City of Salisbury
NORTH CAROLINA

Comprehensive Annual Financial Report
Fiscal Year Ending June 30, 2020

CITY OF SALISBURY N.C.
EST. - 1753

CITY OF SALISBURY

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

MAYOR, CITY COUNCIL, AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

Karen K. Alexander – Mayor

Al Heggins - Mayor Pro-tem

David B. Post

William B. Miller

Tamara Sheffield

OFFICIALS

W. Lane Bailey
City Manager

Zack Kyle
Assistant City Manager

Report Prepared By
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CITY OF SALISBURY N.C.
SALISBURY
EST. - 1753

Introductory Section

CITY OF SALISBURY N.C.
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SALISBURY

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November 6, 2020

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

We are pleased to present the Comprehensive Annual Financial Report (Report) of the City of Salisbury (City) for the fiscal year ended June 30, 2020 (FY20). We are particularly proud of the fact that this Report has been entirely prepared by the City's Financial Services Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects, and it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The accompanying financial statements have been audited by Elliott Davis, PLLC, an independent firm of certified public accountants, and their opinion is included in the Report.

GENERAL

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

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

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

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

The City's Comprehensive Annual Financial Report for the year ended June 30, 2019, was awarded a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ECONOMIC CONDITION AND OUTLOOK

The year 2020 will forever be known as the year of COVID-19, a new coronavirus (called SARS-CoV-2). COVID-19 affected millions of people worldwide with over 200,000 deaths in the United States. The virus has had a big financial impact in the United States as many governors (including in North Carolina) issued stay-at-home orders. The federal government approved stimulus payments for many Americans and increased unemployment wages in attempts to help citizens and the economy. Still, many businesses closed, either temporarily or permanently. COVID-19 has forced us to change how we operate (closing facilities and working from home) and examine how we continue to provide services for our citizens. Direct impacts to the City included reduced revenues for the Parks and Recreation department as closed facilities cancelled programming, reduced interest income after the Federal Reserve Board slashed interest rates to almost zero, reduced income from penalties and lower utility collection rates due to Executive Orders from the governor, and reduced tax collections from March to June. The City also offered free Transit rides to help our citizens during this time of distress. The City's sales tax collections were not negatively affected as much as some other areas of the country. The City also received some relief in the way of grants from the Coronavirus Aid, Relief, and Economic Security Act (CARES) to assist with the cost of Personal Protective Equipment, construction of social distancing business environments, public safety personnel costs, and transit services. This bill was a federal response to the COVID-19 outbreak and its impact on the economy, public health, state and local governments, individuals, and businesses

The City of Salisbury, with a population of over 34,000, is located in the heart of North Carolina. Salisbury is situated along the I-85 corridor, which links the community to the State's economic centers. The City is located midway between two major metropolitan regions: Charlotte to the south and the Piedmont Triad (Greensboro, High Point, and Winston-Salem) to the north. In addition to the interstate highway, the City is also served by two major rail lines, which intersect in town, and an airport on the outskirts of the community. This location offers widely diversified employment opportunities for residents in areas ranging from financial, educational, medical, and governmental to industrial and research activities. The personal finance website WalletHub ranked Salisbury as the 16th best small city in the United States to start a business. Salisbury was ranked first in average growth in the number of small businesses. The diverse local economic base and long-term planning, coupled with the region's geographical advantages, make the City an attractive place to do business and to live.

The location also allows the City to serve as a trading and distribution center for the County and portions of surrounding counties. The local economy has been stable with steady growth in the last ten years. Despite the

onset of the COVID virus, taxable retail sales in Rowan County for the 12 months that ended June 30, 2020, increased over $28 million (1.9%) from the prior fiscal year to $1.492 billion, the County's highest total ever.

The story of downtown Salisbury is one of public-private partnerships committed to maintaining our place as one of the best downtown districts in North Carolina. Since the early 1980s, over $148 million has been invested in the redevelopment of Salisbury's downtown. The downtown is home to 317 commercial spaces and 159 condominiums/apartments. The past fiscal year saw a net gain of 10 new downtown businesses, seven business expansions, 17 completed building rehabilitation projects, and nine façade renovations. FY20 saw total investment in the downtown area of $5.6 million.

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

MAJOR INITIATIVES

Each year, our City Council holds an Annual Retreat that helps to drive projects and the budget for the upcoming fiscal year. At the 2019 Council Retreat, two Action Items were adopted: 1) Economic and Downtown Development and 2) Community Development and Infrastructure. Economic and Downtown Development focuses on downtown occupancy, promoting downtown, an economic summit, and the creation of an IDEA Center. Community Development and Infrastructure will focus on a master plan for the Downtown, community partnerships, pedestrian and bicycle friendly infrastructure, utility infrastructure, housing availability, Opportunity Zones, and improvements to the City Lake.

The City's footprint grew in FY20 with the addition of two voluntary annexations. In December, City Council approved the annexation of the fourth phase of The Gables at Kepley Farm which will bring 65 single-family lots and future homes into the City limits. Council also approved the voluntary annexation of a new 10-building, 240-unit apartment complex. Rowan Woodland Apartments is a campus-style complex in the western part of the City with a community clubhouse and storage facilities. These new developments will offer housing to hundreds of people, will increase the City's tax base, and will add customers to the City's utility systems.

The City and Rowan County also saw several other large developments completed in FY20. Novant Health Rowan Medical Center recently opened its new Wallace Cancer Institute, a $24 million, 32,000 square foot building that combines Novant Health's radiation oncology and medical oncology departments to create a single-destination treatment facility. In April 2020, Chewy.com opened a new 700,000 square foot fulfillment center in Rowan County. The new facility for the online pet product retailer represents a $55 million investment into the County. The facility has already created 1,200 jobs far ahead of initial projections and was hailed as the largest single job announcement in the County's history. While not located in the City limits, the plant will impact Salisbury's economy, and it is a direct customer of the City's Water and Sewer Fund. The City also celebrated the grand opening of a new 93-room Homes 2 Suites hotel and the completion of a new 80-unit apartment complex. Home 2 Suites is the third new hotel built in the City since 2015.

Our City Council continued its commitment to stabilizing and improving neighborhoods by funding programs that encourage home rehabilitation. Salisbury is a historic City with an aging housing stock in need of repair. In FY20, the City Council allocated $400,000 toward the West End Transformation Project. Through this project, the City partnered with the Salisbury Community Development Corporation (CDC) to assist 14 home and property owners with exterior renovations, such as roofing, painting, and replacing windows and doors. The success of the program led the City Council to continue the program into FY21. Additionally, the City has had a five-year, $100,000 commitment to fund the CDC's Housing Stabilization program that operates similarly to a revolving loan fund.

City Council desires to have a strong City organization, which includes having a safe and healthy workforce. The City was recently given the Gold Safety Award by the North Carolina Department of Labor. To receive such recognition an organization has to maintain an incident rate at least 50 percent below the average for its industry group and have no fatalities during the calendar year. The City was also named as one of the healthiest employers in the Charlotte region in the Charlotte Business Journal's Healthiest Employer Ranking. Salisbury ranked second in the category for Employers with 100-499 employees. We have made significant progress in employee health because of the work of our Health and Wellness Committee and our on-site Wellness Clinic which is staffed by a part-time nurse practitioner.

One of the primary focus areas of the City Council and the City management team is *Financial Sustainability and Accountability*. The City has more than doubled the Fund Balance in its General Fund since FY11. The City's Finance Department continues to strive for excellence and has received the Certificate of Achievement for Excellence in Financial Reporting 33 times and the Distinguished Budget Presentation Award 29 times.

FUTURE DEVELOPMENTS

A key structure in downtown Salisbury, the Empire Hotel, has been vacant for decades. In August 2016, the City and Downtown Salisbury, Inc. announced that they had reached an agreement to sell the building to Black Point Investments, LLC. The City recently announced, however, that it would end exclusive negotiations with Black Point after the two parties could not come to an agreement on the final purchase price. Despite the end of the Black Point negotiations, the City is still confident the hotel will be redeveloped as several new developers have quickly expressed interest in the building. To prepare for the redevelopment of the site, the City has completed two brownfield assessments, a market feasibility study, and a parking analysis. Additionally, the site has been listed on the National Register of Historic Places as a local historic landmark and is now eligible for historic tax credits. The City has now created the Empire Redevelopment Task Force consisting of 11 community leaders. The Task Force is excited and believes that the accomplishments of the past four years will lead to a partnership with a new developer and an aggressive deadline for a completed renovation.

The City is planning to build two new fire stations in the next five years. The City will be replacing Fire Station 3 and adding Fire Station 6. Fire station 6 is under construction and will be completed before the end of 2020. Both new stations will provide a much-needed realignment of fire equipment and personnel with the goal of improving response times and maintaining our ISO rating. This FY20 report includes a Capital Projects Fund for the ongoing construction of Station 6. Design services for Station 3 are included in the General Fund, and both stations are included in the Governmental Funds Construction in Progress. The City is already preparing for staffing changes necessary to open the new station in FY21. With funding from a Staffing for Adequate Fire and Emergency Response grant from the US Department of Homeland Security, the City has added nine new firefighters, and the City will be fully prepared to operate the new station immediately upon completion.

Our Water and Sewer Fund has several major projects that were started late FY20 and early FY21. The City issued $35 million of new revenue bonds for capital improvement projects at its water and wastewater treatment facilities. These projects have been a part of the City's 10-year Capital Improvement Plan and include a new influent pump station and headworks at the Grant Creek Wastewater Treatment Facility, as well as upgrades to the residuals handling process and filters at our water treatment plant. Additional CIP projects include the continued rehabilitation of gravity sanitary sewer infrastructure, additional fencing at the Water Treatment Plant for improved security, and the design and permitting of upgrades to the St. Luke's lift station and force main.

The City recently received notice that we will receive a $543,000 Paul Bruhn Historic Revitalization Grant from the National Park Service to support the preservation of downtown historic buildings. The City's grant is one of only eight such grants awarded in the country. The funds will be used as part of a sub-grant program to help preserve commercial properties located within a qualified Opportunity Zone in the Salisbury Historic District. Grants of up to $150,000 for historic preservation will be awarded on a competitive basis. Priority

will be given to projects that help to enliven the blocks around the new Bell Tower Green Park that is scheduled to open in the spring of 2021. The total cost of the park will be $12 million, most of which will come from private donations. The park master plan will include substantial green space and flowers, parking, performance and community space, a large water wall, a splash pad for children, and public restrooms.

REPORTING ENTITY

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

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

The discretely presented component unit, Downtown Salisbury Inc., is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate its financial position, results of operations, and cash flows from those of the primary government.

SERVICES PROVIDED

The City of Salisbury provides a full range of municipal services allowable under state law including law enforcement, fire protection, planning and development services, zoning and code enforcement, recreation centers and parks, cemeteries, street maintenance, and sanitation. In addition to these general government activities, the City provides and maintains water and sewer utilities, offers cable TV, internet, and telephone services (through a public/private partnership as of September 2018), runs a stormwater utility system, and operates a mass transit system.

GOVERNMENT STRUCTURE

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

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

In developing and evaluating the City's accounting systems, consideration is given to the adequacies of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept

of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

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

As a recipient of federal and state awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the City's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state awards, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for FY20 provided no instances of material weaknesses in the internal control structure.

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

BASIS OF ACCOUNTING

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

FUND ACCOUNTING

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

FUND CATEGORIES

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

Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those found in the private sector. All assets, liabilities, equity, revenues, expenses, and transfers relating to

the government's business and quasi-business activities (where net income and capital maintenance are measured) are accounted for through proprietary funds. The generally accepted accounting principles used here are those applicable to similar businesses in the private sector, and the measurement focus is upon determination of net income, financial position, and cash flows.

Fiduciary funds are used to account for assets held by governmental units in a trustee capacity or as an custodian for individuals, private organizations, other governmental units and/or other funds. Fiduciary Funds are as either 1) pension trust funds, 2) investment trust funds, 3) private-purpose trust funds, or 4) custodial funds. All of the City's Fiduciary Funds are classified as Custodial Funds. Custodial funds generally report fiduciary activities that are not held in a trust or equivalent arrangement.

FINANCIAL MANAGEMENT

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

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

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

LONG-TERM FINANCIAL PLANNING

The City of Salisbury has implemented a 10-year comprehensive Capital Improvement Program (CIP. The CIP is both a planning and a financial tool used to prepare for future capital needs. Currently, the City's CIP focuses on General Fund needs and Water and Sewer Fund needs. The City's CIP defines a capital improvement as a major construction, repair, or additions to buildings, parks, streets, bridges, and other city facilities costing $10,000 or more and having a useful life of more than three years.

Some examples of the City's continued investment in our infrastructure is the system-wide meter replacement project in the Water and Sewer Fund that was completed in FY18 at a total cost of $6.279 million, the new fire station which is scheduled to be completed in FY21, and the widening of Newsome Road that includes adding new bike lanes.

CONCLUSION

While the immediate financial future still appears to be bright, in light of the ongoing COVID-19 pandemic, we must advise caution when looking ahead. Retail sales are strong, and we believe they will continue to grow as more businesses expand and others come to our area. The National Trust for Historic Preservation has cited Salisbury for its "economic vitality and fidelity in following the best-practice standards for historic preservation and community revitalization." Our new downtown park with $543,000 of grant fund renovations nearby, new fire station, $35 million in water and sewer projects, and potential for future development of the Empire Hotel all give us reasons to be excited about the future of the City of Salisbury. We will get through this pandemic together and will continue to strive!

The Council and management of the City continue to work hard for all of our citizens. Council and staff will work on several construction projects in our Water and Sewer Fund to ensure that our customers throughout Rowan County will have clean, safe drinking water. Council will also be focused on seeing several projects

in the downtown through to completion. The work is never done, but our Council and management team will focus on our core values, mission, and vision to provide quality services to our citizens, utility customers, and visitors.

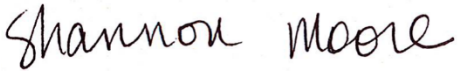
ACKNOWLEDGMENTS

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

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

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

Respectfully submitted,



Shannon Moore
Finance Director

S. Wade Furches
Finance Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Salisbury
North Carolina

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

City of Salisbury Organization Chart

City of Salisbury Citizens

Mayor
City Council

W. Lane Bailey
City Manager

J. Graham Corriher
City Attorney

Zack Kyle
Assistant City Manager

Hannah Jacobson
Community Planning Services Director

Wendy Brindle
Engineering Director

Ruth C. Kennerly
Human Resources Director

Nick Aceves
Parks and Recreation Director

Craig Powers
Public Works Director

Rodney L. Harrison
Transit Director

Kelly K. Baker
Administrative Services Director

James D. Behmer
Salisbury-Rowan Utilities Director

Jerry Stokes
Police Chief

Linda McElroy
Communications Director

Robert A. Parnell
Fire Chief

Shannon Moore
Finance Director

Latoya Price
Downtown Salisbury Interim Director

CITY OF SALISBURY

LIST OF PRINCIPAL OFFICIALS

Mayor	Karen K. Alexander
Mayor Pro Tem	Al Heggins
Council Member	David B. Post
Council Member	William B. Miller
Council Member	Tamara Sheffield
City Manager	W. Lane Bailey
Assistant City Manager	Zack Kyle
City Attorney	J. Graham Corriher
City Clerk	Kelly K. Baker
Administrative Services Director	Kelly K. Baker
Communications Director	Linda M. McElroy
Finance Director	Shannon Moore
Human Resources Director	Ruth C. Kennerly
Fire Chief	Robert A. Parnell
Police Chief	Jerome P. Stokes
Public Services Director	Craig Powers
Engineering Director	Wendy G. Brindle
Community Planning Services Director	Hannah E. Jacobson
Parks and Recreation Director	Nick Aceves
Interim Downtown Salisbury Director	Latoya Price
Utilities Director	James D. Behmer
Mass Transit Director	Rodney L. Harrison

FACTS AND INFORMATION ABOUT
CITY OF SALISBURY, NORTH CAROLINA

LOCATION

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

CLIMATE

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

POPULATION

The population of the City of Salisbury has increased steadily during the past decade. This is due to both annexations and internal growth stimulated by the local economy. Population currently is estimated to be 34,463 based upon estimates from the North Carolina Office of State Planning.

HISTORY

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

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

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

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

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

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

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

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

GOVERNMENT

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

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

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

UTILITIES

Salisbury operates its own water and sewer system. The Yadkin River, which forms the northeast boundary of Rowan County, provides Salisbury with an abundant supply of good water. The average daily flow is nearly 2 billion gallons per day, and the minimum recorded one-day flow is 150 million gallons. The Salisbury water system, using the Actiflo high-rate clarification process, has a permitted treatment capacity of 24 million gallons per day. Average daily production during fiscal year 2019 was 9.2 million gallons per day, with a peak daily production of 12.2 million gallons. An arterial system of distribution mains has been constructed to assure maximum fire protection to all parts of the city.

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

Salisbury's two wastewater treatment facilities serve as the area's regional wastewater utility with service expansion to the towns of Landis, China Grove, Spencer, East Spencer, Granite Quarry, and Rockwell. Total daily treatment capacity is 12.5 million gallons, and the average daily treatment for FY19 was 8.8 million gallons.

The City begin offering video, internet, and telephone services in 2010 through the City's Broadband Services Fund. In September 2018, the City transferred those operations to Hotwire Communications, Ltd. via public-private operational agreement.

Other utilities are provided by Duke Energy, Piedmont Natural Gas, AT & T, Windstream, and Spectrum.

TRANSPORTATION

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

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

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

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

Amtrak provides rail transportation with service on the Piedmont and the Carolinian from New York City to Charlotte, North Carolina. Arrivals and departures are from the Historic Salisbury Station, formally known as The Depot, a renovated station of the Salisbury Railroad Station Depot, originally built in 1908.

MOTELS

An ideal area for meetings and conventions, Salisbury has twelve motels, with nearly 1,200 rooms, and two bed and breakfast establishments in our historic district.

EDUCATION

Salisbury is home to four colleges. Catawba College was founded in Newton, North Carolina in 1851, and moved to Salisbury in 1925. Catawba has 30 buildings comprising a physical plant unsurpassed in the East for a college of this size and style. It has a total enrollment of 1,325 Liberal Arts students and is affiliated with the United Church of Christ. U.S. News and World Report ranked Catawba as the 4th Best Regional College in the South for 2018. Livingstone College was founded in 1879, and has 1,150 Liberal Arts students. It is affiliated with the African Methodist Episcopal Zion Church. Rowan-Cabarrus Community College offers two-year educational programs leading to the associate's degree in applied science. In addition, one-year diploma programs are offered in five fields. There is a total enrollment of approximately 4,700 full-time students. The City is also home to Hood Theological Seminary, a private graduate school that prepares students for ministry and has grown to 300 students.

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

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

ARTS AND ENTERTAINMENT

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

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

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

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

COMMUNITY FACILITIES

Salisbury is serviced five days a week by the Salisbury Post, a daily newspaper that was founded in 1905 and has a daily circulation of 19,000. Three radio stations provide local programming. WBTV has a satellite newsroom located on Main Street in Salisbury. Local reception provides coverage from all major networks in addition to cable television facilities.

A full-time, year-round city recreation staff offers activities for both young and old. In addition to organized activities, the City maintains 28 parks and other properties. The City operates a outdoor seasonal swimming pool and splash pad. The Parks and Recreation Department also maintains five paved sections of the Salisbury Greenway that span 5.2 miles.

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

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

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

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

A new Teen Center opened in 2018 in the Miller Recreation Center. Teens receive free membership cards when they sign up. The cards also give them access to city buses. The Teen Center offers a place to play pool, foosball, and video games. Members can also receive homework assistance, life skills training, and participate in other specialized programs.

SPECIAL EVENTS

Since 2009, the City has hosted the annual Salisbury Sculpture Show, which features 19 sculptures by talented artists. Sculptures can be seen around the downtown and at three college campuses – Catawba College, Livingstone College, and Rowan Cabarrus Community College. The Sculpture Show encourages our citizens and tourists to "Discover What's Outside."

For 44 years, the Historic Salisbury Foundation has sponsored its October Tour, which allows opportunity to step inside Salisbury's finest private homes and notable landmarks. It is one of the oldest annual historic home tours in the South and has featured more than 200 houses and historic properties in Salisbury and Rowan County.

In May 2019, the City hosted the third-annual Cheerwine Festival. The festival started with the soft drink's 100th birthday celebration in 2017 and has kept expanding ever since. An estimated 50,000 people filled the streets of downtown Salisbury in 2019, possibly the largest crowd ever in Salisbury. The festival allows the City to showcase the entire downtown. Many craft and food vendors are available for the all-day event and several bands helped to give the festival a lively atmosphere. Due to the COVID-19 pandemic, the Cheerwine Festival was held virtually in 2020. We are looking forward to our next live Festival in 2021.

The City and Downtown Salisbury, Inc. host 17 other separate events throughout the year. The "Night Out" events, including Wine about Winter, the Salisbury Sip Festival, Summer Sip Crawl, and a Zombie Walk, attract guests of all ages from throughout the Piedmont Region into our downtown.

Financial Section

CITY OF SALISBURY N.C.
SALISBURY
EST. - 1753

elliott davis

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Downtown Salisbury, Inc., which represent 100 percent of the assets, net position and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Downtown Salisbury, Inc., is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Downtown Salisbury, Inc. were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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

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

Other Information, Continued

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Elliott Davis, PLLC

Raleigh, North Carolina
November 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Salisbury, North Carolina, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Salisbury for the fiscal year ended June 30, 2020 (FY20). We encourage readers to read the information presented here in conjunction with the transmittal letter which begins on page 4 and the City's financial statements which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources for the City of Salisbury's governmental and business-type activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $170,271,878 (*net position*).

- The government's total net position increased by $11,362,523. The City's total assets and deferred outflows of resources increased by $43,455,073, as the City had over $37 million of unexpended debt proceeds on hand. Capital assets before depreciation increased by $14,770,242. The City recognized $8.6 million in depreciation expense in FY20.

- As of the close of the current fiscal year, the City of Salisbury's governmental funds reported combined ending fund balances of $21,186,021, with a decrease of $3,202,946 from the prior year due to spending $3.7 million of its debt proceeds. Approximately 38.5% of the Governmental Funds ending fund balance, or $8,160,045, is non-spendable or restricted. This amount is down from the prior year due to some of the restricted unexpended debt proceeds on hand.

- At the end of the current fiscal year, unassigned fund balance for the General Fund balance was $7,170,416, or 17.02% of total general fund expenditures and transfers for the fiscal year, as compared to 16% in the prior year. This increase is due to General Fund revenues and other financing sources exceeding expenditures and other financing uses by $483,078.

- The City of Salisbury's total long-term debt increased by $29,037,180, or 52.6%, during the current fiscal year due primarily to borrowing $35 million in new Revenue Bond debt to finance infrastructure improvements in the Water and Sewer Fund. The City did pay off various debt in the amount of $6.4 million and refunded $10.485 million of existing debt in the Water and Sewer Fund debt.

- In April 2020, Fitch Ratings rated the City's new Revenue Bond debt at AA-, which is an upgrade from the A+ rating on the City's 2010 revenue refunding bonds. Standard and Poor's Global Ratings also assigned an AA- rating to the new debt. Moody's Investors Services affirmed an A3 rating with a stable outlook to the 2010 Revenue Bonds in October 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

supplemental information that will enhance the reader's understanding of the financial condition of the City of Salisbury.

BASIC FINANCIAL STATEMENTS

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

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

The next statements (Exhibits A-3 through A-10) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

from the City, Downtown Salisbury Inc.'s revenues consist largely of municipal service district taxes from the City, which must be approved by City Council.

FUND FINANCIAL STATEMENTS

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

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

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

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

Fiduciary Funds – The City is the custodian for its Boards and Commissions, the Municipal Service District, the Town of East Spencer's water and sewer operations, Rowan County's water operations, the Rockwell Garbage Fund, the Granite Quarry Garbage Fund, the Spencer Garbage Fund, and the Salisbury-Rowan Human Relations Council. These Fiduciary Funds are also classified as Custodial Funds. All of the City's custodial activities are reported in the Statement of Fiduciary Statement of Net Position on page 45 and the Statement of Changes in Net Position on page 46. We excluded these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 47-77 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Salisbury's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 81-85 of this report.

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

THE CITY OF SALISBURY'S NET POSITION

Figure 1

	Governmental Activities		Business-Type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Current and other assets	$ 34,664,092	$ 34,157,607	$ 71,558,706	$ 34,953,229	$106,222,798	$ 69,110,836
Capital assets	45,653,951	39,927,308	130,847,839	129,776,410	176,501,790	169,703,718
Total assets	80,318,043	74,084,915	202,406,545	164,729,639	282,724,588	238,814,554
Deferred outflows of resources	5,437,258	5,511,831	3,064,354	3,444,742	8,501,612	8,956,573
Total assets and deferred outflows of resources	$ 85,755,301	$ 79,596,746	$205,470,899	$168,174,381	$291,226,200	$247,771,127
Long-term liabilities outstanding	$ 27,863,160	$ 28,328,695	$ 75,562,585	$ 45,211,635	$103,425,745	$ 73,540,330
Other liabilities	6,091,318	5,605,503	9,266,821	8,443,756	15,358,139	14,049,259
Total liabilities	33,954,478	33,934,198	84,829,406	53,655,391	118,783,884	87,589,589
Deferred inflows of resources	1,716,048	1,006,811	454,390	265,372	2,170,438	1,272,183
Total liabilities and deferred inflows of resources	$ 35,670,526	$ 34,941,009	$ 85,283,796	$ 53,920,763	$120,954,322	$ 88,861,772
Net position:						
Net investments in capital assets	$ 39,207,203	$ 35,316,427	$ 92,415,998	$ 86,837,002	$131,623,201	$122,153,429
Restricted	5,415,928	4,700,295	-	-	5,415,928	4,700,295
Unrestricted	5,461,644	4,639,015	27,771,105	27,416,616	33,232,749	32,055,631
Total net position	$ 50,084,775	$ 44,655,737	$120,187,103	$114,253,618	$170,271,878	$158,909,355

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Salisbury exceeded liabilities and deferred inflows by $170,271,878 as of June 30, 2020, an increase of $11,363,523 from the fiscal year ended June 30, 2019. The largest portion of the City's net assets (77.3%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, equipment, water and sewer treatment facilities, water and sewer lines, and broadband network). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate the liabilities. An additional portion of the City of Salisbury's net position, $5,415,928, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $33,232,749 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.88%, which is a slight decrease over the 98.58% collection rate a year ago. We attribute this decrease to the COVID pandemic and related rise in unemployment in the Spring of 2020.
- An increase in local option sales tax receipts of $421,358, or 5.2%, from last year. The City's sales tax receipts were not greatly affected by the COVID pandemic.
- The City's Water and Sewer Fund had an increase in Net Position of $5,933,485. The City has several construction projects that were budgeted in FY19 and FY20, but were incomplete at the end of the fiscal year. Those projects will be completed in the future using funds from the recently issued Revenue Bonds.

CITY OF SALISBURY CHANGES IN NET POSITION
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Revenues:						
Program revenues:						
Charges for services	$ 4,491,558	$ 4,303,177	$ 30,425,246	$ 30,670,765	$ 34,916,804	$ 34,973,942
Operating grants and contributions	2,639,873	2,317,073	1,062,731	739,998	3,702,604	3,057,071
Capital grants and contributions	2,585,767	779,487	-	-	2,585,767	779,487
General revenues:						
Property taxes	22,818,429	20,764,393	-	-	22,818,429	20,764,393
Other taxes	8,543,381	8,122,023	-	-	8,543,381	8,122,023
Intergovernmental revenue	3,213,140	3,360,697	-	-	3,213,140	3,360,697
Other	385,180	544,638	528,602	762,048	913,782	1,306,686
Total revenues	$ 44,677,328	$ 40,191,488	$ 32,016,579	$ 32,172,811	$ 76,693,907	$ 72,364,299
Expenses:						
General government	$ 7,233,838	$ 6,943,041	$ -	$ -	$ 7,233,838	$ 6,943,041
Public safety	17,094,896	16,467,391	-	-	17,094,896	16,467,391
Transportation	5,985,903	5,971,094	-	-	5,985,903	5,971,094
Environmental protection	1,760,087	1,719,174	-	-	1,760,087	1,719,174
Culture and recreation	2,619,658	2,676,550	-	-	2,619,658	2,676,550
Community and economic development	1,287,190	2,985,180	-	-	1,287,190	2,985,180
Education	40,000	40,000	-	-	40,000	40,000
Interest and fees on long-term debt	298,748	270,003	2,680,575	1,973,872	2,979,323	2,243,875
Water and sewer	-	-	22,737,266	22,494,730	22,737,266	22,494,730
Broadband Services	-	-	994,284	2,551,972	994,284	2,551,972
Stormwater	-	-	1,281,957	1,402,836	1,281,957	1,402,836
Mass transit	-	-	1,316,982	1,489,636	1,316,982	1,489,636
Total expenses	$ 36,320,320	$ 37,072,433	$ 29,011,064	$ 29,913,046	$ 65,331,384	$ 66,985,479
Change in net position before transfers	$ 8,357,008	$ 3,119,055	$ 3,005,515	$ 2,259,765	$ 11,362,523	$ 5,378,820
Transfers	(2,927,970)	(3,763,828)	2,927,970	3,763,828	-	-
Change in net position	$ 5,429,038	$ (644,773)	$ 5,933,485	$ 6,023,593	$ 11,362,523	$ 5,378,820
Net position, beginning	44,655,737	45,300,510	114,253,618	108,230,025	158,909,355	153,530,535
Net position, ending	$ 50,084,775	$ 44,655,737	$ 120,187,103	$ 114,253,618	$ 170,271,878	$ 158,909,355

Governmental activities - Governmental activities increased the City's net position by $5,429,038, partially due to an increase in revenues from sales taxes and property taxes of over $2.4 million. Property values increased as a result of the January 1, 2019, revaluation and City Council approved a slight tax rate increase from the prior year. Governmental expenditures decreased $752,113, and transfers to other funds decreased $835,858. The City spent $3.7 million on a new fire station and over $2.3 million on infrastructure projects – a road extension, road widening and bike lane project, and sidewalk projects recognized over $1.3 million in related grant money in FY20. In conjunction with the new fire station, the City hired nine new firefighters at a cost of $437,108 in FY20, of which $313,893 was reimbursed from a Staffing for Adequate Fire and Emergency Response Grant. The City will bear the full cost of those new firefighters after the three-year grant.

Business-type activities - Business-type activities increased the City's net position by $3,005,515 before transfers. The Water and Sewer Fund reported a change in net position of $3,806,154. As mentioned earlier, the City borrowed $35 million in new Revenue Bond debt, and therefore, interest expense and bond fees increased $739,526 in FY20 to $1.6 million. The Broadband Service Fund reports a loss of $1,207,498 before transfers on the full accrual basis. The City has transitioned its broadband operations to Hotwire Communications, Ltd. via an operational agreement. The City began collecting revenues from Hotwire in FY19. Lease Revenue from the operational agreement were $749,853 in FY20. Expenses in the Broadband Services Fund decreased $1.56 million from the previous fiscal year. The Stormwater Fund had a gain of $587,682, and the Mass Transit Fund had a loss of $180,823, before transfers from the General Fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

The General Fund is the chief operating fund of the City of Salisbury. At the end of the current fiscal year, the City's fund balance available for appropriation in the General Fund was $13,576,089, while total fund balance was $18,975,087. Salisbury's City Council has determined that the City should maintain an available fund balance of at least 10% of general fund balance expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 32.22% of general fund expenditures and transfers, while total fund balance represents 45.04% of the same amount.

At June 30, 2020, the governmental funds of the City of Salisbury reported a combined fund balance of $21,186,021, a 13% decrease from last year. As discussed earlier, the City expended over $3.6 million of its available debt proceeds for a new fire station in FY20, which was the primary reason for the decrease in fund balance.

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

Total amendments to the General Fund increased revenues and other sources of funds and expenditures by $1,587,882. The difference between the original budget and the final amended budget can be briefly summarized as follows:

- The City appropriated a $500,000 grant from the U.S. Office of Justice Programs Strategies for Policing Innovation to fund a real time crime center at the Salisbury Police Department.
- The City appropriated $262,956 for various donations that helped fund the annual public art exhibit, renovation at the City's Hurley Park, various Police Department initiatives, the Dixonville Cemetery memorial, and more projects around the City.

- The City appropriated $493,221 Fund Balance, including $150,000 to fund renovations at City Park Lake, $230,633 to fund downtown incentive grants for building rehabilitations, and $24,474 for City-Wide security cameras.
- The City appropriated $117,769 in insurance proceeds and $183,210 for various grants.

Some revenues were less than the budgeted amounts primarily because some appropriated grant funds and donations had not been earned, and therefore not received by June 30, 2020. The City had not earned these funds because the related expenditures had not been made. Therefore, these unearned grants had no effect on the General Fund's change in fund balance during the fiscal year ended June 30, 2020.

Proprietary Funds

The City of Salisbury's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Total Net Position of the Proprietary Funds was $120,187,103 at the end of the fiscal year. Of that amount, $92,415,998 represents the Net Investment in Capital Assets and $27,771,105 is unrestricted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Salisbury's investment in capital assets for its governmental and business–type activities as of June 30, 2020, totals $176,501,790 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, fiber optic lines, water and sewer treatment facilities, and water and sewer lines. The City's capital assets in the governmental-type assets increased 14.3% due primarily to the ongoing construction of the new fire station and widening of Newsome Road. Capital assets in the business-type activities increased by less than 1%. The City recorded total depreciation of $8.6 million.

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

- The City purchased three new buses for the Mass Transit system for $229,210.
- The City purchased a new truck and utility trailer for the Stormwater Fund for $131,227.
- The City's General Fund spent $3.7 million on its new fire station on Cedar Springs Road and $1.5 million on the widening of Newsome Road, which includes the addition of bike lanes. Both of these projects will be completed in FY21.
- The City purchased a new fire truck for $633,556.
- The City purchased three new trucks for the Street Department for $650,863 and maintenance equipment and vehicles for Grounds Maintenance totaling $393,844.
- The City capitalized infrastructure projects for the West End Sidewalk in the amount of $477,166 and the Newsome Road extension for $888,841.
- In the Water and Sewer Fund, the City spent $6.2 million on various ongoing rehabilitation projects. Some of these projects are being funded by the recently issued Revenue Bonds. The Water and Sewer Fund also capitalized $410,543 for vehicles and maintenance equipment.

CITY OF SALISBURY'S CAPITAL ASSETS
(net of depreciation)
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	$ 7,890,708	$ 7,890,708	$ 2,278,119	$ 2,278,119	$ 10,168,827	$ 10,168,827
Construction in progress	8,155,852	3,530,887	7,796,438	1,522,891	15,952,290	5,053,778
Buildings	6,062,644	6,336,449	12,011,571	12,510,245	18,074,215	18,846,694
Improvements other than buildings	6,071,119	6,274,834	-	-	6,071,119	6,274,834
Equipment	1,506,249	1,466,788	1,441,217	1,466,182	2,947,466	2,932,970
Vehicles and motorized equipment	7,019,748	6,423,874	773,995	630,609	7,793,743	7,054,483
Infrastructure	8,947,631	8,003,768	106,546,499	111,368,364	115,494,130	119,372,132
Total	$ 45,653,951	$ 39,927,308	$ 130,847,839	$ 129,776,410	$ 176,501,790	$ 169,703,718

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

As of June 30, 2020, the City of Salisbury had total long-term debt outstanding of $84,201,240 (not including compensated absences, pension liabilities, and other postemployment benefits). Of this, $51,969,102 represents bonds secured solely by specified revenue sources (i.e. revenue bonds). The City owes $30,556,998 on various installment purchases, including $21,415,000 of debt on the City's broadband utility system. Terms of that debt were renegotiated in FY20 to reduce the interest rate from 3.84% to 2.75%.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue bonds	$ -	$ -	$ 51,969,102	$ 18,647,689	$ 51,969,102	$ 18,647,689
State bond loans	-	-	452,340	610,000	452,340	610,000
Capital leases	-	-	1,140,800	1,380,290	1,140,800	1,380,290
Installment purchases	9,141,998	10,448,501	21,415,000	23,961,580	30,556,998	34,410,081
HUD Section 108 loan	82,000	116,000	-	-	82,000	116,000
Total	$ 9,223,998	$ 10,564,501	$ 74,977,242	$ 44,599,559	$ 84,201,240	$ 55,164,060

The City of Salisbury's total outstanding debt increased by $29,037,180 (52.6%) during the past fiscal year, due primarily to borrow $35 million of new debt to fund Water and Sewer rehabilitation projects.

As mentioned in the financial highlights section of this document, the City's bond ratings are strong and stable. In the past fiscal year, Fitch Ratings raised its rating to AA- and Standards and Poor's also rated the new revenue bonds at AA-. Fitch Ratings reported a Stable outlook for the City.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Salisbury is $221,534,799.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following key indicators show that Salisbury remained steady in FY20, despite the onset of the COVID virus.

- Average unemployment in Rowan County for the fiscal year ended June 30, 2020, was 7.3%, which is up from the 4.7% unemployment of the fiscal year ended June 30, 2019. The unemployment rate was severely impacted by the COVID pandemic and resulting job closings. Unemployment reached as high as 16.8% and was 10.4% in June 2020. The average unemployment rate for the State of North Carolina in FY20 was also 5.6%.

- Retail sales continued to be strong in fiscal year ended June 30, 2020. The County's sales subject to North Carolina sales taxes increased over $28 million from the previous year to $1,492,454,595. This is the highest sales total in the County's history. Sales tax revenues were negatively impacted in some parts of the State, but Rowan County and Salisbury were not hit hard. Although sales tax information is no longer published for cities by the NC Department of Revenue, sales in the City have historically accounted for about two-thirds of sales in the County. The City's sales tax revenues increased $421,358 from the previous year to $8,543,381.

- 104 new single-family homes were built during FY20 with a total cost of $15,094,279. Commercial projects that were completed or started totaled $19 million and includes a new 80-unit, $11.7 million apartment complex that received a $500,000 grant from the 2019 Affordable Housing Program.

- The occupancy rates for commercial space in the City's downtown area have remained steady at 90.5% as of June 30.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Governmental Activities

General Fund – In FY2021, the General Fund budget is down 2.7% from the prior fiscal year to $47.8 million. Because of the continued uncertainty regarding the potential negative financial impact of the ongoing COVID pandemic, City Council approved a conservative budget with cuts in many departments. City Council maintained the existing tax rate of $0.7196 per $100 valuation, and kept the budget sales taxes conservative at the same budgeted amount as in FY20. Personnel is the biggest expense of the City's

General Fund. The challenging FY21 budget brings no merits or cost of living adjustments for City employees. The General Fund will still see an increase of $356,000 in personnel costs over FY20 actual expenses due to increased benefits costs, including a 1.2% increase in the required contribution to the NC Local Government Retirement System. City Council also appropriated $2.2 million of the City's healthy Fund Balance for several infrastructure projects, but some of those projects will be delayed until the City has the funding to move forward.

Business-Type Activities

Water and Sewer Fund – Water and Sewer rates will increase by 1.83% for the fiscal year ending June 30, 2020, based on the Consumer Price Index for urban consumers in the South Region. As in the General Fund, there will be no COLA or merit raise for employees, but there will be increases due to the added fringe benefit costs. We have developed a 10-year Capital Improvement Plan (CIP) to adequately fund the system's infrastructure needs while maintaining competitive rates in our region. In FY21, the Water and Sewer Fund will be focusing on rehabilitation projects that are being funded by the new $35 million revenue bonds. The City is continuing to implement a multi-year effort to rehabilitate aging sewer lines throughout the system in an effort to reduce inflow and infiltration. The City conducts system-wide flow monitoring of the collection system to prioritize its rehabilitation efforts. Funding for sewer rehabilitation projects is including in the FY21 budget and is projected to increase in the current CIP.

Broadband Services Fund – The City's public/private partnership with Hotwire Communications for the lease of our broadband utility. Hotwire has completed its first year. Quarterly lease payment from Hotwire have been steady in the first year. Hotwire is experiencing the same economic uncertainties as the City and other businesses. The Broadband Services Fund will continue to depend on contributions from the General Fund until revenues from the lease agreement become sufficient to cover all expenses of the fund. The General Fund contribution has been increased by $600,000 to $3 million in FY21. The FY20 budget includes $300,000 in principal payment on its inter-fund loan from the Water and Sewer Fund.

Mass Transit Fund – The City's Mass Transit System is classified as an Urban Transit System. The City continues to work with our Metropolitan Planning Organization (MPO) and other transit systems within our MPO to ensure adequate funding for the Transit system. While the majority of funding for the Mass Transit Fund is provided through Federal and State grants, the General Fund Contribution for FY21 is budgeted at $241,611. CARES funding has provided temporary relief for the Transit Fund. The Mass Transit was also awarded an $818,771 grant as part of the VW Bus Replacement Project to replace aging vehicles and help us move to cleaner vehicles.

Stormwater Fund – The FY21 budget includes a $.08 per month rate increase to offset inflation and to provide funds for stormwater projects to reduce flooding and pollution to maintain compliance with our existing National Pollutant Discharge Elimination System permit. One large project is anticipated to cost $356,469.

REQUESTS FOR INFORMATION

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

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CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Salisbury, Inc.
ASSETS				
Cash and investments	$ 23,298,048	$ 30,896,192	$ 54,194,240	$ 91,329
Taxes receivables (net)	769,580	-	769,580	-
Accrued interest receivable on taxes	103,707	-	103,707	-
Accounts receivable (net)	520,927	4,057,857	4,578,784	1,656
Lease payments receivable	-	96,655	96,655	-
Interest receivable	22,594	28,727	51,321	-
Due from other governments	5,572,624	175,743	5,748,367	-
Inventories	511,219	479,099	990,318	-
Prepaid items	248,747	-	248,747	-
Real estate held for investment	-	-	-	880,000
Restricted cash and cash equivalents	3,616,646	35,824,433	39,441,079	1,084
Total current assets	$ 34,664,092	$ 71,558,706	$ 106,222,798	$ 974,069
Non-current assets				
Capital assets				
Land, improvements, and construction in progress	$ 16,046,560	$ 10,074,557	$ 26,121,117	$ -
Other capital assets, net of depreciation	29,607,391	120,773,282	150,380,673	2,745
Total non-current assets	$ 45,653,951	$ 130,847,839	$ 176,501,790	$ 2,745
Total assets	$ 80,318,043	$ 202,406,545	$ 282,724,588	$ 976,814
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on refunding	$ -	$ 1,520,622	$ 1,520,622	$ -
Pension Deferrals	3,116,350	872,724	3,989,074	-
OPEB Deferrals	708,502	169,061	877,563	-
Contributions to pension plan in current fiscal year	1,612,406	501,947	2,114,353	-
Total deferred outflows of resources	$ 5,437,258	$ 3,064,354	$ 8,501,612	$ -
LIABILITIES				
Accounts payable and accrued expenses	$ 3,951,474	$ 2,593,953	$ 6,545,427	$ -
Accrued interest payable	88,802	819,364	908,166	3,737
Advances from grantors	512,850	-	512,850	-
Current portion of long-term liabilities	1,538,192	5,053,851	6,592,043	24,832
Liabilities to be paid from restricted assets:				
Customer deposits	-	799,653	799,653	-
Noncurrent liabilities due in more than one year:				
Net pension liability (LGERS)	7,058,163	2,366,794	9,424,957	-
Total pension liability (LEOSSA)	2,950,159	-	2,950,159	-
Total OPEB liability	8,192,142	2,747,050	10,939,192	-
Due in more than one year	9,662,696	70,448,741	80,111,437	681,409
Total liabilities	$ 33,954,478	$ 84,829,406	$ 118,783,884	$ 709,978
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	$ 212,768	$ 18,816	$ 231,584	$ -
OPEB deferrals	1,503,280	435,574	1,938,854	-
Total deferred inflows of resources	$ 1,716,048	$ 454,390	$ 2,170,438	$ -
NET POSITION				
Net investments in capital assets	$ 39,207,203	$ 92,415,998	$ 131,623,201	$ 2,745
Restricted for:				
Stabilization by State Statute	4,903,078	-	4,903,078	-
Community Development	268,123	-	268,123	1,084
Public Safety	80,682	-	80,682	-
Cultural and Recreation	164,045	-	164,045	-
Unrestricted	5,461,644	27,771,105	33,232,749	263,007
Total net position	$ 50,084,775	$ 120,187,103	$ 170,271,878	$ 266,836

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

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CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total Primary Government	Component Unit: Downtown Salisbury, Inc.
Primary government:								
Governmental Activities:								
General government	$ 7,233,838	$ 1,015,046	$ -	$ -	$ (6,218,792)	$ -	$ (6,218,792)	$ -
Public safety	17,094,896	566,417	992,367	95,014	(15,441,098)	-	(15,441,098)	-
Transportation	5,985,903	66,605	1,043,649	2,490,753	(2,384,896)	-	(2,384,896)	-
Environmental protection	1,760,087	2,495,392	-	-	735,305	-	735,305	-
Culture and recreation	2,619,658	59,582	150,241	-	(2,409,835)	-	(2,409,835)	-
Community and economic development	1,287,190	288,516	453,616	-	(545,058)	-	(545,058)	-
Education	40,000	-	-	-	(40,000)	-	(40,000)	-
Interest and fees on long-term debt	298,748	-	-	-	(298,748)	-	(298,748)	-
Total governmental activities	$ 36,320,320	$ 4,491,558	$ 2,639,873	$ 2,585,767	$ (26,603,122)	$ -	$ (26,603,122)	$ -
Business-type activities:								
Water and Sewer	$ 24,375,589	$ 27,716,815	$ -	$ -	$ -	$ 3,341,226	$ 3,341,226	$ -
Broadband Services	2,036,536	802,201	-	-	-	(1,234,335)	(1,234,335)	-
Stormwater	1,281,957	1,839,357	-	-	-	557,400	557,400	-
Mass Transit	1,316,982	66,873	1,062,731	-	-	(187,378)	(187,378)	-
Total business-type activities	$ 29,011,064	$ 30,425,246	$ 1,062,731	$ -	$ -	$ 2,476,913	$ 2,476,913	$ -
Total primary government	$ 65,331,384	$ 34,916,804	$ 3,702,604	$ 2,585,767	$ (26,603,122)	$ 2,476,913	$ (24,126,209)	$ -
Component unit:								
Downtown Salisbury, Inc.	$ 139,405	$ 102,971	$ -	$ -	$ -	$ -	$ -	$ (36,434)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					$ 22,818,429	$ -	$ 22,818,429	$ 133,261
Local option sales taxes					8,543,381	-	8,543,381	-
Unrestricted intergovernmental revenues					3,213,140	-	3,213,140	-
Unrestricted investment earnings					385,180	528,602	913,782	-
Total general revenues					$ 34,960,130	$ 528,602	$ 35,488,732	$ 133,261
Transfers					(2,927,970)	2,927,970	-	-
Total general revenues and transfers					$ 32,032,160	$ 3,456,572	$ 35,488,732	$ 133,261
Change in net position					$ 5,429,038	$ 5,933,485	$ 11,362,523	$ 96,827
Net position-beginning					$ 44,655,737	$ 114,253,618	$ 158,909,355	$ 170,009
Net position-ending					$ 50,084,775	$ 120,187,103	$ 170,271,878	$ 266,836

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

A-3

CITY OF SALISBURY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

ASSETS	General Fund	Non-Major Funds	Total Government Funds
Cash and investments	$ 16,097,513	$ 272	$ 16,097,785
Taxes receivable, net	769,580	-	769,580
Accounts receivable, net	517,931	1,109	519,040
Interest receivable	16,081	-	16,081
Due from other governments	5,437,179	135,445	5,572,624
Due from other fund	36,500	-	36,500
Inventories	511,219	-	511,219
Prepaid items	196,862	51,885	248,747
Restricted cash and investments	839,396	2,777,250	3,616,646
Total assets	$ 24,422,261	$ 2,965,961	$ 27,388,222
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 2,847,970	$ 718,527	$ 3,566,497
Due to other fund	-	36,500	36,500
Advances from grantors	512,850	-	512,850
Total liabilities	$ 3,360,820	$ 755,027	$ 4,115,847
Deferred Inflows of Resources:			
Property taxes receivable	$ 769,580	$ -	$ 769,580
Unavailable revenues	1,316,774	-	1,316,774
Total deferred inflows of resources	$ 2,086,354	$ -	$ 2,086,354
Fund balances:			
Nonspendable:			
Inventories	$ 511,219	$ -	$ 511,219
Prepaid items	196,862	-	196,862
Restricted:			
Stabilization by State Statute	4,690,917	136,554	4,827,471
Community Development	268,123	-	268,123
Public Safety	80,682	-	80,682
Cultural and Recreation	164,045	-	164,045
Capital Projects		2,111,643	2,111,643
Committed:			
Capital Replacement	2,706,475	-	2,706,475
LEO Special Separation Allowance	972,165	-	972,165
Assigned: Subsequent Year's Budget	2,214,183	-	2,214,183
Unassigned	7,170,416	(37,263)	7,133,153
Total fund balances	$ 18,975,087	$ 2,210,934	$ 21,186,021
Total liabilities, deferred inflows of resources and fund balances	$ 24,422,261	$ 2,965,961	$ 27,388,222

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

A-3

CITY OF SALISBURY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

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

Total Fund Balance, Governmental Funds		$ 21,186,021
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	$ 107,029,152	
Accumulated depreciation	(61,375,201)	45,653,951
Deferred outflows of resources related to pensions are not reported in the funds		4,728,756
Deferred outflows of resources related to OPEB are not reported in the funds		708,502
Amount due from other government that is not available to pay for current period expenditures is not an inflor of resource in the General Fund		1,316,774
Other long-term assets are not available to pay for current-period expenditures and therefore are not inflows of resources in the funds:		
Accrued interest receivable from taxes		103,707
Internal service funds are used by management to charge the costs of certain activities, such as self insurance for health care and workers compensation, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		6,823,686
Deferred inflows of resources for property taxes receivable		769,580
Pension related deferrals		(212,768)
Deferred inflows of resources related to OPEB are not reported in the funds		(1,503,280)
Other long-term liabilities (accrued interest) are not due and payable in in the current period and therefore are not reported in the funds:		
Long-term debt		(9,223,998)
Accrued interest on long-term debt		(88,802)
Net pension liability - LGERS		(7,058,163)
Total OPEB liability		(8,192,142)
Total pension liability - Law Enforcement Separation Allowance		(2,950,159)
Accrued compensated absences		(1,976,890)
Net position of governmental activities		$ 50,084,775

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

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CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	General Fund	Non-Major Funds	Total Governmental Funds
REVENUES			
Taxes	$ 22,556,097	$ -	$ 22,556,097
Unrestricted intergovernmental	11,756,521	-	11,756,521
Restricted intergovernmental	3,354,489	336,941	3,691,430
Charges for services	4,042,095	-	4,042,095
Miscellaneous	907,547	56,076	963,623
Total revenues	$ 42,616,749	$ 393,017	$ 43,009,766
EXPENDITURES			
Current:			
General government	$ 7,017,959	$ 80,315	$ 7,098,274
Public safety	16,864,557	3,713,899	20,578,456
Transportation	6,847,788	-	6,847,788
Environmental protection	1,654,359	-	1,654,359
Culture and recreation	2,816,183	-	2,816,183
Community and economic development	2,354,052	245,328	2,599,380
Education	40,000	-	40,000
Debt service:			
Principal	1,306,503	34,000	1,340,503
Interest and fees	304,300	5,499	309,799
Total expenditures	$ 39,205,701	$ 4,079,041	$ 43,284,742
Excess of revenues over (under) expenditures	$ 3,411,048	$ (3,686,024)	$ (274,976)
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	$ (2,927,970)	$ -	$ (2,927,970)
Net change in fund balance	$ 483,078	$ (3,686,024)	$ (3,202,946)
Fund balances-beginning	$ 18,492,009	$ 5,896,958	$ 24,388,967
Fund balances-ending	$ 18,975,087	$ 2,210,934	$ 21,186,021

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

CITY OF SALISBURY, NORTH CAROLINA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		$ (3,202,946)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in unavailable revenues for property tax revenues	$ 240,357	
Unavailable revenue from grants due from other government	1,316,774	
Changes in accrued interest receivable on taxes	21,975	1,579,106
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital outlay expenditures which were capitalized	$ 8,396,898	
Depreciation expense for governmental assets	(2,670,255)	5,726,643
Net revenue of Internal Service Funds determined to be Governmental Fund Type		1,678,777
The issuance of long-term debt provides current financial resources to governmental		
Principal payments on long-term debt	$ 1,340,503	
Decrease in accrued interest payable	11,051	1,351,554
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	$ (80,372)	
Pension expense	(1,699,734)	
OPEB plan expense	76,010	(1,704,096)
Total changes in net position of governmental activities		$ 5,429,038

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

CITY OF SALISBURY, NORTH CAROLINA
GENERAL FUND

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

For the Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 22,141,484	$ 22,141,484	$ 22,556,097	$ 414,613
Unrestricted intergovernmental	10,979,000	10,979,000	11,756,521	777,521
Restricted intergovernmental	5,005,227	5,628,437	3,354,489	(2,273,948)
Charges for services	3,966,890	3,966,890	4,042,095	75,205
Miscellaneous	741,226	1,181,951	907,547	(274,404)
Total revenues	$ 42,833,827	$ 43,897,762	$ 42,616,749	$ (1,281,013)
Expenditures:				
Current:				
General government	$ 7,822,584	$ 7,854,385	$ 7,017,959	$ 836,426
Public safety	17,089,006	18,015,215	16,864,557	1,150,658
Transportation	9,000,033	9,127,533	6,847,788	2,279,745
Environmental protection	1,551,858	1,670,357	1,654,359	15,998
Cultural and recreation	3,000,510	3,021,384	2,816,183	205,201
Community and economic development	4,387,270	4,748,658	2,354,052	2,394,606
Education	40,000	40,000	40,000	-
Debt service:				
Principal retirement	1,306,505	1,306,505	1,306,503	2
Interest and fees	302,692	304,303	304,300	3
Total expenditures	$ 44,500,458	$ 46,088,340	$ 39,205,701	$ 6,882,639
Surplus of revenues over expenditures	$ (1,666,631)	$ (2,190,578)	$ 3,411,048	$ 5,601,626
Other financing sources (uses):				
Transfers to other funds	$ (3,033,564)	$ (3,073,678)	$ (2,927,970)	$ 145,708
Fund balance appropriated	4,700,195	5,264,256	-	(5,264,256)
Total other financing sources (uses)	$ 1,666,631	$ 2,190,578	$ (2,927,970)	$ (5,118,548)
Net change in fund balance	$ -	$ -	$ 483,078	$ 483,078
Fund balances, beginning of year			18,492,009	
Fund balances, end of year			$ 18,975,087	

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

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CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2020

	Enterprise Funds					Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	$ 26,361,864	$ 1,449,541	$ 2,396,534	$ 688,253	$ 30,896,192	$ 7,200,263
Accounts receivable (net)	3,858,929	-	196,568	2,360	4,057,857	1,887
Lease payments receivable (net)	-	96,655			96,655	-
Interest receivable	24,571	1,328	2,248	580	28,727	6,513
Due from other governments	37,969	-	2,567	135,207	175,743	-
Inventories	476,793	-		2,306	479,099	-
Restricted assets:						
Cash and cash equivalents	35,824,433	-	-	-	35,824,433	-
Total current assets	$ 66,584,559	$ 1,547,524	$ 2,597,917	$ 828,706	$ 71,558,706	$ 7,208,663
Noncurrent assets:						
Due from other fund	$ 6,201,961	$ -	$ -	$ -	$ 6,201,961	$ -
Capital assets:						
Land	2,278,119	-	-	-	2,278,119	-
Buildings and improvements	202,463,564	25,973,590	-	644,200	229,081,354	-
Equipment	12,613,004	574,015	813,899	2,351,996	16,352,914	-
Construction in progress	7,796,438	-	-	-	7,796,438	-
Accumulated depreciation	(114,966,601)	(6,638,229)	(341,540)	(2,714,616)	(124,660,986)	-
Total noncurrent assets	$ 116,386,485	$ 19,909,376	$ 472,359	$ 281,580	$ 137,049,800	$ -
Total assets	$ 182,971,044	$ 21,456,900	$ 3,070,276	$ 1,110,286	$ 208,608,506	$ 7,208,663
Deferred outflow of resources						
Deferred amount on refunding		$ 1,520,622			$ 1,520,622	$ -
Pension dererrals	693,502		85,701	93,521	872,724	-
OPEB Deferrals	134,342		16,602	18,117	169,061	-
Contributions to pension plan	398,868	-	49,291	53,788	501,947	-
	$ 1,226,712	$ 1,520,622	$ 151,594	$ 165,426	$ 3,064,354	$ -
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	$ 2,479,647	$ 2,444	$ 46,943	$ 64,919	$ 2,593,953	$ 384,977
Interest payable	544,501	274,863			819,364	-
Bonds, notes, and loans payable	2,961,316	2,040,000			5,001,316	-
Compensated absences	46,487		610	5,438	52,535	-
Liabilities payable from restricted assets					-	
Customer deposits	799,653	-	-	-	799,653	-
Total current liabilities	$ 6,831,604	$ 2,317,307	$ 47,553	$ 70,357	$ 9,266,821	$ 384,977
Noncurrent liabilities:						
Bonds, notes, and loans payable	$ 50,600,926	$ 19,375,000	$ -	$ -	$ 69,975,926	$ -
Due to other fund		6,201,961	-	-	6,201,961	-
Net pension liability	1,880,750	-	232,418	253,626	2,366,794	-
Total OPEB liability	2,182,916	-	269,760	294,374	2,747,050	-
Compensated absences	418,387	-	5,489	48,939	472,815	-
Total noncurrent liabilities	$ 55,082,979	$ 25,576,961	$ 507,667	$ 596,939	$ 81,764,546	$ -
Total liabilities	$ 61,914,583	$ 27,894,268	$ 555,220	$ 667,296	$ 91,031,367	$ 384,977
Deferred inflow of resources						
Pension deferrals	$ 14,952		$ 1,848	$ 2,016	$ 18,816	$ -
OPEB deferrals	346,122	-	42,776	46,676	435,574	-
	$ 361,074	$ -	$ 44,624	$ 48,692	$ 454,390	$ -
NET POSITION						
Net investment in capital assets	$ 91,647,061	$ 14,998	$ 472,359	$ 281,580	$ 92,415,998	$ -
Unrestricted	30,275,038	(4,931,744)	2,149,667	278,144	27,771,105	6,823,686
Total net position	$ 121,922,099	$ (4,916,746)	$ 2,622,026	$ 559,724	$ 120,187,103	$ 6,823,686

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

CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	Enterprise Funds					Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	$ 25,917,031	$ -	$ 1,823,732	$ 52,996	$ 27,793,759	$ 6,829,489
Water and sewer taps	678,157				678,157	-
Lease revenue	-	749,853			749,853	-
Other operating revenues	1,121,627	52,348	15,625	13,877	1,203,477	-
Total operating revenues	$ 27,716,815	$ 802,201	$ 1,839,357	$ 66,873	$ 30,425,246	$ 6,829,489
OPERATING EXPENSES						
Management and administration	$ 6,247,180	$ 50,158	$ 774,929	$ 281,495	$ 7,353,762	$ 5,239,171
Water resources	3,218,416	-	-	-	3,218,416	-
Maintenance and construction	3,422,743	-	-	-	3,422,743	-
Wastewater collection and treatment	4,141,601	-	-	-	4,141,601	-
Environmental services	575,486	-	-	-	575,486	-
Broadband lease-related expenses	-	269,546	-	-	269,546	-
Stormwater program	-	-	396,891	-	396,891	-
Mass transit operations	-	-	-	973,462	973,462	-
Depreciation	5,131,840	674,580	110,137	62,025	5,978,582	-
Total operating expenses	$ 22,737,266	$ 994,284	$ 1,281,957	$ 1,316,982	$ 26,330,489	$ 5,239,171
Operating income (loss)	$ 4,979,549	$ (192,083)	$ 557,400	$ (1,250,109)	$ 4,094,757	$ 1,590,318
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	$ 464,928	$ 26,837	$ 30,282	$ 6,555	$ 528,602	$ 88,459
Interest and other charges	(1,638,323)	(1,042,252)	-	-	(2,680,575)	-
CARES grant	-	-	-	409,881	409,881	-
Intergovernmental revenues	-	-	-	652,850	652,850	-
Total nonoperating revenue (expenses)	$ (1,173,395)	$ (1,015,415)	$ 30,282	$ 1,069,286	$ (1,089,242)	$ 88,459
Income (loss) before transfers	$ 3,806,154	$ (1,207,498)	$ 587,682	$ (180,823)	$ 3,005,515	$ 1,678,777
Transfers from other funds	-	2,400,000	-	527,970	2,927,970	-
Change in net position	$ 3,806,154	$ 1,192,502	$ 587,682	$ 347,147	$ 5,933,485	$ 1,678,777
Net position, beginning	118,115,945	(6,109,248)	2,034,344	212,577	114,253,618	5,144,909
Net position, ending	$ 121,922,099	$ (4,916,746)	$ 2,622,026	$ 559,724	$ 120,187,103	$ 6,823,686

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

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CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds					Governmental Activities
	Water and Sewer Fund	Broadband Services Fund	Stormwater Fund	Transit Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 26,695,398	$ 146,327	$ 1,873,883	$ 52,585	$ 28,768,193	$ -
Cash received from lease		914,044			914,044	
Cash received from interfund services provided	-	-			-	6,829,475
Cash paid for goods and services	(11,093,862)	(357,803)	(730,470)	(463,161)	(12,645,296)	(5,536,546)
Cash paid to or on behalf of employees for services	(6,280,301)	-	(515,018)	(778,849)	(7,574,168)	-
Customer deposits received	208,800	-	-	-	208,800	-
Customer deposits returned	(217,659)	-	-	-	(217,659)	-
Other receipts	1,121,627	52,348	15,625	13,877	1,203,477	-
Net cash provided (used) by operating activities	$ 10,434,003	$ 754,916	$ 644,020	$ (1,175,548)	$ 10,657,391	$ 1,292,929
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	$ -	$ 2,400,000	$ -	$ 527,970	$ 2,927,970	$ -
Cash received from settlement		550,000			550,000	
Decrease in due (to) from other funds	300,000	(300,000)	-	-	-	-
Intergovernmental revenues	-	-	-	951,922	951,922	-
Total cash flows provided by noncapital financing activities	$ 300,000	$ 2,650,000	$ -	$ 1,479,892	$ 4,429,892	$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	$ (5,961,639)	$ -	$ (136,713)	$ (229,210)	$ (6,327,562)	$ -
Proceeds from refunding debt	10,897,214	-	-	-	10,897,214	-
Proceeds fro debt issuance	35,016,450	-		-	35,016,450	-
Payments to refunded bond escrow agent	(10,485,000)	-	-	-	(10,485,000)	-
Principal paid on bond maturities and equipment contracts	(3,085,981)	(1,965,000)	-	-	(5,050,981)	-
Interest paid on bond maturities and equipment contracts	(1,302,702)	(927,944)	-	-	(2,230,646)	-
Net cash provided (used) by capital and related financing activities	$ 25,078,342	$ (2,892,944)	$ (136,713)	$ (229,210)	$ 21,819,475	$ -
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES						
Investment earnings	$ 522,677	$ 28,490	$ 34,067	$ 7,822	$ 593,056	$ 100,667
Net increase (decrease) in cash and cash equivalents	$ 36,335,022	$ 540,462	$ 541,374	$ 82,956	$ 37,499,814	$ 1,393,596
Balances-beginning of the year	25,851,275	909,079	1,855,160	605,297	29,220,811	5,806,667
Balances-end of the year	$ 62,186,297	$ 1,449,541	$ 2,396,534	$ 688,253	$ 66,720,625	$ 7,200,263
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ 4,979,549	$ (192,083)	$ 557,400	$ (1,250,109)	$ 4,094,757	$ 1,590,318
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	$ 5,131,840	$ 674,580	$ 110,137	$ 62,025	$ 5,978,582	$ -
Pension expense	414,198	-	51,194	55,950	521,342	-
OPEB expense	(157,782)	-	(19,536)	(21,261)	(198,579)	-
Changes in current assets and liabilities:						
(Increase) decrease in accounts receivable	100,210	146,327	50,151	(411)	296,277	(14)
(Increase) decrease in inventory	(52,106)	164,191	-	4,451	116,536	-
(Increase) decrease in due from other governments	(20,143)	99	(1,109)	(968)	(22,121)	-
Increase (decrease) in accounts payable and accrued liabilities	5,337	(38,198)	(92,738)	(29,073)	(154,672)	(297,375)
Increase (decrease) in compensated absences payable	41,759	-	(11,479)	3,848	34,128	-
Increase in customer deposits	(8,859)	-	-	-	(8,859)	-
Total adjustments	$ 5,454,454	$ 946,999	$ 86,620	$ 74,561	$ 6,562,634	$ (297,389)
Net cash provided (used) by operating activities	$ 10,434,003	$ 754,916	$ 644,020	$ (1,175,548)	$ 10,657,391	$ 1,292,929

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

CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2020

	Custodial Funds
ASSETS	
Current assets:	
Cash and cash equivalents	$ 85,267
Receivables:	
Interest receivable	46
Accounts receivable for other governments	565,524
Property taxes receivable for other government	6,906
Total assets	$ 657,743
LIABILITIES	
Current liabilities:	
Accounts payable	$ 53
Reserve for taxes receivable	6,906
Customer deposits	21,200
Due to local governments	4,286
Total liabilities	$ 32,445
NET POSITION	
Held for other governments	$ 625,298

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

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CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2020

	Custodial Funds
Additions:	
Property tax revenue for other government	$ 132,882
Water and sewer revenue for other governments	1,009,762
Garbage fee revenue for other governments	559,642
Donations and program income	21,079
Investment earnings	588
Total additions	$ 1,723,953
Deductions:	
Tax collection fees	$ 77
Water and sewer charges	755,990
Repair and maintenance	1,110
Program expenses	38,928
Distributions to other governments	897,354
Total deductions	$ 1,693,459
Net increase	$ 30,494
Net position, beginning of year	-
Restatement	594,804
Net position, beginning of year, restated	$ 594,804
Net position, end of year	$ 625,298

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

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Unit

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

Related Organization

The Housing Authority of Salisbury's governing board is appointed entirely by the City's Mayor. However, the City has no further accountability for the Housing Authority's operations. Board members of the Housing Authority have full autonomy upon being appointed.

B. Basis of Presentation

Government-wide Statements – The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used have not been eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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 and effects from discontinuing servicing broadband operations within the City.

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following other fund types:

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

Custodial Funds – Custodial are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. Custodial are used to account for assets the City holds on behalf of others. The City maintains the Boards and Commissions Fund, the Municipal Service District Fund, the Town of East Spencer Utilities Fund, the Rowan County Utility Fund, the Town of Rockwell Garbage Fund, the Town of Granite Quarry Garbage Fund, the Town of Spencer Garbage Fund, and the Salisbury-Rowan Human Relations Council Fund.

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

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.
Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources

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

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

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

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

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 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.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Unexpended debt proceeds are classified as restricted assets in the Balance Sheet because their use is restricted for the purpose for which the debt was originally issued. Unexpended assessments include amounts held for the future developments and sidewalk construction. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Unexpended grants and donations are classified as restricted assets because those funds have been received, but not spent on the designated project as of June 30.

	Governmental Activities	Business Type Activities	Total
Unexpended grants and donations	$ 512,850	$ -	$ 512,850
Unexpended assesments	326,546	-	326,546
Unexpended debt proceeds	2,777,250	35,024,779	37,802,029
Customer Deposits	-	799,654	799,654
	$ 3,616,646	$ 35,824,433	$ 39,441,079

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

The inventories of the City's Water and Sewer Fund consists of materials and supplies held for subsequent use. The inventories are valued at cost, on a weighted-average cost basis, which approximates market. The costs of these inventories are recorded as expenditures when used rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

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

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

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period, and so will not be recognized as an expense or expenditure until then. The City has four items that meet this criterion, contributions made to the pension plan in the 2020 fiscal year, deferred outflows on debt refunding, pension deferrals, and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period, and it will not be recognized as revenue until then. The City has several items that meet the criterion for this category – deferrals on refundings, taxes receivable, pension deferrals, and OPEB deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Restricted for Capital Projects – portion of fund balance that is restricted by revenue source for expenditures on Capital Projects.

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

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

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

F. Revenues, Expenditures, and Expenses

1. Grant Revenue

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

2. Investment Income

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

3. Inter-fund Transactions

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

Note 2. Stewardship, Compliance, and Accountability

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

The City's Broadband Services Fund has deficit net position of $4,916,746. The City began implementation of its new Broadband Services system during the fiscal year ending June 30, 2009 and began offering broadband services in the fall of 2010. The fund's start-up operations were funded by proceeds from the issuance of Certificates of Participation and interest income on those proceeds. The deficit net position has decreased for the past six fiscal years and will be eliminated after the system generates sufficient revenues.

Note 3. Detail Notes On All Funds

A. Assets

1. Deposits

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

At June 30, 2020, the City's deposits had a carrying amount of $18,299,971 and a bank balance of $18,772,195. Of the bank balance, $1,151,565 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the City's petty cash fund totaled $4,675.

2. Investments

At June 30, 2020, the City's investments were as follows:

Investment Type	Valuation Measurement Method	Fair Value at 6/30/2020	Less than 6 Months
Commercial Paper	Fair Value - Level 2	$ 11,925,437	$ 11,925,437
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	47,321,211	47,321,211
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	16,169,292	16,169,292
Total		$ 75,415,940	$ 75,415,940

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

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

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

Credit Risk – The City has no formal policy regarding credit risk but has internal management procedures that limit the City's investments to the provision of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in Commercial Paper were rated P1 by Standard and Poor's and A1 or higher by Moody's Investors Service. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019.

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

3. Receivables - Allowances for Doubtful Accounts

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

Fund	June 30, 2020
Governmental Activities:	
Taxes receivable	$ 414,000
Accounts receivable	160,000
	$ 574,000
Enterprise Funds:	
Water and Sewer Fund receivables	$ 475,000
Stormwater Fund receivables	210,000
	$ 685,000

4. Real Estate Held for Investment – Component Unit

Downtown Salisbury, Inc. holds real estate for investment and future development. The organization had purchased the Empire Hotel for $1,000,000, and a gift was recorded in the amount of $1,262,000 for a total initial carrying amount of $2,262,000, which represented its appraised value at the time. In June 2011, the hotel property was appraised for $880,000. As of June 30, 2020, the carrying value of the Empire Hotel has been reduced to the most recent appraised value.

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 7,890,708	$ -	$ -	$ 7,890,708
Construction in progress	3,530,887	5,990,972	1,366,007	8,155,852
Total capital assets not being depreciated	$11,421,595	$ 5,990,972	$1,366,007	$16,046,560
Capital assets being depreciated:				
Buildings	$ 11,897,156	$ -	$ -	$ 11,897,156
Other improvements	11,099,693	39,754	-	11,139,447
Equipment	9,118,476	499,973	-	9,618,449
Vehicles and motorized equipment	19,296,656	1,866,199	601,585	20,561,270
Infrastructure	36,400,263	1,366,007	-	37,766,270
Total capital assets being depreciated	$87,812,244	$ 3,771,933	$ 601,585	$90,982,592
Less accumulated depreciation for:				
Buildings	$ 5,560,707	$ 273,805	$ -	$ 5,834,512
Other improvements	4,824,859	243,469	-	5,068,328
Equipment	7,651,688	460,512	-	8,112,200
Vehicles and motorized equipment	12,872,782	1,270,325	601,585	13,541,522
Infrastructure	28,396,495	422,144	-	28,818,639
Total accumulated depreciation	$59,306,531	$ 2,670,255	$ 601,585	$61,375,201
Total capital assets being depreciated, net	$ 28,505,713	$ 1,101,678	$ -	$ 29,607,391
Governmental activity capital assets, net	$ 39,927,308	$ 7,092,650	$1,366,007	$ 45,653,951

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

General government	$ 389,313
Public safety	1,071,393
Transportation	683,646
Environmental protection	107,652
Culture and recreational	343,023
Community and economic develoipment	75,228
Total depreciation expense	$ 2,670,255

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	$ 2,278,119	$ -	$ -	$ 2,278,119
Construction in progress	1,522,891	6,273,547	-	7,796,438
Total capital assets not being depreciated	$ 3,801,010	$ 6,273,547	$ -	$ 10,074,557
Capital assets being depreciated:				
Buildings	$ 20,999,557	$ -	$ -	$ 20,999,557
Plant and distribution systems	181,464,007	-	-	181,464,007
Furniture and maintenance equipment	6,927,888	246,522	-	7,174,410
Vehicles and motorized equipment	5,326,808	164,020	52,234	5,438,594
Total capital assets being depreciated	$214,718,260	$ 410,542	$ 52,234	$215,076,568
Less accumulated depreciation for:				
Buildings	$ 12,109,796	$ 370,319	$ -	$ 12,480,115
Plant and distribution systems	87,038,547	4,291,017	-	91,329,564
Furniture and maintenance equipment	5,938,553	284,737	-	6,223,290
Vehicles and motorized equipment	4,800,098	185,768	52,234	4,933,632
Total accumulated depreciation	$ 109,886,994	$ 5,131,841	$ 52,234	$ 114,966,601
Total capital assets being depreciated, net	$ 104,831,266	$ (4,721,299)	$ -	$ 100,109,967
Water and Sewer Fund capital assets, net	$ 108,632,276	$ 1,552,248	$ -	$ 110,184,524
Broadband Services Fund				
Capital assets being depreciated:				
Buildings	$ 4,548,067	$ -	$ -	$ 4,548,067
Plant and distribution systems	21,425,523	-	-	21,425,523
Furniture and maintenance equipment	171,167	-	-	171,167
Vehicles and motorized equipment	402,848	-	-	402,848
Total capital assets being depreciated	$ 26,547,605	$ -	$ -	$ 26,547,605
Less accumulated depreciation for:				
Building	$ 975,940	$ 113,702	$ -	$ 1,089,642
Plant and distribution systems	4,482,619	530,848	-	5,013,467
Furniture and maintenance equipment	109,553	22,721	-	132,274
Vehicles and motorized equipment	395,537	7,309	-	402,846
Total accumulated depreciation	$ 5,963,649	$ 674,580	$ -	$ 6,638,229
Total capital assets being depreciated, net	$ 20,583,956	$ (674,580)	$ -	$ 19,909,376
Broadband Services Fund capital assets, net	$ 20,583,956	$ (674,580)	$ -	$ 19,909,376
Stormwater Fund				
Capital assets being depreciated:				
Furniture and maintenance equipment	$ 495,247	$ 136,713	$ -	$ 631,960
Vehicles and motorized equipment	181,939	-	-	181,939
Total capital assets being depreciated	$ 677,186	$ 136,713	$ -	$ 813,899
Less accumulated depreciation for:				
Furniture and maintenance equipment	$ 141,891	$ 84,047	$ -	$ 225,938
Vehicles and motorized equipment	89,512	26,090	-	115,602
Total accumulated depreciation	$ 231,403	$ 110,137	$ -	$ 341,540
Stormwater Fund capital assets, net	$ 445,783	$ 26,576	$ -	$ 472,359

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities - continued				
Transit Fund				
Capital assets being depreciated:				
Buildings and improvements	$ 644,200	$ -	$ -	$ 644,200
Furniture and maintenance equipment	238,083	-	-	238,083
Vehicles and motorized equipment	1,907,552	229,210	22,849	2,113,913
Total capital assets being depreciated	$ 2,789,835	$ 229,210	$ 22,849	$ 2,996,196
Less accumulated depreciation for:				
Buildings and improvements	$ 595,843	$ 14,653	$ -	$ 610,496
Furniture and maintenance equipment	176,206	16,695	-	192,901
Vehicles and motorized equipment	1,903,391	30,677	22,849	1,911,219
	$ 2,675,440	$ 62,025	$ 22,849	$ 2,714,616
Transit Fund capital assets, net	$ 114,395	$ 167,185	$ -	$ 281,580
Business-type activities capital assets, net	$ 129,776,410	$ 1,071,429	$ -	$ 130,847,839

Construction commitments

The City had active construction projects as of June 30, 2020. At year-end, the City's commitments on these projects was as follows:

Project	Spent-to-date	Remaining Commitment
General Fund		
Fire Station #6	$ 4,731,116	$ 1,649,636
Newsome Road Widening/Bike Lanes	1,199,511	971,105
Total General Fund	$ 5,930,627	$ 2,620,741
Water and Sewer Fund		
Grant Creek WWTP Improvements	$ 1,818,230	$ 24,819,770
Lift Station & Force Main Upgrade	1,905,766	24,082
WTP Piping Modifications	892,842	35,637
WTP Improements	-	7,221,000
Sanitary Sewer Rehabilitation	1,358,604	536,021
Total Water and Sewer Fund Fund	$ 5,975,442	$ 32,636,510
Total Construction Commitments	$ 11,906,069	$ 35,257,251

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description - The City of Salisbury is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State

Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Salisbury employees are required to contribute 6% of their compensation. Employer contributions are actuarily determined and set annually by the LGERS Board of Trustees. The City of Salisbury's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Salisbury were $1,998,838 for the year ended June 30, 2020.

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, 2020, the City reported a liability of $9,424,957 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the City's proportion was 0.3295%, which was a increase of 0.0137% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of $2,154,887. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,613,791	$ -
Changes of assumptions	1,536,112	-
Net difference between projected and actual earnings on pension plan investments	229,888	-
Changes in proportion and differences between City contributions and proportionate share of contributions	95,530	74,927
City contributions subsequent to the measurement date	1,998,838	-
Total	$ 5,474,159	$ 74,927

$1,988,839 is reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:	
2021	$ 1,645,808
2022	542,164
2023	942,646
2024	269,776
	$ 3,400,394

Actuarial Assumptions - The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018, 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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 3.0%. All rates of return and inflation are annualized.

Discount rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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 (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	$ 21,556,602	$ 9,424,957	$ (658,896)

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

b. Law Enforcement Officers' Special Separation Allowance

(1) Plan Description

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

most recently applicable to the officer for each year of creditable service. The 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, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	17
Active plan members	84
Total	101

(2) Summary of Significant Accounting Policies

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

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

(3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018, valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.5% to 7.35%, including inflation and productivity factor
Discount rate	3.26%

The discount rate is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale MP-2015.

(4) Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid $244,175 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of $2,950,159. The total pension liability was measured as of December 31, 2019, based on a December 31, 2018, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019, utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of $298,294.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 391,216	$ 81,442
Changes of assumptions and other inputs	122,537	75,215
Benefit payments and administrative expenses subsequent to the measurement date	115,515	-
Total	$ 629,268	$ 156,657

$115,515 is reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30:	
2021	$ 78,771
2022	82,386
2023	98,062
2024	70,406
2025	27,471
	$ 357,096

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 3.26%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.26%) or one-percentage-point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	$ 3,185,328	$ 2,950,159	$ 2,735,304

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

Beginning balance	$ 2,667,698
Changes for the year:	
Service Cost	126,230
Interest on the total pension liability	92,660
Difference between expected and actual experience	223,775
Changes of assumptions and other inputs	83,971
Benefit payments	(244,175)
Net pension obligation end of year	$ 2,950,159

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, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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:

	LGERS	LEOSSA	Total
Pension Expense	$ 2,154,887	$ 298,294	$ 2,453,181
Pension Liability	9,424,957	2,950,159	12,375,116
Proportionate share of the net pension liability	0.3295%	N/A	
Deferred Outflows of Resources			
Differences between expected and acutal experience	1,613,791	391,216	2,005,007
Changes of assumptions	1,536,112	122,537	1,658,649
Net difference between projected and actual earnings on plan investments	229,888	-	229,888
Changes in proportion and differences between contributions and proportionate shate of contributions	95,530	-	95,530
Benefit payments and administrative costs paid subsequent to the measurement date	1,998,838	115,515	2,114,353
Deferred Inflows of Resourses			
Differences between expected and acutal experience	-	81,442	81,442
Changes of assumptions	-	75,215	75,215
Changes in proportion and differences between contributions and proportionate share of contributions	74,927	-	74,927

c. Supplemental Retirement Income Plan

(1) Plan Description

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

(2) Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each law enforcement officer's salary. In addition to this requirement, the City has elected to contribute to the Plan an amount equal to 3% of the monthly salary of each employee not engaged in law enforcement. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020, were $1,292,027, which consisted of $758,884 from the City and $533,143 from the employees.

d. Other Post-employment Benefits (OPEB)

Healthcare Benefits

(1) Plan Description

Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Council has the authority to establish and amend the benefit terms and financing requirements and did so as of January 1, 2012. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

(2) Benefits Provided

Retirees who had fifteen or more years of creditable service to the City and were hired prior to January 1, 2012, qualify for benefits similar to those of employees. The City pays the full cost of coverage for employees' benefits through its self-insured Healthcare Fund. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for retirees end once the retiree reaches age 65 or is eligible for Medicare, whichever comes first. The City Council may amend benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	58	16
Active plan members	150	34
Total	208	50

(3) Total OPEB Liability

The City's total OPEB liability of $10,939,192 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5%
Real wage growth	1.0%
Wage inflation	3.5%
Salary increases, including wage inflation	
General Employees	3.5% - 7.75%
Firefighters	3.5% - 7.75%
Law Enforcement Officers	3.5% - 7.35%
Municipal Bond Index Rate	
Prior Measurement Date	3.89%
Measurement Date	3.5%
Healthcare cost trend rates	
Pre-Medicare	7.0% for 2019, decreasing to an ultimate rate of 4.5% by 2026

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and Municipal Bond Index Rate as of the measurement date as of the discount rate used to measure the total OPEB liability.

(4) Changes is Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	$ 12,134,936
Changes for the year:	
Service Cost at the end of the year	346,716
Interest on Total OPEB Liability and Cash Flows	460,097
Differences between expected and actual experience	(1,634,988)
Changes of assumptions and other inputs	252,873
Benefit payments	(620,442)
Net changes	$ (1,195,744)
Net pension obligation end of year	$ 10,939,192

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.5%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current discount rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB liability	$ 11,741,114	$ 10,939,192	$ 10,203,210

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	$ 10,065,275	$ 10,939,192	$ 11,936,432

(5) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of $360,888. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resource
Differences between expected and actual experience	$ -	$ 1,475,685
Changes of assumptions and other inputs	204,337	463,169
Benefit payments and administrative expenses subsequent to the measurement date	673,226	-
Total	$ 877,563	$ 1,938,854

$673,226 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total 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 End June 30:	
2019	$ (452,578)
2020	(452,578)
2023	(441,300)
2024	(332,349)
2025	(55,710)
	$ (1,734,515)

2. Other Employment Benefits

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

The City also provides a life and accidental death and dismemberment policy for its full-time employees in the amount of the employee's annual salary rounded up to the nearest thousand. The maximum benefit amount is $200,000.

3. Deferred Outflows and Inflows of Resources

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

Deferred amount on refunding	$ 1,520,622
Contributions to pension plan in current fiscal year	1,998,838
Benefit payments made for LEOSSA subsequent to measurment date	115,515
Benefit payments made for OPEB subsequent to measurment date	877,563
Differences between expected and actual experience	2,005,007
Changes of assumptions	1,658,649
Net difference between projected and actual earnings on pension plan investments	229,888
Changes in proportion and differences between City contributions and proportionate share of contributions	95,530
Total deferred outflows of resources	$ 8,501,612

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable	$ -	$ 769,580
Unavailable revenues	-	1,316,774
Differences between expected and actual experience	1,557,127	-
Changes in proportion and differences between City contributions and proportionate share of contributions	74,927	-
Changes of assumptions and other inputs (LEOSSA)	538,384	-
Total deferred inflows of resources	$ 2,170,438	$ 2,086,354

4. Risk Management

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

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

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

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

	Year ended June 30, 2019	Year ended June 30, 2020
Unpaid claims, beginning of fiscal year	$ 471,914	$ 647,048
Incurred claims (including IBNRs)	4,997,559	4,718,759
Claim payments	(4,822,425)	(4,995,761)
Unpaid claims, end of fiscal year	$ 647,048	$ 370,046

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

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2020, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Installment Purchases

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

	Balance June 30, 2020
Serviced by the Governmental Activities	
$3,565,680 direct placement Installment Purchase Contract for construction and facilities, improvements, rate of 3.83%, issued May 2006, payable in 30 semi-annual payments of $118,856 principal plus interest through May 2021. The City's Police Station is pledged as collateral for the debt.	$ 237,712
$2,417,601 direct placement Installment Purchase Contract to purchase telecommunications equipment, rate of 1.85%, issued August 2013, payable in 20 semi-annual payments of $120,880 principal plus interest through August 2023. The telecommunication infrastructure, equipment and radios are pledged as collater for the debt.	846,160
$1,962,188 direct placement Installment Purchase Contract to purchase two fire trucks, rate of 2.68%, issued March 2018, payable in 12 semi-annual payments of $163,516 principal plus interest through March 2024. The fire trucks are pledged as collateral for the debt.	1,308,126
$7,500,000 direct placement Installment Purchase Contract to build a new fire station, rate of 3.17%, issued October 2018, payable in 30 semi-annual payments of $250,000 principal plus interest through September 2033. The new fire station is pledged as collateral for the debt.	6,750,000
	$ 9,141,998
Serviced by Business-Type Activities	
$1,292,399 direct placement Installment Purchase Contract to purchase telecommunications equipment, rate of 1.85%, issued August 2013, payable in 20 semi-annual payments of $64,620 principal plus interest through August 2023. The telecommunication infrastructure, equipment and radios are pledged as collater for the debt.	$ 452,340
$25,645,000 direct placement Refunding Installment Purchase Contract dated July 2018, interest rate 2.75%, payable in 11 annual principal payments, plus semi-annual interest payments through March 2029. The has pledged City Hall, Fire Station #3, and the Customer Service Center as collateral for this loan.	21,415,000
	$ 21,867,340
Total Installment Purchase indebtedness	$ 31,009,338

The future minimum payments of the installment purchases as of June 30, 2020, total $35,731,217, including $4,721,879 of interest are as follows:

Year Ending	Governmental Activities		Business-Type Activities		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 1,306,503	$ 264,479	$ 2,169,240	$ 596,810	$ 3,475,743	$ 861,289
2022	1,068,792	228,458	2,249,240	538,262	3,318,032	766,720
2023	1,068,792	199,310	2,329,240	477,538	3,398,032	676,848
2024	947,911	170,160	2,344,620	414,613	3,292,531	584,773
2025	500,000	146,613	2,370,000	351,312	2,870,000	497,925
2026-2030	2,500,000	495,312	10,405,000	728,062	12,905,000	1,223,374
2031-2034	1,750,000	110,950	-	-	1,750,000	110,950
	$ 9,141,998	$ 1,615,282	$ 21,867,340	$ 3,106,597	$ 31,009,338	$ 4,721,879

Restructuring of Debt Terms

In November 2019, the City renegotiated the interest rate on the remainder of existing $25,645,000 debt mentioned above from 3.84% to 2.75%. First Bank reduced the rate due to falling interest rates and the City's potential to seek Request for Proposals to refund this debt. Rather than taking a chance on losing the debt, First Bank worked with the City to modify the terms of the debt and reduced the interest rate. There is a 1% penalty if the City decides to refund this rate again in the future. This restructuring of the existing debt will save the City $1,298,491 over the remaining life of the loan.

b. Capital Leases

The City has entered into various agreements to lease certain water and sewer distribution systems. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Interest rates on these agreements range from 3.385% to 5.6%. The City has recorded water and sewer assets related to these leases at the City's cost of $20,258,125. Those assets have a net book value of $12,021,238 at June 30, 2020, and total accumulated depreciation of $8,236,887. The future minimum lease payments at June 30, 2020, total $1,235,370, including $94,570 of interest. Upon completion of these lease payments the City will take ownership of the related assets.

The future minimum lease obligations as of June 30, 2020, were as follows:

Year Ending	Capital Leases	
June 30,	Principal	Interest
2021	$ 219,490	$ 27,312
2022	209,490	21,681
2023	209,490	16,630
2024	125,583	11,579
2025	125,583	8,684
2026-2027	251,164	8,684
	$ 1,140,800	$ 94,570

c. State Bond Loans

The City's State Clean Water Bond Loans were paid off by the in the Water and Sewer Fund in the fiscal year ended June 30, 2020.

d. Revenue Bonds

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

	Balance June 30, 2020
$6,000,000 direct placement Water and Sewer Revenue Bonds, Series 2006, rate of 3.99%, issued December 2006, maturing serially to 2026	$ 2,490,438
$6,550,000 private placement Water Sewer Revenue Refunding Bonds, Series 2012, rate of 2.615%, issued April 2012, maturing serially to 2028	3,565,000
$39,860,000 public offering Water Sewer Revenue Refunding Bonds, Series 2020, rate of 5.0%, yield 3.09% issued April 2020, maturing serially to 2045. This amount is net of an unamortized premium of $6,053,664.	39,860,000
Total Revenue Bonds	$ 45,915,438

The future payments of the revenue bonds are as follows:

Year Ending June 30,	Business-Type Activities Revenue Bonds Principal	Interest
2021	$ 2,612,586	$ 1,804,975
2022	2,861,461	2,013,061
2023	2,985,898	1,884,210
2024	3,085,920	1,793,232
2025	3,216,550	1,653,954
2026-2030	8,868,023	6,532,374
2031-2035	5,710,000	5,027,750
2036-2040	7,285,000	3,450,250
2041-2045	9,290,000	1,439,000
	$ 45,915,438	$ 25,598,806
Unamortized premium	6,053,664	-
	$ 51,969,102	$ 25,598,806

Refunding

In April 2020, the City completed a $10.485 million refunding of existing debt in the Water and Sewer Fund as part of the $39,860,000 Revenue Bonds listed above. The City will see a net present value savings (difference between the present values of the old and new debt service payments) of $897,427. The total reduction in principal and interest payments from the refunded debt (old) to the refunding debt (new) is $961,901.

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

Fiscal Year	Gross Revenues (1)	Operating Expenditures(2)	Net Revenues Available for Revenue Bond Debt Service	Debt Service Requirements: Parity Debt (3)	Debt Service Requirements: All Debt	Coverage Ratios: Parity Debt	Coverage Ratios: All Debt
2018	$ 25,807,649	$ 16,387,723	$ 9,419,926	$ 3,010,952	$ 4,132,963	312.86%	227.92%
2019	27,745,332	17,094,031	$ 10,651,301	2,865,363	3,950,115	371.73%	269.65%
2020	28,181,743	17,605,426	$ 10,576,317	2,936,612	3,976,470	360.15%	265.97%

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

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay $52,410,000 in water and sewer system revenues bonds issued from 2006 to 2020. Proceeds from the bonds provided financing for various water and sewer system capital projects. The bonds are payable solely from water and sewer customer net revenues and are payable through 2045. Annual principal and interest payments on the bonds are expected to require less than 25% of gross revenues. The total principal and interest remaining to be paid on the bonds is $71,514,244. Principal and interest paid for the current fiscal year and total customer net revenues were $2,936,612 and $28,181,743, respectively.

e. HUD Section 108 Loan

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

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

Year Ending June 30,	Governmental Activities HUD Section 108 Loan: Principal	Interest
2021	$ 34,000	$ 3,631
2022	34,000	1,740
2023	14,000	395
	$ 82,000	$ 5,766

f. Changes in Long-Term Liabilities

	June 30, 2019	Additions	Retirements	June 30, 2020	Current Portion of Balance
Governmental Activities					
General Fund					
Installment purchases	$ 10,448,501	$ -	$ 1,306,503	$ 9,141,998	$ 1,306,503
Total OPEB liability	8,959,466	-	767,324	8,192,142	-
Net pension liability (LGERS)	5,770,667	1,287,496	-	7,058,163	-
Total pension liability (LEO)	2,667,698	282,461	-	2,950,159	-
Compensated absences	1,896,518	1,031,723	951,351	1,976,890	197,689
Special Revenue Fund					
Section 108 loan	116,000	-	34,000	82,000	34,000
	$ 29,858,850	$ 2,601,680	$ 3,059,178	$ 29,401,352	$ 1,538,192
Business-type activities					
Water and Sewer Fund					
Revenue bonds	$ 18,647,689	$ 45,913,664	$ 12,592,251	$ 51,969,102	$ 2,612,586
Installment purchases	581,580	-	129,240	452,340	129,240
State loans	610,000	-	610,000	-	-
Capital leases	1,380,290	-	239,490	1,140,800	219,490
Total OPEB liability	2,523,338	-	340,422	2,182,916	-
Net pension liability (LGERS)	1,625,762	254,988	-	1,880,750	-
Compensated absences	423,115	250,055	208,296	464,874	46,487
Broadband Services Fund					
Installment purchases	23,380,000	-	1,965,000	21,415,000	2,040,000
Mass Transit Fund					
Total OPEB liability	340,264	-	45,890	294,374	-
Net pension liability (LGERS)	218,852	34,774	-	253,626	-
Compensated absences	50,529	27,061	23,213	54,377	5,438
Stormwater Fund					
Total OPEB liability	311,868	-	42,108	269,760	-
Net pension liability (LGERS)	200,874	31,544	-	232,418	-
Compensated absences	17,578	9,505	20,984	6,099	610
	$ 50,311,739	$ 46,521,591	$ 16,216,894	$ 80,616,436	$ 5,053,851
Total	$ 80,170,589	$ 49,123,271	$ 19,276,072	$ 110,017,788	$ 6,592,043

The legal debt margin for the City as of June 30, 2020, is $221,534,799. Liabilities for Other Post-employment Benefits and Compensated Absences are liquated from the funds in which the liabilities occur.

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

(6) Accounts Payable

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

	Governmental Activities	Business-type Activities
Accounts payable	$ 2,371,109	$ 2,217,707
Accrued payroll and payroll liabilities	1,253,819	376,246
Other accrued liabilities	326,546	-
	$ 3,951,474	$ 2,593,953

C. Interfund Balances and Activity

1. Transfers to/from Other Funds

Transfers to/from other funds during the fiscal year ending June 30, 2020, consisted of the following:

From the General Fund to the Broadband Services Fund	$ 2,400,000
From the General Fund to the Mass Transit Fund	527,970
	$ 2,927,970

2. Due To/Due From Other Funds

At June 30, 2020, the Broadband Services Fund owed the Water and Sewer Fund $6,201,961 for a loan to help fund services in the early stages of operations. The terms of the arrangement require the Broadband Services Fund to repay the Water and Sewer Fund interest at a rate of 1.0%. Also, the Special Revenue Fund owed the General Fund $36,500 for a temporary loan to cover cash needs while awaiting reimbursements of grant-funded expenditures from another government.

D. Fund Balance

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

Total Fund Balance - General Fund	$ 18,975,087
Less:	
Inventories	511,219
Prepaid Items	196,862
Restricted for Stabilization by State Statute	4,690,917
	$ 5,398,998
Fund Balance Available for Appropriation	$ 13,576,089
Working Capital/Fund Balance Policy	1,357,609
Remaining Fund Balance in excess of Working Capital/Fund Balance Policy	$ 12,218,480

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

E. Net Investment in Capital Assets

Net investments in capital assets at June 30, 2020, are computed as follows:

	Governmental Funds	Business-Type Funds	Total
Net capital assets	$ 45,653,951	$ 130,847,839	$ 176,501,790
Less capital debt:			
Gross debt	$ 9,223,998	$ 74,977,242	$ 84,201,240
Less:			
Unexpended debt proceeds	(2,777,250)	(35,024,779)	(37,802,029)
Deferred amount on refunding	-	(1,520,622)	(1,520,622)
	$ 6,446,748	$ 38,431,841	$ 44,878,589
Net investment in capital assets	$ 39,207,203	$ 92,415,998	$ 131,623,201

F. Operational Agreement

In January 2017, the City issued a Request for Proposals expressing its interest in entering into a contractual arrangement with a third-party provider that would enhance the operations, sales, marketing, and delivery of it Broadband services. As a result, the City entered to an agreement with Hotwire Communications, Ltd., and Hotwire took over the day-to-day operations and maintenance of the Broadband system assets in September 2018. The agreement is for 20 years with an option to renew for an additional 20 years. Hotwire Communications, Ltd. will pay the City a portion of their gross sales on a quarterly basis.

Note 4. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 5. Subsequent Events

Subsequent events have been evaluated through November 6, 2020, which is the date the financial statements were available to be issued.

Note 6. Changes in Accounting Principles

During the year ended June 30, 2020, the City adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by reclassifying Agency Funds to Custodial Funds.

	Custodial Funds
Net position, July 1, 2019, as previously reported	$ -
Change in accounting principles	594,804
Net Position, July 1, 2019, as restated	$ 594,804

Note 7. Uncertainties

The 2019 novel coronavirus ("COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the City's and its customers' costs, tourism to the City, and the U.S. economy. These conditions could adversely affect the City's business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of some of the City's operations or other businesses of the City's customers and suppliers, which could significantly disrupt the City's operations and the operations of the City's customers. The extent of the adverse impact of the COVID-19 outbreak on the City cannot be predicted at this time.

CITY OF SALISBURY N.C.
EST. 1753
SALISBURY

Required Supplemental Financial Data

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

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

- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance

- Schedule of Proportionate Share of Net Pension Liability (Asset) – Local Government Employees' Retirement System

- Schedule of Employer Contributions - Local Government Employees' Retirement System

- Schedule of Changes in Total OPEB Liability and Related Ratios

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2020	2019	2018	2017
Beginning balance	$ 2,667,698	$ 2,532,295	$ 2,665,194	$ 2,787,966
Service cost	126,230	112,214	80,660	97,072
Interest on total pension liability	92,660	75,425	98,110	94,894
Differences between expected and actual experience	223,775	333,623	(191,008)	-
Changes of assumptions or other inputs	83,971	(95,012)	126,323	(54,993)
Benefit payments	(244,175)	(290,847)	(246,984)	(259,745)
Ending balance of the total pension liability	$ 2,950,159	$ 2,667,698	$ 2,532,295	$ 2,665,194

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

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

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CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2020	2019	2018	2017
Total pension liability	$ 2,950,159	$ 2,667,698	$ 2,532,295	$ 2,665,104
Covered payroll	4,791,638	4,037,042	3,230,722	3,524,395
Total pension liability as a percentage of covered payroll	61.57%	66.08%	78.38%	75.62%

Notes to the schedules:

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

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

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CITY OF SALISBURY, NORTH CAROLINA

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

REQUIRED SUPPLEMENTARY INFORMATION

LAST SEVEN FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2020	2019	2018	2017	2016	2015	2014
Salisbury's proportion of the net pension liability (asset) (%)	34.51200%	0.32947%	0.31579%	0.31795%	0.35899%	0.34841%	0.35990%
Salisbury's proportion of the net pension liability (asset) ($)	$ 9,424,958	$ 7,816,155	$ 4,824,395	$ 6,747,963	$ 1,611,126	$ (2,054,735)	$ 4,338,177
Salisbury's covered payroll during the measurement period	$21,593,079	$21,022,551	$19,476,154	$18,596,557	$17,831,698	$17,342,485	$18,597,134
Salisbury's proproritonate share of the net pension liability (asset) as a percentage of its covered payroll	43.65%	37.18%	24.77%	36.29%	9.04%	(11.85%)	(23.33%)
Plan fiduciary net postion as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

Note: This information was not available

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CITY OF SALISBURY, NORTH CAROLINA

CITY OF SALISBURY'S CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

LAST FIVE FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 1,998,839	$ 1,720,270	$ 1,591,661	$ 1,449,492	$ 1,269,570	$ 1,292,935	$ 1,266,914
Contributions in relation to the contractually required contribution	1,998,839	1,720,270	1,591,661	1,449,492	1,269,570	1,292,935	1,266,914
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Salisbury's covered payroll	$ 22,047,618	$ 21,593,079	$ 21,022,551	$ 19,476,154	$ 18,596,557	$ 17,831,698	$ 17,342,485
Contributions as a percentage of covered payroll	9.07%	7.97%	7.57%	7.44%	6.83%	7.23%	7.31%

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

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Total OPEB Liability	2020	2019	2018
Service cost	$ 346,716	$ 356,923	$ 383,092
Interest	460,097	430,678	379,063
Differences between expected and actual experience	(1,634,988)	(137,017)	(130,089)
Changes of assumptions or other inputs	252,873	(302,631)	(535,319)
Benefit payments	(620,442)	(616,043)	(570,137)
Net Change in total OPEB liability	$ (1,195,744)	$ (268,090)	$ (473,390)
Total OPEB liability - beginning	12,134,936	12,403,026	12,876,416
Total OPEB liability - ending	$ 10,939,192	$ 12,134,936	$ 12,403,026
Covered payroll	$ 10,537,174	$ 12,491,749	$ 12,491,749
Total OPEB liability as percentage of covered payroll	103.82%	97.14%	99.29%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate. The following are the discount rates used.

Rate	Rate	Rate
3.50%	3.89%	3.56%

CITY OF SALISBURY N.C.
E.ST. - 1753

Supplementary Financial Data

CITY OF SALISBURY N.C.
EST. 1753
SALISBURY

General Fund

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

B-1

CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND

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

For the Year Ended June 30, 2020

With Comparative Actual Amounts for Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance with Budget Positive (Negative)	Actual
REVENUES:				
Taxes:				
General property-current	$ 21,482,484	$ 22,045,835	$ 563,351	$ 20,188,595
General property-prior	328,000	185,735	(142,265)	300,677
Auto tax	240,000	241,526	1,526	238,455
Interest on delinquent tax	90,000	82,831	(7,169)	107,385
Other tax	1,000	170	(830)	111
	$ 22,141,484	$ 22,556,097	$ 414,613	$ 20,835,223
Unrestricted intergovernmental:				
Local option sales tax	$ 7,650,000	$ 8,543,381	$ 893,381	$ 8,122,023
Utilities franchise tax	2,385,000	2,328,946	(56,054)	2,418,240
Telecommunications sales tax	380,000	337,929	(42,071)	410,517
Video franchise fee	250,000	217,832	(32,168)	226,439
Wine and beer tax	150,000	148,541	(1,459)	148,909
Other	164,000	179,892	15,892	156,592
	$ 10,979,000	$ 11,756,521	$ 777,521	$ 11,482,720
Restricted intergovernmental:				
State street aid - Powell Bill	$ 951,247	$ 943,935	$ (7,312)	$ 951,247
Brownfield's Grant	251,911	89,325	(162,586)	47,266
Infrastructure Grants	3,329,718	1,173,980	(2,155,738)	112,663
Fire Grants	317,351	333,924	16,573	169,528
CARES Relief Fund	-	499,868	499,868	-
Police Grants	500,000	74,983	(425,017)	45,959
Other	278,210	238,474	(39,736)	290,751
	$ 5,628,437	$ 3,354,489	$ (2,273,948)	$ 1,617,414
Charges for services:				
Environmental protection	$ 2,346,000	$ 2,394,442	$ 48,442	$ 2,079,210
Culture and recreation	200,000	59,582	(140,418)	102,080
Public safety	551,500	566,417	14,917	544,370
Cemetery	120,000	100,950	(19,050)	135,225
Radio antenna and paging rentals	265,000	313,236	48,236	325,838
Rentals and sale of property	304,240	418,519	114,279	561,792
Licenses and permits	70,000	76,468	6,468	75,075
Community services	67,150	66,605	(545)	59,559
Other	43,000	45,876	2,876	56,210
	$ 3,966,890	$ 4,042,095	$ 75,205	$ 3,939,359

B-1

CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

For the Year Ended June 30, 2020

With Comparative Actual Amounts for Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance with Budget Positive (Negative)	Actual
REVENUES (continued):				
Miscellaneous:				
Interest earned on investments	$ 295,000	$ 269,144	$ (25,856)	$ 409,372
Donations	517,389	252,673	(264,716)	582,519
Other	369,562	385,730	16,168	761,665
	$ 1,181,951	$ 907,547	$ (274,404)	$ 1,753,556
Total revenues	$ 43,897,762	$ 42,616,749	$ (1,281,013)	$ 39,628,272
OTHER FINANCING SOURCES:				
Refunding bonds issued	$ -	$ -	$ -	$ 230,000
Fund balance appropriated	5,264,256	-	(5,264,256)	-
Total revenues and other financing sources	$ 49,162,018	$ 42,616,749	$ (6,545,269)	$ 39,858,272
EXPENDITURES:				
Current:				
General government:				
City council	$ 199,020	$ 162,512	$ 36,508	$ 174,089
City administration	1,111,039	1,045,323	65,716	914,697
Human resources	1,058,424	1,014,749	43,675	1,075,044
Business and financial services	1,014,789	680,962	333,827	672,800
Fleet management	746,981	728,840	18,141	706,260
Public services administration	251,024	242,874	8,150	283,665
Infrastructure Services	1,599,577	1,388,222	211,355	969,843
Telecommunication	499,570	485,687	13,883	314,413
Information technologies	1,373,961	1,268,790	105,171	1,200,300
	$ 7,854,385	$ 7,017,959	$ 836,426	$ 6,311,111
Public safety:				
Police:				
Administration	$ 1,607,612	$ 1,456,364	$ 151,248	$ 1,490,395
Services	3,438,285	2,867,815	570,470	2,483,081
Operations	5,452,830	5,156,621	296,209	5,765,029
Fire	7,516,488	7,383,757	132,731	6,550,791
	$ 18,015,215	$ 16,864,557	$ 1,150,658	$ 16,289,296
Transportation:				
Engineering	$ 5,120,534	$ 3,124,667	$ 1,995,867	$ 2,324,613
Streets	3,027,030	2,775,434	251,596	2,678,489
Traffic control	448,822	446,085	2,737	329,099
Street lighting	531,147	501,602	29,545	521,445
	$ 9,127,533	$ 6,847,788	$ 2,279,745	$ 5,853,646

B-1

CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

For the Year Ended June 30, 2020

With Comparative Actual Amounts for Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance with Budget Positive (Negative)	Actual
EXPENDITURES :				
Current (continued):				
Environmental protection:				
Solid waste management	$ 1,559,646	$ 1,550,491	$ 9,155	$ 1,563,649
Cemetery	110,711	103,868	6,843	98,079
	$ 1,670,357	$ 1,654,359	$ 15,998	$ 1,661,728
Culture and recreation	$ 3,021,384	$ 2,816,183	$ 205,201	$ 2,701,826
Community and economic development:				
Community development	$ 3,040,914	$ 1,274,721	$ 1,766,193	$ 1,660,275
Downtown development	304,153	282,833	21,320	337,289
Code Enforcement	350,087	323,698	26,389	270,487
The Plaza	788,224	229,654	558,570	315,348
Developmental services	265,280	243,146	22,134	218,203
	$ 4,748,658	$ 2,354,052	$ 2,394,606	$ 2,801,602
Education	$ 40,000	$ 40,000	$ -	$ 40,000
Debt service:				
Principal	$ 1,306,505	$ 1,306,503	$ 2	$ 1,286,504
Interest and fees	304,303	304,300	3	196,259
	$ 1,610,808	$ 1,610,803	$ 5	$ 1,482,763
Total expenditures	$ 46,088,340	$ 39,205,701	$ 6,882,639	$ 37,141,972
OTHER FINANCING USES:				
Transfers to other funds	$ (3,073,678)	$ (2,927,970)	$ (145,708)	$ (3,763,828)
Payment to refund bond escrow agent	-	-	-	(230,000)
Total other financing uses	$ (3,073,678)	$ (2,927,970)	$ (145,708)	$ (3,993,828)
Total expenditures and other financing uses	$ 49,162,018	$ 42,133,671	$ 7,028,347	$ 41,135,800
Net change in fund balance	$ -	$ 483,078	$ 483,078	$ (1,277,528)
FUND BALANCES, BEGINNING		$ 18,492,009		$ 19,769,537
FUND BALANCES, ENDING		$ 18,975,087		$ 18,492,009

CITY OF SALISBURY N.C.
EST. - 1753
SALISBURY

Non Major Governmental Fund

The Capital Projects Funds is used to account for the acquisition or construction of capital projects other than those financed by enterprise funds.

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

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CITY OF SALISBURY, NORTH CAROLINA

ALL NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2020

ASSETS	Special Revenue Fund	Capital Projects Fund	Total
Cash and investments	$ 272	$ -	$ 272
Accounts receivable	1,109	-	1,109
Due from other governments	39,539	95,906	135,445
Prepaid Expense	-	51,885	51,885
Restricted cash and investments	-	2,777,250	2,777,250
Total assets	$ 40,920	$ 2,925,041	$ 2,965,961
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,035	$ 717,492	$ 718,527
Due to other funds	36,500	-	36,500
Total liabilities	$ 37,535	$ 717,492	$ 755,027
FUND BALANCES:			
Restricted:			
Stabilization by State Statute	$ 40,648	$ 95,906	$ 136,554
Capital Construction	-	2,111,643	2,111,643
Unassigned	(37,263)	-	(37,263)
Total fund equity	$ 3,385	$ 2,207,549	$ 2,210,934
Total liabilities and fund equity	$ 40,920	$ 2,925,041	$ 2,965,961

C-2

CITY OF SALISBURY, NORTH CAROLINA

ALL NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2020

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES:			
Restricted intergovernmental	$ 336,941	$ -	$ 336,941
Miscellaneous	28,499	27,577	56,076
Total revenues	$ 365,440	$ 27,577	$ 393,017
EXPENDITURES:			
General government	$ 80,315	$ -	$ 80,315
Public safety			
Fire	-	3,713,899	3,713,899
Community and economic development	245,328	-	245,328
Debt Service:			
Principal	34,000	-	34,000
Interest	5,499	-	5,499
Total expenditures	$ 365,142	$ 3,713,899	$ 4,079,041
NET INCREASE (DECREASE) IN FUND BALANCE	$ 298	$ (3,686,322)	$ (3,686,024)
FUND BALANCE, BEGINNING	3,087	5,893,871	5,896,958
FUND BALANCE, ENDING	$ 3,385	$ 2,207,549	$ 2,210,934

C-3

CITY OF SALISBURY, NORTH CAROLINA

SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT

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

For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance with Budget Positive (Negative)	Actual
REVENUES:				
Intergovernmental:				
Federal	$ 1,066,774	$ 336,941	$ (729,833)	$ 404,739
Miscellaneous:				
Other	30,000	28,499	(1,501)	94,041
Total revenues	$ 1,096,774	$ 365,440	$ (731,334)	$ 498,780
EXPENDITURES:				
Current:				
General government	$ 93,104	$ 80,315	$ 12,789	$ 89,785
Community and economic development	964,171	245,328	718,843	401,787
Debt Service:				
Principal	34,000	34,000	-	32,000
Interest	5,499	5,499	-	7,288
Total expenditures	$ 1,096,774	$ 365,142	$ 731,632	$ 530,860
NET INCREASE (DECREASE) IN FUND BALANCE	$ -	$ 298	$ 298	$ (32,080)
FUND BALANCE, BEGINNING		3,087		35,167
FUND BALANCE, ENDING		$ 3,385		$ 3,087

C-4

CITY OF SALISBURY, NORTH CAROLINA

CAPITAL PROJECTS FUND

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

From Inception and for the Year Ended June 30, 2020

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES:				
Miscellaneous				
Interest earned on investments	$ -	$ 37,321	$ 27,577	$ 64,898
EXPENDITURES:				
Public safety				
Fire	$ 7,500,000	$ 1,643,450	$ 3,713,899	$ 5,357,349
Total expenditures	$ 7,500,000	$ 1,643,450	$ 3,713,899	$ 5,357,349
Total revenues under expenditures	$ (7,500,000)	$ (1,606,129)	$ (3,686,322)	$ (5,292,451)
OTHER FINANCING SOURCES				
Proceeds from issuance of debt	$ 7,500,000	$ 7,500,000	$ -	$ 7,500,000
NET INCREASE IN FUND BALANCE	$ -	$ 5,893,871	$ (3,686,322)	$ 2,207,549
FUND BALANCE, BEGINNING			5,893,871	
FUND BALANCE , ENDING			$ 2,207,549	

Proprietary Fund Types

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

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

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

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

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

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

D-1

CITY OF SALISBURY, NORTH CAROLINA

WATER AND SEWER FUND

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

For the Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts for Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance with Budget Positive (Negative)	Actual
OPERATING REVENUES:				
Charges for services:				
Water sales	$ 10,999,868	$ 13,191,454	$ 2,191,586	$ 12,957,511
Sewer charges	12,516,996	12,725,577	208,581	12,524,844
Water and sewer taps	275,000	678,157	403,157	433,548
Other operating revenues	875,000	1,121,627	246,627	1,309,190
Total operating revenues	24,666,864	27,716,815	3,049,951	27,225,093
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	$ 6,560,552	$ 5,981,888	$ 578,664	$ 6,116,405
Water resources	3,415,161	3,200,256	214,905	3,021,343
Maintenance and construction	4,281,374	3,422,744	858,630	2,970,141
Wastewater collection and treatment	4,517,257	4,129,187	388,070	4,035,060
Environmental services	615,281	573,175	42,106	606,217
Total operating expenses other than depreciation	$ 19,389,625	$ 17,307,250	$ 2,082,375	$ 16,749,166
NONOPERATING REVENUES (EXPENDITURES):				
Investment earnings	$ 282,000	$ 366,453	$ 84,453	$ 425,245
Transfer to Capital Projects Fund	(1,500,000)	(1,500,000)	-	-
Capital outlay	(5,013,885)	(4,531,778)	482,107	(1,437,178)
Debt issuance costs	(412,215)	(412,214)	1	-
Payment of debt principal	(3,085,982)	(3,085,981)	1	(3,025,165)
Interest expense	(891,930)	(890,488)	1,442	(924,950)
Net nonoperating revenues (expenditures)	$ (10,622,012)	$ (10,054,008)	$ 568,004	$ (4,962,048)
Revenues over expenditures	$ (5,344,773)	$ 355,557	$ 5,700,330	$ 5,513,879
OTHER FINANCING SOURCES (USES):				
Payment to refunded bond escrow agent	$ (10,485,000)	$ (10,485,000)	$ -	$ -
Debt issued	10,897,215	10,897,214	(1)	-
Fund balance appropriated	$ 4,932,558	$ -	$ (4,932,558)	$ -
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$ -	$ 767,771	$ 767,771	$ 5,513,879

RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:	
Revenues over expenditures and other financing sources (uses)	$ 767,771
Capital outlay	4,531,778
Depreciation	(5,131,840)
Payment of debt principal	3,085,981
Payment to refunded bond escrow agent	10,485,000
Proceeds from capital leases	(10,897,214)
Interest income from Capital Projects Fund	98,475
Transfer to Capital Projects Fund	1,500,000
Decrease in total OPEB liability	340,422
Increase in net pension liability	(254,990)
Increase in deferred outflows of resources-pensions	41,052
Decrease in deferred outflows of resources-OPEB	(3,904)
Decrease in deferred inflows of resources-pensions	(200,262)
Increase in deferred inflows of resources-OPEB	(178,735)
Interest expense adjustment	(335,621)
Vacation pay	(41,759)
Change in net position	$ 3,806,154

CITY OF SALISBURY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND

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

From Inception and for the Year Ended June 30, 2020

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Miscellaneous				
Interest on investments	$ -	$ 94,994	$ 98,475	$ 193,469
EXPENDITURES-SEWER PROJECT				
Engineering and design	$ 1,175,750	$ 1,032,106	$ 143,644	$ 1,175,750
Construction	28,084,550	-	1,938,667	1,938,667
Total expenditures-Sewer project	$ 29,260,300	$ 1,032,106	$ 2,082,311	$ 3,114,417
EXPENDITURES-WATER PROJECT				
Engineering and design	$ 131,241	$ -	$ 70,000	$ 70,000
Construction	7,569,759	-	-	-
Total expenditures-Water project	$ 7,701,000	$ -	$ 70,000	$ 70,000
Total expenditures	$ 36,961,300	$ 1,032,106	$ 2,152,311	$ 3,184,417
Total revenues under expenditures	$ (36,961,300)	$ (937,112)	$ (2,053,836)	$ (2,990,948)
OTHER FINANCING SOURCES:				
Proceeds from sale of bonds	$ 34,059,600	$ -	$ 35,016,450	$ 35,016,450
Contribution from Water and Sewer Fund	2,901,700	1,293,000	-	1,293,000
Total other financing sources	$ 36,961,300	$ 1,293,000	$ 35,016,450	$ 36,309,450
Unexpended revenues and receipts	$ -	$ 450,882	$ 33,061,089	$ 33,511,971

D-3

CITY OF SALISBURY, NORTH CAROLINA

BROADBAND SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts for Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance with Budget Positive (Negative)	Actual
OPERATING REVENUES:				
Charges for services				
Internet	$ -	$ -	$ -	$ 369,828
Video	-	-	-	290,696
Phone	-	-	-	124,327
Lease revenue	848,000	749,853	(98,147)	616,078
Other operating revenues	40,000	52,348	12,348	187,204
Total operating revenues	888,000	802,201	(85,799)	1,588,133
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	$ 223,188	$ 50,158	$ 173,030	$ 231,406
Lease-related expenses	404,000	269,546	134,454	193,712
Sales and marketing	-	-	-	139,880
Programming	-	-	-	391,133
Broadband services	-	-	-	435,971
Services delivery	-	-	-	550,129
Total operating expenses other than depreciation	$ 627,188	$ 319,704	$ 307,484	$ 1,942,231
NONOPERATING REVENUES (EXPENDITURES):				
Investment earnings	$ 20,000	$ 26,837	$ 6,837	$ 31,414
Refunding bonds issued	-	-	-	25,645,000
Payment to refund bond escrow agent	-	-	-	(25,341,790)
Proceeds from lawsuit settlement	550,000	550,000	-	1,000,000
Payment of debt principal	(1,965,000)	(1,965,000)	-	(2,265,000)
Payment of inter-fund loan principal	(300,000)	(300,000)	-	(300,000)
Interest expense and fees	(965,812)	(775,740)	190,072	(787,260)
Net effect of operational agreement implementation	-	-	-	(606,423)
Net nonoperating expenditures	$ (2,660,812)	$ (2,463,903)	$ 196,909	$ (2,624,059)
Revenues over (under) expenditures	$ (2,400,000)	$ (1,981,406)	$ 418,594	$ (2,978,157)
OTHER FINANCING SOURCES (USES):				
Operating transfers in:				
General Fund	$ 2,400,000	$ 2,400,000	$ -	$ 3,000,000
REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$ -	$ 418,594	$ 418,594	$ 21,843

RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:	
Excess of expenses over revenues, above	$ 418,594
Depreciation	(674,580)
Bond amortization	(139,529)
Payment of debt principal	1,965,000
Payment of inter-fund loan principal	300,000
Proceeds for lawsuit settlement	(550,000)
Interest expense and fees adjustment	(126,983)
Change in net position	$ 1,192,502

CITY OF SALISBURY, NORTH CAROLINA

STORMWATER FUND

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

For the Year Ended June 30, 2020
With Comparative Actual Amounts for Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance with Budget Positive (Negative)	Actual
OPERATING REVENUES:				
Charges for services	$ 1,842,000	$ 1,823,732	$ (18,268)	$ 1,768,437
Other operating revenues	21,400	15,625	(5,775)	13,321
Total operating revenues	$ 1,863,400	$ 1,839,357	$ (24,043)	$ 1,781,758
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	$ 1,287,767	$ 754,750	$ 533,017	$ 761,304
Street cleaning	233,496	123,148	110,348	146,779
Storm drainage	158,035	138,113	19,922	190,155
Leaf Collection	212,658	135,631	77,027	150,800
Total operating expenditures other than depreciation	$ 1,891,956	$ 1,151,642	$ 740,314	$ 1,249,038
NONOPERATING REVENUES (EXPENDITURES):				
Interest on investments	$ 23,000	$ 30,282	$ 7,282	$ 28,892
Capital outlay	(156,890)	(136,713)	20,177	(296,212)
Total nonoperating revenues (expenditures)	$ (133,890)	$ (106,431)	$ 27,459	$ (267,320)
Revenues under expenditures	$ (162,446)	$ 581,284	$ 743,730	$ 265,400
OTHER FINANCING SOURCES:				
Appropriated fund balance	$ 162,446	$ -	$ (162,446)	$ -
Operating transfers in:				
General fund	-	-	-	296,006
REVENUES OVER (UNDER) EXPENDITURES	$ -	$ 581,284	$ 581,284	$ 561,406

RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:	
Excess of expenses over revenues, above	$ 581,284
Depreciation	(110,137)
Capital outlay	136,713
Decrease in total OPEB liability	42,107
Increase in net pension liability	(31,544)
Decrease in deferred outflows of resources-OPEB	(485)
Decrease in deferred inflows of resources-pensions	(19,650)
Increase in deferred inflows of resources-OPEB	(22,085)
Vacation pay	11,479
Change in net position	$ 587,682

D-5

CITY OF SALISBURY, NORTH CAROLINA

MASS TRANSIT FUND

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

For the Year Ended June 30, 2020
With Comparative Actual Amounts for Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance with Budget Positive (Negative)	Actual
OPERATING REVENUES:				
Charges for services	$ 62,750	$ 52,996	$ (9,754)	$ 63,841
Other operating revenues	70,000	13,877	(56,123)	11,939
Total operating revenues	$ 132,750	$ 66,873	$ (65,877)	$ 75,780
OPERATING EXPENDITURES OTHER THAN DEPRECIATION:				
Management and administration	$ 258,129	$ 246,807	$ 11,322	$ 354,275
Mass transit operations	1,102,712	969,615	133,097	1,058,710
Total operating expenditures other than depreciation	$ 1,360,841	$ 1,216,422	$ 144,419	$ 1,412,985
NONOPERATING REVENUES (EXPENDITURES):				
Intergovernmental	$ 750,037	$ 652,850	$ (97,187)	$ 739,998
CARES grant	-	409,881	409,881	-
Interest on investments	8,500	6,555	(1,945)	11,782
Capital outlay	(233,996)	(229,210)	4,786	-
Total nonoperating revenues (expenditures)	$ 524,541	$ 840,076	$ 315,535	$ 751,780
Revenues under expenditures	$ (703,550)	$ (309,473)	$ 394,077	$ (585,425)
OTHER FINANCING SOURCES:				
Appropriated fund balance	$ 29,872	$ -	$ (29,872)	$ -
Operating transfers in:				
General fund	673,678	527,970	(145,708)	467,822
Total other financing sources (uses)	$ 703,550	$ 527,970	$ (175,580)	$ 467,822
REVENUES OVER (UNDER) EXPENDITURES AND AND OTHER FINANCING SOURCES	$ -	$ 218,497	$ 218,497	$ (117,603)

RECONCILIATION OF MODIFIED ACCRUAL BASIS WITH FULL ACCRUAL:	
Excess of expenses over revenues, above	$ 218,497
Depreciation	(62,025)
Capital outlay	229,210
Decrease in total OPEB liability	45,890
Increase in net pension liability	(34,773)
Decrease in deferred outflows of resources-OPEB	(525)
Decrease in deferred inflows of resources-pensions	(21,176)
Increase in deferred inflows of resources-OPEB	(24,104)
Vacation pay	(3,847)
Change in net position	$ 347,147

CITY OF SALISBURY N.C.
EST. - 1753
SALISBURY

Internal Service Funds

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

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

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

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION

June 30, 2020
With Comparative Totals at June 30, 2019

			Totals	
ASSETS	Workers' Compensation	Employee Health Care	2020	2019
CURRENT ASSETS				
Cash and investments	$ 2,308,333	$ 4,891,930	$ 7,200,263	$ 5,806,667
Accounts receivable	-	1,887	1,887	1,873
Interest receivable	2,112	4,401	6,513	18,721
Total assets	$ 2,310,445	$ 4,898,218	$ 7,208,663	$ 5,827,261
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 14,931	$ 370,046	$ 384,977	$ 682,352
NET POSITION, UNRESTRICTED	$ 2,295,514	$ 4,528,172	$ 6,823,686	$ 5,144,909

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2020
With Comparative Totals For The Year Ended June 30, 2019

	Workers' Compensation	Employee Health Care	Totals 2020	Totals 2019
OPERATING REVENUES:				
Charges for services	$ 1,048,500	$ 5,780,989	$ 6,829,489	$ 6,799,441
OPERATING EXPENSES:				
Employee benefits	520,412	4,718,759	5,239,171	5,710,637
OPERATING INCOME (LOSS)	$ 528,088	$ 1,062,230	$ 1,590,318	$ 1,088,804
NONOPERATING REVENUES				
Interest earned on investments	28,231	60,228	88,459	97,945
CHANGE IN NET POSITION	$ 556,319	$ 1,122,458	$ 1,678,777	$ 1,186,749
TOTAL NET POSITION, BEGINNING	1,739,195	3,405,714	5,144,909	3,958,160
TOTAL NET POSITION, ENDING	$ 2,295,514	$ 4,528,172	$ 6,823,686	$ 5,144,909

CITY OF SALISBURY, NORTH CAROLINA

WORKERS' COMPENSATION INTERNAL SERVICE FUND

SCHEDULE OF REVENUES AND EXPENDITURES
FINANCIAL PLAN AND ACTUAL (NON-GAAP)

For the Year Ended June 30, 2020
With Comparative Actual Amounts for Year Ended June 30, 2019

	2020			2019
	Financial Plan	Actual	Variance with Financial Plan Positive (Negative)	Actual
OPERATING REVENUES:				
Charges for services	$ 1,048,500	$ 1,048,500	$ -	$ 1,030,687
OPERATING EXPENDITURES:				
Employee benefits	$ 1,068,500	$ 520,412	$ 548,088	$ 713,078
NONOPERATING REVENUES:				
Interest on investments	$ 20,000	$ 28,231	$ 8,231	$ 30,925
Revenues over (under) expenditures	$ -	$ 556,319	$ 556,319	$ 348,534
REVENUES OVER (UNDER) EXPENDITURES	$ -	$ 556,319	$ 556,319	$ 348,534

CITY OF SALISBURY, NORTH CAROLINA

EMPLOYEE HEALTH CARE INTERNAL SERVICE FUND

SCHEDULE OF REVENUES AND EXPENDITURES
FINANCIAL PLAN AND ACTUAL (NON-GAAP)

For the Year Ended June 30, 2020
With Comparative Actual Amounts for Year Ended June 30, 2019

	2020			2019
	Financial Plan	Actual	Variance with Financial Plan Positive (Negative)	Actual
OPERATING REVENUES:				
Charges for services	$ 6,449,477	$ 5,780,989	$ (668,488)	$ 5,768,754
OPERATING EXPENDITURES:				
Employee benefits	$ 6,489,477	$ 4,718,759	$ 1,770,718	$ 4,997,559
NONOPERATING REVENUES:				
Interest on investments	$ 40,000	$ 60,228	$ 20,228	$ 67,020
REVENUES OVER (UNDER) EXPENDITURES	$ -	$ 1,122,458	$ 1,122,458	$ 838,215

CITY OF SALISBURY, NORTH CAROLINA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020
With Comparative Totals For The Year Ended June 30, 2019

	Workers' Compensation	Employee Health Care	Totals 2020	Totals 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services provided	$ 1,048,500	$ 5,780,975	$ 6,829,475	$ 6,799,497
Cash paid for goods and services	(540,785)	(4,995,761)	(5,536,546)	(5,708,168)
Net cash provided (used) by operating activities	$ 507,715	$ 785,214	$ 1,292,929	$ 1,091,329
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	$ 31,902	$ 68,765	$ 100,667	$ 89,358
Net increase (decrease) in cash and cash equivalents	$ 539,617	$ 853,979	$ 1,393,596	$ 1,180,687
Balances-beginning of the year	1,768,716	4,037,951	5,806,667	4,625,980
Balances-end of the year	$ 2,308,333	$ 4,891,930	$ 7,200,263	$ 5,806,667
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 528,088	$ 1,062,230	$ 1,590,318	$ 1,088,804
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in current assets and liabilities:				
(Increase) decrease in accounts receivable	-	(14)	(14)	56
Increase (decrease) in accounts payable and accrued liabilities	(20,373)	(277,002)	(297,375)	2,469
Net cash provided (used) by operating activities	$ 507,715	$ 785,214	$ 1,292,929	$ 1,091,329

CITY OF SALISBURY N.C.
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Fiduciary Funds

FIDUCIARY FUNDS

All of the City's Fiduciary Funds are classified as Custodial Funds. Custodial Funds report fiduciary activities that are not held in a trust or equivalent arrangement. These City's Custodial Funds are used to account for assets held by the City for other governments, agencies, or boards and commissions.

CUSTODIAL FUNDS

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

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

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

Rowan County Utilities Fund – to account for billings and receipts of the Town of East Spencer's utilities operations, for which the City bills and collects on a contract basis.

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

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

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

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

CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020
With Comparative Totals at June 30, 2019

	Custodial Funds								Totals	
	Boards and Commissions Fund	Municipal Service District Fund	East Spencer Utility Fund	Rowan County Utility Fund	Rockwell Garbage Fund	Granite Quarry Garbage Fund	Spencer Garbage Fund	Salisbury-Rowan Human Relations Council Fund	2020	2019
ASSETS										
Cash and investments	$ 2,796	$ 4,766	$ 49,833	$ 12,760	$ 110	$ 1,029	$ 760	$ 13,213	$ 85,267	$ 123,252
Receivables									$ -	
Interest receivable	-	-	46	-	-	-	-	-	46	147
Accounts receivable		1,480	448,858	14,421	10,408	35,059	55,162	136	565,524	537,815
Property taxes	-	6,906	-	-	-	-	-	-	6,906	1,644
Total assets	$ 2,796	$ 13,152	$ 498,737	$ 27,181	$ 10,518	$ 36,088	$ 55,922	$ 13,349	$ 657,743	$ 662,858
LIABILITIES										
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 53	$ 53	$ 1,873
Reserve for taxes receivable		6,906	-	-	-	-	-	-	6,906	1,644
Customer deposits		-	21,200	-	-	-	-	-	21,200	21,400
Due to local governments	-	2,398	-	-	110	1,018	760	-	4,286	47,404
Total liabilities	$ -	$ 9,304	$ 21,200	$ -	$ 110	$ 1,018	$ 760	$ 53	$ 32,445	$ 72,321
NET POSITION										
Held for other governments	$ 2,796	$ 3,848	$ 477,537	$ 27,181	$ 10,408	$ 35,070	$ 55,162	$ 13,296	$ 625,298	$ 590,537

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CITY OF SALISBURY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

June 30, 2020
With Comparative Totals at June 30, 2019

	Custodial Funds								Totals	
	Boards and Commissions Fund	Municipal Service District Fund	East Spencer Utility Fund	Rowan County Utility Fund	Rockwell Garbage Fund	Granite Quarry Garbage Fund	Spencer Garbage Fund	Salisbury-Rowan Human Relations Council Fund	2020	2019
ADDITIONS										
Property tax revenue for other government	$ -	$ 132,882	$ -	$ -	$ -	$ -	$ -	$ -	$ 132,882	$ 135,509
Water and sewer revenues for other governments			868,947	140,815	-				1,009,762	948,438
Garbage fee revenue for other governments	-	-	109,550	-	51,350	166,091	232,651	-	559,642	548,601
Donations and program income	-	-	-	-	-	-	-	21,079	21,079	32,253
Investment income	-	-	588	-	-	-	-	-	588	868
Total additions	$ -	$ 132,882	$ 979,085	$ 140,815	$ 51,350	$ 166,091	$ 232,651	$ 21,079	$ 1,723,953	$ 1,665,669
DEDUCTIONS										
Tax collection fees	$ -	$ 77	$ -	$ -	$ -	$ -	$ -	$ -	$ 77	$ 213
Water and sewer charges	-	-	755,990	-	-	-	-	-	755,990	681,167
Repair and maintenance	-	-	1,110	-	-	-	-	-	1,110	3,883
Program expenses	-	-	-	-	-	-	-	38,928	38,928	29,793
Distributions to other governments	-	132,685	196,811	126,643	50,317	164,025	226,873	-	897,354	924,074
Total deductions	$ -	$ 132,762	$ 953,911	$ 126,643	$ 50,317	$ 164,025	$ 226,873	$ 38,928	$ 1,693,459	$ 1,639,130
Net increase (decrease) in fiduciary net position	$ -	$ 120	$ 25,174	$ 14,172	$ 1,033	$ 2,066	$ 5,778	$ (17,849)	$ 30,494	$ 26,539
Net position - beginning of year	2,796	3,728	452,363	13,009	9,375	33,004	49,384	31,145	594,804	563,998
Net position - end of year	$ 2,796	$ 3,848	$ 477,537	$ 27,181	$ 10,408	$ 35,070	$ 55,162	$ 13,296	$ 625,298	$ 590,537

Other Schedules

CITY OF SALISBURY N.C.
EST. 1753

G-1

CITY OF SALISBURY, NORTH CAROLINA

GENERAL FUND
PROPERTY TAXES RECEIVABLE

June 30, 2020

Tax Year	Fiscal Year Ended June 30	Assessed Valuation *	Taxes Levied Prior to June 30, 2019	Collections and Credits Prior to June 30, 2019	Taxes Receivable June 30, 2019	Levy Additions Year Ended June 30, 2020	Collections and Credits Year Ended June 30, 2020	(Note) Other Credits	Taxes Receivable June 30, 2020
2019	2020	$3,155,504,096			-	$ 22,959,510	$ 22,473,784	$ -	$ 485,726
2018	2019	2,870,187,679	$ 20,929,995	$ 20,633,460	$ 296,535	-	90,708	-	205,827
2017	2018	2,844,418,116	20,494,841	20,321,735	173,106	-	27,565	-	145,541
2016	2017	2,842,789,563	19,370,586	19,263,034	107,552	-	27,239	-	80,313
2015	2016	2,810,214,000	18,800,286	18,730,220	70,066	-	13,195	-	56,871
2014	2015	2,827,214,000	18,906,370	18,851,690	54,680	-	8,493	-	46,187
2013	2014	2,837,751,208	18,614,476	18,564,646	49,830	-	4,631	-	45,199
2012	2013	2,770,069,536	17,904,696	17,856,757	47,939	-	3,600	-	44,339
2011	2012	2,770,069,536	17,339,063	17,299,765	39,298	-	1,896	-	37,402
2010	2011	2,916,307,629	17,470,493	17,426,838	43,655	-	7,480	-	36,175
2009	2010	2,902,150,012	17,459,442	17,415,880	43,562	-	1,304	42,258	-
			$ 187,290,248	$ 186,364,025	$ 926,223	$ 22,959,510	$ 22,659,895	$ 42,258	$ 1,183,580
	Less allowance for uncollectible accounts								414,000
	Ad valorem taxes receivable - net								$ 769,580

Reconcilement of Collections and Credits with revenues

Revenues per Statement B-1	
General property taxes-current	$ 22,045,835
General property taxes-prior	185,735
Vehicle user fees (from current and prior years)	241,526
Ad valorem tax revenue	$ 22,473,096
Discounts allowed	173,428
Late listing penalties	12,995
Abatement of prior year taxes	376
Total collections and credits	$ 22,659,895

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

CITY OF SALISBURY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

For the Year Ended June 30, 2020

	City Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
ORIGINAL LEVY					
Property taxed at current year's rates	$2,915,251,762	$ 0.7196	$ 20,978,153	$ 20,978,153	$ -
Registered motor vehicles taxed under NC Vehicle Tax System	239,488,883	0.7196	1,723,362	-	1,729,142
Auto registration fee			235,740	-	235,740
Penalties			16,213	16,213	-
TOTAL	$3,154,740,645		$ 22,953,468	$ 20,988,586	$ 1,964,882
DISCOVERY					
Current year rates	17,357,174		124,902	124,902	-
Penalties			12,490	12,490	-
TOTAL			$ 137,392	$ 137,392	$ -
ABATEMENTS	(16,593,723)		$ (131,350)	$ (131,350)	$ -
TOTAL PROPERTY VALUATION	$3,155,504,096				
NET LEVY			$ 22,959,510	$ 20,994,628	$ 1,964,882
Less uncollected tax at June 30, 2020			485,726	468,202	17,524
CURRENT YEAR'S TAXES COLLECTED			$ 22,473,784	$20,526,426	$1,947,358
PERCENT OF CURRENT YEAR COLLECTED			97.88%	97.77%	99.11%

Statistical Section

CITY OF SALISBURY N.C.
EST. 1753
SALISBURY

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

Contents **Pages**

Financial Trends **128-135**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **136-141**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity **142-148**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information **149-150**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information **151-154**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

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

Schedule 1

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

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

Schedule 1

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

	Fiscal Year				
	2016	**2017**	**2018**	**2019**	**2020**
Governmental activities					
Net investment in capital assets	$ 36,027,355	$ 35,384,844	$ 34,821,867	$ 35,316,427	$ 39,207,206
Restricted	4,719,068	5,221,501	4,996,766	4,700,295	5,415,925
Unrestricted	8,188,064	6,635,231	5,481,877	4,639,015	5,461,644
Total Governmental net position	$ 48,934,487	$ 47,241,576	$ 45,300,510	$ 44,655,737	$ 50,084,775
Business-type activities					
Net investment in capital assets	$ 79,354,208	$ 84,806,909	$ 85,462,699	$ 86,837,002	$ 92,415,998
Unrestricted	18,935,989	18,375,335	22,767,326	27,416,616	27,771,105
Total business-type net position	$ 98,290,197	$ 103,182,244	$ 108,230,025	$ 114,253,618	$ 120,187,103
Primary government					
Net investment in capital assets	$ 115,381,563	$ 120,191,753	$ 120,284,566	$ 122,153,429	$ 131,623,204
Restricted	4,719,068	5,221,501	4,996,766	4,700,295	5,415,925
Unrestricted	27,124,053	25,010,566	28,249,203	32,055,631	33,232,749
Total primary government net position	$ 147,224,684	$ 150,423,820	$ 153,530,535	$ 158,909,355	$ 170,271,878

Schedule 2

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

Expenses	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental activities:					
General government	$ 8,638,802	$ 8,858,997	$ 7,505,862	$ 9,704,764	$ 5,716,066
Public safety	13,065,399	12,013,621	11,971,909	11,788,115	11,455,490
Transportation	5,410,397	5,227,558	4,676,309	4,150,618	4,440,902
Environmental protection	2,372,108	1,672,367	1,470,400	1,472,922	1,481,637
Culture and recreation	2,852,895	2,564,518	2,372,225	2,365,534	2,432,466
Community and economic development	1,868,213	2,335,285	3,114,076	2,285,065	2,480,317
Education	42,342	38,107	38,107	38,107	38,107
Interest on long-term debt	323,639	442,531	586,480	510,887	517,340
Total governmental activities expenses	$ 34,573,795	$ 33,152,984	$ 31,735,368	$ 32,316,012	$ 28,562,325
Business-type activities:					
Water and Sewer	$ 21,352,837	$ 21,501,799	$ 20,722,706	$ 20,985,348	$ 21,398,672
Broadband Services	3,735,371	6,787,748	8,096,019	5,059,343	8,279,509
Stormwater			883,201	936,526	927,399
Mass Transit	1,175,654	1,053,025	1,086,236	1,098,881	1,013,010
Total business-type activities	$ 26,263,862	$ 29,342,572	$ 30,788,162	$ 28,080,098	$ 31,618,590
Total primary governmental expenses	$ 60,837,657	$ 62,495,556	$ 62,523,530	$ 60,396,110	$ 60,180,915
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 3,528,014	$ 3,573,724	$ 1,480,475	$ 1,485,412	$ 804,630
Public safety	446,473	432,019	522,063	397,948	376,740
Transportation	141,241	175,285	169,651	144,681	175,182
Environmental protection	1,102,823	1,408,604	1,751,408	2,064,070	2,173,339
Culture and recreation	156,726	160,059	166,221	162,497	131,904
Community and economic development	136,921	375,299	169,605	258,108	267,299
Operating grants and contributions	2,334,124	2,140,686	1,861,365	1,791,226	1,845,698
Capital grants and contributions	912,385	97,785	972,479	79,807	-
Total governmental activities program revenues	$ 8,758,707	$ 8,363,461	$ 7,093,267	$ 6,383,749	$ 5,774,792
Business-type activities:					
Charges for services:					
Water and Sewer	$ 22,139,692	$ 23,637,076	$ 22,344,591	$ 22,773,882	$ 24,327,901
Broadband Services	610,074	2,621,168	3,867,051	4,811,757	6,092,803
Stormwater	-	-	1,152,613	1,153,565	1,153,178
Mass Transit	134,131	125,809	114,717	105,706	97,193
Operating grants and contributions	549,621	614,416	605,706	558,062	469,421
Capital grants and contributions	1,725,935	5,002,523	270,330	575,019	-
Total business-type activities program revenues	$ 25,159,453	$ 32,000,992	$ 28,355,008	$ 29,977,991	$ 32,140,496
Total primary governmental program revenues	$ 33,918,160	$ 40,364,453	$ 35,448,275	$ 36,361,740	$ 37,915,288
Net (expense)/revenue					
Governmental activities	$ (25,815,088)	$ (24,789,523)	$ (24,642,101)	$ (25,932,263)	$ (22,787,533)
Business-type activities	(1,104,409)	2,658,420	(2,433,154)	1,897,893	521,906
Total primary governmental net expense	$ (26,919,497)	$ (22,131,103)	$ (27,075,255)	$ (24,034,370)	$ (22,265,627)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	$ 17,410,646	$ 17,289,944	$ 17,796,508	$ 18,490,266	$ 18,744,275
Sales and other taxes	4,752,432	5,260,348	5,303,387	5,454,780	5,898,259
Intergovernmental revenues	3,540,146	3,463,465	3,425,372	3,138,583	3,270,152
Unrestricted investment earnings	99,759	86,424	65,080	24,738	17,471
Miscellaneous	198,388	469,090	128,560	-	-
Transfers	(416,785)	(416,785)	(413,474)	(413,474)	(3,713,291)
Total governmental activities	$ 25,584,586	$ 26,152,486	$ 26,305,433	$ 26,694,893	$ 24,216,866
Business-type activities:					
Investment earnings	$ 238,664	$ 242,408	$ 166,183	$ 191,619	$ 97,534
Net effect of operational agreement start	-	-	-	-	-
Transfers	416,785	416,785	413,474	413,474	3,713,291
Total business-type activities	$ 655,449	$ 659,193	$ 579,657	$ 605,093	$ 3,810,825
Total primary government	$ 26,240,035	$ 26,811,679	$ 26,885,090	$ 27,299,986	$ 28,027,691
Change in Net Position					
Governmental activities	$ (230,502)	$ 1,362,963	$ 1,663,332	$ 762,630	$ 1,429,333
Business-type activities	(448,960)	3,317,613	(1,853,497)	2,502,986	4,332,731
Total primary government	$ (679,462)	$ 4,680,576	$ (190,165)	$ 3,265,616	$ 5,762,064

Schedule 2

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

	Fiscal Year				
Expenses	**2016**	**2017**	**2018**	**2019**	**2020**
Governmental activities:					
General government	$ 5,907,274	$ 6,110,635	$ 5,851,064	$ 6,943,041	$ 7,233,838
Public safety	12,163,943	13,296,732	14,493,040	16,467,391	17,094,896
Transportation	5,195,912	6,149,487	6,272,733	5,971,094	5,985,903
Environmental protection	1,452,363	1,496,207	1,572,672	1,719,174	1,760,087
Culture and recreation	2,553,783	2,049,283	1,835,329	2,676,550	2,619,658
Community and economic development	3,219,393	2,887,589	2,551,516	2,985,180	1,287,190
Education	38,107	38,107	40,000	40,000	40,000
Interest on long-term debt	481,335	666,604	101,224	270,003	298,748
Total governmental activities expenses	$ 31,012,110	$ 32,694,644	$ 32,717,578	$ 37,072,433	$ 36,320,320
Business-type activities:					
Water and Sewer	$ 21,429,812	$ 21,982,707	$ 22,891,351	$ 23,393,527	$ 24,375,589
Broadband Services	7,773,867	6,801,377	6,441,550	3,627,047	2,036,536
Stormwater	898,295	1,085,030	1,084,170	1,402,836	1,281,957
Mass Transit	1,103,470	1,326,667	1,322,216	1,489,636	1,316,982
Total business-type activities	$ 31,205,444	$ 31,195,781	$ 31,739,287	$ 29,913,046	$ 29,011,064
Total primary governmental expenses	$ 62,217,554	$ 63,890,425	$ 64,456,865	$ 66,985,479	$ 65,331,384
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 715,721	$ 829,987	$ 1,322,710	$ 1,243,757	$ 1,015,046
Public safety	424,687	487,081	545,128	544,370	566,417
Transportation	160,197	174,125	157,331	59,559	66,605
Environmental protection	2,163,234	2,104,171	2,116,264	2,214,435	2,495,392
Culture and recreation	136,509	136,147	116,179	102,080	59,582
Community and economic development	300,083	394,869	244,467	138,976	288,516
Operating grants and contributions	1,964,896	2,022,328	1,742,837	2,317,073	2,639,873
Capital grants and contributions	-	483,450	432,589	779,487	2,585,767
Total governmental activities program revenues	$ 5,865,327	$ 6,632,158	$ 6,677,505	$ 7,399,737	$ 9,717,198
Business-type activities:					
Charges for services:					
Water and Sewer	$ 23,629,386	$ 25,934,277	$ 25,559,903	$ 27,225,093	$ 27,716,815
Broadband Services	6,070,893	5,093,067	4,556,657	1,588,134	802,201
Stormwater	1,186,319	1,330,802	1,337,125	1,781,758	1,839,357
Mass Transit	85,253	150,425	156,538	75,780	66,873
Operating grants and contributions	738,351	618,631	568,628	739,998	1,062,731
Capital grants and contributions	-	-	1,550,000	-	-
Total business-type activities program revenues	$ 31,710,202	$ 33,127,202	$ 33,728,851	$ 31,410,763	$ 31,487,977
Total primary governmental program revenues	$ 37,575,529	$ 39,759,360	$ 40,406,356	$ 38,810,500	$ 41,205,175
Net (expense)/revenue					
Governmental activities	$ (25,146,783)	$ (26,062,486)	$ (26,040,073)	$ (29,672,696)	$ (26,603,122)
Business-type activities	504,758	1,931,421	1,989,564	1,497,717	2,476,913
Total primary governmental net expense	$ (24,642,025)	$ (24,131,065)	$ (24,050,509)	$ (28,174,979)	$ (24,126,209)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	$ 18,719,543	$ 19,249,072	$ 20,424,124	$ 20,764,393	$ 22,818,429
Sales and other taxes	6,433,260	7,287,305	7,604,426	8,122,023	8,543,381
Intergovernmental revenues	3,432,476	3,285,759	3,308,275	3,360,697	3,213,140
Unrestricted investment earnings	44,586	116,185	237,341	544,638	385,180
Miscellaneous	-	-	-	-	-
Transfers	(3,279,850)	(2,780,780)	(3,806,035)	(3,763,828)	(2,927,970)
Total governmental activities	$ 25,350,015	$ 27,157,541	$ 27,768,131	$ 29,027,923	$ 32,032,160
Business-type activities:					
Investment earnings	$ 120,464	$ 179,846	$ 272,443	$ 592,327	$ 528,602
Net effect of operational agreement start	-	-	-	169,721	-
Transfers	3,279,850	2,780,780	3,806,035	3,763,828	2,927,970
Total business-type activities	$ 3,400,314	$ 2,960,626	$ 4,078,478	$ 4,525,876	$ 3,456,572
Total primary government	$ 28,750,329	$ 30,118,167	$ 31,846,609	$ 33,553,799	$ 35,488,732
Change in Net Position					
Governmental activities	$ 203,232	$ 1,095,055	$ 1,728,058	$ (644,773)	$ 5,429,038
Business-type activities	3,905,072	4,892,047	6,068,042	6,023,593	5,933,485
Total primary government	$ 4,108,304	$ 5,987,102	$ 7,796,100	$ 5,378,820	$ 11,362,523

Schedule 3

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

	Fiscal Year				
	2011	**2012**	**2013**	**2014**	**2015**
General Fund					
Nonspendable	$ 319,844	$ 327,754	$ 710,508	$ 548,414	$ 488,254
Restricted	4,846,985	4,851,968	4,884,052	4,757,232	4,336,596
Committed	2,811,084	3,587,402	3,974,716	4,261,316	4,310,985
Assigned					1,798,040
Unassigned	515,476	1,811,722	3,704,948	6,308,283	7,006,980
Total General Fund	$ 8,493,389	$ 10,578,846	$ 13,274,224	$ 15,875,245	$ 17,940,855
All other governmental funds					
Restricted	$ 6,999	$ 29,281	$ 9,840	$ 37,542	$ 40,392
Unassigned	-	(18,558)	898	(30,068)	(32,916)
Total all other governmental funds	$ 6,999	$ 10,723	$ 10,738	$ 7,474	$ 7,476

Schedule 3

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

	Fiscal Year				
	2016	**2017**	**2018**	**2019**	**2020**
General Fund					
Nonspendable	$ 557,974	$ 497,366	$ 573,948	$ 573,515	$ 708,081
Restricted	4,935,481	5,221,501	4,953,941	4,634,580	5,203,767
Committed	3,800,851	3,917,588	4,143,814	4,147,444	3,678,640
Assigned	1,180,000	2,296,294	3,400,440	2,526,200	2,214,183
Unassigned	7,881,606	7,571,437	6,697,394	6,610,270	7,170,416
Total General Fund	$ 18,355,912	$ 19,504,186	$ 19,769,537	$ 18,492,009	$ 18,975,087
All other governmental funds					
Restricted	$ 72,448	$ 87,074	$ 42,825	$ 5,959,586	$ 2,248,197
Unassigned	(68,520)	(82,498)	(7,658)	(62,628)	(37,263)
Total all other governmental funds	$ 3,928	$ 4,576	$ 35,167	$ 5,896,958	$ 2,210,934

Schedule 4

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

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

Schedule 4

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

	Fiscal Year				
	2016	**2017**	**2018**	**2019**	**2020**
Revenues					
Taxes	$ 18,742,491	$ 19,337,385	$ 20,459,496	$ 20,835,223	$ 22,556,097
Licenses and permits	65,615	62,735	61,123	75,075	76,468
Intergovernmental	11,616,378	12,940,264	12,916,957	13,504,873	15,447,951
Charges for services	3,433,812	3,515,024	3,933,721	3,864,284	3,965,627
Investment earnings	40,491	104,778	200,750	446,693	306,435
Miscellaneous	616,499	687,199	678,595	1,438,225	657,188
Administrative charges	-	-	-	-	-
Total revenues	$ 34,515,286	$ 36,647,385	$ 38,250,642	$ 40,164,373	$ 43,009,766
Expenditures					
General government	$ 5,838,547	$ 6,184,367	$ 5,635,857	$ 6,400,896	$ 7,098,274
Public safety	12,601,305	13,707,675	17,602,625	17,932,746	20,578,456
Transportation	3,998,967	5,005,879	4,989,137	5,853,646	6,847,788
Environmental protection	1,860,396	1,640,900	1,785,265	1,661,728	1,654,359
Culture and recreation	2,474,162	1,820,776	2,577,902	2,701,826	2,816,183
Economic and physical development	3,152,580	2,835,400	2,640,291	3,203,389	2,599,380
Education	38,107	38,107	40,000	40,000	40,000
Debt service					
Principal	974,805	811,472	741,472	1,318,504	1,340,503
Interest and fees	488,995	460,924	93,728	203,547	309,799
Issuance fees	-	-	-	-	-
Total expenditures	$ 31,427,864	$ 32,505,500	$ 36,106,277	$ 39,316,282	$ 43,284,742
Excess of revenues over (under) expenditures	$ 3,087,422	$ 4,141,885	$ 2,144,365	$ 848,091	$ (274,976)
Other financing sources (uses)					
Transfers out	$ (3,279,850)	$ (2,780,780)	$ (3,806,035)	$ (3,763,828)	$ (2,927,970)
Refunding bonds issued	-	690,000	-	230,000	-
Payment to refund bond escrow agent	-	(902,831)	-	(230,000)	-
Installment purchase financing	-	-	1,962,188	7,500,000	-
Total other financing sources (uses)	$ (3,279,850)	$ (2,993,611)	$ (1,843,847)	$ 3,736,172	$ (2,927,970)
Net change in fund balances	$ (192,428)	$ 1,148,274	$ 300,518	$ 4,584,263	$ (3,202,946)
Total capital expenditures included above	$ 2,560,483	$ 2,152,395	$ 4,204,158	$ 4,140,235	$ 8,396,898
Debt services as a percentage of noncapital expenditures	5.1%	4.2%	2.6%	4.3%	4.7%

Schedule 5

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

Fiscal Year	Property Tax	Sales Tax	Utilities Franchise Tax *	Total
2011	$ 17,410,646	$ 4,752,432	$ 2,561,261	$ 24,724,339
2012	17,289,944	5,260,348	2,510,388	25,060,680
2013	17,796,508	5,303,387	2,497,925	25,597,820
2014	18,490,266	5,454,780	2,557,559	26,502,605
2015	18,744,275	5,898,259	2,951,813	27,594,347
2016	18,719,543	6,433,260	3,029,521	28,182,324
2017	19,240,072	7,287,305	2,987,319	29,514,696
2018	20,459,496	7,604,426	3,002,938	31,066,860
2019	20,835,223	8,122,023	3,055,196	32,012,442
2020	22,556,097	8,433,602	2,900,730	33,890,429

* Includes Telecommunications taxes and Video Franchise Fees.

Schedule 6

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

Fiscal Year	City Direct Rate	Overlapping Rates		Total Direct & Overlapping Rates
		Municipal Service District	Rowan County	
2011	0.5900	0.1600	0.5950	1.3450
2012	0.6135	0.1750	0.6225	1.4110
2013	0.6374	0.1750	0.6225	1.4349
2014	0.6374	0.1750	0.6225	1.4349
2015	0.6569	0.1750	0.6500	1.4819
2016	0.6600	0.1760	0.6625	1.4985
2017	0.6720	0.1760	0.6625	1.5105
2018	0.7096	0.1760	0.6625	1.5481
2019	0.7169	0.1760	0.6625	1.5554
2020	0.7196	0.1760	0.6575	1.5531

Source: Rowan County Tax Assessor.

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

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

Schedule 7

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

Fiscal Year Ended June 30	Real Property		Personal Property		Public Service Companies
	Residential Property	Commercial Property	Motor Vehicles	Other	
2011	$ 1,305,076,616	$ 1,040,773,194	$ 177,902,351	$ 352,153,335	$ 61,255,822
2012	1,226,933,424	971,771,009	180,575,459	352,447,978	59,819,853
2013	1,257,393,327	972,725,409	153,602,651	347,251,636	61,343,725
2014	1,235,667,135	972,277,733	252,958,212	339,868,008	59,056,195
2015	1,236,848,984	977,784,628	204,951,286	367,780,792	62,228,883
2016	1,167,980,619	1,043,691,268	216,798,030	335,426,769	69,437,235
2017	1,179,314,761	1,034,967,957	221,865,495	360,067,652	70,460,904
2018	1,170,327,222	1,054,002,293	220,841,178	350,259,624	72,407,318
2019	1,182,732,829	1,055,197,388	232,125,486	348,554,371	76,103,757
2020	1,382,409,970	1,104,926,461	239,488,883	364,139,920	80,096,479

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

Schedule 7

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

Fiscal Year Ended June 30	Less: Tax Exempt Real Property	Total Actual and Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2011	$ 20,853,689	$ 2,916,307,629	0.5900	100.00%
2012	21,640,331	2,769,907,392	0.6135	100.00%
2013	22,247,212	2,770,069,536	0.6374	100.00%
2014	22,076,075	2,837,751,208	0.6374	100.00%
2015	22,380,573	2,827,214,000	0.6569	100.00%
2016	22,753,706	2,810,580,215	0.6600	100.00%
2017	23,887,206	2,842,789,563	0.6720	100.00%
2018	23,419,519	2,844,418,116	0.7096	100.00%
2019	24,526,152	2,870,187,679	0.7169	100.00%
2020	15,557,617	3,155,504,096	0.7196	100.00%

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

Schedule 8

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

	2020			2011		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Food Lion, Inc.	$ 140,351,271	1	4.45%	$ 165,147,672	1	5.66%
Henkel Corporation	34,673,187	2	1.10%	14,775,775	7	0.51%
Duke Energy Corporation	33,961,930	3	1.08%	24,782,223	4	0.85%
AKZO Nobel	32,481,455	4	1.03%	30,563,923	2	1.05%
Norandal USA	30,345,068	5	0.96%	25,983,947	3	0.89%
Brixmor Innes Street, LLC	26,622,109	6	0.84%	24,387,623	5	0.84%
Cole Mt. Salisbury, NC LLC	20,648,610	7	0.65%			
Wal-Mart Real Estate Business	16,027,005	8	0.51%	14,143,271	8	0.48%
BRC Salisbury LLC	15,606,611	9	0.49%			
Piedmont Natural Gas	14,904,008	10	0.47%	13,686,037	10	0.47%
Bellsouth Telephone				13,338,193	9	0.46%
Salisbury Mall, Ltd.				16,530,782	6	0.57%
Totals	$ 365,621,254		11.58%	$ 343,339,446		11.78%

Source: Rowan County Tax Assessor

Schedule 9

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

Fiscal Year Ended June 30	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	$ 17,470,493	$ 16,668,635	95.41%	$ 765,683	$ 17,434,318	99.79%
2012	17,339,063	16,525,289	95.31%	776,372	17,301,661	99.78%
2013	17,904,696	17,181,570	95.96%	678,787	17,860,357	99.75%
2014	18,614,476	18,142,635	97.47%	426,642	18,569,277	99.76%
2015	18,906,370	18,468,008	97.68%	392,175	18,860,183	99.76%
2016	18,800,286	18,392,372	97.83%	351,043	18,743,415	99.70%
2017	19,370,586	19,058,767	98.39%	231,506	19,290,273	99.59%
2018	20,494,841	20,151,780	98.33%	197,520	20,349,300	99.29%
2019	20,929,995	20,633,460	98.58%	90,708	20,724,168	99.02%
2020	22,959,510	22,473,784	97.88%	-	22,473,784	97.88%

Schedule 10

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

	Governmental Activities			Business-type Activities		
Fiscal Year	General Obligation Bonds	Installment Purchases	Section 108 Loan	General Obligation Bonds	Installment Purchases	Revenue Bonds
2011	$ 1,075,000	$ 6,637,574	$ 372,000	$ 4,615,650	$ 32,131,953	$ 33,810,689
2012	905,000	5,601,226	340,000	3,491,651	32,211,289	32,171,040
2013	690,000	4,487,137	308,000	2,625,000	33,965,775	30,485,857
2014	475,000	5,439,205	276,000	1,440,000	35,070,779	28,648,396
2015	270,000	4,434,566	244,000	275,000	33,198,540	26,750,426
2016	70,000	3,691,761	212,000	95,000	31,260,299	24,797,523
2017	-	2,982,289	180,000	-	28,010,059	22,777,243
2018	-	4,235,005	148,000	-	25,850,819	20,674,124
2019	-	10,448,501	116,000	-	23,961,580	18,647,689
2020	-	9,141,998	82,000	-	21,867,340	51,969,102

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

Schedule 10

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

Fiscal Year	Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	State Loans	Capital Leases			
2011	$ 7,125,036	$ 1,456,531	$ 87,224,433	11.43%	2,586
2012	6,242,530	4,864,846	85,827,582	10.99%	2,547
2013	5,360,024	4,237,571	82,159,364	10.28%	2,444
2014	4,477,518	3,610,296	79,437,194	9.67%	2,355
2015	3,595,012	2,983,020	71,750,564	8.46%	2,113
2016	2,712,506	2,355,745	65,194,834	7.43%	1,902
2017	1,830,000	1,909,269	57,688,860	6.38%	1,674
2018	1,220,000	1,639,779	53,767,727	5.80%	1,560
2019	610,000	1,380,290	55,164,060	5.81%	1,601
2020	-	1,140,800	84,201,240	8.63%	2,438

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

Schedule 11

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

Fiscal Year	Governmental General Obligation Bonds	Business-type General Obligation Bonds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2011	$ 1,075,000	$ 4,615,650	$ 5,690,650	0.20%	169
2012	905,000	3,491,651	4,396,651	0.16%	130
2013	690,000	2,625,000	3,315,000	0.12%	99
2014	475,000	1,440,000	1,915,000	0.07%	57
2015	270,000	275,000	545,000	0.02%	16
2016	70,000	95,000	165,000	0.01%	5
2017	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2019	-	-	-	0.00%	-
2020	-	-	-	0.00%	-

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

Schedule 12

CITY OF SALISBURY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2020

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Rowan County	$ 55,923,390	22.92%	$ 12,815,286
City of Salisbury direct debt			9,141,998
Total direct and overlapping debt			$ 21,957,284

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

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

Schedule 13

CITY OF SALISBURY
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

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

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

Schedule 13

CITY OF SALISBURY
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	Fiscal Year				
	2016	**2017**	**2018**	**2019**	**2020**
Debt limit	$ 226,666,714	$ 229,334,142	$ 229,427,011	$ 231,577,106	$ 253,684,937
Total net debt applicable to limit	37,472,805	32,901,617	31,725,603	35,790,371	32,150,138
Legal debt margin	$ 189,193,909	$ 196,432,525	$ 197,701,408	$ 195,786,735	$ 221,534,799
Total net debt applicable to the limit as a percentage of debt limit	16.53%	14.35%	13.83%	15.46%	12.67%

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	$ 3,155,504,096
Add back: exempt real property	15,557,617
Total assessed value	$ 3,171,061,713
Debt Limit (8% of total assessed value)	253,684,937
Debt applicable to limit:	
Capitalized lease and installment purchase obligations	32,150,138
Legal debt margin	$ 221,534,799

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

Schedule 14

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

Fiscal Year	Gross Revenues	Operating Expenditures	Net Revenues Available	Debt Service Requirements		Coverage Ratios	
				Parity Debt	All Debt	Parity Debt	All Debt
2011	$ 22,253,461	$ 14,885,367	$ 7,368,094	$ 3,135,833	$ 5,936,107	234.96%	124.12%
2012	23,758,916	14,643,931	9,114,985	3,061,815	6,391,834	297.70%	142.60%
2013	22,447,556	14,087,147	8,360,409	3,025,353	6,257,965	276.34%	133.60%
2014	22,861,204	14,238,470	8,622,734	3,009,771	6,216,842	286.49%	138.70%
2015	24,410,819	14,465,712	9,945,107	3,010,325	6,292,092	330.37%	158.06%
2016	23,734,822	14,690,866	9,043,956	3,012,537	5,218,769	300.21%	173.30%
2017	26,102,355	15,191,893	10,910,462	3,004,086	4,895,494	363.19%	222.87%
2018	25,807,649	16,387,723	9,419,926	3,010,952	4,132,963	312.86%	227.92%
2019	27,745,332	17,094,031	10,651,301	2,865,363	3,950,115	371.73%	269.65%
2020	28,181,743	17,605,426	10,576,317	2,936,612	3,976,470	360.15%	265.97%

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

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

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

Parity debt service requirements include all revenue bonds.

Schedule 15

CITY OF SALISBURY
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Average Unemployment Rate
2011	33,732	$ 762,910,045	$ 22,617	38.7	11.6%
2012	33,701	781,264,147	23,182	38.9	10.9%
2013	33,622	798,918,570	23,762	39.1	9.6%
2014	33,726	821,424,540	24,356	39.3	7.3%
2015	33,955	847,677,075	24,965	39.5	5.9%
2016	34,285	877,313,318	25,589	39.7	5.8%
2017	34,459	903,809,921	26,229	39.9	5.2%
2018	34,463	926,512,706	26,884	40.1	4.4%
2019	34,463	949,675,523	27,556	40.3	4.7%
2020	34,536	975,479,318	28,245	40.5	7.3%

Sources: Population data provided by Office of State Management and Budget.

Personal income, per capital income, and median age data are based on the latest census with estimated fluctuations for non-census years.

Unemployment rates for Rowan County are provided by the NC Department of Commerce's Demand Driven Data Delivery System.

Schedule 16

CITY OF SALISBURY
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	2020			2011		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Delhaize Food Lion	3,200	1	14.55%	1,498	3	7.68%
Rowan/Salisbury School System	3,164	2	14.38%	3,074	1	15.76%
W. G. (Bill) Hefner VA Medical Center	2,281	3	10.37%	1,795	2	9.21%
Novant Health Rowan Regional	1,560	4	7.09%	1,044	4	5.35%
Rowan-Cabarrus Community College	1,006	5	4.57%	337	8	1.73%
Rowan County	810	6	3.68%	761	5	3.90%
Piemont Correctional Institute	450	7	2.05%	475	6	2.44%
City of Salisbury	410	8	1.86%	453	7	2.32%
Catawba College	400	9	1.82%	250	9	1.28%
Lutheran Services for the Aging	379	10	1.72%	214	10	1.10%
Total	13,660		62.09%	9,901		50.77%

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

Schedule 17

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

	Full-time Equivalent Employees as of June 30									
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Function										
General government:										
City administration	9	10	11	9	9	10	11	12	13	12
Human resources	6	6	6	6	6	5	7	5	6	5
Business and Financial Services	23	21	22	27	25	19	18	18	18	17
Fleet management	10	11	10	11	11	12	10	13	12	13
Public services administration	3	3	3	3	3	3	5	3	2	2
Facilities maintenance	9	9	6							
Infrastructure services				17	14					
Telecommunications	3	3	3	3	4	3	3	2	3	3
Information technologies	8	8	12	11	11	12	8	9	7	6
Public safety:										
Police:										
Officers	79	79	72	79	79	70	69	78	81	79
Civilians	21	19	20	7	7	7	6	7	9	7
Fire:										
Firefighters	76	75	75	71	72	75	74	71	80	81
Civilians	1	1	1	1	1	2	2	2	3	1
Transportation:										
Traffic operations	7	7	6	6				4	4	5
Engineering	5	4	3	4	5	10	11	8	10	12
Streets and Maintenance	24	27	18	17	23	26	35	35	38	38
Environmental protection:										
Solid waste management	10	10	9	5	3	4	5	6	6	4
Cemetery	6	4	4	4	4	4	1	1	1	1
Culture and recreation	29	26	24	27	23	28	17	9	11	10
Community and economic development:										
Community planning services	8	5	4	4	3	3	4	5	3	4
Downtown development								2	3	2
Developmental services	2	5	5	5	4	4	4	3	3	3
Code Enforcement	3	3	3	3	2	3	2	3	3	3
Water and Sewer	90	89	83	84	83	82	85	85	79	81
Broadband Services	13	18	9	9	2	18	19	14		
Stormwater Services			9	8	8	7	7	11	14	10
Mass Transit	8	11	10	9	10	9	11	11	11	11
	453	454	428	430	412	416	414	417	420	410

Source: City Human Resources Department.

Schedule 18

CITY OF SALISBURY
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

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

Sources: Various government departments.

Schedule 18

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

Function	Fiscal Year 2016	2017	2018	2019	2020
Police					
Calls resulting in a dispatch	41,606	37,459	35,236	30,202	34,991
Part I crimes reported (most serious)	1,793	1,948	1,862	1,731	1,487
Fire					
Total Fire Department responses	5,719	5,994	6,102	6,229	6,077
Value of fire loss	$ 1,557,398	$ 1,438,775	$ 190,080	$ 849,423	$ 765,077
Streets					
Street miles maintained (lane miles)	346	346	347	347	345
Miles resurfaced (lanes miles)	6.7	6.8	6.9	6.8	7.0
Sanitation					
Refuse collected (tons per 1,000 population)	253	269	262	274	294
Recyclables collected (tons per 1,000 population)	45	46	54	54	54
Water					
Utility customers (unique)	18,620	17,867	17,900	18,132	20,800
New water connections	25	23	140	250	432
Average daily water consumpion (millions of gallons per day)	9.3	9.6	9.4	9.2	9.0
Wastewater					
Average daily sewage treatment (millions of gallons per day)	8.7	8.3	8.2	10.8	7.8

Sources: Various government departments.

Schedule 19

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

	Fiscal Year				
	2011	**2012**	**2013**	**2014**	**2015**
Function					
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	88	88	88	85	91
Fire:					
Fire stations	4	4	4	4	5
Fire apparatus	14	14	14	14	14
Highways and streets					
Streets (miles)	170.50	170.50	170.50	171.65	171.65
Culture and recreation					
Parks acreage	520	520	520	520	520
Parks	16	16	16	16	16
Recreation centers	4	4	4	4	4
Tennis courts	10	10	10	10	10
Water and Sewer Utility					
Utility accounts	18,000	18,900	19,000	19,500	19,522
Miles of water lines	405	405	405	405	420
Miles of sewer lines	393	393	393	393	398
Water treatment capacity (millions of gallons per day)	24.0	24.0	24.0	24.0	25.0
Sewage treatment capacity (millions of gallons per day)	12.5	12.5	12.5	12.5	12.5

Sources: Various city departments.

Schedule 19

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Function					
Public safety					
Police:					
Stations	1	1	1	1	1
Patrol units	90	90	94	94	88
Fire:					
Fire stations	5	5	5	5	5
Fire apparatus	14	14	16	16	16
Highways and streets					
Streets (miles)	172.62	172.62	172.62	173.25	172.48
Culture and recreation					
Parks acreage	508	508	518	518	518
Parks	16	17	17	17	17
Recreation centers	4	4	4	4	4
Tennis courts	10	10	10	10	6
Water and Sewer Utility					
Utility accounts	19,522	19,522	19,522	19,599	20,713
Miles of water lines	421	421	449	449	450
Miles of sewer lines	399	399	418	419	420
Water treatment capacity (millions of gallons per day)	25.0	25.0	25.0	25.0	25.0
Sewage treatment capacity (millions of gallons per day)	12.5	12.5	12.5	12.5	12.5

Sources: Various city departments.

CITY OF SALISBURY N.C.
EST. 1753

Compliance Section

CITY OF SALISBURY N.C.
SALISBURY
EST. - 1753

elliott davis

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Salisbury, North Carolina (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 20, 2020. Our report includes a reference to other auditors who audited the financial statements of Downtown Salisbury, Inc., as described in our report on the City's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Downtown Salisbury, Inc. were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies in internal control may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

City's Response to Findings

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

Purpose of This Report

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

Elliott Davis, PLLC

Raleigh, North Carolina
November 20, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Salisbury, North Carolina's (the "City") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina,* issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Elliott Davis, PLLC

Raleigh, North Carolina
November 20, 2020

elliott davis

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

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

Report on Compliance for Each Major State Program

We have audited the City of Salisbury, North Carolina's (the "City") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina,* issued by the Local Government Commission, that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2020. The City's major state programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Elliott Davis, PLLC

Raleigh, North Carolina
November 20, 2020

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors' Number	Federal Direct & Pass-through Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS:					
CASH PROGRAMS					
FEDERAL EMERGENCY MANAGEMENT AGENCY					
Direct Programs:					
Department of Homeland Security					
Assistance to Firefighters Grant	97.044	EMW-2017-FP-00778	$ 20,031	$ -	$ -
Staffing for Adequate Fire and Emergency Response Grant	97.083	EMW-2017-FH-00535	313,893	-	123,215
Pass-through N.C. Department of Public Safety					
Hurricane Florence	97.036	4393-DR-NC	60,071	20,023	-
Total Federal Emergency Management Agency			$ 393,995	$ 20,023	$ 123,215
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Program:					
Community Development Block Grant-Entitlement Grants Cluster					
Entitlement Program	14.218	B-16-MC-37-0015	$ 201	$ -	$ -
Entitlement Program	14.218	B-17-MC-37-0015	56,821	-	-
Entitlement Program	14.218	B-18-MC-37-0015	53,708	-	-
Entitlement Program	14.218	B-19-MC-37-0015	77,420	-	-
Total CDBG Entitlement Grants Cluster			$ 188,150	$ -	$ -
Pass-through N.C. Department of Housing					
Home Investment Partnership Program	14.239	R-90-SG-37-0117	$ 148,792	$ -	$ -
Total U.S. Department of Housing And Urban Development			$ 336,942	$ -	$ -
U.S. DEPARTMENT OF JUSTICE					
Office of Justice Programs:					
Bureau of Justice Assistance					
Direct Program:					
Justice Assistance Grant	16.592	2016-DJ-BX-1055	$ 22,848	$ -	$ -
Justice Assistance Grant	16.592	2017-DJ-BX-0814	38,203		
Justice Assistance Grant	16.738	2019-DG-BX-0018	14,885	-	-
			$ 75,936	$ -	$ -
U.S. DEPARTMENT OF TRANSPORTATION					
Federal Transit Cluster					
Formula Grants for Urban Areas					
Operating	20.507	NC2020002	$ 157,819	$ -	$ -
Capital	20.507	NC2018036	186,925	-	-
Capital	20.507	NC2019010	54,995	-	-
Capital	20.507	NC2020002	57,969	-	-
Coronavirus Aid, Relief, and Economic Security (CARES) Act 5307 Funds	20.507	NC2020013	409,881	-	-
Total Federal Transit Cluster			$ 867,589	$ -	$ -

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2020
(Continued)

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors' Number	Federal Direct & Pass-through Expenditures	State Expenditures	Local Expenditures
FEDERAL GRANTS:					
CASH PROGRAMS (continued)					
Highway Planning and Construction Cluster					
Pass-through N.C. Department of Transportation					
CMAQ - Newsome Road Widening	20.205	C-5160	$ 1,343,774	$ -	$ 335,944
CMAQ - Old Concord Sidewalk	20.205	C-5603-D	13,356	-	3,339
CMAQ - Brenner Avenue Sidewalk	20.205	C-5603 - H	66,790		16,697
CMAQ - West End Plaza Sidewalk	20.205	C-4908 G	310,880	-	559,695
Total Highway Planning and Construction Cluster			$ 1,734,800	$ -	$ 915,675
U.S. TREASURY DEPARTMENT					
Pass-through N.C. Office of State Management and Budget					
Coronavirus Aid, Relief, and Economic Security Act grant	21.019	N/A	$ 499,868	$ -	$ -
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Brownfields Assessment and Cooperative Agreement	66.818	BF - 00D72618	$ 89,326	$ -	$ -
TOTAL ASSISTANCE - FEDERAL PROGRAMS			$ 3,998,456	$ 20,023	$ 1,038,890
STATE GRANTS:					
CASH PROGRAMS					
N.C. DEPARTMENT OF TRANSPORTATION					
Powell Bill	N/A		$ -	$ 946,398	$ -
State Maintenance Assistance for Transit Systems	N/A	17-CTP-003	$ -	$ 195,142	$ -
Newsome Road Extension	N/A	U-5820B	$ -	$ 794,157	$ 94,684
Total N. C. Department of Transportation			$ -	$ 1,935,697	$ 94,684
TOTAL ASSISTANCE - STATE PROGRAMS			$ -	$ 1,935,697	$ 94,684
TOTAL ASSISTANCE			$ 3,998,456	$ 1,955,720	$ 1,133,574

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Salisbury under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020 The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City of Salisbury, it is not intended to and does not present the financial positon, changes in net position, or cash flows of the City of Salisbury.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited, as to reimbursements. Pass-through entity identifying numbers are presented when available.

Note 3: Indirect Cost Rate

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes _X_ No

Significant deficiency(ies) identified? __X__ Yes ___ None reported

Noncompliance material to the financial statements noted? __X__ Yes ___ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes _X_ No

Significant deficiency(ies) identified? _____ Yes _X_ None reported

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

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

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
20.507	Federal Transit Cluster
20.205	Highway Planning and Construction Cluster

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

Auditee qualified as low-risk auditee? Yes

State Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes _X_ No

Significant deficiency(ies) identified? _____ Yes _X_ None reported

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

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

Identification of major state programs:

Powell Bill
Newsome Road Extension

II. FINANCIAL STATEMENT FINDINGS

Finding 2020-001, Broadband Services Fund Deficit Net Position (repeated and updated finding from prior year 2019-001)

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

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

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

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

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

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

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

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

CORRECTIVE ACTION PLAN

2020-001 – Broadband Services Fund Deficit Net Position (repeated and updated finding from prior year 2018-001)

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

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2019

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

Finding 2019-001 – Repeated as 2019-001 for the Broadband Services Fund.

CITY OF SALISBURY N.C.
SALISBURY
EST. - 1753