

CITY OF SALISBURY, MARYLAND

AUDIT REPORT

JUNE 30, 2011

CITY OF SALISBURY
TABLE OF CONTENTS

	<u>PAGE</u>
ORGANIZATION	1
INDEPENDENT AUDITORS' REPORT	2 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Assets	11
- Statement of Activities	12
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	13
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets	14
- Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
- Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Statement of Activities	16
- Statement of Fund Net Assets - Proprietary Funds	17
- Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	18
- Statement of Cash Flows - Proprietary Funds	19
- Statement of Net Assets - Fiduciary Funds	20
- Statement of Changes in Net Assets - Fiduciary Funds	21
NOTES TO FINANCIAL STATEMENTS	22 - 48
REQUIRED SUPPLEMENTARY INFORMATION	
- Budgetary Comparison Schedule - General Fund	49

CITY OF SALISBURY
TABLE OF CONTENTS

	<u>PAGE</u>
OTHER SUPPLEMENTARY INFORMATION	
General Fund:	
- Schedule of Revenue - Estimated and Actual	50 - 51
- Schedule of Expenditures Compared with Appropriations	52 - 56
Nonmajor Governmental Funds:	
- Combining Balance Sheet	57
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances	58
- Statement of Revenues, Expenditures and Changes in Fund Deficit - Grant Fund	59
Nonmajor Proprietary Funds:	
- Combining Statement of Fund Net Assets	60
- Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	61
Enterprise Funds:	
- Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	
- Water and Sewer Fund	62
- Schedule of Revenues and Expenses - Budget and Actual	
- Water Department	63 - 64
- Sewer Department	65 - 66
- City Marina	67
- Parking Authority	68
Statistical Information (unaudited):	
- Schedule of Delinquent Taxes Receivable	69
- Statement of Bonded Indebtedness	70
- General Fund Revenue by Source	71
- General Fund Expenditures by Function	72
- Water and Sewer Department Operations	73
- General and Sinking Fund - Property Tax Levies and Collections	74
- General and Sinking Fund - Assessed Values and Debt Ratios	75

CITY OF SALISBURY, MARYLAND

ORGANIZATION

SERVING AS OF JUNE 30, 2011

OFFICIALS - ELECTED

Mayor	James Ireton, Jr.
President of Council	Terry Cohen
Vice President of Council	Deborah S. Campbell
Council Members	Eugenie P. Shields Laura Mitchell Tim Spies

OFFICIALS - STAFF

City Administrator	John R. Pick
Assistant City Administrator	Lore L. Chambers
City Clerk	Brenda Colegrove
Director of Internal Services	Pamela B. Oland
Assistant Director of Internal Services	Gerri L. Moore
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.
Director of Community Development	Deborah J. Stam
Chief of Police	Barbara Duncan
Chief of Fire Department	Jeffrey Simpson
Incorporated	1854

INDEPENDENT AUDITORS' REPORT

Barbacane, Thornton & Company LLP

200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

T 302.478.8940
F 302.468.4001
www.btcpa.com

December 5, 2011

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, 2011, 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, 2011, 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 5, 2011 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.

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, 2011. 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 \$100,848,527. Net assets of our governmental activities decreased by \$636,650 (or 2.0 percent) while net assets of our business-type activities increased by \$2,646,282 (or 3.9 percent).
- The General Fund reported revenues in excess of expenditures of \$635,587, bringing its fund balance this year to \$10,928,041.

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

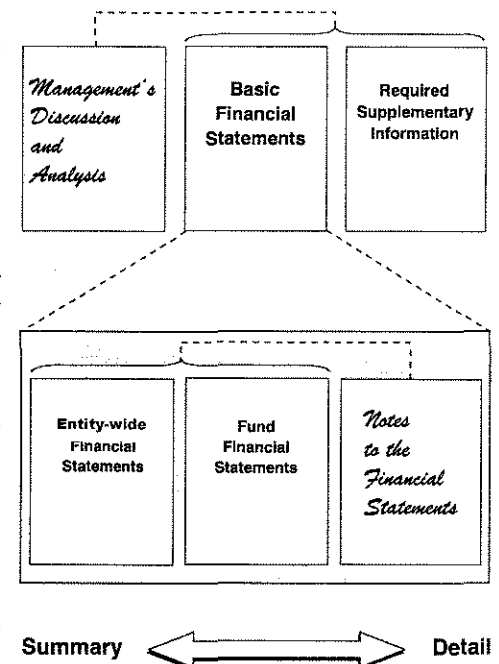


Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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 fund most of these activities. In addition, the entity-wide financial statements include the City's business-type activities, which account for services for which the City charges customers.

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	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The 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

The City's combined net assets were \$100.8 million.

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
CURRENT ASSETS:						
Cash and cash equivalents	\$ 10,617	\$ 7,746	\$ 6,735	\$ 7,238	\$ 17,352	\$ 14,984
Accounts receivable, net	3,031	3,149	2,366	2,119	5,397	5,268
Due from other governmental units	256	795	676	1,391	932	2,186
Other	-	-	24	1	24	1
Inventories	771	796	516	708	1,287	1,504
TOTAL CURRENT ASSETS	14,675	12,486	10,317	11,457	24,992	23,943
NONCURRENT ASSETS:						
Restricted cash	3,836	5,352	4,675	5,422	8,511	10,774
Bond issuance costs, net of amortization	141	136	45	53	186	189
Capital assets at cost	58,808	61,101	146,187	146,449	204,995	207,550
Less accumulated depreciation	(17,632)	(19,609)	(38,491)	(40,415)	(56,123)	(60,024)
TOTAL NONCURRENT ASSETS	45,153	46,980	112,416	111,509	157,569	158,489
TOTAL ASSETS	59,828	59,466	122,733	122,966	182,561	182,432
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	947	1,133	624	1,273	1,571	2,406
Bonds, notes and capital leases payable	2,746	2,322	3,429	3,118	6,175	5,440
Other	933	799	189	57	1,122	856
TOTAL CURRENT LIABILITIES	4,626	4,254	4,242	4,448	8,868	8,702
NONCURRENT LIABILITIES:						
Compensated absences	1,319	1,370	211	246	1,530	1,616
Post-employment benefits	5,464	3,249	1,428	838	6,892	4,087
Bonds, notes and capital leases payable	17,561	19,099	46,861	50,089	64,422	69,188
TOTAL NONCURRENT LIABILITIES	24,344	23,718	48,500	51,173	72,844	74,891
TOTAL LIABILITIES	28,970	27,972	52,742	55,621	81,712	83,593
NET ASSETS:						
Invested in capital assets, net of related debt	20,869	20,071	57,405	52,827	78,274	72,898
Restricted	3,836	6,985	4,675	178	8,511	7,163
Unrestricted	6,153	4,438	7,911	14,340	14,064	18,778
TOTAL NET ASSETS	\$ 30,858	\$ 31,494	\$ 69,991	\$ 67,345	\$ 100,849	\$ 98,839

Net assets of the City's governmental activities decreased by 2.0 percent to \$30.9 million due to increases in current and noncurrent liabilities. Net assets of the City's business-type activities increased by 3.9 percent to \$70.0 million due to capital asset additions also funded in part by cash and investments. Note that the prior year figures have been restated to reflect the impact of the parking, water impact and sewer impact fund reclassifications from governmental activities to business-type activities. (See Note 13 for further discussion.)

The City's total revenues were \$49.3 million. A significant portion, 46.0 percent, of the City's revenue comes from property taxes. (See Figure A-3.) A portion, 38.8 percent, comes from charges for services and 6.7 percent comes from operating grants. The total cost of all programs and services was \$47.2 million.

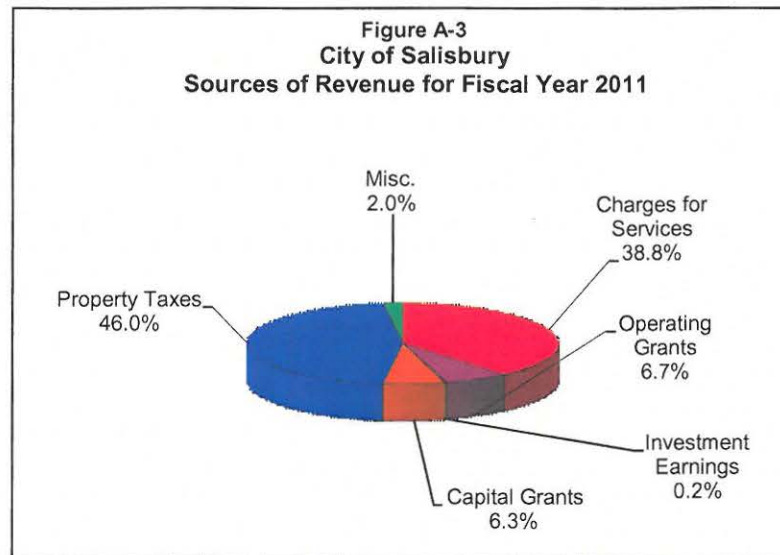


Table A-2
SOURCES OF REVENUES
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 4,260	\$ 4,782	\$ 14,859	\$ 13,672	\$ 19,119	\$ 18,454
Operating grants	3,284	2,910	-	-	3,284	2,910
Capital grants	409	2,435	2,696	2,126	3,105	4,561
General revenues/transfers:						
Taxes	22,650	23,307	-	-	22,650	23,307
Investment earnings	44	38	31	33	75	71
Operating transfers	(41)	(193)	41	193	-	-
Miscellaneous	1,025	1,278	-	-	1,025	1,278
TOTAL REVENUES	\$ 31,631	\$ 34,557	\$ 17,627	\$ 16,024	\$ 49,258	\$ 50,581

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		
	2011	2010	% Change	2011	2010	% Change
Governmental activities:						
General government	\$ 3,288	\$ 2,804	17.3%	\$ 590	\$ 59	900.0%
Public safety	18,376	19,462	-5.9%	14,453	15,767	-8.7%
Public works	7,058	6,843	3.1%	6,031	3,316	81.9%
Recreation and culture	2,095	2,182	-4.0%	1,789	1,729	3.5%
Miscellaneous	480	477	0.6%	480	478	0.4%
Interest on long-term debt	971	1,029	-5.6%	971	1,029	-5.6%
Total governmental activities	32,268	32,797		24,314	22,378	
Business-type activities:						
Water and sewer	13,880	13,153	5.5%	(2,859)	(1,529)	-87.0%
Other	1,102	1,043	5.7%	286	220	30.0%
Total business-type activities	14,982	14,196		(2,573)	(1,309)	
Total	\$ 47,250	\$ 46,993		\$ 21,741	\$ 21,069	

CHANGE IN NET ASSETS (in thousands of dollars)					
Governmental Activities		Business-type Activities		Totals	
2011	2010	2011	2010	2011	2010
\$ (636)	\$ 638	\$ 2,646	\$ 2,950	\$ 2,010	\$ 3,588

Governmental Activities

Property tax rates were held constant between FY 2010 and FY 2011. The cost of all *governmental* activities this year was \$32.3 million. However, the amount that the City's taxpayers paid for these activities through taxes was only \$22.7 million. Some of the cost was paid by those who directly benefited from the programs, \$4.3 million, or by grants and contributions, \$3.7 million. The general government cost had a 1.6 percent decrease between years, which can be attributed to overall cost decreases.

Business-type Activities

Revenues of the City's business-type activities were \$17.6 million in FY 2011 vs. \$16.0 million in FY 2010 (refer to Table A-2) while expenses were \$15.0 million in FY 2011 versus \$14.2 million in FY 2010. The revenue increase is due to the City receiving \$0.5 million more in capital grants and \$1 million in increases for charges for service in FY 2011. 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 \$14.5 million, \$0.4 million greater than the previous year. At year end, the general fund had a fund balance of \$10.9 million and the capital improvements fund had a fund balance of \$3.8 million. The fund balance for other governmental funds reported a deficit fund balance of \$0.2 million. 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 \$32.2 million versus an original budget of \$30.7 million. The majority of the variance is due to encumbrances carried forward from FY 2010. Actual expenditures were \$1.5 million above final budget amounts. Most departments were under budget during the year. One department with a negative variance was human resources. The variance for this department was due to general government health insurance costs recorded within this department. However, overall general government expenditures had a favorable variance compared to final budget amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the City had invested \$205.0 million in a broad range of capital assets. (See Table A-4.)

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

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2011	2010	2011	2010	2011	2010	
Land and art	\$ 7,860	\$ 7,730	\$ 2,047	\$ 2,147	\$ 9,907	\$ 9,877	0%
Buildings and improvements	20,435	20,568	21,705	22,142	42,140	42,710	-1%
Improvements, non-buildings	8,240	8,256	25,644	27,126	33,884	35,382	-4%
Machinery and equipment	15,581	18,447	11,704	12,803	27,285	31,250	-13%
Zoo animals	36	36	-	-	36	36	0%
Construction-in-progress	6,656	6,064	85,087	82,231	91,743	88,295	1%
Totals at historical cost	58,808	61,101	146,187	146,449	204,995	207,550	2%
Total accumulated depreciation	17,632	19,609	38,492	40,415	56,124	60,024	-6%
Net capital assets	\$ 41,176	\$ 41,492	\$ 107,695	\$ 106,034	\$ 148,871	\$ 147,526	6%

This year's capital asset table reflects an adjustment made in all categories for fully depreciated items. In addition, the City purchased new firefighting equipment, police vehicles and a new refuse truck in the general fund. 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 Naylor Mill Road lift station and Salisbury potable water storage projects which were still under construction at year end.

The City's fiscal year 2012 capital budget consists primarily of the ongoing upgrade of the wastewater treatment plant, park high service pump, replacement of utility #9, sewer infiltration and inflow study, Sam Club's lift station engineering and interim treatment maintenance requirements. 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 \$70.6 million in bonds, notes and leases outstanding, a decrease of \$4.0 million. The City issued \$5.0 million in Public Facilities Refunding Bonds in FY 2011 to refund an existing lease. 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 used lease financing to purchase an ambulance, radios and a new phone system in FY 2011. 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Leases payable	\$ 2,582	\$ 7,374	\$ 184	\$ 233	\$ 2,766	\$ 7,607	-64%
Bonds payable	17,432	13,725	48,724	51,592	66,156	65,317	1%
Mortgages and notes payable	293	321	1,382	1,382	1,675	1,703	-2%
Total Bonds and Notes Payable	<u>\$ 20,307</u>	<u>\$ 21,420</u>	<u>\$ 50,290</u>	<u>\$ 53,207</u>	<u>\$ 70,597</u>	<u>\$ 74,627</u>	-5%

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 2011, the City collected \$147,552 in building permit revenues and in FY 2007, the City collected \$688,508 in building permit revenues.
- 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 2012. 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.
- The State of Maryland continued the revenue cuts for Highway User Taxes and Police Aid Grants for FY 2012. For the near future, the City does not expect this funding to return.
- The local (Wicomico County) unemployment rate as of September 2011 was 8.5 percent, up by 0.3 percent from a year ago. The State of Maryland has a 7.4 percent rate and the nation as a whole has a 9.1 percent unemployment rate.

The City's general operating fund spending will decrease slightly in the 2012 budget. Budgeted 2012 expenditures are \$31,272,165 compared to the final adjusted 2011 budget of \$32,115,854. The City did not raise taxes for fiscal 2012. 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 also must 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 2012. Budgeted 2012 expenditures are \$17,041,508 compared to the final adjusted 2011 budget of \$19,518,425. Sewer rates were increased for FY 2012 (18.4 percent). The City is continuing to upgrade the wastewater treatment plant, which will eventually cost around \$80 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; 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, 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.

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 10,356,348	\$ 6,716,823	\$ 17,073,171
Savings and deposits	260,662	17,913	278,575
Accounts receivable, net	3,030,758	2,365,747	5,396,505
Due from other governmental units	256,206	675,872	932,078
Prepaid expenses	-	24,546	24,546
Inventories	771,101	516,328	1,287,429
Total Current Assets	<u>14,675,075</u>	<u>10,317,229</u>	<u>24,992,304</u>
Noncurrent assets:			
Restricted cash and investment pool	3,835,862	4,675,312	8,511,174
Bond issuance costs, net of amortization	141,532	45,001	186,533
Construction-in-progress	6,656,190	85,087,142	91,743,332
Land and art	7,860,260	2,046,753	9,907,013
Capital assets at cost	44,291,337	59,053,194	103,344,531
Less accumulated depreciation	(17,632,191)	(38,491,599)	(56,123,790)
Total Noncurrent Assets	<u>45,152,990</u>	<u>112,415,803</u>	<u>157,568,793</u>
TOTAL ASSETS	<u><u>\$ 59,828,065</u></u>	<u><u>\$ 122,733,032</u></u>	<u><u>\$ 182,561,097</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 947,200	\$ 624,393	\$ 1,571,593
Due to other governmental units	3,150	5,850	9,000
Deposits and advance payments of taxes	650,742	25,458	676,200
Compensated absences	145,416	23,476	168,892
Accrued interest payable	133,334	133,935	267,269
Bonds, notes and capital leases payable	2,745,945	3,429,286	6,175,231
Total Current Liabilities	<u>4,625,787</u>	<u>4,242,398</u>	<u>8,868,185</u>
Noncurrent liabilities:			
Compensated absences	1,319,143	211,282	1,530,425
Post-employment benefits	5,464,494	1,427,869	6,892,363
Bonds, notes and capital leases payable	17,560,789	46,860,808	64,421,597
Total Noncurrent Liabilities	<u>24,344,426</u>	<u>48,499,959</u>	<u>72,844,385</u>
Total Liabilities	<u>28,970,213</u>	<u>52,742,357</u>	<u>81,712,570</u>
NET ASSETS			
Invested in capital assets, net of related debt	20,868,862	57,405,396	78,274,258
Restricted	3,835,862	4,675,312	8,511,174
Unrestricted	6,153,128	7,909,967	14,063,095
Total Net Assets	<u>30,857,852</u>	<u>69,990,675</u>	<u>100,848,527</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 59,828,065</u></u>	<u><u>\$ 122,733,032</u></u>	<u><u>\$ 182,561,097</u></u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 3,288,434	\$ 1,444,812	\$ 1,253,545	\$ -	\$ (590,077)	\$ -	\$ (590,077)
Public safety	18,375,799	1,833,033	1,991,209	98,625	(14,452,932)	-	(14,452,932)
Public works	7,058,209	716,643	-	310,284	(6,031,282)	-	(6,031,282)
Recreation and culture	2,095,039	265,929	39,486	-	(1,789,624)	-	(1,789,624)
Nondepartmental	479,858	-	-	-	(479,858)	-	(479,858)
Interest on long-term debt	970,696	-	-	-	(970,696)	-	(970,696)
Total Governmental Activities	<u>32,268,035</u>	<u>4,260,417</u>	<u>3,284,240</u>	<u>408,909</u>	<u>(24,314,469)</u>	<u>-</u>	<u>(24,314,469)</u>
BUSINESS-TYPE ACTIVITIES							
Water and sewer	13,880,382	14,043,540	-	2,695,875	-	2,859,033	2,859,033
Other	1,101,724	816,235	-	-	-	(285,489)	(285,489)
Total Business-type Activities	<u>14,982,106</u>	<u>14,859,775</u>	<u>-</u>	<u>2,695,875</u>	<u>-</u>	<u>2,573,544</u>	<u>2,573,544</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 47,250,141</u>	<u>\$ 19,120,192</u>	<u>\$ 3,284,240</u>	<u>\$ 3,104,784</u>	<u>(24,314,469)</u>	<u>2,573,544</u>	<u>(21,740,925)</u>
GENERAL REVENUES							
Taxes							
Real and personal property taxes, levied for general purposes					15,721,175	-	15,721,175
Ordinary business corporations and utilities					4,958,464	-	4,958,464
State shared income tax					1,378,956	-	1,378,956
Other taxes					591,964	-	591,964
Unrestricted investment earnings					43,818	31,299	75,117
Operating transfers					(41,439)	41,439	-
Miscellaneous					1,024,881	-	1,024,881
TOTAL GENERAL REVENUES AND TRANSFERS					<u>23,677,819</u>	<u>72,738</u>	<u>23,750,557</u>
CHANGE IN NET ASSETS					(636,650)	2,646,282	2,009,632
NET ASSETS, BEGINNING OF YEAR, RESTATED					<u>31,494,502</u>	<u>67,344,393</u>	<u>98,838,895</u>
NET ASSETS, END OF YEAR					<u>\$ 30,857,852</u>	<u>\$ 69,990,675</u>	<u>\$ 100,848,527</u>

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

CITY OF SALISBURY, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
ASSETS				
Cash	\$ 9,859,891	\$ 1,440,670	\$ 179,871	\$ 11,480,432
Investment pool	895,503	2,395,192	36,738	3,327,433
Savings and deposits	260,662	-	-	260,662
Taxes receivable	2,594,401	-	-	2,594,401
Less allowance for uncollectibles	(1,062,198)	-	-	(1,062,198)
Due from other governmental units	92,019	-	164,187	256,206
Sundry accounts receivable	2,979,103	-	28,165	3,007,268
Less allowance for uncollectibles	(1,508,713)	-	-	(1,508,713)
Inventory	771,101	-	-	771,101
TOTAL ASSETS	<u><u>\$ 14,881,769</u></u>	<u><u>\$ 3,835,862</u></u>	<u><u>\$ 408,961</u></u>	<u><u>\$ 19,126,592</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraft	\$ -	\$ -	\$ 615,655	\$ 615,655
Accounts payable and accrued expenses	917,199	-	30,001	947,200
Due to other governmental units	3,150	-	-	3,150
Deposits and advance payment of taxes	650,742	-	-	650,742
Deferred revenue	2,237,221	-	-	2,237,221
Compensated absences	145,416	-	-	145,416
Total Liabilities	<u><u>3,953,728</u></u>	<u><u>-</u></u>	<u><u>645,656</u></u>	<u><u>4,599,384</u></u>
Fund Balances (Deficit):				
Nonspendable	771,101	-	-	771,101
Restricted	-	3,835,862	-	3,835,862
Committed	827,829	-	201,803	1,029,632
Assigned	931,816	-	38,163	969,979
Unassigned (Deficit)	8,397,295	-	(476,661)	7,920,634
Total Fund Balances (Deficit)	<u><u>10,928,041</u></u>	<u><u>3,835,862</u></u>	<u><u>(236,695)</u></u>	<u><u>14,527,208</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 14,881,769</u></u>	<u><u>\$ 3,835,862</u></u>	<u><u>\$ 408,961</u></u>	<u><u>\$ 19,126,592</u></u>

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, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 14,527,208

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. 41,175,596

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. 141,532

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. 2,237,221

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	\$ (20,306,734)	
Compensated absences	(1,319,143)	
Post-employment benefits	(5,464,494)	
Accrued interest on bonds	<u>(133,334)</u>	<u>(27,223,705)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 30,857,852

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, 2011

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
REVENUES				
Taxes	\$22,386,049	\$ -	\$ -	\$22,386,049
Other revenue	2,329,733	273,868	-	2,603,601
Intergovernmental revenues	1,295,642	135,040	1,987,799	3,418,481
Charges for services	2,743,533	-	34,317	2,777,850
Miscellaneous	-	6,571	567	7,138
TOTAL REVENUES	<u>28,754,957</u>	<u>415,479</u>	<u>2,022,683</u>	<u>31,193,119</u>
EXPENDITURES				
Current:				
General government	2,464,686	-	574,185	3,038,871
Public safety	15,890,495	-	-	15,890,495
Public works	4,559,673	-	1,602,785	6,162,458
Recreation and culture	1,712,040	-	-	1,712,040
Nondepartmental	479,858	-	-	479,858
Capital outlays	724,505	273,476	318,949	1,316,930
Debt service:				
Principal	1,883,247	-	-	1,883,247
Interest	993,322	-	-	993,322
TOTAL EXPENDITURES	<u>28,707,826</u>	<u>273,476</u>	<u>2,495,919</u>	<u>31,477,221</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>47,131</u>	<u>142,003</u>	<u>(473,236)</u>	<u>(284,102)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(180,723)	-	139,284	(41,439)
Payment to refund debt	(4,807,735)	-	-	(4,807,735)
Debt proceeds	5,576,914	-	-	5,576,914
TOTAL OTHER FINANCING SOURCES	<u>588,456</u>	<u>-</u>	<u>139,284</u>	<u>727,740</u>
NET CHANGE IN FUND BALANCES	635,587	142,003	(333,952)	443,638
FUND BALANCES, BEGINNING OF YEAR	<u>10,292,454</u>	<u>3,693,859</u>	<u>97,257</u>	<u>14,083,570</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$10,928,041</u>	<u>\$ 3,835,862</u>	<u>\$ (236,695)</u>	<u>\$14,527,208</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, 2011

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 443,638

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	\$ 1,316,930	
Donated assets	215,199	
Disposal of fixed assets	(63,264)	
Depreciation expense	<u>(1,785,697)</u>	(316,832)

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. (5,576,914)

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. 264,511

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. 6,690,981

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:

Decrease in compensated absences	51,290	
Increase in post-employment benefits	(2,215,950)	
Increase in bond issuance costs	5,066	
Decrease in accrued interest payable	<u>17,560</u>	<u>(2,142,034)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (636,650)

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2011

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
ASSETS				
Current assets:				
Cash	\$ -	\$ 3,269	\$ -	\$ 3,269
Investment pool	12,994,037	-	376,673	13,370,710
Savings and deposits	-	17,913	-	17,913
Accounts receivable	2,336,887	5,415	23,445	2,365,747
Due from other governmental units	586,300	-	89,572	675,872
Prepaid expenses	24,539	7	-	24,546
Inventories	516,328	-	-	516,328
Total Current Assets	<u>16,458,091</u>	<u>26,604</u>	<u>489,690</u>	<u>16,974,385</u>
Noncurrent assets:				
Restricted cash	-	186,822	-	186,822
Restricted investment pool	4,488,490	-	-	4,488,490
Bond issuance cost, net of amortization	45,001	-	-	45,001
Capital assets:				
Construction-in-progress	85,081,922	-	5,220	85,087,142
Land	149,953	114,010	1,782,790	2,046,753
Buildings, equipment and improvements	51,621,240	1,454,319	5,977,635	59,053,194
Less accumulated depreciation	(34,293,553)	(665,599)	(3,532,447)	(38,491,599)
Total Noncurrent Assets	<u>107,093,053</u>	<u>1,089,552</u>	<u>4,233,198</u>	<u>112,415,803</u>
TOTAL ASSETS	<u><u>\$123,551,144</u></u>	<u><u>\$1,116,156</u></u>	<u><u>\$4,722,888</u></u>	<u><u>\$129,390,188</u></u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Due in one year:				
Cash overdraft	\$ 6,502,989	\$ -	\$ 154,167	\$ 6,657,156
Accounts payable	467,093	23,199	8,643	498,935
Accrued payroll	124,470	988	-	125,458
Accrued interest payable	128,012	-	5,923	133,935
Due to other governmental units	-	-	5,850	5,850
Provision for compensated absences	23,476	-	-	23,476
Bonds, notes and capital leases payable	3,322,759	-	106,527	3,429,286
Deposits	12,302	13,156	-	25,458
Total Current Liabilities	<u>10,581,101</u>	<u>37,343</u>	<u>281,110</u>	<u>10,899,554</u>
Due in more than one year:				
Bonds, notes and capital leases payable	44,713,428	1,381,807	765,573	46,860,808
Post-employment benefits	1,427,869	-	-	1,427,869
Provision for compensated absences	211,282	-	-	211,282
Total Noncurrent Liabilities	<u>46,352,579</u>	<u>1,381,807</u>	<u>765,573</u>	<u>48,499,959</u>
Total Liabilities	<u>56,933,680</u>	<u>1,419,150</u>	<u>1,046,683</u>	<u>59,399,513</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	54,523,375	(479,077)	3,361,098	57,405,396
Restricted	4,488,490	186,822	-	4,675,312
Unrestricted (Deficit)	7,605,599	(10,739)	315,107	7,909,967
Total Net Assets (Deficit)	<u>66,617,464</u>	<u>(302,994)</u>	<u>3,676,205</u>	<u>69,990,675</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$123,551,144</u></u>	<u><u>\$1,116,156</u></u>	<u><u>\$4,722,888</u></u>	<u><u>\$129,390,188</u></u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
OPERATING REVENUES				
Charges for services	\$ 13,302,766	\$ 145,563	\$ 670,672	\$ 14,119,001
Penalties	78,002	-	-	78,002
Tapping charges and connection fees	16,400	-	-	16,400
Sundry income	243,984	-	-	243,984
Pretreatment monitoring fee	179,925	-	-	179,925
Impact fees	222,463	-	-	222,463
TOTAL OPERATING REVENUES	<u>14,043,540</u>	<u>145,563</u>	<u>670,672</u>	<u>14,859,775</u>
OPERATING EXPENSES				
Salaries	3,376,637	-	197,422	3,574,059
Personnel benefits	1,999,314	7,709	56,691	2,063,714
Professional and skilled services	2,913,518	48,409	151,356	3,113,283
Supplies	1,390,776	31,205	146,882	1,568,863
Other operating expenses	1,868,164	48,124	193,127	2,109,415
Equipment	2,732	-	-	2,732
Bad debt expense	-	13,915	-	13,915
TOTAL OPERATING EXPENSES	<u>11,551,141</u>	<u>149,362</u>	<u>745,478</u>	<u>12,445,981</u>
Operating income (loss) before depreciation	2,492,399	(3,799)	(74,806)	2,413,794
Depreciation	<u>1,581,080</u>	<u>36,018</u>	<u>133,627</u>	<u>1,750,725</u>
NET OPERATING INCOME (LOSS)	<u>911,319</u>	<u>(39,817)</u>	<u>(208,433)</u>	<u>663,069</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	2,695,875	-	-	2,695,875
Operating transfers in	-	-	41,439	41,439
Interest income	29,791	1,022	486	31,299
Interest expense	(748,161)	-	(37,239)	(785,400)
TOTAL NONOPERATING REVENUES	<u>1,977,505</u>	<u>1,022</u>	<u>4,686</u>	<u>1,983,213</u>
CHANGE IN NET ASSETS	2,888,824	(38,795)	(203,747)	2,646,282
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>63,728,640</u>	<u>(264,199)</u>	<u>3,879,952</u>	<u>67,344,393</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 66,617,464</u>	<u>\$ (302,994)</u>	<u>\$ 3,676,205</u>	<u>\$ 69,990,675</u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$14,528,387	\$ 144,655	\$ 656,214	\$15,329,256
Payments to suppliers	(9,485,266)	(125,786)	(587,604)	(10,198,656)
Payments to employees	(4,786,901)	(7,709)	(254,113)	(5,048,723)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>256,220</u>	<u>11,160</u>	<u>(185,503)</u>	<u>81,877</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Federal and state grants received	2,695,875	-	-	2,695,875
Internal activity - receipts from other funds	-	-	41,439	41,439
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,695,875</u>	<u>-</u>	<u>41,439</u>	<u>2,737,314</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds and notes	107,067	-	142,800	249,867
Principal paid on bonds, notes and capital leases	(3,110,613)	-	(55,700)	(3,166,313)
Interest paid on bonds, notes and mortgages	(732,969)	-	(37,239)	(770,208)
Bond issuance costs	(7,596)	-	-	(7,596)
Disposal of capital assets	2,933	-	-	2,933
Payments for capital acquisitions	(3,403,939)	-	(10,552)	(3,414,491)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,145,117)</u>	<u>-</u>	<u>39,309</u>	<u>(7,105,808)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends	29,791	1,022	486	31,299
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>29,791</u>	<u>1,022</u>	<u>486</u>	<u>31,299</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(4,163,231)</u>	<u>12,182</u>	<u>(104,269)</u>	<u>(4,255,318)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>21,645,758</u>	<u>195,822</u>	<u>480,942</u>	<u>22,322,522</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$17,482,527</u></u>	<u><u>\$ 208,004</u></u>	<u><u>\$ 376,673</u></u>	<u><u>\$18,067,204</u></u>
Cash	\$ -	\$ 3,269	\$ -	\$ 3,269
Savings and deposits	-	17,913	-	17,913
Investment pool	12,994,037	-	376,673	13,370,710
Restricted cash	-	186,822	-	186,822
Restricted investment pool	4,488,490	-	-	4,488,490
	<u>\$17,482,527</u>	<u>\$ 208,004</u>	<u>\$ 376,673</u>	<u>\$18,067,204</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 911,319	\$ (39,817)	\$ (208,433)	\$ 663,069
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,581,080	36,018	133,627	1,750,725
Change in assets and liabilities:				
Receivables	484,847	(2,290)	(14,458)	468,099
Prepaid expenses	(24,539)	1,193	-	(23,346)
Inventories	191,229	-	-	191,229
Accounts payable and accrued expenses	(3,476,766)	14,674	(96,239)	(3,558,331)
Post-employment benefits	589,050	-	-	589,050
Deposits	-	1,382	-	1,382
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 256,220</u></u>	<u><u>\$ 11,160</u></u>	<u><u>\$ (185,503)</u></u>	<u><u>\$ 81,877</u></u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
June 30, 2011

	<u>Health Care Trust</u>	<u>Private- purpose Trust</u>	<u>Agency Funds</u>
ASSETS			
Cash and investment pool	\$ -	\$ 102,763	\$ 333,857
Investments	1,169,175	-	-
Accounts receivable	<u>-</u>	<u>-</u>	<u>103,577</u>
Total Assets	<u>1,169,175</u>	<u>102,763</u>	<u>437,434</u>
LIABILITIES			
Accounts payable	-	76,833	18,327
Deposits	-	-	163,068
Due to other governmental units	<u>-</u>	<u>-</u>	<u>256,039</u>
Total Liabilities	<u>-</u>	<u>76,833</u>	<u>437,434</u>
NET ASSETS			
Restricted	<u><u>\$ 1,169,175</u></u>	<u><u>\$ 25,930</u></u>	<u><u>\$ -</u></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, 2011

	Health Care Trust	Private- purpose Trust
ADDITIONS		
Interest	\$ 20,131	\$ 57
Gain on sale of investments	<u>182,708</u>	<u>-</u>
TOTAL ADDITIONS	<u>202,839</u>	<u>57</u>
DEDUCTIONS		
Operating expenses	<u>3,149</u>	<u>34,683</u>
TOTAL DEDUCTIONS	<u>3,149</u>	<u>34,683</u>
CHANGE IN NET ASSETS	199,690	(34,626)
NET ASSETS, BEGINNING OF YEAR	<u>969,485</u>	<u>60,556</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,169,175</u></u>	<u><u>\$ 25,930</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, 2011:

General government – human resources \$ 154,868

The excess of expenditures over appropriations was financed with savings in other general government areas.

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. At June 30, 2011, all property taxes were deemed collectible and there was no allowance.

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, art 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.

Fund Balance Reserves and Deficit

As of June 30, 2011, fund balances of the governmental funds are classified, if applicable, as follows:

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by formal action of the City Council. The Council is the highest level of decision-making authority for the City of Salisbury. Commitments may be established, modified or rescinded only through resolutions approved by the City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Council has designated the Director of Internal Services the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

As of June 30, 2011, fund balances are composed of the following:

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 771,101	\$ -	\$ -	\$ 771,101
Restricted:				
Capital improvements	-	3,835,862	-	3,835,862
Committed:				
Health care	817,810	-	-	817,810
General impact	10,019	-	-	10,019
Curb, gutter and sidewalk	-	-	90,748	90,748
Trash container sales and demolition	-	-	111,055	111,055
Assigned:				
Encumbrances	931,816	-	-	931,816
Community development	-	-	38,163	38,163
Unassigned (Deficit)	<u>8,397,295</u>	<u>-</u>	<u>(476,661)</u>	<u>7,920,634</u>
Total Fund Balances (Deficit)	<u>\$10,928,041</u>	<u>\$ 3,835,862</u>	<u>\$ (236,695)</u>	<u>\$ 14,527,208</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Council has provided otherwise in its commitment or assignment actions.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

The deficit in the Mitchell Landing Fund (major enterprise fund) as of June 30, 2011 was \$302,994. 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 \$476,661 at June 30, 2011. 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, 2011. 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 held separately 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, 2011, the City had deposits of \$9,505,920 (carrying value \$9,285,609). As of June 30, 2011, all of the City's bank balances were adequately insured and collateralized as defined by GASB.

Investments

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

As of June 30, 2011, 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, 2011 was \$17,013,931.

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	\$ 110,200
Government and agency bonds	167,087
Corporate bonds	68,893
Common stock	667,702
Mutual funds	<u>155,293</u>
Total	<u>\$1,169,175</u>

Investments held at June 30, 2011 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
40,000	U.S. Treasury Note	4.63%	02/29/12
100,000	U.S. Treasury Note	1.13%	01/15/12
25,000	U.S. Treasury Note	1.38%	11/15/12
15,000	Wells Fargo & Co.	4.38%	01/31/13

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, 2011, appropriate due from/to other funds have been established. There were no interfund balances outstanding as of June 30, 2011.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2011</u>
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land and art	\$ 7,730,260	\$ 130,000	\$ -	\$ -	\$ 7,860,260
Construction-in-progress	6,063,765	592,425	-	-	6,656,190
Total capital assets not being depreciated	<u>13,794,025</u>	<u>722,425</u>	<u>-</u>	<u>-</u>	<u>14,516,450</u>
Capital assets being depreciated:					
Land improvements	767,410	-	-	-	767,410
Buildings and improvements	19,800,739	-	(133,736)	-	19,667,003
Improvements, nonbuildings	8,255,755	-	(15,924)	-	8,239,831
Machinery and equipment	18,447,381	809,704	(3,675,992)	-	15,581,093
Zoo animals	36,000	-	-	-	36,000
Total capital assets being depreciated	<u>47,307,285</u>	<u>809,704</u>	<u>(3,825,652)</u>	<u>-</u>	<u>44,291,337</u>
Accumulated depreciation	<u>(19,608,882)</u>	<u>(1,785,697)</u>	<u>3,762,388</u>	<u>-</u>	<u>(17,632,191)</u>
Total capital assets being depreciated, net	<u>27,698,403</u>	<u>(975,993)</u>	<u>(63,264)</u>	<u>-</u>	<u>26,659,146</u>
Governmental activities capital assets, net	<u>\$ 41,492,428</u>	<u>\$ (253,568)</u>	<u>\$ (63,264)</u>	<u>\$ -</u>	<u>\$ 41,175,596</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 79,215
Public safety	1,007,043
Public works	445,231
Recreation and culture	254,208
Total depreciation expense	<u>\$ 1,785,697</u>

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2011</u>
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land	\$ 149,953	\$ -	\$ -	\$ -	\$ 149,953
Construction-in-progress	82,129,161	3,025,139	-	(72,378)	85,081,922
Total capital assets not being depreciated	<u>82,279,114</u>	<u>3,025,139</u>	<u>-</u>	<u>(72,378)</u>	<u>85,231,875</u>
Capital assets being depreciated:					
Land improvements	535,933	-	(105,297)	-	430,636
Buildings and improvements	14,866,965	-	(432,247)	-	14,434,718
Improvements, nonbuildings	27,061,492	146,282	(1,700,723)	72,378	25,579,429
Machinery and equipment	12,366,392	232,518	(1,422,453)	-	11,176,457
Total capital assets being depreciated	<u>54,830,782</u>	<u>378,800</u>	<u>(3,660,720)</u>	<u>72,378</u>	<u>51,621,240</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

(cont'd)	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2011</u>
Total accumulated depreciation	<u>(36,370,260)</u>	<u>(1,581,080)</u>	<u>3,657,787</u>	<u>-</u>	<u>(34,293,553)</u>
Total capital assets being depreciated, net	<u>18,460,522</u>	<u>(1,202,280)</u>	<u>(2,933)</u>	<u>72,378</u>	<u>17,327,687</u>
Total Water and Sewer Capital Assets, Net	<u>\$100,739,636</u>	<u>\$ 1,822,859</u>	<u>\$ (2,933)</u>	<u>\$ -</u>	<u>\$102,559,562</u>

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2011</u>
Parking Authority Fund					
Capital assets not being depreciated:					
Land	\$ 567,790	\$ -	\$ -	\$ (100,000)	\$ 467,790
Construction-in-progress	-	5,220	-	-	5,220
Total capital assets not being depreciated	<u>567,790</u>	<u>5,220</u>	<u>-</u>	<u>(100,000)</u>	<u>473,010</u>
Capital assets being depreciated:					
Land improvements	56,704	-	-	100,000	156,704
Buildings and improvements	3,690,721	-	-	-	3,690,721
Improvements, nonbuildings	64,800	-	-	-	64,800
Machinery and equipment	181,148	-	-	-	181,148
Total capital assets being depreciated	<u>3,993,373</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>4,093,373</u>
Total accumulated depreciation	<u>(1,947,130)</u>	<u>(105,287)</u>	<u>-</u>	<u>-</u>	<u>(2,052,417)</u>
Total capital assets being depreciated, net	<u>2,046,243</u>	<u>(105,287)</u>	<u>-</u>	<u>100,000</u>	<u>2,040,956</u>
Total Parking Authority Capital Assets, Net	<u>\$ 2,614,033</u>	<u>\$ (100,067)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,513,966</u>

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>June 30, 2011</u>
Septage Treatment Fund					
Capital assets being depreciated:					
Machinery and equipment	\$ 128,292	\$ -	\$ -	\$ -	\$ 128,292
Less accumulated depreciation:					
Machinery and equipment	<u>(128,292)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(128,292)</u>
Total Septage Treatment Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deduction</u>	<u>Transfers</u>	<u>June 30, 2011</u>
City Marina Fund					
Capital assets not being depreciated:					
Land	\$ 1,315,000	\$ -	\$ -	\$ -	\$ 1,315,000
Construction-in-progress	101,311	5,332	-	(106,643)	-
Total capital assets not being depreciated	<u>1,416,311</u>	<u>5,332</u>	<u>-</u>	<u>(106,643)</u>	<u>1,315,000</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	July 1, 2010	Additions	Deduction	Transfers	June 30, 2011
City Marina Fund (cont'd)					
Capital assets being depreciated:					
Land improvements	1,418,255	-	-	-	1,418,255
Buildings and improvements	209,494	-	-	-	209,494
Machinery and equipment	37,505	-	(15,927)	106,643	128,221
Total capital assets being depreciated	1,665,254	-	(15,927)	106,643	1,755,970
Total accumulated depreciation	(1,339,325)	(28,340)	15,927	-	(1,351,738)
Total capital assets being depreciated, net	325,929	(28,340)	-	106,643	404,232
Total City Marina Capital Assets, Net	<u>\$ 1,742,240</u>	<u>\$ (23,008)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,719,232</u>

	July 1, 2010	Additions	Deductions	Transfers	June 30, 2011
Mitchell Landing Fund					
Capital assets not being depreciated:					
Land	\$ 114,010	\$ -	\$ -	\$ -	\$ 114,010
Capital assets being depreciated:					
Land improvements	7,862	-	-	-	7,862
Buildings and improvements	1,357,052	-	-	-	1,357,052
Machinery and equipment	89,405	-	-	-	89,405
Total capital assets being depreciated	1,454,319	-	-	-	1,454,319
Total accumulated depreciation	(629,581)	(36,018)	-	-	(665,599)
Total capital assets being depreciated, net	824,738	(36,018)	-	-	788,720
Total Mitchell Landing Capital Assets, Net	<u>\$ 938,748</u>	<u>\$ (36,018)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 902,730</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 property subject to taxation by the City. The legal debt limit permitted at June 30, 2011 totaled \$110,024,625. After considering general obligations including mortgages and notes outstanding of \$69,159,538 and the amount still available to draw on the 2005 Water Quality Bond (see below for discussion), the available additional debt margin was \$40,865,087.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

Long-term debt activity for the year ended June 30, 2011, was as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
GOVERNMENTAL ACTIVITIES				
General obligation bonds:				
\$30,029,434 originally issued with interest rates ranging from 2% to 6%	\$ 13,725,038	\$ 5,050,000	\$ (1,342,701)	\$ 17,432,337
Mortgages and notes payable:				
State Erosion Control Note - Riverwalk				
\$345,280 originally issued without interest	46,076	-	(23,037)	23,039
State Erosion Control Note				
\$83,280 originally issued without interest	16,656	-	(5,552)	11,104
Lawton Loan				
\$258,740 originally issued without interest	258,740	-	-	258,740
Capital lease obligations	7,374,291	526,914	(5,319,691)	2,581,514
Compensated absences, current portion				
\$145,416	1,522,702	-	(58,143)	1,464,559
Governmental Activities Long-term Debt	<u>\$ 22,943,503</u>	<u>\$ 5,576,914</u>	<u>\$ (6,749,124)</u>	<u>\$ 21,771,293</u>
BUSINESS-TYPE ACTIVITIES				
General obligation bonds:				
\$78,814,217 originally issued with interest rates ranging from 0.4% to 6%	\$ 51,592,204	\$ 249,867	\$ (3,118,190)	\$ 48,723,881
Mortgages and notes payable:				
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	232,529	-	(48,123)	184,406
Compensated absences, current portion				
\$23,476	273,293	-	(38,535)	234,758
Business-type Activities Long-term Debt	<u>\$ 53,479,833</u>	<u>\$ 249,867</u>	<u>\$ (3,204,848)</u>	<u>\$ 50,524,852</u>

In the year ended June 30, 1990, the City obligated itself to pay to the Maryland Department of the Environment, Maryland Water Quality Financing Administration ("MDE") the amount of \$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>
2012	\$ 214,555	\$ 20,220	\$ 234,775
Total	<u>\$ 214,555</u>	<u>\$ 20,220</u>	<u>\$ 234,775</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>
2012	\$ 3,816	\$ 408	\$ 4,224
Total	<u>\$ 3,816</u>	<u>\$ 408</u>	<u>\$ 4,224</u>

In the year ended June 30, 1997, the City obligated itself to pay to the Maryland Department of Natural Resources ("DNR") 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>	<u>Interest</u>	<u>Total</u>
2012	\$ 23,039	\$ -	\$ 23,039
Total	<u>\$ 23,039</u>	<u>\$ -</u>	<u>\$ 23,039</u>

In the year ended June 30, 1998, the City obligated itself to pay to the DNR 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>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,552	\$ -	\$ 5,552
2013	5,552		5,552
Total	<u>\$ 11,104</u>	<u>\$ -</u>	<u>\$ 11,104</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 enterprise fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	69,700	24,304	94,004
2017-2021	<u>410,200</u>	<u>66,301</u>	<u>476,501</u>
Total	<u>\$ 729,300</u>	<u>\$ 216,765</u>	<u>\$ 946,065</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. The amount of \$144,550 of the balance of the obligation is carried in the enterprise fund, and the balance of \$1,330,450 is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 550,000	\$ 74,906	\$ 624,906
2013	575,000	47,406	622,406
2014	<u>350,000</u>	<u>17,938</u>	<u>367,938</u>
Total	<u>\$ 1,475,000</u>	<u>\$ 140,250</u>	<u>\$ 1,615,250</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 \$625,999 of the balance of the obligation is carried in the enterprise fund, and the balance of \$616,066 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>
2012	\$ 396,179	\$ 50,226	\$ 446,405
2013	413,762	32,643	446,405
2014	<u>432,124</u>	<u>14,279</u>	<u>446,403</u>
Total	<u>\$ 1,242,065</u>	<u>\$ 97,148</u>	<u>\$ 1,339,213</u>

In the year ended June 30, 2003, the City obligated itself to pay to MDE the amount of \$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>
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	159,076	13,654	172,730
2017-2021	804,974	58,676	863,650
2022-2024	<u>490,754</u>	<u>27,436</u>	<u>518,190</u>
Total	<u>\$ 2,084,795</u>	<u>\$ 160,695</u>	<u>\$ 2,245,490</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 \$1,237,253 of the balance of the obligation is carried in the enterprise fund, and the balance of \$2,560,447 is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	294,400	115,326	409,726
2017-2021	1,658,900	391,441	2,050,341
2022-2023	<u>762,100</u>	<u>55,038</u>	<u>817,138</u>
Total	<u>\$ 3,797,700</u>	<u>\$ 1,121,922</u>	<u>\$ 4,919,622</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>
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	230,200	111,694	341,894
2017-2021	1,305,900	401,998	1,707,898
2022-2024	930,900	91,695	1,022,595
Total	<u>\$ 3,557,700</u>	<u>\$ 1,155,350</u>	<u>\$ 4,713,050</u>

In the year ended June 30, 2006, the City obligated itself to pay to MDE the amount of \$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, 2011, total principal of \$41,665,004 has been drawn on this facility, and the principal amount outstanding totaled \$35,575,420. 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>
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	2,079,058	210,568	2,289,626
2017-2021	10,520,699	927,427	11,448,126
2022-2026	10,732,803	715,324	11,448,127
2027-2028	4,353,466	225,785	4,579,251
Total	<u>\$ 35,919,755</u>	<u>\$ 3,003,876</u>	<u>\$ 38,923,631</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. The amount of \$1,141,300 of the balance of the obligation is accounted for in the general fund, and the balance of \$2,818,700 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>
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	247,500	119,691	367,191
2017-2021	1,237,500	448,842	1,686,342
2022-2026	1,237,500	199,486	1,436,986
2027	247,500	9,974	257,474
Total	<u>\$ 3,960,000</u>	<u>\$ 1,356,500</u>	<u>\$ 5,316,500</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. The amount of \$437,499 of the balance of the obligation is carried in the enterprise fund, and the balance of \$2,702,501 is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	185,000	100,205	285,205
2017-2021	1,055,000	382,416	1,437,416
2022-2026	925,000	155,625	1,080,625
2027-2028	285,000	17,588	302,588
Total	<u>\$ 3,140,000</u>	<u>\$ 1,128,230</u>	<u>\$ 4,268,230</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. The amount of \$1,956,610 of the balance of the obligation is carried in the enterprise fund, and the balance of \$470,057 is accounted for in the general fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	173,333	63,300	236,633
2017-2021	866,667	215,125	1,081,792
2022-2025	693,335	53,271	746,606
Total	<u>\$ 2,426,667</u>	<u>\$ 650,906</u>	<u>\$ 3,077,573</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 to MDE the amount of \$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>
2012	\$ 146,021	\$ -	\$ 146,021
2013	145,021	-	145,021
2014	145,021	-	145,021
2015	145,021	-	145,021
2016	145,021	-	145,021
2017-2021	725,105	-	725,105
2022-2026	725,105	-	725,105
2027-2030	580,085	-	580,085
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 its 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>
2012	\$ 28,749	\$ -	\$ 28,749
2013	28,749	-	28,749
2014	28,749	-	28,749
2015	28,749	-	28,749
2016	28,749	-	28,749
2017-2020	114,995	-	114,995
Total	<u>\$ 258,740</u>	<u>\$ -</u>	<u>\$ 258,740</u>

In the year ended June 30, 2011, the City entered into a loan agreement with MEA for JELLP for the amount of \$142,800 at an interest rate of 2.5 percent. Interest is payable semi-annually beginning March 1, 2012. The bonds mature in varying amounts beginning March 1, 2012 and continuing through July 15, 2017. This obligation is accounted for in the nonmajor 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>
2012	\$ 11,104	\$ 1,785	\$ 12,889
2013	22,626	3,152	25,778
2014	23,195	2,583	25,778
2015	23,779	1,999	25,778
2016	24,377	1,401	25,778
2017-2018	37,719	947	38,666
Total	<u>\$ 142,800</u>	<u>\$ 11,867</u>	<u>\$ 154,667</u>

In the year ended June 30, 2011, the City issued \$5,050,000 of Public Facilities Refunding Bonds at an interest rate of 3.35 percent. Interest is payable semi-annually beginning October 1, 2011. The bonds mature in varying amounts beginning October 1, 2011 and continuing through October 1, 2026. This obligation is accounted for in the general fund. This current refunding was undertaken to reduce total debt payments and resulted in an economic gain of \$510,000.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 243,694	\$ 165,093	\$ 408,787
2013	251,857	156,793	408,650
2014	260,295	148,214	408,509
2015	269,014	139,348	408,362
2016	278,026	130,185	408,211
2017-2021	1,536,240	502,371	2,038,611
2022-2026	1,811,388	222,615	2,034,003
2027	399,486	6,691	406,177
Total	<u>\$ 5,050,000</u>	<u>\$ 1,471,310</u>	<u>\$ 6,521,310</u>

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

In the year ended June 30, 2007, the City issued Special Obligation Bonds (Village at Salisbury Lake Project), Series 2007, in the amount of \$15,000,000, 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 remarketed); 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 drawdown 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 reoffering if certain conditions set forth in the Indenture of Trust relating to such bonds are met. Until any such conversion and reoffering, the bond holder will advance proceeds of the bonds to pay project costs. Until any such conversion and reoffering (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.

The original cost of assets acquired under these capital leases for the general fund is \$6,098,133 with accumulated depreciation of \$751,214; for the water and sewer fund, the original cost 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,

2012	\$ 650,625
2013	650,625
2014	602,111
2015	574,415
2016	239,557
2017-2021	429,581
Amount representing interest	<u>(380,994)</u>
Present value of future minimum lease payments	<u>\$ 2,765,920</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 LEOPS. Both the Employees' Systems and 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 2011, 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, 2011, 2010 and 2009, payroll covered under the various state plans and contributions paid are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total payroll	\$ 14,574,751	\$ 15,562,921	\$ 15,213,210
Payroll covered under the plans	15,760,463	15,740,191	15,619,904
Contributions paid:			
City payments	3,020,738	2,551,348	2,551,700

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, 2011, 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 the 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 2011 was \$3,361,000. The City funded the Trust with a health care rebate of \$900,000 in fiscal 2009. In fiscal year 2011, 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 City'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	\$ 3,809,363
Annual Required Contribution	3,361,000
Contributions	<u>(278,000)</u>
Total Net OPEB Obligation at End of Year	<u>\$ 6,892,363</u>

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

Schedule of Funding

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ 900,000	\$25,765,000	\$24,865,000	3.49%	\$15,562,921	159.77%
7/1/2008	\$ -	\$20,513,000	\$20,513,000	0.00%	\$15,213,210	134.84%

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.

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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

In the actuarial valuation, the projected unit credit method, with linear proration 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 \$102,763 as of June 30, 2011.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2011, the City had infrastructure projects yet to be completed. The commitments and amounts completed to date are as follows:

	Project Amount	Completed as of 06/30/2011	Commitments
Governmental Activities:			
Paleo Filter Media Replacement	\$ 404,685	\$ -	\$ 404,685
Beaverdam Creek Stabilization	817,210	811,988	5,222
Waverly Drive Storm Drain	4,317,244	3,989,058	328,186
Totals	<u>\$ 5,539,139</u>	<u>\$ 4,801,046</u>	<u>\$ 738,093</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

In addition, the City has incurred costs totaling \$1,855,144 for governmental activities project costs that were not under a formal contract as of June 30, 2011.

	Project Amount	Completed as of 06/30/2011	Commitments
Business-Type Activities:			
Paleo Water Potable Water Storage	\$ 2,371,600	\$ 2,071,599	\$ 300,001
Water Storage - Milford Street	100,516	69,754	30,762
WWTP Upgrade	80,152,519	74,605,577	5,546,942
Totals	<u>\$ 82,624,635</u>	<u>\$ 76,746,930</u>	<u>\$ 5,877,705</u>

In addition, the City has incurred costs totaling \$8,340,212 for business-type activities project costs that were not under a formal contract as of June 30, 2011.

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 RECLASSIFICATION OF FUND BALANCE

The GASB Codification section regarding fund balance reporting and governmental fund type definitions clarifies and interprets terms within the definition of special revenue fund types. This clarification resulted in a reclassification of the Parking Authority Fund from a nonmajor governmental fund to a nonmajor enterprise fund. In addition, the Water Impact and Sewer Impact Funds were previously considered nonmajor governmental funds and are now being consolidated within the Water and Sewer major enterprise fund. The result was a restatement of beginning net assets of \$5,016,198 between governmental activities and business-type activities.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 14 SUBSEQUENT EVENTS

On November 28, 2011, the City passed a resolution to enter into loan agreements with SunTrust Bank in the amount of \$7,600,000 to refinance the 1994, 1999, 2001 and 2003 CDA Bonds. Series 2011 A will be issued in the amount of \$2,700,000 with an interest rate of 1.31 percent, maturing June 1, 2014. Series 2011 B will be issued in the amount of \$4,900,000 with an interest rate of 2.89 percent, maturing June 1, 2023.

The City has evaluated all subsequent events through December 5, 2011, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALISBURY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS):				
Tax revenue	\$23,105,056	\$23,105,056	\$22,386,049	\$ (719,007)
Other revenue	2,160,884	2,323,864	2,329,733	5,869
Charges for services	2,621,283	2,623,183	2,743,533	120,350
Other sources	704,520	336,820	-	(336,820)
Intergovernmental revenues	1,189,685	1,213,685	1,295,642	81,957
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>29,781,428</u>	<u>29,602,608</u>	<u>28,754,957</u>	<u>(847,651)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government				
City council	87,793	87,793	79,054	8,739
City clerk	147,165	145,271	138,486	6,785
Mayor's office	594,258	598,020	572,955	25,065
Elections	48,878	48,878	41,400	7,478
Finance	438,796	486,075	444,450	41,625
Purchasing	205,541	207,117	180,768	26,349
City attorney	185,000	205,000	201,726	3,274
Information services	219,855	221,951	153,526	68,425
Human resources	131,249	131,469	286,337	(154,868)
Planning and zoning	177,493	186,607	181,377	5,230
Municipal buildings	177,500	202,775	152,568	50,207
Poplar Hill	17,345	40,906	32,039	8,867
Public safety				
Police and traffic control	10,221,778	10,307,817	9,552,215	755,602
Fire	6,767,122	6,990,549	5,935,498	1,055,051
Buildings, permits and inspections	352,529	353,025	333,075	19,950
Neighborhood services and code compliance	619,333	619,333	583,226	36,107
Public works				
Supervision and engineering	945,662	1,385,172	1,139,470	245,702
Roadways	659,240	809,115	637,748	171,367
Highway lighting	818,500	850,733	762,322	88,411
Street cleaning	162,612	162,823	129,446	33,377
Waste collection and disposal	1,179,057	1,395,886	1,341,894	53,992
Recycling	158,278	165,162	159,486	5,676
Fleet maintenance	501,263	506,015	465,194	40,821
Carpenter shop	157,186	159,186	135,099	24,087
Recreation and culture				
Municipal zoo	1,326,477	1,359,730	1,337,368	22,362
Park maintenance	404,333	423,928	374,672	49,256
Nondepartmental	545,600	564,871	479,858	85,013
TOTAL CHARGES TO APPROPRIATION	<u>27,249,843</u>	<u>28,615,207</u>	<u>25,831,257</u>	<u>2,783,950</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,531,585</u>	<u>987,401</u>	<u>2,923,700</u>	<u>1,936,299</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(176,223)	(180,723)	(180,723)	-
Debt proceeds	330,000	330,000	5,576,914	5,246,914
Debt payments	(3,241,283)	(3,319,924)	(7,684,304)	(4,364,380)
TOTAL OTHER FINANCING USES	<u>(3,087,506)</u>	<u>(3,170,647)</u>	<u>(2,288,113)</u>	<u>882,534</u>
NET CHANGE IN FUND BALANCE	<u>(555,921)</u>	<u>(2,183,246)</u>	<u>635,587</u>	<u>2,818,833</u>
FUND BALANCE, BEGINNING OF YEAR	<u>10,292,454</u>	<u>10,292,454</u>	<u>10,292,454</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,736,533</u>	<u>\$ 8,109,208</u>	<u>\$10,928,041</u>	<u>\$ 2,818,833</u>

OTHER SUPPLEMENTARY INFORMATION

General Fund

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Taxes			
Real property	\$ 15,566,804	\$ 15,242,225	\$ (324,579)
Personal property	63,000	37,280	(25,720)
Ordinary business corporations and utilities	5,375,000	4,958,464	(416,536)
Payments in lieu of tax	365,252	365,253	1
Admissions and amusement	160,000	226,711	66,711
State shared income tax	1,470,000	1,378,956	(91,044)
Total taxes	<u>23,000,056</u>	<u>22,208,889</u>	<u>(791,167)</u>
Interest and penalties on delinquent taxes	<u>105,000</u>	<u>177,160</u>	<u>72,160</u>
Total taxes, interest and penalties	<u>23,105,056</u>	<u>22,386,049</u>	<u>(719,007)</u>
Other revenue			
Amusement licenses	4,500	4,535	35
Billboard licenses	22,593	22,516	(77)
Building and inspection permits	150,000	147,552	(2,448)
Business licenses	129,800	152,819	23,019
Franchise fees	335,600	342,260	6,660
Landlord licenses	275,601	337,178	61,577
Parking fines and meter collections	77,400	73,739	(3,661)
Plumbing licenses and permits	20,000	25,966	5,966
Street-breaking permits	1,750	1,625	(125)
Towing companies	1,800	425	(1,375)
Other miscellaneous permits	16,300	22,581	6,281
Municipal infraction violations	25,000	65,681	40,681
Interest on investment of idle funds	17,000	37,142	20,142
Insurance proceeds	22,980	179,211	156,231
Donations	532,000	329,773	(202,227)
Damages to city property	100	4,228	4,128
Zoo commission	305,313	265,929	(39,384)
Zoo reimbursements	198,277	169,097	(29,180)
Sale of maps, codes and documents	3,500	2,899	(601)
Sale of fixed assets	150,000	-	(150,000)
Bad debt collections	8,000	18,687	10,687
Other miscellaneous receipts	26,350	125,890	99,540
Total other revenue	<u>2,323,864</u>	<u>2,329,733</u>	<u>5,869</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Charges for services			
Administrative fees	\$ 314,283	\$ 314,214	\$ (69)
Ambulance call fees	1,375,000	1,464,553	89,553
Advertising	100	45	(55)
Filing fees	200	240	40
Garbage disposal fees	684,900	681,865	(3,035)
Inspection fees	45,100	63,848	18,748
Plan review fees	25,000	19,008	(5,992)
Police alarm systems	65,000	96,300	31,300
Weed removal	112,500	97,410	(15,090)
Zoning appeal and housing board appeal fees	1,100	6,050	4,950
Total charges for services	<u>2,623,183</u>	<u>2,743,533</u>	<u>120,350</u>
Other sources			
Current surplus available	<u>336,820</u>	<u>-</u>	<u>(336,820)</u>
Intergovernmental			
State of Maryland			
Police protection	328,000	317,385	(10,615)
Enterprise zone	55,000	80,591	25,591
Transportation	24,000	-	(24,000)
Highway user	56,383	116,356	59,973
Wicomico County			
Financial corporations	18,302	18,302	-
Fire department	572,000	572,000	-
Room tax	160,000	191,008	31,008
Total intergovernmental	<u>1,213,685</u>	<u>1,295,642</u>	<u>81,957</u>
Total Revenues	<u>29,602,608</u>	<u>28,754,957</u>	<u>(847,651)</u>
Other Financing Sources			
Debt proceeds	<u>330,000</u>	<u>5,576,914</u>	<u>5,246,914</u>
Total Other Financing Sources	<u>330,000</u>	<u>5,576,914</u>	<u>5,246,914</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 29,932,608</u>	<u>\$ 34,331,871</u>	<u>\$ 4,399,263</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
General Government				
City council				
Salaries	\$ 52,000	\$ 52,000	\$ 52,000	\$ -
Personnel benefits	28,594	28,594	24,125	4,469
Other operating expenses	7,199	7,199	2,929	4,270
	<u>87,793</u>	<u>87,793</u>	<u>79,054</u>	<u>8,739</u>
City clerk				
Salaries	93,221	93,801	93,800	1
Personnel benefits	31,941	31,361	30,013	1,348
Other operating expenses	19,150	20,109	14,673	5,436
	<u>144,312</u>	<u>145,271</u>	<u>138,486</u>	<u>6,785</u>
Mayor's office				
Salaries	236,793	237,514	233,566	3,948
Personnel benefits	79,790	79,067	72,105	6,962
Other operating expenses	61,175	61,646	52,384	9,262
Community promotion	216,500	219,793	214,900	4,893
	<u>594,258</u>	<u>598,020</u>	<u>572,955</u>	<u>25,065</u>
Elections				
Other operating expenses	48,878	48,878	41,400	7,478
	<u>48,878</u>	<u>48,878</u>	<u>41,400</u>	<u>7,478</u>
City attorney				
Professional services	185,000	205,000	201,726	3,274
	<u>185,000</u>	<u>205,000</u>	<u>201,726</u>	<u>3,274</u>
Internal services - finance				
Salaries	227,951	228,343	226,481	1,862
Personnel benefits	94,771	94,380	84,438	9,942
Other operating expenses	84,574	129,754	99,999	29,755
Independent audit	31,500	34,032	33,532	500
	<u>438,796</u>	<u>486,509</u>	<u>444,450</u>	<u>42,059</u>
Internal services - purchasing				
Salaries	123,748	124,018	112,547	11,471
Personnel benefits	48,134	47,864	42,330	5,534
Other operating expenses	33,659	35,235	25,891	9,344
	<u>205,541</u>	<u>207,117</u>	<u>180,768</u>	<u>26,349</u>
Internal services - human resources				
Salaries	60,657	60,679	54,821	5,858
Personnel benefits	58,994	58,467	223,317	(164,850)
Other operating expenses	11,598	12,323	8,199	4,124
	<u>131,249</u>	<u>131,469</u>	<u>286,337</u>	<u>(154,868)</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (cont'd)				
Information services				
Salaries	95,102	92,057	72,768	19,289
Personnel benefits	38,853	37,733	20,322	17,411
Other operating expenses	85,900	92,161	60,436	31,725
	<u>219,855</u>	<u>221,951</u>	<u>153,526</u>	<u>68,425</u>
City and county - joint activities				
Planning and zoning	177,493	186,607	181,377	5,230
	<u>177,493</u>	<u>186,607</u>	<u>181,377</u>	<u>5,230</u>
Municipal buildings				
Other operating expenses	177,500	202,775	152,568	50,207
	<u>177,500</u>	<u>202,775</u>	<u>152,568</u>	<u>50,207</u>
Poplar Hill Mansion	17,345	40,906	32,039	8,867
Total General Government	<u>2,428,020</u>	<u>2,562,296</u>	<u>2,464,686</u>	<u>97,610</u>
Public Safety				
Police services				
Salaries	5,078,433	5,093,215	4,944,663	148,552
Personnel benefits	2,835,441	2,719,909	2,571,354	148,555
Other operating expenses	878,706	992,335	859,402	132,933
Capital outlays	46,000	75,446	43,992	31,454
	<u>8,838,580</u>	<u>8,880,905</u>	<u>8,419,411</u>	<u>461,494</u>
Police communications				
Salaries	286,148	292,292	291,315	977
Personnel benefits	112,073	105,429	97,876	7,553
Other operating expenses	64,939	68,018	54,700	13,318
Capital outlays	330,000	330,604	160,834	169,770
	<u>793,160</u>	<u>796,343</u>	<u>604,725</u>	<u>191,618</u>
Animal control				
Salaries	70,016	70,073	67,947	2,126
Personnel benefits	39,948	39,891	32,281	7,610
Other operating expenses	73,824	87,560	82,972	4,588
	<u>183,788</u>	<u>197,524</u>	<u>183,200</u>	<u>14,324</u>
Total Police Department	<u>9,815,528</u>	<u>9,874,772</u>	<u>9,207,336</u>	<u>667,436</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public Safety (cont'd)				
Traffic control				
Salaries	208,983	213,202	187,042	26,160
Personnel benefits	98,372	98,152	75,904	22,248
Other operating expenses	98,895	121,691	81,933	39,758
	<u>406,250</u>	<u>433,045</u>	<u>344,879</u>	<u>88,166</u>
Fire department				
Firefighting				
Salaries	3,006,119	3,053,827	2,950,500	103,327
Personnel benefits	1,838,219	1,843,052	1,687,236	155,816
Other operating expenses	888,858	919,203	866,444	52,759
Capital outlays	893,801	647,541	293,766	353,775
	<u>6,626,997</u>	<u>6,463,623</u>	<u>5,797,946</u>	<u>665,677</u>
Volunteer firemen				
Personnel benefits	108,000	108,000	108,000	-
Other operating expenses	32,125	32,125	29,552	2,573
	<u>140,125</u>	<u>140,125</u>	<u>137,552</u>	<u>2,573</u>
Total Fire Department	<u>6,767,122</u>	<u>6,603,748</u>	<u>5,935,498</u>	<u>668,250</u>
Buildings, permits and inspections				
Salaries	237,942	238,667	235,880	2,787
Personnel benefits	91,282	90,581	79,479	11,102
Other operating expenses	23,305	23,777	17,716	6,061
	<u>352,529</u>	<u>353,025</u>	<u>333,075</u>	<u>19,950</u>
Neighborhood services and code compliance				
Salaries	350,957	347,489	335,771	11,718
Personnel benefits	128,400	129,545	122,888	6,657
Other operating expenses	119,976	122,299	109,640	12,659
Capital outlays	20,000	20,000	14,927	5,073
	<u>619,333</u>	<u>619,333</u>	<u>583,226</u>	<u>36,107</u>
Total Public Safety	<u>17,960,762</u>	<u>17,883,923</u>	<u>16,404,014</u>	<u>1,479,909</u>
Department of Public Works				
Supervision and engineering				
Salaries	599,795	614,699	596,252	18,447
Personnel benefits	279,734	265,335	238,708	26,627
Other operating expenses	66,133	505,138	304,510	200,628
	<u>945,662</u>	<u>1,385,172</u>	<u>1,139,470</u>	<u>245,702</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Department of Public Works (cont'd)				
Roadways				
Salaries	288,085	302,674	285,406	17,268
Personnel benefits	151,630	151,442	120,341	31,101
Other operating expenses	219,525	354,999	232,001	122,998
	<u>659,240</u>	<u>809,115</u>	<u>637,748</u>	<u>171,367</u>
Highway lighting				
Other operating expenses	818,500	850,733	762,322	88,411
	<u>818,500</u>	<u>850,733</u>	<u>762,322</u>	<u>88,411</u>
Sanitation				
Street cleaning				
Salaries	85,405	85,405	74,407	10,998
Personnel benefits	46,527	46,527	37,634	8,893
Other operating expenses	30,680	30,891	17,405	13,486
	<u>162,612</u>	<u>162,823</u>	<u>129,446</u>	<u>33,377</u>
Waste collection and disposal				
Salaries	314,477	319,510	301,578	17,932
Personnel benefits	150,980	152,147	146,545	5,602
Other operating expenses	713,600	713,243	682,785	30,458
Capital outlays	-	210,986	210,986	-
	<u>1,179,057</u>	<u>1,395,886</u>	<u>1,341,894</u>	<u>53,992</u>
Recycling				
Salaries	87,649	88,545	88,213	332
Personnel benefits	47,929	47,032	44,970	2,062
Other operating expenses	22,700	29,585	26,303	3,282
	<u>158,278</u>	<u>165,162</u>	<u>159,486</u>	<u>5,676</u>
Total Sanitation	<u>1,499,947</u>	<u>1,723,871</u>	<u>1,630,826</u>	<u>93,045</u>
Fleet maintenance				
Salaries	191,368	202,993	198,086	4,907
Personnel benefits	109,602	101,977	89,642	12,335
Other operating expenses	200,293	201,045	177,466	23,579
	<u>501,263</u>	<u>506,015</u>	<u>465,194</u>	<u>40,821</u>
Carpenter shop				
Salaries	89,184	89,268	75,586	13,682
Personnel benefits	43,602	43,518	35,221	8,297
Other operating expenses	24,400	26,400	24,292	2,108
	<u>157,186</u>	<u>159,186</u>	<u>135,099</u>	<u>24,087</u>
Total Department of Public Works	<u>4,581,798</u>	<u>5,434,092</u>	<u>4,770,659</u>	<u>663,433</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Recreation and Culture				
Municipal zoo				
Salaries	\$ 727,702	\$ 717,750	\$ 669,561	\$ 48,189
Personnel benefits	221,729	231,105	217,784	13,321
Other operating expenses	377,046	410,875	450,023	(39,148)
	<u>1,326,477</u>	<u>1,359,730</u>	<u>1,337,368</u>	<u>22,362</u>
Park maintenance				
Salaries	191,293	203,015	195,516	7,499
Personnel benefits	99,790	99,668	92,543	7,125
Other operating expenses	113,250	121,245	86,613	34,632
	<u>404,333</u>	<u>423,928</u>	<u>374,672</u>	<u>49,256</u>
 Total Recreation and Culture	<u>1,730,810</u>	<u>1,783,658</u>	<u>1,712,040</u>	<u>71,618</u>
Nondepartmental				
Insurance				
Insurance	510,000	550,785	476,393	74,392
	<u>510,000</u>	<u>550,785</u>	<u>476,393</u>	<u>74,392</u>
Miscellaneous				
Personnel benefits	2,000	2,000	-	2,000
Other operating expenses	3,600	3,600	3,465	135
Mayor's contingency	30,000	8,486	-	8,486
	<u>35,600</u>	<u>14,086</u>	<u>3,465</u>	<u>10,621</u>
 Total Nondepartmental	<u>545,600</u>	<u>564,871</u>	<u>479,858</u>	<u>85,013</u>
Debt Payments				
Principal redemption	2,130,008	2,180,338	1,883,247	297,091
Interest	1,111,275	1,139,586	993,322	146,264
 Total Debt Payments	<u>3,241,283</u>	<u>3,319,924</u>	<u>2,876,569</u>	<u>443,355</u>
TOTAL EXPENDITURES	<u>30,488,273</u>	<u>31,548,764</u>	<u>28,707,826</u>	<u>2,840,938</u>
Other Financing Uses				
Transfer to other funds	176,223	180,723	180,723	-
Payment to refund debt	-	-	4,807,735	(4,807,735)
 Total Other Financing Uses	<u>176,223</u>	<u>180,723</u>	<u>4,988,458</u>	<u>(4,807,735)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$30,664,496</u>	<u>\$31,729,487</u>	<u>\$33,696,284</u>	<u>\$ (1,966,797)</u>

Nonmajor Governmental Funds

CITY OF SALISBURY, MARYLAND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds				
	Curb, Gutter and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total
ASSETS					
Cash	\$ 36,983	\$ -	\$ 108,493	\$ 34,395	\$ 179,871
Investment pool	31,100	2,665	2,813	160	36,738
Accounts receivable	22,665	164,187	-	5,500	192,352
TOTAL ASSETS	<u>\$ 90,748</u>	<u>\$ 166,852</u>	<u>\$ 111,306</u>	<u>\$ 40,055</u>	<u>\$ 408,961</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash overdraft	\$ -	\$ 615,655	\$ -	\$ -	\$ 615,655
Accounts payable	-	27,858	251	1,892	30,001
Total Liabilities	<u>-</u>	<u>643,513</u>	<u>251</u>	<u>1,892</u>	<u>645,656</u>
Fund Balances (Deficit):					
Committed	90,748	-	111,055	-	201,803
Assigned	-	-	-	38,163	38,163
Unassigned (Deficit)	-	(476,661)	-	-	(476,661)
Total Fund Balances (Deficit)	<u>90,748</u>	<u>(476,661)</u>	<u>111,055</u>	<u>38,163</u>	<u>(236,695)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 90,748</u>	<u>\$ 166,852</u>	<u>\$ 111,306</u>	<u>\$ 40,055</u>	<u>\$ 408,961</u>

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				
	Curb, Gutter and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total
REVENUES					
Curb, gutter and sidewalk assessments	\$ 461	\$ -	\$ -	\$ -	\$ 461
Fees	-	-	34,317	-	34,317
Earnings on investments	82	-	21	3	106
Grant revenues	-	1,445,793	-	542,006	1,987,799
TOTAL REVENUES	<u>543</u>	<u>1,445,793</u>	<u>34,338</u>	<u>542,009</u>	<u>2,022,683</u>
EXPENDITURES					
Salaries	-	305,394	-	87,502	392,896
Personnel benefits	-	146,436	-	24,286	170,722
Supplies	-	-	-	83,644	83,644
Other operating expenses	-	1,118,115	32,840	378,753	1,529,708
Capital outlays	-	318,949	-	-	318,949
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>1,888,894</u>	<u>32,840</u>	<u>574,185</u>	<u>2,495,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>543</u>	<u>(443,101)</u>	<u>1,498</u>	<u>(32,176)</u>	<u>(473,236)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	82,101	-	57,183	139,284
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>82,101</u>	<u>-</u>	<u>57,183</u>	<u>139,284</u>
NET CHANGE IN FUND BALANCES	543	(361,000)	1,498	25,007	(333,952)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>90,205</u>	<u>(115,661)</u>	<u>109,557</u>	<u>13,156</u>	<u>97,257</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 90,748</u>	<u>\$ (476,661)</u>	<u>\$ 111,055</u>	<u>\$ 38,163</u>	<u>\$ (236,695)</u>

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND DEFICIT -
GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2011

REVENUES	
Federal	\$ 854,075
State	545,653
County	8,095
Others	37,970
TOTAL REVENUES	<u>1,445,793</u>
EXPENDITURES	
Federal	
Salaries	248,652
Personnel benefits	98,552
Operating expenses	583,117
Capital outlays	318,949
State	
Salaries	11,372
Personnel benefits	32,897
Operating expenses	343,655
County	
Salaries	5,000
Personnel benefits	1,002
Other	
Salaries	40,370
Personnel benefits	13,985
Operating expenses	191,343
TOTAL EXPENDITURES	<u>1,888,894</u>
DEFICIT OF REVENUES UNDER EXPENDITURES	(443,101)
OTHER FINANCING SOURCES	
Operating transfers in	82,101
TOTAL OTHER FINANCING SOURCES	<u>82,101</u>
NET CHANGE IN FUND BALANCE	(361,000)
FUND DEFICIT, BEGINNING OF YEAR	<u>(115,661)</u>
FUND DEFICIT, END OF YEAR	<u>\$ (476,661)</u>

Nonmajor Proprietary Funds

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF FUND NET ASSETS - NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2011

	Enterprise Funds			
	Septage Treatment Fund	City Marina Fund	Parking Authority Fund	Total
ASSETS				
Current assets:				
Investment pool	\$ -	\$ 2,183	\$ 374,490	\$ 376,673
Accounts receivable	-	15,578	7,867	23,445
Due from other governmental units	89,572	-	-	89,572
Total Current Assets	<u>89,572</u>	<u>17,761</u>	<u>382,357</u>	<u>489,690</u>
Noncurrent assets:				
Capital assets				
Construction-in-progress	-	-	5,220	5,220
Land	-	1,315,000	467,790	1,782,790
Buildings, equipment and improvements	128,292	1,755,970	4,093,373	5,977,635
Less accumulated depreciation	<u>(128,292)</u>	<u>(1,351,738)</u>	<u>(2,052,417)</u>	<u>(3,532,447)</u>
Total Noncurrent Assets	<u>-</u>	<u>1,719,232</u>	<u>2,513,966</u>	<u>4,233,198</u>
TOTAL ASSETS	<u><u>\$ 89,572</u></u>	<u><u>\$ 1,736,993</u></u>	<u><u>\$ 2,896,323</u></u>	<u><u>\$ 4,722,888</u></u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Due in one year:				
Cash overdraft	\$ 84,503	\$ 59,577	\$ 10,087	\$ 154,167
Accounts payable	-	4,837	3,806	8,643
Accrued interest payable	-	-	5,923	5,923
Due to other governmental units	5,850	-	-	5,850
Bonds, notes and capital leases payable	<u>-</u>	<u>-</u>	<u>106,527</u>	<u>106,527</u>
Total Current Liabilities	<u>90,353</u>	<u>64,414</u>	<u>126,343</u>	<u>281,110</u>
Due in more than one year:				
Bonds, notes and capital leases payable	<u>-</u>	<u>-</u>	<u>765,573</u>	<u>765,573</u>
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>765,573</u>	<u>765,573</u>
Total Liabilities	<u>90,353</u>	<u>64,414</u>	<u>891,916</u>	<u>1,046,683</u>
NET ASSETS (DEFICIT)				
Invested in capital assets net of related debt	-	1,719,232	1,641,866	3,361,098
Unrestricted (deficit)	<u>(781)</u>	<u>(46,653)</u>	<u>362,541</u>	<u>315,107</u>
Total Net Assets (Deficit)	<u>(781)</u>	<u>1,672,579</u>	<u>2,004,407</u>	<u>3,676,205</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 89,572</u></u>	<u><u>\$ 1,736,993</u></u>	<u><u>\$ 2,896,323</u></u>	<u><u>\$ 4,722,888</u></u>

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

	Enterprise Funds			
	Septage Treatment Fund	City Marina Fund	Parking Authority Fund	Total
OPERATING REVENUES				
Charges for services	\$ -	\$ 82,252	\$ 588,420	\$ 670,672
TOTAL OPERATING REVENUES	<u>-</u>	<u>82,252</u>	<u>588,420</u>	<u>670,672</u>
OPERATING EXPENSES				
Salaries	-	15,727	181,695	197,422
Personnel benefits	-	5,096	51,595	56,691
Professional and skilled services	-	2,174	149,182	151,356
Supplies	-	5,156	141,726	146,882
Other expenses	-	40,171	152,956	193,127
Bad debt expense	-	-	-	-
TOTAL OPERATING EXPENSES	<u>-</u>	<u>68,324</u>	<u>677,154</u>	<u>745,478</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	-	13,928	(88,734)	(74,806)
Depreciation	<u>-</u>	<u>28,340</u>	<u>105,287</u>	<u>133,627</u>
NET OPERATING LOSS	<u>-</u>	<u>(14,412)</u>	<u>(194,021)</u>	<u>(208,433)</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfers in	-	21,439	20,000	41,439
Interest income	-	-	486	486
Interest expense	-	-	(37,239)	(37,239)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>21,439</u>	<u>(16,753)</u>	<u>4,686</u>
CHANGE IN NET ASSETS	-	7,027	(210,774)	(203,747)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(781)</u>	<u>1,665,552</u>	<u>2,215,181</u>	<u>3,879,952</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (781)</u>	<u>\$ 1,672,579</u>	<u>\$ 2,004,407</u>	<u>\$ 3,676,205</u>

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, 2011

	Water Department	Sewer Department	Total
OPERATING REVENUES			
Charges for services	\$ 4,233,585	\$ 9,069,181	\$13,302,766
Penalties	24,588	53,414	78,002
Tapping charges and connection fees	10,900	5,500	16,400
Sundry income	228,670	15,314	243,984
Pretreatment monitoring fee	-	179,925	179,925
Impact fees	67,434	155,029	222,463
TOTAL OPERATING REVENUES	<u>4,565,177</u>	<u>9,478,363</u>	<u>14,043,540</u>
OPERATING EXPENSES			
Salaries	1,389,405	1,987,232	3,376,637
Personnel benefits	766,260	1,233,054	1,999,314
Professional and skilled services	665,875	2,247,643	2,913,518
Supplies	621,322	769,454	1,390,776
Other operating expenses	519,445	1,348,719	1,868,164
Equipment	1,366	1,366	2,732
TOTAL OPERATING EXPENSES	<u>3,963,673</u>	<u>7,587,468</u>	<u>11,551,141</u>
OPERATING INCOME BEFORE DEPRECIATION	601,504	1,890,895	2,492,399
Depreciation	<u>684,021</u>	<u>897,059</u>	<u>1,581,080</u>
NET OPERATING INCOME (LOSS)	<u>(82,517)</u>	<u>993,836</u>	<u>911,319</u>
NONOPERATING REVENUES (EXPENSES)			
Federal and state grants	2,588,808	107,067	2,695,875
Interest income	14,542	15,249	29,791
Interest expense	<u>(106,070)</u>	<u>(642,091)</u>	<u>(748,161)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>2,497,280</u>	<u>(519,775)</u>	<u>1,977,505</u>
CHANGE IN NET ASSETS	<u>\$ 2,414,763</u>	<u>\$ 474,061</u>	2,888,824
NET ASSETS, BEGINNING OF YEAR, RESTATED			<u>63,728,640</u>
NET ASSETS, END OF YEAR			<u>\$66,617,464</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Inspection fees	\$ 20,000	\$ 20,000	\$ 2,280	\$ (17,720)
Water sales	4,368,509	4,368,509	4,231,305	(137,204)
Penalties	20,000	20,000	24,588	4,588
Tapping charges and connection fees	-	-	10,900	10,900
Interest earned	7,500	7,500	14,542	7,042
Water income - sundry	136,243	136,243	228,670	92,427
Grants	-	-	2,588,808	2,588,808
Impact fees	-	-	67,434	67,434
TOTAL REVENUES	4,552,252	4,552,252	7,168,527	2,616,275
EXPENSES				
Engineering				
Salaries	262,487	270,374	265,608	4,766
Personnel benefits	122,760	116,448	104,952	11,496
Professional and skilled services	480,920	642,347	340,333	302,014
Supplies	35,739	34,739	28,799	5,940
Other operating expenses	26,500	29,500	26,230	3,270
Equipment	-	3,466	1,366	2,100
Total Engineering	928,406	1,096,874	767,288	329,586
Billing and collection				
Salaries	79,196	79,412	78,969	443
Personnel benefits	30,511	30,294	36,844	(6,550)
Professional and skilled services	41,985	38,871	36,527	2,344
Supplies	23,200	26,314	25,113	1,201
Other operating expenses	18,045	18,238	14,330	3,908
Total Billing and Collection	192,937	193,129	191,783	1,346
Water treatment				
Salaries	468,745	475,080	469,631	5,449
Personnel benefits	209,735	209,399	291,528	(82,129)
Professional and skilled services	198,286	245,225	134,677	110,548
Supplies	543,913	839,952	335,056	504,896
Other operating expenses	371,395	371,607	316,200	55,407
Equipment	210,000	688,099	-	688,099
Total Water Treatment	2,002,074	2,829,362	1,547,092	1,282,270

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Distribution and storage				
Salaries	510,341	508,748	464,375	44,373
Personnel benefits	216,636	217,067	293,221	(76,154)
Professional and skilled services	50,689	57,134	42,645	14,489
Supplies	179,804	182,883	232,354	(49,471)
Other operating expenses	32,398	38,598	34,978	3,620
Equipment	26,500	36,302	-	36,302
Total Distribution and Storage	<u>1,016,368</u>	<u>1,040,732</u>	<u>1,067,573</u>	<u>(26,841)</u>
Administration				
Salaries	112,044	113,911	110,822	3,089
Personnel benefits	48,666	43,113	39,715	3,398
Professional and skilled services	111,130	114,816	111,693	3,123
Other operating expenses	139,943	139,943	127,707	12,236
Total Administration	<u>411,783</u>	<u>411,783</u>	<u>389,937</u>	<u>21,846</u>
Debt payments				
Principal redemption	228,933	228,933	-	228,933
Interest	154,670	154,670	106,070	48,600
Total Debt Payments	<u>383,603</u>	<u>383,603</u>	<u>106,070</u>	<u>277,533</u>
 TOTAL EXPENSES	 <u>4,935,171</u>	 <u>5,955,483</u>	 <u>4,069,743</u>	 <u>1,885,740</u>
 OPERATING INCOME (LOSS) BEFORE DEPRECIATION	 (382,919)	 (1,403,231)	 3,098,784	 4,502,015
Depreciation and amortization	<u>-</u>	<u>-</u>	<u>684,021</u>	<u>(684,021)</u>
CHANGE IN NET ASSETS	<u>\$ (382,919)</u>	<u>\$(1,403,231)</u>	<u>\$ 2,414,763</u>	<u>\$ 3,817,994</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SEWER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sewer charges	\$ 9,161,513	\$ 9,161,513	\$ 8,701,007	\$ (460,506)
Sewer charges - urban services	260,000	260,000	368,174	108,174
Penalties	40,000	40,000	53,414	13,414
Pretreatment monitoring fees	171,246	171,246	179,925	8,679
Interest earned	7,500	7,500	15,249	7,749
Sewer income - sundry	24,143	24,143	15,314	(8,829)
Tapping charges and connection fees	-	-	5,500	5,500
Impact fees	-	-	155,029	155,029
Grants	-	-	107,067	107,067
TOTAL REVENUES	9,664,402	9,664,402	9,600,679	(63,723)
EXPENSES				
Engineering				
Salaries	413,855	422,296	405,863	16,433
Personnel benefits	174,610	166,315	174,132	(7,817)
Professional and skilled services	137,000	709,534	445,554	263,980
Supplies	40,350	41,685	35,642	6,043
Other operating expenses	38,850	44,141	40,088	4,053
Budget adjustment	-	-	-	-
Equipment	-	23,688	1,366	22,322
Total Engineering	804,665	1,407,659	1,102,645	305,014
Billing and collection				
Salaries	134,499	135,073	135,073	-
Personnel benefits	51,696	51,122	90,219	(39,097)
Professional and skilled services	1,750	250	123	127
Supplies	1,872	1,872	1,499	373
Other operating expenses	24,700	26,200	24,741	1,459
Total Billing and Collection	214,517	214,517	251,655	(37,138)
Wastewater treatment				
Salaries	1,081,161	969,778	877,491	92,287
Personnel benefits	499,150	498,443	608,286	(109,843)
Professional and skilled services	964,515	1,830,065	1,180,340	649,725
Supplies	1,170,050	1,658,331	664,805	993,526
Other operating expenses	1,296,494	1,192,237	1,032,556	159,681
Equipment	80,000	138,636	-	138,636
Total Wastewater Treatment	5,091,370	6,287,490	4,363,478	1,924,012

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Maintenance and repair				
Salaries	\$ 388,110	\$ 384,241	\$ 354,146	\$ 30,095
Personnel benefits	188,443	188,872	259,049	(70,177)
Professional and skilled services	203,394	227,576	128,546	99,030
Supplies	68,750	68,369	57,837	10,532
Other operating expenses	59,509	66,979	55,681	11,298
Total Maintenance and Repair	<u>908,206</u>	<u>936,037</u>	<u>855,259</u>	<u>80,778</u>
Pretreatment monitoring				
Salaries	96,943	97,012	82,905	14,107
Personnel benefits	42,624	42,556	54,466	(11,910)
Professional and skilled services	12,750	12,750	10,245	2,505
Supplies	9,950	9,950	9,671	279
Other operating expenses	5,077	5,077	3,871	1,206
Total Pretreatment Monitoring	<u>167,344</u>	<u>167,345</u>	<u>161,158</u>	<u>6,187</u>
Administration				
Salaries	133,116	139,592	131,754	7,838
Personnel benefits	58,049	55,573	46,902	8,671
Professional and skilled services	543,298	550,737	482,835	67,902
Other operating expenses	212,318	212,318	191,782	20,536
Total Administration	<u>946,781</u>	<u>958,220</u>	<u>853,273</u>	<u>104,947</u>
Debt payments				
Principal redemption	2,910,122	2,910,405	-	2,910,405
Interest	681,552	681,269	642,091	39,178
Total Debt Payments	<u>3,591,674</u>	<u>3,591,674</u>	<u>642,091</u>	<u>2,949,583</u>
TOTAL EXPENSES	<u>11,724,557</u>	<u>13,562,942</u>	<u>8,229,559</u>	<u>5,333,383</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(2,060,155)	(3,898,540)	1,371,120	5,269,660
Depreciation	-	-	897,059	(897,059)
CHANGE IN NET ASSETS	<u>\$ (2,060,155)</u>	<u>\$ (3,898,540)</u>	<u>\$ 474,061</u>	<u>\$ 4,372,601</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - CITY MARINA
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Slip rentals	\$ 35,000	\$ 45,000	\$ 54,884	\$ 9,884
Electric fees	6,000	9,500	8,717	(783)
Gas sales	20,000	20,000	17,814	(2,186)
Miscellaneous	-	-	837	837
TOTAL OPERATING REVENUES	<u>61,000</u>	<u>74,500</u>	<u>82,252</u>	<u>7,752</u>
OPERATING EXPENSES				
Salaries	30,420	25,317	15,727	9,590
Personnel benefits	8,611	8,611	5,096	3,515
Professional and skilled services	4,800	15,300	2,174	13,126
Supplies	7,125	6,605	5,156	1,449
Other services and charges	26,983	43,808	40,171	3,637
Capital outlays	-	100,750	-	100,750
TOTAL OPERATING EXPENSES	<u>77,939</u>	<u>200,391</u>	<u>68,324</u>	<u>132,067</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(16,939)	(125,891)	13,928	139,819
Depreciation	<u>-</u>	<u>-</u>	<u>28,340</u>	<u>(28,340)</u>
NET OPERATING LOSS	(16,939)	(125,891)	(14,412)	111,479
NONOPERATING REVENUES				
Operating transfer in	<u>16,939</u>	<u>21,439</u>	<u>21,439</u>	<u>-</u>
TOTAL NONOPERATING REVENUES	<u>16,939</u>	<u>21,439</u>	<u>21,439</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$(104,452)</u>	<u>\$ 7,027</u>	<u>\$ 111,479</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - PARKING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Parking permits, fines, state grants, meters and Park 'n Shop	\$679,300	\$ 679,300	\$ 580,900	\$ (98,400)
Rent and other	10,000	10,000	7,520	(2,480)
Current surplus available	5,653	5,653	-	(5,653)
TOTAL OPERATING REVENUES	<u>694,953</u>	<u>694,953</u>	<u>588,420</u>	<u>(106,533)</u>
OPERATING EXPENSES				
Salaries	186,045	186,108	181,695	4,413
Personnel benefits	55,329	55,266	51,595	3,671
Professional and skilled services	137,796	179,628	149,182	30,446
Supplies	12,490	154,252	141,726	12,526
Other services and charges	184,488	187,138	152,956	34,182
Capital outlays	33,000	68,072	-	68,072
TOTAL OPERATING EXPENSES	<u>609,148</u>	<u>830,464</u>	<u>677,154</u>	<u>153,310</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	85,805	(135,511)	(88,734)	46,777
Depreciation	-	-	105,287	(105,287)
NET OPERATING INCOME (LOSS)	85,805	(135,511)	(194,021)	(58,510)
NONOPERATING REVENUES (EXPENSES)				
Operating transfer in	20,000	20,000	20,000	-
Interest income	800	800	486	(314)
Interest expense	(39,705)	(39,705)	(37,239)	2,466
TOTAL NONOPERATING EXPENSES	<u>(18,905)</u>	<u>(18,905)</u>	<u>(16,753)</u>	<u>2,152</u>
CHANGE IN NET ASSETS	<u>\$ 66,900</u>	<u>\$(154,416)</u>	<u>\$ (210,774)</u>	<u>\$ (56,358)</u>

Statistical Information

CITY OF SALISBURY, MARYLAND
SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)
JUNE 30, 2011

Levy Year	Total	General Fund		
		Real Property	Personal Property	Corporations
2011	\$ 959,614	\$ 396,009	\$ 7,025	\$ 556,580
2010	440,695	64,400	4,490	371,805
2009	340,239	66,544	1,875	271,820
2008	177,732	64,246	3,011	110,475
2007 and prior	676,121	293,294	34,482	348,345
	2,594,401	884,493	50,883	1,659,025
Less allowance for uncollectibles	(1,062,198)	-	(41,613)	(1,020,585)
	<u>\$ 1,532,203</u>	<u>\$ 884,493</u>	<u>\$ 9,270</u>	<u>\$ 638,440</u>

NOTE: Included in the above are deferred taxes of \$570,735.

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 06/30/2011	Requirements to June 30, 2012		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	\$ 1,475,000	\$ 550,000	\$ 74,906	Bank of New York
Public Improvement Bonds of 1999	4.39	J & D1	6/1/2014	05/18/1999	4,860,000	1,242,065	396,179	50,226	Bank of America
Public Improvement Bonds of 2001	4.77	M & N1	5/1/02-21	05/01/2001	1,201,900	729,300	58,100	35,538	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	3,816	3,816	408	MD Water Quality Fin.
Maryland Water Quality Financing Administration	4.894	M & S1	9/1/91-11	03/01/1990	2,848,109	214,555	214,555	20,220	MD Water Quality Fin.
Water Quality Bond of 2003	0.40	F & A1	8/1/03-24	04/17/2003	3,163,361	2,084,795	156,556	16,174	MD Dept Environment
Infrastructure Bond of 2003	4.5 - 2.0	M & N1	3/1/03-23	03/01/2003	5,614,000	3,797,700	257,100	153,939	M&T Bank
Public Improvement Bonds of 2004	2.0 - 4.6	M & N1	5/1/05-24	04/22/2004	5,318,000	3,557,700	279,500	153,193	M&T Bank
Water Quality Bond of 2005	0.40	F & A1	2/1/09-28	09/29/2005	42,009,341	35,575,420	2,046,123	243,502	MD Water Quality Fin.
Public Improvement Bonds of 2007	4.03	A & O1	4/1/08-27	04/12/2007	4,950,000	3,960,000	247,500	159,588	Suntrust Leasing Corp.
Public Improvement Bonds of 2008	4.09	F & A1	2/1/09-28	01/22/2008	3,605,000	3,140,000	165,000	128,426	Suntrust Equip & Leasing Corp
Public Improvement Bonds of 2009	3.78	M & N1	5/1/10-25	11/06/2009	2,600,000	2,426,667	173,333	89,944	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	146,021	-	MD Water Quality Fin.
Maryland Energy Administration	0	S & M1	9/1/11-3/13	12/04/2009	258,740	258,740	28,749	-	MD Water Quality Fin.
Maryland Energy Administration	2.50	J & J1	1/1/11-7/1/16	8/23/2010	142,800	142,800	11,104	1,785	MD Water Quality Fin.
Public Improvement Refinance Bond	3.35	A & O1	10/1/11-10/1/26	10/4/2010	5,050,000	5,050,000	243,694	165,093	Bank of America
						<u>\$ 66,414,958</u>	<u>\$ 4,977,330</u>	<u>\$ 1,292,942</u>	

CITY OF SALISBURY, MARYLAND
GENERAL FUND REVENUE BY SOURCE (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2011

<u>Fiscal Year Ended June 30</u>	<u>Property Taxes</u>	<u>Local Income Taxes</u>	<u>State Shared Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Revenues from Use of Money and Property</u>	<u>Revenue from Other Agencies</u>	<u>Service Charges and other</u>	<u>Total</u>	<u>Surplus Appropriated</u>
2011	\$ 20,780,382	\$ 1,378,956	\$ 765,918	\$ 715,197	\$ 139,420	\$ 37,142	\$ 1,533,721	\$ 3,404,221	\$ 28,754,957	\$ 294,894
	72.27 %	4.80 %	2.66 %	2.49 %	0.48 %	0.13 %	5.33 %	11.84 %	100.00 %	
2010	21,546,160	1,537,197	856,110	663,585	109,267	37,697	1,640,400	3,703,987	30,094,403	225,520
	71.60	5.11	2.84	2.21	0.36	0.13	5.45	12.31	100.00	
2009	20,256,196	1,673,627	2,004,180	862,143	105,234	169,970	1,776,385	3,392,935	30,240,670	1,622,353
	66.98	5.53	6.63	2.85	0.35	0.56	5.87	11.22	100.00	
2008	19,553,399	1,863,022	2,224,103	1,037,604	104,544	374,410	1,826,485	3,256,356	30,239,923	1,280,950
	64.66	6.16	7.35	3.43	0.35	1.24	6.04	10.77	100.00	
2007	16,038,834	1,716,039	2,247,018	1,159,394	83,328	548,071	1,853,060	2,862,909	26,508,653	1,004,028
	60.50	6.47	8.48	4.37	0.31	2.07	6.99	10.80	100.00	

CITY OF SALISBURY, MARYLAND
GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2011

Fiscal Year Ended June 30	Department of Public Works									
	General Government	Police	Fire	Other Safety	Supervision & Engineering	Highways	Sanitation	Recreation	Miscellaneous & Transfers	Total
2011	\$2,464,686 7.31 %	\$9,207,336 27.32 %	\$5,935,498 17.61 %	\$1,261,180 3.74 %	\$1,139,470 3.38 %	\$1,529,516 4.54 %	\$2,101,673 6.24 %	\$1,712,040 5.08 %	\$8,344,885 24.77 %	\$ 33,696,284 100.00 %
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

**CITY OF SALISBURY, MARYLAND
WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2011**

Fiscal Year Ended June 30	Revenue					Surplus Appropriated	Expenses				Total
	Water Charges	Other Water	Sewer Charges	Other Sewer	Total		Operations	Capital Outlays	Debt Service	Depreciation	
2011	\$4,233,585	\$331,592	\$ 9,069,181	\$409,182	\$ 14,043,540	\$ -	\$11,548,409	\$ 2,732	\$748,161	\$ 1,581,080	\$13,880,382
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

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, 2011

<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>
2011	\$ 2,330,729,348	\$ 22,506,548	\$ 20,373,256	90.52 %	\$ 45,267	\$ 20,418,523	90.72 %	\$ 2,088,025	9.28 %
2010	2,501,327,556	23,929,701	19,529,112	81.61	1,770,553	21,299,665	89.01	1,731,542	7.24
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

CITY OF SALISBURY, MARYLAND
GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2011

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 Full and Partial Year	Personal Property	Corporations		Total							
			Ordinary	Railroads and Utilities								
2011	\$2,050,805,168	\$2,058,140	\$229,984,250	\$47,881,790	\$2,330,729,348	\$67,830,908	0.0291	\$110,024,625	\$42,193,717	\$6,298,863	\$41,840,047	0.151
2010	2,219,277,746	2,697,220	230,973,950	48,378,640	2,501,327,556	67,471,893	0.0270	116,976,091	49,504,198	5,719,527	43,243,226	0.132
2009	2,015,985,078	2,966,990	228,511,610	52,650,700	2,300,114,378	66,092,298	0.0287	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