

**CITY OF SALISBURY, MARYLAND**

**AUDIT REPORT**

**JUNE 30, 2009**

CITY OF SALISBURY

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CITY OF SALISBURY

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CITY OF SALISBURY, MARYLAND

ORGANIZATION

SERVING AS OF JUNE 30, 2009

OFFICIALS - ELECTED

Mayor	James Ireton, Jr.
President of Council	Louise Smith
Vice President of Council	Gary A. Comegys
Council Members	Deborah S. Campbell Eugenie P. Shields Terry E. Cohen

OFFICIALS - STAFF

City Administrator	John R. Pick
City Clerk	Brenda Colegrove
Director of Internal Services	Pamela B. Oland
City Solicitor	Paul Wilber, Esquire
Acting Director of Public Works	Newell Messick, III
Director of Department of Building, Permits and Inspections	William Holland
Director of Neighborhood Services and Code Compliance	M. Thomas Stevenson, Jr.
Chief of Police	Allan Webster
Acting Chief of Fire Department	Richard A. Hoppes

Incorporated	1854
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INDEPENDENT AUDITORS' REPORT

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Wilmington, Delaware 19810  
302.478.8940

FAX: 302.477.1607  
www.btcpa.com

December 7, 2009

Members of City Council  
City of Salisbury  
Salisbury, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Salisbury, Maryland, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Salisbury, Maryland, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

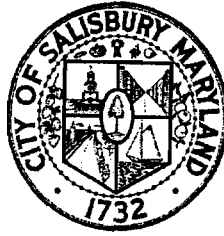
In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009 on our consideration of the City of Salisbury's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements 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* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

Members of City Council  
City of Salisbury

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Salisbury, Maryland's basic financial statements. The other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information, except for the statistical information, listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Barbacane, Thornton & Company*  
BARBACANE, THORNTON & COMPANY



**City of Salisbury, Maryland**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

This section of the annual financial report of the City of Salisbury (the "City") presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2009. We encourage readers to consider the discussion and analysis along with the other information in this report, including the notes to the financial statement. In this section, we have provided an overview of the basic financial statements, selected condensed financial data and highlights, and analysis of the City's financial position and changes in financial position.

**FINANCIAL HIGHLIGHTS**

- The City's total combined net assets were \$95,251,400. Net assets of our governmental activities increased by \$2,254,375 (or 6.8%) while net assets of our business-type activities increased by \$491,183 (or 0.8%).
- The General Fund reported revenues in excess of expenditures by \$2,260,108, bringing its fund balance this year to \$11,340,615.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements* and the *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *entity-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the entity-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Figure A-1, Required Components of the City's Annual Financial Report**

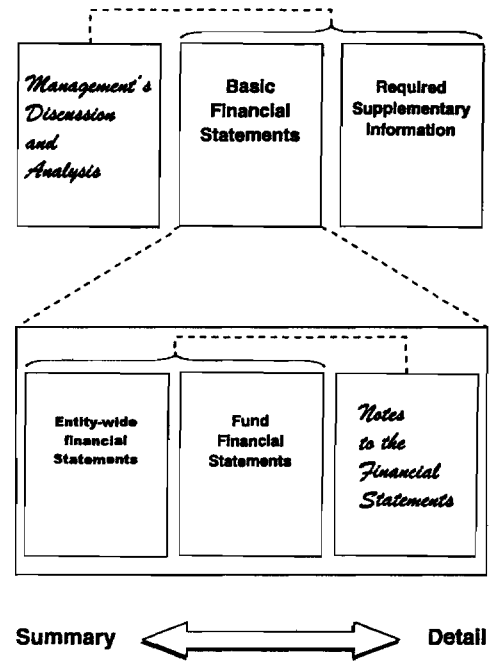


Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Entity-wide and Fund Financial Statements

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Entity-wide Statements**

The entity-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Type of Statements	Fund Statements			
	Entity-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operate similar to private businesses: self insurance	Instances in which the City is the trustee or agent for someone else's resources
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The two entity-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The entity-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, culture and recreation, and interest on long-term debt. Property taxes and charges for service most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

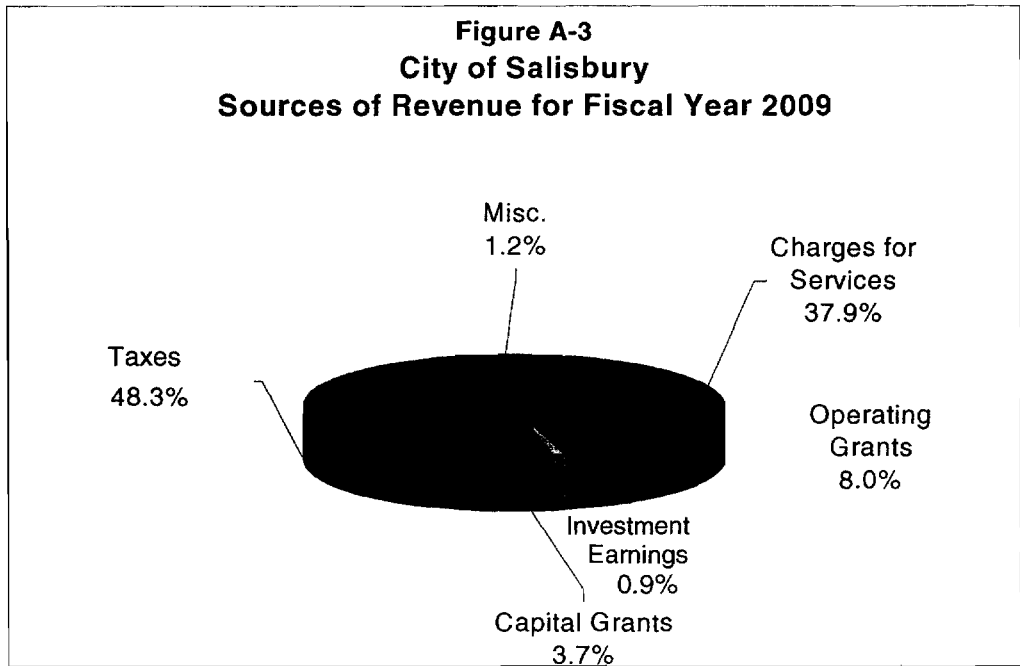
The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the entity-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.



Net assets of the City's governmental activities increased by 6.8 percent to \$35.6 million due to the addition of capital assets funded in part by cash and investments, offset by increases in noncurrent liabilities. Net assets of the City's business-type activities increased by 0.8 percent to \$59.6 million due to capital asset additions also funded in part by cash and investments.

The City's total revenues were \$46.6 million. A significant portion, 48.3 percent, of the City's revenue comes from taxes. (See Figure A-3.) 37.9 percent comes from charges for services and 8.0 percent comes from operating grants. The total cost of all programs and services was \$43.9 million.



**Table A-2  
SOURCES OF REVENUES  
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
<b>Program revenues:</b>						
Charges for services	\$ 6,070	\$ 7,055	\$ 11,652	\$ 10,947	\$ 17,722	\$ 18,002
Operating grants	3,742	3,691	-	-	3,742	3,691
Capital grants	1,172	430	540	4,224	1,712	4,654
<b>General revenues:</b>						
Taxes	22,455	21,680	-	-	22,455	21,680
Investment earnings	285	617	158	448	443	1,065
Miscellaneous	(319)	451	865	59	546	510
<b>TOTAL REVENUES</b>	<b>\$ 33,405</b>	<b>\$ 33,924</b>	<b>\$ 13,215</b>	<b>\$ 15,678</b>	<b>\$ 46,620</b>	<b>\$ 49,602</b>

Table A-3 presents the cost of each of the City's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

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

As the City completed the year, its governmental funds reported a combined fund balance of \$18.4 million, or \$1.2 million lower than the previous year. At year end, the general fund had a fund balance of \$11.3 million, \$2.3 million higher than the previous year. This has been generated by the increase in property tax revenues, primarily generated by the increased real property assessable tax base, along with the general fund expenditures being less than budgeted. The capital improvements fund balance decreased by \$3.4 million to \$3.8 million. This is due primarily to projects and capital equipment purchases from prior year debt proceeds. The fund balance for other governmental funds remained constant. Revenue collections offset expenditures for the year.

**General Fund Budgetary Highlights**

Over the course of the year, the City revised its budget several times. The final expenditure budget for the general fund was \$35.7 million versus an original budget of \$31.2 million. The majority of the variance is due to encumbrances carried forward from FY 2008. Actual expenditures were \$4.5 million below final budget amounts. Most departments were under budget during the year. The only department with a negative variance was the municipal zoo. This was caused by the City's component unit, the Salisbury Zoo Commission, using prior year's surplus to pay for current year expenditures that were in excess of budgeted amounts and revenues collected. A large portion of the surplus generated in FY 2009 (\$1.7 million) was due to lease proceeds received during the year and the expenditures of those proceeds not occurring until FY 2010.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2009, the City had invested \$198.2 million in a broad range of capital assets, including land, equipment, buildings and vehicles. (See Table A -4).

**Table A-4**  
CITY'S CAPITAL ASSETS  
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2009	2008	2009	2008	2009	2008	
Land and art	\$ 8,198	\$ 8,188	\$ 1,579	\$ 1,579	\$ 9,777	\$ 9,767	0%
Buildings and improvements	23,807	23,510	18,209	18,205	42,017	41,715	1%
Improvements, non-buildings	6,828	6,738	25,784	25,519	32,611	32,257	1%
Machinery and equipment	16,895	14,136	12,287	11,768	29,182	25,904	13%
Zoo animals	36	-	-	-	36	-	100%
Construction-in-progress	4,759	1,617	79,789	73,635	84,548	75,252	12%
Totals at historical cost	60,523	54,189	137,648	130,706	198,171	184,895	7%
Total accumulated depreciation	19,730	18,302	36,853	35,260	56,583	53,562	6%
Net capital assets	<u>\$ 40,793</u>	<u>\$ 35,887</u>	<u>\$ 100,795</u>	<u>\$ 95,446</u>	<u>\$ 141,588</u>	<u>\$ 131,333</u>	8%

This year's major addition was the purchase of several new firefighting vehicles. The remainder of the increase is the upgrades to the wastewater treatment plant which is still under construction at year end, as well as a storm drain upgrade and a shoreline stabilization project which were still under construction at year end.

The City's fiscal year 2010 capital budget consists primarily of the ongoing upgrade of the wastewater treatment plant. More detailed information about the City's capital assets is presented in the notes to the financial statements.

**Long-term Debt**

At year end, the City had \$ 72.4 million in bonds, notes and capital leases outstanding — roughly the same amount as the prior year. The City did not issue any general obligation bonds in FY 2009. Additional funds were drawn on the \$42.0 million obligation with the Maryland Department of the Environment for the wastewater treatment plant upgrade and expansion. The table below only reflects the amount drawn on the obligation. This is offset by the first year's principal payment. As the

upgrade and expansion continue, the remainder of the obligation will be drawn. The City used lease financing to purchase numerous vehicles in FY 2009. This accounts for the significant growth in leases payable. The City is limited to a maximum general obligation bond limit of \$109 million. The City has recently issued its debt through private placement or use of loan programs with the State of Maryland, thus we do not go to the credit rating agencies. More detailed information about the City's long-term liabilities is presented in Note 6 to the financial statements.

**Table A-5**  
CITY'S LONG-TERM DEBT  
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2009	2008	2009	2008	2009	2008	
Leases payable	\$ 8,131	\$ 5,777	\$ 319	\$ 34	\$ 8,450	\$ 5,811	45%
Bonds payable	15,323	16,710	47,120	48,273	62,443	64,983	-4%
Mortgages and notes payable	91	120	1,382	1,382	1,473	1,502	-2%
<b>Total bonds and notes payable</b>	<b>\$ 23,545</b>	<b>\$ 22,607</b>	<b>\$ 48,821</b>	<b>\$ 49,689</b>	<b>\$ 72,366</b>	<b>\$ 72,296</b>	<b>0%</b>

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

- Construction activity in the City has continued to slow, corresponding to the nationwide slump in the housing market. There is still some continuing construction activity in the City, with a mixture of residential and commercial.
- Currently, both the local hospital and university are still undergoing expansions. These expansions do not directly affect the assessable base, but both institutions generate related growth, much of which will be taxable.
- The local (Wicomico County) unemployment rate as of September 2009 was 7.7 percent, up from 2.6 percent a year ago. The State of Maryland has a 7.1 percent rate, and the nation as a whole has a 9.8 percent unemployment rate.

The City's general operating fund spending will decrease in the 2010 budget. Budgeted 2010 expenditures are \$31,982,000 compared to the final adjusted 2009 budget of \$35,661,365. The City did not raise taxes for fiscal 2010. The future revenue outlook is uncertain with the nationwide housing slump and the continued slowing in the general economic activity. Additionally, the City has limited methods for generating revenue and the City is approaching its tax rate limit. The City also must be prepared for revenue reductions from State of Maryland revenue sources. As a result, the City will need to continue to limit the growth of expenses in order to stay within projected revenues and other operating resources.

As for the City's business-type activities, the water and sewer fund budget will remain consistent in the FY 2010 budget. Budgeted 2010 expenditures are \$17,765,000 compared to the final adjusted 2009 budget of \$17,896,000. Water and sewer rates were increased for FY 2010 (13 percent and 15 percent, respectively). The City is continuing to upgrade the wastewater treatment plant, which will eventually cost around \$77 million. During fiscal year 2006, the City borrowed \$42 million related to this upgrade. The interest rate on this debt is 0.4 percent. (See Note 6 for further discussion.)

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Director of Internal Services in the Finance Division, 125 North Division Street, Room 103, Salisbury, MD 21801 or visit the City's website at [www.ci.salisbury.md.us](http://www.ci.salisbury.md.us).

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 13,480,686	\$ 3,213,043	\$ 16,693,729
Savings and deposits	227,106	12,867	239,973
Accounts receivable, net	2,340,826	1,743,095	4,083,921
Due from other governmental units	304,914	392,106	697,020
Internal balances	(802,064)	802,064	-
Prepaid expenses	-	13,636	13,636
Inventories	518,157	646,182	1,164,339
<b>Total Current Assets</b>	<u>16,069,625</u>	<u>6,822,993</u>	<u>22,892,618</u>
Noncurrent assets:			
Restricted cash and investment pool	6,615,958	2,058,069	8,674,027
Bond issuance costs, net of amortization	144,370	47,580	191,950
Capital assets at cost	55,763,593	57,859,281	113,622,874
Construction-in-progress	4,759,298	79,788,617	84,547,915
Less accumulated depreciation	(19,729,576)	(36,852,721)	(56,582,297)
<b>Total Noncurrent Assets</b>	<u>47,553,643</u>	<u>102,900,826</u>	<u>150,454,469</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 63,623,268</u></u>	<u><u>\$ 109,723,819</u></u>	<u><u>\$ 173,347,087</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,735,572	\$ 839,643	\$ 2,575,215
Due to other governmental units	3,150	5,850	9,000
Deposits and advance payments of taxes	633,253	24,892	658,145
Compensated absences	129,318	21,718	151,036
Bonds, notes, and capital leases payable	2,397,663	2,974,909	5,372,572
<b>Total Current Liabilities</b>	<u>4,898,956</u>	<u>3,867,012</u>	<u>8,765,968</u>
Noncurrent liabilities:			
Compensated absences	1,163,862	195,454	1,359,316
Post-employment benefits	790,854	185,509	976,363
Bonds, notes and capital leases payable	21,147,648	45,846,392	66,994,040
<b>Total Noncurrent Liabilities</b>	<u>23,102,364</u>	<u>46,227,355</u>	<u>69,329,719</u>
<b>Total Liabilities</b>	<u>28,001,320</u>	<u>50,094,367</u>	<u>78,095,687</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	19,020,997	53,871,917	72,892,914
Restricted for:			
Capital projects	3,815,791	160,052	3,975,843
Special revenue	3,291,836	-	3,291,836
Unrestricted	9,493,324	5,597,483	15,090,807
<b>Total Net Assets</b>	<u>35,621,948</u>	<u>59,629,452</u>	<u>95,251,400</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 63,623,268</u></u>	<u><u>\$ 109,723,819</u></u>	<u><u>\$ 173,347,087</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SALISBURY, MARYLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 3,523,879	\$ 2,390,098	\$ 586,486	\$ -	\$ (547,295)	\$ -	\$ (547,295)
Public safety	18,352,155	2,007,777	2,961,591	19,705	(13,363,082)	-	(13,363,082)
Public works	5,923,578	1,348,100	58,975	954,399	(3,562,104)	-	(3,562,104)
Recreation and culture	1,990,225	324,317	134,973	197,501	(1,333,434)	-	(1,333,434)
Nondepartmental	434,388	-	-	-	(434,388)	-	(434,388)
Interest on long-term debt	926,200	-	-	-	(926,200)	-	(926,200)
Total Governmental Activities	<u>31,150,425</u>	<u>6,070,292</u>	<u>3,742,025</u>	<u>1,171,605</u>	<u>(20,166,503)</u>	<u>-</u>	<u>(20,166,503)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water and sewer	12,336,977	11,476,813	-	539,799	-	(320,365)	(320,365)
Other	386,399	174,853	-	-	-	(211,546)	(211,546)
Total Business-type Activities	<u>12,723,376</u>	<u>11,651,666</u>	<u>-</u>	<u>539,799</u>	<u>-</u>	<u>(531,911)</u>	<u>(531,911)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 43,873,801</u>	<u>\$ 17,721,958</u>	<u>\$ 3,742,025</u>	<u>\$ 1,711,404</u>	<u>(20,166,503)</u>	<u>(531,911)</u>	<u>(20,698,414)</u>
<b>GENERAL REVENUES</b>							
Taxes							
Real and personal property taxes, levied for general purposes					14,753,825	-	14,753,825
Ordinary business corporations and utilities					5,375,479	-	5,375,479
State shared income tax					1,673,627	-	1,673,627
Other taxes					652,178	-	652,178
Unrestricted investment earnings					284,998	158,055	443,053
Operating transfers					(865,039)	865,039	-
Miscellaneous					545,810	-	545,810
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<u>22,420,878</u>	<u>1,023,094</u>	<u>23,443,972</u>
<b>CHANGE IN NET ASSETS</b>					2,254,375	491,183	2,745,558
<b>NET ASSETS, BEGINNING OF YEAR, RESTATED</b>					<u>33,367,573</u>	<u>59,138,269</u>	<u>92,505,842</u>
<b>NET ASSETS, END OF YEAR</b>					<u>\$ 35,621,948</u>	<u>\$ 59,629,452</u>	<u>\$ 95,251,400</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SALISBURY, MARYLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
<b>ASSETS</b>				
Cash	\$ 11,757,559	\$ 1,888,783	\$ 3,520,490	\$ 17,166,832
Investment pool	174,923	3,659,657	892,595	4,727,175
Savings and deposits	227,106	-	-	227,106
Taxes receivable	1,184,978	-	-	1,184,978
Less allowance for uncollectibles	(534,624)	-	-	(534,624)
Due from other governmental units	304,914	-	-	304,914
Sundry accounts receivable	2,859,701	-	323,690	3,183,391
Less allowance for uncollectibles	(1,492,919)	-	-	(1,492,919)
Inventory	518,157	-	-	518,157
<b>TOTAL ASSETS</b>	<b><u>\$ 14,999,795</u></b>	<b><u>\$ 5,548,440</u></b>	<b><u>\$ 4,736,775</u></b>	<b><u>\$ 25,285,010</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 1,118,230	\$ 1,732,649	\$ 642,875	\$ 3,493,754
Due to other funds	-	-	802,064	802,064
Due to other governmental units	3,150	-	-	3,150
Deposits and advance payment of taxes	633,253	-	-	633,253
Deferred revenue	1,904,547	-	-	1,904,547
<b>Total Liabilities</b>	<b><u>3,659,180</u></b>	<b><u>1,732,649</u></b>	<b><u>1,444,939</u></b>	<b><u>6,836,768</u></b>
<b>Fund Balances:</b>				
Reserved for inventory and prepaids	518,157	-	-	518,157
Reserved for encumbrances	1,738,317	3,224,637	290,115	5,253,069
Reserved for specific purposes	2,092,170	591,154	-	2,683,324
Operating reserve	400,000	-	-	400,000
Unreserved				
Undesignated - special revenue funds	-	-	3,001,721	3,001,721
Designated for subsequent year expenditures	1,622,353	-	-	1,622,353
Undesignated	4,969,618	-	-	4,969,618
<b>Total Fund Balances</b>	<b><u>11,340,615</u></b>	<b><u>3,815,791</u></b>	<b><u>3,291,836</u></b>	<b><u>18,448,242</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 14,999,795</u></b>	<b><u>\$ 5,548,440</u></b>	<b><u>\$ 4,736,775</u></b>	<b><u>\$ 25,285,010</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF SALISBURY, MARYLAND  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS  
JUNE 30, 2009**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 18,448,242

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net assets. 40,793,315

Refunded and new debt and issuance costs resulted in deferred charges and credits which will be amortized over the life of new debt but do not represent current rights. 144,370

Certain revenues that do not provide current financial resources are reported as deferred income in the fund financial statements, but are reported as revenue in the governmental activities of the statement of net assets. 1,904,547

Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities statement of net assets. Those liabilities consist of:

Bonds, notes and capital leases payable	\$ (23,545,311)	
Compensated absences	(1,163,862)	
Post-employment benefits	(790,854)	
Accrued interest on bonds	(168,499)	
	(25,668,526)	(25,668,526)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 35,621,948

The accompanying notes are an integral part of these financial statements.

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
<b>REVENUES</b>				
Taxes	\$22,340,692	\$ -	\$ -	\$22,340,692
Other revenue	2,779,722	-	-	2,779,722
Intergovernmental revenues	2,608,989	1,161,593	1,127,979	4,898,561
Charges for services	2,511,267	-	1,297,332	3,808,599
Miscellaneous	-	65,239	82,449	147,688
<b>TOTAL REVENUES</b>	<u>30,240,670</u>	<u>1,226,832</u>	<u>2,507,760</u>	<u>33,975,262</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,443,406	-	473,045	2,916,451
Public safety	16,928,861	-	310,057	17,238,918
Public works	4,724,630	-	677,219	5,401,849
Recreation and culture	1,673,613	-	127,290	1,800,903
Nondepartmental	434,388	-	-	434,388
Capital outlays	1,689,742	4,675,242	169,140	6,534,124
Debt service:				
Principal	2,225,195	-	52,100	2,277,295
Interest	901,619	-	42,192	943,811
<b>TOTAL EXPENDITURES</b>	<u>31,021,454</u>	<u>4,675,242</u>	<u>1,851,043</u>	<u>37,547,739</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(780,784)</u>	<u>(3,448,410)</u>	<u>656,717</u>	<u>(3,572,477)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(174,654)	-	(690,385)	(865,039)
Debt proceeds	3,215,546	-	-	3,215,546
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,040,892</u>	<u>-</u>	<u>(690,385)</u>	<u>2,350,507</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,260,108	(3,448,410)	(33,668)	(1,221,970)
<b>FUND BALANCES, BEGINNING OF YEAR, RESTATED</b>	<u>9,080,507</u>	<u>7,264,201</u>	<u>3,325,504</u>	<u>19,670,212</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$11,340,615</u>	<u>\$3,815,791</u>	<u>\$3,291,836</u>	<u>\$18,448,242</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF SALISBURY, MARYLAND  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,221,970)

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

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. In the current period, these amounts are:

Capital outlays	\$ 6,534,124	
Depreciation expense	<u>(1,627,532)</u>	4,906,592

Bond and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, bonds and capital leases of this amount were issued. (3,215,546)

Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 294,575

Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. 2,277,295

Some items 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. These activities consist of:

Increase in compensated absences	(2,609)	
Increase in post-employment benefits	(790,854)	
Increase in bond issuance costs	(10,719)	
Decrease in accrued interest payable	<u>17,611</u>	<u>(786,571)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,254,375

The accompanying notes are an integral part of these financial statements.

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash	\$ 1,247,370	\$ 7,216	\$ -	\$ 1,254,586
Investment pool	12,481,332	-	2,178	12,483,510
Savings and deposits	-	12,867	-	12,867
Accounts receivable	1,736,736	1,123	5,236	1,743,095
Due from other governmental units	302,534	-	89,572	392,106
Due from other funds	802,064	-	-	802,064
Prepaid expenses	12,436	1,200	-	13,636
Inventories	646,182	-	-	646,182
Total Current Assets	<u>17,228,654</u>	<u>22,406</u>	<u>96,986</u>	<u>17,348,046</u>
<b>Noncurrent assets:</b>				
Restricted cash	-	160,052	-	160,052
Restricted investment pool	1,898,017	-	-	1,898,017
Bond issuance cost, net of amortization	47,580	-	-	47,580
<b>Capital assets:</b>				
Construction-in-progress	79,788,617	-	-	79,788,617
Land, buildings, equipment and improvements	53,189,006	1,561,729	3,108,546	57,859,281
Less accumulated depreciation	<u>(34,845,156)</u>	<u>(593,562)</u>	<u>(1,414,003)</u>	<u>(36,852,721)</u>
Total Noncurrent Assets	<u>100,078,064</u>	<u>1,128,219</u>	<u>1,694,543</u>	<u>102,900,826</u>
<b>TOTAL ASSETS</b>	<u><b>\$117,306,718</b></u>	<u><b>\$1,150,625</b></u>	<u><b>\$1,791,529</b></u>	<u><b>\$120,248,872</b></u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
<b>Due in one year:</b>				
Accounts payable	\$ 11,069,938	\$ 10,912	\$ 165,718	\$ 11,246,568
Accrued payroll	117,408	720	-	118,128
Due to other governmental units	-	-	5,850	5,850
Provision for compensated absences	21,718	-	-	21,718
Bonds, notes and capital leases payable	2,974,909	-	-	2,974,909
Deposits	12,302	12,590	-	24,892
Total Current Liabilities	<u>14,196,275</u>	<u>24,222</u>	<u>171,568</u>	<u>14,392,065</u>
<b>Due in more than one year:</b>				
Bonds, notes and capital leases payable	44,464,585	1,381,807	-	45,846,392
Post-employment benefits	185,509	-	-	185,509
Provision for compensated absences	195,454	-	-	195,454
Total Noncurrent Liabilities	<u>44,845,548</u>	<u>1,381,807</u>	<u>-</u>	<u>46,227,355</u>
Total Liabilities	<u>59,041,823</u>	<u>1,406,029</u>	<u>171,568</u>	<u>60,619,420</u>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	52,591,014	(413,640)	1,694,543	53,871,917
Restricted	-	160,052	-	160,052
Unrestricted (Deficit)	5,673,881	(1,816)	(74,582)	5,597,483
Total Net Assets (Deficit)	<u>58,264,895</u>	<u>(255,404)</u>	<u>1,619,961</u>	<u>59,629,452</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$117,306,718</b></u>	<u><b>\$1,150,625</b></u>	<u><b>\$1,791,529</b></u>	<u><b>\$120,248,872</b></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
<b>OPERATING REVENUES</b>				
Charges for services	\$11,008,796	\$ 148,031	\$ 26,822	\$11,183,649
Penalties	62,525	-	-	62,525
Tapping charges and connection fees	44,418	-	-	44,418
Sundry income	181,956	-	-	181,956
Pretreatment monitoring fee	179,118	-	-	179,118
<b>TOTAL OPERATING REVENUES</b>	<u>11,476,813</u>	<u>148,031</u>	<u>26,822</u>	<u>11,651,666</u>
<b>OPERATING EXPENSES</b>				
Salaries	3,650,089	-	3,977	3,654,066
Personnel benefits	1,742,314	16,103	308	1,758,725
Professional and skilled services	1,558,450	47,226	43,867	1,649,543
Supplies	1,228,619	47,669	12,991	1,289,279
Other operating expenses	1,891,348	41,297	11,915	1,944,560
Equipment	89,809	-	-	89,809
Bad debt expense	-	3,990	16,739	20,729
<b>TOTAL OPERATING EXPENSES</b>	<u>10,160,629</u>	<u>156,285</u>	<u>89,797</u>	<u>10,406,711</u>
Operating income (loss) before depreciation	1,316,184	(8,254)	(62,975)	1,244,955
Depreciation	<u>1,553,952</u>	<u>34,888</u>	<u>105,429</u>	<u>1,694,269</u>
<b>NET OPERATING LOSS</b>	<u>(237,768)</u>	<u>(43,142)</u>	<u>(168,404)</u>	<u>(449,314)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	539,799	-	-	539,799
Operating transfers in	802,064	-	62,975	865,039
Interest income	156,693	1,362	-	158,055
Interest expense	(622,396)	-	-	(622,396)
<b>TOTAL NONOPERATING REVENUES</b>	<u>876,160</u>	<u>1,362</u>	<u>62,975</u>	<u>940,497</u>
<b>CHANGE IN NET ASSETS</b>	638,392	(41,780)	(105,429)	491,183
<b>TOTAL NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>57,626,503</u>	<u>(213,624)</u>	<u>1,725,390</u>	<u>59,138,269</u>
<b>TOTAL NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$58,264,895</u>	<u>\$ (255,404)</u>	<u>\$ 1,619,961</u>	<u>\$59,629,452</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Enterprise Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$10,730,653	\$ 149,957	\$ 38,325	\$10,918,935
Payments to suppliers	1,083,493	(161,163)	(97,015)	825,315
Payments to employees	(5,206,894)	(16,103)	(4,285)	(5,227,282)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>6,607,252</u></b>	<b><u>(27,309)</u></b>	<b><u>(62,975)</u></b>	<b><u>6,516,968</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Federal and state grants received	539,799	-	-	539,799
Internal activity - receipts from other funds	802,064	-	62,975	865,039
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b><u>1,341,863</u></b>	<b><u>-</u></b>	<b><u>62,975</u></b>	<b><u>1,404,838</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from bonds and notes	1,861,968	-	-	1,861,968
Principal paid on bonds, notes and capital leases	(3,105,185)	-	-	(3,105,185)
Interest paid on bonds, notes and mortgages	(615,708)	-	-	(615,708)
Payments for capital acquisitions	(6,665,684)	(4,425)	-	(6,670,109)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(8,524,609)</u></b>	<b><u>(4,425)</u></b>	<b><u>-</u></b>	<b><u>(8,529,034)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and dividends	156,693	1,362	-	158,055
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>156,693</u></b>	<b><u>1,362</u></b>	<b><u>-</u></b>	<b><u>158,055</u></b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(418,801)</b>	<b>(30,372)</b>	<b>-</b>	<b>(449,173)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>16,045,520</u></b>	<b><u>210,507</u></b>	<b><u>2,178</u></b>	<b><u>16,258,205</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 15,626,719</u></b>	<b><u>\$ 180,135</u></b>	<b><u>\$ 2,178</u></b>	<b><u>\$ 15,809,032</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating loss	\$ (237,768)	\$ (43,142)	\$(168,404)	\$ (449,314)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	1,553,952	34,888	105,429	1,694,269
Loss on disposal of fixed assets	2,498	-	-	2,498
Change in assets and liabilities:				
Receivables, net	(129,579)	741	11,503	(117,335)
Due from other governmental units	185,483	-	-	185,483
Due from other funds	(802,064)	-	-	(802,064)
Prepaid expenses	12,438	(800)	-	11,638
Inventories	(236,822)	-	11	(236,811)
Accounts payable and accrued expenses	6,073,605	(20,181)	(11,514)	6,041,910
Post-employment benefits	185,509	-	-	185,509
Deposits	-	1,185	-	1,185
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ 6,607,252</u></b>	<b><u>\$ (27,309)</u></b>	<b><u>\$ (62,975)</u></b>	<b><u>\$ 6,516,968</u></b>
<b>NONCASH FINANCING ACTIVITIES:</b>				
Capital assets purchased through capital leases	\$ 375,902	\$ -	\$ -	\$ 375,902

The accompanying notes are an integral part of these financial statements.

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**  
**JUNE 30, 2009**

	<u>Health Care Trust</u>	<u>Private- purpose Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and investment pool	\$ -	\$ 122,733	\$ 275,976
Investments	900,000	-	-
Accounts receivable	-	-	96,995
	<u>900,000</u>	<u>122,733</u>	<u>372,971</u>
<b>LIABILITIES</b>			
Accounts payable	-	42,156	-
Deposits	-	-	98,614
Due to other governmental units	-	-	256,354
	<u>-</u>	<u>42,156</u>	<u>354,968</u>
<b>NET ASSETS</b>			
Reserved for fund purposes	<u>\$ 900,000</u>	<u>\$ 80,577</u>	<u>\$ 18,003</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SALISBURY, MARYLAND  
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	Health Care Trust	Private- purpose Trust
<b>ADDITIONS</b>		
Contributions	\$ 900,000	\$ -
Interest	-	1,346
<b>TOTAL ADDITIONS</b>	<b>900,000</b>	<b>1,346</b>
<b>DEDUCTIONS</b>		
Operating expenses	-	23,605
<b>TOTAL DEDUCTIONS</b>	<b>-</b>	<b>23,605</b>
<b>CHANGE IN NET ASSETS</b>	<b>900,000</b>	<b>(22,259)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>-</b>	<b>102,836</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 900,000</b>	<b>\$ 80,577</b>

The accompanying notes are an integral part of these financial statements.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 1     DESCRIPTION OF THE CITY OF SALISBURY

The City of Salisbury, Maryland (the "City") was established in 1732. The City is governed by a Mayor and a board of five Council Members elected by the voters of the City.

NOTE 2     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to local government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial principles. The City has elected not to apply Financial Accounting Standards Board ("FASB") Statements and Interpretations issued after November 30, 1989, to its business-type activities. The most significant of the City's accounting policies are described below.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision of whether to include a potential component unit was made by applying the criteria set forth in the GASB standards related to component units. The basic - but not the only - criterion for including a potential component unit is the exercise of oversight responsibility by the City's elected officials. Based upon the application of these criteria, the accompanying statements include the financial transactions of the Salisbury Zoo Commission, Inc. (the "Zoo"). The operations of the Zoo are included in the general fund.

Basis of Presentation

The City's basic financial statements consist of entity-wide statements, including a statement of net assets and a statement of activities; and fund financial statements, which provide a more detailed level of financial information.

**ENTITY-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the City. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 2     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the City.

**FUND FINANCIAL STATEMENTS**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** - The general fund is the general operating fund of the City. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

***Capital Improvements Fund*** - The capital improvements fund is used to account for all financial transactions related to the acquisition or construction of major capital facilities for the governmental fund type activities.

**PROPRIETARY FUNDS**

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as enterprise funds.

***Enterprise Funds*** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City's major enterprise funds are:

- **Water and Sewer Fund** - The water and sewer fund is used to account for all financial transactions, including the acquisition or construction of major capital facilities, related to the operations of the City's water and sewer services.



CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- Mitchell Landing Fund – The Mitchell Landing fund is used to account for all financial transactions related to the operations of the Mitchell Landing Apartments, a low-income housing project which operates under the guidelines of the Maryland Department of Housing and Community Development.

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net assets and changes in net assets. The City's fiduciary funds include the volunteer firemen service award trust, health care trust, police-confiscated asset and bay restoration funds. These funds account for assets held by the City in a trustee capacity or as fiscal agent for individuals, private organizations, other governments and/or other funds.

Measurement Focus

***Entity-wide financial statements*** – The entity-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net assets.

***Fund financial statements*** – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the entity-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements for governmental funds.

Like the entity-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Entity-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 2     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**Revenues - Exchange and Nonexchange Transactions** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means received within 60 days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursable basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, interest and rent.

**Deferred revenue** – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements, receivables that were not collected within the available period have been reported as deferred revenue.

**Expenses/Expenditures** – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures generally are recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The City Council adopts an annual budget as set forth in the City Charter. The budget is prepared on the budgetary basis of accounting consistent with GAAP, except that depreciation is not considered. The Mayor may transfer the balance of unencumbered appropriations between general classifications of expenditures within an office, department or agency. At the Mayor's request, in the last three months of the budget year, the Council may, by resolution, transfer any unencumbered appropriation balance from one office, department or agency to another. All appropriations lapse at year end.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Excess of Expenditures Over Appropriations

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2009:

Municipal Zoo	\$ 38,292
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The excess of expenditures over appropriations was financed using Zoo Commission net assets.

Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Property Taxes

Property taxes attach as an enforceable lien as of July 1. Taxes are levied on July 1 and are recognized when levied. Taxes are due and payable on or before September 30 and all unpaid taxes become delinquent October 1. Wicomico County, Maryland bills and collects property taxes for the City. Real property taxes uncollected as of 60 days after fiscal year end are considered unavailable to pay liabilities that are owed at the balance sheet date and therefore are included in deferred revenue. An allowance is established for delinquent personal property taxes to the extent that their collectibility is improbable.

Inventories

Inventory is presented at the lower of cost or market on a first-in, first-out basis and is expensed when used.

Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the entity-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the entity-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not capitalized.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

All reported capital assets except land and construction-in-progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

	Useful Lives	
	Governmental Activities	Business-type Activities
Land improvements	10 - 40 years	10 - 40 years
Buildings and improvements	10 - 40 years	10 - 40 years
Improvements, nonbuildings	10 - 20 years	10 - 20 years
Machinery and equipment	5 - 15 years	5 - 15 years

Compensated Absences

The City accrues a liability for vested compensated absences including vacation, sick leave, compensatory time and holidays worked with various limitations on each type of compensated absence. All accrued compensated absences liabilities are recorded in the entity-wide financial statements.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the entity-wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund Balance Reserves and Deficit

The City reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Fund balance reserves have been established for inventory and prepaids, encumbrances and other specific fund purposes. Encumbrances represent commitments related to unperformed contracts for goods or services, which will be honored during the subsequent year.

The deficit in the Mitchell Landing Fund as of June 30, 2009 was \$255,404. This deficit is due to depreciation which cannot be recaptured through user charges.

The Grant Fund had a deficit fund balance of \$211,342 at June 30, 2009. The deficit is due to expenditures funded by the Grant Fund that are to be funded in the future by other revenue sources.

The Community Development Fund had a deficit fund balance of \$97,534 at June 30, 2009. The deficit is due to expenditures funded by the Community Development Fund that are to be funded in the future by other revenue sources.

The Septage Treatment Fund had a deficit fund balance of \$781 at June 30, 2009. The deficit is due to expenditures funded by the Septage Treatment Fund that are to be funded in the future by other revenue sources.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues not meeting these definitions are reported as nonoperating.

Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 CASH AND INVESTMENTS

The City maintains a cash account and an investment pool that is available for use by all funds. Each fund reports its portion of this account and pool. Additional cash and investment accounts are also separately held by several of the City's funds.

The City follows the State of Maryland laws related to types of deposits and investments, selection of depositories and collateral requirements.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**NOTE 3**     CASH AND INVESTMENTS (cont'd)

Cash and deposits

At June 30, 2009, the City had deposits of \$6,213,980 (carrying value \$6,990,863). As of June 30, 2009, all of the City's bank balances were adequately insured and collateralized as defined by GASB.

Investments

The City is a participant of the MLGIP, which provides all local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by PNC institutional investments. A MLGIP Advisory Committee comprised of current participants was formed to review, on a quarterly basis, the activities of the fund and to provide suggestions to enhance the pool.

As of June 30, 2009, the City's only investments consisted of MLGIP investments which, due to their nature, have no credit or custodial risk associated with them. The carrying value of the investments at June 30, 2009 was \$19,915,575.

Restricted Cash

Restricted cash in the governmental funds represents funds held in escrow by a local financial institution relating to the 2008, 2007, 2004 and 2003 Public Improvement Bonds and the capital lease for the new fire station headquarters. Additional restricted cash in the enterprise funds represents a replacement reserve fund for the Mitchell Landing Fund and funds held in escrow for the 2008 and 2007 Public Improvement Bonds.

**NOTE 4**     INTERFUND RECEIVABLES AND PAYABLES

As a result of its operations, the City effects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2009, appropriate due from/to other funds have been established.

At June 30, 2009, the Water and Sewer Impact Fund owes \$802,064 to the Water and Sewer Fund.

**NOTE 5**     CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2009</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated:					
Land and art	\$ 8,188,050	\$ 10,000	\$ -	\$ -	\$ 8,198,050
Construction-in-progress	<u>1,616,908</u>	<u>3,421,061</u>	<u>-</u>	<u>(278,671)</u>	<u>4,759,298</u>
Total capital assets not being depreciated	<u>9,804,958</u>	<u>3,431,061</u>	<u>-</u>	<u>(278,671)</u>	<u>12,957,348</u>

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 **CAPITAL ASSETS** (cont'd)

(cont'd)	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2009</u>
Capital assets being depreciated:					
Land improvements	\$ 535,933	\$ -	\$ -	\$ -	\$ 535,933
Buildings and improvements	14,687,358	-	-	-	14,687,358
Improvements, nonbuildings	25,518,354	265,444	-	-	25,783,798
Machinery and equipment	11,513,283	592,067	(103,935)	30,549	12,031,964
Total capital assets being depreciated	<u>52,254,928</u>	<u>857,511</u>	<u>(103,935)</u>	<u>30,549</u>	<u>53,039,053</u>
Less accumulated depreciation:					
Land improvements	(316,385)	(23,539)	-	-	(339,924)
Buildings and improvements	(8,887,798)	(453,801)	-	-	(9,341,599)
Improvements, nonbuildings	(7,516,004)	(345,356)	-	-	(7,861,360)
Machinery and equipment	(16,672,454)	(731,256)	101,437	-	(17,302,273)
Total accumulated depreciation	<u>(33,392,641)</u>	<u>(1,553,952)</u>	<u>101,437</u>	<u>-</u>	<u>(34,845,156)</u>
Total capital assets being depreciated, net	<u>18,862,287</u>	<u>(696,441)</u>	<u>(2,498)</u>	<u>30,549</u>	<u>18,193,897</u>
Total Water and Sewer Capital Assets, Net	<u>\$92,647,331</u>	<u>\$ 5,487,634</u>	<u>\$ (2,498)</u>	<u>\$ -</u>	<u>\$ 98,132,647</u>

June 30, 2008 balances have been reclassified for statement presentation purposes.

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2009</u>
<b>Septage Treatment Fund</b>					
Capital assets being depreciated:					
Machinery and equipment	\$ 128,292	\$ -	\$ -	\$ -	\$ 128,292
Less accumulated depreciation:					
Machinery and equipment	(128,292)	-	-	-	(128,292)
Total septage treatment capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2009</u>
<b>City Marina Fund</b>					
Capital assets not being depreciated:					
Land	\$ 1,315,000	\$ -	\$ -	\$ -	\$ 1,315,000
Capital assets being depreciated:					
Land improvements	1,418,255	-	-	-	1,418,255
Buildings and improvements	209,494	-	-	-	209,494
Machinery and equipment	37,505	-	-	-	37,505
Total capital assets being depreciated	<u>1,665,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,665,254</u>

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

(cont'd)	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2009</u>
Less accumulated depreciation:					
Land improvements	(987,070)	( 91,697)	-	-	(1,078,767)
Buildings and improvements	(155,707)	( 13,732)	-	-	(169,439)
Machinery and equipment	(37,505)	-	-	-	(37,505)
Total accumulated depreciation	<u>(1,180,282)</u>	<u>(105,429)</u>	<u>-</u>	<u>-</u>	<u>(1,285,711)</u>
Total capital assets being depreciated, net	<u>484,972</u>	<u>(105,429)</u>	<u>-</u>	<u>-</u>	<u>379,543</u>
 Total City Marina Capital Assets, Net	 <u>\$ 1,799,972</u>	 <u>\$(105,429)</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,694,543</u>
	 <u>July 1, 2008</u>	 <u>Additions</u>	 <u>Deductions</u>	 <u>Transfers</u>	 <u>June 30, 2009</u>
<b>Mitchell Landing Fund</b>					
Capital assets not being depreciated:					
Land	<u>\$ 114,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,010</u>
Capital assets being depreciated:					
Land improvements	7,862	-	-	-	7,862
Buildings and improvements	1,346,027	4,425	-	-	1,350,452
Machinery and equipment	89,405	-	-	-	89,405
Total capital assets being depreciated	<u>1,443,294</u>	<u>4,425</u>	<u>-</u>	<u>-</u>	<u>1,447,719</u>
Less accumulated depreciation:					
Land improvements	(5,871)	(442)	-	-	(6,313)
Buildings and improvements	(463,398)	(34,446)	-	-	(497,844)
Machinery and equipment	(89,405)	-	-	-	(89,405)
Total accumulated depreciation	<u>(558,674)</u>	<u>(34,888)</u>	<u>-</u>	<u>-</u>	<u>(593,562)</u>
Total capital assets being depreciated, net	<u>884,620</u>	<u>(30,463)</u>	<u>-</u>	<u>-</u>	<u>854,157</u>
 Total Mitchell Landing Capital Assets, Net	 <u>\$ 998,630</u>	 <u>\$ (30,463)</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 968,167</u>

The majority of the construction-in-progress relates to stormdrain upgrades and shoreline stabilization for the governmental activities and the expansion and upgrade of the waste water treatment plant for the business-type activities.

NOTE 6 LONG-TERM DEBT

The City's charter provides that total bonded or other indebtedness of the City payable from its general tax revenues shall at no time exceed the total of four percent of the assessed valuation of all real property and 10 percent of the assessed valuation of all personal and corporate property subject to taxation by the City. The legal debt limit permitted at June 30, 2009 totaled \$109,052,333. After considering general obligations including mortgages and notes outstanding of \$66,092,298 and the amount still available to draw on the 2005 Water Quality Bond (see below for discussion), the available additional debt margin was \$42,960,035.



CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

Long-term debt activity for the year ended June 30, 2009, was as follows:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>General obligation bonds:</b>				
\$25,677,934 originally issued with interest rates ranging from 2% to 6%	\$ 16,710,492	\$ -	\$ (1,387,730)	\$ 15,322,762
<b>Mortgages and notes payable:</b>				
State Erosion Control Note - Riverwalk \$345,280 originally issued without interest	92,150	-	(23,037)	69,113
State Erosion Control Note \$83,280 originally issued without interest	27,760	-	(5,552)	22,208
Capital lease obligations	5,776,658	3,215,546	(860,976)	8,131,228
Compensated absences, current portion \$129,318	<u>1,290,281</u>	<u>2,899</u>	<u>-</u>	<u>1,293,180</u>
Governmental Activities Long-term Debt	<u>\$ 23,897,341</u>	<u>\$ 3,218,445</u>	<u>\$ (2,277,295)</u>	<u>\$ 24,838,491</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>General obligation bonds:</b>				
\$70,266,987 originally issued with interest rates ranging from 0.4% to 6%	\$ 48,273,202	\$ 1,861,968	\$ (3,015,325)	\$ 47,119,845
<b>Mortgages and notes payable:</b>				
Department of Housing and Community Development - Mitchell Landing Project - No interest or principal due while project serves as low-income rental housing	1,381,807	-	-	1,381,807
Capital lease obligations	33,607	375,902	(89,860)	319,649
Compensated absences, current portion \$21,718	<u>251,676</u>	<u>-</u>	<u>(34,504)</u>	<u>217,172</u>
Business-type Activities Long-term Debt	<u>\$ 49,940,292</u>	<u>\$ 2,237,870</u>	<u>\$ (3,139,689)</u>	<u>\$ 49,038,473</u>

In the year ended June 30, 1990, the City obligated itself to pay the Maryland Department of the Environment, Maryland Water Quality Financing Administration ("MDE") \$3,000,401 at an annual interest rate of 4.894 percent for water quality upgrades and improvements to the Johnson Pond water system. \$2,848,109 of the loan was for the water quality upgrade, and \$152,292 was designated for improvements to Johnson Pond. The repayment obligation of the proceeds of the Johnson Pond portion of the loan is shared equally with Wicomico County.

The water quality upgrade general obligation bond is recorded in the enterprise fund. Interest is payable semi-annually beginning August 1, 1990, and principal is payable annually beginning February 1, 1993.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 195,001	\$ 39,774	\$ 234,775
2011	204,545	30,230	234,775
2012	<u>214,555</u>	<u>20,220</u>	<u>234,775</u>
Total	<u>\$ 614,101</u>	<u>\$ 90,224</u>	<u>\$ 704,325</u>

The Johnson Pond improvement debt is accounted for in the general fund. Interest is payable semi-annually beginning August 1, 1990, and principal is payable annually beginning February 1, 1993.

<u>Year Ending June</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,469	\$ 755	\$ 4,224
2011	3,638	586	4,224
2012	<u>3,816</u>	<u>408</u>	<u>4,224</u>
Total	<u>\$ 10,923</u>	<u>\$ 1,749</u>	<u>\$ 12,672</u>

In the year ended June 30, 1997, the City obligated itself to pay the Maryland Department of Natural Resources (DNR) in the amount of \$345,558. The loan is repayable in 15 annual installments of \$23,037. There is no interest on this obligation, which is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>
2010	\$ 23,037
2011	23,037
2012	<u>23,039</u>
Total	<u>\$ 69,113</u>

In the year ended June 30, 1998, the City obligated itself to pay the DNR in the amount of \$83,280. The loan is repayable in 15 annual installments of \$5,552. There is no interest on this obligation, which is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>
2010	\$ 5,552
2011	5,552
2012	5,552
2013	<u>5,552</u>
Total	<u>\$ 22,208</u>

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

In the year ended June 30, 2001, the City issued \$1,201,900 of General Obligation Bonds to improve the municipal parking facility. The bonds bear an interest rate of 4.77 percent. Interest is payable semi-annually beginning in May of 2001. Principal is due annually beginning in May of 2002 and continues until May 2021. The obligation is accounted for in the nonmajor governmental fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 53,400	\$ 40,108	\$ 93,508
2011	55,700	37,905	93,605
2012	58,100	35,538	93,638
2013	61,200	32,996	94,196
2014	63,500	30,242	93,742
2015-2019	371,000	103,516	474,516
2020-2021	<u>175,500</u>	<u>14,473</u>	<u>189,973</u>
Total	<u>\$ 838,400</u>	<u>\$ 294,778</u>	<u>\$ 1,133,178</u>

In the year ended June 30, 1994, the City issued \$6,975,000 of General Obligation Bonds at interest rates from 4.0 percent to 6.0 percent. Interest is payable semi-annually beginning August 1, 1994. The bonds mature in varying amounts beginning February 1, 1995 and continuing through February 1, 2014. \$245,000 of the balance of the obligation is carried in the enterprise fund and the balance, \$2,255,000, is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 500,000	\$ 126,156	\$ 626,156
2011	525,000	101,156	626,156
2012	550,000	74,906	624,906
2013	575,000	47,406	622,406
2014	<u>350,000</u>	<u>17,938</u>	<u>367,938</u>
Total	<u>\$ 2,500,000</u>	<u>\$ 367,562</u>	<u>\$ 2,867,562</u>

In the year ended June 30, 1996, the City issued \$4,800,000 of Public Improvement Bonds at interest rates from 4.25 percent to 4.70 percent. Interest is payable semi-annually beginning August 1, 1996. The bonds mature in varying amounts beginning February 1, 1997 and continuing through August 1, 2008. The bonds were fully paid off during FY 2009, leaving no debt balance for these bonds in the enterprise fund or the general fund.

In the year ended June 30, 1999, the City issued \$4,860,000 of Public Improvement Bonds at an interest rate of 4.39 percent. Principal and interest are payable semi-annually beginning December 1, 1999. \$1,000,252 of the balance of the obligation is carried in the enterprise fund and the balance of \$984,378 is accounted for in the general fund.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 363,222	\$ 83,182	\$ 446,404
2011	379,343	67,062	446,405
2012	396,179	50,226	446,405
2013	413,762	32,643	446,405
2014	432,124	14,279	446,403
Total	<u>\$ 1,984,630</u>	<u>\$ 247,392</u>	<u>\$ 2,232,022</u>

In the year ended June 30, 2003, the City obligated itself to pay MDE \$3,163,361 at an annual interest rate of 0.4 percent for wastewater treatment plant upgrades and expansion. Interest is payable semi-annually beginning August 1, 2003, and principal is payable annually beginning February 1, 2005. The general obligation bond is accounted for in the enterprise fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 155,311	\$ 17,419	\$ 172,730
2011	155,932	16,798	172,730
2012	156,556	16,174	172,730
2013	157,182	15,548	172,730
2014	157,811	14,919	172,730
2015-2019	798,573	65,077	863,650
2020-2024	814,673	48,977	863,650
Total	<u>\$ 2,396,038</u>	<u>\$ 194,912</u>	<u>\$ 2,590,950</u>

In the year ended June 30, 2003, the City issued \$5,614,000 of Public Improvement Bonds at interest rates from 2.0 percent to 4.5 percent. Interest is payable semi-annually beginning May 1, 2003. The bonds mature in varying amounts beginning May 1, 2004 and continuing through May 1, 2023. \$1,396,960 of the balance of the obligation is carried in the enterprise fund and the balance of \$2,890,940 is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 241,900	\$ 169,141	\$ 411,041
2011	248,300	161,884	410,184
2012	257,100	153,939	411,039
2013	266,100	145,262	411,362
2014	275,300	134,948	410,248
2015-2019	1,534,000	516,087	2,050,087
2020-2023	1,465,200	171,686	1,636,886
Total	<u>\$ 4,287,900</u>	<u>\$ 1,452,947</u>	<u>\$ 5,740,847</u>

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

In the year ended June 30, 2004, the City issued \$5,318,000 of Public Improvement Bonds at interest rates from 2.0 percent to 4.625 percent. Interest is payable semi-annually beginning November 1, 2004. The bonds mature in varying amounts beginning May 1, 2005 and continuing through May 1, 2024. This obligation is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 262,300	\$ 169,817	\$ 432,117
2011	269,600	161,948	431,548
2012	279,500	153,193	432,693
2013	287,000	143,460	430,460
2014	301,200	132,696	433,896
2015-2019	1,200,500	506,973	1,707,473
2020-2024	1,489,500	219,001	1,708,501
Total	<u>\$ 4,089,600</u>	<u>\$ 1,487,088</u>	<u>\$ 5,576,688</u>

In the year ended June 30, 2006, the City obligated itself to pay MDE \$42,009,341 at an annual interest rate of 0.4 percent for wastewater treatment plant upgrades and expansion. Interest is payable semi-annually beginning February 1, 2006, and principal is payable annually beginning February 1, 2009. The general obligation bond is accounted for in the enterprise fund. As of June 30, 2009, total principal of \$39,832,742 has been drawn on this facility, and the principal amount outstanding totaled \$37,811,015. Future maturity requirements below are based on the full obligation.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,029,851	\$ 259,774	\$ 2,289,625
2011	2,037,971	251,654	2,289,625
2012	2,046,123	243,502	2,289,625
2013	2,054,307	235,318	2,289,625
2014	2,062,524	227,101	2,289,625
2015-2019	10,437,036	1,011,091	11,448,127
2020-2024	10,647,453	800,674	11,448,127
2025-2028	8,672,312	486,190	9,158,502
Total	<u>\$ 39,987,577</u>	<u>\$ 3,515,304</u>	<u>\$ 43,502,881</u>

In the year ended June 30, 2007, the City issued \$4,950,000 of Public Improvement Bonds at an interest rate of 4.03 percent. Interest is payable semi-annually beginning October 1, 2007. The bonds mature beginning April 1, 2008 and continuing through April 1, 2027. \$1,279,900 of the balance of the obligation is accounted for in the general fund and the balance of \$3,175,100 is reflected in the enterprise fund.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 247,500	\$ 179,537	\$ 427,037
2011	247,500	169,532	417,032
2012	247,500	159,588	407,088
2013	247,500	149,614	397,114
2014	247,500	139,640	387,140
2015-2019	1,237,500	548,584	1,786,084
2020-2024	1,237,500	299,228	1,536,728
2025-2027	742,500	59,846	802,346
Total	<u>\$ 4,455,000</u>	<u>\$ 1,705,569</u>	<u>\$ 6,160,569</u>

In the year ended June 30, 2008, the City issued \$3,605,000 of Public Improvement Bonds at an interest rate of 4.09 percent. Interest is payable semi-annually beginning August 1, 2008. The bonds mature beginning February 1, 2009 and continuing through February 1, 2028. \$481,379 of the balance of obligation is carried in the enterprise fund and the balance of \$2,973,621 is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 155,000	\$ 141,310	\$ 296,310
2011	160,000	134,970	294,970
2012	165,000	128,426	293,426
2013	170,000	121,678	291,678
2014	175,000	114,725	289,725
2015-2019	950,000	462,171	1,412,171
2020-2024	1,130,000	243,969	1,373,969
2025-2028	550,000	57,261	607,261
Total	<u>\$ 3,455,000</u>	<u>\$ 1,404,510</u>	<u>\$ 4,859,510</u>

In the year ended June 30, 2007, the City issued its \$9,775,000 of Special Obligation Bonds (Villages at Aydelotte Farm Project), Series 2007, payable solely from and secured by a pledge of certain tax increment revenues and special tax revenues. These bonds are secured in the first instance by the proceeds of tax collections attributable to the increase in the assessed value of real property located in a prescribed development district over the original taxable value of such real property, as determined in accordance with the Maryland Tax Increment Financing Act. To the extent such tax increment revenues are insufficient, proceeds of special taxes levied on and collected from the taxable parcels within a prescribed special taxing district will be used to pay debt service. The full faith and credit and unlimited taxing power of the City have not been pledged to pay these bonds. These bonds are payable over 30 years, with semi-annual interest payments on each July 1 and January 1, starting July 1, 2007, and principal payments on July 1 in the years 2012 to 2036, inclusive, with a final principal and interest payment on January 1, 2037. These bonds bear interest at the rate of 5.25 percent per annum. These bonds are not

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

subject to the debt limit set forth in the City's Charter. These bonds were issued with the expectation that interest thereon shall be excludable from gross income of the holders thereof for federal income tax purposes.

In the year ended June 30, 2007, the City issued its \$15,000,000 Special Obligation Bonds (Village at Salisbury Lake Project), Series 2007, payable solely from and secured by a pledge of certain tax increment revenues and special tax revenues. These bonds are secured in the first instance by the proceeds of tax collections attributable to the increase in the assessed value of real property located in a prescribed development district over the original taxable value of such property, as determined in accordance with the Maryland Tax Increment Financing Act. To the extent such tax increment revenues are insufficient, proceeds of special taxes levied on and collected from the taxable parcels within a prescribed special taxing district will be used to pay debt service. The full faith and credit and unlimited taxing power of the City have not been pledged to pay these bonds. These bonds are payable over 30 years, with semi-annual interest payments on July 1 and January 1, starting July 1, 2012 (or such earlier date as the bonds are converted and re-marketed), and principal payments on July 1 in the years 2013 to 2036, inclusive, with a final principal and interest payment on January 1, 2037. These bonds initially bear interest at the rate of 7.9 percent per annum. These bonds are not subject to the debt limit set forth in the City's Charter. These bonds were issued as draw-down bonds and sold to the then-current owner of the property located in the prescribed development/special taxing district. These bonds are subject to conversion and re-offering if certain conditions set forth in the Indenture of Trust relating to such bonds are met. Until any such conversion and re-offering, the bond holder will advance proceeds of the bonds to pay project costs. Until any such conversion and re-offering (and, potentially, even thereafter), interest on such bonds will be includable in gross income of the holders thereof for federal income tax purposes.

The City has entered into leases for the acquisition of various machinery and equipment, which are classified as capital leases. Additionally, in the year ended June 30, 2007, the City entered into a lease-purchase agreement in the amount of \$5,320,000 for the construction of a new fire station headquarters. This is classified as a capital lease. Accordingly, the present value of future minimum lease payments and the related assets have been recorded in the appropriate fund.

Original cost of assets acquired under these capital leases for the general fund is \$6,539,643 with accumulated depreciation of \$760,541; and for the water and sewer fund is \$217,162 with accumulated depreciation of \$41,673 at June 30, 2009.

Following is a summary of total future minimum lease payments for all capital leases:

<u>Year Ending June 30,</u>	
2010	\$ 1,137,028
2011	1,097,831
2012	984,852
2013	981,617
2014	926,642
2015-2019	3,137,718
2020-2024	2,085,875
2025-2027	<u>1,251,525</u>
	11,603,088
Amount representing interest	<u>(3,152,211)</u>
Present value of future minimum lease payments	<u>\$ 8,450,877</u>

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**NOTE 7      PENSION PLANS**

**Plan Description**

Generally, all regular employees of the City participate in the State of Maryland Employees Retirement and Pension Systems (Employees Systems). Law enforcement officers employed by the City generally participate in the State of Maryland Law Enforcement Officers Pension Systems ("LEOPS"). Starting in fiscal year 2005, the City's fire department was enabled to participate in the LEOPS. Both the Employees' Systems and the LEOPS (collectively, the "Systems") are cost-sharing multiple-employer public retirement systems sponsored by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly. The Maryland State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the systems. That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201.

Participants in the Systems may retire with full benefits after 30 years of service regardless of age or at various ages with specified years of eligibility service for reduced benefits. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating in the retirement system prior to specified retirement age are refunded their accumulated contributions plus earned interest or may defer receipt of accumulated contributions until age 60. Participants and their beneficiaries may also be eligible for disability and death benefits based on years of creditable service and average final compensation.

**Funding Policy**

During fiscal year 2009, the State Personnel and Pensions Article required active members to contribute to the System at the rate of five percent of their covered salary.

**Employer's Payroll and Contributions Under the Plan**

The employer's current year payroll for the years ended June 30, 2009, 2008 and 2007, payroll covered under the various state plans and contributions paid are as follows:

	2009	2008	2007
Total payroll	\$ 15,213,210	\$ 14,707,304	\$ 13,780,957
Payroll covered under the plans	15,619,904	14,171,002	13,032,917
Contributions paid:			
City payments	2,551,700	2,788,371	2,312,268

**NOTE 8      POST-RETIREMENT HEALTH CARE BENEFITS**

In addition to the pension benefits described above, the City provides limited post-retirement health care benefits as approved by the City Council to all retirees (and their dependents) who are eligible to retire under the State Retirement System and, as of July 1, 2007, those who have worked for the City for a minimum of 10 years.



CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POST-RETIREMENT HEALTH CARE BENEFITS (cont'd)

Subject to the above, the employee may retire and retain health insurance coverage until the retiree reaches the age of 65. During this period the City will pay 30 percent and 50 percent, respectively, of the retiree's health insurance premium for employees who retired prior to and after July 1, 2002.

For the year ended June 30, 2009, there were 45 participants eligible and receiving post-retirement health care benefits at a pay-as-you-go cost to the City of \$145,892.

In July 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." This statement establishes standards for the measurement, recognition and display of other post-employment, including health benefits, expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local government employers. The provisions for this Statement are effective for the City for the fiscal year ended June 30, 2009.

Plan Description

During the year ended June 30, 2007, Wicomico County and the Board of Education jointly set up the "Retiree Health Insurance Plan Trust of the Board of Education of Wicomico County and Wicomico County." A Board of Trustees (the "Board") oversees the trust. In June 2009, the City of Salisbury joined the trust and the trust was renamed "Amended Retiree Health Plan Trust for the Wicomico County Board of Education and Wicomico County and City of Salisbury" (the "Trust").

The plan is an agent multiple-employer plan with combined administrative functions for efficiency, and each agent employer remains responsible for financing benefits of its own individual plan. Each agent employer also remains individually responsible for its own separate actuarial valuations, and expenses and obligations are measured like those of sole employers. The assets of the three entities are segregated within the Trust.

The assets of the trust are managed by an investment manager, Croft-Leominster, Inc., under a formal investment policy. The Board meets quarterly to review investment performance. The investment manager provides a fiscal year performance report to the Board. Questions regarding performance should be directed to the Plan Administrator. The plan does not issue a stand-alone financial report.

Funding Policy

During the year ended June 30, 2009, the City changed its method of accounting for post-employment benefits other than pensions by adopting GASB 45. This statement was implemented prospectively.

The City has chosen to continue to pay current retiree medical payments from the General Fund. Therefore, the trust will fund each year, to the extent appropriate, the Annual Required Contribution ("ARC").

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**NOTE 8**    POST-RETIREMENT HEALTH CARE BENEFITS (cont'd)

The City contracted for an actuarial study which determined that the ARC for fiscal year 2009 was \$2,022,000. The City funded the trust with a health care rebate of \$900,000 in fiscal 2009.

Annual OPEB Cost and Net OPEB Obligation

The City's OPEB cost (expense) is the ARC, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the County's net OPEB obligation.

Net OPEB obligation at beginning of year	\$ -
Annual Required Contribution	2,022,000
Contributions	<u>(1,045,637)</u>
 Total Net OPEB Obligation at End of Year	 <u>\$ 976,363</u>

The annual OPEB cost and the net OPEB obligation are determined on the basis of annual contributions.

Schedule of Funding

Based on an actuarial study performed in fiscal 2008, as of July 1, 2008, the most recent actuarial date, the plan was 0 percent funded. The actuarial accrued liability ("AAL") for benefits was \$20,513,000 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability ("UAAL") of \$20,513,000. As of June 30, 2009, the AAL was \$20,513,000.

Actuarial Accrued Liabilities	\$ 20,513,000
Actuarial Value of plan assets	<u>900,000</u>
 Unfunded AAL	 19,613,000
Funded ratio as of actuarial value dates	<u>4.39%</u>
 Covered Payroll	 <u>\$ 15,213,210</u>
 UAAL as a percentage of covered payroll	 <u>128.92%</u>

Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POST-RETIREMENT HEALTH CARE BENEFITS (cont'd)

the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information but included in the notes to financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Summary of Actuarial Methods and Assumptions

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

In the actuarial valuation, the projected unit credit method, with linear pro-ration to assumed benefit commencement, was used. The actuarial assumptions included an investment return for discounted liabilities of 6.0 percent. Mortality calculations were done using the RP 2000 Combined Healthy Table and the RP 2000 Combined Disabled Table.

NOTE 9 DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The deferred amounts are invested in various annuity contracts.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of plan participants and their beneficiaries and are not subject to the claims of the City's general creditors.

The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 10 SERVICE AWARD TRUST

The City has a Volunteer Firemen Service Award Trust, which was established to accumulate funds for the City Volunteer Firemen's Retirement. The maximum monthly benefit per individual is \$500 upon retirement, and the retirement age is 60. The transactions of the Service Award Trust have been reported as an expendable trust fund in the fiduciary fund types. The trust has assets of \$122,733 as of June 30, 2009.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

The City is the recipient of various federal and state grants. The City may be under obligation to repay these grant funds if, upon final review by the respective granting agencies, the funds expended did not meet the established program objectives. As of June 30, 2009, the City is not aware of any repayment requests.

The City is a defendant in several lawsuits. After considering all relevant facts and the opinion of legal counsel, it is management's opinion that such litigation will not, in aggregate, have a material adverse effect on the financial position of the City.

The City has entered into contracts to upgrade and expand the City's waste water treatment plant. The total value of the contracts, including change orders, is approximately \$78,325,000. The completed portion of these contracts is reflected in the water and sewer fund construction-in-progress.

The City has entered into contracts for the Beaver Dam Creek Stabilization. The total value of the contracts is \$950,000. The completed portion (\$775,738) of the contracts is reflected in the governmental activities construction-in-progress.

The City has entered into contracts for the Waverly Drive Storm Drain Upgrade. This contract is jointly funded by the City and the State of Maryland. The total value of the contracts is approximately \$4,317,000. The completed portion (\$1,417,317) of the contracts is reflected in the governmental activities construction-in-progress.

The City has entered into contracts for the upgrade of the water and sewer lines as well as shoreline stabilization along Isabella Street. The total value of the contracts is approximately \$3,253,189. The completed portion (\$1,857,370) of the contracts is reflected in the governmental activities construction-in-progress, and (\$788,441) is reflected in the water and sewer fund construction-in-progress.

Governmental activities construction-in-progress reflects additional smaller contracts for various projects not completed at year end totaling \$708,873.

NOTE 12 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 has joined together with other municipalities in the State to form the Local Government Insurance Trust ("LGIT"), a public entity risk pool currently operating as a common risk management and insurance program for member municipalities. The City pays an annual premium to LGIT for its building and contents, commercial general liability, environmental liability, business automobile and excess liability coverage. The agreement for formation of the LGIT provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for liability claims. The City continues to carry separate commercial insurance for its workers' compensation and health insurance coverage. Settled claims resulting from the above risks have not exceeded coverage in any of the past three fiscal years.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**NOTE 12**    RISK MANAGEMENT (cont'd)

Under the terms of the agreement, LGIT deficits may be funded by additional assessments against participating municipalities, levied at the trustees' discretion.

**NOTE 13**    RESTATEMENT OF FUND EQUITY

The restatement of beginning net assets in the Governmental Activities is due to recognition of prior year accumulated depreciation.

	<u>Governmental Activities</u>
<b>STATEMENT OF ACTIVITIES:</b>	
Net assets, June 30, 2008, as previously reported	\$ 33,732,103
Adjustments to entity-wide statements	(364,530)
Net Assets, June 30, 2008, as restated	<u>\$ 33,367,573</u>

The restatement of beginning fund balance in the General Fund is due to revenues that should have been deferred and bond issuance costs that should not have been reflected in the fund financial statements.

	<u>General Fund</u>
<b>BALANCE SHEET:</b>	
Fund balance, June 30, 2008, as previously reported	\$ 10,247,136
Adjustments to fund balance	(1,166,629)
Fund Balance, June 30, 2008, as restated	<u>\$ 9,080,507</u>

**NOTE 14**    RESERVED AND DESIGNATED FUND BALANCES

Reservations of fund balances show amounts that are not available for current appropriations or are legally restricted for specific uses. Designations of fund balances are used to show the amounts within unreserved fund balances, which are intended to be used for specific purposes but are not legally restricted. The purpose for each reservation or designation is indicated by the account title on the face of the balance sheet.

**NOTE 15**    SUBSEQUENT EVENTS

On November 6, 2009, the City issued \$2,600,000 of Public Improvement Bonds at an interest rate of 3.78 percent. Interest is payable semi-annually beginning May 1, 2010. The bonds mature beginning November 1, 2010 and continuing through November 1, 2024. \$503,400 of the balance of the obligation will be carried in the general fund and \$2,096,600 will be reflected in the enterprise fund.

On December 4, 2009, the City borrowed \$2,756,400 from the Maryland Water Quality Financing Administration through a Water Quality Bond, Series 2009 at zero percent interest. A \$1,000 principal payment is due in August 2011, and regular principal payments begin in February 2012, ending in February 2030. The balance of the obligation will be carried in the enterprise fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SALISBURY, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RESOURCES (INFLOWS):</b>				
Tax revenue	\$ 22,392,433	\$ 22,392,433	\$ 22,340,692	\$ (51,741)
Other revenue	2,254,223	2,254,223	2,779,722	525,499
Charges for services	2,483,700	2,483,700	2,511,267	27,567
Other sources	1,038,792	1,280,950	-	(1,280,950)
Intergovernmental revenues	3,035,332	3,035,332	2,608,989	(426,343)
<b>AMOUNTS AVAILABLE FOR APPROPRIATION</b>	<u>31,204,480</u>	<u>31,446,638</u>	<u>30,240,670</u>	<u>(1,205,968)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
<b>General government</b>				
City council	96,934	96,934	88,531	8,403
City clerk	148,346	152,933	152,933	-
Mayor's office	627,575	648,203	592,250	55,953
Elections	54,070	54,070	51,907	2,163
Finance	538,563	575,836	475,393	100,443
Purchasing	247,063	245,128	212,258	32,870
City attorney	290,000	275,438	225,022	50,416
Information services	105,421	113,038	50,084	62,954
Human resources	135,184	145,832	141,904	3,928
Planning and zoning	203,500	243,425	181,938	61,487
Municipal buildings	246,216	247,577	245,601	1,976
Poplar Hill	49,300	52,949	37,864	15,085
<b>Public safety</b>				
Police and traffic control	10,545,538	10,679,569	10,013,469	666,100
Fire	6,243,825	9,008,736	7,168,672	1,840,064
Buildings, permits and inspections	437,596	434,296	414,649	19,647
Neighborhood services and code compliance	573,137	577,095	577,095	-
<b>Public works</b>				
Supervision and engineering	1,413,012	2,270,632	1,191,632	1,079,000
Roadways	699,174	843,765	624,009	219,756
Highway lighting	789,600	819,451	813,814	5,637
Street cleaning	158,815	342,827	324,457	18,370
Waste collection and disposal	1,263,267	1,378,596	1,251,316	127,280
Recycling	156,057	162,150	158,039	4,111
Fleet maintenance	556,639	556,873	551,656	5,217
Carpenter shop	154,269	182,835	182,835	-
<b>Recreation and culture</b>				
Municipal zoo	1,236,511	1,303,274	1,341,566	(38,292)
Park maintenance	418,665	427,619	391,358	36,261
Nondepartmental	436,540	460,018	434,388	25,630
<b>TOTAL CHARGES TO APPROPRIATION</b>	<u>27,824,817</u>	<u>32,299,099</u>	<u>27,894,640</u>	<u>4,404,459</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>3,379,663</u>	<u>(852,461)</u>	<u>2,346,030</u>	<u>3,198,491</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	(157,388)	(187,450)	(174,654)	12,796
Debt proceeds	-	3,113,135	3,215,546	102,411
Debt payments	(3,222,275)	(3,174,816)	(3,126,814)	48,002
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,379,663)</u>	<u>(249,131)</u>	<u>(85,922)</u>	<u>163,209</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(1,101,592)	2,260,108	3,361,700
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>10,247,136</u>	<u>10,247,136</u>	<u>9,080,507</u>	<u>(1,166,629)</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 10,247,136</u>	<u>\$ 9,145,544</u>	<u>\$ 11,340,615</u>	<u>\$ 2,195,071</u>

**OTHER SUPPLEMENTARY INFORMATION**



## **General Fund**

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Final Budget	Actual	Variance Positive (Negative)
<b>Taxes</b>			
Real property	\$14,459,962	\$14,441,967	\$ (17,995)
Personal property	78,144	62,722	(15,422)
Ordinary business corporations and utilities	5,682,869	5,375,479	(307,390)
Payments in lieu of tax	231,458	241,310	9,852
Admissions and amusement	275,000	410,869	135,869
State shared income tax	1,570,000	1,673,627	103,627
<b>Total taxes</b>	<u>22,297,433</u>	<u>22,205,974</u>	<u>(91,459)</u>
Interest and penalties on delinquent taxes	95,000	134,718	39,718
<b>Total taxes, interest and penalties</b>	<u>22,392,433</u>	<u>22,340,692</u>	<u>(51,741)</u>
<b>Other revenue</b>			
Amusement licenses	4,500	6,075	1,575
Billboard licenses	8,611	8,593	(18)
Building and inspection permits	377,000	221,366	(155,634)
Business licenses	149,850	161,874	12,024
Franchise fees	310,600	355,639	45,039
Landlord licenses	195,300	382,577	187,277
Parking fines and meter collections	75,100	53,776	(21,324)
Plumbing licenses and permits	33,000	50,562	17,562
Street-breaking permits	2,500	1,750	(750)
Towing companies	1,500	1,825	325
Other miscellaneous permits	15,000	27,521	12,521
Municipal infraction violations	22,000	51,458	29,458
Interest on investment of idle funds	325,000	169,970	(155,030)
Insurance proceeds	-	527,626	527,626
Donations	290,000	274,000	(16,000)
Damages to city property	100	1,762	1,662
Zoo commission	302,650	324,317	21,667
Zoo reimbursements	93,662	80,751	(12,911)
Sale of maps, codes and documents	2,600	8,436	5,836
Bad debt collections	18,000	(4,224)	(22,224)
Other miscellaneous receipts	27,250	74,068	46,818
<b>Total other revenue</b>	<u>2,254,223</u>	<u>2,779,722</u>	<u>525,499</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND  
SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	Final Budget	Actual	Variance Positive (Negative)
<b>Charges for services</b>			
Administrative fees	\$ 45,300	\$ 44,883	\$ (417)
Ambulance call fees	1,500,000	1,604,617	104,617
Advertising	100	136	36
Filing fees	200	205	5
Garbage disposal fees	681,000	688,259	7,259
Plan review fees	50,000	31,007	(18,993)
Police alarm systems	90,000	65,678	(24,322)
Street sweeping	3,600	900	(2,700)
Weed removal	112,000	72,032	(39,968)
Zoning appeal and housing board appeal fees	1,500	3,550	2,050
Total charges for services	<u>2,483,700</u>	<u>2,511,267</u>	<u>27,567</u>
<b>Other sources</b>			
Current surplus available	<u>1,280,950</u>	<u>-</u>	<u>(1,280,950)</u>
<b>Intergovernmental</b>			
State of Maryland			
Police protection	505,723	482,877	(22,846)
Enterprise zone	37,000	-	(37,000)
Highway user	1,540,307	1,237,672	(302,635)
Wicomico County			
Financial corporations	18,302	18,302	-
Fire department	721,000	721,000	-
Room tax	213,000	149,138	(63,862)
Total intergovernmental	<u>3,035,332</u>	<u>2,608,989</u>	<u>(426,343)</u>
Total revenues	<u>31,446,638</u>	<u>30,240,670</u>	<u>(1,205,968)</u>
<b>Other financing sources</b>			
Debt proceeds	<u>3,113,135</u>	<u>3,215,546</u>	<u>102,411</u>
Total other financing sources	<u>3,113,135</u>	<u>3,215,546</u>	<u>102,411</u>
<b>Total Revenue and Other Financing Sources</b>	<u><u>\$34,559,773</u></u>	<u><u>\$33,456,216</u></u>	<u><u>\$(1,103,557)</u></u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government				
City council				
Salaries	\$ 52,000	\$ 52,000	\$ 52,000	\$ -
Personnel benefits	35,184	35,224	30,224	5,000
Other operating expenses	9,750	9,710	6,307	3,403
	<u>96,934</u>	<u>96,934</u>	<u>88,531</u>	<u>8,403</u>
City clerk				
Salaries	95,319	95,390	95,390	-
Personnel benefits	29,952	39,863	39,863	-
Other operating expenses	23,075	17,680	17,680	-
	<u>148,346</u>	<u>152,933</u>	<u>152,933</u>	<u>-</u>
Mayor's office				
Salaries	241,919	241,924	241,324	600
Personnel benefits	69,726	80,874	77,388	3,486
Other operating expenses	133,930	128,862	80,288	48,574
Community promotion	182,000	196,543	193,250	3,293
	<u>627,575</u>	<u>648,203</u>	<u>592,250</u>	<u>55,953</u>
Elections				
Other operating expenses	54,070	54,070	51,907	2,163
	<u>54,070</u>	<u>54,070</u>	<u>51,907</u>	<u>2,163</u>
City attorney	<u>290,000</u>	<u>275,438</u>	<u>225,022</u>	<u>50,416</u>
Internal Services - Finance				
Salaries	209,947	211,968	211,968	-
Personnel benefits	81,207	99,339	92,419	6,920
Other operating expenses	184,040	199,598	126,959	72,639
Independent audit	47,250	47,250	31,768	15,482
Capital outlay	16,119	17,681	12,279	5,402
	<u>538,563</u>	<u>575,836</u>	<u>475,393</u>	<u>100,443</u>
Internal Services - Purchasing				
Salaries	141,221	131,908	125,342	6,566
Personnel benefits	54,250	64,353	53,325	11,028
Other operating expenses	51,592	48,867	33,591	15,276
	<u>247,063</u>	<u>245,128</u>	<u>212,258</u>	<u>32,870</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Internal Services - Human Resources</b>				
Salaries	\$ 56,567	\$ 56,578	\$ 56,578	\$ -
Personnel benefits	62,827	69,345	65,637	3,708
Other operating expenses	15,790	19,909	19,689	220
	<u>135,184</u>	<u>145,832</u>	<u>141,904</u>	<u>3,928</u>
<b>City and county-joint activities</b>				
Information services	105,421	113,038	50,084	62,954
Planning and zoning	203,500	243,425	181,938	61,487
	<u>308,921</u>	<u>356,463</u>	<u>232,022</u>	<u>124,441</u>
<b>Municipal buildings</b>				
Other operating expenses	246,216	247,577	245,601	1,976
	<u>246,216</u>	<u>247,577</u>	<u>245,601</u>	<u>1,976</u>
<b>Poplar Hill Mansion</b>	49,300	52,949	37,864	15,085
<b>Total general government</b>	<u>2,742,172</u>	<u>2,851,363</u>	<u>2,455,685</u>	<u>395,678</u>
<b>Public safety</b>				
<b>Police services</b>				
Salaries	5,333,332	5,255,464	5,226,760	28,704
Personnel benefits	2,864,014	3,001,694	2,719,140	282,554
Other operating expenses	1,121,259	1,100,879	870,756	230,123
Capital outlay	67,860	65,860	65,529	331
	<u>9,386,465</u>	<u>9,423,897</u>	<u>8,882,185</u>	<u>541,712</u>
<b>Police communications</b>				
Salaries	321,698	297,322	295,820	1,502
Personnel benefits	112,543	136,986	120,242	16,744
Other operating expenses	79,686	84,766	61,070	23,696
Capital outlay	-	604	-	604
	<u>513,927</u>	<u>519,678</u>	<u>477,132</u>	<u>42,546</u>

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**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Animal control				
Salaries	\$ 72,485	\$ 72,486	\$ 68,761	\$ 3,725
Personnel benefits	39,686	40,557	38,513	2,044
Other operating expenses	98,524	97,653	81,328	16,325
Capital outlay	-	19,346	19,346	-
	<u>210,695</u>	<u>230,042</u>	<u>207,948</u>	<u>22,094</u>
Total police department	<u>10,111,087</u>	<u>10,173,617</u>	<u>9,567,265</u>	<u>606,352</u>
Traffic control				
Salaries	215,565	213,079	212,517	562
Personnel benefits	88,400	98,801	94,031	4,770
Other operating expenses	130,486	170,885	116,469	54,416
Capital outlay	-	23,187	23,187	-
	<u>434,451</u>	<u>505,952</u>	<u>446,204</u>	<u>59,748</u>
Fire department				
Firefighting				
Salaries	3,187,086	3,163,289	3,162,306	983
Personnel benefits	1,858,029	1,772,679	1,772,291	388
Other operating expenses	1,041,710	1,112,238	947,961	164,277
Capital outlay	-	2,807,530	1,136,962	1,670,568
	<u>6,086,825</u>	<u>8,855,736</u>	<u>7,019,520</u>	<u>1,836,216</u>
Volunteer firemen				
Personnel benefits	109,500	109,500	109,391	109
Other operating expenses	47,500	43,500	39,761	3,739
	<u>157,000</u>	<u>153,000</u>	<u>149,152</u>	<u>3,848</u>
Total fire department	<u>6,243,825</u>	<u>9,008,736</u>	<u>7,168,672</u>	<u>1,840,064</u>
Buildings, permits and inspections				
Salaries	306,190	285,165	285,164	1
Personnel benefits	94,084	114,074	105,295	8,779
Other operating expenses	37,322	35,057	24,190	10,867
	<u>437,596</u>	<u>434,296</u>	<u>414,649</u>	<u>19,647</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Neighborhood services and code compliance				
Salaries	\$ 312,517	\$ 308,049	\$ 308,049	\$ -
Personnel benefits	110,460	125,707	125,707	-
Other operating expenses	150,160	143,339	143,339	-
	<u>573,137</u>	<u>577,095</u>	<u>577,095</u>	<u>-</u>
Total public safety	<u>17,800,096</u>	<u>20,699,696</u>	<u>18,173,885</u>	<u>2,525,811</u>
Department of public works				
Supervision and engineering				
Salaries	668,154	677,696	677,565	131
Personnel benefits	242,972	296,019	291,851	4,168
Other operating expenses	501,886	1,294,757	220,056	1,074,701
Capital outlay	-	2,160	2,160	-
	<u>1,413,012</u>	<u>2,270,632</u>	<u>1,191,632</u>	<u>1,079,000</u>
Roadways				
Salaries	311,211	312,216	312,216	-
Personnel benefits	130,007	156,084	151,826	4,258
Other operating expenses	257,956	326,969	111,471	215,498
Capital outlay	-	48,496	48,496	-
	<u>699,174</u>	<u>843,765</u>	<u>624,009</u>	<u>219,756</u>
Highway lighting				
Other operating expenses	789,600	819,451	813,814	5,637
	<u>789,600</u>	<u>819,451</u>	<u>813,814</u>	<u>5,637</u>
Sanitation				
Street cleaning				
Salaries	86,542	78,922	73,634	5,288
Personnel benefits	38,434	45,907	38,511	7,396
Other operating expenses	33,839	35,686	30,000	5,686
Capital outlay	-	182,312	182,312	-
	<u>158,815</u>	<u>342,827</u>	<u>324,457</u>	<u>18,370</u>
Waste collection and disposal				
Salaries	322,954	292,430	292,430	-
Personnel benefits	151,230	162,603	150,878	11,725
Other operating expenses	789,083	802,351	686,796	115,555
Capital outlay	-	121,212	121,212	-
	<u>1,263,267</u>	<u>1,378,596</u>	<u>1,251,316</u>	<u>127,280</u>

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**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recycling				
Salaries	\$ 86,682	\$ 88,796	\$ 88,672	\$ 124
Personnel benefits	38,935	45,282	42,880	2,402
Other operating expenses	30,440	28,072	26,487	1,585
	<u>156,057</u>	<u>162,150</u>	<u>158,039</u>	<u>4,111</u>
Total sanitation	<u>1,578,139</u>	<u>1,883,573</u>	<u>1,733,812</u>	<u>149,761</u>
Fleet maintenance				
Salaries	249,883	246,016	246,016	-
Personnel benefits	96,378	108,568	108,466	102
Other operating expenses	210,378	202,289	197,174	5,115
	<u>556,639</u>	<u>556,873</u>	<u>551,656</u>	<u>5,217</u>
Carpenter shop				
Salaries	89,263	87,248	87,248	-
Personnel benefits	37,663	44,637	44,637	-
Other operating expenses	27,343	32,002	32,002	-
Capital outlay	-	18,948	18,948	-
	<u>154,269</u>	<u>182,835</u>	<u>182,835</u>	<u>-</u>
Total department of public works	<u>5,190,833</u>	<u>6,557,129</u>	<u>5,097,758</u>	<u>1,459,371</u>
Recreation and culture				
Municipal zoo				
Salaries	640,231	617,082	637,053	(19,971)
Personnel benefits	187,610	198,484	195,130	3,354
Other operating expenses	408,670	452,397	474,072	(21,675)
Capital outlay	-	35,311	35,311	-
	<u>1,236,511</u>	<u>1,303,274</u>	<u>1,341,566</u>	<u>(38,292)</u>
Park maintenance				
Salaries	201,505	184,747	178,257	6,490
Personnel benefits	93,189	99,429	92,915	6,514
Other operating expenses	123,971	110,670	96,186	14,484
Capital outlay	-	32,773	24,000	8,773
	<u>418,665</u>	<u>427,619</u>	<u>391,358</u>	<u>36,261</u>
Total recreation and culture	<u>1,655,176</u>	<u>1,730,893</u>	<u>1,732,924</u>	<u>(2,031)</u>

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**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Nondepartmental				
Insurance				
Insurance	\$ 380,940	\$ 400,846	\$ 400,846	\$ -
	<u>380,940</u>	<u>400,846</u>	<u>400,846</u>	<u>-</u>
Miscellaneous				
Personnel benefits	2,000	2,000	-	2,000
Other operating expenses	3,600	3,600	3,542	58
Mayor's contingency	50,000	53,572	30,000	23,572
	<u>55,600</u>	<u>59,172</u>	<u>33,542</u>	<u>25,630</u>
Total nondepartmental	<u>436,540</u>	<u>460,018</u>	<u>434,388</u>	<u>25,630</u>
Debt payments				
Principal redemption	2,243,295	2,226,816	2,225,195	1,621
Interest	978,980	948,000	901,619	46,381
Total debt payments	<u>3,222,275</u>	<u>3,174,816</u>	<u>3,126,814</u>	<u>48,002</u>
Total expenditures	<u>31,047,092</u>	<u>35,473,915</u>	<u>31,021,454</u>	<u>4,452,461</u>
Other financing uses				
Transfer to other funds	157,388	187,450	174,654	12,796
Total other financing uses	<u>157,388</u>	<u>187,450</u>	<u>174,654</u>	<u>12,796</u>
Total Expenditures and Other Financing Uses	<u>\$31,204,480</u>	<u>\$35,661,365</u>	<u>\$31,196,108</u>	<u>\$4,465,257</u>

## **Nonmajor Governmental Funds**

**CITY OF SALISBURY, MARYLAND**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	Special Revenue Funds						Total
	Parking Authority Fund	Curb, Gutter and Sidewalk Fund	Water and Sewer Impact Fund	Grant Fund	Reimbursement Fund	Community Development Fund	
<b>ASSETS</b>							
Cash	\$ 137,529	\$ 2,961	\$ 3,311,246	\$ -	\$ 68,754	\$ -	\$ 3,520,490
Investment pool	373,348	30,966	482,698	2,665	2,762	156	892,595
Accounts receivable	356	51,211	-	265,823	-	6,300	323,690
<b>TOTAL ASSETS</b>	<b><u>\$ 511,233</u></b>	<b><u>\$ 85,138</u></b>	<b><u>\$ 3,793,944</u></b>	<b><u>\$ 268,488</u></b>	<b><u>\$ 71,516</u></b>	<b><u>\$ 6,456</u></b>	<b><u>\$ 4,736,775</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 58,713	\$ -	\$ -	\$ 479,830	\$ 342	\$ 103,990	\$ 642,875
Due to other funds	-	-	802,064	-	-	-	802,064
<b>Total Liabilities</b>	<b><u>58,713</u></b>	<b><u>-</u></b>	<b><u>802,064</u></b>	<b><u>479,830</u></b>	<b><u>342</u></b>	<b><u>103,990</u></b>	<b><u>1,444,939</u></b>
<b>Fund Balances (Deficit):</b>							
Reserved for encumbrances	117,327	43,878	-	119,390	1,300	8,220	290,115
Undesignated	335,193	41,260	2,991,880	(330,732)	69,874	(105,754)	3,001,721
<b>Total Fund Balances (Deficit)</b>	<b><u>452,520</u></b>	<b><u>85,138</u></b>	<b><u>2,991,880</u></b>	<b><u>(211,342)</u></b>	<b><u>71,174</u></b>	<b><u>(97,534)</u></b>	<b><u>3,291,836</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 511,233</u></b>	<b><u>\$ 85,138</u></b>	<b><u>\$ 3,793,944</u></b>	<b><u>\$ 268,488</u></b>	<b><u>\$ 71,516</u></b>	<b><u>\$ 6,456</u></b>	<b><u>\$ 4,736,775</u></b>

**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Special Revenue Funds						Total
	Parking Authority Fund	Curb, Gutter and Sidewalk Fund	Water and Sewer Impact Fund	Grant Fund	Reimbursement Fund	Community Development Fund	
<b>REVENUES</b>							
Curb, gutter and sidewalk assessments	\$ -	\$ 21,523	\$ -	\$ -	\$ -	\$ -	\$ 21,523
Fees	-	-	625,949	-	11,468	-	637,417
Earnings on investments	7,927	382	46,261	-	259	-	54,829
Grant revenues	-	-	-	807,985	-	319,994	1,127,979
Parking permits and meter collections	659,915	-	-	-	-	-	659,915
Rent and other	6,097	-	-	-	-	-	6,097
<b>TOTAL REVENUES</b>	<b>673,939</b>	<b>21,905</b>	<b>672,210</b>	<b>807,985</b>	<b>11,727</b>	<b>319,994</b>	<b>2,507,760</b>
<b>EXPENDITURES</b>							
Salaries	166,514	-	-	227,556	-	85,189	479,259
Personnel benefits	74,679	-	-	88,039	-	21,849	184,567
Professional and skilled services	145,805	-	38,225	-	-	1,498	185,528
Supplies	16,898	-	-	-	-	283,069	299,967
Other operating expenses	144,805	1,447	-	277,865	7,200	6,973	438,290
Capital outlay	123,267	-	-	45,873	-	-	169,140
Debt service	94,292	-	-	-	-	-	94,292
<b>TOTAL EXPENDITURES</b>	<b>766,260</b>	<b>1,447</b>	<b>38,225</b>	<b>639,333</b>	<b>7,200</b>	<b>398,578</b>	<b>1,851,043</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(92,321)</b>	<b>20,458</b>	<b>633,985</b>	<b>168,652</b>	<b>4,527</b>	<b>(78,584)</b>	<b>656,717</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in (out)	20,000	-	(802,064)	-	-	91,679	(690,385)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>20,000</b>	<b>-</b>	<b>(802,064)</b>	<b>-</b>	<b>-</b>	<b>91,679</b>	<b>(690,385)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(72,321)</b>	<b>20,458</b>	<b>(168,079)</b>	<b>168,652</b>	<b>4,527</b>	<b>13,095</b>	<b>(33,668)</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>524,841</b>	<b>64,680</b>	<b>3,159,959</b>	<b>(379,994)</b>	<b>66,647</b>	<b>(110,629)</b>	<b>3,325,504</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 452,520</b>	<b>\$ 85,138</b>	<b>\$ 2,991,880</b>	<b>\$ (211,342)</b>	<b>\$ 71,174</b>	<b>\$ (97,534)</b>	<b>\$ 3,291,836</b>

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**PARKING AUTHORITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Parking permits, fines, state grants, meters and Park 'n Shop	\$ 690,000	\$ 690,000	\$ 659,915	\$ (30,085)
Earnings on investments	15,000	15,000	7,927	(7,073)
Rent and other	10,000	10,000	6,097	(3,903)
Current surplus available	40,000	40,000	-	(40,000)
Transfers	20,000	20,000	20,000	-
<b>TOTAL REVENUES</b>	<u>775,000</u>	<u>775,000</u>	<u>693,939</u>	<u>(81,061)</u>
<b>EXPENDITURES</b>				
Salaries	171,186	169,810	166,514	3,296
Personnel benefits	40,510	78,510	74,679	3,831
Professional and skilled services	198,148	198,021	145,805	52,216
Supplies	15,000	27,788	16,898	10,890
Other operating expenses	211,655	243,220	144,805	98,415
Capital outlays	44,209	132,554	123,267	9,287
Debt service:				
Principal redemption	52,100	52,100	52,100	-
Interest	42,192	42,192	42,192	-
<b>TOTAL EXPENDITURES</b>	<u>775,000</u>	<u>944,195</u>	<u>766,260</u>	<u>177,935</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ (169,195)</u>	<u>(72,321)</u>	<u>\$ 96,874</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>524,841</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 452,520</u>	

**CITY OF SALISBURY, MARYLAND  
 COMBINING BALANCE SHEET -  
 WATER AND SEWER IMPACT FUND  
 JUNE 30, 2009**

	<u>Water Impact</u>	<u>Sewer Impact</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 1,190,292	\$ 2,120,954	\$ 3,311,246
Investment pool	<u>261,992</u>	<u>220,706</u>	<u>482,698</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,452,284</u></u>	<u><u>\$ 2,341,660</u></u>	<u><u>\$ 3,793,944</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ 41,857	\$ 760,207	\$ 802,064
Fund Balances:			
Undesignated	<u>1,410,427</u>	<u>1,581,453</u>	<u>2,991,880</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,452,284</u></u>	<u><u>\$ 2,341,660</u></u>	<u><u>\$ 3,793,944</u></u>

**CITY OF SALISBURY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 WATER AND SEWER IMPACT FUND  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Water Impact</u>	<u>Sewer Impact</u>	<u>Total</u>
<b>REVENUES</b>			
Fees	\$ 225,302	\$ 400,647	\$ 625,949
Earnings on investments	<u>17,718</u>	<u>28,543</u>	<u>46,261</u>
<b>TOTAL REVENUES</b>	<u>243,020</u>	<u>429,190</u>	<u>672,210</u>
<b>EXPENDITURES</b>			
Operating expenses	<u>-</u>	<u>38,225</u>	<u>38,225</u>
<b>TOTAL OPERATING EXPENDITURES</b>	<u>-</u>	<u>38,225</u>	<u>38,225</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>243,020</u>	<u>390,965</u>	<u>633,985</u>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>			
Operating transfers out	<u>(41,857)</u>	<u>(760,207)</u>	<u>(802,064)</u>
<b>TOTAL NONOPERATING EXPENDITURES</b>	<u>(41,857)</u>	<u>(760,207)</u>	<u>(802,064)</u>
<b>CHANGE IN NET ASSETS</b>	201,163	(369,242)	(168,079)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,209,264</u>	<u>1,950,695</u>	<u>3,159,959</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 1,410,427</u></u>	<u><u>\$ 1,581,453</u></u>	<u><u>\$ 2,991,880</u></u>

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND DEFICIT -**  
**GRANT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Actual
<b>REVENUES</b>	
Federal	\$ 39,692
State	628,047
County	17,880
Others	122,366
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>807,985</b>
 <b>EXPENDITURES</b>	
Federal	
Operating expenses	44,461
State	
Salaries	159,201
Personnel benefits	69,791
Operating expenses	154,439
Capital outlays	45,873
Other	
Salaries	68,355
Personnel benefits	18,248
Operating expenses	78,965
<b>TOTAL EXPENDITURES</b>	<b>639,333</b>
 <b>EXCESS OF REVENUES OVER EXPENDITURES</b>	 168,652
 <b>FUND DEFICIT, BEGINNING OF YEAR</b>	 <u>(379,994)</u>
 <b>FUND DEFICIT, END OF YEAR</b>	 <u><u>\$ (211,342)</u></u>



## **Nonmajor Proprietary Funds**

**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF FUND NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	Enterprise Funds		Total
	Septage Treatment Fund	City Marina Fund	
<b>ASSETS</b>			
Current Assets:			
Investment pool	\$ -	\$ 2,178	\$ 2,178
Accounts receivable	-	5,236	5,236
Due from other governmental units	89,572	-	89,572
<b>Total Current Assets</b>	<u>89,572</u>	<u>7,414</u>	<u>96,986</u>
Noncurrent assets:			
Capital assets			
Land, buildings, equipment and improvements	128,292	2,980,254	3,108,546
Less accumulated depreciation	(128,292)	(1,285,711)	(1,414,003)
<b>Total Noncurrent Assets</b>	<u>-</u>	<u>1,694,543</u>	<u>1,694,543</u>
<b>TOTAL ASSETS</b>	<u>\$ 89,572</u>	<u>\$ 1,701,957</u>	<u>\$ 1,791,529</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 84,503	\$ 81,215	\$ 165,718
Due to other governmental units	5,850	-	5,850
<b>Total Liabilities</b>	<u>90,353</u>	<u>81,215</u>	<u>171,568</u>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets net of related debt	-	1,694,543	1,694,543
Unrestricted (deficit)	(781)	(73,801)	(74,582)
<b>Total Net Assets (Deficit)</b>	<u>(781)</u>	<u>1,620,742</u>	<u>1,619,961</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 89,572</u>	<u>\$ 1,701,957</u>	<u>\$ 1,791,529</u>

**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Enterprise Funds		Total
	Septage Treatment Fund	City Marina Fund	
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ 26,822	\$ 26,822
<b>TOTAL OPERATING REVENUES</b>	<u>-</u>	<u>26,822</u>	<u>26,822</u>
<b>OPERATING EXPENSES</b>			
Salaries	-	3,977	3,977
Personnel benefits	-	308	308
Professional and skilled services	-	43,867	43,867
Supplies	-	12,991	12,991
Other expenses	-	11,915	11,915
Bad debt expense	-	16,739	16,739
<b>TOTAL OPERATING EXPENSES</b>	<u>-</u>	<u>89,797</u>	<u>89,797</u>
<b>OPERATING LOSS BEFORE DEPRECIATION</b>	-	(62,975)	(62,975)
Depreciation	-	105,429	105,429
<b>NET OPERATING LOSS</b>	<u>-</u>	<u>(168,404)</u>	<u>(168,404)</u>
<b>NONOPERATING REVENUES</b>			
Operating transfers in	-	62,975	62,975
<b>TOTAL NONOPERATING REVENUES</b>	<u>-</u>	<u>62,975</u>	<u>62,975</u>
<b>CHANGE IN NET ASSETS</b>	-	(105,429)	(105,429)
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>(781)</u>	<u>1,726,171</u>	<u>1,725,390</u>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ (781)</u>	<u>\$ 1,620,742</u>	<u>\$ 1,619,961</u>

## **Enterprise Funds**

**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -**  
**ENTERPRISE FUND - WATER AND SEWER FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Water</u> <u>Department</u>	<u>Sewer</u> <u>Department</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,933,795	\$ 7,075,001	\$11,008,796
Penalties	21,379	41,146	62,525
Tapping charges and connection fees	25,783	18,635	44,418
Sundry income	133,455	48,501	181,956
Pretreatment monitoring fee	-	179,118	179,118
<b>TOTAL OPERATING REVENUES</b>	<u>4,114,412</u>	<u>7,362,401</u>	<u>11,476,813</u>
<b>OPERATING EXPENSES</b>			
Salaries	1,442,888	2,207,201	3,650,089
Personnel benefits	642,536	1,099,778	1,742,314
Professional and skilled services	588,476	969,974	1,558,450
Supplies	647,926	580,693	1,228,619
Other operating expenses	559,584	1,331,764	1,891,348
Equipment	86,504	3,305	89,809
<b>TOTAL OPERATING EXPENSES</b>	<u>3,967,914</u>	<u>6,192,715</u>	<u>10,160,629</u>
<b>OPERATING INCOME BEFORE DEPRECIATION</b>	146,498	1,169,686	1,316,184
Depreciation	<u>617,075</u>	<u>936,877</u>	<u>1,553,952</u>
<b>NET OPERATING LOSS</b>	<u>(470,577)</u>	<u>232,809</u>	<u>(237,768)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal and state grants	-	539,799	539,799
Transfers from impact fees	41,857	760,207	802,064
Interest income	50,511	106,182	156,693
Interest expense	(124,117)	(498,279)	(622,396)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(31,749)</u>	<u>907,909</u>	<u>876,160</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (502,326)</u>	<u>\$ 1,140,718</u>	638,392
<b>NET ASSETS, BEGINNING OF YEAR</b>			<u>57,626,503</u>
<b>NET ASSETS, END OF YEAR</b>			<u>\$58,264,895</u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - WATER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Inspection fees	\$ 150,000	\$ 150,000	\$ 112,288	\$ (37,712)
Water sales	3,865,937	3,865,937	3,821,507	(44,430)
Penalties	20,000	20,000	21,379	1,379
Interest earned	100,000	100,000	50,511	(49,489)
Water income - sundry	123,900	123,900	133,455	9,555
Tapping charges and connection fees	-	-	25,783	25,783
Transfers from impact fees	169,500	169,500	41,857	(127,643)
<b>TOTAL REVENUES</b>	<b>4,429,337</b>	<b>4,429,337</b>	<b>4,206,780</b>	<b>(222,557)</b>
<b>EXPENSES</b>				
<b>Engineering</b>				
Salaries	306,519	322,408	300,227	22,181
Personnel benefits	129,706	127,444	114,617	12,827
Professional and skilled services	182,090	411,862	268,572	143,290
Supplies	35,260	47,973	37,318	10,655
Other operating expenses	34,435	35,563	27,921	7,642
Budget adjustment	-	125,000	-	125,000
Equipment	30,000	30,000	-	30,000
<b>Total engineering</b>	<b>718,010</b>	<b>1,100,250</b>	<b>748,655</b>	<b>351,595</b>
<b>Billing and collection</b>				
Salaries	72,288	72,287	72,178	109
Personnel benefits	27,630	33,510	29,487	4,023
Professional and skilled services	53,745	57,213	43,337	13,876
Supplies	44,843	36,937	20,167	16,770
Other operating expenses	18,875	19,149	12,050	7,099
Equipment	-	3,720	-	3,720
<b>Total billing and collection</b>	<b>217,381</b>	<b>222,816</b>	<b>177,219</b>	<b>45,597</b>
<b>Water treatment</b>				
Salaries	483,892	466,939	459,283	7,656
Personnel benefits	184,363	241,945	216,356	25,589
Professional and skilled services	227,480	374,196	200,429	173,767
Supplies	337,420	566,142	427,482	138,660
Other operating expenses	521,403	470,609	376,103	94,506
Equipment	225,000	530,702	-	530,702
<b>Total water treatment</b>	<b>1,979,558</b>	<b>2,650,533</b>	<b>1,679,653</b>	<b>970,880</b>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - WATER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Distribution and storage				
Salaries	\$ 503,606	\$ 504,968	\$ 499,507	\$ 5,461
Personnel benefits	198,096	270,196	251,136	19,060
Professional and skilled services	67,644	83,638	56,764	26,874
Supplies	328,295	405,455	162,209	243,246
Other operating expenses	36,191	37,077	30,935	6,142
Equipment	431,500	192,940	86,504	106,436
Total distribution and storage	<u>1,565,332</u>	<u>1,494,274</u>	<u>1,087,055</u>	<u>407,219</u>
Administration				
Salaries	114,620	113,519	111,693	1,826
Personnel benefits	41,468	42,974	30,940	12,034
Professional and skilled services	19,850	22,888	19,374	3,514
Supplies	-	750	750	-
Other operating expenses	104,929	106,306	112,575	(6,269)
Total administration	<u>280,867</u>	<u>286,437</u>	<u>275,332</u>	<u>11,105</u>
Debt payments				
Principal redemption	277,893	277,893	-	277,893
Interest	223,362	218,484	124,117	94,367
Total debt payments	<u>501,255</u>	<u>496,377</u>	<u>124,117</u>	<u>372,260</u>
<b>TOTAL EXPENSES</b>	<u>5,262,403</u>	<u>6,250,687</u>	<u>4,092,031</u>	<u>2,158,656</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES BEFORE DEPRECIATION</b>	(833,066)	(1,821,350)	114,749	1,936,099
Depreciation and amortization	-	-	617,075	(617,075)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (833,066)</u>	<u>\$ (1,821,350)</u>	<u>\$ (502,326)</u>	<u>\$ 1,319,024</u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - SEWER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sewer charges	\$ 6,927,420	\$ 6,927,420	\$ 6,782,717	\$ (144,703)
Sewer charges-urban services	260,000	260,000	292,284	32,284
Penalties	40,000	40,000	41,146	1,146
Pretreatment monitoring fees	170,013	170,013	179,118	9,105
Interest earned	100,000	100,000	106,182	6,182
Sewer income - sundry	19,000	19,000	48,501	29,501
Tapping charges and connection fees	-	-	18,635	18,635
Transfers from impact fees	805,207	805,207	760,207	(45,000)
Grants	-	-	539,799	539,799
<b>TOTAL REVENUES</b>	<b>8,321,640</b>	<b>8,321,640</b>	<b>8,768,589</b>	<b>446,949</b>
<b>EXPENSES</b>				
<b>Engineering</b>				
Salaries	466,862	466,056	466,056	-
Personnel benefits	177,013	184,448	174,997	9,451
Professional and skilled services	193,500	593,661	176,080	417,581
Supplies	38,330	35,971	30,394	5,577
Other operating expenses	53,736	56,229	46,581	9,648
Equipment	60,000	54,642	-	54,642
<b>Total engineering</b>	<b>989,441</b>	<b>1,391,007</b>	<b>894,108</b>	<b>496,899</b>
<b>Billing and collection</b>				
Salaries	128,511	128,511	128,317	194
Personnel benefits	49,107	68,145	67,726	419
Professional and skilled services	1,100	3,075	2,562	513
Supplies	13,444	2,129	1,449	680
Other operating expenses	25,676	25,390	20,207	5,183
<b>Total billing and collection</b>	<b>217,838</b>	<b>227,250</b>	<b>220,261</b>	<b>6,989</b>
<b>Wastewater treatment</b>				
Salaries	1,125,127	1,035,420	1,030,958	4,462
Personnel benefits	495,196	569,921	542,885	27,036
Professional and skilled services	559,550	669,161	398,128	271,033
Supplies	630,500	787,249	474,777	312,472
Other operating expenses	1,059,041	1,065,781	988,443	77,338
Equipment	585,000	555,963	1,260	554,703
<b>Total wastewater treatment</b>	<b>4,454,414</b>	<b>4,683,495</b>	<b>3,436,451</b>	<b>1,247,044</b>

Continued on next page.



**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - SEWER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Maintenance and repair				
Salaries	\$ 383,490	\$ 366,643	\$ 365,558	\$ 1,085
Personnel benefits	174,892	238,052	222,358	15,694
Professional and skilled services	190,801	316,271	161,936	154,335
Supplies	64,930	64,896	59,998	4,898
Other operating expenses	65,860	68,795	57,602	11,193
Equipment	15,500	15,500	2,045	13,455
Total maintenance and repair	<u>895,473</u>	<u>1,070,157</u>	<u>869,497</u>	<u>200,660</u>
Pretreatment monitoring				
Salaries	98,874	84,094	83,521	573
Personnel benefits	28,442	51,624	48,382	3,242
Professional and skilled services	20,750	16,777	9,682	7,095
Supplies	16,450	16,078	14,075	2,003
Other operating expenses	5,884	6,256	4,042	2,214
Total pretreatment monitoring	<u>170,400</u>	<u>174,829</u>	<u>159,702</u>	<u>15,127</u>
Administration				
Salaries	136,265	134,961	132,791	2,170
Personnel benefits	48,634	50,965	43,430	7,535
Professional and skilled services	71,750	231,874	221,586	10,288
Other operating expenses	183,260	215,560	214,889	671
Total administration	<u>439,909</u>	<u>633,360</u>	<u>612,696</u>	<u>20,664</u>
Debt payments				
Principal redemption	2,836,675	2,891,028	-	2,891,028
Interest	585,016	573,929	498,279	75,650
Total debt payments	<u>3,421,691</u>	<u>3,464,957</u>	<u>498,279</u>	<u>2,966,678</u>
<b>TOTAL EXPENSES</b>	<u>10,589,166</u>	<u>11,645,055</u>	<u>6,690,994</u>	<u>4,954,061</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES BEFORE DEPRECIATION</b>	<u>(2,267,526)</u>	<u>(3,323,415)</u>	<u>2,077,595</u>	<u>5,401,010</u>
Depreciation	<u>-</u>	<u>-</u>	<u>936,877</u>	<u>(936,877)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (2,267,526)</u></u>	<u><u>\$ (3,323,415)</u></u>	<u><u>\$ 1,140,718</u></u>	<u><u>\$ 4,464,133</u></u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - CITY MARINA**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Slip rentals	\$ -	\$ 16,100	\$ 23,362	\$ 7,262
Electric fees	-	-	3,346	3,346
Miscellaneous	-	8,900	114	(8,786)
<b>TOTAL OPERATING REVENUES</b>	<b>-</b>	<b>25,000</b>	<b>26,822</b>	<b>1,822</b>
<b>OPERATING EXPENSES</b>				
Salaries	-	3,977	3,977	-
Personnel benefits	-	355	308	47
Professional and skilled services	40,000	56,728	43,867	12,861
Supplies	300	10,971	12,991	(2,020)
Other services and charges	5,409	28,740	11,915	16,825
Bad debt expense	-	-	16,739	(16,739)
<b>TOTAL OPERATING EXPENSES</b>	<b>45,709</b>	<b>100,771</b>	<b>89,797</b>	<b>10,974</b>
<b>OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>	<b>(45,709)</b>	<b>(75,771)</b>	<b>(62,975)</b>	<b>12,796</b>
Depreciation	-	-	105,429	(105,429)
<b>NET OPERATING LOSS</b>	<b>(45,709)</b>	<b>(75,771)</b>	<b>(168,404)</b>	<b>(92,633)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Operating transfer in	45,709	75,771	62,975	(12,796)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>45,709</b>	<b>75,771</b>	<b>62,975</b>	<b>(12,796)</b>
<b>NET LOSS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (105,429)</b>	<b>\$ (105,429)</b>

## **Statistical Information**

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)**  
**JUNE 30, 2009**

<u>Levy Year</u>	<u>Total</u>	<u>General Fund</u>		
		<u>Real Property</u>	<u>Personal Property</u>	<u>Corporations</u>
2009	\$ 282,994	\$ 87,651	\$ 4,754	\$ 190,589
2008	186,392	67,987	3,153	115,252
2007	153,999	54,652	1,570	97,777
2006	140,865	79,607	3,400	57,858
2005 and prior	<u>494,885</u>	<u>217,774</u>	<u>40,315</u>	<u>236,796</u>
	1,259,135	507,671	53,192	698,272
Less allowance for uncollectibles	<u>(534,624)</u>	<u>-</u>	<u>(47,812)</u>	<u>(486,812)</u>
	<u>\$ 724,511</u>	<u>\$ 507,671</u>	<u>\$ 5,380</u>	<u>\$ 211,460</u>

NOTE: Included in the above are deferred taxes of \$454,966.

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF BONDED INDEBTEDNESS (UNAUDITED)**  
**JUNE 30, 2009**

Description of bonds and purpose of issue	Interest		Bond Maturities
	Rate (Percent)	Dates Payable	
General obligation bonds			
Public Improvement Bonds of 1994	6; 4.1; 4; 4.15; 4.35; 4.5; 4.6; 4.7; 4.8; 4.9; 5; 5.125	F & A1	2/1/95-14
Public Improvement Bonds of 1999	4.39	J & D1	6/1/2014
Public Improvement Bonds of 2001	4.77	M & N1	5/1/02-21
Maryland Water Quality Financing Administration Revolving Loan Fund Revenue Bonds	4.894	M & S1	9/1/91-11
Maryland Water Quality Financing Administration	4.894	M & S1	9/1/91-11
Water Quality Bond of 2003	0.40	F & A1	8/1/03-24
Infrastructure Bond of 2003	4.5 - 2.0	M & N1	3/1/03-23
Public Improvement Bonds of 2004	2.0 - 4.6	M & N1	5/1/05-24
Water Quality Bond of 2005	0.40	F & A1	2/1/09-28
Public Improvement Bonds of 2007	4.03	A & O1	4/1/08-27
Public Improvement Bonds of 2008	4.09	F & A1	2/1/09-28

Date Issued	Authorized Total Issue	Outstanding June 30, 2009	Requirements to June 30, 2010		Payable At
			Principal	Interest	
2/1/1994	\$ 6,975,000	\$ 2,500,000	\$ 500,000	\$ 126,156	Bank of New York
5/18/1999	4,860,000	1,984,630	363,222	83,182	Bank of America
5/1/2001	1,201,900	838,400	53,400	40,108	M&T Bank
3/1/1990	76,146	10,923	3,469	755	MD Water Quality Fin.
3/1/1990	2,848,109	614,101	195,001	39,774	MD Water Quality Fin.
4/17/2003	3,163,361	2,396,038	155,311	17,419	MD Dept Environment
3/1/2003	5,614,000	4,287,900	241,900	169,141	M&T Bank
4/22/2004	5,318,000	4,089,600	262,300	169,817	M&T Bank
9/29/2005	42,009,341	37,811,015	2,029,851	259,774	MD Water Quality Fin.
4/12/2007	4,950,000	4,455,000	247,500	179,537	Suntrust Leasing Corp.
1/22/2008	3,605,000	<u>3,455,000</u>	<u>155,000</u>	<u>141,310</u>	Suntrust Equip & Leasing Corp
		<u>\$ 62,442,607</u>	<u>\$ 4,206,954</u>	<u>\$ 1,226,973</u>	

**CITY OF SALISBURY, MARYLAND  
GENERAL FUND REVENUE BY SOURCE (UNAUDITED)  
FIVE YEARS ENDED JUNE 30, 2009**

Fiscal Year Ended June 30	Property Taxes	Local Income Taxes	State Shared Taxes	Licenses and Permits	Fines and Forfeitures	Revenues from Use of Money and Property	Revenue from Other Agencies	Service Charges and other	Total	Surplus Appropriated
2009	\$ 20,256,196	\$ 1,673,627	\$ 2,004,180	\$ 862,143	\$ 105,234	\$ 169,970	\$ 1,776,385	\$ 3,392,935	\$ 30,240,670	\$ 1,622,353
	66.59 %	5.50 %	6.59 %	2.83 %	0.46 %	0.56 %	5.84 %	11.63 %	100.00 %	
2008	19,553,399	1,863,022	2,224,103	1,037,604	104,544	374,410	1,826,485	3,256,356	30,239,923	1,280,950
	64.66	6.16	7.35	3.43	0.35	1.24	6.04	10.77	100.00	
2007	16,038,834	1,716,039	2,247,018	1,159,394	83,328	548,071	1,853,060	2,862,909	26,508,653	1,004,028
	60.50	6.47	8.48	4.37	0.31	2.07	6.99	10.80	100.00	
2006	14,856,089	1,547,575	2,046,478	1,214,955	93,731	324,871	1,529,849	3,227,920	24,841,468	999,443
	59.80	6.23	8.24	4.89	0.38	1.31	6.16	12.99	100.00	
2005	13,657,010	1,635,726	1,764,753	1,024,378	81,500	155,411	1,528,300	2,073,555	21,920,633	2,449,000
	62.30	7.46	8.05	4.67	0.37	0.71	6.97	9.46	100.00	

**CITY OF SALISBURY, MARYLAND**  
**GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)**  
**FIVE YEARS ENDED JUNE 30, 2009**

Fiscal Year Ended June 30	General Government	Police	Fire	Other Safety	Department of Public Works				Miscellaneous & Transfers	Total
					Supervision & Engineering	Highways	Sanitation	Recreation		
2009	\$2,455,685 7.87 %	\$9,567,265 30.67 %	\$7,168,672 22.98 %	\$1,437,948 4.61 %	\$1,926,123 6.17 %	\$1,437,823 4.61 %	\$1,733,812 5.56 %	\$1,732,924 5.55 %	\$3,735,856 11.98 %	\$31,196,108 100.00 %
2008	2,468,488 8.68	9,366,404 32.93	5,590,087 19.65	1,363,544 4.79	2,154,483 7.57	1,402,172 4.93	1,651,054 5.80	1,509,422 5.31	2,940,585 10.34	28,446,239 100.00
2007	2,279,180 8.75	8,409,344 32.28	5,324,946 20.44	1,363,485 5.23	2,285,254 8.77	1,235,828 4.74	1,435,503 5.51	1,545,521 5.93	2,176,069 8.36	26,055,130 100.00
2006	2,087,591 8.24	8,045,350 31.74	6,044,072 23.84	1,277,396 5.04	1,876,712 7.40	1,189,938 4.69	1,465,253 5.78	1,491,098 5.88	1,870,828 7.38	25,348,238 100.00
2005	2,050,795 9.21	7,836,984 35.21	2,774,476 12.46	1,026,820 4.61	1,755,131 7.88	1,694,797 7.61	1,434,952 6.45	1,558,116 7.00	2,128,005 9.56	22,260,076 100.00



**CITY OF SALISBURY, MARYLAND  
WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)  
FIVE YEARS ENDED JUNE 30, 2009**

Fiscal Year Ended June 30	Revenue				Total
	Water Charges	Other Water	Sewer Charges	Other Sewer	
2009	\$ 3,933,795	\$ 180,617	\$ 7,075,001	\$ 287,400	\$ 11,476,813
2008	3,516,762	417,906	6,607,152	247,717	10,789,537
2007	3,560,733	611,841	6,670,475	412,109	11,255,158
2006	3,537,226	331,581	6,564,089	294,475	10,727,371
2005	3,539,672	461,058	6,395,675	301,824	10,698,229

In addition, debt service only includes interest expense (no principal payments).

<u>Surplus Appropriated</u>	<u>Expenditures</u>			<u>Depreciation</u>	<u>Total</u>
	<u>Operations</u>	<u>Capital Outlay</u>	<u>Debt Service</u>		
\$ 2,868,598	\$ 10,070,820	\$ 89,809	\$ 622,396	\$ 1,553,952	\$ 12,336,977
3,100,587	8,649,418	6,778	541,292	1,564,896	10,762,384
910,409	8,153,762	2,443,776	352,754	1,965,282	12,915,574
1,238,804	7,553,384	126,815	232,095	1,762,126	9,674,420
1,743,629	6,987,285	23,314	279,883	1,817,519	9,108,001

**CITY OF SALISBURY, MARYLAND (UNAUDITED)**  
**GENERAL AND SINKING FUND - PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)**  
**FIVE YEARS ENDED JUNE 30, 2009**

<u>Fiscal Year Ended June 30</u>	<u>Assessable Basis</u>	<u>Total General Sinking Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected in Year of Levy</u>
2009	\$ 2,300,114,378	\$ 22,307,156	\$ 19,672,764	88.19 %
2008	2,079,779,681	20,663,791	18,735,024	90.67
2007	1,832,493,066	16,350,148	15,397,454	94.17
2006	1,679,233,266	15,130,283	14,252,520	94.20
2005	1,585,794,577	14,481,213	13,629,881	94.12

<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
\$ 342,121	\$20,014,885	89.72 %	\$ 804,170	3.60 %
608,198	19,343,222	93.61	918,478	4.44
435,818	15,833,272	96.84	1,079,022	6.60
468,569	14,721,089	97.30	1,177,569	7.78
262,962	13,892,843	95.94	1,134,531	7.83

**CITY OF SALISBURY, MARYLAND**  
**GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS (UNAUDITED)**  
**FIVE YEARS ENDED JUNE 30, 2009**

Fiscal Year Ended June 30	Assessed Values				
	<u>Real Property</u>	Personal Property	<u>Corporations</u>		<u>Total</u>
	Full and Partial Year		<u>Ordinary</u>	<u>Railroads and Utilities</u>	
2009	\$2,015,985,078	\$ 2,966,990	\$ 228,511,610	\$52,650,700	\$2,300,114,378
2008	1,782,450,011	3,215,350	230,495,480	63,618,840	2,079,779,681
2007	1,558,315,846	3,719,000	214,614,320	55,843,900	1,832,493,066
2006	1,414,460,366	3,678,190	206,875,820	54,218,890	1,679,233,266
2005	1,318,079,567	4,080,470	208,098,460	55,536,080	1,585,794,577

<u>General Obligation Debt and Notes Payable</u>	<u>Ratio G. O. Debt to Assessed Values</u>	<u>Legal Debt Limit</u>	<u>Legal Debt Margin</u>	<u>Total G. O. Debt Service</u>	<u>Total Expenditures General Fund and Water &amp; Sewer</u>	<u>Ratio G. O. Debt Service to Total Expenditures</u>
\$66,092,298	0.0287	\$ 109,052,333	\$ 42,960,035	\$ 5,462,516	\$ 42,729,346	0.128
70,523,939	0.0339	101,030,967	30,507,028	5,758,606	38,169,578	0.151
69,101,295	0.0377	89,750,356	20,649,061	3,366,351	38,627,062	0.087
66,209,366	0.0394	83,055,705	16,846,339	3,048,104	34,619,264	0.088
25,737,158	0.0162	59,621,013	33,883,855	2,936,866	31,197,871	0.094