

**CITY OF SALISBURY, MARYLAND**

**AUDIT REPORT**

**JUNE 30, 2010**

CITY OF SALISBURY

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# CITY OF SALISBURY

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**CITY OF SALISBURY, MARYLAND**

**ORGANIZATION**

**SERVING AS OF JUNE 30, 2010**

**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
Director of Public Works	Teresa Gardner
Director of Department of Building, Permits and Inspections	William Holland
Director of Neighborhood Services and Code Compliance	M. Thomas Stevenson, Jr.
Acting Chief of Police	Ivan Barkley
Acting Chief of Fire Department	Richard A. Hoppes
Incorporated	1854

## INDEPENDENT AUDITORS' REPORT

Barbacane, Thornton & Company LLP

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December 6, 2010

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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, 2010, 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, 2010, and the respective changes in its financial position and its 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 6, 2010 on our consideration of the City of Salisbury's internal control over financial reporting and on 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 should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not required parts 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.

**BARBACANE  
THORNTON  
& COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

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 financial statements taken as a whole. 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 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 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The other statistical information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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



## 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, 2010. 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 \$98,838,895. Net assets of our governmental activities increased by \$888,752 (or 2.5 percent) while net assets of our business-type activities increased by \$2,698,743 (or 4.5 percent).
- The General fund reported expenditures in excess of revenues of \$1,048,161 bringing its fund balance this year to \$10,292,454. Revenues were less than budgeted, but expenditures were also less than budgeted. Revenues were lower in a large part due to funding cuts from the State of Maryland for Highway User Taxes and Police Aid Grants. In the FY 2010 budget, it was assumed that the City would use surplus. The final amount of surplus use budgeted for FY 2010 was \$1,953,685. The loss of \$1.0 million was less than budgeted.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements and 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

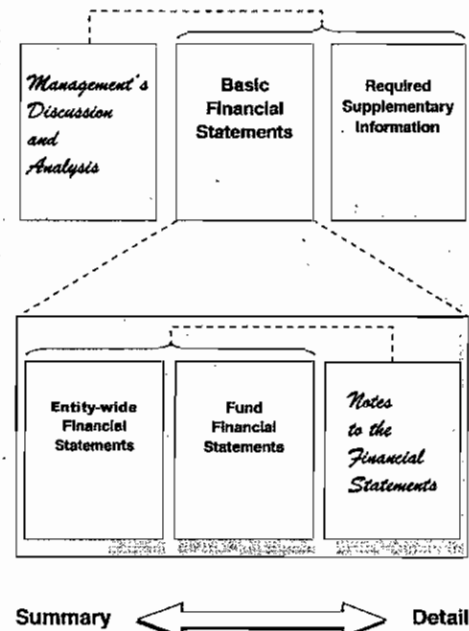


Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 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.

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, additional information is provided at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds**—Proprietary funds generally are used to account for services for which the City charges customers—either outside customers, or internal units or departments of the City. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for customer services including: water and sewer fees, Mitchell Landing Apartments rents and Septage treatment fees. Operating expenses for enterprise funds include cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds provide the same type of information as shown in the entity-wide financial statements.

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

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
Required financial statements	<ul style="list-style-type: none"> <li>Statement of net assets</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of net assets</li> <li>Statement of revenues, expenses, and changes in fund net assets</li> <li>Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>Statement of fiduciary net assets</li> <li>Statement of changes in fiduciary net assets</li> </ul>
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
Types of assets and liabilities information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets and liabilities that are due or payable or receivable or due during the year or soon thereafter or the capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not separately report capital assets although they exist
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



City of Salisbury, Maryland  
Management's Discussion & Analysis  
(Unaudited)

The City maintains the following type of enterprise funds to account for the operations of the City's business-type activities: water and sewer services and Mitchell Landing Apartments, all of which are considered to be major funds of the City, and several other nonmajor fee-supported activities.

- **Fiduciary funds**—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the City's entity-wide financial statements because the City cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

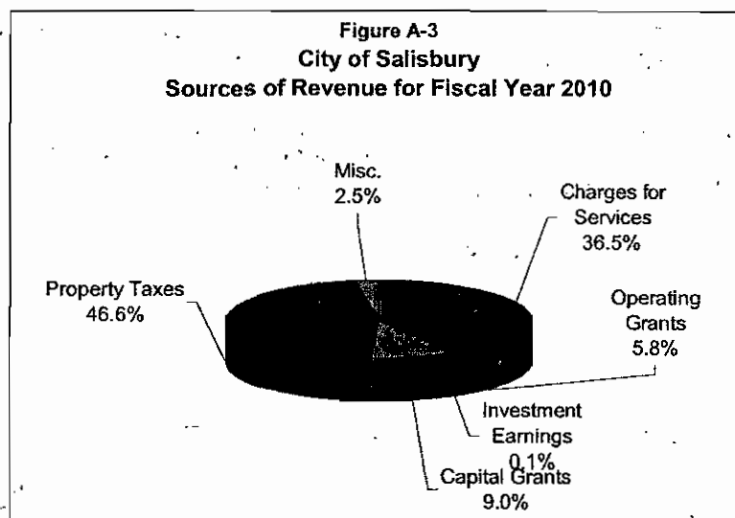
Net assets. The City's combined net assets were \$ 98.8 million.

**Table A-1**  
**CITY'S NET ASSETS**  
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 12,113	\$ 13,708	\$ 2,871	\$ 3,226	\$ 14,984	\$ 16,934
Accounts receivable, net	3,149	2,341	2,119	1,743	5,268	4,084
Due from other governmental units	795	305	1,391	392	2,186	697
Internal balances	(1,108)	(802)	1,108	802	-	-
Other	-	-	1	14	1	14
Inventories	796	518	708	646	1,504	1,164
<b>TOTAL CURRENT ASSETS</b>	<b>15,745</b>	<b>16,070</b>	<b>8,198</b>	<b>6,823</b>	<b>23,943</b>	<b>22,893</b>
<b>NONCURRENT ASSETS:</b>						
Restricted cash	5,352	6,616	5,422	2,058	10,774	8,674
Bond issuance costs, net of amortization	136	144	53	48	189	192
Capital assets at cost	65,662	60,523	141,888	137,648	207,550	198,171
Less accumulated depreciation	(21,556)	(19,730)	(38,468)	(36,853)	(60,024)	(56,583)
<b>TOTAL NONCURRENT ASSETS</b>	<b>49,594</b>	<b>47,553</b>	<b>108,895</b>	<b>102,901</b>	<b>158,489</b>	<b>150,454</b>
<b>TOTAL ASSETS</b>	<b>65,339</b>	<b>63,623</b>	<b>117,093</b>	<b>109,724</b>	<b>182,432</b>	<b>173,347</b>
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses	1,204	1,735	1,202	840	2,406	2,575
Bonds, notes and capital leases payable	2,378	2,398	3,062	2,975	5,440	5,373
Other	799	766	57	52	856	818
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,381</b>	<b>4,899</b>	<b>4,321</b>	<b>3,867</b>	<b>8,702</b>	<b>8,766</b>
<b>NONCURRENT LIABILITIES:</b>						
Compensated absences	1,370	1,164	246	196	1,616	1,360
Post-employment benefits	3,249	791	838	186	4,087	977
Bonds, notes and capital leases payable	19,828	21,147	49,360	45,846	69,188	66,993
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>24,447</b>	<b>23,102</b>	<b>50,444</b>	<b>46,228</b>	<b>74,891</b>	<b>69,330</b>
<b>TOTAL LIABILITIES</b>	<b>28,828</b>	<b>28,001</b>	<b>54,765</b>	<b>50,095</b>	<b>83,593</b>	<b>78,096</b>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	21,901	19,021	56,243	53,872	78,144	72,893
Restricted	6,985	7,108	178	160	7,163	7,268
Unrestricted	7,625	9,493	5,907	5,597	13,532	15,090
<b>TOTAL NET ASSETS</b>	<b>\$ 36,511</b>	<b>\$ 35,622</b>	<b>\$ 62,328</b>	<b>\$ 59,629</b>	<b>\$ 98,839</b>	<b>\$ 95,251</b>

Net assets of the City's governmental activities increased by 2.5 percent to \$36.5 million due to the addition of capital assets funded in part by cash and investments, partially offset by increases in noncurrent liabilities. Net assets of the City's business-type activities increased by 4.5 percent to \$62.3 million due to capital asset additions also funded in part by cash and investments.

The City's total revenues were \$50.6 million. A significant portion, 46.6 percent, of the City's revenue comes from property taxes. (See Figure A-3.) A portion, 36.5 percent, comes from charges for services and 5.8 percent comes from operating grants. The total cost of all programs and services was \$47.0 million.



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

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for services	\$ 5,694	\$ 6,070	\$ 12,760	\$ 11,652	\$ 18,454	\$ 17,722
Operating grants	2,910	3,742	-	-	2,910	3,742
Capital grants	2,435	1,172	2,126	540	4,561	1,712
General revenues/transfers:						
Taxes	23,307	22,455	-	-	23,307	22,455
Investment earnings	44	285	27	158	71	443
Operating transfers	(1,281)	(865)	1,281	865	-	-
Miscellaneous	1,278	546	-	-	1,278	546
<b>TOTAL REVENUES</b>	<b>\$ 34,387</b>	<b>\$ 33,405</b>	<b>\$ 16,194</b>	<b>\$ 13,215</b>	<b>\$ 50,581</b>	<b>\$ 46,620</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.

**Table A-3**  
**NET COST OF CITY FUNCTIONS**  
(in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	2010	2009	% Change	2010	2009	% Change
Governmental activities:						
General government	\$ 2,804	\$ 3,524	-20.4%	\$ 59	\$ 547	-89.2%
Public safety	19,462	18,352	6.0%	15,767	13,363	18.0%
Public works	7,544	5,924	27.3%	3,397	3,562	-4.6%
Recreation and culture	2,182	1,990	9.6%	1,729	1,334	29.6%
Miscellaneous	477	435	9.9%	478	434	10.1%
Interest on long-term debt	1,029	926	11.1%	1,029	926	11.1%
<b>Total governmental activities</b>	<b>33,498</b>	<b>31,151</b>		<b>22,459</b>	<b>20,166</b>	
Business-type activities:						
Water and sewer	13,153	12,337	6.6%	(1,529)	320	-577.8%
Other	342	386	11.4%	139	212	-34.4%
<b>Total business-type activities</b>	<b>13,495</b>	<b>12,723</b>		<b>(1,390)</b>	<b>532</b>	
<b>Total</b>	<b>\$ 46,993</b>	<b>\$ 43,874</b>		<b>\$ 21,069</b>	<b>\$ 20,698</b>	

CHANGE IN NET ASSETS  
(in thousands of dollars)

Governmental Activities		Business-type Activities		Totals	
2010	2009	2010	2009	2010	2009
\$ 889	\$ 2,254	\$ 2,699	\$ 491	\$ 3,588	\$ 2,745

**Governmental Activities**

Property tax rates were held constant between FY 2009 and FY 2010. The cost of all *governmental* activities this year was \$33.5 million. However, the amount that the City's taxpayers paid for these activities through taxes was only \$23.3 million. Some of the cost was paid by those who *directly* benefited from the programs, \$5.7 million, or by grants and contributions, \$5.3 million. The general government cost had a 7.5 percent increase between years, which can be attributed to overall cost increases.

**Business-type Activities**

Revenues of the City's business-type activities were \$16.2 million in FY 2010 vs. \$13.2 million in FY 2009 (refer to Table A-2) while expenses were \$13.5 million in FY 2010 versus \$12.7 million in FY 2009. The revenue increase is due to the City receiving \$2.1 million more in capital grants related to the wastewater treatment plant and water storage projects in FY 2010. Overall expenses increased slightly due to general cost increases.

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

As the City completed the year, its governmental funds reported a combined fund balance of \$17.3 million, \$1.2 million lower than the previous year. At year end, the general fund had a fund balance of \$10.3 million, \$1.0 million lower than the previous year. This has been attributed to lower tax revenue, but partially offset by lower expenditures. During the FY 2010 budget process, the City planned to use surplus for some capital outlay purchases versus borrowing additional funds through lease purchase or bonding. The capital improvements fund balance decreased by \$0.1 million to \$3.7 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 \$34.3 million versus an original budget of \$32.3 million. The majority of the variance is due to encumbrances carried forward from FY 2009. Actual expenditures were \$3.1 million below final budget amounts. Most departments were under budget during the year. One department with a negative variance was the fire department. The variance for this department was due to the use of lease proceeds received and recorded in FY 2009 (\$1.7 million) and the expenditures taking place in FY 2010.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2010, the City had invested \$207.5 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
	2010	2009	2010	2009	2010	2009	
Land and art	\$ 8,298	\$ 8,198	\$ 1,579	\$ 1,579	\$ 9,877	\$ 9,777	1%
Buildings and improvements	24,315	23,807	18,395	18,209	42,710	42,016	2%
Improvements, non-buildings	8,321	6,828	27,061	25,784	35,382	32,612	8%
Machinery and equipment	18,628	16,895	12,622	12,287	31,250	29,182	7%
Zoo animals	36	36	-	-	36	36	0%
Construction-in-progress	6,064	4,759	82,231	79,789	88,295	84,548	4%
Totals at historical cost	65,662	60,523	141,888	137,648	207,550	198,171	5%
Total accumulated depreciation	21,556	19,730	38,468	36,853	60,024	56,583	6%
Net capital assets	\$ 44,106	\$ 40,793	\$ 103,420	\$ 100,795	\$ 147,526	\$ 141,588	4%

*City of Salisbury, Maryland*  
**Management's Discussion & Analysis**  
(Unaudited)

This year's major additions were the purchase of several new fire fighting vehicles and the completion of a renovation and shoreline stabilization project at a box culvert, water main and sewer main upgrade. The remainder of the increase is due to the upgrade to the wastewater treatment plant, which is still under construction at year end, as well as construction of a new water tank, a storm drain upgrade and a shoreline stabilization project which were still under construction at year end.

The City's fiscal year 2011 capital budget consists primarily of the ongoing upgrade of the wastewater treatment plant and work on a sewer lift station project. 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 \$74.6 million in bonds and notes outstanding, an increase of \$2.2 million. The City issued \$2.6 million in general obligation bonds in FY 2010, as well as \$2.8 million in obligations with the Maryland Department of the Environment to upgrade a lift station. 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 reflects only the amount drawn on the obligation. This is offset by the current year's principal payment. As the upgrade and expansion continues, the remainder of the obligation will be drawn. The City did not enter into any new lease purchase obligations in FY 2010. The City is limited to a maximum general obligation bond limit of \$110 million. The City has recently issued its debt through private placement or use of loan programs with the State of Maryland, thus it does 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)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Total % Change</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
Leases payable	\$ 7,374	\$ 8,131	\$ 233	\$ 319	\$ 7,607	\$ 8,450	-10%
Bonds payable	14,510	15,323	50,807	47,120	65,317	62,443	5%
Mortgages and notes payable	321	91	1,382	1,382	1,703	1,473	16%
<b>Total Bonds and Notes Payable</b>	<b>\$ 22,205</b>	<b>\$ 23,545</b>	<b>\$ 52,422</b>	<b>\$ 48,821</b>	<b>\$ 74,627</b>	<b>\$ 72,366</b>	<b>3%</b>

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

- Construction activity in the City has continued to be 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, but it is significantly below the levels seen in this decade. In FY 2010, the City collected \$186,017 in building permit revenues and in FY 2006, the City collected \$909,834 in building permit revenues.
- Salisbury University has purchased several commercial real estate properties within the City. These sales have decreased the revenue base with these properties becoming nontaxable.
- With the slowdown in the economy, the City has more vacant commercial property, which can translate into lower personal property taxes, as well as potentially decreased assessed values on real property.
- The majority of the City's real property was reassessed for FY 2011. Due to economic conditions at the time, the overall assessable base has decreased from prior years and the City will receive less real property tax revenue.
- Salisbury University is still undergoing an expansion. They are building additional student housing and a new School of Business building. This expansion does not directly affect the assessable base, but the institution generates related growth, much of which will be taxable.
- The State of Maryland continued the revenue cuts for Highway User Taxes and Police Aid Grants for FY 2011. For the near future, the City does not expect this funding to return.
- The local (Wicomico County) unemployment rate as of September 2010 was 8.2 percent, up by 0.5 percent from a year ago. The State of Maryland has a 7.5 percent rate and the nation as a whole has a 9.6 percent unemployment rate.

*City of Salisbury, Maryland*  
*Management's Discussion & Analysis*  
*(Unaudited)*

The City's general operating fund spending will again decrease in the 2011 budget. Budgeted 2011 expenditures are \$29,476,214 compared to the final adjusted 2010 budget of \$34,266,212. The City did not raise taxes for fiscal 2011. The future revenue outlook is uncertain with the nationwide housing slump and the very slow recovery in general economic activity. Additionally, the City has limited options for generating revenue and the City is approaching its tax rate limit. The City must also be prepared for continued 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 decrease in the FY 2011. Budgeted 2011 expenditures are \$16,659,727 compared to the final adjusted 2010 budget of \$20,248,566. Sewer rates were increased for FY 2011 (15 percent). 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). The current design of the wastewater treatment plant is not operating as required. As such, the City has undertaken a corrective action plan process and estimates for additional costs related to the plant are approximately \$50 million. At this time, it is unknown how the City will finance the corrective action plan. Discussions are being held with the State of Maryland Department of Environment as well as looking at the City's borrowing capacity.

**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, 2010**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 11,869,325	\$ 2,859,199	\$ 14,728,524
Savings and deposits	243,551	12,179	255,730
Accounts receivable, net	3,148,648	2,118,698	5,267,346
Due from other governmental units	794,735	1,390,652	2,185,387
Internal balances	(1,108,464)	1,108,464	-
Prepaid expenses	-	1,200	1,200
Inventories	796,159	707,557	1,503,716
<b>Total Current Assets</b>	<b>15,743,954</b>	<b>8,197,949</b>	<b>23,941,903</b>
Noncurrent assets:			
Restricted cash and investment pool	5,351,529	5,422,038	10,773,567
Bond issuance costs, net of amortization	136,466	52,597	189,063
Construction-in-progress	6,063,765	82,230,472	88,294,237
Land and art	8,298,050	1,578,963	9,877,013
Capital assets at cost	51,300,658	58,078,647	109,379,305
Less accumulated depreciation	(21,556,012)	(38,467,458)	(60,023,470)
<b>Total Noncurrent Assets</b>	<b>49,594,456</b>	<b>108,895,259</b>	<b>158,489,715</b>
<b>TOTAL ASSETS</b>	<b>\$ 65,338,410</b>	<b>\$ 117,093,208</b>	<b>\$ 182,431,618</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,203,888	\$ 1,201,435	\$ 2,405,323
Due to other governmental units	3,150	5,850	9,000
Deposits and advance payments of taxes	643,625	24,076	667,701
Compensated absences	152,270	27,330	179,600
Bonds, notes and capital leases payable	2,378,084	3,061,824	5,439,908
<b>Total Current Liabilities</b>	<b>4,381,017</b>	<b>4,320,515</b>	<b>8,701,532</b>
Noncurrent liabilities:			
Compensated absences	1,370,432	245,963	1,616,395
Post-employment benefits	3,248,544	838,819	4,087,363
Bonds, notes and capital leases payable	19,827,717	49,359,716	69,187,433
<b>Total Noncurrent Liabilities</b>	<b>24,446,693</b>	<b>50,444,498</b>	<b>74,891,191</b>
<b>Total Liabilities</b>	<b>28,827,710</b>	<b>54,765,013</b>	<b>83,592,723</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,538,845	56,243,327	63,782,172
Restricted for:			
Capital projects	3,693,859	177,795	3,871,654
Special revenue	3,291,010	-	3,291,010
Unrestricted	21,986,986	5,907,073	27,894,059
<b>Total Net Assets</b>	<b>36,510,700</b>	<b>62,328,195</b>	<b>98,838,895</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 65,338,410</b>	<b>\$ 117,093,208</b>	<b>\$ 182,431,618</b>

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

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	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	\$ 2,804,224	\$ 835,437	\$ -	\$ (59,409)	-	\$ (59,409)
Public safety	19,462,152	2,028,044	-	(15,766,844)	-	(15,766,844)
Public works	7,543,555	-	2,361,359	(3,397,354)	-	(3,397,354)
Recreation and culture	2,181,736	46,427	74,000	(1,729,277)	-	(1,729,277)
Nondepartmental	477,413	-	-	(477,413)	-	(477,413)
Interest on long-term debt	1,028,794	-	-	(1,028,794)	-	(1,028,794)
Total Governmental Activities	<u>33,497,874</u>	<u>2,909,908</u>	<u>2,435,359</u>	<u>(22,459,091)</u>	<u>-</u>	<u>(22,459,091)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water and sewer	13,153,156	-	2,125,878	-	1,528,794	1,528,794
Other	342,335	-	-	-	(138,581)	(138,581)
Total Business-type Activities	<u>13,495,491</u>	<u>-</u>	<u>2,125,878</u>	<u>-</u>	<u>1,390,213</u>	<u>1,390,213</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 46,993,365</u>	<u>\$ 2,909,908</u>	<u>\$ 4,561,237</u>	<u>(22,459,091)</u>	<u>1,390,213</u>	<u>(21,068,878)</u>
<b>GENERAL REVENUES</b>						
Taxes						
Real and personal property taxes, levied for general purposes				16,051,223	-	16,051,223
Ordinary business corporations and utilities				5,316,605	-	5,316,605
State shared income tax				1,537,197	-	1,537,197
Other taxes				402,232	-	402,232
Unrestricted investment earnings				44,281	27,066	71,347
Operating transfers				(1,281,464)	1,281,464	-
Miscellaneous				1,277,769	-	1,277,769
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<u>23,347,843</u>	<u>1,308,530</u>	<u>24,656,373</u>
<b>CHANGE IN NET ASSETS</b>				888,752	2,698,743	3,587,495
<b>NET ASSETS, BEGINNING OF YEAR</b>				35,621,948	59,629,452	95,251,400
<b>NET ASSETS, END OF YEAR</b>				<u>\$ 36,510,700</u>	<u>\$ 62,328,195</u>	<u>\$ 98,838,895</u>

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

**CITY OF SALISBURY, MARYLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
<b>ASSETS</b>				
Cash	\$ 9,225,605	\$ 1,183,440	\$ 3,639,071	\$ 14,048,116
Investment pool	343,008	2,510,419	898,982	3,752,409
Savings and deposits	243,551	-	-	243,551
Taxes receivable	2,202,754	-	-	2,202,754
Less allowance for uncollectibles	(623,307)	-	-	(623,307)
Due from other governmental units	307,078	-	487,657	794,735
Sundry accounts receivable	2,980,617	-	84,430	3,065,047
Less allowance for uncollectibles	(1,495,846)	-	-	(1,495,846)
Inventory	796,159	-	-	796,159
<b>TOTAL ASSETS</b>	<b>\$ 13,979,619</b>	<b>\$ 3,693,859</b>	<b>\$ 5,110,140</b>	<b>\$ 22,783,618</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Cash overdraft	\$ -	\$ -	\$ 579,671	\$ 579,671
Accounts payable and accrued expenses	1,067,680	-	130,995	1,198,675
Due to other funds	-	-	1,108,464	1,108,464
Due to other governmental units	3,150	-	-	3,150
Deposits and advance payment of taxes	643,625	-	-	643,625
Deferred revenue	1,972,710	-	-	1,972,710
<b>Total Liabilities</b>	<b>3,687,165</b>	<b>-</b>	<b>1,819,130</b>	<b>5,506,295</b>
<b>Fund Balances:</b>				
Reserved for inventory and prepaids	796,159	-	-	796,159
Reserved for encumbrances	1,254,647	3,292,656	130,559	4,677,862
Reserved for specific purposes	1,905,022	401,203	-	2,306,225
Operating reserve	400,000	-	-	400,000
Unreserved				
Undesignated - special revenue funds	-	-	3,160,451	3,160,451
Designated for subsequent year expenditures	225,520	-	-	225,520
Undesignated	5,711,106	-	-	5,711,106
<b>Total Fund Balances</b>	<b>10,292,454</b>	<b>3,693,859</b>	<b>3,291,010</b>	<b>17,277,323</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,979,619</b>	<b>\$ 3,693,859</b>	<b>\$ 5,110,140</b>	<b>\$ 22,783,618</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, 2010**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 17,277,323
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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.	44,106,461
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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.	136,466
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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.	1,972,710
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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	\$ (22,205,801)	
Compensated absences	(1,370,432)	
Post-employment benefits	(3,248,544)	
Accrued interest on bonds	(157,483)	(26,982,260)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 36,510,700
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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, 2010**

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
<b>REVENUES</b>				
Taxes	\$23,239,095	\$ -	\$ -	\$23,239,095
Other revenue	2,961,262	-	-	2,961,262
Intergovernmental revenues	1,491,278	2,338,407	1,493,131	5,322,816
Charges for services	2,402,768	-	1,602,573	4,005,341
Miscellaneous	-	22,952	48,465	71,417
<b>TOTAL REVENUES</b>	<u>30,094,403</u>	<u>2,361,359</u>	<u>3,144,169</u>	<u>35,599,931</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,234,855	-	251,800	2,486,655
Public safety	16,404,916	-	-	16,404,916
Public works	4,861,611	-	1,544,440	6,406,051
Recreation and culture	1,756,612	-	-	1,756,612
Nondepartmental	477,413	-	-	477,413
Capital outlays	1,976,950	3,245,431	356,034	5,578,415
Debt service:				
Principal	2,048,250	-	53,400	2,101,650
Interest	999,706	-	40,108	1,039,814
<b>TOTAL EXPENDITURES</b>	<u>30,760,313</u>	<u>3,245,431</u>	<u>2,245,782</u>	<u>36,251,526</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(665,910)</u>	<u>(884,072)</u>	<u>898,387</u>	<u>(651,595)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(382,251)	-	(899,213)	(1,281,464)
Debt proceeds	-	762,140	-	762,140
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(382,251)</u>	<u>762,140</u>	<u>(899,213)</u>	<u>(519,324)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,048,161)</u>	<u>(121,932)</u>	<u>(826)</u>	<u>(1,170,919)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>11,340,615</u>	<u>3,815,791</u>	<u>3,291,836</u>	<u>18,448,242</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$10,292,454</u>	<u>\$ 3,693,859</u>	<u>\$ 3,291,010</u>	<u>\$17,277,323</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, 2010**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,170,919)

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	\$ 5,578,415	
Disposal of fixed assets	(284,621)	
Depreciation expense	<u>(1,980,648)</u>	3,313,146

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. (762,140)

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. 68,163

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. 2,101,650

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	(206,570)	
Increase in post-employment benefits	(2,457,690)	
Increase in bond issuance costs	(7,904)	
Decrease in accrued interest payable	<u>11,016</u>	<u>(2,661,148)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 888,752

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

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
<b>ASSETS</b>				
Current assets:				
Cash	\$ -	\$ 5,848	\$ 21,116	\$ 26,964
Investment pool	12,492,034	-	2,181	12,494,215
Savings and deposits	-	12,179	-	12,179
Accounts receivable	2,106,954	3,125	8,619	2,118,698
Due from other governmental units	1,301,080	-	89,572	1,390,652
Due from other funds	1,108,464	-	-	1,108,464
Prepaid expenses	-	1,200	-	1,200
Inventories	707,557	-	-	707,557
Total Current Assets	17,716,089	22,352	121,488	17,859,929
Noncurrent assets:				
Restricted cash	-	177,795	-	177,795
Restricted investment pool	5,244,243	-	-	5,244,243
Bond issuance cost, net of amortization	52,597	-	-	52,597
Capital assets:				
Construction-in-progress	82,129,161	-	101,311	82,230,472
Land	149,953	114,010	1,315,000	1,578,963
Buildings, equipment and improvements	54,830,782	1,454,319	1,793,546	58,078,647
Less accumulated depreciation	(36,370,260)	(629,581)	(1,467,617)	(38,467,458)
Total Noncurrent Assets	106,036,476	1,116,543	1,742,240	108,895,259
<b>TOTAL ASSETS</b>	<b>\$123,752,565</b>	<b>\$1,138,895</b>	<b>\$1,863,728</b>	<b>\$126,755,188</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Due in one year:				
Cash overdraft	\$ 9,577,477	\$ -	\$ 84,503	\$ 9,661,980
Accounts payable	958,060	8,883	108,604	1,075,547
Accrued payroll	125,258	630	-	125,888
Due to other governmental units	-	-	5,850	5,850
Provision for compensated absences	27,330	-	-	27,330
Bonds, notes and capital leases payable	3,061,824	-	-	3,061,824
Deposits	12,302	11,774	-	24,076
Total Current Liabilities	13,762,251	21,287	198,957	13,982,495
Due in more than one year:				
Bonds, notes and capital leases payable	47,977,909	1,381,807	-	49,359,716
Post-employment benefits	838,819	-	-	838,819
Provision for compensated absences	245,963	-	-	245,963
Total Noncurrent Liabilities	49,062,691	1,381,807	-	50,444,498
Total Liabilities	62,824,942	1,403,094	198,957	64,426,993
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	54,944,146	(443,059)	1,742,240	56,243,327
Restricted	-	177,795	-	177,795
Unrestricted (Deficit)	5,983,477	1,065	(77,469)	5,907,073
Total Net Assets (Deficit)	60,927,623	(264,199)	1,664,771	62,328,195
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$123,752,565</b>	<b>\$1,138,895</b>	<b>\$1,863,728</b>	<b>\$126,755,188</b>

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, 2010**

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 12,169,870	\$ 159,289	\$ 44,465	\$ 12,373,624
Penalties	74,278	-	-	74,278
Tapping charges and connection fees	10,790	-	-	10,790
Assessments	15,400	-	-	15,400
Sundry income	109,179	-	-	109,179
Pretreatment monitoring fee	176,555	-	-	176,555
<b>TOTAL OPERATING REVENUES</b>	<b>12,556,072</b>	<b>159,289</b>	<b>44,465</b>	<b>12,759,826</b>
<b>OPERATING EXPENSES</b>				
Salaries	3,755,737	-	19,214	3,774,951
Personnel benefits	2,071,340	15,088	2,998	2,089,426
Professional and skilled services	1,870,788	48,709	47,026	1,966,523
Supplies	1,209,091	31,801	16,751	1,257,643
Other operating expenses	1,949,123	37,165	33,052	2,019,340
Equipment	52,340	-	-	52,340
Bad debt expense	-	898	-	898
<b>TOTAL OPERATING EXPENSES</b>	<b>10,908,419</b>	<b>133,661</b>	<b>119,041</b>	<b>11,161,121</b>
Operating income (loss) before depreciation	1,647,653	25,628	(74,576)	1,598,705
Depreciation	1,574,494	36,019	53,614	1,664,127
<b>NET OPERATING INCOME (LOSS)</b>	<b>73,159</b>	<b>(10,391)</b>	<b>(128,190)</b>	<b>(65,422)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	2,125,878	-	-	2,125,878
Operating transfers in	1,108,464	-	173,000	1,281,464
Interest income	25,470	1,596	-	27,066
Interest expense	(670,243)	-	-	(670,243)
<b>TOTAL NONOPERATING REVENUES</b>	<b>2,589,569</b>	<b>1,596</b>	<b>173,000</b>	<b>2,764,165</b>
<b>CHANGE IN NET ASSETS</b>	<b>2,662,728</b>	<b>(8,795)</b>	<b>44,810</b>	<b>2,698,743</b>
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<b>58,264,895</b>	<b>(255,404)</b>	<b>1,619,961</b>	<b>59,629,452</b>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 60,927,623</b>	<b>\$ (264,199)</b>	<b>\$ 1,664,771</b>	<b>\$ 62,328,195</b>

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, 2010**

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$11,879,454	\$ 156,471	\$ 52,585	\$12,088,510
Payments to suppliers	(5,600,719)	(120,692)	(80,943)	(5,802,354)
Payments to employees	(5,173,767)	(15,088)	(22,212)	(5,211,067)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,104,968</b>	<b>20,691</b>	<b>(50,570)</b>	<b>1,075,089</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Federal and state grants received	1,127,332	-	-	1,127,332
Internal activity - receipts from other funds	1,108,464	-	173,000	1,281,464
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>2,235,796</b>	<b>-</b>	<b>173,000</b>	<b>2,408,796</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from bonds and notes	6,578,195	-	-	6,578,195
Principal paid on bonds, notes and capital leases	(2,977,956)	-	-	(2,977,956)
Interest paid on bonds, notes and mortgages	(670,243)	-	-	(670,243)
Bond issuance costs	(2,409)	-	-	(2,409)
Payments for capital acquisitions	(4,184,263)	(6,600)	(101,311)	(4,292,174)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,256,676)</b>	<b>(6,600)</b>	<b>(101,311)</b>	<b>(1,364,587)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and dividends	25,470	1,596	-	27,066
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>25,470</b>	<b>1,596</b>	<b>-</b>	<b>27,066</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,109,558</b>	<b>15,687</b>	<b>21,119</b>	<b>2,146,364</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>15,626,719</b>	<b>180,135</b>	<b>2,178</b>	<b>15,809,032</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$17,736,277</b>	<b>\$ 195,822</b>	<b>\$ 23,297</b>	<b>\$17,955,396</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 73,159	\$ (10,391)	\$ (128,190)	\$ (65,422)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,574,494	36,019	53,614	1,664,127
Change in assets and liabilities:				
Receivables, net	(370,218)	(2,002)	8,120	(364,100)
Due from other funds	(306,400)	-	-	(306,400)
Prepaid expenses	12,436	-	-	12,436
Inventories	(61,375)	-	11	(61,364)
Accounts payable and accrued expenses	(470,438)	(2,119)	15,875	(456,682)
Post-employment benefits	653,310	-	-	653,310
Deposits	-	(816)	-	(816)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 1,104,968</b>	<b>\$ 20,691</b>	<b>\$ (50,570)</b>	<b>\$ 1,075,089</b>

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

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**  
**June 30, 2010**

	<u>Health Care Trust</u>	<u>Private- purpose Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and investment pool	\$ -	\$ 102,708	\$ 266,554
Investments	969,485	-	-
Accounts receivable	-	-	100,778
	<u>969,485</u>	<u>102,708</u>	<u>367,332</u>
<b>Total Assets</b>			
	<u>969,485</u>	<u>102,708</u>	<u>367,332</u>
<b>LIABILITIES</b>			
Accounts payable	-	42,152	-
Deposits	-	-	97,144
Due to other governmental units	-	-	252,009
	<u>-</u>	<u>42,152</u>	<u>349,153</u>
<b>Total Liabilities</b>			
	<u>-</u>	<u>42,152</u>	<u>349,153</u>
<b>NET ASSETS</b>			
Reserved for fund purposes	<u>\$ 969,485</u>	<u>\$ 60,556</u>	<u>\$ 18,179</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, 2010**

	Health Care Trust	Private- purpose Trust
<b>ADDITIONS</b>		
Interest	\$ 11,978	\$ 110
Gain on sale of investments	<u>75,104</u>	<u>-</u>
<b>TOTAL ADDITIONS</b>	<u>87,082</u>	<u>110</u>
<b>DEDUCTIONS</b>		
Operating expenses	<u>17,597</u>	<u>20,131</u>
<b>TOTAL DEDUCTIONS</b>	<u>17,597</u>	<u>20,131</u>
<b>CHANGE IN NET ASSETS</b>	69,485	(20,021)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>900,000</u>	<u>80,577</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 969,485</u></u>	<u><u>\$ 60,556</u></u>

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") Accounting Standards Codification Guidance 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, primarily include 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 amount for the year ended June 30, 2010:

Public safety - fire	<u>\$ 786,807</u>
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The excess of expenditures over appropriations was financed with surplus generated in the prior year by unexpended lease proceeds.

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, 2010 was \$264,199. This deficit is due to depreciation which cannot be recaptured through user charges.

The Grant Fund (nonmajor governmental fund) had a deficit fund balance of \$115,661 at June 30, 2010. The deficit is due to expenditures funded by the Grant Fund that are to be funded in the future by other revenue sources.

The Septage Treatment Fund (nonmajor enterprise fund) had a deficit fund balance of \$781 at June 30, 2010. 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.

Cash and deposits

At June 30, 2010, the City had deposits of \$9,168,627 (carrying value \$9,240,984). As of June 30, 2010, all of the City's bank balances were adequately insured and collateralized as defined by GASB.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

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, 2010, 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, 2010 was \$16,886,099.

Restricted Cash

Restricted cash in the governmental funds represents funds held in escrow by a local financial institution relating to the 2009, 2008, 2007, 2004 and 2003 Public Improvement Bonds. Additional restricted cash in the enterprise funds represents a replacement reserve fund for the Mitchell Landing Fund and funds held in escrow for the 2009, 2008 and 2007 Public Improvement Bonds.

Retiree Health Plan Trust

The investment policy of the City of Salisbury Health Care Trust requires that the funds be managed as a balanced account with approximately 60 percent equities and 40 percent government and corporate bonds. The investments are held at State Street Bank in the City's name. The funds are invested as follows:

Cash and equivalents	\$ 21,315
Government and agency bonds	210,900
Corporate bonds	37,217
Common stock	550,321
Mutual funds	<u>149,732</u>
Total	<u>\$ 969,485</u>

Investments held at June 30, 2010 are as follows:

Quantity	Company	Interest Rate	Due Date
30,000	Florida State Board of Education Building	3.60%	06/01/15
10,000	Merrill Lynch & Co.	6.15%	04/25/13
10,000	Merrill Lynch & Co.	6.88%	04/25/18
150,000	U.S. Treasury Note	2.00%	09/30/10
60,000	U.S. Treasury Note	0.09%	02/28/11
15,000	Wells Fargo & Co.	4.38%	01/31/13



CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES

As a result of its operations, the City effects a variety of transactions between funds to finance operations and service debt. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2010, appropriate due from/to other funds have been established.

At June 30, 2010, the Water and Sewer Impact Fund owes \$1,108,464 to the Water and Sewer Fund.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2010</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated:					
Land and art	\$ 8,198,050	\$ -	\$ -	\$ 100,000	\$ 8,298,050
Construction-in-progress	4,759,298	3,240,811	-	(1,936,344)	6,063,765
Total capital assets not being depreciated	12,957,348	3,240,811	-	(1,836,344)	14,361,815
Capital assets being depreciated:					
Land improvements	514,114	-	-	310,000	824,114
Buildings and improvements	23,292,926	198,534	-	-	23,491,460
Improvements, nonbuildings	6,827,478	-	-	1,493,077	8,320,555
Machinery and equipment	16,895,025	2,139,070	(438,833)	33,267	18,628,529
Zoo animals	36,000	-	-	-	36,000
Total capital assets being depreciated	47,565,543	2,337,604	(438,833)	1,836,344	51,300,658
Less accumulated depreciation:					
Land Improvements	(381,150)	(102,223)	-	-	(483,373)
Buildings and Improvements	(6,425,441)	(7,388)	-	(547,913)	(6,980,742)
Improvements, nonbuildings	(2,049,604)	(37,577)	-	(246,272)	(2,333,453)
Machinery and equipment	(10,853,667)	(1,832,510)	154,212	794,185	(11,737,780)
Zoo animals	(19,714)	(950)	-	-	(20,664)
Total accumulated depreciation	(19,729,576)	(1,980,648)	154,212	-	(21,556,012)
Total capital assets being depreciated, net	27,835,967	356,956	(284,621)	1,836,344	29,744,646
Governmental activities capital assets, net	<u>\$40,793,315</u>	<u>\$ 3,597,767</u>	<u>\$ (284,621)</u>	<u>\$ -</u>	<u>\$ 44,106,461</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 103,196
Public safety	1,044,205
Public works	568,013
Recreation and culture	265,234
Total depreciation expense	<u>\$1,980,648</u>

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2010</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>Water and Sewer Fund:</b>					
Capital assets not being depreciated:					
Land	\$ 149,953	\$ -	\$ -	\$ -	\$ 149,953
Construction-in-progress	79,788,617	3,547,007	-	(1,206,463)	82,129,161
Total capital assets not being depreciated	79,938,570	3,547,007	-	(1,206,463)	82,279,114
Capital assets being depreciated:					
Land Improvements	535,933	-	-	-	535,933
Buildings and Improvements	14,687,358	56,485	-	123,122	14,866,965
Improvements, nonbuildings	25,783,798	194,353	-	1,083,341	27,061,492
Machinery and equipment	12,031,964	386,418	(51,990)	-	12,366,392
Total capital assets being depreciated	53,039,053	637,256	(51,990)	1,206,463	54,830,782
Less accumulated depreciation:					
Land Improvements	(339,924)	(21,425)	-	-	(361,349)
Buildings and Improvements	(9,341,599)	(452,537)	-	-	(9,794,136)
Improvements, nonbuildings	(7,861,360)	(862,716)	49,390	-	(8,674,686)
Machinery and equipment	(17,302,273)	(237,816)	-	-	(17,540,089)
Total accumulated depreciation	(34,845,156)	(1,574,494)	49,390	-	(36,370,260)
Total capital assets being depreciated, net	18,193,897	(937,238)	(2,600)	1,206,463	18,460,522
Total Water and Sewer Capital Assets, Net	\$ 98,132,467	\$ 2,609,769	\$ (2,600)	\$ -	\$100,739,636
<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	\$ -	\$ -	\$ -	\$ -	\$ -
<b>City Marina Fund</b>					
Capital assets not being depreciated:					
Land	\$ 1,315,000	\$ -	\$ -	\$ -	\$ 1,315,000
Construction-in-progress	-	101,311	-	-	101,311
Total capital assets not being depreciated	1,315,000	101,311	-	-	1,416,311

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

(cont'd)	July 1, 2009	Additions	Deductions	Transfers	June 30, 2010
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>
Less accumulated depreciation:					
Land improvements	(1,078,767)	(39,881)	-	-	(1,118,648)
Buildings and improvements	(169,439)	(13,733)	-	-	(183,172)
Machinery and equipment	(37,505)	-	-	-	(37,505)
Total accumulated depreciation	<u>(1,285,711)</u>	<u>(53,614)</u>	<u>-</u>	<u>-</u>	<u>(1,339,325)</u>
Total capital assets being depreciated, net	<u>379,543</u>	<u>(53,614)</u>	<u>-</u>	<u>-</u>	<u>325,929</u>
Total City Marina Capital Assets, Net	<u>\$ 1,694,543</u>	<u>\$ 47,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,742,240</u>
	July 1, 2009	Additions	Deductions	Transfers	June 30, 2010
<b>Mitchell Landing Fund</b>					
Capital assets not being depreciated:					
Land	\$ 114,010	\$ -	\$ -	\$ -	\$ 114,010
Capital assets being depreciated:					
Land improvements	7,862	-	-	-	7,862
Buildings and improvements	1,350,452	6,600	-	-	1,357,052
Machinery and equipment	89,405	-	-	-	89,405
Total capital assets being depreciated	<u>1,447,719</u>	<u>6,600</u>	<u>-</u>	<u>-</u>	<u>1,454,319</u>
Less accumulated depreciation:					
Land improvements	(6,313)	(442)	-	-	(6,755)
Buildings and improvements	(497,844)	(35,577)	-	-	(533,421)
Machinery and equipment	(89,405)	-	-	-	(89,405)
Total accumulated depreciation	<u>(593,562)</u>	<u>(36,019)</u>	<u>-</u>	<u>-</u>	<u>(629,581)</u>
Total capital assets being depreciated, net	<u>854,157</u>	<u>(29,419)</u>	<u>-</u>	<u>-</u>	<u>824,738</u>
Total Mitchell Landing Capital Assets, Net	<u>\$ 968,167</u>	<u>\$ (29,419)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 938,748</u>

The majority of the construction-in-progress relates to the improvements of Waverly Drive storm drain for the governmental activities and the expansion 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

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

property subject to taxation by the City. The legal debt limit permitted at June 30, 2010 totaled \$110,237,188. After considering general obligations including mortgages and notes outstanding of \$67,471,893 and the amount still available to draw on the 2005 Water Quality Bond (see below for discussion), the available additional debt margin was \$42,765,295.

Long-term debt activity for the year ended June 30, 2010, was as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>General obligation bonds:</b>				
\$26,181,334 originally issued with interest rates ranging from 2% to 6%	\$ 15,322,762	\$ 503,400	\$ (1,316,124)	\$ 14,510,038
<b>Mortgages and notes payable:</b>				
State Erosion Control Note - Riverwalk				
\$345,280 originally issued without interest	69,113	-	(23,037)	46,076
State Erosion Control Note				
\$83,280 originally issued without interest	22,208	-	(5,552)	16,656
Lawton Loan				
\$258,740 originally issued without interest	-	258,740	-	258,740
Capital lease obligations	8,131,228	-	(756,937)	7,374,291
Compensated absences, current portion				
\$152,270	<u>1,293,180</u>	<u>229,522</u>	<u>-</u>	<u>1,522,702</u>
Governmental Activities Long-term Debt	<u>\$ 24,838,491</u>	<u>\$ 991,662</u>	<u>\$ (2,101,650)</u>	<u>\$ 23,728,503</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>General obligation bonds:</b>				
\$78,707,150 originally issued with interest rates ranging from 0.4% to 6%	\$ 47,119,845	\$ 6,578,195	\$ (2,890,836)	\$ 50,807,204
<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	319,649	-	(87,120)	232,529
Compensated absences, current portion				
\$27,330	<u>217,172</u>	<u>56,121</u>	<u>-</u>	<u>273,293</u>
Business-type Activities Long-term Debt	<u>\$ 49,038,473</u>	<u>\$ 6,634,316</u>	<u>\$ (2,977,956)</u>	<u>\$ 52,694,833</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. The amount of \$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.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 204,545	\$ 30,230	\$ 234,775
2012	214,555	20,220	234,775
Total	<u>\$ 419,100</u>	<u>\$ 50,450</u>	<u>\$ 469,550</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 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,638	\$ 586	\$ 4,224
2012	3,816	408	4,224
Total	<u>\$ 7,454</u>	<u>\$ 994</u>	<u>\$ 8,448</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 \$345,280. 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>
2011	\$ 23,037
2012	23,039
Total	<u>\$ 46,076</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>
2011	\$ 5,552
2012	5,552
2013	5,552
Total	<u>\$ 16,656</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>
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	66,600	27,384	93,984
2016-2020	389,300	85,491	474,791
2021	90,600	5,114	95,714
Total	<u>\$ 785,000</u>	<u>\$ 254,670</u>	<u>\$ 1,039,670</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. \$196,000 of the balance of the obligation is carried in the enterprise fund and the balance, \$1,804,000, is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 525,000	\$ 101,156	\$ 626,156
2012	550,000	74,906	624,906
2013	575,000	47,406	622,406
2014	350,000	17,938	367,938
Total	<u>\$ 2,000,000</u>	<u>\$ 241,406</u>	<u>\$ 2,241,406</u>

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. The bonds mature in varying amounts through June 1, 2014. The amount of \$817,188 of the balance of the obligation is carried in the enterprise fund and the balance of \$804,220 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>
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>\$ 1,621,408</u>	<u>\$ 164,210</u>	<u>\$ 1,785,618</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 until the principal amount of the bond has been paid. 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>
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	158,442	14,288	172,730
2016-2020	801,767	61,883	863,650
2021-2024	653,037	37,883	690,920
Total	<u>\$ 2,240,727</u>	<u>\$ 177,493</u>	<u>\$ 2,418,220</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. The amount of \$1,318,149 of the balance of the obligation is carried in the enterprise fund and the balance of \$2,727,851 is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	283,800	125,968	409,768
2016-2020	1,595,200	455,688	2,050,888
2021-2023	1,120,200	106,117	1,226,317
Total	<u>\$ 4,046,000</u>	<u>\$ 1,283,806</u>	<u>\$ 5,329,806</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>
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	223,000	120,614	343,614
2016-2020	1,252,900	456,222	1,709,122
2021-2024	1,214,100	149,165	1,363,265
Total	<u>\$ 3,827,300</u>	<u>\$ 1,317,298</u>	<u>\$ 5,144,598</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 until the principal amount of the bond has been paid. The general obligation bond is accounted for in the enterprise fund. As of June 30, 2010, total principal of \$41,557,937 has been drawn on this facility, and the principal amount outstanding totaled \$37,506,353. 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>
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	2,070,775	218,851	2,289,626
2016-2020	10,478,784	969,343	11,448,127
2021-2025	10,690,043	758,084	11,448,127
2026-2028	6,517,199	351,677	6,868,876
Total	<u>\$ 37,957,726</u>	<u>\$ 3,255,530</u>	<u>\$ 41,213,256</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. \$1,210,600 of the balance of the obligation is accounted for in the general fund and the balance of \$2,996,900 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>
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	247,500	129,665	377,165
2016-2020	1,237,500	498,713	1,736,213
2021-2025	1,237,500	249,357	1,486,857
2026-2027	495,000	29,923	524,923
Total	<u>\$ 4,207,500</u>	<u>\$ 1,526,032</u>	<u>\$ 5,733,532</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. \$459,787 of the balance of obligation is carried in the enterprise fund and the balance of \$2,840,213 is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	180,000	107,567	287,567
2016-2020	1,000,000	423,316	1,423,316
2021-2025	1,030,000	197,752	1,227,752
2026-2028	420,000	34,766	454,766
Total	<u>\$ 3,300,000</u>	<u>\$ 1,263,200</u>	<u>\$ 4,563,200</u>

In the year ended June 30, 2010, 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. \$2,096,600 of the balance of obligation is carried in the enterprise fund and the balance of \$503,400 is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 173,333	\$ 96,351	\$ 269,684
2012	173,333	89,944	263,277
2013	173,333	83,065	256,398
2014	173,333	76,422	249,755
2015	173,333	69,779	243,112
2016-2020	866,667	248,504	1,115,171
2021-2025	866,668	83,192	949,860
Total	<u>\$ 2,600,000</u>	<u>\$ 747,257</u>	<u>\$ 3,347,257</u>

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

In the year ended June 30, 2010, the City obligated itself to pay MDE \$2,756,400. The loan is repayable in annual installments of \$145,021. There is an initial payment of \$1,000 due on August 1, 2011. The bonds mature through February 1, 2030. There is no interest on this obligation, which is accounted for in the enterprise fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ -	\$ -
2012	146,021	-	146,021
2013	145,021	-	145,021
2014	145,021	-	145,021
2015	145,021	-	145,021
2016-2020	725,105	-	725,105
2021-2025	725,105	-	725,105
2026-2030	725,106	-	725,106
Total	<u>\$ 2,756,400</u>	<u>\$ -</u>	<u>\$ 2,756,400</u>

In the year ended June 30, 2010, the City entered into a loan agreement with the Maryland Energy Administration ("MEA") for their Jane E. Lawton Conservation Loan Program (JELLP) for the amount of \$258,740. There is no interest on this loan. The first principal payment is due 13 months after the first draw on the loan, and the loan matures September 2019. The loan is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ -	\$ -
2012	28,749	-	28,749
2013	28,749	-	28,749
2014	28,749	-	28,749
2015	28,749	-	28,749
2016-2020	143,744	-	143,744
Total	<u>\$ 258,740</u>	<u>\$ -</u>	<u>\$ 258,740</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

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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 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 \$6,098,133 with accumulated depreciation of \$751,214; and for the water and sewer fund is \$196,987 with accumulated depreciation of \$90,490 at June 30, 2010.

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

Year Ending June 30,

2011	\$ 1,007,842
2012	975,156
2013	971,922
2014	926,642
2015	898,946
2016-2020	2,655,947
2021-2025	2,085,875
2026-2027	834,350
Amount representing interest	<u>(2,749,860)</u>
Present value of future minimum lease payments	<u>\$ 7,606,820</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 2010, 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, 2010, 2009 and 2008, payroll covered under the various state plans and contributions paid are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total payroll	\$ 15,562,921	\$ 15,213,210	\$ 14,707,304
Payroll covered under the plans	15,740,191	15,619,904	14,171,002
Contributions paid:			
City payments	2,551,348	2,551,700	2,788,371

**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, 2010, there were 44 participants eligible and receiving post-retirement health care benefits at a pay-as-you-go cost to the City of \$137,637.

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

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").

The City contracted for an actuarial study which determined that the ARC for fiscal year 2010 was \$3,111,000. The City funded the trust with a health care rebate of \$900,000 in fiscal 2009. In fiscal year 2010, the City did not fund the trust, but recorded the associated liability.

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.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

Net OPEB obligation at beginning of year	\$ 976,363
Annual Required Contribution	3,111,000
Contributions	<u>          </u>
Total Net OPEB Obligation at End of Year	<u>\$ 4,087,363</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 2010, as of July 1, 2009, the most recent actuarial date, the plan was 3.49 percent funded. The actuarial accrued liability ("AAL") for benefits was \$25,765,000 and the actuarial value of assets was \$900,000, resulting in an unfunded actuarial accrued liability ("UAAL") of \$24,865,000. As of June 30, 2010, the AAL was \$24,865,000.

Actuarial Accrued Liabilities	\$ 25,765,000
Actuarial Value of plan assets	<u>900,000</u>
Unfunded AAL	24,865,000
Funded ratio as of actuarial value dates	<u>3.49%</u>
Covered Payroll	<u>\$ 15,562,921</u>
UAAL as a percentage of covered payroll	<u>159.77%</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 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.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

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-rata 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 \$102,708 as of June 30, 2010.

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, 2010, 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.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**NOTE 11    COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)**

The City has entered into contracts to upgrade and expand its waste water treatment plant. The total value of the contracts, including change orders, is approximately \$80,152,519. The completed portion (\$74,569,005) 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 (\$811,988) 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 (\$3,889,477) of the contracts is reflected in the governmental activities construction-in-progress.

The City has entered into contracts for the Salisbury Portable Water Storage Projects. The total value of the contracts is approximately \$2,472,116. The completed portion (\$1,488,108) of the contract 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 \$1,362,300. In addition, business-type activities have incurred costs totaling \$6,173,359 for projects not under contract.

**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.

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

**NOTE 13    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.



CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 14    SUBSEQUENT EVENTS

On August 23, 2010, the City entered into a loan agreement with the Maryland Energy Administration in the amount of \$142,800 for the Parking Garage LED lighting project. Repayment is to begin on the thirteenth month following the initial disbursement. The principal and interest are paid semi-annually with an interest rate of 2.5 percent over a six-year period.

On October 4, 2010, the City issued \$5,050,000 of Public Facilities Refunding Bonds of 2010 with an interest rate of 3.35 percent. Payment of annual serial installments of principal and interest begin on October 1, 2011 and continue through October 1, 2026. The amount will be carried in the general fund. The bonds were issued to refinance the current outstanding lease obligation related to the new fire headquarters building.

The City has evaluated all subsequent events through December 6, 2010, the date the financial statements were available to be issued.

### REQUIRED SUPPLEMENTARY INFORMATION

1. *Chlorophyll a* (Chl *a*) and *Chlorophyll b* (Chl *b*) were determined using the method of Arar and Collins (1987). The concentration of Chl *a* and Chl *b* was expressed as  $\mu\text{g mL}^{-1}$  of the sample.

**CITY OF SALISBURY, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>RESOURCES (INFLOWS):</b>				
Tax revenue	\$ 23,736,800	\$ 23,736,800	\$ 23,239,095	\$ (497,705)
Other revenue	2,014,181	2,254,852	2,961,262	706,410
Charges for services	2,159,900	2,159,900	2,402,768	242,868
Other sources	1,782,939	1,858,036	-	(1,858,036)
Intergovernmental revenues	2,593,949	2,593,949	1,491,278	(1,102,671)
<b>AMOUNTS AVAILABLE FOR APPROPRIATION</b>	<b>32,287,769</b>	<b>32,603,537</b>	<b>30,094,403</b>	<b>(2,509,134)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government				
City council	89,835	88,335	84,260	4,075
City clerk	147,245	149,086	137,391	11,695
Mayor's office	606,280	623,792	605,212	18,580
Elections	1,400	1,430	-	1,430
Finance	477,430	503,516	435,761	67,755
Purchasing	213,071	214,626	203,223	11,403
City attorney	201,300	231,300	212,375	18,925
Information services	92,000	99,617	67,890	31,727
Human resources	137,501	139,079	129,031	10,048
Planning and zoning	203,500	240,452	227,623	12,829
Municipal buildings	351,190	352,551	131,465	221,086
Poplar Hill	54,195	59,794	20,716	39,078
Public safety				
Police and traffic control	10,513,244	10,638,456	9,814,119	824,337
Fire	6,423,894	6,577,225	7,364,032	(786,807)
Buildings, permits and inspections	420,866	421,362	354,702	66,660
Neighborhood services and code compliance	623,342	633,209	584,963	48,246
Public works				
Supervision and engineering	1,717,854	2,808,115	1,375,518	1,432,597
Roadways	842,127	927,093	722,111	204,982
Highway lighting	838,500	898,739	874,181	24,558
Street cleaning	383,135	408,449	179,046	229,403
Waste collection and disposal	1,444,580	1,369,035	1,088,661	280,374
Recycling	181,260	188,917	153,544	35,373
Fleet maintenance	537,545	547,856	526,912	20,944
Carpenter shop	157,296	156,091	151,396	4,695
Recreation and culture				
Municipal zoo	1,394,964	1,438,956	1,348,530	90,426
Park maintenance	423,683	461,371	442,282	19,089
Nondepartmental	533,940	524,936	477,413	47,523
<b>TOTAL CHARGES TO APPROPRIATION</b>	<b>29,011,177</b>	<b>30,703,388</b>	<b>27,712,357</b>	<b>2,991,031</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>3,276,592</b>	<b>1,900,149</b>	<b>2,382,046</b>	<b>481,897</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(181,188)	(416,872)	(382,251)	34,621
Debt payments	(3,095,404)	(3,145,952)	(3,047,956)	97,996
<b>TOTAL OTHER FINANCING USES</b>	<b>(3,276,592)</b>	<b>(3,562,824)</b>	<b>(3,430,207)</b>	<b>132,617</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(1,662,675)</b>	<b>(1,048,161)</b>	<b>614,514</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>11,340,615</b>	<b>11,340,615</b>	<b>11,340,615</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 11,340,615</b>	<b>\$ 9,677,940</b>	<b>\$ 10,292,454</b>	<b>\$ 614,514</b>

## OTHER SUPPLEMENTARY INFORMATION

## General Fund

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual	Variance Positive (Negative)
<b>Taxes</b>			
Real property	\$ 15,823,889	\$ 15,771,214	\$ (52,675)
Personal property	65,593	60,436	(5,157)
Ordinary business corporations and utilities	5,597,824	5,316,605	(281,219)
Payments in lieu of tax	246,494	246,494	-
Admissions and amusement	328,000	155,738	(172,262)
State shared income tax	1,570,000	1,537,197	(32,803)
Total taxes	23,631,800	23,087,684	(544,116)
Interest and penalties on delinquent taxes	105,000	151,411	46,411
Total taxes, interest and penalties	23,736,800	23,239,095	(497,705)
<b>Other revenue</b>			
Amusement licenses	4,500	4,730	230
Billboard licenses	8,611	8,593	(18)
Building and inspection permits	200,000	186,017	(13,983)
Business licenses	124,950	150,196	25,246
Franchise fees	348,000	344,496	(3,504)
Landlord licenses	219,850	262,040	42,190
Parking fines and meter collections	75,100	69,753	(5,347)
Plumbing licenses and permits	27,000	24,822	(2,178)
Street-breaking permits	2,500	975	(1,525)
Towing companies	1,500	2,225	725
Other miscellaneous permits	15,100	23,987	8,887
Municipal infraction violations	25,000	39,514	14,514
Interest on investment of idle funds	192,000	37,697	(154,303)
Insurance proceeds	15,000	318,139	303,139
Donations	205,500	211,515	6,015
Damages to city property	100	-	(100)
Zoo commission	306,260	332,032	25,772
Zoo reimbursements	195,390	172,966	(22,424)
Sale of maps, codes and documents	3,500	12,412	8,912
Sale of fixed assets	240,671	339,400	98,729
Bad debt collections	18,000	27,159	9,159
Other miscellaneous receipts	26,320	392,594	366,274
Total other revenue	2,254,852	2,961,262	706,410

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual	Variance Positive (Negative)
Charges for services			
Administrative fees	\$ 16,100	\$ 52,752	\$ 36,652
Ambulance call fees	1,215,000	1,467,688	252,688
Advertising	100	35	(65)
Filing fees	200	-	(200)
Garbage disposal fees	683,000	688,168	5,168
Plan review fees	36,000	23,216	(12,784)
Police alarm systems	95,000	60,141	(34,859)
Weed removal	112,000	106,268	(5,732)
Zoning appeal and housing board appeal fees	2,500	4,500	2,000
Total charges for services	<u>2,159,900</u>	<u>2,402,768</u>	<u>242,868</u>
Other sources			
Current surplus available	<u>1,858,036</u>	<u>-</u>	<u>(1,858,036)</u>
Intergovernmental			
State of Maryland			
Police protection	505,723	317,385	(188,338)
Enterprise zone	35,000	74,159	39,159
Highway user	1,249,924	281,717	(968,207)
Wicomico County			
Financial corporations	18,302	18,302	-
Fire department	572,000	572,000	-
Room tax	213,000	227,715	14,715
Total intergovernmental	<u>2,593,949</u>	<u>1,491,278</u>	<u>(1,102,671)</u>
Total Revenues	<u>\$ 32,603,537</u>	<u>\$ 30,094,403</u>	<u>\$ (2,509,134)</u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
City council				
Salaries	\$ 52,000	\$ 52,000	\$ 52,000	\$ -
Personnel benefits	29,685	28,185	25,451	2,734
Other operating expenses	8,150	7,985	6,809	1,176
Budget adjustment	-	165	-	165
	<u>89,835</u>	<u>88,335</u>	<u>84,260</u>	<u>4,075</u>
City clerk				
Salaries	96,073	96,337	96,337	-
Personnel benefits	29,342	30,578	28,862	1,716
Other operating expenses	21,830	21,581	12,192	9,389
Budget adjustment	-	590	-	590
	<u>147,245</u>	<u>149,086</u>	<u>137,391</u>	<u>11,695</u>
Mayor's office				
Salaries	243,456	243,456	240,621	2,835
Personnel benefits	69,045	69,045	65,709	3,336
Other operating expenses	73,579	85,898	78,682	7,216
Budget adjustment	-	1,900	-	1,900
Community promotion	220,200	223,493	220,200	3,293
	<u>606,280</u>	<u>623,792</u>	<u>605,212</u>	<u>18,580</u>
Elections				
Other operating expenses	1,400	1,400	-	1,400
Budget adjustment	-	30	-	30
	<u>1,400</u>	<u>1,430</u>	<u>-</u>	<u>1,430</u>
City attorney				
Professional services	201,300	227,274	212,375	14,899
Budget adjustment	-	4,026	-	4,026
	<u>201,300</u>	<u>231,300</u>	<u>212,375</u>	<u>18,925</u>
Internal services - finance				
Salaries	236,534	236,193	231,582	4,611
Personnel benefits	93,058	93,059	88,624	4,435
Other operating expenses	117,598	136,606	83,110	53,496
Independent audit	30,240	32,445	32,445	-
Budget adjustment	-	3,097	-	3,097
Capital outlays	-	2,116	-	2,116
	<u>477,430</u>	<u>503,516</u>	<u>435,761</u>	<u>67,755</u>

Continued on next page.



**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Internal services - purchasing				
Salaries	\$ 126,240	\$ 126,587	\$ 126,587	\$ -
Personnel benefits	45,634	45,287	44,137	1,150
Other operating expenses	41,197	41,927	32,499	9,428
Budget adjustment	-	825	-	825
	<u>213,071</u>	<u>214,626</u>	<u>203,223</u>	<u>11,403</u>
Internal services - human resources				
Salaries	56,983	57,169	57,168	1
Personnel benefits	69,198	65,240	61,203	4,037
Other operating expenses	11,320	12,945	10,660	2,285
Budget adjustment	-	3,725	-	3,725
	<u>137,501</u>	<u>139,079</u>	<u>129,031</u>	<u>10,048</u>
City and county - joint activities				
Information services	92,000	99,617	67,890	31,727
Planning and zoning	203,500	240,452	227,623	12,829
	<u>295,500</u>	<u>340,069</u>	<u>295,513</u>	<u>44,556</u>
Municipal buildings				
Other operating expenses	182,190	136,908	111,373	25,535
Budget adjustment	-	195,551	-	195,551
Capital outlays	169,000	20,092	20,092	-
	<u>351,190</u>	<u>352,551</u>	<u>131,465</u>	<u>221,086</u>
Poplar Hill Mansion	<u>54,195</u>	<u>59,794</u>	<u>20,716</u>	<u>39,078</u>
Total General Government	<u>2,574,947</u>	<u>2,703,578</u>	<u>2,254,947</u>	<u>448,631</u>
Public Safety				
Police services				
Salaries	5,406,378	5,446,381	5,348,774	97,607
Personnel benefits	2,908,399	2,847,947	2,484,225	363,722
Other operating expenses	998,875	1,042,309	837,889	204,420
Budget adjustment	-	52,011	-	52,011
Capital outlays	67,860	43,993	43,992	1
	<u>9,381,512</u>	<u>9,432,641</u>	<u>8,714,880</u>	<u>717,761</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Police communications				
Salaries	\$ 317,486	\$ 317,481	\$ 300,445	\$ 17,036
Personnel benefits	107,368	107,373	95,145	12,228
Other operating expenses	79,461	84,604	65,152	19,452
Budget adjustment	-	2,373	-	2,373
Capital outlays	-	604	-	604
	<u>504,315</u>	<u>512,435</u>	<u>460,742</u>	<u>51,693</u>
Animal control				
Salaries	71,448	70,687	69,892	795
Personnel benefits	35,211	35,029	32,969	2,060
Other operating expenses	93,099	95,204	90,456	4,748
Budget adjustment	-	1,944	-	1,944
	<u>199,758</u>	<u>202,864</u>	<u>193,317</u>	<u>9,547</u>
Total police department	<u>10,085,585</u>	<u>10,147,940</u>	<u>9,368,939</u>	<u>779,001</u>
Traffic control				
Salaries	217,225	221,925	220,441	1,484
Personnel benefits	86,784	87,098	83,661	3,437
Other operating expenses	123,650	168,693	141,078	27,615
Budget adjustment	-	12,800	-	12,800
	<u>427,659</u>	<u>490,516</u>	<u>445,180</u>	<u>45,336</u>
Fire department				
Firefighting				
Salaries	3,221,996	3,221,996	3,167,896	54,100
Personnel benefits	1,874,352	1,895,568	1,614,006	281,562
Other operating expenses	979,683	962,479	766,056	196,423
Budget adjustment	-	72,513	-	72,513
Capital outlays	179,260	256,066	1,668,908	(1,412,842)
	<u>6,255,291</u>	<u>6,408,622</u>	<u>7,216,866</u>	<u>(808,244)</u>
Volunteer firemen				
Personnel benefits	108,000	108,000	107,890	110
Other operating expenses	60,603	43,700	39,276	4,424
Budget adjustment	-	16,903	-	16,903
	<u>168,603</u>	<u>168,603</u>	<u>147,166</u>	<u>21,437</u>
Total fire department	<u>6,423,894</u>	<u>6,577,225</u>	<u>7,364,032</u>	<u>(786,807)</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Buildings, permits and inspections</b>				
Salaries	\$ 300,612	\$ 299,472	\$ 251,902	\$ 47,570
Personnel benefits	93,609	93,609	82,211	11,398
Other operating expenses	26,645	27,081	20,589	6,492
Budget adjustment	-	1,200	-	1,200
	<u>420,866</u>	<u>421,362</u>	<u>354,702</u>	<u>66,660</u>
<b>Neighborhood services and code compliance</b>				
Salaries	360,690	359,190	332,417	26,773
Personnel benefits	120,726	120,726	110,018	10,708
Other operating expenses	141,926	149,893	142,528	7,365
Budget adjustment	-	3,400	-	3,400
	<u>623,342</u>	<u>633,209</u>	<u>584,963</u>	<u>48,246</u>
<b>Total Public Safety</b>	<u>17,981,346</u>	<u>18,270,252</u>	<u>18,117,816</u>	<u>152,436</u>
<b>Department of Public Works</b>				
<b>Supervision and engineering</b>				
Salaries	699,599	696,978	684,107	12,871
Personnel benefits	244,505	247,650	234,566	13,084
Other operating expenses	773,750	1,381,987	456,845	925,142
Budget adjustment	-	481,500	-	481,500
	<u>1,717,854</u>	<u>2,808,115</u>	<u>1,375,518</u>	<u>1,432,597</u>
<b>Roadways</b>				
Salaries	313,589	314,582	310,635	3,947
Personnel benefits	134,394	130,619	125,685	4,934
Other operating expenses	256,144	354,569	76,033	278,536
Budget adjustment	-	3,255	-	3,255
Capital outlays	138,000	124,068	209,758	(85,690)
	<u>842,127</u>	<u>927,093</u>	<u>722,111</u>	<u>204,982</u>
<b>Highway lighting</b>				
Other operating expenses	838,500	875,614	874,181	1,433
Budget adjustment	-	23,125	-	23,125
	<u>838,500</u>	<u>898,739</u>	<u>874,181</u>	<u>24,558</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Sanitation				
Street cleaning				
Salaries	\$ 109,644	\$ 83,249	\$ 82,705	\$ 544
Personnel benefits	57,991	43,489	42,099	1,390
Other operating expenses	30,500	54,981	54,242	739
Budget adjustment	-	226,730	-	226,730
Capital outlays	185,000	-	-	-
	<u>383,135</u>	<u>408,449</u>	<u>179,046</u>	<u>229,403</u>
Waste collection and disposal				
Salaries	318,713	318,933	317,217	1,716
Personnel benefits	134,569	134,773	129,308	5,465
Other operating expenses	746,298	659,729	642,136	17,593
Budget adjustment	-	10,600	-	10,600
Capital outlays	245,000	245,000	-	245,000
	<u>1,444,580</u>	<u>1,369,035</u>	<u>1,088,661</u>	<u>280,374</u>
Recycling				
Salaries	87,363	90,755	90,277	478
Personnel benefits	38,197	43,462	41,615	1,847
Other operating expenses	27,700	26,700	21,652	5,048
Budget adjustment	-	28,000	-	28,000
Capital outlays	28,000	-	-	-
	<u>181,260</u>	<u>188,917</u>	<u>153,544</u>	<u>35,373</u>
Total sanitation	<u>2,008,975</u>	<u>1,966,401</u>	<u>1,421,251</u>	<u>545,150</u>
Fleet maintenance				
Salaries	251,837	257,514	256,123	1,391
Personnel benefits	97,048	100,103	95,074	5,029
Other operating expenses	188,660	186,636	175,715	10,921
Budget adjustment	-	3,603	-	3,603
	<u>537,545</u>	<u>547,856</u>	<u>526,912</u>	<u>20,944</u>
Carpenter shop				
Salaries	89,955	91,400	89,393	2,007
Personnel benefits	38,891	38,991	37,099	1,892
Other operating expenses	28,450	25,700	24,904	796
	<u>157,296</u>	<u>156,091</u>	<u>151,396</u>	<u>4,695</u>
Total Department of Public Works	<u>6,102,297</u>	<u>7,304,295</u>	<u>5,071,369</u>	<u>2,232,926</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Recreation and Culture				
Municipal zoo				
Salaries	\$ 782,635	\$ 773,274	\$ 709,445	\$ 63,829
Personnel benefits	217,085	224,838	197,288	27,550
Other operating expenses	395,244	434,484	441,797	(7,313)
Budget adjustment	-	5,460	-	5,460
Capital outlays	-	900	-	900
	<u>1,394,964</u>	<u>1,438,956</u>	<u>1,348,530</u>	<u>90,426</u>
Park maintenance				
Salaries	199,693	215,654	208,256	7,398
Personnel benefits	92,640	92,640	87,397	5,243
Other operating expenses	131,350	150,131	112,429	37,702
Budget adjustment	-	2,946	-	2,946
Capital outlays	-	-	34,200	(34,200)
	<u>423,683</u>	<u>461,371</u>	<u>442,282</u>	<u>19,089</u>
Total Recreation and Culture	<u>1,818,647</u>	<u>1,900,327</u>	<u>1,790,812</u>	<u>109,515</u>
Nondepartmental				
Insurance				
Insurance	<u>478,340</u>	<u>493,704</u>	<u>473,965</u>	<u>19,739</u>
	<u>478,340</u>	<u>493,704</u>	<u>473,965</u>	<u>19,739</u>
Miscellaneous				
Personnel benefits	2,000	2,000	-	2,000
Other operating expenses	3,600	3,600	3,448	152
Mayor's contingency	50,000	25,632	-	25,632
	<u>55,600</u>	<u>31,232</u>	<u>3,448</u>	<u>27,784</u>
Total Nondepartmental	<u>533,940</u>	<u>524,936</u>	<u>477,413</u>	<u>47,523</u>
Debt Payments				
Principal redemption	2,002,195	2,062,990	2,048,250	14,740
Interest	1,093,209	1,082,962	999,706	83,256
Total Debt Payments	<u>3,095,404</u>	<u>3,145,952</u>	<u>3,047,956</u>	<u>97,996</u>
TOTAL EXPENDITURES	<u>32,106,581</u>	<u>33,849,340</u>	<u>30,760,313</u>	<u>3,089,027</u>
Other Financing Uses				
Transfer to other funds	181,188	416,872	382,251	34,621
Total Other Financing Uses	<u>181,188</u>	<u>416,872</u>	<u>382,251</u>	<u>34,621</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$32,287,769</u>	<u>\$34,266,212</u>	<u>\$31,142,564</u>	<u>\$3,123,648</u>

## **Nonmajor Governmental Funds**

**CITY OF SALISBURY, MARYLAND**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	Special Revenue Funds						
	Parking Authority Fund	Curb, Gutter and Sidewalk Fund	Water and Sewer Impact Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total
ASSETS							
Cash	\$ 83,624	\$ 33,777	\$3,421,156	\$ -	\$ 91,592	\$ 8,922	\$ 3,639,071
Investment pool	374,021	31,021	488,325	2,665	2,793	157	898,982
Accounts receivable	368	25,407	-	524,639	15,373	6,300	572,087
<b>TOTAL ASSETS</b>	<b>\$ 458,013</b>	<b>\$ 90,205</b>	<b>\$3,909,481</b>	<b>\$ 527,304</b>	<b>\$ 109,758</b>	<b>\$ 15,379</b>	<b>\$ 5,110,140</b>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Cash overdraft	\$ -	\$ -	\$ -	\$ 579,671	\$ -	\$ -	\$ 579,671
Accounts payable	65,277	-	-	63,294	201	2,223	130,995
Due to other funds	-	-	1,108,464	-	-	-	1,108,464
<b>Total Liabilities</b>	<b>65,277</b>	<b>-</b>	<b>1,108,464</b>	<b>642,965</b>	<b>201</b>	<b>2,223</b>	<b>1,819,130</b>
Fund Balances (Deficit):							
Reserved for encumbrances	78,515	37,588	-	-	1,300	13,156	130,559
Undesignated	314,221	52,617	2,801,017	(115,661)	108,257	-	3,160,451
<b>Total Fund Balances (Deficit)</b>	<b>392,736</b>	<b>90,205</b>	<b>2,801,017</b>	<b>(115,661)</b>	<b>109,557</b>	<b>13,156</b>	<b>3,291,010</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 458,013</b>	<b>\$ 90,205</b>	<b>\$3,909,481</b>	<b>\$ 527,304</b>	<b>\$ 109,758</b>	<b>\$ 15,379</b>	<b>\$ 5,110,140</b>

**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds						
	Parking Authority Fund	Curb, Gutter and Sidewalk Fund	Water and Sewer Impact Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total
REVENUES							
Curb, gutter and sidewalk assessments	\$ -	\$ 33,000	\$ -	\$ -	\$ -	\$ -	\$ 33,000
Fees	-	-	911,801	-	79,295	-	991,096
Earnings on investments	693	57	5,800	-	32	1	6,583
Grant revenues	-	-	-	1,286,272	-	206,859	1,493,131
Parking permits and meter collections	611,477	-	-	-	-	-	611,477
Rent and other	8,882	-	-	-	-	-	8,882
<b>TOTAL REVENUES</b>	<b>621,052</b>	<b>33,057</b>	<b>917,601</b>	<b>1,286,272</b>	<b>79,327</b>	<b>206,860</b>	<b>3,144,169</b>
EXPENDITURES							
Salaries	186,285	-	-	229,157	-	86,035	501,477
Personnel benefits	45,755	-	-	98,625	-	25,501	169,881
Professional and skilled services	90,104	-	-	-	-	19,332	109,436
Supplies	6,474	-	-	-	-	114,858	121,332
Other operating expenses	80,176	27,990	-	738,930	40,944	6,074	894,114
Capital outlays	198,534	-	-	157,500	-	-	356,034
Debt service	93,508	-	-	-	-	-	93,508
<b>TOTAL EXPENDITURES</b>	<b>700,836</b>	<b>27,990</b>	<b>-</b>	<b>1,224,212</b>	<b>40,944</b>	<b>251,800</b>	<b>2,245,782</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(79,784)	5,067	917,601	62,060	38,383	(44,940)	898,387
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	20,000	-	(1,108,464)	33,621	-	155,630	(899,213)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>20,000</b>	<b>-</b>	<b>(1,108,464)</b>	<b>33,621</b>	<b>-</b>	<b>155,630</b>	<b>(899,213)</b>
NET CHANGE IN FUND BALANCES	(59,784)	5,067	(190,863)	95,681	38,383	110,690	(826)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	452,520	85,138	2,991,880	(211,342)	71,174	(97,534)	3,291,836
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 392,736</u>	<u>\$ 90,205</u>	<u>\$ 2,801,017</u>	<u>\$ (115,661)</u>	<u>\$ 109,557</u>	<u>\$ 13,156</u>	<u>\$ 3,291,010</u>



**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - PARKING AUTHORITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Parking permits, fines, state grants, meters and Park 'n Shop	\$ 743,000	\$ 743,000	\$ 611,477	\$ (131,523)
Earnings on investments	8,000	8,000	693	(7,307)
Rent and other	10,000	10,000	8,882	(1,118)
Current surplus available	33,147	33,147	-	(33,147)
Transfers	20,000	20,000	20,000	-
<b>TOTAL REVENUES</b>	<u>814,147</u>	<u>814,147</u>	<u>641,052</u>	<u>(173,095)</u>
<b>EXPENDITURES</b>				
Salaries	187,389	188,039	186,285	1,754
Personnel benefits	49,264	50,564	45,755	4,809
Professional and skilled services	134,098	169,294	90,104	79,190
Supplies	20,600	20,199	6,474	13,725
Other operating expenses	90,287	94,412	80,176	14,236
Capital outlays	239,000	315,457	198,534	116,923
Debt service:				
Principal redemption	-	-	53,400	(53,400)
Interest	-	-	40,108	(40,108)
<b>TOTAL EXPENDITURES</b>	<u>720,638</u>	<u>837,965</u>	<u>700,836</u>	<u>137,129</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 93,509</u>	<u>\$ (23,818)</u>	<u>(59,784)</u>	<u>\$ (35,966)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>452,520</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 392,736</u>	

**CITY OF SALISBURY, MARYLAND  
COMBINING BALANCE SHEET -  
WATER AND SEWER IMPACT FUND  
JUNE 30, 2010**

	<u>Water Impact</u>	<u>Sewer Impact</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 1,425,097	\$ 1,996,059	\$ 3,421,156
Investment pool	<u>264,326</u>	<u>223,999</u>	<u>488,325</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,689,423</u></u>	<u><u>\$ 2,220,058</u></u>	<u><u>\$ 3,909,481</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ 345,257	\$ 763,207	\$ 1,108,464
Fund Balances:			
Undesignated	<u>1,344,166</u>	<u>1,456,851</u>	<u>2,801,017</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,689,423</u></u>	<u><u>\$ 2,220,058</u></u>	<u><u>\$ 3,909,481</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, 2010**

	Water Impact	Sewer Impact	Total
REVENUES			
Fees	\$ 276,589	\$ 635,212	\$ 911,801
Earnings on investments	<u>2,407</u>	<u>3,393</u>	<u>5,800</u>
TOTAL REVENUES	<u>278,996</u>	<u>638,605</u>	<u>917,601</u>
EXPENDITURES			
Operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>278,996</u>	<u>638,605</u>	<u>917,601</u>
NONOPERATING REVENUES (EXPENDITURES)			
Operating transfers out	<u>(345,257)</u>	<u>(763,207)</u>	<u>(1,108,464)</u>
TOTAL NONOPERATING EXPENDITURES	<u>(345,257)</u>	<u>(763,207)</u>	<u>(1,108,464)</u>
CHANGE IN NET ASSETS	(66,261)	(124,602)	(190,863)
FUND BALANCE, BEGINNING OF YEAR	<u>1,410,427</u>	<u>1,581,453</u>	<u>2,991,880</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 1,344,166</u></u>	<u><u>\$ 1,456,851</u></u>	<u><u>\$ 2,801,017</u></u>

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND DEFICIT -**  
**GRANT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<b>REVENUES</b>	
Federal	\$ 615,532
State	636,900
County	17,392
Others	16,448
<b>TOTAL REVENUES</b>	<u>1,286,272</u>
<b>EXPENDITURES</b>	
Federal	
Salaries	76,683
Personnel benefits	63,595
Operating expenses	452,842
Capital outlays	157,500
State	
Salaries	66,182
Personnel benefits	16,443
Operating expenses	260,694
County	
Salaries	720
Personnel benefits	280
Other	
Salaries	85,572
Personnel benefits	18,307
Operating expenses	25,394
<b>TOTAL EXPENDITURES</b>	<u>1,224,212</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	62,060
<b>OTHER FINANCING SOURCES</b>	
Operating transfers in	<u>33,621</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>33,621</u>
<b>NET CHANGE IN FUND BALANCES</b>	95,681
<b>FUND DEFICIT, BEGINNING OF YEAR</b>	<u>(211,342)</u>
<b>FUND DEFICIT, END OF YEAR</b>	<u><u>\$ (115,661)</u></u>

### Nonmajor Proprietary Funds

**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF FUND NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	Enterprise Funds		
	Septage Treatment Fund	City Marina Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash	\$ -	\$ 21,116	\$ 21,116
Investment pool	-	2,181	2,181
Accounts receivable	-	8,619	8,619
Due from other governmental units	89,572	-	89,572
<b>Total Current Assets</b>	<b>89,572</b>	<b>31,916</b>	<b>121,488</b>
Noncurrent assets:			
Capital assets			
Construction-in-progress	-	101,311	101,311
Land	-	1,315,000	1,315,000
Buildings, equipment and improvements	128,292	1,665,254	1,793,546
Less accumulated depreciation	(128,292)	(1,339,325)	(1,467,617)
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>1,742,240</b>	<b>1,742,240</b>
<b>TOTAL ASSETS</b>	<b>\$ 89,572</b>	<b>\$ 1,774,156</b>	<b>\$ 1,863,728</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current Liabilities:			
Cash overdraft	\$ 84,503	\$ -	\$ 84,503
Accounts payable	-	108,604	108,604
Due to other governmental units	5,850	-	5,850
<b>Total Liabilities</b>	<b>90,353</b>	<b>108,604</b>	<b>198,957</b>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets net of related debt	-	1,742,240	1,742,240
Unrestricted (deficit)	(781)	(76,688)	(77,469)
<b>Total Net Assets (Deficit)</b>	<b>(781)</b>	<b>1,665,552</b>	<b>1,664,771</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 89,572</b>	<b>\$ 1,774,156</b>	<b>\$ 1,863,728</b>

**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Enterprise Funds		
	Septage Treatment Fund	City Marina Fund	Total
OPERATING REVENUES			
Charges for services	\$ -	\$ 44,465	\$ 44,465
TOTAL OPERATING REVENUES	-	44,465	44,465
OPERATING EXPENSES			
Salaries	-	19,214	19,214
Personnel benefits	-	2,998	2,998
Professional and skilled services	-	47,026	47,026
Supplies	-	16,751	16,751
Other expenses	-	33,052	33,052
Bad debt expense	-	-	-
TOTAL OPERATING EXPENSES	-	119,041	119,041
OPERATING LOSS BEFORE DEPRECIATION	-	(74,576)	(74,576)
Depreciation	-	53,614	53,614
NET OPERATING LOSS	-	(128,190)	(128,190)
NONOPERATING REVENUES			
Operating transfers in	-	173,000	173,000
TOTAL NONOPERATING REVENUES	-	173,000	173,000
CHANGE IN NET ASSETS	-	44,810	44,810
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(781)	1,620,742	1,619,961
NET ASSETS (DEFICIT), END OF YEAR	\$ (781)	\$ 1,665,552	\$ 1,664,771

## Enterprise Funds



**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -**  
**ENTERPRISE FUND - WATER AND SEWER FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Water Department	Sewer Department	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,233,982	\$ 7,935,888	\$12,169,870
Penalties	25,204	49,074	74,278
Tapping charges and connection fees	-	10,790	10,790
Assessments	15,400	-	15,400
Sundry income	125,202	(16,023)	109,179
Pretreatment monitoring fee	-	176,555	176,555
<b>TOTAL OPERATING REVENUES</b>	<u>4,399,788</u>	<u>8,156,284</u>	<u>12,556,072</u>
<b>OPERATING EXPENSES</b>			
Salaries	1,507,268	2,248,469	3,755,737
Personnel benefits	776,945	1,294,395	2,071,340
Professional and skilled services	526,880	1,343,908	1,870,788
Supplies	607,650	601,441	1,209,091
Other operating expenses	569,627	1,379,496	1,949,123
Equipment	52,340	-	52,340
<b>TOTAL OPERATING EXPENSES</b>	<u>4,040,710</u>	<u>6,867,709</u>	<u>10,908,419</u>
<b>OPERATING INCOME BEFORE DEPRECIATION</b>	359,078	1,288,575	1,647,653
Depreciation	<u>623,546</u>	<u>950,948</u>	<u>1,574,494</u>
<b>NET OPERATING INCOME (LOSS)</b>	<u>(264,468)</u>	<u>337,627</u>	<u>73,159</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal and state grants	1,439,126	686,752	2,125,878
Transfers from impact fees	345,257	763,207	1,108,464
Interest income	12,735	12,735	25,470
Interest expense	(115,138)	(555,105)	(670,243)
<b>TOTAL NONOPERATING REVENUES</b>	<u>1,681,980</u>	<u>907,589</u>	<u>2,589,569</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 1,417,512</u>	<u>\$ 1,245,216</u>	2,662,728
<b>NET ASSETS, BEGINNING OF YEAR</b>			<u>58,264,895</u>
<b>NET ASSETS, END OF YEAR</b>			<u>\$60,927,623</u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - WATER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Inspection fees	\$ 100,000	\$ 100,000	\$ 10,112	\$ (89,888)
Water sales	4,368,509	4,368,509	4,223,870	(144,639)
Penalties	20,000	20,000	25,204	5,204
Front foot assessments	-	-	15,400	15,400
Interest earned	50,000	50,000	12,735	(37,265)
Water income - sundry	255,718	255,718	125,202	(130,516)
Grants	-	-	1,439,126	1,439,126
Transfers from impact fees	441,614	441,614	345,257	(96,357)
<b>TOTAL REVENUES</b>	<b>5,235,841</b>	<b>5,235,841</b>	<b>6,196,906</b>	<b>961,065</b>
<b>EXPENSES</b>				
<b>Engineering</b>				
Salaries	319,226	330,137	327,795	2,342
Personnel benefits	126,969	128,930	119,160	9,770
Professional and skilled services	524,920	692,040	227,502	464,538
Supplies	33,394	38,506	35,490	3,016
Other operating expenses	32,900	34,865	30,072	4,793
Budget adjustment	-	100,000	-	100,000
Equipment	703,635	434,627	-	434,627
<b>Total engineering</b>	<b>1,741,044</b>	<b>1,759,105</b>	<b>740,019</b>	<b>1,019,086</b>
<b>Billing and collection</b>				
Salaries	81,138	81,590	81,590	-
Personnel benefits	29,471	36,507	36,507	-
Professional and skilled services	57,450	53,564	33,134	20,430
Supplies	29,700	31,874	25,858	6,016
Other operating expenses	19,775	19,968	13,552	6,416
Equipment	-	3,720	-	3,720
<b>Total billing and collection</b>	<b>217,534</b>	<b>227,223</b>	<b>190,641</b>	<b>36,582</b>
<b>Water treatment</b>				
Salaries	487,666	489,632	480,997	8,635
Personnel benefits	175,079	283,624	283,624	-
Professional and skilled services	187,280	237,244	207,630	29,614
Supplies	526,515	689,915	386,888	303,027
Other operating expenses	500,885	460,717	367,242	93,475
Equipment	510,000	604,673	9,500	595,173
<b>Total water treatment</b>	<b>2,387,425</b>	<b>2,765,805</b>	<b>1,735,881</b>	<b>1,029,924</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, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Distribution and storage				
Salaries	\$ 509,923	\$ 524,737	\$ 515,163	\$ 9,574
Personnel benefits	194,935	301,171	301,171	-
Professional and skilled services	58,877	56,672	38,535	18,137
Supplies	226,295	228,894	159,414	69,480
Other operating expenses	29,279	36,766	30,999	5,767
Equipment	34,000	77,981	42,840	35,141
Total distribution and storage	<u>1,053,309</u>	<u>1,226,221</u>	<u>1,088,122</u>	<u>138,099</u>
Administration				
Salaries	121,567	119,483	101,723	17,760
Personnel benefits	43,318	43,318	36,483	6,835
Professional and skilled services	15,260	22,334	20,079	2,255
Other operating expenses	<u>131,886</u>	<u>131,886</u>	<u>127,762</u>	<u>4,124</u>
Total administration	<u>312,031</u>	<u>317,021</u>	<u>286,047</u>	<u>30,974</u>
Debt payments				
Principal redemption	222,479	222,576	-	222,576
Interest	<u>133,260</u>	<u>133,164</u>	<u>115,138</u>	<u>18,026</u>
Total debt payments	<u>355,739</u>	<u>355,740</u>	<u>115,138</u>	<u>240,602</u>
<b>TOTAL EXPENSES</b>	<u>6,067,082</u>	<u>6,651,115</u>	<u>4,155,848</u>	<u>2,495,267</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES BEFORE DEPRECIATION</b>	<u>(831,241)</u>	<u>(1,415,274)</u>	<u>2,041,058</u>	<u>3,456,332</u>
Depreciation and amortization	<u>-</u>	<u>-</u>	<u>623,546</u>	<u>(623,546)</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (831,241)</u>	<u>\$ (1,415,274)</u>	<u>\$ 1,417,512</u>	<u>\$ 2,832,786</u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - SEWER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Sewer charges	\$ 7,966,533	\$ 7,966,533	\$ 7,610,121	\$ (356,412)
Sewer charges-urban services	260,000	260,000	325,767	65,767
Penalties	40,000	40,000	49,074	9,074
Pretreatment monitoring fees	181,039	181,039	176,555	(4,484)
Interest earned	50,000	50,000	12,735	(37,265)
Sewer income - sundry	175,818	175,818	(16,023)	(191,841)
Tapping charges and connection fees	-	-	10,790	10,790
Transfers from impact fees	987,207	987,207	763,207	(224,000)
Grants	-	-	686,752	686,752
<b>TOTAL REVENUES</b>	<b>9,660,597</b>	<b>9,660,597</b>	<b>9,618,978</b>	<b>(41,619)</b>
<b>EXPENSES</b>				
<b>Engineering</b>				
Salaries	485,338	500,887	497,489	3,398
Personnel benefits	176,606	194,711	194,711	-
Professional and skilled services	275,500	993,350	116,355	876,995
Supplies	32,814	36,035	31,099	4,936
Other operating expenses	51,500	50,634	44,021	6,613
Budget adjustment	-	125,000	-	125,000
Equipment	630,000	302,980	-	302,980
Total engineering	1,651,758	2,203,597	883,675	1,319,922
<b>Billing and collection</b>				
Salaries	137,784	138,373	138,373	-
Personnel benefits	49,408	91,154	91,154	-
Professional and skilled services	4,500	6,000	-	6,000
Supplies	2,150	1,975	683	1,292
Other operating expenses	25,675	27,600	23,932	3,668
Total billing and collection	219,517	265,102	254,142	10,960
<b>Wastewater treatment</b>				
Salaries	1,124,686	1,049,484	1,016,894	32,590
Personnel benefits	492,879	642,829	642,829	-
Professional and skilled services	1,164,050	1,078,182	431,011	647,171
Supplies	685,137	1,135,929	498,629	637,300
Other operating expenses	1,099,895	1,166,592	1,059,692	106,900
Equipment	310,000	404,881	-	404,881
Total wastewater treatment	4,876,647	5,477,897	3,649,055	1,828,842

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, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Maintenance and repair				
Salaries	\$ 394,049	\$ 406,296	\$ 385,235	\$ 21,061
Personnel benefits	179,306	260,815	260,815	-
Professional and skilled services	185,101	373,156	335,615	37,541
Supplies	72,950	57,588	55,185	2,403
Other operating expenses	58,680	67,445	61,028	6,417
Total maintenance and repair	<u>890,086</u>	<u>1,165,300</u>	<u>1,097,878</u>	<u>67,422</u>
Pretreatment monitoring				
Salaries	98,649	97,847	89,541	8,306
Personnel benefits	39,020	61,717	61,717	-
Professional and skilled services	20,750	20,350	12,093	8,257
Supplies	16,450	16,450	15,845	605
Other operating expenses	5,622	6,017	4,071	1,946
Total pretreatment monitoring	<u>180,491</u>	<u>202,381</u>	<u>183,267</u>	<u>19,114</u>
Administration				
Salaries	144,507	143,505	120,937	22,568
Personnel benefits	50,823	50,823	43,169	7,654
Professional and skilled services	68,780	463,219	448,834	14,385
Other operating expenses	204,217	204,217	186,752	17,465
Total administration	<u>468,327</u>	<u>861,764</u>	<u>799,692</u>	<u>62,072</u>
Debt payments				
Principal redemption	2,809,130	2,818,383	-	2,818,383
Interest	601,999	603,027	555,105	47,922
Total debt payments	<u>3,411,129</u>	<u>3,421,410</u>	<u>555,105</u>	<u>2,866,305</u>
TOTAL EXPENSES	<u>11,697,955</u>	<u>13,597,451</u>	<u>7,422,814</u>	<u>6,174,637</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES BEFORE DEPRECIATION	(2,037,358)	(3,936,854)	2,196,164	6,133,018
Depreciation	-	-	950,948	(950,948)
CHANGE IN NET ASSETS	<u>\$ (2,037,358)</u>	<u>\$ (3,936,854)</u>	<u>\$ 1,245,216</u>	<u>\$ 5,182,070</u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - CITY MARINA**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Slip rentals	\$ 35,000	\$ 35,000	\$ 34,061	\$ (939)
Electric fees	-	-	9,070	9,070
Miscellaneous	19,662	19,662	1,334	(18,328)
<b>TOTAL OPERATING REVENUES</b>	<b>54,662</b>	<b>54,662</b>	<b>44,465</b>	<b>(10,197)</b>
<b>OPERATING EXPENSES</b>				
Salaries	27,040	19,775	19,214	561
Personnel benefits	5,849	4,271	2,998	1,273
Professional and skilled services	13,800	51,318	47,026	4,292
Supplies	8,675	17,670	16,751	919
Other services and charges	42,298	38,646	33,052	5,594
Capital outlays	-	106,643	-	106,643
<b>TOTAL OPERATING EXPENSES</b>	<b>97,662</b>	<b>238,323</b>	<b>119,041</b>	<b>119,282</b>
<b>OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>	<b>(43,000)</b>	<b>(183,661)</b>	<b>(74,576)</b>	<b>109,085</b>
Depreciation	-	-	53,614	(53,614)
<b>NET OPERATING LOSS</b>	<b>(43,000)</b>	<b>(183,661)</b>	<b>(128,190)</b>	<b>55,471</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Operating transfer in	43,000	173,000	173,000	-
<b>TOTAL NONOPERATING REVENUES</b>	<b>43,000</b>	<b>173,000</b>	<b>173,000</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ -</b>	<b>\$ (10,661)</b>	<b>\$ 44,810</b>	<b>\$ 55,471</b>

## Statistical Information

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)**  
**JUNE 30, 2010**

Levy Year	Total	General Fund		
		Real Property	Personal Property	Corporations
2010	\$ 1,126,674	\$ 362,646	\$ 6,263	\$ 757,765
2009	188,172	72,870	1,818	113,484
2008	183,753	64,688	2,831	116,234
2007	149,033	50,788	1,451	96,794
2006 and prior	555,122	268,980	33,030	253,112
	2,202,754	819,972	45,393	1,337,389
Less allowance for uncollectibles	(623,307)	-	(38,221)	(585,086)
	<u>\$ 1,579,447</u>	<u>\$ 819,972</u>	<u>\$ 7,172</u>	<u>\$ 752,303</u>

NOTE: Included in the above are deferred taxes of \$471,213.



**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF BONDED INDEBTEDNESS (UNAUDITED)**  
**JUNE 30, 2010**

Description of bonds and purpose of issue	Interest		Bond Maturities	Date Issued	Authorized Total Issue	Outstanding 06/30/2010	Requirements to June 30, 2011		Payable At
	Rate (Percent)	Dates Payable					Principal	Interest	
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	02/01/1994	\$ 6,975,000	\$ 2,000,000	\$ 525,000	\$ 101,156	Bank of New York
Public Improvement Bonds of 1999	4.39	J & D1	6/1/2014	05/18/1999	4,860,000	1,621,408	379,343	67,062	Bank of America
Public Improvement Bonds of 2001	4.77	M & N1	5/1/02-21	05/01/2001	1,201,900	785,000	55,700	37,905	M&T Bank
Maryland Water Quality Financing Administration Revolving Loan Fund Revenue Bonds	4.894	M & S1	9/1/91-11	03/01/1990	76,146	7,454	3,638	586	MD Water Quality Fin.
Maryland Water Quality Financing Administration	4.894	M & S1	9/1/91-11	03/01/1990	2,848,109	419,100	204,545	30,230	MD Water Quality Fin.
Water Quality Bond of 2003	0.40	F & A1	8/1/03-24	04/17/2003	3,163,361	2,240,727	155,932	16,798	MD Dept Environment
Infrastructure Bond of 2003	4.5 - 2.0	M & N1	3/1/03-23	03/01/2003	5,614,000	4,046,000	248,300	161,884	M&T Bank
Public Improvement Bonds of 2004	2.0 - 4.6	M & N1	5/1/05-24	04/22/2004	5,318,000	3,827,300	269,600	161,948	M&T Bank
Water Quality Bond of 2005	0.40	F & A1	2/1/09-28	09/29/2005	42,009,341	37,506,353	2,037,971	251,654	MD Water Quality Fin.
Public Improvement Bonds of 2007	4.03	A & O1	4/1/08-27	04/12/2007	4,950,000	4,207,500	247,500	169,532	Suntrust Leasing Corp.
Public Improvement Bonds of 2008	4.09	F & A1	2/1/09-28	01/22/2008	3,605,000	3,300,000	160,000	134,970	Suntrust Equip & Leasing Corp
Public Improvement Bonds of 2009	3.78	M & N1	5/1/10-25	11/06/2009	2,600,000	2,600,000	173,333	96,351	Hebron Savings Bank
Maryland Water Quality Bond (ARRA)	0	A & F1	8/1/11-2/1/30	12/04/2009	2,756,400	2,756,400	-	-	MD Water Quality Fin.
Maryland Energy Administration	0	S & M1	9/1/11-3/13	12/04/2009	258,740	258,740	-	-	MD Water Quality Fin.
						<u>\$ 65,575,982</u>	<u>\$ 4,460,862</u>	<u>\$ 1,230,076</u>	

**CITY OF SALISBURY, MARYLAND**  
**GENERAL FUND REVENUE BY SOURCE (UNAUDITED)**  
**FIVE YEARS ENDED JUNE 30, 2010**

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
2010	\$21,546,160 71.60 %	\$ 1,537,197 5.11 %	\$ 856,110 2.84 %	\$ 663,585 2.21 %	\$ 109,267 0.36 %	\$ 37,697 0.13 %	\$ 1,640,400 5.45 %	\$ 3,703,987 12.31 %	\$ 30,094,403 100.00 %	\$ 225,520
2009	20,256,196 66.98	1,673,627 5.53	2,004,180 6.63	862,143 2.85	105,234 0.35	169,970 0.56	1,776,385 5.87	3,392,935 11.22	30,240,670 100.00	1,622,353
2008	19,553,399 64.66	1,863,022 6.16	2,224,103 7.35	1,037,604 3.43	104,544 0.35	374,410 1.24	1,826,485 6.04	3,256,356 10.77	30,239,923 100.00	1,280,950
2007	16,038,834 60.50	1,716,039 6.47	2,247,018 8.48	1,159,394 4.37	83,328 0.31	548,071 2.07	1,853,060 6.99	2,862,909 10.80	26,508,653 100.00	1,004,028
2006	14,856,089 59.80	1,547,575 6.23	2,046,478 8.24	1,214,955 4.89	93,731 0.38	324,871 1.31	1,529,849 6.16	3,227,920 12.99	24,841,468 100.00	999,443

**CITY OF SALISBURY, MARYLAND**  
**GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)**  
**FIVE YEARS ENDED JUNE 30, 2010**

Fiscal Year Ended June 30	Department of Public Works									
	General Government	Police	Fire	Other Safety	Supervision & Engineering	Highways	Sanitation	Recreation	Miscellaneous & Transfers	Total
2010	\$2,254,947 7.24 %	\$9,368,939 30.08 %	\$7,364,032 23.65 %	\$1,384,845 4.45 %	\$2,053,826 6.59 %	\$1,596,292 5.13 %	\$1,421,251 4.56 %	\$1,790,812 5.75 %	\$3,907,620 12.55 %	\$ 31,142,564 100.00 %
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

**CITY OF SALISBURY, MARYLAND**  
**WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)**  
**- FIVE YEARS ENDED JUNE 30, 2010**

Fiscal Year Ended June 30	Revenue					Surplus Appropriated	Expenditures				
	Water Charges	Other Water	Sewer Charges	Other Sewer	Total		Operations	Capital Outlays	Debt Service	Depreciation	Total
2010	\$4,223,870	\$175,918	\$7,935,888	\$220,396	\$12,556,072	\$1,287,628	\$10,409,485	\$ 52,340	\$670,243	\$1,574,494	\$12,706,562
2009	3,821,506	292,905	7,075,001	287,400	11,476,812	2,868,598	10,070,820	89,809	622,396	1,553,952	12,336,977
2008	3,516,762	417,906	6,607,152	247,717	10,789,537	3,100,587	8,649,418	6,778	541,292	1,564,896	10,762,384
2007	3,560,733	611,841	6,670,475	412,109	11,255,158	910,409	8,153,762	2,443,776	352,754	1,965,282	12,915,574
2006	3,537,226	331,581	6,564,089	294,475	10,727,371	1,238,804	7,553,384	126,815	232,095	1,762,126	9,674,420

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

**CITY OF SALISBURY, MARYLAND (UNAUDITED)**  
**GENERAL AND SINKING FUND - PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)**  
**FIVE YEARS ENDED JUNE 30, 2010**

<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>	<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>
2010	\$ 2,332,854,978	\$ 22,549,910	\$ 21,142,704	93.76 %	\$ 159,961	\$ 21,299,665	94.46 %	\$ 1,731,542	7.68 %
2009	2,300,114,378	22,307,156	19,672,764	88.19	342,121	20,014,885	89.72	804,170	3.60
2008	2,079,779,681	20,663,791	18,735,024	90.67	608,198	19,343,222	93.61	918,478	4.44
2007	1,832,493,066	16,350,148	15,397,454	94.17	435,818	15,833,272	96.84	1,079,022	6.60
2006	1,679,233,266	15,130,283	14,252,520	94.20	468,569	14,721,089	97.30	1,177,569	7.78

**CITY OF SALISBURY, MARYLAND**  
**GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS (UNAUDITED)**  
**FIVE YEARS ENDED JUNE 30, 2010**

Fiscal Year Ended June 30	Assessed Values					General Obligation Debt and Notes Payable	Ratio G. O. Debt to Assessed Values	Legal Debt Limit	Legal Debt Margin	Total G. O. Debt Service	Total Expenditures General Fund and Water & Sewer	Ratio G. O. Debt Service to Total Expenditures
	Real Property		Corporations									
	Full and Partial Year	Personal Property	Railroads and Utilities		Total							
			Ordinary									
2010	\$2,050,805,168	\$2,697,220	\$230,973,950	\$48,378,640	\$2,332,854,978	\$67,471,893	1.5766	\$110,237,188	\$42,765,295	\$5,719,527	\$42,796,632	0.134
2009	2,015,985,078	2,966,990	228,511,610	52,650,700	2,300,114,378	66,092,298	1.5468	109,052,333	42,960,035	5,462,516	42,729,346	0.128
2008	1,782,450,011	3,215,350	230,495,480	63,618,840	2,079,779,681	70,523,939	0.0339	101,030,967	30,507,028	5,758,606	38,169,578	0.151
2007	1,558,315,846	3,719,000	214,614,320	55,843,900	1,832,493,066	69,101,295	0.0377	89,750,356	20,649,061	3,366,351	38,627,062	0.087
2006	1,414,460,366	3,678,190	206,875,820	54,218,890	1,679,233,266	66,209,366	0.0394	83,055,705	16,846,339	3,048,104	34,619,264	0.088