



CITY OF SALUDA, NORTH CAROLINA

Financial Statements and
Supplementary Information

Year Ended June 30, 2019

CITY OF SALUDA, NORTH CAROLINA

MAYOR

Fred Baisden

MAYOR PRO TEM

Stanley Walker

COUNCIL MEMBERS

Paul C. Marion
Richard L. Morgan
Mark Oxtoby

CITY OF SALUDA, NORTH CAROLINA

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-12
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	13-14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	20
Statement of Fund Net Position - Proprietary Fund	21
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	22
Statement of Cash Flows - Proprietary Fund	23
Notes to the Financial Statements	24-49

CITY OF SALUDA, NORTH CAROLINA

TABLE OF CONTENTS (continued)

	<u>PAGE</u>
REQUIRED SUPPLEMENTAL FINANCIAL DATA	
Schedule of the Proportionate Share of the Net Pension Liability - Local Government Employees' Retirement System	50
Schedule of Contributions - Local Government Employees' Retirement System	51
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	52
Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	53
INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	54-56
Schedule of Revenues and Expenditures - Budget and Actual - Non-GAAP - Water and Sewer Fund	57-58
Water and Sewer Capital Projects Fund	59
OTHER SCHEDULES	
Schedule of Ad Valorem Taxes Receivable	60
Analysis of Current Tax Levy - City-Wide Levy	61

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Saluda (the City), North Carolina, as of and for the year ended June 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the Honorable Mayor
and Members of the City Council
City of Saluda, North Carolina
Page 2

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Saluda, North Carolina, as of June 30, 2019, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability and Contributions, on pages 50 and 51, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 52 and 53, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Saluda, North Carolina. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor
and Members of the City Council
City of Saluda, North Carolina
Page 3

Supplementary and Other Information (continued)

The budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, and the procedures performed as described above, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CARTER, P.C.

Asheville, North Carolina
November 21, 2019

CITY OF SALUDA, NORTH CAROLINA

Management's Discussion and Analysis

As management of the City of Saluda (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,231,021 (*net position*).
- The government's total net position increased by \$401,306, primarily due to water and sewer sales during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$977,569 with a net increase in fund balance of \$53,439. Approximately 16.6% of ending fund balances, or \$162,337, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$673,365, or 57.4%, of total general fund expenditures for the fiscal year.
- The City's total debt increased by \$2,103,916 (260%) during the current fiscal year. The key factor in this increase was the issuance of a bond anticipation note to finance construction of water line repairs.

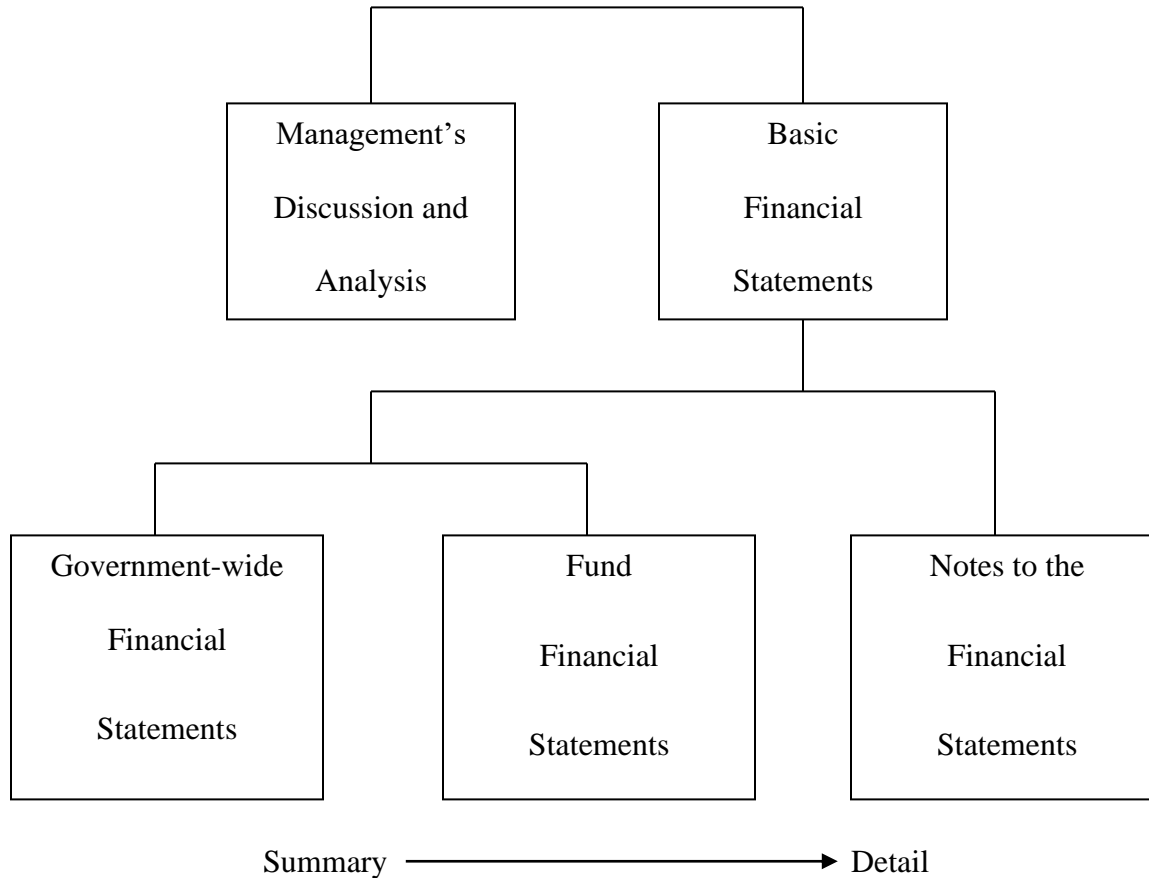
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City'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 (see Figure 1). 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 supplementary information that will enhance the reader's understanding of the financial condition of the City of Saluda.

CITY OF SALUDA, NORTH CAROLINA

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 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 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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 North Carolina General Statutes also can be found in this part of the statements.

CITY OF SALUDA, NORTH CAROLINA

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 and deferred outflows of resources and total liabilities and 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, streets, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City. The final category is the component unit. Although legally separate from the City, the Saluda District D Tourism Development Authority (Authority) is important to the City. The City exercises control over the Authority by appointing its members.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) 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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

CITY OF SALUDA, NORTH CAROLINA

The City 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 citizens of the City, the management of the City, and the decisions of the Board 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 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.

Proprietary Funds - The City has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer activity. The fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 begin on page 24 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's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 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 federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

CITY OF SALUDA, NORTH CAROLINA

Government-Wide Financial Analysis

**City of Saluda's Net Position
Figure 2**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$1,023,606	\$ 967,842	\$2,710,265	\$ 385,722	\$3,733,871	\$1,353,564
Capital assets	1,659,392	1,650,345	2,905,039	2,732,801	4,564,431	4,383,146
Deferred outflows of resources	<u>99,856</u>	<u>60,879</u>	<u>30,286</u>	<u>11,653</u>	<u>130,142</u>	<u>72,532</u>
Total assets and deferred outflows of resources	<u>2,782,854</u>	<u>2,679,066</u>	<u>5,645,590</u>	<u>3,130,176</u>	<u>8,428,444</u>	<u>5,809,242</u>
Long-term liabilities outstanding	488,829	464,095	296,479	298,297	785,308	762,392
Other liabilities	47,484	45,645	2,340,096	133,450	2,387,580	179,095
Deferred inflows of resources	<u>23,527</u>	<u>36,239</u>	<u>1,008</u>	<u>1,801</u>	<u>24,535</u>	<u>38,040</u>
Total liabilities and deferred inflows of resources	<u>559,840</u>	<u>545,979</u>	<u>2,637,583</u>	<u>433,548</u>	<u>3,197,423</u>	<u>979,527</u>
Net position:						
Net investment in capital assets	1,282,647	1,249,163	2,277,324	2,427,354	3,559,971	3,676,517
Restricted	149,672	321,898			149,672	321,898
Unrestricted	<u>790,695</u>	<u>562,026</u>	<u>730,683</u>	<u>269,274</u>	<u>1,521,378</u>	<u>831,300</u>
Total net position	<u>\$2,223,014</u>	<u>\$2,133,087</u>	<u>\$3,008,007</u>	<u>\$2,696,628</u>	<u>\$5,231,021</u>	<u>\$4,829,715</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$5,231,021 as of June 30, 2019. The City's net position increased by \$401,306 for the fiscal year ended June 30, 2019. However, the largest portion reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$149,672, represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.95%. The statewide average in fiscal year 2019 was 98.78%.
- Increased ad valorem tax revenues of approximately \$50,000 due to the growth of the City and the updated property tax assessment.
- Detail monthly review of transactions and budget comparisons by the Board of Commissioners.

CITY OF SALUDA, NORTH CAROLINA

**City of Saluda's Changes in Net Position
Figure 3**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 123,622	\$ 131,350	\$ 919,557	\$ 904,786	\$1,043,179	\$1,036,136
Operating grants and contributions	46,955	36,551			46,955	36,551
General revenues:						
Property taxes	756,338	699,644			756,338	699,644
Licenses	1,530	2,735			1,530	2,735
Other taxes	300,834	278,821			300,834	278,821
Unrestricted investment earnings	24,576	12,382			24,576	12,382
Forgiveness of advance to other funds	(74,840)		74,840			
Other	<u>53,692</u>	<u>55,419</u>	<u>284</u>	<u>(44,429)</u>	<u>53,976</u>	<u>10,990</u>
Total revenues	<u>1,232,707</u>	<u>1,216,902</u>	<u>994,681</u>	<u>860,357</u>	<u>2,227,388</u>	<u>2,077,259</u>
Expenses:						
General government	426,407	392,003			426,407	392,003
Public safety	416,340	375,003			416,340	375,003
Transportation	88,193	170,962			88,193	170,962
Economic development		2,085				2,085
Environmental protection	106,218	105,104			106,218	105,104
Cultural and recreation	90,835	82,711			90,835	82,711
Interest on long-term debt	13,837	14,755			13,837	14,755
Water and sewer			<u>683,852</u>	<u>651,107</u>	<u>683,852</u>	<u>651,107</u>
Total expenses	<u>1,141,830</u>	<u>1,142,623</u>	<u>683,852</u>	<u>651,107</u>	<u>1,825,682</u>	<u>1,793,730</u>
Increase in net position before transfers	90,877	74,279	310,829	209,250	401,706	283,529
Transfers	<u>(950)</u>		<u>550</u>		<u>(400)</u>	
Increase in net position	89,927	74,279	311,379	209,250	401,306	283,529
Net position, beginning	<u>2,133,087</u>	<u>2,058,808</u>	<u>2,696,628</u>	<u>2,487,378</u>	<u>4,829,715</u>	<u>4,546,186</u>
Net position, June 30	<u>\$2,223,014</u>	<u>\$2,133,087</u>	<u>\$3,008,007</u>	<u>\$2,696,628</u>	<u>\$5,231,021</u>	<u>\$4,829,715</u>

Governmental activities. Governmental activities increased the City's net position by \$89,927, thereby accounting for 22% of the total growth in the net position of the City. Key elements of this stability are continued diligence in tax collections and monitoring expenditures.

Business-type activities. Business-type activities increased the City's net position by \$311,379, accounting for 78% of the total growth in the government's net position. A key element of this increase was continued water and sewer services. Water and sewer rates were increased in the prior year to raise funds for water system repairs.

CITY OF SALUDA, NORTH CAROLINA

Financial Analysis of City's Funds

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

Governmental Funds. The focus of the City'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's financing requirements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the City's fund balance available in the General Fund was \$673,365 while total fund balance reached \$977,569. The Governing Body of the City has determined that the City should maintain an available fund balance of 26% of the general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the City. The City currently has an available fund balance of 57% of general fund expenditures, while total fund balance represents 83% of the same amount.

At June 30, 2019, the governmental funds reported a combined fund balance of \$977,569, with a net increase in fund balance of \$53,439.

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.

There were several reasons the City revised its budget throughout the year. Amendments were made to adjust budgeted revenues to match the actual collections and to adjust budgeted expenditures to cover actual expenditures incurred during the year.

Proprietary Funds. The City's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$730,683. The total change in net position for the Water and Sewer Fund was \$311,379. The change in net position is the result of continued water and sewer services. Water and sewer rates were increased in the prior year to raise funds for water system repairs.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$4,564,431 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

CITY OF SALUDA, NORTH CAROLINA

Major capital asset transactions during the year include the following:

- Construction in progress for water and sewer capital assets of \$194,940.
- An excavator was purchased for the Water Fund and Sewer Fund for \$53,560.
- Construction of Shand Street infrastructure for \$52,902.

**City of Saluda’s Capital Assets
(net of depreciation)
Figure 4**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 95,753	\$ 95,753	\$	\$	\$ 95,753	\$ 95,753
Construction in progress	272	272	354,434	159,494	354,706	159,766
Buildings and system Infrastructure	886,016	914,200	2,397,335	2,470,725	3,283,351	3,384,925
Other improvements	52,241				52,241	
Equipment and furniture	550,373	576,693			550,373	576,693
Vehicles	57,420	38,272			57,420	38,272
Total	<u>17,317</u>	<u>25,155</u>	<u>153,270</u>	<u>102,582</u>	<u>170,587</u>	<u>127,737</u>
	<u>\$1,659,392</u>	<u>\$1,650,345</u>	<u>\$2,905,039</u>	<u>\$2,732,801</u>	<u>\$4,564,431</u>	<u>\$4,383,146</u>

Additional information on the City’s capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

City of Saluda’s Outstanding Debt

Long-term debt. As of June 30, 2019, the City had total debt outstanding of \$2,914,242. The City’s long-term debt consisted mainly of the sewer project revolving loan, a bond anticipation note, capital hall renovations revolving loan, pension related debt, and compensated absences.

**City of Saluda’s Outstanding Debt
Figure 5**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Sewer project revolving loan	\$	\$	\$ 281,951	\$ 305,447	\$ 281,951	\$ 305,447
Bond anticipation note			2,081,000		2,081,000	
City Hall project revolving loan	376,745	401,182			376,745	401,182
Compensated absences	16,933	15,111	7,734	5,461	24,667	20,572
Pension related debt (LGERS)	94,970	55,113	30,290	10,885	125,260	65,998
Pension related debt (LEO)	24,619	17,127			24,619	17,127
Total	<u>\$ 513,267</u>	<u>\$ 488,533</u>	<u>\$2,400,975</u>	<u>\$ 321,793</u>	<u>\$2,914,242</u>	<u>\$ 810,326</u>

The City’s total debt increased by \$2,103,916 during the current fiscal year. The key factor in this increase was the issuance of a bond anticipation note to finance construction of water line repairs.

CITY OF SALUDA, NORTH CAROLINA

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 is \$9,471,197.

Additional information regarding the City'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 economic indicators reflect the growth and prosperity of the City:

- Continued diligence in the collection of current taxes.
- Continued effort by the City to limit excess costs.
- Continued enforcement of civil citations and aggressive solicitation of donations and grants to offset certain costs.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Budgeted revenues in the General Fund are expected to fall approximately 6% to \$1,224,566. The City has chosen to increase property taxes by \$0.02 and appropriate \$141,867 of General Fund fund balance in the fiscal year 2020 budget to make up for decreased budgeted revenues. The City has also chosen to add a \$20 Highway Use tax per tagged vehicle to cover the decrease in Powell Bill Funds budgeted for streets.

Budgeted expenditures in the General Fund are expected to rise approximately 16% to \$1,366,433. The largest increments are in public safety and transportation.

Business-type Activities: The water and sewer rates of the City will remain the same in the fiscal year 2020 budget. General operating expenses will increase by 36% to cover the costs of capital improvements to the water line.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, City of Saluda, P.O. Box 248, Saluda, North Carolina 28773-0248. One can also call 828-749-2581, visit our website www.cityofsaludanc.com or send an email to saludafinance@cityofsaludanc.com for more information.

BASIC FINANCIAL STATEMENTS

CITY OF SALUDA, NORTH CAROLINA

Statement of Net Position
June 30, 2019

	Primary Government			Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 849,369	\$ 612,176	\$ 1,461,545	\$ 8,957
Taxes receivable (net)	11,900		11,900	
Grants receivable	11,586		11,586	
Accounts receivable (net)	106,401	94,357	200,758	
Internal balances	8,534	(8,534)		
Prepaid items	12,665		12,665	
Restricted cash and cash equivalents	23,151	2,012,266	2,035,417	
Total current assets	<u>1,023,606</u>	<u>2,710,265</u>	<u>3,733,871</u>	<u>8,957</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	96,025	354,434	450,459	
Other capital assets, net of depreciation	<u>1,563,367</u>	<u>2,550,605</u>	<u>4,113,972</u>	
Total capital assets	<u>1,659,392</u>	<u>2,905,039</u>	<u>4,564,431</u>	
Total assets	<u>\$ 2,682,998</u>	<u>\$ 5,615,304</u>	<u>\$ 8,298,302</u>	<u>\$ 8,957</u>
Deferred outflows of resources	<u>\$ 99,856</u>	<u>\$ 30,286</u>	<u>\$ 130,142</u>	<u>\$</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	\$ 23,046	\$ 208,267	\$ 231,313	\$ 28
Customer deposits		27,333	27,333	
Current portion of long-term liabilities	<u>24,438</u>	<u>2,104,496</u>	<u>2,128,934</u>	
Total current liabilities	<u>47,484</u>	<u>2,340,096</u>	<u>2,387,580</u>	<u>28</u>
Long-term liabilities:				
Due in more than one year	<u>488,829</u>	<u>296,479</u>	<u>785,308</u>	
Total liabilities	<u>\$ 536,313</u>	<u>\$ 2,636,575</u>	<u>\$ 3,172,888</u>	<u>\$ 28</u>
Deferred inflows of resources	<u>\$ 23,527</u>	<u>\$ 1,008</u>	<u>\$ 24,535</u>	<u>\$</u>

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

CITY OF SALUDA, NORTH CAROLINA

Statement of Net Position (continued)
June 30, 2019

	<u>Primary Government</u>			<u>Authority</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Net position				
Net investment in capital assets	\$ 1,282,647	\$ 2,277,324	\$ 3,559,971	\$
Restricted for:				
Stabilization by State Statute	126,521		126,521	
Amphitheatre	450		450	
Centennial	589		589	
Pace Park	11,408		11,408	
Saluda Downtown	15		15	
Historical Committee	9,080		9,080	
McCreery Park	1,609		1,609	
Unrestricted	<u>790,695</u>	<u>730,683</u>	<u>1,521,378</u>	<u>8,929</u>
Total net position	<u>\$ 2,223,014</u>	<u>\$ 3,008,007</u>	<u>\$ 5,231,021</u>	<u>\$ 8,929</u>

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

CITY OF SALUDA, NORTH CAROLINA

Statement of Activities
For the Year Ended June 30, 2019

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			Authority
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 426,407	\$ 2,850	\$	\$	\$ (423,557)	\$	\$ (423,557)	\$
Public safety	416,340	2,653			(413,687)		(413,687)	
Transportation	88,193	540	29,685		(57,968)		(57,968)	
Environmental protection	106,218	117,179	513		11,474		11,474	
Cultural and recreation	90,835	400	16,757		(73,678)		(73,678)	
Interest on long-term debt	13,837				(13,837)		(13,837)	
Total governmental activities (See Note 1)	1,141,830	123,622	46,955		(971,253)		(971,253)	
Business-type activities:								
Water and sewer	683,852	919,557				235,705	235,705	
Total primary government	\$ 1,825,682	\$ 1,043,179	\$ 46,955	\$	(971,253)	235,705	(735,548)	
Component unit	\$ 620							(620)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					756,338		756,338	
Licenses					1,530		1,530	
Other taxes					300,834		300,834	9,149
Unrestricted investment earnings					24,576		24,576	
Forgiveness of advance to other funds					(74,840)	74,840		
Miscellaneous					53,692	284	53,976	
Total general revenues not including transfers					1,062,130	75,124	1,137,254	9,149
Transfers					(950)	550	(400)	400
Total general revenues and transfers					1,061,180	75,674	1,136,854	9,549
Change in net position					89,927	311,379	401,306	8,929
Net position, beginning					2,133,087	2,696,628	4,829,715	
Net position, ending					\$ 2,223,014	\$ 3,008,007	\$ 5,231,021	\$ 8,929

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

CITY OF SALUDA, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2019

	<u>Primary Government Major Fund General Fund</u>
Assets	
Cash and cash equivalents	\$ 849,369
Restricted cash and cash equivalents	23,151
Receivables, net:	
Taxes	11,900
Grants	11,586
Accounts	106,401
Advance to other funds	8,534
Prepaid items	<u>12,665</u>
Total assets	<u>\$ 1,023,606</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 23,046</u>
Deferred inflows of resources	
Property taxes receivable	11,900
Unavailable revenue	<u>11,091</u>
Total deferred inflows of resources	<u>22,991</u>
Fund balances	
Nonspendable:	
Prepaid items	12,665
Restricted:	
Stabilization by State Statute	126,521
Amphitheatre	450
Centennial	589
Pace Park	11,408
Saluda Downtown	15
Historical Committee	9,080
McCreery Park	1,609
Assigned:	
Subsequent year's expenditures	141,867
Unassigned	<u>673,365</u>
Total fund balances	<u>977,569</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,023,606</u>

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

CITY OF SALUDA, NORTH CAROLINA

Balance Sheet
Governmental Funds (continued)
June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balance, Governmental Funds	\$ 977,569
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>	
Gross capital assets at historical cost	3,083,975
Accumulated depreciation	(1,424,583)
Deferred outflows of resources related to pensions are not reported in the funds	99,856
Deferred inflows of resources related to pensions are not reported in the funds	(12,436)
Earned revenues considered deferred inflows of resources in fund statements	11,900
<p>Long-term liabilities used in governmental activities are not financial uses and there are not reported in the funds:</p>	
Long-term debt included as net position below	(376,745)
Accrued compensated absences	(16,933)
Net pension liability	(94,970)
Total pension liability	<u>(24,619)</u>
Net position of governmental activities	<u>\$ 2,223,014</u>

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

CITY OF SALUDA, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>Primary Government Major Fund General Fund</u>
Revenues	
Ad valorem taxes	\$ 751,964
Other taxes and licenses	1,530
Unrestricted intergovernmental	300,834
Restricted intergovernmental	46,955
Permits and fees	5,053
Sales and services	118,569
Investment earnings	24,576
Miscellaneous	<u>53,733</u>
Total revenues	<u>1,303,214</u>
Expenditures	
Current:	
General government	404,027
Public safety	402,197
Transportation	84,443
Environmental protection	106,218
Cultural and recreation	48,400
Debt service:	
Principal	24,437
Interest and other charges	13,837
Capital outlay	<u>90,426</u>
Total expenditures	<u>1,173,985</u>
Other financing uses	
Forgiveness of advance to other funds	(74,840)
Transfer to Authority	(400)
Transfer to Water and Sewer Fund	<u>(550)</u>
Total other financing uses	<u>(75,790)</u>
Net change in fund balance	53,439
Fund balance, beginning	<u>924,130</u>
Fund balance, ending	<u>\$ 977,569</u>

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

CITY OF SALUDA, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Governmental Funds
 For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	53,439
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>		
Capital outlay expenditures which were capitalized		90,426
Depreciation expense for governmental assets		(81,377)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		37,181
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		(1,609)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue for tax revenues		4,374
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction has no effect on net position:</p>		
Principal payments on long-term debt		24,437
<p>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:</p>		
Compensated absences		(1,822)
Pension expense		<u>(35,122)</u>
Total changes in net position of governmental activities	\$	<u>89,927</u>

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

CITY OF SALUDA, NORTH CAROLINA

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budget		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 701,000	\$ 736,382	\$ 751,964	\$ 15,582
Other taxes and licenses	1,000	1,000	1,530	530
Unrestricted intergovernmental	274,070	284,170	300,834	16,664
Restricted intergovernmental	30,435	51,115	46,955	(4,160)
Permits and fees	3,500	4,100	5,053	953
Sales and services	120,200	121,390	118,569	(2,821)
Investment earnings	6,000	19,600	24,576	4,976
Miscellaneous	24,100	48,506	53,733	5,227
Total revenues	1,160,305	1,266,263	1,303,214	36,951
Expenditures				
Current:				
General government	430,118	457,719	412,073	45,646
Public safety	458,345	428,834	408,814	20,020
Transportation	171,135	168,412	142,674	25,738
Economic development	5,000	650		650
Environmental protection	109,000	107,000	106,218	782
Cultural and recreation	38,978	75,378	65,932	9,446
Debt service	39,000	38,300	38,274	26
Contingency	25,000			
Total expenditures	1,276,576	1,276,293	1,173,985	102,308
Revenues over (under) expenditures	(116,271)	(10,030)	129,229	139,259
Other financing sources (uses)				
Forgiveness of advance to other funds		(74,840)	(74,840)	
Transfer to Enterprise Fund		(550)	(550)	
Transfer to Authority		(400)	(400)	
Total other financing sources (uses)		(75,790)	(75,790)	
Fund balance appropriated	116,271	85,820		(85,820)
Net change in fund balance	\$	\$	53,439	\$ 53,439
Fund balance, beginning			924,130	
Fund balance, ending			\$ 977,569	

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

CITY OF SALUDA, NORTH CAROLINA

Statement of Fund Net Position
Water and Sewer Fund
June 30, 2019

	<u>Major Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 612,176
Accounts receivable (net)	94,357
Restricted cash and cash equivalents	<u>2,012,266</u>
Total current assets	<u>2,718,799</u>
Noncurrent assets:	
Construction in progress	354,434
Capital assets, net of depreciation	<u>2,550,605</u>
Total noncurrent assets	<u>2,905,039</u>
Total assets	<u>\$ 5,623,838</u>
Deferred outflows of resources	<u>\$ 30,286</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 208,267
Due to other funds	8,534
Customer deposits	27,333
Bond anticipation note	2,081,000
Current portion of notes payable	<u>23,496</u>
Total current liabilities	<u>2,348,630</u>
Noncurrent liabilities:	
Net pension liability	30,290
Compensated absences	7,734
Noncurrent portion of notes payable	<u>258,455</u>
Total noncurrent liabilities	<u>296,479</u>
Total liabilities	<u>\$ 2,645,109</u>
Deferred inflows of resources	<u>\$ 1,008</u>
Net position	
Net investment in capital assets	\$ 2,277,324
Unrestricted	<u>730,683</u>
Total net position	<u>\$ 3,008,007</u>

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

CITY OF SALUDA, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund
For the Year Ended June 30, 2019

	<u>Major Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Operating revenues	
Charges for services	\$ 919,557
Other operating revenues	<u>653</u>
Total operating revenues	<u>920,210</u>
Operating expenses	
Administration	262,984
Water treatment plant	169,399
Water distribution	114,257
Depreciation	<u>103,671</u>
Total operating expenses	<u>650,311</u>
Operating income	<u>269,899</u>
Nonoperating revenues (expenses)	
Loss on disposal of capital assets	(369)
Forgiveness of advance from other funds	74,840
Interest expense	<u>(33,541)</u>
Total nonoperating revenues	<u>40,930</u>
Income before transfers	310,829
Transfer from General Fund	<u>550</u>
Change in net position	311,379
Total net position, beginning	<u>2,696,628</u>
Total net position, ending	<u>\$ 3,008,007</u>

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

CITY OF SALUDA, NORTH CAROLINA

Statement of Cash Flows
Water and Sewer Fund
For the Year Ended June 30, 2019

	<u>Major Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 906,626
Cash paid for goods and services	(271,394)
Cash paid to employees for services	(173,402)
Customer deposits received, net	<u>825</u>
Net cash provided by operating activities	<u>462,655</u>
 Cash flows from noncapital financing activities	
Transfers from other funds	<u>550</u>
 Cash flows from capital and related financing activities	
Bond anticipation notes issued	2,081,000
Acquisition and construction of capital assets	(276,278)
Principal paid on long-term debt	(135,178)
Interest paid on long-term debt	<u>(8,312)</u>
Net cash provided by capital and related financing activities	<u>1,661,232</u>
 Net increase in cash and equivalents	2,124,437
 Cash and equivalents, beginning	<u>500,005</u>
 Cash and equivalents, ending	<u>\$ 2,624,442</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 269,899
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	103,671
Change in assets and liabilities:	
Increase in accounts receivable	(13,584)
Increase in accounts payable and accrued liabilities	99,592
Increase in customer deposits	825
Increase in accrued compensated absences	2,273
Increase in deferred outflows of resources	(18,633)
Increase in net pension liability	19,405
Decrease in deferred inflows of resources	<u>(793)</u>
Net cash provided by operating activities	<u>\$ 462,655</u>

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

CITY OF SALUDA, NORTH CAROLINA

Notes to the Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

The City is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the financial statements in order to emphasize that it is legally separate from the City.

Saluda District D Tourism Development Authority

The members of the Authority are appointed by the City. The Authority, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation).

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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category - *governmental and proprietary* - 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, and sanitation services.

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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 and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time 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 in exchange, 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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 enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer 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. Issuance 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise 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 Saluda because the tax is levied by Polk and Henderson Counties 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, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

Note 1 - Summary of Significant Accounting Policies (continued)

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Water and Sewer Capital Projects Fund. The Water and Sewer Capital projects fund is consolidated with the operating fund for reporting purposes. 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. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinances can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the Authority's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating, and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the City has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Note 1 - Summary of Significant Accounting Policies (continued)

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The Authority considers all highly liquid investments (included restricted assets) with a maturity of three or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

City of Saluda Restricted Cash

Governmental activities:

General Fund:

Amphitheatre	\$	450
Centennial		589
Pace Park		11,408
Saluda Downtown		15
Historical Committee		9,080
McCreery Park		<u>1,609</u>
Total governmental activities		<u>23,151</u>

Business-type activities:

Water and sewer fund:

Customer deposits		27,333
Unexpended bond proceeds		1,983,233
USDA construction reserve		1,500
USDA debt service reserve		100
USDA short lived asset reserve		<u>100</u>
Total business-type activities:		<u>2,012,266</u>

Total restricted cash \$ 2,035,417

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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. Prepaid Items

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 government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Infrastructure	50
Plant and distribution system	10-50
Other Improvements	5-40
Equipment and furniture	5-10
Vehicles	5

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 so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, pension deferrals for the 2019 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 so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - property taxes receivable, deposits made in advance, and pension deferrals.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide 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 does not have any 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 position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepays - portion of fund balance that is not an available resource because it represents the year-end balance of prepaids, which are not spendable resources.

Note 1 - Summary of Significant Accounting Policies (continued)

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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Amphitheatre - portion of fund balance that is restricted by contributors for construction of the Amphitheatre.

Restricted for Centennial - portion of fund balance that is restricted by contributors for the 150th anniversary celebration of the City.

Restricted for Pace Park - portion of fund balance that is restricted by contributors for Pace Park.

Restricted for Saluda Downtown - portion of fund balance that is restricted by contributors for Saluda Downtown.

Restricted for Historical Committee - portion of fund balance that is restricted by contributors for the Historical Committee.

Restricted for McCreery Park - portion of fund balance that is restricted by contributors for McCreery Park.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Saluda's governing body (highest level of decision-making authority). The governing body 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Assigned Fund Balance - portion of fund balance that the City 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. The governing body approves the appropriation.

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

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

The City of Saluda has also 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 to or greater than 26% of budgeted expenditures. Any portion of the general fund balances in excess of 26% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' 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'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.

Note 2 - Stewardship, Compliance, and Accountability

The City does not have any instances of stewardship, compliance, or accountability violations to report for the fiscal year ended June 30, 2019.

Note 3 - Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City and the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed federal depository insurance coverage level are collateralized with securities held by the City's or the Authority's agent in these unit's 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 Authority, these deposits are considered to be held by the City's and the Authority's agents in the entities' 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, the Authority, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the Authority under the Pooling Method, the potential exists for under-collateralization. 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 no formal 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. The Authority has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the City's deposits had a carrying amount of \$3,496,962 and a bank balance of \$3,506,796. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The carrying amount of deposits for the Authority was \$8,957 and the bank balance was \$5,642. All of the bank balance was covered by federal depository insurance. At June 30, 2019, the City's petty cash fund totaled \$200.

2. Investments

At June 30, 2019, the City had \$1,283,387 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

Note 3 - Detail Notes on All Funds (continued)

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes no penalties levied and outstanding. The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowance for doubtful accounts:

General Fund - Taxes receivable \$ 800

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 95,753	\$	\$	\$ 95,753
Construction in progress	<u>272</u>	<u></u>	<u></u>	<u>272</u>
Total capital assets not being depreciated	<u>96,025</u>	<u></u>	<u></u>	<u>96,025</u>
Capital assets being depreciated:				
Buildings	1,312,407	6,617		1,319,024
Infrastructure		52,902		52,902
Other improvements	1,278,504		16,879	1,261,625
Equipment and furniture	244,990	30,907	93,783	182,114
Vehicles	<u>198,401</u>	<u></u>	<u>26,116</u>	<u>172,285</u>
Total capital assets being depreciated	<u>3,034,302</u>	<u>90,426</u>	<u>136,778</u>	<u>2,987,950</u>
Less accumulated depreciation for:				
Buildings	398,207	34,801		433,008
Infrastructure		661		661
Other improvements	701,811	26,320	16,879	711,252
Equipment and furniture	206,718	11,757	93,781	124,694
Vehicles	<u>173,246</u>	<u>7,838</u>	<u>26,116</u>	<u>154,968</u>
Total accumulated depreciation	<u>1,479,982</u>	<u>\$ 81,377</u>	<u>\$ 136,776</u>	<u>1,424,583</u>
Total capital assets being depreciated, net	<u>1,554,320</u>			<u>1,563,367</u>
Governmental activities capital assets, net	<u>\$ 1,650,345</u>			<u>\$ 1,659,392</u>

Note 3 - Detail Notes on All Funds (continued)

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

General government	\$ 22,715
Public safety	12,477
Transportation	3,750
Cultural and recreation	42,435
Total depreciation expense	<u>\$ 81,377</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 159,494	\$ 194,940	\$	\$ 354,434
Capital assets being depreciated:				
Plant and distribution system	3,456,107			3,456,107
Vehicles and equipment	373,099	81,338	20,019	434,418
Total capital assets being depreciated	<u>3,829,206</u>	<u>81,338</u>	<u>20,019</u>	<u>3,890,525</u>
Less accumulated depreciation for:				
Plant and distribution system	985,382	73,390		1,058,772
Vehicles and equipment	270,517	30,281	19,650	281,148
Total accumulated depreciation	<u>1,255,899</u>	<u>\$ 103,671</u>	<u>\$ 19,650</u>	<u>1,339,920</u>
Total capital assets being depreciated, net	<u>2,573,307</u>			<u>2,550,605</u>
Business-type activities capital assets, net	<u>\$ 2,732,801</u>			<u>\$ 2,905,039</u>

Construction commitments

The City has an active construction project as of June 30, 2019, for water line repairs. At year-end, the City's remaining commitment with contractors for water line repairs was \$1,661,323.

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City 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 government 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters or 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.

Note 3 - Detail Notes on All Funds (continued)

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 5 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 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's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, 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 were \$37,181 for the year ended June 30, 2019.

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, 2019, the City reported a liability of \$125,260 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the City's proportion was 0.00528%, which was an increase of 0.00096% from its proportion measured as of June 30, 2017.

Note 3 - Detail Notes on All Funds (continued)

For the year ended June 30, 2019, the City recognized pension expense of \$35,122. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,325	\$ 648
Changes of assumptions	33,239	
Net difference between projected and actual earnings on pension plan investments	17,194	
Changes in proportion and differences between City contributions and proportionate share of contributions	18,303	3,521
City contributions subsequent to the measurement date	<u>37,181</u>	
Total	<u>\$ 125,242</u>	<u>\$ 4,169</u>

\$37,181 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 35,435
2021	27,227
2022	8,708
2023	12,522
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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.

Note 3 - Detail Notes on All Funds (continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

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

This information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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.

Note 3 - Detail Notes on All Funds (continued)

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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City’s proportionate share of the net pension liability (asset)	\$ 300,885	\$ 125,260	\$ (21,495)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed 5 or more years of creditable service. The Separation Allowance is equal to 0.85 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 General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>4</u>
Total	<u><u>4</u></u>

(2) *Summary of Significant Accounting Policies*

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

Note 3 - Detail Notes on All Funds (continued)

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

(3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20-year High Grade Rate Index as of December 31, 2017.

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

(4) Contributions

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

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

At June 30, 2019, the City reported a total pension liability of \$24,619. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$1,609.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,536	\$ 8,647
Changes of assumptions	<u>1,364</u>	<u>628</u>
Total	<u>\$ 4,900</u>	<u>\$ 9,275</u>

Note 3 - Detail Notes on All Funds (continued)

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	(2,061)
2021		(2,061)
2022		(1,037)
2023		747
2024		37
Thereafter		-

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 25,861	\$ 24,619	\$ 23,439

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

	<u>2019</u>
Beginning balance	\$ 17,127
Service cost	3,129
Interest on the total pension liability	541
Difference between expected and actual experience	4,409
Changes of assumptions or other inputs	(587)
Ending balance of the total pension liability	<u>\$ 24,619</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Note 3 - Detail Notes on All Funds (continued)

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 35,122	\$ 1,609	\$ 36,731
Pension liability	125,260	24,619	149,879
Proportionate share of the net pension liability	0.00528%	n/a	

Deferred outflows of resources:

Difference between expected and actual experience	19,325	3,536	22,861
Change of assumptions	33,239	1,364	34,603
Net difference between projected and actual earnings on plan investments	17,194		17,194
Changes in proportion and differences between contributions and proportionate share of contributions	18,303		18,303
Benefit payments paid subsequent to the measurement date	37,181		37,181

Deferred inflows of resources:

Differences between expected and actual experience	648	8,647	9,295
Changes of assumptions		628	628
Changes in proportion and differences between contributions and proportionate share of contributions	3,521		3,521

c. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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.

Note 3 - Detail Notes on All Funds (continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The City made contributions of \$8,219 for the reporting year. No amounts were forfeited.

The City has extended a similar benefit to general employees. The City made contributions of \$8,336 for the reporting year for general employees. No amounts were forfeited.

2. Other Employment Benefits

The City 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 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 by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Contributions to pension plan in current fiscal year	\$ 37,181	\$
Differences between expected and actual experience	22,861	
Changes of assumptions	34,603	
Net difference between projected and actual	17,194	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>18,303</u>	
Total	<u>\$ 130,142</u>	<u>\$</u>

Note 3 - Detail Notes on All Funds (continued)

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Deposits made in advance (General Fund)	\$ 11,091	\$ 11,091
Taxes receivable, net (General Fund)		11,900
Differences between expected and actual experience	9,295	
Changes in assumptions	628	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>3,521</u>	
Total	<u>\$ 24,535</u>	<u>\$ 22,991</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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for all other risks of loss excluding flood insurance. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City does not carry flood insurance. The city does not believe it is necessary to obtain coverage as no portion of the City has been mapped and designated as an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The tax collector is bonded for \$10,000. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000.

Note 3 - Detail Notes on All Funds (continued)

5. Claims, Judgments, and Contingent Liabilities

The City is periodically involved in legal actions and claims arising in the normal course of operations. The ultimate resolution of these actions is not expected to have a material adverse effect upon the financial position of the City.

6. Long-term Obligations

a. Revolving Loans

In March 2008, the City entered into an agreement with the Town of Columbus and the Town of Tryon for the funding, design, and construction of a water infrastructure project. The project consists of construction of a water line between Saluda and Tryon, installation of a booster pump and valve in the existing line between Columbus and Tryon, and the rehabilitation by Tryon of its mountain water system intake. In June 30, 2014, the City was allocated its share of a NC Revolving Loan debt that was received by the Town of Tryon. The City's portion of this debt totaled \$469,918. The loan has a term of twenty years at an annual interest rate of 2.5%. Because the loan was used to construct facilities utilized in the operation of the water and sewer system and is being retired by its resources, it has been reported as long-term obligation of the Water and Sewer Fund.

In October 2014, the City obtained loan assistance in the amount of \$488,750 to fund the renovation of City Hall. The loan has a term of twenty years at an annual interest rate of 3.5%. Because the loan was used to renovate assets utilized by the general government, it has been reported as a long-term obligation on the Statement of Net Position of Governmental Activities.

Annual debt service requirements to maturity for revolving loans are as follows:

Years Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2020	\$ 24,438	\$ 13,007	\$ 23,496	\$ 7,049
2021	24,438	12,105	23,496	6,461
2022	24,438	11,235	23,496	5,874
2023	24,438	10,371	23,496	5,287
2024	24,438	9,529	23,496	4,699
2025-2029	122,190	34,527	117,480	14,685
2030-2034	122,190	12,836	46,991	1,762
2035-2039	10,175	91		
	<u>\$ 376,745</u>	<u>\$ 103,701</u>	<u>\$ 281,951</u>	<u>\$ 45,817</u>

Note 3 - Detail Notes on All Funds (continued)

b. Bond Anticipation Note

\$2,081,000 of Water and Sewer Notes issued on February 20, 2019, and due on May 15, 2020; interest at 2.95%. The note will be repaid from a \$2,081,000 bond issue from the USDA. Annual debt service requirements to maturity for the bond anticipation note are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2020	\$	\$	\$ 2,081,000	\$ 75,884

c. Changes in Long-term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Revolving loan	\$ 401,182	\$	\$ 24,437	\$ 376,745	\$ 24,438
Compensated absences	15,111	19,306	17,484	16,933	
Net pension liability (LGERS)	55,113	39,857		94,970	
Total pension liability (LEO)	<u>17,127</u>	<u>7,492</u>		<u>24,619</u>	
Governmental activities long-term liabilities	<u>\$ 488,533</u>	<u>\$ 66,655</u>	<u>\$ 41,921</u>	<u>\$ 513,267</u>	<u>\$ 24,438</u>
Business-type activities:					
Revolving loan	\$ 305,447	\$	\$ 23,496	\$ 281,951	\$ 23,496
Bond anticipation note		2,081,000		2,081,000	2,081,000
Compensated absences	5,461	5,323	3,050	7,734	
Net pension liability (LGERS)	<u>10,885</u>	<u>19,405</u>		<u>30,290</u>	
Business-type activities long-term liabilities	<u>\$ 321,793</u>	<u>\$2,105,728</u>	<u>\$ 26,546</u>	<u>\$2,400,975</u>	<u>\$2,104,496</u>

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Due to the General Fund for financing construction costs from the:

Water and Sewer Capital Projects Fund \$ 8,534

Interfund balances resulted from a time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

Note 3 - Detail Notes on All Funds (continued)

Interfund loan - In February 2016, the Water and Sewer Fund borrowed \$150,000 from the General Fund to fund capital improvements to the water system. The terms of the arrangement require the Water and Sewer Fund to repay the General Fund over five years with an interest rate of 2.5%. Payments on the interfund loan were \$9,972 during the year ended June 30, 2019. The remaining balance of \$74,840 was forgiven during the year ended June 30, 2019.

Transfers to/from other funds during the 2019 fiscal year, consist of the following:

From the General Fund to the Water and Sewer Capital Projects Fund for construction costs	\$ 550
From the General Fund to the Authority For operating support	<u>400</u>
Total	<u>\$ 950</u>

D. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2019, consists of the following elements:

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 1,659,392	\$ 2,905,039
Less: long-term debt	<u>376,745</u>	<u>627,715</u>
Net investment in capital assets	<u>\$ 1,282,647</u>	<u>\$ 2,277,324</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ <u>977,569</u>
Less:	
Prepays	12,665
Stabilization by State Statute	126,521
Amphitheatre	450
Centennial	589
Pace Park	11,408
Saluda Downtown	15
Historical Committee	9,080
McCreery Park	1,609
Appropriated in 2020 budget	141,867
Working capital / fund balance policy	<u>305,236</u>
<u>Fund Balance Available for Appropriation</u>	<u>\$ 368,129</u>

Note 3 - Detail Notes on All Funds (continued)

The City of Saluda 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 to or greater than 26% of budgeted expenditures.

Note 4 - Jointly Governed Organization

The City, in conjunction with other area counties and municipalities, established the Isothermal Planning and Development Commission (the Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The City paid \$642 in membership fees to the Commission during the fiscal year ended June 30, 2019.

Note 5 - 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 monies.

Note 6 - Significant Effects of Subsequent Events

Subsequent events were evaluated through November 21, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALUDA, NORTH CAROLINA

Schedule of the Proportionate Share of Net Pension Liability
Local Government Employees' Retirement System
Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Saluda's proportion of the net pension liability (asset) (%)	0.0053%	0.0043%	0.0036%	0.0035%	0.0066%	0.0076%
City of Saluda's proportion of the net pension liability (asset) (\$)	\$ 125,260	\$ 65,998	\$ 77,041	\$ 15,574	\$ (38,628)	\$ 91,609
City of Saluda's covered payroll	\$ 466,153	\$ 385,553	\$ 333,098	\$ 265,035	\$ 286,826	\$ 405,305
City of Saluda's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	26.87%	17.12%	23.13%	5.88%	(13.47%)	22.60%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	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 SALUDA, NORTH CAROLINA

Schedule of Contributions
Local Government Employees' Retirement System
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 37,181	\$ 30,212	\$ 25,279	\$ 18,427	\$ 20,811	\$ 32,287
Contributions in relation to the contractually required contribution	<u>37,181</u>	<u>30,212</u>	<u>25,279</u>	<u>18,427</u>	<u>20,365</u>	<u>32,287</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 446</u>	<u>\$</u>
City of Saluda's covered payroll	<u>\$ 466,153</u>	<u>\$ 385,553</u>	<u>\$ 333,098</u>	<u>\$ 265,035</u>	<u>\$ 286,826</u>	<u>\$ 405,305</u>
Contributions as a percentage of covered payroll	7.98%	7.84%	7.59%	6.95%	7.26%	7.97%

CITY OF SALUDA, NORTH CAROLINA

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 17,127	\$ 26,858	\$ 23,508
Service cost	3,129	2,053	2,815
Interest on the total pension liability	541	1,037	839
Difference between expected and actual experience	4,409	(15,223)	
Changes of assumptions or other inputs	<u>(587)</u>	<u>2,402</u>	<u>(304)</u>
Ending balance of the total pension liability	<u>\$ 24,619</u>	<u>\$ 17,127</u>	<u>\$ 26,858</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

CITY OF SALUDA, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 24,619	\$ 17,127	\$ 26,858
Covered payroll	186,193	136,798	171,425
Total pension liability as a percentage of covered payroll	13.22%	12.52%	15.67%

Notes to the schedules

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

The pension schedules are intended to show information for ten years; additional years' information will be displayed as it becomes available.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF SALUDA, NORTH CAROLINA

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Current year taxes	\$ 730,382	\$ 746,262	\$ 15,880
Prior year taxes	4,000	3,547	(453)
Interest	<u>2,000</u>	<u>2,155</u>	<u>155</u>
Total	<u>736,382</u>	<u>751,964</u>	<u>15,582</u>
Other taxes and licenses:			
Privilege licenses	<u>1,000</u>	<u>1,530</u>	<u>530</u>
Unrestricted intergovernmental:			
Local option sales tax	200,000	219,898	19,898
Beer and wine tax	3,160	3,162	2
Cable TV franchise tax	1,010		(1,010)
Utility franchise tax	<u>80,000</u>	<u>77,774</u>	<u>(2,226)</u>
Total	<u>284,170</u>	<u>300,834</u>	<u>16,664</u>
Restricted intergovernmental:			
Powell Bill allocation	29,685	29,685	
Grants	20,930	16,757	(4,173)
Solid waste disposal	<u>500</u>	<u>513</u>	<u>13</u>
Total	<u>51,115</u>	<u>46,955</u>	<u>(4,160)</u>
Permits and fees:			
Zoning permits	2,100	2,400	300
Citations	<u>2,000</u>	<u>2,653</u>	<u>653</u>
Total	<u>4,100</u>	<u>5,053</u>	<u>953</u>
Sales and services:			
Garbage collection	120,000	117,179	(2,821)
Cemetery lots	400	400	
Rents	450	450	
Tree trimming	<u>540</u>	<u>540</u>	
Total	<u>121,390</u>	<u>118,569</u>	<u>(2,821)</u>
Investment earnings	<u>19,600</u>	<u>24,576</u>	<u>4,976</u>
Other income:			
Miscellaneous	11,191	10,160	(1,031)
Festival income	27,600	27,672	72
Contributions	<u>9,715</u>	<u>15,901</u>	<u>6,186</u>
Total	<u>48,506</u>	<u>53,733</u>	<u>5,227</u>
Total revenues	<u>1,266,263</u>	<u>1,303,214</u>	<u>36,951</u>

CITY OF SALUDA, NORTH CAROLINA

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (continued)
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General government:			
Salaries and employee benefits	\$ 243,219	\$ 229,235	\$ 13,984
Professional services	65,000	59,952	5,048
Other operating expenditures	140,500	114,840	25,660
Capital outlay	<u>9,000</u>	<u>8,046</u>	<u>954</u>
Total general government	<u>457,719</u>	<u>412,073</u>	<u>45,646</u>
Public safety:			
Police:			
Salaries and employee benefits	232,927	221,772	11,155
Other operating expenditures	75,207	66,425	8,782
Capital outlay	<u>6,700</u>	<u>6,617</u>	<u>83</u>
Total police	<u>314,834</u>	<u>294,814</u>	<u>20,020</u>
Fire:			
Contracted services	<u>114,000</u>	<u>114,000</u>	<u> </u>
Total public safety	<u>428,834</u>	<u>408,814</u>	<u>20,020</u>
Transportation:			
Salaries and employee benefits	23,000	18,846	4,154
Other operating expenditures	86,497	65,297	21,200
Capital outlay	<u>58,915</u>	<u>58,531</u>	<u>384</u>
Total transportation	<u>168,412</u>	<u>142,674</u>	<u>25,738</u>
Economic Development	<u>650</u>	<u> </u>	<u>650</u>
Environmental protection:			
Contracted services	<u>107,000</u>	<u>106,218</u>	<u>782</u>
Cultural and recreation:			
Library	28,653	23,271	5,382
Cemetery	5,575	3,649	1,926
Parks	24,450	22,340	2,110
Capital outlay	<u>16,700</u>	<u>16,672</u>	<u>28</u>
Total cultural and recreation	<u>75,378</u>	<u>65,932</u>	<u>9,446</u>
Debt service	<u>38,300</u>	<u>38,274</u>	<u>26</u>
Total expenditures	<u>1,276,293</u>	<u>1,173,985</u>	<u>102,308</u>
Revenues over (under) expenditures	<u>(10,030)</u>	<u>129,229</u>	<u>139,259</u>

CITY OF SALUDA, NORTH CAROLINA

General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (continued)
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses)			
Forgiveness of advance to other funds	\$ (74,840)	\$ (74,840)	\$
Transfer to Enterprise Fund	(550)	(550)	
Transfer to Authority	<u>(400)</u>	<u>(400)</u>	
Total other financing sources (uses)	<u>(75,790)</u>	<u>(75,790)</u>	
Fund balance appropriated	<u>85,820</u>		<u>(85,820)</u>
Net change in fund balance	<u>\$</u>	53,439	<u>\$ 53,439</u>
Fund balance, beginning		<u>924,130</u>	
Fund balance, ending		<u>\$ 977,569</u>	

CITY OF SALUDA, NORTH CAROLINA

Water and Sewer Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues:			
Charges for services	\$ 900,600	\$ 919,557	\$ 18,957
Non-operating revenues:			
Miscellaneous income	<u>600</u>	<u>653</u>	<u>53</u>
Total revenues	<u>901,200</u>	<u>920,210</u>	<u>19,010</u>
Expenditures			
Administration:			
Salaries and employee benefits	211,603	176,707	34,896
Insurance	7,491	7,309	182
Other operating expenditures	<u>90,035</u>	<u>77,380</u>	<u>12,655</u>
Total operating expenditures	<u>309,129</u>	<u>261,396</u>	<u>47,733</u>
Water purchases	<u>117,000</u>	<u>114,257</u>	<u>2,743</u>
Water system operations:			
Contracted services	46,000	43,401	2,599
Equipment maintenance and supplies	<u>21,500</u>	<u>18,943</u>	<u>2,557</u>
Total water system operations	<u>67,500</u>	<u>62,344</u>	<u>5,156</u>
Water system repairs and maintenance	<u>121,655</u>	<u>108,664</u>	<u>12,991</u>
Debt services:			
Principal retirement	42,000	33,468	8,532
Interest		<u>33,541</u>	<u>(33,541)</u>
Total debt services	<u>42,000</u>	<u>67,009</u>	<u>(25,009)</u>
Capital outlay	<u>165,916</u>	<u>90,008</u>	<u>75,908</u>
Total expenditures	<u>823,200</u>	<u>703,678</u>	<u>119,522</u>
Revenues over expenditures	<u>78,000</u>	<u>216,532</u>	<u>138,532</u>
Other financing sources (uses)			
Loss on disposition of capital assets		(369)	(369)
Forgiveness of advance from other funds		74,840	74,840
Transfer to Water and Sewer Capital Project Fund	(78,000)	(78,000)	
Transfer from General Fund		<u>550</u>	<u>550</u>
Total other financing sources (uses)	<u>(78,000)</u>	<u>(2,979)</u>	<u>75,021</u>
Revenues over expenditures and other financing sources (uses)	<u>\$</u>	<u>\$ 213,553</u>	<u>\$ 213,553</u>

CITY OF SALUDA, NORTH CAROLINA

Water and Sewer Fund
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP) (continued)
 For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis to full accrual			
Revenues over expenditures and other financing sources (uses):		\$ 213,553	
Reconciling items:			
Capital outlays		90,008	
Depreciation		(103,671)	
Principal retirement		23,496	
Repayment of advance from General Fund		9,972	
Increase in deferred outflows of resources		18,633	
Increase in net pension liability		(19,405)	
Decrease in deferred inflows of resources		793	
Transfer for capital projects		<u>78,000</u>	
Total reconciling items		<u>97,826</u>	
Change in net position		<u>\$ 311,379</u>	

CITY OF SALUDA, NORTH CAROLINA

Water and Sewer Capital Projects Fund
 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2019

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Interest income	\$	\$	\$ 73	\$ 73	\$ 73
Expenditures					
Legal and engineering	339,000	150,000	63,324	213,324	125,676
Financing costs	70,611		25,229	25,229	45,382
Construction	1,674,323	9,494	122,946	132,440	1,541,883
Contingency	83,066				83,066
Total expenditures	<u>2,167,000</u>	<u>159,494</u>	<u>211,499</u>	<u>370,993</u>	<u>1,796,007</u>
Other financing sources					
Transfers from other funds:					
From Water and Sewer Fund	86,000	8,000	78,000	86,000	
From General Fund			550	550	550
Proceeds from long-term debt	2,081,000		2,081,000	2,081,000	
Total other financing sources	<u>2,167,000</u>	<u>8,000</u>	<u>2,159,550</u>	<u>2,167,550</u>	<u>550</u>
Other financing sources over (under) expenditures	\$	\$ (151,494)	\$ 1,948,124	\$ 1,796,630	\$ 1,796,630

OTHER SCHEDULES

CITY OF SALUDA, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$	\$ 761,873	\$ 753,898	\$ 7,975
2017-2018	4,312		2,888	1,424
2016-2017	441		441	
2015-2016				
2014-2015	1,858			1,858
2013-2014	688		6	682
2012-2013	227		12	215
2011-2012	454		37	417
2010-2011	190		61	129
2009-2010	102		102	
2008-2009	54		54	
	<u>\$ 8,326</u>	<u>\$ 761,873</u>	<u>\$ 757,499</u>	12,700
	Less: allowance for uncollectable accounts			
				Ad valorem taxes <u>800</u>
				Ad valorem taxes receivable - net <u>\$ 11,900</u>
	<u>Reconciliation to revenues:</u>			
	Ad valorem taxes - General Fund			\$ 751,964
	Reconciling items:			
	Interest collected			(2,155)
	Discounts allowed			7,671
	Taxes written off			<u>19</u>
	Total collections and credits			<u>\$ 757,499</u>

CITY OF SALUDA, NORTH CAROLINA

Analysis of Current Tax Levy
City - Wide Levy
June 30, 2019

	<u>City-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year rate	\$ 112,122,149	0.6458	\$ 724,085	\$ 724,085	\$
Property taxed at prior year rate	6,590,723	0.6050	39,874		39,874
Releases	<u>(322,910)</u>		<u>(2,086)</u>	<u>(2,086)</u>	<u></u>
Total property valuation	<u>\$ 118,389,962</u>				
Net levy			761,873	721,999	39,874
Uncollected taxes at June 30, 2019			<u>(7,975)</u>	<u>(7,975)</u>	<u></u>
Current year's taxes collected			<u>\$ 753,898</u>	<u>\$ 714,024</u>	<u>\$ 39,874</u>
Current levy collection percentage			<u>98.95%</u>	<u>98.90%</u>	<u>100.00%</u>