current annual required contribution is 9.11% of annual covered payroll. For the fiscal year ended June 30, 2016, the City made payments for post-employment health benefit premiums of \$594,348, or 4.69% of covered payroll. The City is self-insured for current employees and retiree health care benefit. The City's contributions for employees not engaged in law enforcement and for law enforcement officers represented 4.41% and 6.14% of covered payroll, respectively. The City's obligation to contribute to the HCB Plan may be amended by the City Council.

(3) Summary of Significant Accounting Policies

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

(4) Annual OPEB Cost and Net OPEB Obligation

The City's OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 1,406,860
Interest on net OPEB obligation	246,397
Adjustment to annual required contribution	(342,528)
Annual OPEB cost	\$ 1,310,729
Contributions made	594,348
Increase in net OPEB obligation	\$ 716,381
Net OPEB obligation beginning of year	6,159,921
Net OPEB obligation end of year	\$ 6,876,302

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FOR THE YEAR ENDED JUNE 30, 2016

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 1,310,729	45.3%	\$ 6,876,302
2015	1,335,125	52.4%	6,159,921
2014	1,384,750	33.1%	5,524,525

(5) Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for the benefits, and thus, the unfunded actuarial accrued liability (UAAL) was \$10,597,281. The covered payroll (annual payroll of active employees covered by the plan) was \$12,676,426, and the ratio of the UAAL to the covered payroll was 83.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

(6) Actuarial Methods and Assumptions

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

In the December 31, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investment calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.0 percent annually. The investment rate included a 3 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

2. Other Employment Benefits

The City of Salisbury has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the death benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

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

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 1,269,570
Total deferred outflows of resources	<u>\$ 1,269,570</u>

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

Property taxes receivable (General Fund)	\$ 691,113
Prepaid property taxes (General Fund)	3,196
Pension deferrals	<u>1,062,756</u>
Total deferred inflows of resources	<u>\$ 1,757,065</u>

4. Risk Management

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

liabilities of the internal service funds. Changes in the balances of claims liabilities during the past three years are as follows:

	Year ended June 30, 2014	Year ended June 30, 2015	Year ended June 30, 2016
Unpaid claims, beginning of fiscal year	\$ 528,449	\$ 471,914	\$ 430,013
Incurred claims (including IBNRs)	5,214,353	4,591,030	4,562,402
Claim payments	<u>(5,270,888)</u>	<u>(4,632,931)</u>	<u>(4,500,652)</u>
Unpaid claims, end of fiscal year	<u>\$ 471,914</u>	<u>\$ 430,013</u>	<u>\$ 491,763</u>

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

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2016 the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. General Obligation Indebtedness

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

Bonds payable at June 30, 2016, are comprised of the following individual issues:

	Balance June 30, 2016
Serviced by the General Fund	
\$905,000 Refunding Bonds, Series 2012, rate of 1.635% issued April 2012, maturing serially to 2017	<u>\$ 70,000</u>
Serviced by the Water and Sewer Fund	
\$830,000 Refunding Bonds, Series 2012, rate of 1.635% issued April 2012, maturing serially to 2017	<u>\$ 95,000</u>
Total General Obligation Indebtedness	<u>\$ 165,000</u>

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

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	<u>\$ 70,000</u>	<u>\$ 1,145</u>	<u>\$ 95,000</u>	<u>\$ 1,554</u>	<u>\$ 165,000</u>	<u>\$ 2,699</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

b. Installment Purchases

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

	<u>Balance June 30, 2016</u>
<b>Serviced by the Governmental Activities</b>	
\$3,565,680 installment purchase contract for construction and facilities, improvements, rate of 3.83%, issued May 2006, payable in 30 semi-annual payments of \$118,856 principal plus interest	1,188,560
\$2,305,000 Certificates of Participation for facilities renovations, rate of 5.33% issued December 2008, payable in 10 annual payments of \$230,000 principal, plus semi-annual interest payments	690,000
\$2,417,601 installment purchase contract to purchase telecommunications equipment, rate of 1.85%, issued August 2013, payable in 20 semi-annual payments of \$120,880 principal plus interest	<u>1,813,201</u>
	<u>\$ 3,691,761</u>
<b>Serviced by Business-Type Activities</b>	
\$1,292,399 installment purchase contract to purchase telecommunications equipment, rate of 1.85%, issued August 2013, payable in 20 semi-annual payments of \$64,620 principal plus interest	\$ 969,299
\$17,335,000 Certificates of Participation for construction of broadband services project, rates ranging from 3.25% to 5.625%, with an average rate of 5.33%, payable in 16 annual payments, plus semi-annual interest. This debt includes \$3,082,736 to establish a debt service reserve.	15,530,000
\$16,928,000 Refunding Certificates of Participation, issued April 2013, interest rate of 2.24%, payable in 16 annual payments, plus semi-annual interest payments.	<u>14,761,000</u>
	<u>\$ 31,260,299</u>
Total Installment Purchase indebtedness	<u>\$ 34,952,060</u>

The future minimum payments of the installment purchases as of June 30, 2016 total \$44,249,443, including \$9,297,383 of interest are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 709,472	\$ 108,981	\$ 1,981,240	\$ 1,181,279	\$ 2,690,712	\$ 1,290,260
2018	709,472	84,899	2,029,240	1,130,427	2,738,712	1,215,326
2019	709,472	60,335	2,115,240	1,044,530	2,824,712	1,104,865
2020	479,472	35,196	2,206,240	950,424	2,685,712	985,620
2021	479,472	21,600	2,302,240	849,712	2,781,712	871,312
2022-2026	604,401	16,977	12,236,099	3,177,957	12,840,500	3,194,934
2027-2029	-	-	8,390,000	635,066	8,390,000	635,066
	<u>\$ 3,691,761</u>	<u>\$ 327,988</u>	<u>\$ 31,260,299</u>	<u>\$ 8,969,395</u>	<u>\$ 34,952,060</u>	<u>\$ 9,297,383</u>

Subsequent Event – Advance Refunding

On September 14, 2016, the City completed a \$29.68 million Installment Financing refunding to advance refund the \$30.981 million outstanding Certificates of Participation above. As a result of this refunding, the Certificates of Participation were considered to be defeased. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt (total outstanding debt less Debt Service Reserve) of \$1,998,149. This difference

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represents debt issuance costs of \$90,815 and the present value of future interest payments to be made by the City's escrow agent. The City completed the advance refunding to reduce its total debt service payments over 13 years by \$5,599,305. As part of the refunding, the City released the Debt Service Reserve required by the refunded Certificates of Participation. The City will obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,641,072.

c. Capital Leases

The City has entered into various agreements to lease certain water and sewer distribution systems. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Interest rates on these agreements range from 3.385% to 5.6%. The City has recorded water and sewer assets related to these leases at the City's cost of \$20,258,125. Those assets have a net book value of \$14,227,051 at June 30, 2016, and total accumulated depreciation of \$6,031,074. The future minimum lease payments at June 30, 2016, total \$2,640,685, including \$284,940 of interest. Upon completion of these lease payments the City will take ownership of the related assets.

The future minimum lease obligations as of June 30, 2016, were as follows:

Year Ending June 30,	Capital Leases	
	Principal	Interest
2017	\$ 446,476	\$ 63,658
2018	269,490	50,555
2019	259,490	42,054
2020	239,490	34,103
2021	219,490	27,312
2022-2026	795,727	64,363
2027	125,582	2,895
	\$ 2,355,745	\$ 284,940

d. State Bond Loans

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

	Balance June 30, 2016
\$5,000,000 State Bond Loan, average rate of 3.43%, issued November 1997 maturing serially to 2017	\$ 250,000
\$450,120 State Bond Loan, average rate of 3.43%, issued November 1997 maturing serially to 2017	22,506
\$3,000,000 State Bond Loan, average rate of 2.60%, issued November 1999 maturing serially to 2020	600,000
\$9,200,000 State Bond Loan, average rate of 2.60%, issued June 2000 maturing serially to 2020	1,840,000
Total State Bond Loans	\$ 2,712,506

NOTES TO THE FINANCIAL STATEMENTS  
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Annual debt service requirements to maturity for the City's State Bond Loans are as follows:

Year Ending June 30,	Business-Type Activities State Bond Loans	
	Principal	Interest
2017	\$ 882,506	\$ 72,787
2018	610,000	47,580
2019	610,000	31,720
2020	610,000	15,860
	<u>\$ 2,712,506</u>	<u>\$ 167,947</u>

e. Revenue Bonds

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

	Balance June 30, 2016
\$6,000,000 Water and Sewer Revenue Bonds, Series 2006, rate of 3.99%, issued December 2006, maturing serially to 2026	\$ 3,732,523
\$6,000,000 Water and Sewer Revenue Bonds, Series 2009, rate of 4.14%, issued October 2009, maturing serially to 2025	4,035,000
\$16,065,000 Water and Sewer Revenue Refunding Bonds, Series 2010, average rate of 3.0425%, issued November 2010, maturing 2027	11,925,000
\$6,550,000 Water Sewer Revenue Refunding Bonds, Series 2012, rate of 2.615%, issued April 2012, maturing serially to 2028	<u>5,105,000</u>
Total Revenue Bonds	<u>\$ 24,797,523</u>

The future payments of the revenue bonds are as follows:

Year Ending June 30,	Business-Type Activities Revenue Bonds	
	Principal	Interest
2017	\$ 2,020,280	\$ 983,806
2018	2,103,118	907,834
2019	2,026,435	838,928
2020	2,107,251	753,838
2021	2,188,586	674,721
2022-2026	11,856,643	1,918,554
2027-2028	2,495,210	104,323
	<u>\$ 24,797,523</u>	<u>\$ 6,182,004</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

Fiscal Year	Gross Revenues (1)	Operating Expenditures(2)	Net Revenues Available for Revenue Bond Debt Service	Debt Service Requirements		Coverage Ratios	
				Parity Debt (3)	All Debt	Parity Debt	All Debt
2014	\$ 22,861,204	\$ 14,238,470	\$ 8,622,734	\$ 3,009,771	\$ 6,216,842	286.49%	138.70%
2015	24,410,819	14,465,712	\$ 9,945,107	3,010,325	6,292,092	330.37%	158.06%
2016	23,734,822	14,690,866	\$ 9,043,956	3,012,537	5,218,769	300.21%	173.30%

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

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$42,015,000 in water and sewer system revenues bonds issued from January 1998 to April 2012. Proceeds from the bonds provided financing for various water and sewer system capital projects. The bonds are payable solely from water and sewer customer net revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 25 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$30,979,527. Principal and interest paid for the current fiscal year and total customer net revenues were \$5,218,769 and \$23,734,822, respectively.

f. HUD Section 108 Loan

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

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

Year Ending June 30,	Governmental Activities HUD Section 108 Loan	
	Principal	Interest
2017	\$ 32,000	\$ 10,672
2018	32,000	8,995
2019	32,000	7,288
2020	34,000	5,498
2021	34,000	3,630
2022-2023	48,000	2,135
	<u>\$ 212,000</u>	<u>\$ 38,218</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

g. Changes in Long-Term Liabilities

	June 30, 2015	Additions	Retirements	June 30, 2016	Current Portion of Balance
Governmental Activities					
General Fund					
General obligation bonds	\$ 270,000	\$ -	\$ 200,000	\$ 70,000	\$ 70,000
Installment purchases	4,434,566	-	742,805	3,691,761	709,472
Other postemployment benefits	4,256,785	420,352	-	4,677,137	-
Net pension liability (LGERS)	-	1,199,322	-	1,199,322	-
Net pension obligation (LEO)	-	5,851	-	5,851	-
Compensated absences	1,288,661	1,019,951	954,708	1,353,904	135,390
Special Revenue Fund					
Section 108 loan	244,000	-	32,000	212,000	32,000
	<u>\$ 10,494,012</u>	<u>\$ 2,645,476</u>	<u>\$ 1,929,513</u>	<u>\$ 11,209,975</u>	<u>\$ 946,862</u>
Business-type activities					
Water and Sewer Fund					
General obligation bonds	\$ 275,000	\$ -	\$ 180,000	\$ 95,000	\$ 95,000
Revenue bonds	26,750,426	-	1,952,903	24,797,523	2,020,280
Installment purchases	1,098,540	-	129,241	969,299	129,240
State loans	3,595,012	-	882,506	2,712,506	882,506
Capital leases	2,983,020	-	627,275	2,355,745	446,476
Other postemployment benefits	1,526,377	232,549	-	1,758,926	-
Net pension liability (LGERS)	-	321,581	-	321,581	-
Compensated absences	332,062	227,562	218,286	341,338	34,134
Broadband Services Fund					
Installment purchases	32,100,000	-	1,809,000	30,291,000	1,852,000
Other postemployment benefits	142,553	8,817	-	151,370	-
Net pension liability (LGERS)	-	10,795	-	10,795	-
Compensated absences	8,995	10,869	7,053	12,811	1,281
Mass Transit Fund					
Other postemployment benefits	147,067	25,275	-	172,342	-
Net pension liability (LGERS)	-	43,339	-	43,339	-
Compensated absences	38,315	20,056	18,599	39,772	3,977
Stormwater Fund					
Other postemployment benefits	87,139	29,388	-	116,527	-
Net pension liability (LGERS)	-	36,089	-	36,089	-
Compensated absences	31,744	17,057	19,943	28,858	2,886
	<u>\$ 69,116,250</u>	<u>\$ 983,377</u>	<u>\$ 5,844,806</u>	<u>\$ 64,254,821</u>	<u>\$ 5,467,780</u>
Total	<u>\$ 79,610,262</u>	<u>\$ 3,628,853</u>	<u>\$ 7,774,319</u>	<u>\$ 75,464,796</u>	<u>\$ 6,414,642</u>

The LGERS plan had a net pension liability as of June 30, 2016; however, the plan has a net pension asset at the beginning of the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS  
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The legal debt margin for the City as of June 30, 2016, is \$189,193,909. Liabilities for Other Postemployment Benefits and Compensated Absences are liquidated from the funds in which the liabilities occur.

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

(7) Accounts Payable

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

	Governmental Activities	Business-type Activities
Accounts payable	\$ 1,699,726	\$ 914,404
Accrued payroll and payroll liabilities	839,254	270,133
Other accrued liabilities	157,751	31,994
	\$ 2,696,731	\$ 1,216,531

C. Interfund Balances and Activity

1. Transfers to/from Other Funds

Transfers during the year ended June 30, 2016, consisted of \$465,322 that was transferred from the General Fund to the Mass Transit Fund to move unrestricted revenues to help finance activities that must be accounted for in the Mass Transit Fund in accordance with budgetary appropriations, including amounts provided for matching funds of the Mass Transit grant programs. On the entity-wide statements (full accrual), the City has recorded a transfer from the General Fund to the Broadband Service Fund in the amount of \$2,814,528 for Broadband-related expenses that were paid by the General Fund.

2. Due To/Due From Other Funds

At June 30, 2016, the Broadband Services Fund owed the Water and Sewer Fund \$7,789,868 for a temporary loan to help fund services in the early stages of operations. The terms of the arrangement require the Broadband Services Fund to repay the Water and Sewer Fund interest at a rate of 1.0%. Also, the Special Revenue Fund owed the General Fund \$65,000 for a temporary loan to cover cash needs while awaiting reimbursements of grant-funded expenditures from another government.

D. Fund Balance

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

Total Fund Balance - General Fund	\$ 18,351,984
Less:	
Inventories	337,843
Prepaid Items	220,131
Restricted for Stabilization by State Statute	4,453,887
	\$ 5,011,861
Fund Balance Available for Appropriation	\$ 13,340,123
Working Capital/Fund Balance Policy	3,382,268
Remaining Fund Balance in excess of Working Capital/Fund Balance Policy	\$ 9,957,855



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

E. Net Investment in Capital Assets

Net investments in capital assets at June 30, 2016, are computed as follows:

	Governmental Funds	Business-Type Funds	Total
Net investment in capital assets	\$ 39,784,703	\$ 137,492,545	\$ 177,277,248
Less capital debt for:			
Gross debt	\$ 3,973,761	\$ 61,221,073	\$ 65,194,834
Less:			
Unspent debt proceeds	(216,413)	(3,082,736)	(3,299,149)
Net capital debt	\$ 3,757,348	\$ 58,138,337	\$ 61,895,685
Net investment in capital assets	\$ 36,027,355	\$ 79,354,208	\$ 115,381,563

Note 4. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 5. Changes in Accounting Principles/Restatement

In accordance with Governmental Accounting Standards Board (GASB) Statement 73, the City reclassified the Law Enforcement Officers' Special Allowance trust fund to the General Fund. As a result, net position for the governmental activities and fund balance for the General Fund increased by \$607,485.

Note 6. Subsequent Events

Subsequent events have been evaluated through December 9, 2016, which is the date the financial statements were available to be issued.



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## **Required Supplemental Financial Data**

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

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

CITY OF SALISBURY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Last Six Fiscal Years

Actuarial Valuation Date <u>December 31,</u>	(1) Actuarial Value of Assets	(2)	(3)	Funded Ratio <u>(1) / (2)</u>	(4) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll <u>(3) / (4)</u>
		Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL) <u>(2) - (1)</u>			
2015	\$ -	\$ 2,787,966	\$ 2,787,966	0.00%	\$ 3,524,395	79.10%
2014	-	2,103,903	2,103,903	0.00%	3,387,944	62.10%
2013	-	2,212,350	2,212,350	0.00%	3,228,342	68.53%
2012	-	2,210,489	2,210,489	0.00%	3,251,425	67.99%
2011	-	2,217,485	2,217,485	0.00%	3,267,613	67.86%
2010	-	2,147,160	2,147,160	0.00%	3,590,878	59.79%

## CITY OF SALISBURY, NORTH CAROLINA

## OTHER POST EMPLOYMENT BENEFITS

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>December 31,</u>	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Projected Unit Credit	(3) Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	(4) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) / (4)
2015	\$ -	\$ 10,597,281	\$ 10,597,281	0.00%	\$12,676,426	83.60%
2013	-	14,105,161	14,105,161	0.00%	15,430,991	91.41%
2011	-	13,871,958	13,871,958	0.00%	18,288,282	75.85%
2010	-	12,501,550	12,501,550	0.00%	19,660,981	63.59%
2007	-	11,949,933	11,949,933	0.00%	16,950,981	70.50%

**CITY OF SALISBURY, NORTH CAROLINA**  
**OTHER POST EMPLOYMENT BENEFITS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Fiscal Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2016	\$ 1,406,860	42.2
2015	1,406,860	49.7
2014	1,456,513	31.5
2013	1,177,488	32.9
2012	1,177,488	31.4
2011	1,181,147	19.7

**Notes to the Required Schedules:**

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

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

## CITY OF SALISBURY, NORTH CAROLINA

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

## REQUIRED SUPPLEMENTARY INFORMATION

## LAST THREE FISCAL YEARS\*

## LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Salisbury's proportion of the net pension liability (asset) (%)	0.35899%	0.34841%	0.35990%
Salisbury's proportion of the net pension liability (asset) (\$)	\$ 1,611,126	\$ (2,054,735)	\$ 4,338,177
Salisbury's covered-employee payroll	\$18,596,557	\$17,831,698	\$17,342,485
Salisbury's prororitonate share of the net pension liability (asset) as a percentage of its cover-employee payroll	8.67%	(11.52%)	25.01%
Plan fiduciary net postion as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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



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

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,269,570	\$ 1,292,935	\$ 1,266,914
Contributions in relation to the contractually required contribution	<u>1,269,570</u>	<u>1,292,935</u>	<u>1,266,914</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Salisbury's covered-employee payroll	\$ 18,596,557	\$ 17,871,354	\$ 17,831,698
Contributions as a percentage of covered-employee payroll	6.83%	7.23%	7.10%



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# Supplementary Financial Data

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# General Fund

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

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

**For the Year Ended June 30, 2016**  
**With Comparative Actual Amounts for Year Ended June 30, 2015**

	<u>2016</u>		<b>Variance with Budget Positive (Negative)</b>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>REVENUES:</b>				
Taxes:				
General property-current	\$ 17,583,774	\$ 17,982,695	\$ 398,921	\$ 17,984,759
General property-prior	613,000	404,505	(208,495)	517,307
Auto tax	230,000	237,477	7,477	250,610
Interest on delinquent tax	150,000	114,738	(35,262)	120,532
Other tax	300	3,076	2,776	134
	<u>\$ 18,577,074</u>	<u>\$ 18,742,491</u>	<u>\$ 165,417</u>	<u>\$ 18,873,342</u>
Unrestricted intergovernmental:				
Local option sales tax	\$ 5,900,000	\$ 6,433,260	\$ 533,260	\$ 5,898,259
Utilities franchise tax	1,896,866	2,294,589	397,723	2,105,388
Telecommunications sales tax	470,000	485,735	15,735	584,662
Video franchise fee	240,000	249,197	9,197	261,763
Wine and beer tax	136,000	149,367	13,367	160,852
Other	138,000	253,588	115,588	157,487
	<u>\$ 8,780,866</u>	<u>\$ 9,865,736</u>	<u>\$ 1,084,870</u>	<u>\$ 9,168,411</u>
Restricted intergovernmental:				
State street aid - Powell Bill	\$ 976,363	\$ 974,470	\$ (1,893)	\$ 976,363
Brownfield's Grant	372,204	174,190	(198,014)	27,796
CMAQ grants	1,707,320	-	(1,707,320)	-
Sidewalk Grant	125,000	116,500	(8,500)	-
Police Grants	122,983	44,221	(78,762)	24,101
Firefighter's assistance grant	599,540	-	(599,540)	-
Other	173,000	123,466	(49,534)	191,255
	<u>\$ 4,076,410</u>	<u>\$ 1,432,847</u>	<u>\$ (2,643,563)</u>	<u>\$ 1,219,515</u>
Charges for services:				
Environmental protection	\$ 2,053,000	\$ 2,042,159	\$ (10,841)	\$ 2,052,587
Culture and recreation	165,400	136,509	(28,891)	131,904
Code services fees	40,000	46,105	6,105	46,023
Public safety	377,500	424,687	47,187	376,741
Cemetery	120,000	121,075	1,075	120,753
Radio antenna and paging rentals	270,000	246,788	(23,212)	231,266
Rentals and sale of property	452,300	252,047	(200,253)	263,094
Licenses and permits	47,000	65,615	18,615	206,059
Community services	146,196	160,197	14,001	175,182
Other	3,000	4,245	1,245	2,129
	<u>\$ 3,674,396</u>	<u>\$ 3,499,427</u>	<u>\$ (174,969)</u>	<u>\$ 3,605,738</u>

## B-1

## CITY OF SALISBURY, NORTH CAROLINA

## GENERAL FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

For the Year Ended June 30, 2016

With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance with Budget Positive (Negative)	2015
	Budget	Actual		Actual
REVENUES (continued):				
Miscellaneous:				
Interest earned on investments	\$ 17,000	\$ 41,732	\$ 24,732	\$ 16,679
Donations	324,305	214,254	(110,051)	97,311
Other	308,935	376,012	67,077	298,919
	<u>\$ 650,240</u>	<u>\$ 631,998</u>	<u>\$ (18,242)</u>	<u>\$ 412,909</u>
Total revenues	<u>\$ 35,758,986</u>	<u>\$ 34,172,499</u>	<u>\$ (1,586,487)</u>	<u>\$ 33,279,915</u>
OTHER FINANCING SOURCES:				
Fund balance appropriated	<u>\$ 2,903,016</u>	<u>\$ -</u>	<u>\$ (2,903,016)</u>	<u>\$ -</u>
Total revenues and other financing sources	<u>\$ 38,662,002</u>	<u>\$ 34,172,499</u>	<u>\$ (4,489,503)</u>	<u>\$ 33,279,915</u>
EXPENDITURES:				
Current:				
General government:				
City council	\$ 130,042	\$ 117,418	\$ 12,624	\$ 154,245
City administration	631,534	613,300	18,234	573,916
Human resources	1,274,336	1,234,296	40,040	1,148,325
Business and financial services	844,914	800,930	43,984	1,067,823
Fleet management	549,836	543,097	6,739	480,793
Public services administration	213,567	210,159	3,408	206,965
Infrastructure Services	2,104,249	2,060,149	44,100	1,934,857
Telecommunication	532,122	503,576	28,546	418,855
Information technologies	2,551,830	2,486,218	65,612	2,672,856
	<u>\$ 8,832,430</u>	<u>\$ 8,569,143</u>	<u>\$ 263,287</u>	<u>\$ 8,658,635</u>
Public safety:				
Police:				
Administration	\$ 1,168,522	\$ 1,153,551	\$ 14,971	\$ 944,162
Services	1,431,675	1,373,821	57,854	1,394,269
Operations	4,605,384	4,403,026	202,358	4,397,918
Fire	6,290,520	5,670,907	619,613	4,778,587
	<u>\$ 13,496,101</u>	<u>\$ 12,601,305</u>	<u>\$ 894,796</u>	<u>\$ 11,514,936</u>
Transportation:				
Engineering	\$ 3,387,291	\$ 912,555	\$ 2,474,736	\$ 350,833
Streets	2,502,061	2,342,337	159,724	2,171,987
Traffic control	181,261	177,856	3,405	-
Street lighting	568,276	566,219	2,057	550,426
	<u>\$ 6,638,889</u>	<u>\$ 3,998,967</u>	<u>\$ 2,639,922</u>	<u>\$ 3,073,246</u>



## B-1

## CITY OF SALISBURY, NORTH CAROLINA

## GENERAL FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

For the Year Ended June 30, 2016

With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance with Budget Positive (Negative)	2015
	Budget	Actual		Actual
EXPENDITURES :				
Current (continued):				
Environmental protection:				
Solid waste management	\$ 1,666,200	\$ 1,659,816	\$ 6,384	\$ 1,250,539
Cemetery	237,803	200,580	37,223	222,389
	<u>\$ 1,904,003</u>	<u>\$ 1,860,396</u>	<u>\$ 43,607</u>	<u>\$ 1,472,928</u>
Culture and recreation	<u>\$ 2,574,313</u>	<u>\$ 2,474,162</u>	<u>\$ 100,151</u>	<u>\$ 2,277,387</u>
Community and economic development:				
Community development	\$ 1,822,509	\$ 1,495,788	\$ 326,721	\$ 766,072
Code Enforcement	214,150	204,147	10,003	296,523
The Plaza	200,873	184,588	16,285	181,451
Developmental services	1,054,753	1,049,967	4,786	760,838
	<u>\$ 3,292,285</u>	<u>\$ 2,934,490</u>	<u>\$ 357,795</u>	<u>\$ 2,004,884</u>
Education	<u>\$ 38,107</u>	<u>\$ 38,107</u>	<u>\$ -</u>	<u>\$ 38,107</u>
Debt service:				
Principal	\$ 942,805	\$ 942,805	\$ -	\$ 1,209,639
Interest and fees	477,747	476,682	1,065	510,205
	<u>\$ 1,420,552</u>	<u>\$ 1,419,487</u>	<u>\$ 1,065</u>	<u>\$ 1,719,844</u>
Total expenditures	<u>\$ 38,196,680</u>	<u>\$ 33,896,057</u>	<u>\$ 4,300,623</u>	<u>\$ 30,759,967</u>
OTHER FINANCING USES:				
Transfers to other funds	<u>\$ (465,322)</u>	<u>\$ (465,322)</u>	<u>\$ -</u>	<u>\$ (454,340)</u>
Total other financing uses	<u>\$ (465,322)</u>	<u>\$ (465,322)</u>	<u>\$ -</u>	<u>\$ (454,340)</u>
Total expenditures and other financing uses	<u>\$ 38,662,002</u>	<u>\$ 34,361,379</u>	<u>\$ 4,300,623</u>	<u>\$ 31,214,307</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (188,880)</u>	<u>\$ (188,880)</u>	<u>\$ 2,065,608</u>
FUND BALANCES, BEGINNING		\$ 17,933,379		\$ 15,867,771
Restatement		607,485		-
FUND BALANCES, BEGINNING, RESTATED		<u>\$ 18,540,864</u>		<u>\$ 15,867,771</u>
FUND BALANCES, ENDING		<u>\$ 18,351,984</u>		<u>\$ 17,933,379</u>



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# **Non Major Governmental Fund**

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

## CITY OF SALISBURY, NORTH CAROLINA

## SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT

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

For the Year Ended June 30, 2016  
With Comparative Actual Amounts for the Year Ended June 30, 2015

	2016		Variance with Budget Positive (Negative)	2015
	Budget	Actual		Actual
REVENUES:				
Intergovernmental:				
Federal	\$ 791,996	\$ 317,795	\$ (474,201)	\$ 528,873
Miscellaneous:				
Other	30,000	24,992	(5,008)	24,436
Total revenues	<u>\$ 821,996</u>	<u>\$ 342,787</u>	<u>\$ (479,209)</u>	<u>\$ 553,309</u>
EXPENDITURES:				
Current:				
General government	\$ 83,932	\$ 83,932	\$ -	\$ 63,019
Community and economic development	693,751	218,090	475,661	443,375
Debt Service:				
Principal	32,000	32,000	-	32,000
Interest	12,313	12,313	-	14,913
Total expenditures	<u>\$ 821,996</u>	<u>\$ 346,335</u>	<u>\$ 475,661</u>	<u>\$ 553,307</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ -</u>	<u>\$ (3,548)</u>	<u>\$ (3,548)</u>	<u>\$ 2</u>
FUND BALANCE, BEGINNING		<u>7,476</u>		<u>7,474</u>
FUND BALANCE, ENDING		<u>\$ 3,928</u>		<u>\$ 7,476</u>



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# Proprietary Fund Types

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

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

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

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

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

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



**D-1**  
**CITY OF SALISBURY, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**  
**With Comparative Actual Amounts for Year Ended June 30, 2015**

	<u>2016</u>		<u>2015</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>	<u>Actual</u>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 21,567,024	\$ 22,401,447	\$ 834,423	\$ 22,633,737
Water and sewer taps	330,000	305,985	(24,015)	538,529
Other operating revenues	<u>867,000</u>	<u>921,954</u>	<u>54,954</u>	<u>1,155,635</u>
Total operating revenues	<u>22,764,024</u>	<u>23,629,386</u>	<u>865,362</u>	<u>24,327,901</u>
<b>OPERATING EXPENDITURES OTHER THAN DEPRECIATION:</b>				
Management and administration	\$ 4,635,392	\$ 4,570,458	\$ 64,934	\$ 4,268,292
Water resources	3,000,282	2,849,575	150,707	2,078,386
Maintenance and construction	2,700,725	2,576,443	124,282	5,190,695
Wastewater collection and treatment	4,165,796	4,004,976	160,820	2,366,528
Environmental services	<u>579,964</u>	<u>538,079</u>	<u>41,885</u>	<u>553,960</u>
Total operating expenses other than depreciation	<u>\$ 15,082,159</u>	<u>\$ 14,539,531</u>	<u>\$ 542,628</u>	<u>\$ 14,457,861</u>
<b>NONOPERATING REVENUES (EXPENDITURES):</b>				
Investment earnings	\$ 13,000	\$ 28,635	\$ 15,635	\$ 9,656
Transfer to Capital Projects Fund	(900,000)	(900,000)	-	-
Capital outlay	(1,573,101)	(1,384,692)	188,409	(428,215)
Payment of debt principal	(3,771,926)	(3,771,925)	1	(4,701,991)
Interest expense	<u>(1,449,838)</u>	<u>(1,446,844)</u>	<u>2,994</u>	<u>(1,590,101)</u>
Net nonoperating revenues (expenditures)	<u>\$ (7,681,865)</u>	<u>\$ (7,474,826)</u>	<u>\$ 207,039</u>	<u>\$ (6,710,651)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>				
	<u>\$ -</u>	<u>\$ 1,615,029</u>	<u>\$ 1,615,029</u>	<u>\$ 3,159,389</u>
<b>RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:</b>				
Revenues over expenditures and other financing sources (uses)		\$ 1,615,029		
Capital outlay		1,384,692		
Depreciation		(5,320,558)		
Payment of debt principal		3,771,925		
Interest income from Capital Projects Fund		76,801		
Transfer to Capital Projects Fund		900,000		
Increase in accrued OPEB liability		(232,549)		
Interest expense adjustment		28,456		
Decrease in net pension asset		(410,125)		
Increase in net pension liability		(321,581)		
Decrease in deferred outflows of resources-pensions		(4,663)		
Decrease in deferred inflows of resources-pensions		826,859		
Vacation pay		<u>(9,276)</u>		
Change in net position		<u>\$ 2,305,010</u>		

## CITY OF SALISBURY, NORTH CAROLINA

## WATER AND SEWER CAPITAL PROJECTS FUND

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

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Miscellaneous				
Interest on investments	\$ -	\$ -	\$ 76,801	\$ 76,801
EXPENDITURES-WATER PROJECT				
Engineering and design	\$ 1,200,000	\$ -	\$ 93,933	\$ 93,933
Construction	6,000,000	-	-	-
Total expenditures	\$ 7,200,000	\$ -	\$ 93,933	\$ 93,933
Total revenues under expenditures	\$ (7,200,000)	\$ -	\$ (17,132)	\$ (17,132)
OTHER FINANCING SOURCES:				
Contribution from Water and Sewer Fund	\$ 7,200,000	\$ -	\$ 900,000	\$ 900,000
Total other financing sources	\$ 7,200,000	\$ -	\$ 900,000	\$ 900,000
Unexpended revenues and receipts	\$ -	\$ -	\$ 882,868	\$ 882,868

## CITY OF SALISBURY, NORTH CAROLINA

**BROADBAND SERVICES FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)**

**For the Fiscal Year Ended June 30, 2016**

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

	<u>2016</u>		<b>Variance with Budget Positive (Negative)</b>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 6,236,887	\$ 5,548,319	\$ (688,568)	\$ 5,570,429
Other operating revenues	<u>522,653</u>	<u>522,574</u>	<u>(79)</u>	<u>522,374</u>
Total operating revenues	<u>6,759,540</u>	<u>6,070,893</u>	<u>(688,647)</u>	<u>6,092,803</u>
<b>OPERATING EXPENDITURES OTHER THAN DEPRECIATION:</b>				
Management and administration	\$ 48,555	\$ 27,651	\$ 20,904	\$ 37,413
Programming	2,174,393	1,826,263	348,130	1,815,216
Broadband services	289,394	288,896	498	236,170
Services delivery	<u>1,157,490</u>	<u>801,087</u>	<u>356,403</u>	<u>845,929</u>
Total operating expenses other than depreciation	<u>\$ 3,669,832</u>	<u>\$ 2,943,897</u>	<u>\$ 725,935</u>	<u>\$ 2,934,728</u>
<b>NONOPERATING REVENUES (EXPENDITURES):</b>				
Investment earnings	\$ 31,510	\$ 12,591	\$ (18,919)	\$ 13,857
Payment of debt principal	(1,809,000)	(1,809,000)	-	(1,743,000)
Payment of inter-fund loan principal	(25,000)	(25,000)	-	-
Interest expense	<u>(1,287,218)</u>	<u>(1,281,377)</u>	<u>5,841</u>	<u>(1,345,764)</u>
Net nonoperating expenditures	<u>\$ (3,089,708)</u>	<u>\$ (3,102,786)</u>	<u>\$ (13,078)</u>	<u>\$ (3,074,907)</u>
<b>REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>				
	<u>\$ -</u>	<u>\$ 24,210</u>	<u>\$ 24,210</u>	<u>\$ 83,168</u>
<b>RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:</b>				
Excess of expenses over revenues, above		\$ 24,210		
Depreciation		(709,610)		
Payment of debt principal		1,809,000		
Payment of inter-fund loan principal		25,000		
Increase in accrued OPEB liability		(8,817)		
Interest expense adjustment		(14,857)		
Decrease in net pension asset		(13,767)		
Increase in net pension liability		(10,795)		
Decrease in deferred outflows of resources-pensions		(159)		
Decrease in deferred inflows of resources-pensions		27,756		
Vacation pay		<u>(3,816)</u>		
Change in net position		<u>\$ 1,124,145</u>		

## CITY OF SALISBURY, NORTH CAROLINA

## STORMWATER FUND

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

For the Year Ended June 30, 2016

With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance with Budget Positive (Negative)	2015
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 1,245,200	\$ 1,183,586	\$ (61,614)	\$ 1,151,779
Other operating revenues	<u>1,000</u>	<u>2,733</u>	<u>1,733</u>	<u>1,399</u>
Total operating revenues	<u>\$ 1,246,200</u>	<u>\$ 1,186,319</u>	<u>\$ (59,881)</u>	<u>\$ 1,153,178</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 615,236	\$ 475,365	\$ 139,871	\$ 514,831
Street cleaning	211,830	100,042	111,788	117,330
Storm drainage	146,540	125,656	20,884	118,073
Leaf Collection	<u>184,044</u>	<u>158,737</u>	<u>25,307</u>	<u>169,729</u>
Total operating expenditures other than depreciation	<u>\$ 1,157,650</u>	<u>\$ 859,800</u>	<u>\$ 297,850</u>	<u>\$ 919,963</u>
NONOPERATING REVENUES (EXPENDITURES):				
Interest on investments	\$ -	\$ 1,395	\$ 1,395	\$ 445
Capital outlay	<u>(88,550)</u>	<u>(87,651)</u>	<u>899</u>	<u>(50,758)</u>
Total nonoperating revenues (expenditures)	<u>\$ (88,550)</u>	<u>\$ (86,256)</u>	<u>\$ 2,294</u>	<u>\$ (50,313)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 240,263</u>	<u>\$ 240,263</u>	<u>\$ 182,902</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ 240,263		
Depreciation		(21,776)		
Capital outlay		87,651		
Increase in accrued OPEB liability		(29,388)		
Decrease in net pension asset		(45,615)		
Increase in net pension liability		(36,089)		
Decrease in deferred outflows of resources-pensions		(265)		
Decrease in deferred inflows of resources-pensions		91,752		
Vacation pay		<u>2,886</u>		
Change in net position		<u>\$ 289,419</u>		

## CITY OF SALISBURY, NORTH CAROLINA

## MASS TRANSIT FUND

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)For the Year Ended June 30, 2016  
With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance with Budget Positive (Negative)	2015
	Budget	Actual		Actual
OPERATING REVENUES:				
Charges for services	\$ 80,100	\$ 78,012	\$ (2,088)	\$ 86,510
Other operating revenues	-	7,241	7,241	10,683
Total operating revenues	<u>\$ 80,100</u>	<u>\$ 85,253</u>	<u>\$ 5,153</u>	<u>\$ 97,193</u>
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	\$ 332,867	\$ 307,243	\$ 25,624	\$ 292,452
Mass transit operations	1,091,435	690,652	400,783	639,969
Total operating expenditures other than depreciation	<u>\$ 1,424,302</u>	<u>\$ 997,895</u>	<u>\$ 426,407</u>	<u>\$ 932,421</u>
NONOPERATING REVENUES (EXPENDITURES):				
Intergovernmental	\$ 1,136,974	\$ 738,351	\$ (398,623)	\$ 469,421
Interest on investments	-	1,042	1,042	314
Capital outlay	(258,094)	(40,859)	217,235	(11,144)
Total nonoperating revenues (expenditures)	<u>\$ 878,880</u>	<u>\$ 698,534</u>	<u>\$ (180,346)</u>	<u>\$ 458,591</u>
Revenues under expenditures	<u>\$ (465,322)</u>	<u>\$ (214,108)</u>	<u>\$ 251,214</u>	<u>\$ (376,637)</u>
OTHER FINANCING SOURCES:				
Operating transfers in:				
General fund	<u>\$ 465,322</u>	<u>\$ 465,322</u>	<u>\$ -</u>	<u>\$ 454,340</u>
REVENUES OVER (UNDER) EXPENDITURES AND AND OTHER FINANCING SOURCES				
	<u>\$ -</u>	<u>\$ 251,214</u>	<u>\$ 251,214</u>	<u>\$ 77,703</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:				
Excess of expenses over revenues, above		\$ 251,214		
Depreciation		(90,294)		
Capital outlay		40,859		
Increase in accrued OPEB liability		(25,275)		
Decrease in net pension asset		(54,450)		
Increase in net pension liability		(43,339)		
Decrease in deferred outflows of resources-pensions		(112)		
Decrease in deferred inflows of resources-pensions		109,353		
Vacation pay		(1,458)		
Change in net position		<u>\$ 186,498</u>		



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# Internal Service Funds

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

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

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



**CITY OF SALISBURY, NORTH CAROLINA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2016**  
**With Comparative Totals at June 30, 2015**

<u>ASSETS</u>	<u>Workers'</u>	<u>Employee</u>	<u>Totals</u>	
	<u>Compensation</u>	<u>Health Care</u>	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 505,506	\$ 1,067,762	\$ 1,573,268	\$ 1,311,153
Interest receivable	<u>636</u>	<u>1,170</u>	<u>1,806</u>	<u>892</u>
Total assets	<u>\$ 506,142</u>	<u>\$ 1,068,932</u>	<u>\$ 1,575,074</u>	<u>\$ 1,312,045</u>
 <u>LIABILITIES AND NET POSITION</u>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	<u>\$ 5,835</u>	<u>\$ 491,763</u>	<u>\$ 497,598</u>	<u>\$ 466,979</u>
NET POSITION, UNRESTRICTED	<u>\$ 500,307</u>	<u>\$ 577,169</u>	<u>\$ 1,077,476</u>	<u>\$ 845,066</u>

## CITY OF SALISBURY, NORTH CAROLINA

## INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2016  
With Comparative Totals For The Year Ended June 30, 2015

	Workers' Compensation	Employee Health Care	Totals	
			2016	2015
OPERATING REVENUES:				
Charges for services	\$ 304,850	\$ 4,911,007	\$ 5,215,857	\$ 4,905,012
OPERATING EXPENSES:				
Employee benefits	<u>423,899</u>	<u>4,562,402</u>	<u>4,986,301</u>	<u>4,934,509</u>
OPERATING INCOME (LOSS)	\$ (119,049)	\$ 348,605	\$ 229,556	\$ (29,497)
NONOPERATING REVENUES				
Interest earned on investments	<u>1,066</u>	<u>1,788</u>	<u>2,854</u>	<u>793</u>
CHANGE IN NET POSITION	\$ (117,983)	\$ 350,393	\$ 232,410	\$ (28,704)
TOTAL NET POSITION, BEGINNING	<u>618,290</u>	<u>226,776</u>	<u>845,066</u>	<u>873,770</u>
TOTAL NET POSITION, ENDING	<u>\$ 500,307</u>	<u>\$ 577,169</u>	<u>\$ 1,077,476</u>	<u>\$ 845,066</u>

**CITY OF SALISBURY, NORTH CAROLINA**  
**WORKERS' COMPENSATION INTERNAL SERVICE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**FINANCIAL PLAN AND ACTUAL (NON-GAAP)**

**For the Year Ended June 30, 2016**  
**With Comparative Actual Amounts for Year Ended June 30, 2015**

	<u>2016</u>		<b>Variance with Financial Plan Positive (Negative)</b>	<u>2015</u>
	<b>Financial Plan</b>	<b>Actual</b>		<b>Actual</b>
OPERATING REVENUES:				
Charges for services	\$ 749,000	\$ 304,850	\$ (444,150)	\$ 248,500
OPERATING EXPENDITURES:				
Employee benefits	\$ 750,000	\$ 423,899	\$ 326,101	\$ 343,479
NONOPERATING REVENUES:				
Interest on investments	\$ 1,000	\$ 1,066	\$ 66	\$ 615
Revenues over (under) expenditures	\$ -	\$ (117,983)	\$ (117,983)	\$ (94,364)
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (117,983)</u>	<u>\$ (117,983)</u>	<u>\$ (94,364)</u>

**CITY OF SALISBURY, NORTH CAROLINA**  
**EMPLOYEE HEALTH CARE INTERNAL SERVICE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**FINANCIAL PLAN AND ACTUAL (NON-GAAP)**

**For the Year Ended June 30, 2016**  
**With Comparative Actual Amounts for Year Ended June 30, 2015**

	<u>2016</u>		<b>Variance with Financial Plan Positive (Negative)</b>	<u>2015</u>
	<b>Financial Plan</b>	<b>Actual</b>		<b>Actual</b>
OPERATING REVENUES:				
Charges for services	\$ 4,866,473	\$ 4,911,007	\$ 44,534	\$ 4,656,512
OPERATING EXPENDITURES:				
Employee benefits	\$ 4,866,473	\$ 4,562,402	\$ 304,071	\$ 4,591,030
NONOPERATING REVENUES:				
Interest on investments	\$ -	\$ 1,788	\$ 1,788	\$ 178
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 350,393</u>	<u>\$ 350,393</u>	<u>\$ 65,660</u>

## CITY OF SALISBURY, NORTH CAROLINA

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016  
 With Comparative Totals For The Year Ended June 30, 2015

	<u>Workers'</u>	<u>Employee</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services provided	\$ 304,850	\$ 4,911,007	\$ 5,215,857	\$ 4,905,012
Cash paid for goods and services	<u>(455,030)</u>	<u>(4,500,652)</u>	<u>(4,955,682)</u>	<u>(4,961,757)</u>
Net cash provided (used) by operating activities	<u>\$ (150,180)</u>	<u>\$ 410,355</u>	<u>\$ 260,175</u>	<u>\$ (56,745)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	<u>\$ 1,098</u>	<u>\$ 842</u>	<u>\$ 1,940</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ (149,082)	\$ 411,197	\$ 262,115	\$ (56,745)
Balances-beginning of the year	<u>654,588</u>	<u>656,565</u>	<u>1,311,153</u>	<u>1,367,898</u>
Balances-end of the year	<u>\$ 505,506</u>	<u>\$ 1,067,762</u>	<u>\$ 1,573,268</u>	<u>\$ 1,311,153</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (119,049)	\$ 348,605	\$ 229,556	\$ (29,497)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in current assets and liabilities:				
Increase (decrease) in accounts payable and accrued liabilities	<u>(31,131)</u>	<u>61,750</u>	<u>30,619</u>	<u>(27,248)</u>
Net cash provided (used) by operating activities	<u>\$ (150,180)</u>	<u>\$ 410,355</u>	<u>\$ 260,175</u>	<u>\$ (56,745)</u>



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# Agency Funds

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

## AGENCY FUNDS

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

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

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

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

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

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

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

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



## CITY OF SALISBURY, NORTH CAROLINA

## AGENCY FUNDS

## COMBINING BALANCE SHEET

June 30, 2016

With Comparative Totals at June 30, 2015

	Agency							Totals		
	Boards and Commissions Fund	Municipal Service District Fund	East Spencer Utility Fund	Rockwell Garbage Fund	Granite Quarry Garbage Fund	Spencer Garbage Fund	Tourism and Cultural Development Fund	Salisbury- Rowan Human Relations Council Fund	2016	2015
<u>ASSETS</u>										
Cash and investments	\$ 2,796	\$ 5,563	\$ 30,536	\$ 653	\$ 1,454	\$ 3,053	\$ 29,526	\$ 5,271	\$ 78,852	\$ 53,353
Accounts receivable	-	8,238	381,522	9,710	31,717	46,167	-	-	477,354	462,332
Total assets	<u>\$ 2,796</u>	<u>\$ 13,801</u>	<u>\$ 412,058</u>	<u>\$ 10,363</u>	<u>\$ 33,171</u>	<u>\$ 49,220</u>	<u>\$ 29,526</u>	<u>\$ 5,271</u>	<u>\$ 556,206</u>	<u>\$ 515,685</u>
<u>LIABILITIES</u>										
Accounts payable and accrued liabilities	<u>\$ 2,796</u>	<u>\$ 13,801</u>	<u>\$ 412,058</u>	<u>\$ 10,363</u>	<u>\$ 33,171</u>	<u>\$ 49,220</u>	<u>\$ 29,526</u>	<u>\$ 5,271</u>	<u>\$ 556,206</u>	<u>\$ 515,685</u>

## CITY OF SALISBURY, NORTH CAROLINA

## AGENCY FUNDS

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b><u>BOARDS AND COMMISSIONS FUND:</u></b>				
ASSETS				
Cash and investments	\$ 2,796	\$ -	\$ -	\$ 2,796
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,796	\$ -	\$ -	\$ 2,796
<b><u>MUNICIPAL SERVICE DISTRICT FUND:</u></b>				
ASSETS				
Cash and investments	\$ 3,807	\$ 79,611	\$ 77,855	\$ 5,563
Accounts receivable	7,750	126,796	126,308	8,238
Total assets	<u>\$ 11,557</u>	<u>\$ 206,407</u>	<u>\$ 204,163</u>	<u>\$ 13,801</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 11,557</u>	<u>\$ 206,407</u>	<u>\$ 204,163</u>	<u>\$ 13,801</u>
<b><u>EAST SPENCER UTILITY FUND:</u></b>				
ASSETS				
Cash and investments	\$ 40,562	\$ 919,168	\$ 929,194	\$ 30,536
Accounts receivable	372,515	1,362,934	1,353,927	381,522
Total Assets	<u>\$ 413,077</u>	<u>\$ 2,282,102</u>	<u>\$ 2,283,121</u>	<u>\$ 412,058</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 413,077</u>	<u>\$ 2,282,102</u>	<u>\$ 2,283,121</u>	<u>\$ 412,058</u>
<b><u>ROCKWELL GARBAGE FUND</u></b>				
ASSETS				
Cash and investments	\$ 402	\$ 48,415	\$ 48,164	\$ 653
Accounts receivable	9,391	69,300	68,981	9,710
Total Assets	<u>\$ 9,793</u>	<u>\$ 117,715</u>	<u>\$ 117,145</u>	<u>\$ 10,363</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 9,793</u>	<u>\$ 117,715</u>	<u>\$ 117,145</u>	<u>\$ 10,363</u>
<b><u>GRANITE QUARRY GARBAGE FUND</u></b>				
ASSETS				
Cash and investments	\$ 1,570	\$ 148,801	\$ 148,917	\$ 1,454
Accounts receivable	30,085	206,161	204,529	31,717
Total Assets	<u>\$ 31,655</u>	<u>\$ 354,962</u>	<u>\$ 353,446</u>	<u>\$ 33,171</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 31,655</u>	<u>\$ 354,962</u>	<u>\$ 353,446</u>	<u>\$ 33,171</u>

**F-2**  
**CITY OF SALISBURY, NORTH CAROLINA**  
**AGENCY FUNDS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Year Ended June 30, 2016**

(continued)

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b><u>SPENCER GARBAGE FUND</u></b>				
ASSETS				
Cash and investments	\$ 3,649	\$ 230,621	\$ 231,217	\$ 3,053
Accounts receivable	42,591	328,402	324,826	46,167
Total Assets	<u>\$ 46,240</u>	<u>\$ 559,023</u>	<u>\$ 556,043</u>	<u>\$ 49,220</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 46,240</u>	<u>\$ 559,023</u>	<u>\$ 556,043</u>	<u>\$ 49,220</u>
<b><u>TOURISM AND CULTURAL DEVELOPMENT FUND:</u></b>				
ASSETS				
Cash and investments	<u>\$ 29,608</u>	<u>\$ 369,639</u>	<u>\$ 369,721</u>	<u>\$ 29,526</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 29,608</u>	<u>\$ 369,639</u>	<u>\$ 369,721</u>	<u>\$ 29,526</u>
<b><u>SALISBURY-ROWAN HUMAN RELATIONS COUNCIL FUND</u></b>				
ASSETS				
Cash and investments	<u>\$ 567</u>	<u>\$ 25,658</u>	<u>\$ 20,954</u>	<u>5,271</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 567</u>	<u>\$ 25,658</u>	<u>\$ 20,954</u>	<u>\$ 5,271</u>
<b><u>TOTAL AGENCY FUNDS:</u></b>				
ASSETS				
Cash and investments	\$ 82,961	\$ 1,821,913	\$ 1,826,022	\$ 78,852
Accounts receivable	462,332	2,093,593	2,078,571	477,354
Total assets	<u>\$ 545,293</u>	<u>\$ 3,915,506</u>	<u>\$ 3,904,593</u>	<u>\$ 556,206</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 545,293</u>	<u>\$ 3,915,506</u>	<u>\$ 3,904,593</u>	<u>\$ 556,206</u>



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# Other Schedules



**G-1**  
**CITY OF SALISBURY, NORTH CAROLINA**  
**GENERAL FUND**  
**PROPERTY TAXES RECEIVABLE**  
**June 30, 2016**

<u>Tax Year</u>	<u>Fiscal Year Ended June 30</u>	<u>Assessed Valuation *</u>	<u>Taxes Levied Prior to June 30, 2015</u>	<u>Collections and Credits Prior to June 30, 2015</u>	<u>Taxes Receivable June 30, 2015</u>	<u>Levy Additions Year Ended June 30, 2016</u>	<u>Collections and Credits Year Ended June 30, 2016</u>	<u>(Note) Other Credits</u>	<u>Taxes Receivable June 30, 2016</u>
2015	2016	\$2,810,580,215				\$ 18,800,286	\$ 18,392,372	\$ -	\$ 407,914
2014	2015	2,827,214,000	\$ 18,906,370	\$ 18,468,008	\$ 438,362	-	263,684	-	174,678
2013	2014	2,837,751,208	18,614,476	18,415,007	199,469	-	81,066	-	118,403
2012	2013	2,770,069,536	17,904,696	17,783,590	121,106	-	36,994	-	84,112
2011	2012	2,770,069,536	17,339,063	17,270,373	68,690	-	13,938	-	54,752
2010	2011	2,916,307,629	17,470,493	17,412,375	58,118	-	4,785	-	53,333
2009	2010	2,902,150,012	17,459,442	17,405,680	53,762	-	2,500	-	51,262
2008	2009	2,889,983,197	17,334,870	17,290,817	44,053	-	1,733	-	42,320
2007	2008	2,826,097,249	16,966,584	16,931,275	35,309	-	2,044	-	33,265
2006	2007	2,416,776,551	15,352,505	15,326,028	26,477	-	403	-	26,074
2005	2006	2,332,871,603	14,642,168	14,613,396	28,772	-	584	28,188	-
			<u>\$ 171,990,667</u>	<u>\$ 152,448,541</u>	<u>\$ 1,074,118</u>	<u>\$ 18,800,286</u>	<u>\$ 18,800,103</u>	<u>\$ 28,188</u>	<u>\$ 1,046,113</u>
									<u>355,000</u>
									<u>\$ 691,113</u>
Reconcilement of Collections and Credits with revenues									
Revenues per Statement B-1									
							\$ 17,982,695		
							404,505		
							<u>237,477</u>		
							\$ 18,624,677		
							157,494		
							8,973		
							<u>8,959</u>		
							<u>\$ 18,800,103</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, 2016

	City Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	ORIGINAL LEVY				
Property taxed at current year's rates	\$2,819,469,452	\$ 0.66	\$ 18,608,498	\$ 17,177,490	\$ 1,430,867
Auto registration fee			237,246	-	237,246
Penalties			9,085	9,085	-
TOTAL	\$2,819,469,452		\$ 18,854,829	\$ 17,186,716	\$ 1,668,113
DISCOVERY					
Current year rates	1,407,028		9,286	9,179	107
Prior years rates			3,278	3,278	-
Penalties			1,022	1,022	-
TOTAL			\$ 13,586	\$ 13,479	107
ABATEMENTS	(10,296,265)		\$ (68,129)	\$ (68,065)	\$ (64)
TOTAL PROPERTY VALUATION	\$2,810,580,215				
NET LEVY			\$ 18,800,286	\$ 17,132,130	\$ 1,668,156
Less uncollected tax at June 30, 2016			407,914	407,851	63
CURRENT YEAR'S TAXES COLLECTED			\$ 18,392,372	\$16,724,279	\$1,668,093
PERCENT OF CURRENT YEAR COLLECTED			97.83%	97.62%	100.00%



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# Statistical Section



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

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

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

**Schedule 1**

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

	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Governmental activities					
Net investment in capital assets	\$ 36,272,178	\$ 36,525,374	\$ 37,816,470	\$ 38,831,003	\$ 39,495,804
Restricted	-	-	216,413	591,581	4,846,985
Unrestricted	<u>7,180,425</u>	<u>8,148,501</u>	<u>7,691,236</u>	<u>6,001,521</u>	<u>850,814</u>
Total Governmental net position	<u>\$ 43,452,603</u>	<u>\$ 44,673,875</u>	<u>\$ 45,724,119</u>	<u>\$ 45,424,105</u>	<u>\$ 45,193,603</u>
Business-type activities					
Net investment in capital assets	\$ 73,759,751	\$ 77,307,128	\$ 75,728,506	\$ 76,682,748	\$ 74,697,761
Unrestricted	<u>10,909,457</u>	<u>9,671,332</u>	<u>12,737,154</u>	<u>11,659,840</u>	<u>13,195,867</u>
Total business-type net position	<u>\$ 84,669,208</u>	<u>\$ 86,978,460</u>	<u>\$ 88,465,660</u>	<u>\$ 88,342,588</u>	<u>\$ 87,893,628</u>
Primary government					
Net investment in capital assets	\$ 110,031,929	\$ 113,832,502	\$ 113,544,976	\$ 115,513,751	\$ 114,193,565
Restricted	-	-	216,413	591,581	4,846,985
Unrestricted	<u>18,089,882</u>	<u>17,819,833</u>	<u>20,428,390</u>	<u>17,661,361</u>	<u>14,046,681</u>
Total primary government net position	<u>\$ 128,121,811</u>	<u>\$ 131,652,335</u>	<u>\$ 134,189,779</u>	<u>\$ 133,766,693</u>	<u>\$ 133,087,231</u>

**Schedule 1**

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

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

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

Expenses	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Governmental activities:</b>					
General government	\$ 7,545,934	\$ 8,584,267	\$ 7,607,018	\$ 9,000,546	\$ 8,638,802
Public safety	11,018,172	11,855,275	12,600,709	12,781,599	13,065,399
Transportation	5,079,652	5,875,717	4,870,333	5,720,250	5,410,397
Environmental protection	2,139,937	2,203,772	2,459,565	1,903,354	2,372,108
Culture and recreation	2,593,105	2,830,610	2,934,389	2,977,724	2,852,895
Community and economic development	2,094,261	2,025,313	1,938,878	1,861,576	1,868,213
Education	42,342	42,342	42,342	42,342	42,342
Interest on long-term debt	414,815	358,688	449,945	365,136	323,639
Total governmental activities expenses	<u>\$ 30,928,218</u>	<u>\$ 33,775,984</u>	<u>\$ 32,903,179</u>	<u>\$ 34,652,527</u>	<u>\$ 34,573,795</u>
<b>Business-type activities:</b>					
Water and Sewer	\$ 18,636,493	\$ 19,488,977	\$ 19,961,739	\$ 20,703,446	\$ 21,352,837
Broadband Services			230,474	828,584	3,735,371
Stormwater					
Mass Transit	1,194,223	1,258,857	1,347,215	1,217,603	1,175,654
Total business-type activities	<u>\$ 19,830,716</u>	<u>\$ 20,747,834</u>	<u>\$ 21,539,428</u>	<u>\$ 22,749,633</u>	<u>\$ 26,263,862</u>
Total primary governmental expenses	<u>\$ 50,758,934</u>	<u>\$ 54,523,818</u>	<u>\$ 54,442,607</u>	<u>\$ 57,402,160</u>	<u>\$ 60,837,657</u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
Charges for services:					
General government	\$ 3,796,433	\$ 3,889,331	\$ 3,343,256	\$ 3,543,676	\$ 3,528,014
Public safety	459,350	464,189	456,266	433,727	446,473
Transportation	127,207	157,217	148,212	129,223	141,241
Environmental protection	1,156,391	1,208,241	1,549,055	1,221,279	1,102,823
Culture and recreation	167,781	175,416	165,332	153,833	156,726
Community and economic development	444,382	201,558	209,970	134,399	136,921
Operating grants and contributions	1,547,688	1,821,205	1,710,521	2,507,060	2,334,124
Capital grants and contributions	3,684,048	1,376,213	986,905	759,641	912,385
Total governmental activities program revenues	<u>\$ 11,383,280</u>	<u>\$ 9,293,370</u>	<u>\$ 8,569,517</u>	<u>\$ 8,882,838</u>	<u>\$ 8,758,707</u>
<b>Business-type activities:</b>					
Charges for services:					
Water and Sewer	\$ 19,384,892	\$ 20,463,596	\$ 20,738,138	\$ 21,353,577	\$ 22,139,692
Broadband Services					610,074
Stormwater					
Mass Transit	85,835	88,633	105,874	109,235	134,131
Operating grants and contributions	482,692	479,227	507,040	509,046	549,621
Capital grants and contributions	1,960,331	771,686	722,209	-	1,725,935
Total business-type activities program revenues	<u>\$ 21,913,750</u>	<u>\$ 21,803,142</u>	<u>\$ 22,073,261</u>	<u>\$ 21,971,858</u>	<u>\$ 25,159,453</u>
Total primary governmental program revenues	<u>\$ 33,297,030</u>	<u>\$ 31,096,512</u>	<u>\$ 30,642,778</u>	<u>\$ 30,854,696</u>	<u>\$ 33,918,160</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (19,544,938)	\$ (24,482,614)	\$ (24,333,662)	\$ (25,769,689)	\$ (25,815,088)
Business-type activities	2,083,034	1,055,308	533,833	(777,775)	(1,104,409)
Total primary governmental net expense	<u>\$ (17,461,904)</u>	<u>\$ (23,427,306)</u>	<u>\$ (23,799,829)</u>	<u>\$ (26,547,464)</u>	<u>\$ (26,919,497)</u>
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental activities:</b>					
Taxes					
Property taxes	\$ 15,237,001	\$ 16,755,835	\$ 17,162,719	\$ 17,379,089	\$ 17,410,646
Sales and other taxes	4,928,404	5,220,704	4,732,043	4,526,014	4,752,432
Intergovernmental revenues	2,818,573	3,446,122	3,251,711	3,494,579	3,540,146
Unrestricted investment earnings	544,213	461,939	244,222	109,254	99,759
Miscellaneous	449,991	257,067	446,592	351,058	198,388
Transfers	(358,569)	(437,781)	(453,381)	(390,319)	(416,785)
Total governmental activities	<u>\$ 23,619,613</u>	<u>\$ 25,703,886</u>	<u>\$ 25,383,906</u>	<u>\$ 25,469,675</u>	<u>\$ 25,584,586</u>
<b>Business-type activities:</b>					
Investment earnings	\$ 642,765	\$ 816,163	\$ 499,986	\$ 264,384	\$ 238,664
Transfers	358,569	437,781	453,381	390,319	416,785
Total business-type activities	<u>\$ 1,001,334</u>	<u>\$ 1,253,944</u>	<u>\$ 953,367</u>	<u>\$ 654,703</u>	<u>\$ 655,449</u>
Total primary government	<u>\$ 24,620,947</u>	<u>\$ 26,957,830</u>	<u>\$ 26,337,273</u>	<u>\$ 26,124,378</u>	<u>\$ 26,240,035</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 4,074,675	\$ 1,221,272	\$ 1,050,244	\$ (300,014)	\$ (230,502)
Business-type activities	3,084,368	2,309,252	1,487,200	(123,072)	(448,960)
Total primary government	<u>\$ 7,159,043</u>	<u>\$ 3,530,524</u>	<u>\$ 2,537,444</u>	<u>\$ (423,086)</u>	<u>\$ (679,462)</u>

## Schedule 2

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

Expenses	Fiscal Year				
	2012	2013	2014	2015	2016
<b>Governmental activities:</b>					
General government	\$ 8,858,997	\$ 7,505,862	\$ 9,704,764	\$ 5,716,066	\$ 5,907,274
Public safety	12,013,621	11,971,909	11,788,115	11,455,490	12,163,943
Transportation	5,227,558	4,676,309	4,150,618	4,440,902	5,195,912
Environmental protection	1,672,367	1,470,400	1,472,922	1,481,637	1,452,363
Culture and recreation	2,564,518	2,372,225	2,365,534	2,432,466	2,553,783
Community and economic development	2,335,285	3,114,076	2,285,065	2,480,317	3,219,393
Education	38,107	38,107	38,107	38,107	38,107
Interest on long-term debt	442,531	586,480	510,887	517,340	481,335
Total governmental activities expenses	<u>\$ 33,152,984</u>	<u>\$ 31,735,368</u>	<u>\$ 32,316,012</u>	<u>\$ 28,562,325</u>	<u>\$ 31,012,110</u>
<b>Business-type activities:</b>					
Water and Sewer	\$ 21,501,799	\$ 20,722,706	\$ 20,985,348	\$ 21,398,672	\$ 21,429,812
Broadband Services	6,787,748	8,096,019	5,059,343	8,279,509	7,773,867
Stormwater		883,201	936,526	927,399	898,295
Mass Transit	1,053,025	1,086,236	1,098,881	1,013,010	1,103,470
Total business-type activities	<u>\$ 29,342,572</u>	<u>\$ 30,788,162</u>	<u>\$ 28,080,098</u>	<u>\$ 31,618,590</u>	<u>\$ 31,205,444</u>
Total primary governmental expenses	<u>\$ 62,495,556</u>	<u>\$ 62,523,530</u>	<u>\$ 60,396,110</u>	<u>\$ 60,180,915</u>	<u>\$ 62,217,554</u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
Charges for services:					
General government	\$ 3,573,724	\$ 1,480,475	\$ 1,485,412	\$ 1,001,470	\$ 944,707
Public safety	432,019	522,063	397,948	376,740	424,687
Transportation	175,285	169,651	144,681	175,182	160,197
Environmental protection	1,408,604	1,751,408	2,064,070	2,173,339	2,163,234
Culture and recreation	160,059	166,221	162,497	131,904	136,509
Community and economic development	375,299	169,605	258,108	70,459	71,097
Operating grants and contributions	2,140,686	1,861,365	1,791,226	1,845,698	1,964,896
Capital grants and contributions	97,785	972,479	79,807	-	-
Total governmental activities program revenues	<u>\$ 8,363,461</u>	<u>\$ 7,093,267</u>	<u>\$ 6,383,749</u>	<u>\$ 5,774,792</u>	<u>\$ 5,865,327</u>
<b>Business-type activities:</b>					
Charges for services:					
Water and Sewer	\$ 23,637,076	\$ 22,344,591	\$ 22,773,882	\$ 24,327,901	\$ 23,629,386
Broadband Services	2,621,168	3,867,051	4,811,757	6,092,803	6,070,893
Stormwater		1,152,613	1,153,565	1,153,178	1,186,319
Mass Transit	125,809	114,717	105,706	97,193	85,253
Operating grants and contributions	614,416	605,706	558,062	469,421	738,351
Capital grants and contributions	5,002,523	270,330	575,019	-	-
Total business-type activities program revenues	<u>\$ 32,000,992</u>	<u>\$ 28,355,008</u>	<u>\$ 29,977,991</u>	<u>\$ 32,140,496</u>	<u>\$ 31,710,202</u>
Total primary governmental program revenues	<u>\$ 40,364,453</u>	<u>\$ 35,448,275</u>	<u>\$ 36,361,740</u>	<u>\$ 37,915,288</u>	<u>\$ 37,575,529</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (24,789,523)	\$ (24,642,101)	\$ (25,932,263)	\$ (22,787,533)	\$ (25,146,783)
Business-type activities	2,658,420	(2,433,154)	1,897,893	521,906	504,758
Total primary governmental net expense	<u>\$ (22,131,103)</u>	<u>\$ (27,075,255)</u>	<u>\$ (24,034,370)</u>	<u>\$ (22,265,627)</u>	<u>\$ (24,642,025)</u>
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental activities:</b>					
Taxes					
Property taxes	\$ 17,289,944	\$ 17,796,508	\$ 18,490,266	\$ 18,744,275	\$ 18,719,543
Sales and other taxes	5,260,348	5,303,387	5,454,780	5,898,259	6,433,260
Intergovernmental revenues	3,463,465	3,425,372	3,138,583	3,270,152	3,432,476
Unrestricted investment earnings	86,424	65,080	24,738	17,471	44,586
Miscellaneous	469,090	128,560	-	-	-
Transfers	(416,785)	(413,474)	(413,474)	(3,713,291)	(3,279,850)
Total governmental activities	<u>\$ 26,152,486</u>	<u>\$ 26,305,433</u>	<u>\$ 26,694,893</u>	<u>\$ 24,216,866</u>	<u>\$ 25,350,015</u>
<b>Business-type activities:</b>					
Investment earnings	\$ 242,408	\$ 166,183	\$ 191,619	\$ 97,534	\$ 120,464
Transfers	416,785	413,474	413,474	3,713,291	3,279,850
Total business-type activities	<u>\$ 659,193</u>	<u>\$ 579,657</u>	<u>\$ 605,093</u>	<u>\$ 3,810,825</u>	<u>\$ 3,400,314</u>
Total primary government	<u>\$ 26,811,679</u>	<u>\$ 26,885,090</u>	<u>\$ 27,299,986</u>	<u>\$ 28,027,691</u>	<u>\$ 28,750,329</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 1,362,963	\$ 1,663,332	\$ 762,630	\$ 1,429,333	\$ 203,232
Business-type activities	3,317,613	(1,853,497)	2,502,986	4,332,731	3,905,072
Total primary government	<u>\$ 4,680,576</u>	<u>\$ (190,165)</u>	<u>\$ 3,265,616</u>	<u>\$ 5,762,064</u>	<u>\$ 4,108,304</u>

**Schedule 3**

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

	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General Fund					
Reserved	\$ 3,334,316	\$ 3,618,321	\$ 4,426,599	\$ 4,405,420	\$ -
Unreserved	<u>3,538,413</u>	<u>4,446,572</u>	<u>4,514,032</u>	<u>4,499,117</u>	-
Nonspendable					319,844
Restricted					4,839,986
Committed					2,811,084
Assigned					
Unassigned					<u>515,476</u>
 Total General Fund	 <u>\$ 6,872,729</u>	 <u>\$ 8,064,893</u>	 <u>\$ 8,940,631</u>	 <u>\$ 8,904,537</u>	 <u>\$ 8,486,390</u>
 All other governmental funds					
Reserved	\$ 7,724	\$ 36,736	\$ 81,400	\$ 31,427	\$ -
Unreserved, reported in:					
Special revenue funds	92,834	(30,759)	(76,713)	(27,823)	-
Capital projects funds	<u>-</u>	<u>-</u>	<u>2,035,631</u>	<u>382,328</u>	-
Restricted					6,999
Unassigned					<u>-</u>
 Total all other governmental funds	 <u>\$ 100,558</u>	 <u>\$ 5,977</u>	 <u>\$ 2,040,318</u>	 <u>\$ 385,932</u>	 <u>\$ 6,999</u>

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



**Schedule 3**

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

	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	327,754	710,508	548,414	488,254	557,974
Restricted	4,822,687	4,874,212	4,719,690	4,296,204	4,863,033
Committed	3,587,402	3,974,716	4,261,316	4,310,985	3,800,851
Assigned				1,798,040	1,180,000
Unassigned	<u>1,830,280</u>	<u>3,704,050</u>	<u>6,338,351</u>	<u>7,039,896</u>	<u>7,950,126</u>
 Total General Fund	 <u>\$ 10,568,123</u>	 <u>\$ 13,263,486</u>	 <u>\$ 15,867,771</u>	 <u>\$ 17,933,379</u>	 <u>\$ 18,351,984</u>
 All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted	29,281	9,840	37,542	40,392	72,448
Unassigned	<u>(18,558)</u>	<u>898</u>	<u>(30,068)</u>	<u>(32,916)</u>	<u>(68,520)</u>
 Total all other governmental funds	 <u>\$ 10,723</u>	 <u>\$ 10,738</u>	 <u>\$ 7,474</u>	 <u>\$ 7,476</u>	 <u>\$ 3,928</u>

**Schedule 4**

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

	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Revenues</b>					
Taxes	\$ 15,152,988	\$ 16,731,217	\$ 16,960,723	\$ 17,121,590	\$ 17,295,252
Licenses and permits	473,488	413,940	393,755	420,876	335,602
Intergovernmental	9,592,656	10,708,309	10,489,900	10,637,419	10,899,089
Charges for services	2,490,586	2,503,642	2,941,277	2,640,751	2,559,210
Investment earnings	410,322	394,806	197,380	98,466	92,629
Miscellaneous	602,044	701,002	642,012	496,933	334,184
Administrative charges	<u>2,275,159</u>	<u>2,417,857</u>	<u>2,536,683</u>	<u>2,554,510</u>	<u>2,608,011</u>
Total revenues	<u>\$ 30,997,243</u>	<u>\$ 33,870,773</u>	<u>\$ 34,161,730</u>	<u>\$ 33,970,545</u>	<u>\$ 34,123,977</u>
<b>Expenditures</b>					
General government	\$ 6,604,904	\$ 7,087,851	\$ 7,392,264	\$ 9,208,823	\$ 8,869,055
Public safety	13,235,698	11,591,654	11,800,925	12,654,815	13,103,690
Transportation	4,143,049	4,844,531	4,969,657	4,729,571	5,072,925
Environmental protection	1,994,245	2,198,012	2,269,806	1,804,449	1,814,708
Culture and recreation	2,590,253	3,031,619	3,148,062	2,814,908	2,709,176
Economic and physical development	2,269,786	2,069,328	1,934,441	2,339,095	2,266,733
Education	42,342	42,342	42,342	42,342	42,342
Debt service					
Principal	954,857	2,012,386	1,129,427	1,296,442	1,206,824
Interest and fees	394,837	364,620	350,909	380,261	332,819
Issuance fees			65,437	-	-
Total expenditures	<u>\$ 32,229,971</u>	<u>\$ 33,242,343</u>	<u>\$ 33,103,270</u>	<u>\$ 35,270,706</u>	<u>\$ 35,418,272</u>
Excess of revenues over (under) expenditures	<u>\$ (1,232,728)</u>	<u>\$ 628,430</u>	<u>\$ 1,058,460</u>	<u>\$ (1,300,161)</u>	<u>\$ (1,294,295)</u>
<b>Other financing sources (uses)</b>					
Transfers out	\$ (358,569)	\$ (437,781)	\$ (453,381)	\$ (390,319)	\$ (416,785)
Refunding bonds issued					
Payment to refund bond escrow agent					
Installment purchase financing	<u>674,425</u>	<u>906,934</u>	<u>2,305,000</u>	<u>-</u>	<u>914,000</u>
Total other financing sources (uses)	<u>\$ 315,856</u>	<u>\$ 469,153</u>	<u>\$ 1,851,619</u>	<u>\$ (390,319)</u>	<u>\$ 497,215</u>
Net change in fund balances	<u>\$ (916,872)</u>	<u>\$ 1,097,583</u>	<u>\$ 2,910,079</u>	<u>\$ (1,690,480)</u>	<u>\$ (797,080)</u>
Total capital expenditures included above	\$ 3,982,859	\$ 1,735,087	\$ 3,218,811	\$ 3,772,963	\$ 3,789,327
Debt services as a percentage of noncapital expenditures	4.8%	7.5%	5.2%	5.3%	4.9%

**Schedule 4**

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

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>Revenues</b>					
Taxes	\$ 17,263,974	\$ 17,798,183	\$ 18,861,229	\$ 18,873,342	\$ 18,742,491
Licenses and permits	369,109	366,729	414,427	153,895	65,615
Intergovernmental	11,298,587	11,447,178	10,464,396	10,916,799	11,616,378
Charges for services	3,103,104	3,750,913	3,370,284	3,451,843	3,433,812
Investment earnings	82,763	42,062	16,329	16,679	40,491
Miscellaneous	630,817	414,055	735,036	420,666	616,499
Administrative charges	<u>2,652,777</u>	<u>3,043,931</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 35,401,131</u>	<u>\$ 36,863,051</u>	<u>\$ 33,861,701</u>	<u>\$ 33,833,224</u>	<u>\$ 34,515,286</u>
<b>Expenditures</b>					
General government	\$ 9,256,814	\$ 9,873,172	\$ 10,793,704	\$ 8,721,654	\$ 5,838,547
Public safety	11,692,748	11,471,178	11,275,895	11,514,936	12,601,305
Transportation	3,931,193	3,642,785	2,887,999	3,073,246	3,998,967
Environmental protection	1,637,390	1,446,495	1,668,679	1,472,928	1,860,396
Culture and recreation	2,359,866	2,225,672	2,186,862	2,277,387	2,474,162
Economic and physical development	2,242,324	3,156,793	2,196,940	2,448,259	3,152,580
Education	38,107	38,107	38,107	38,107	38,107
Debt service					
Principal	1,268,348	1,361,089	1,712,533	1,241,639	974,805
Interest and fees	472,495	538,908	504,088	525,118	488,995
Issuance fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 32,899,285</u>	<u>\$ 33,754,199</u>	<u>\$ 33,264,807</u>	<u>\$ 31,313,274</u>	<u>\$ 31,427,864</u>
Excess of revenues over (under) expenditures	<u>\$ 2,501,846</u>	<u>\$ 3,108,852</u>	<u>\$ 596,894</u>	<u>\$ 2,519,950</u>	<u>\$ 3,087,422</u>
<b>Other financing sources (uses)</b>					
Transfers out	\$ (416,785)	\$ (413,474)	\$ (413,474)	\$ (454,340)	\$ (3,279,850)
Refunding bonds issued	905,000	-	-	-	-
Payment to refund bond escrow agent	(904,604)	-	-	-	-
Installment purchase financing	<u>-</u>	<u>-</u>	<u>2,417,601</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (416,389)</u>	<u>\$ (413,474)</u>	<u>\$ 2,004,127</u>	<u>\$ (454,340)</u>	<u>\$ (3,279,850)</u>
Net change in fund balances	<u>\$ 2,085,457</u>	<u>\$ 2,695,378</u>	<u>\$ 2,601,021</u>	<u>\$ 2,065,610</u>	<u>\$ (192,428)</u>
Total capital expenditures included above	\$ 817,974	\$ 788,382	\$ 2,471,991	\$ 1,023,973	\$ 2,560,483
Debt services as a percentage of noncapital expenditures	5.4%	5.8%	7.2%	5.8%	5.1%

Schedule 5

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Utilities Franchise Tax *</b>	<b>Total</b>
2007	\$ 15,237,001	\$ 4,928,404	\$ 2,029,281	\$ 22,194,686
2008	16,755,835	5,220,704	2,533,067	24,509,606
2009	17,162,719	4,732,043	2,493,549	24,388,311
2010	17,379,089	4,526,014	2,542,211	24,447,314
2011	17,410,646	4,752,432	2,561,261	24,724,339
2012	17,289,944	5,260,348	2,510,388	25,060,680
2013	17,796,508	5,303,387	2,497,925	25,597,820
2014	18,490,266	5,454,780	2,557,559	26,502,605
2015	18,744,275	5,898,259	3,112,665	27,755,199
2016	18,719,543	6,433,260	3,432,476	28,585,279

\* Includes Telecommunications taxes and Video Franchise Fees.

**Schedule 6**

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

<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>Overlapping Rates</b>		<b>Total Direct &amp; Overlapping Rates</b>
		<b>Municipal Service District</b>	<b>Rowan County</b>	
2007	0.6250	0.1600	0.6300	1.4150
2008	0.5900	0.1600	0.5950	1.3450
2009	0.5900	0.1600	0.5950	1.3450
2010	0.5900	0.1600	0.5950	1.3450
2011	0.5900	0.1600	0.5950	1.3450
2012	0.6135	0.1750	0.6225	1.4110
2013	0.6374	0.1750	0.6225	1.4349
2014	0.6374	0.1750	0.6225	1.4349
2015	0.6569	0.1750	0.6500	1.4819
2016	0.6600	0.1760	0.6625	1.4985

Source: Rowan County Tax Assessor.

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

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

**Schedule 7**

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

<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Public Service Companies</b>
	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Motor Vehicles</b>	<b>Other</b>	
	2007	\$ 1,062,656,530	\$ 807,518,731	\$180,085,538	
2008	1,278,010,578	979,777,296	203,330,301	321,212,171	60,025,014
2009	1,313,367,427	997,804,691	201,392,686	331,012,807	63,736,172
2010	1,302,210,389	1,030,493,844	173,246,565	354,549,352	60,768,581
2011	1,305,076,616	1,040,773,194	177,902,351	352,153,335	61,255,822
2012	1,226,933,424	971,771,009	180,575,459	352,447,978	59,819,853
2013	1,257,393,327	972,725,409	153,602,651	347,251,636	61,343,725
2014	1,235,667,135	972,277,733	252,958,212	339,868,008	59,056,195
2015	1,236,848,984	977,784,628	204,951,286	367,780,792	62,228,883
2016	1,167,980,619	1,043,691,268	216,798,030	335,426,769	69,437,235

Source: Rowan County Tax Assessor.

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

**Schedule 7**

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

<b>Fiscal Year Ended June 30</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Actual and Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Assessed Value as a Percentage of Actual Value</b>
2007	\$ 13,143,378	\$ 2,416,776,551	\$ 0.6250	100.00%
2008	16,258,111	2,826,097,249	0.5900	100.00%
2009	17,330,586	2,889,983,197	0.5900	100.00%
2010	19,118,719	2,902,150,012	0.5900	100.00%
2011	20,853,689	2,916,307,629	0.5900	100.00%
2012	21,640,331	2,769,907,392	0.6135	100.00%
2013	22,247,212	2,770,069,536	0.6374	100.00%
2014	22,076,075	2,837,751,208	0.6374	100.00%
2015	22,380,573	2,827,214,000	0.6569	100.00%
2016	22,753,706	2,810,580,215	0.6600	100.00%

Source: Rowan County Tax Assessor.

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

**Schedule 8**

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

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Food Lion, Inc.	\$ 168,306,793	1	5.99%	\$ 123,905,778	1	5.13%
Henkel Corporation	33,903,814	2	1.21%			
AKZO Nobel	31,974,331	3	1.14%			
Duke Energy Corporation	29,960,139	4	1.07%	22,753,914	7	0.94%
Centro Heritage Innes Street, LLC	25,754,169	5	0.92%	27,459,117	3	1.14%
Norandal USA	24,667,967	6	0.88%	27,081,181	4	1.12%
Cole Mt. Salisbury, NC LLC	22,958,592	7	0.82%			
Wal-Mart Real Estate Business	13,002,662	8	0.46%			
BRC Salisbury LLC	12,025,915	9	0.43%	24,586,535	6	1.02%
MFW Associates	10,787,418	10	0.38%			
Piedmont Natural Gas				12,068,827	10	0.50%
ICI Americas				31,577,284	2	1.31%
Bellsouth Telephone				16,516,161	8	0.68%
Rowan Regional Medical Center				25,534,080	5	1.06%
Salisbury Mall, Ltd.				14,010,161	9	0.58%
<b>Totals</b>	<u><u>\$ 373,341,800</u></u>		<u><u>13.28%</u></u>	<u><u>\$ 325,493,038</u></u>		<u><u>13.47%</u></u>

Source: Rowan County Tax Assessor



**Schedule 9**

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

<b>Fiscal Year Ended June 30</b>	<b>Total Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2007	\$ 15,353,108	\$ 14,885,545	96.95%	\$ 441,489	\$ 15,327,034	99.83%
2008	16,966,584	16,463,376	97.03%	469,943	16,933,319	99.80%
2009	17,334,870	16,646,171	96.03%	646,379	17,292,550	99.76%
2010	17,459,442	16,675,302	95.51%	732,878	17,408,180	99.71%
2011	17,470,493	16,668,635	95.41%	748,525	17,417,160	99.69%
2012	17,339,063	16,525,289	95.31%	759,022	17,284,311	99.68%
2013	17,904,696	17,181,570	95.96%	639,014	17,820,584	99.53%
2014	18,614,476	18,142,635	97.47%	353,438	18,496,073	99.36%
2015	18,906,370	18,468,008	97.68%	263,684	18,731,692	99.08%
2016	18,800,286	18,392,372	97.83%	-	18,392,372	97.83%

**Schedule 10**

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>			
	<b>General Obligation Bonds</b>	<b>Installment Purchases</b>	<b>Section 108 Loan</b>	<b>General Obligation Bonds</b>	<b>Installment Purchases</b>	<b>Revenue Bonds</b>	<b>State Loans</b>
2007	\$ 1,875,000	\$ 7,228,720	500,000	\$ 9,286,300		\$25,045,997	\$10,655,060
2008	1,675,000	6,355,267	468,000	8,054,887		31,587,521	9,772,554
2009	1,475,000	7,762,840	436,000	6,888,474	31,973,281	30,448,803	8,890,048
2010	1,275,000	6,698,398	404,000	5,742,062	32,052,617	35,261,442	8,007,542
2011	1,075,000	6,637,574	372,000	4,615,650	32,131,953	33,810,689	7,125,036
2012	905,000	5,601,226	340,000	3,491,651	32,211,289	32,171,040	6,242,530
2013	690,000	4,487,137	308,000	2,625,000	33,965,775	30,485,857	5,360,024
2014	475,000	5,439,205	276,000	1,440,000	35,070,779	28,648,396	4,477,518
2015	270,000	4,434,566	244,000	275,000	33,198,540	26,750,426	3,595,012
2016	70,000	3,691,761	212,000	95,000	31,260,299	24,797,523	2,712,506

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

**Schedule 10**

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

<b>Fiscal Year</b>	<b>Capital Leases</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2007	\$ 2,535,695	\$ 57,126,772	8.95%	\$ 1,864
2008	2,274,849	60,188,078	8.56%	1,940
2009	2,007,264	89,881,710	12.34%	2,866
2010	1,732,856	91,173,917	12.81%	2,826
2011	1,456,531	87,224,433	11.43%	2,586
2012	4,864,846	85,827,582	10.99%	2,547
2013	4,237,571	82,159,364	10.28%	2,444
2014	3,610,296	79,437,194	9.67%	2,355
2015	2,983,020	71,750,564	8.46%	2,113
2016	2,355,745	65,194,834	7.43%	1,902

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

**Schedule 11**

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

<b>Fiscal Year</b>	<b>Governmental General Obligation Bonds</b>	<b>Business-type General Obligation Bonds</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2007	\$ 1,875,000	\$ 9,286,300	\$ 11,161,300	0.46%	364
2008	1,675,000	8,054,887	9,729,887	0.34%	314
2009	1,475,000	6,888,474	8,363,474	0.29%	267
2010	1,275,000	5,742,062	7,017,062	0.24%	217
2011	1,075,000	4,615,650	5,690,650	0.20%	169
2012	905,000	3,491,651	4,396,651	0.16%	130
2013	690,000	2,625,000	3,315,000	0.12%	99
2014	475,000	1,440,000	1,915,000	0.07%	57
2015	270,000	275,000	545,000	0.02%	16
2016	70,000	95,000	165,000	0.01%	5

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

Schedule 12

**CITY OF SALISBURY  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
As of June 30, 2016**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
Debt repaid with property taxes: Rowan County	\$ 63,247,509	23.50%	\$ 14,864,311
City of Salisbury direct debt			<u>8,438,898</u>
Total direct and overlapping debt			<u><u>\$ 23,303,209</u></u>

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

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

**Schedule 13**

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

	<u>2007</u>	<u>2008</u>	<u>Fiscal Year 2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 194,393,594	\$ 227,388,429	\$ 232,585,103	\$ 233,701,498	\$ 234,972,905
Total net debt applicable to limit	<u>20,925,715</u>	<u>18,360,003</u>	<u>50,981,225</u>	<u>47,500,933</u>	<u>45,916,708</u>
Legal debt margin	<u>\$ 173,467,879</u>	<u>\$ 209,028,426</u>	<u>\$ 181,603,878</u>	<u>\$ 186,200,565</u>	<u>\$ 189,056,197</u>
Total net debt applicable to the limit as a percentage of debt limit	10.76%	8.07%	21.92%	20.33%	19.54%

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

**Schedule 13**

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

	<u>2007</u>	<u>2008</u>	<b>Fiscal Year</b> <u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 194,393,594	\$ 227,388,429	\$ 232,585,103	\$ 233,701,498	\$ 234,972,905
Total net debt applicable to limit	<u>20,925,715</u>	<u>18,360,003</u>	<u>50,981,225</u>	<u>47,500,933</u>	<u>45,916,708</u>
Legal debt margin	<u>\$ 173,467,879</u>	<u>\$ 209,028,426</u>	<u>\$ 181,603,878</u>	<u>\$ 186,200,565</u>	<u>\$ 189,056,197</u>
Total net debt applicable to the limit as a percentage of debt limit	10.76%	8.07%	21.92%	20.33%	19.54%

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

**Schedule 14**

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

<b>Fiscal Year</b>	<b>Gross Revenues</b>	<b>Operating Expenditures</b>	<b>Net Revenues Available</b>	<b>Debt Service Requirements</b>		<b>Coverage Ratios</b>	
				<b>Parity Debt</b>	<b>All Debt</b>	<b>Parity Debt</b>	<b>All Debt</b>
2007	\$ 19,888,170	\$ 12,384,082	\$ 7,504,088	\$ 1,828,958	\$ 5,208,347	410.29%	144.08%
2008	20,965,998	13,150,616	7,815,382	2,132,890	5,478,090	366.42%	142.67%
2009	20,968,062	13,521,208	7,446,854	2,592,000	5,687,303	287.30%	130.94%
2010	21,044,751	14,203,262	6,841,489	2,683,309	5,754,927	254.96%	118.88%
2011	22,253,461	14,885,367	7,368,094	3,135,833	5,936,107	234.96%	124.12%
2012	23,758,916	14,643,931	9,114,985	3,061,815	6,391,834	297.70%	142.60%
2013	22,447,556	14,087,147	8,360,409	3,025,353	6,257,965	276.34%	133.60%
2014	22,861,204	14,238,470	8,622,734	3,009,771	6,216,842	286.49%	138.70%
2015	24,410,819	14,465,712	9,945,107	3,010,325	6,292,092	330.37%	158.06%
2016	23,734,822	14,690,866	9,043,956	3,012,537	5,218,769	300.21%	173.30%

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Gross revenues include total operating revenues plus investment earnings exclusive of revenue bond investment earnings.

Operating expenses above is equal to total operating expenses exclusive of depreciation.

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



**Schedule 15**

**CITY OF SALISBURY  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Unemployment Rate</b>
2007	30,642	\$ 638,211,576	\$ 20,828	37.9	6.6%
2008	31,024	703,003,840	22,660	38.1	6.6%
2009	31,358	728,336,587	23,227	38.3	10.3%
2010	32,263	711,888,741	22,065	38.5	12.7%
2011	33,732	762,910,045	22,617	38.7	11.6%
2012	33,701	781,264,147	23,182	38.9	10.9%
2013	33,622	798,918,570	23,762	39.1	9.6%
2014	33,726	821,424,540	24,356	39.3	7.3%
2015	33,955	847,677,075	24,965	39.5	5.9%
2016	34,285	877,313,318	25,589	39.7	5.8%

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

**Schedule 16**

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

<b>Employer</b>	<b>2016</b>			<b>2007</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Rowan/Salisbury School System	2,847	1	13.56%	2,905	1	15.29%
W. G. (Bill) Hefner VA Medical Center	2,100	2	10.00%	1,300	3	6.84%
Food Lion	2,000	3	9.52%	2,165	2	11.39%
Novant Health Rowan Regional	1,449	4	6.90%	1,250	4	6.58%
Rowan County	761	5	3.62%	695	5	3.66%
Piedmont Correctional Institute	448	6	2.13%	450	7	2.37%
Wal-Mart	434	7	2.07%	320	8	1.68%
City of Salisbury	414	8	1.97%	442	6	2.33%
Rowan-Cabarrus Community College	350	9	1.67%			
Catawba College	250	10	1.19%	255	10	1.34%
Lutheran Services for the Aging				280	9	1.47%
<b>Total</b>	<b>11,055</b>		<b>52.63%</b>	<b>10,062</b>		<b>52.96%</b>

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

**Schedule 17**

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

	<b>Full-time Equivalent Employees as of June 30</b>									
<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>General government:</b>										
City administration	8	9	9	9	9	10	11	9	9	10
Human resources	5	4	5	6	6	6	6	6	6	5
Business and Financial Services	15	17	16	16	23	21	22	27	25	23
Fleet management	11	11	12	11	10	11	10	11	11	12
Public services administration	4	4	3	3	3	3	3	3	3	3
Facilities maintenance	6	7	7	8	9	9	6			
Infrastructure services								17	14	12
Telecommunications	2	2	3	3	3	3	3	3	4	3
Information technologies	8	10	11	9	8	8	12	11	11	12
<b>Public safety:</b>										
<b>Police:</b>										
Officers	76	83	84	83	79	79	72	79	79	70
Civilians	20	20	18	17	21	19	20	7	7	7
<b>Fire:</b>										
Firefighters	74	76	73	76	76	75	75	71	72	75
Civilians	1	1	1	1	1	1	1	1	1	2
<b>Transportation:</b>										
Traffic operations	7	7	7	7	7	7	6	6		
Engineering	6	7	7	7	5	4	3	4	5	10
Streets	27	29	30	30	24	27	18	17	23	26
<b>Environmental protection:</b>										
Solid waste management	15	15	12	11	10	10	9	5	3	4
Cemetery	5	5	5	4	6	4	4	4	4	4
<b>Culture and recreation</b>	44	36	36	36	29	26	24	27	23	28
<b>Community and economic development:</b>										
Community planning services	7	7	11	7	8	5	4	4	3	3
Developmental services	5	4	3	3	2	5	5	5	4	4
Code Enforcement					3	3	3	3	2	3
<b>Water and Sewer</b>	83	83	86	92	90	89	83	84	83	82
<b>Broadband Services</b>			2	8	13	18	9	9	2	2
<b>Stormwater Services</b>							9	8	8	7
<b>Mass Transit</b>	<u>13</u>	<u>13</u>	<u>12</u>	<u>10</u>	<u>8</u>	<u>11</u>	<u>10</u>	<u>9</u>	<u>10</u>	<u>9</u>
	<u>442</u>	<u>450</u>	<u>453</u>	<u>457</u>	<u>453</u>	<u>454</u>	<u>428</u>	<u>430</u>	<u>412</u>	<u>416</u>

Source: City Human Resources Department.

**Schedule 18**

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

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Police					
Calls resulting in a dispatch	36,091	40,442	41,261	35,447	34,673
Part I crimes reported (most serious)	2,371	2,862	2,636	1,189	2,359
Fire					
Total Fire Department responses	3,979	4,237	4,263	4,097	4,074
Value of fire loss	\$ 596,235	\$ 4,789,550	\$ 1,027,072	\$ 521,600	\$ 901,650
Streets					
Street miles maintained (lane miles)	321	340	340	347	344
Miles resurfaced (lanes miles)	9.8	10.5	4.0	4.8	6.3
Sanitation					
Refuse collected (tons per 1,000 population)	301	297	303	300	291
Recyclables collected (tons per 1,000 population)	51	54	44	40	29
Culture and recreation					
Program participations (per 1,000 population)	4,218	5,392	4,230	4,531	4,219
Water					
Utility accounts	16,691	16,750	17,100	17,500	18,000
New water connections	464	522	399	110	84
Average daily water consumption (millions of gallons per day)	7.4	7.9	7.7	7.9	8.4
Wastewater					
Average daily sewage treatment (thousands of gallons)	7.8	8.49	7.67	7.91	7.67

Sources: Various government departments.

**Schedule 18**

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

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Police					
Calls resulting in a dispatch	31,668	30,610	34,146	36,456	91,606
Part I crimes reported (most serious)	2,346	2,064	2,181	1,762	1,793
Fire					
Total Fire Department responses	4,402	4,553	5,040	5,206	5,416
Value of fire loss	\$ 1,886,379	\$ 822,267	\$ 621,260	\$ 342,475	\$ 1,061,698
Streets					
Street miles maintained (lane miles)	345	342	342	342	342
Miles resurfaced (lanes miles)	6.0	4.0	4.8	5.6	6.7
Sanitation					
Refuse collected (tons per 1,000 population)	282	234	243	239	256
Recyclables collected (tons per 1,000 population)	30	45	46	46	45
Culture and recreation					
Program participations (per 1,000 population)	3,353	N/A	1,507	N/A	N/A
Water					
Utility accounts	19,080	18,900	18,890	18,257	18,900
New water connections	1,862	150	(15)	71	55
Average daily water consumption (millions of gallons per day)	8.7	8.7	8.7	9.2	9.0
Wastewater					
Average daily sewage treatment (thousands of gallons)	7.1	7.1	7.4	6.3	6.4

Sources: Various government departments.

**Schedule 19**

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

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	84	88	88	88	88
Fire:					
Fire stations	4	4	4	4	4
Fire apparatus	11	14	14	14	14
Highways and streets					
Streets (miles)	169.18	170.00	170.00	170.50	170.50
Culture and recreation					
Parks acreage	505	506	520	520	520
Parks	15	16	16	16	16
Recreation centers	4	4	4	4	4
Tennis courts	10	10	10	10	10
Water and Sewer Utility					
Utility customers	16,691	16,120	16,750	17,200	18,000
Miles of water lines	405	405	405	405	405
Miles of sewer lines	393	393	393	393	393
Water treatment capacity (millions of gallons per day)	24.0	24.0	24.0	24.0	24.0
Sewage treatment capacity (millions of gallons per day)	12.5	12.5	12.5	12.5	12.5

Sources: Various city departments.

**Schedule 19**

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

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Public safety</b>					
Police:					
Stations	1	1	1	1	1
Patrol units	88	88	85	91	90
Fire:					
Fire stations	4	4	4	5	5
Fire apparatus	14	14	14	14	14
<b>Highways and streets</b>					
Streets (miles)	170.50	170.50	171.65	171.65	172.62
<b>Culture and recreation</b>					
Parks acreage	520	520	520	520	508
Parks	16	16	16	16	16
Recreation centers	4	4	4	4	4
Tennis courts	10	10	10	10	10
<b>Water and Sewer Utility</b>					
Utility customers	18,900	19,000	19,500	19,522	19,522
Miles of water lines	405	405	405	420	421
Miles of sewer lines	393	393	393	398	399
Water treatment capacity (millions of gallons per day)	24.0	24.0	24.0	25.0	25.0
Sewage treatment capacity (millions of gallons per day)	12.5	12.5	12.5	12.5	12.5

Sources: Various city departments.





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# Compliance Section

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina (the “City”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 9, 2016. Our report includes a reference to other auditors who audited the financial statements of Downtown Salisbury, Inc., as described in our report on the City’s financial statements. This report does not include the results of other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Downtown Salisbury, Inc. and the Salisbury Tourism and Cultural Development Commission were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies in internal control may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

### **City's Response to Findings**

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

### **Purpose of This Report**

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

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

Raleigh, North Carolina  
December 9, 2016



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

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

***Report on Compliance for Each Major Federal Program***

We have audited the City of Salisbury, North Carolina’s (the “City”) compliance with the types of compliance requirements described in the OMB *Compliance* Supplement and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2016. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying *Schedule of Findings and Questioned Costs*.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### ***Report on Internal Control over Compliance***

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

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

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

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

*Elliott Davis Decosimo, PLLC*

Raleigh, North Carolina  
December 9, 2016



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

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

**Report on Compliance for Each Major State Program**

We have audited the City of Salisbury, North Carolina's (the "City") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2016. The City's major state programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major State Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

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

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

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

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

*Elliott Davis Decosimo, PLLC*

Raleigh, North Carolina  
December 9, 2016



**CITY OF SALISBURY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2016**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors' Number</u>	<u>Federal Direct &amp; Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>FEDERAL GRANTS:</b>					
<b>CASH PROGRAMS</b>					
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Direct Program:					
Community Development Block Grant-Entitlement Grants					
Entitlement Program	14.218	B-12-MC-37-0015	\$ 8,377	\$ -	\$ -
Entitlement Program	14.218	B-13-MC-37-0015	358	-	-
Entitlement Program	14.218	B-14-MC-37-0015	2,191	-	-
Entitlement Program	14.218	B-15-MC-37-0015	<u>142,072</u>	<u>-</u>	<u>25,640</u>
			<u>\$ 152,998</u>	<u>\$ -</u>	<u>\$ 25,640</u>
Pass-through N.C. Department of Housing Home Investment Partnership Program	14.239	R-90-SG-37-0117	<u>\$ 167,697</u>	<u>\$ -</u>	<u>\$ -</u>
Total U.S. Department of Housing And Urban Development			<u>\$ 320,695</u>	<u>\$ -</u>	<u>\$ 25,640</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>					
Office of Justice Programs:					
Bureau of Justice Assistance					
Direct Program:					
Justice Assistance Grant	16.592	2012-DJ-BX-1169	<u>\$ 3,320</u>	<u>\$ -</u>	<u>\$ -</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>					
Federal Transit Cluster					
Formula Grants for Urban Areas					
Operating	20.507	NC904595	\$ 91,509	\$ -	\$ 204,025
Capital	20.507	NC900595	228,886	-	57,222
Capital	20.507	NC908595	<u>43,664</u>	<u>-</u>	<u>10,916</u>
			<u>\$ 364,059</u>	<u>\$ -</u>	<u>\$ 272,163</u>
Pass-through N.C. Department of Transportation Sidewalk Agreement - Jake Alexander Boulevard	20.205	ER-29711	<u>\$ 116,500</u>	<u>\$ -</u>	<u>\$ 25,450</u>
Total U.S. Department of Transportation			<u>\$ 480,559</u>	<u>\$ -</u>	<u>\$ 297,613</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>					
Brownfields Assessment and Cooperative Agreement					
	66.818	EPA-OSWER-OBLR-13-05	<u>\$ 174,190</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL ASSISTANCE - FEDERAL PROGRAMS			<u>\$ 978,764</u>	<u>\$ -</u>	<u>\$ 323,253</u>

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

**Year Ended June 30, 2016**  
**(Continued)**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors' Number</u>	<u>Federal Direct &amp; Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>STATE GRANTS:</b>					
<b>CASH PROGRAMS</b>					
<b>N.C. DEPARTMENT OF TRANSPORTATION</b>					
Powell Bill	N/A		\$ -	\$ 975,238	\$ -
<b>Community Transportation Grants</b>					
Administration	20.509	36233.25.17.1	\$ -	\$ 118,139	\$ 20,848
Capital	20.509	36233.25.17.3	-	66,529	7,392
			<u>\$ -</u>	<u>\$ 184,668</u>	<u>\$ 28,240</u>
State Maintenance Assistance for Transit Systems	N/A	04-CTP-003	\$ -	\$ 189,624	\$ -
Total N. C. Department of Transportation			<u>\$ -</u>	<u>\$ 1,349,530</u>	<u>\$ 28,240</u>
TOTAL ASSISTANCE - STATE PROGRAMS			<u>\$ -</u>	<u>\$ 1,349,530</u>	<u>\$ 28,240</u>
TOTAL ASSISTANCE			<u>\$ 978,764</u>	<u>\$ 1,349,530</u>	<u>\$ 351,493</u>

**CITY OF SALISBURY, NORTH CAROLINA**

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

**Year Ended June 30, 2016**

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**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Salisbury under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City of Salisbury, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Salisbury.

**Note 2: Summary of Significant Accounting Policies**

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

**CITY OF SALISBURY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

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**I. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major Federal programs:

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.507	Federal Transit Cluster

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

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

State Awards

Internal control over major State programs:

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

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

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

Identification of major State program:  
Powell Bill

**CITY OF SALISBURY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

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**II. FINANCIAL STATEMENT FINDINGS**

**2016-001 – Broadband Services Fund Deficit Net Position (repeated and updated finding from prior year 2015-001)**

**Criteria:** Management should have a system of controls in place to reduce the likelihood that violations of General Statutes occur and go undetected.

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

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

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

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

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

**Name of Contact Person:** Teresa P. Harris

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

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**IV. STATE AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**CITY OF SALISBURY, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2016**

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

**Finding 2015-001** – Repeated as 2016-001 for the Broadband Services Fund.

**Finding 2015-002** – Was corrected.