



CITY OF SALISBURY, MARYLAND

AUDIT REPORT

JUNE 30, 2017

CITY OF SALISBURY
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CITY OF SALISBURY, MARYLAND
ORGANIZATION
SERVING AS OF JUNE 30, 2017

OFFICIALS - ELECTED

Mayor	Jacob R. Day
President of Council	John R. (Jack) Heath
Vice President of Council	Muir Boda
Council Members	April Jackson R. Hardy Rudasill James Ireton, Jr.

OFFICIALS - STAFF

City Administrator	Julia Glanz
City Clerk	Kimberly Nichols
Director of Internal Services	Keith Cordrey
City Solicitor	S. Mark Tilghman
Director of Public Works	Michael Moulds
Director of Department of Building, Permits, and Inspections	William Holland
Director of Information Technology	Bill Garrett
Director of Neighborhood Services and Code Compliance	Susan Phillips
Director of Community Development	Deborah J. Stam
Chief of Police	Barbara Duncan
Chief of Fire Department	Rick Hoppes
Incorporated	1854

INDEPENDENT AUDITOR'S REPORT

December 6, 2017

Members of City Council
City of Salisbury
Salisbury, Maryland

Report on Financial Statements

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 ("the City"), Salisbury, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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City of Salisbury

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

Opinions

In our opinion, 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, Salisbury, Maryland, as of June 30, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison information on page 56, schedules of the City's proportionate share of the net pension liability on pages 57 and 59, and schedules of City contributions on pages 58 and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information listed in the table of contents and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

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used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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, 2017. We encourage readers to consider the discussion and analysis along with the other information in this report, including the notes to the financial statements. 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 position at June 30, 2017 was \$69,534,619. Net position of our governmental activities decreased by \$4,862,447 (or 76.9 percent) while net position of our business-type activities increased by \$9,875,901 (or 17.0 percent).
- The General Fund reported revenues and other financing sources under expenditures and other financing uses resulting in a \$125,661 decrease in fund balance, bringing its fund balance this year to \$12,446,573.

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

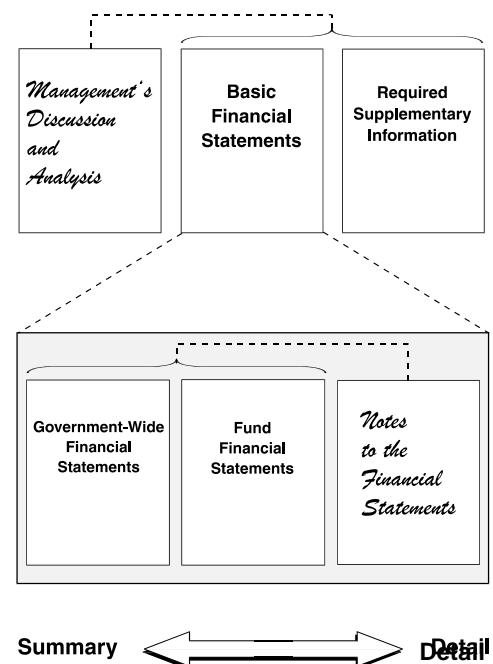


Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

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

Entity-wide Statements

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary	Activities the City operate similar to private businesses: self insurance	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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, deferred outflows, liabilities, and deferred inflows, 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, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not 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 two entity-wide statements report the City's net position and how it has changed. Net position — the difference between the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources — is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position 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 services 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 and include: water and sewer fees, Mitchell Landing Apartment rents, septage treatment fees, and stormwater system maintenance 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.

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, both 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 position and a statement of changes in fiduciary net position. 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 position was \$69,534,619.

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
CURRENT ASSETS:						
Cash and investments	\$ 10,352	\$ 11,210	\$ 5,812	\$ 4,444	\$ 16,164	\$ 15,654
Accounts and taxes receivable, net	3,147	3,270	2,848	2,803	5,995	6,073
Due from other governmental units	1,130	1,646	5,030	5,679	6,160	7,325
Internal balances	201	201	(201)	(201)	-	-
Inventories	806	867	439	526	1,245	1,393
Other	2	225	20	404	22	629
TOTAL CURRENT ASSETS	15,638	17,419	13,948	13,655	29,586	31,074
NONCURRENT ASSETS:						
Restricted cash	7,744	8,603	21,369	19,314	29,113	27,917
Capital assets at cost	79,258	73,439	159,163	136,089	238,421	209,528
Less accumulated depreciation	(27,154)	(25,043)	(36,958)	(34,491)	(64,112)	(59,534)
TOTAL NONCURRENT ASSETS	59,848	56,999	143,574	120,912	203,422	177,911
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred pension contributions	2,925	2,879	322	341	3,247	3,220
Deferred outflow — pensions	6,173	3,810	863	565	7,036	4,375
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,098	6,689	1,185	906	10,283	7,595
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	84,584	81,107	158,707	135,473	243,291	216,580
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	3,035	3,414	4,365	5,300	7,400	8,714
Bonds, notes, and capital leases payable	2,661	2,555	4,110	3,950	6,771	6,505
Other	913	939	1,168	654	2,081	1,593
TOTAL CURRENT LIABILITIES	6,609	6,908	9,643	9,904	16,252	16,812

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

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
NONCURRENT LIABILITIES:						
Compensated absences	1,388	1,388	201	193	1,589	1,581
Post-employment benefits	17,765	17,082	4,441	4,270	22,206	21,352
Net pension liability	32,995	25,621	4,377	3,877	37,372	29,498
Bonds, notes, and capital leases payable	22,158	21,371	71,644	58,661	93,802	80,032
TOTAL NONCURRENT LIABILITIES	74,306	65,462	80,663	67,001	154,969	132,463
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows – pensions	2,209	2,415	326	369	2,535	2,784
TOTAL DEFERRED INFLOWS OF RESOURCES	2,209	2,415	326	369	2,535	2,784
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	83,124	74,785	90,632	77,274	173,756	152,059
NET POSITION:						
Net investment in capital assets	32,187	24,470	56,018	38,987	88,205	63,457
Restricted	7,745	8,602	11,803	19,315	19,548	27,917
Unrestricted (Deficit)	(38,472)	(26,750)	254	(103)	(38,218)	(26,853)
TOTAL NET POSITION	\$ 1,460	\$ 6,322	\$ 68,075	\$ 58,199	\$ 69,535	\$ 64,521

Net position of the City's governmental activities decreased 76.9 percent to \$1,459,830 due primarily to increases in bonds, net pension liability, capital leases payable, and other liabilities offset by increases in capital assets of a lesser amount. Net position of the City's business-type activities increased 17.0 percent to \$68,074,789 due to increases capital assets related to the ongoing construction of the City's wastewater treatment plant.

The City's total revenues were \$62,342,576. A significant portion (39.8 percent) of the City's revenue comes from property and other taxes. (See Figure A-3). A portion (37.0 percent) comes from charges for services, 6.2 percent is derived from operating grants, and 15.5 percent is derived from capital grants and contributions. The remaining 1.5 percent comes from miscellaneous, capital grants, and investment earnings. The total cost of all programs and services was \$57,329,122.

Figure A-3
CITY'S SOURCES OF REVENUES
Fiscal Year 2017

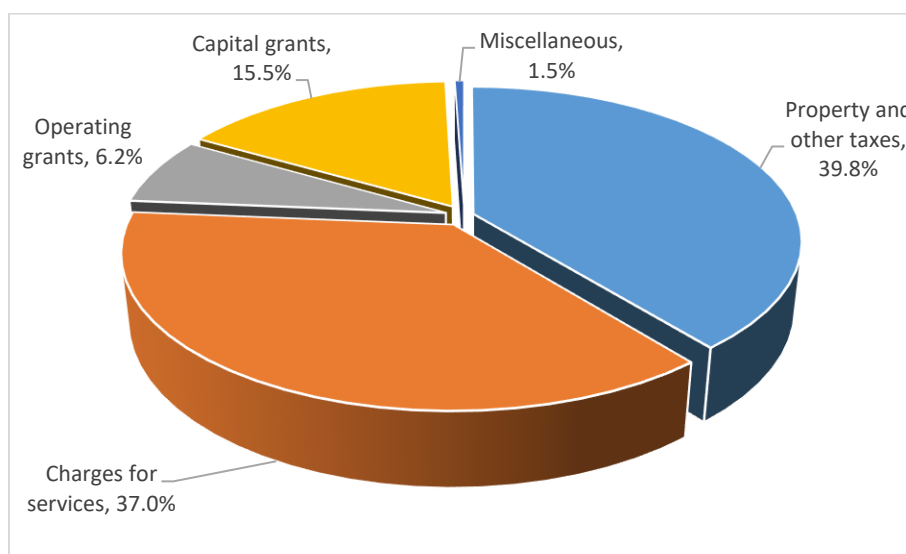


Table A-2
SOURCES OF REVENUES
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2017	2016	2017	2016	2017	2016	2016-2017
Program revenues:							
Charges for services	\$ 6,663	\$ 7,126	\$ 16,401	\$ 16,230	\$ 23,064	\$ 23,356	-1%
Operating grants	3,850	4,414	-	-	3,850	4,414	-13%
Capital grants	716	557	8,973	9,555	9,689	10,112	-4%
General revenues:							
Property and other taxes	24,802	24,579	-	-	24,802	24,579	1%
Investment earnings	199	50	125	44	324	94	244%
Transfers	75	(46)	(75)	46	-	-	0%
Miscellaneous	614	247	-	-	614	247	149%
Total Revenues	\$ 36,919	\$ 36,927	\$ 25,424	\$ 25,875	\$ 62,343	\$ 62,802	-1%

Table A-3 presents the costs 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 (Revenue) Cost of Services		
	2017	2016	% Change	2017	2016	% Change
Governmental Activities:						
General government	\$ 4,295	\$ 3,936	9.1%	\$ 1,130	\$ 1,113	1.5%
Public safety	27,086	22,542	20.2%	20,733	15,555	33.3%
Public works	6,364	6,053	5.1%	5,339	4,300	24.2%
Recreation and culture	2,194	2,144	2.3%	1,509	1,610	-6.3%
Nondepartmental	931	1,007	-7.5%	931	1,007	-7.5%
Interest on long-term debt	911	673	35.4%	911	673	35.4%
Total Governmental Activities	41,781	36,355		30,553	24,258	
Business-type Activities:						
Water and sewer	14,118	14,946	-5.5%	(9,745)	(9,322)	4.5%
Mitchell Landing	215	199	8.0%	35	28	25.0%
Other	1,215	1,085	11.9%	(116)	(261)	-55.6%
Total Business-type Activities	15,548	16,230		(9,826)	(9,555)	
Total	\$ 57,329	\$ 52,585		\$ 20,727	\$ 14,702	

Table A-4
CHANGE IN NET POSITION
(in thousands of dollars)

Governmental Activities		Business-type Activities		Totals	
2017	2016	2017	2016	2017	2016
\$ (4,862)	\$ 572	\$ 9,876	\$ 9,645	\$ 5,014	\$ 10,217

Governmental Activities

Property and other tax revenues increased approximately \$0.22 million due to improvements in economic conditions. The cost of all *governmental* activities this year was \$41.8 million. However, the amount that the City's taxpayers paid for these activities through taxes was only \$24.8 million. Some of the cost was paid by those who directly benefited from the programs, \$6.7 million, or by grants and contributions, \$3.8 million. The total cost of governmental activities increased \$5.4 million, which can be attributed largely to increases in Public Safety and General Government.

Business-type Activities

Revenues of the City's business-type activities were \$25.4 million in FY 2017, a decrease from \$25.9 million in FY 2016 (refer to Table A-2), while expenses were \$15.5 million in FY 2017 versus \$16.2 million in FY 2016. The revenue decrease is primarily due to grant funds received by the City in FY 2017 to aid in the construction of the City's wastewater treatment plant, which was \$.6 million less in FY 2017 than FY 2016. Overall costs decreased by \$.7 million due largely due to decrease in operating cost in the Water and Sewer Fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of the end of FY 2017, the City's governmental funds reported a combined fund balance of \$18 million, a \$2.6 million decline from the previous year. At year end, the General Fund had a fund balance of \$12.5 million and the Capital Improvements Fund had a fund balance of \$4.9 million. The fund balance for other governmental funds reported an ending in fund balance of \$0.7 million. Revenue collections were less than expenditures by \$2.6 million for the year.

General Fund Budgetary Highlights

Over the course of the year, the City processed budget amendments which are used to update the revised budget. The ending revised budget for expenditures in the general fund was \$51.9 million (including operating transfers), versus an original budget of \$38.6 million. The majority of the variance is due a carry forward of encumbrances from FY 2017 and expenditures required to carry out a refunding of outstanding bonds completed in FY 2017. Actual expenditures were \$5.5 million below final budget amounts. All departments were under budget during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had invested \$238.4 million in a broad range of capital assets. (See Table A-5.)

Table A-5
CITY'S CAPITAL ASSETS
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2017	2016	2017	2016	2017	2016	
Land and art	\$ 8,435	\$ 8,375	\$ 2,171	\$ 2,164	\$ 10,606	\$ 10,539	0.6%
Construction-in-progress	10,675	7,517	53,870	33,509	64,545	41,026	57.3%
Land improvements	767	767	2,014	2,014	2,781	2,781	0.0%
Buildings and improvements	21,325	21,287	49,805	49,155	71,130	70,442	1.0%
Improvements, non-buildings	16,879	15,706	38,211	36,532	55,090	52,238	5.5%
Machinery and equipment	21,140	19,751	13,092	12,715	34,232	32,466	5.4%
Zoo animals	36	36	-	-	36	36	0.0%
Totals at historical cost	79,257	73,439	159,163	136,089	238,420	209,528	13.8%
Total accumulated depreciation	27,154	25,043	36,958	34,491	64,112	59,534	7.7%
Net Capital Assets	<u>\$ 52,103</u>	<u>\$ 48,396</u>	<u>\$ 122,205</u>	<u>\$ 101,598</u>	<u>\$ 174,308</u>	<u>\$ 149,994</u>	16.2%

The City's governmental capital purchases for fiscal year 2017 included the purchase of seven police vehicles, a bucket truck, dump truck, excavator, and refuse truck. Infrastructure improvements included the completion of the Beaver Dam / Isabella project and the Beaver Dam Creek Tidal project. The business-type activities additions to capital assets include the purchase of two jeep trucks, two dump trucks, and a sewer jet vac. Projects completed included the Parkside Lift Station, Mill Street Pump Station, and the Park Well Upgrades. Continuing projects include the wastewater treatment plant, East Main Street Water Valves, and the Fitzwater Pump Station. More 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 \$100.6 million in bonds, notes, and leases outstanding, an increase of \$14.0 million over the previous year. During fiscal year 2017, the City issued \$20 million of Public Improvement refunding bonds to finance a number of public works projects, including renovations and improvements to Main Street, storm drain infrastructure improvements, and other various renovations and improvements of City infrastructure. The City also drew down an additional \$12.7 million, (total \$27.1 million) in revolving loan funds from federal loans administered by the Maryland Department of the Environment to finance the construction of its wastewater treatment plant, as well as to fund other water quality infrastructure improvements.

The City is limited to a maximum general obligation bond limit of \$50.1 million. Debt in enterprise funds is not subject to the maximum bond limit. 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-6
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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
Leases payable	\$ 2,944	\$ 1,963	\$ 448	\$ 558	\$ 3,392	\$ 2,521	34.5%
Bonds payable, net	21,789	21,848	73,923	60,671	95,713	82,519	16.0%
Mortgages and notes payable	86	115	1,382	1,382	1,468	1,497	-1.9%
Total Bonds and Notes Payable	<u>\$ 24,819</u>	<u>\$ 23,926</u>	<u>\$ 75,753</u>	<u>\$ 62,611</u>	<u>\$100,572</u>	<u>\$ 86,537</u>	16.2%

ECONOMIC FACTORS

- The City collected \$216,539 in building permit revenues for FY 2017 vs. \$333,147 for FY 2016.
- The City received \$325,013 more in real estate property tax revenue in FY 2017. The total of other tax revenues were \$18,607 less in FY 2017 than FY 2016.
- The City's three-year reassessment cycle started in January 2015. The adjusted assessed value of all real properties in the City increased \$44.3 million from the prior year.
- The local (Wicomico County) unemployment rate as of July 2017 was 4.9 percent, down from 5.5 percent from a year ago. The State of Maryland had a 4.2 percent rate, and the nation as a whole has a 4.6 percent unemployment rate.

WATER SEWER FUND

The water and sewer fund adopted budget increased from \$15.9 million in FY 2016 to \$17.2 million in FY 2017. The City is in the process of upgrading the Wastewater Treatment Plant ("WWTP"). After the last upgrade in 2008, the WWTP has not produced effluent at the level required by the State. As a result, the City completed a corrective action plan for the WWTP upgrade, which was approved by the State of Maryland Department of the Environment. The City is under an amended

consent order from the State of Maryland, which dictates that the WWTP must be meeting effluent limits by December 31, 2017. The design of the upgrades outlined in the corrective action plan is complete, and the project is under construction. The total construction cost is \$52 million and is funded with Biological Nutrient Removal and Enhanced Nutrient Removal (BNR/ENR) grants and a zero percent interest State Revolving Fund loan. The construction notice to proceed was granted on June 10, 2015. The biological acclimation period for the new WWTP is underway, and the WWTP should be meeting permit levels by December 31, 2017. The remaining work items are scheduled for completion by May 30, 2018.

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 POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investment pool	\$ 10,351,668	\$ 5,812,556	\$ 16,164,224
Taxes receivable, net	1,310,004	-	1,310,004
Accounts receivable, net	1,836,763	2,848,564	4,685,327
Due from other governmental units	1,130,222	5,029,724	6,159,946
Internal balances	200,906	(200,906)	-
Prepaid expenses	2,226	438,693	440,919
Inventories	805,802	19,716	825,518
Total Current Assets	15,637,591	13,948,347	29,585,938
Noncurrent assets:			
Restricted cash and investments	7,744,530	21,368,717	29,113,247
Construction-in-progress	10,674,772	53,870,324	64,545,096
Land and art	8,434,522	2,163,503	10,598,025
Capital assets at cost	60,148,426	103,129,660	163,278,086
Less accumulated depreciation	(27,154,286)	(36,958,457)	(64,112,743)
Total Noncurrent Assets	59,847,964	143,573,747	203,421,711
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension contributions	2,925,486	322,321	3,247,807
Deferred pension	6,172,906	862,637	7,035,543
Total Deferred Outflows of Resources	9,098,392	1,184,958	10,283,350
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 84,583,947	\$ 158,707,052	\$ 243,290,999
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current liabilities:			
Accounts payable and accrued expenses	\$ 3,035,118	\$ 4,365,067	\$ 7,400,185
Unearned revenue	192,896	949,180	1,142,076
Deposits and advance payments of taxes	433,576	10,979	444,555
Compensated absences	154,239	22,282	176,521
Accrued interest payable	132,336	185,698	318,034
Bonds, notes, and capital leases payable	2,661,388	4,109,829	6,771,217
Total Current Liabilities	6,609,553	9,643,035	16,252,588
Noncurrent liabilities:			
Compensated absences	1,388,152	200,539	1,588,691
Post-employment benefits	17,765,091	4,441,273	22,206,364
Net pension liability	32,995,195	4,377,817	37,373,012
Bonds, notes, and capital leases payable	22,157,386	71,643,391	93,800,777
Total Noncurrent Liabilities	74,305,824	80,663,020	154,968,844
Total Liabilities	80,915,377	90,306,055	171,221,432
DEFERRED INFLOWS OF RESOURCES			
Deferred pension	2,208,740	326,208	2,534,948
NET POSITION			
Net investment in capital assets	32,187,702	56,017,395	88,205,097
Restricted	7,744,530	11,803,132	19,547,662
Unrestricted (Deficit)	(38,472,402)	254,262	(38,218,140)
Total Net Position	1,459,830	68,074,789	69,534,619
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 84,583,947	\$ 158,707,052	\$ 243,290,999

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

**CITY OF SALISBURY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
GOVERNMENTAL ACTIVITIES						
General government	\$ 4,294,872	\$ 2,001,398	\$ 607,506	\$ 556,380	\$ (1,129,588)	\$ (1,129,588)
Public safety	27,086,389	3,237,613	3,096,309	19,500	(20,732,967)	(20,732,967)
Public works	6,363,643	829,016	145,591	50,016	(5,339,020)	(5,339,020)
Recreation and culture	2,193,659	595,225	-	90,000	(1,508,434)	(1,508,434)
Nondepartmental	931,423	-	-	-	(931,423)	(931,423)
Interest on long-term debt	911,472	-	-	-	(911,472)	(911,472)
Total Governmental Activities	<u>41,781,458</u>	<u>6,663,252</u>	<u>3,849,406</u>	<u>715,896</u>	<u>(30,552,904)</u>	<u>(30,552,904)</u>
BUSINESS-TYPE ACTIVITIES						
Water and sewer	14,117,770	14,904,301	-	8,958,139	-	9,744,670
Mitchell Landing	215,421	180,706	-	-	-	(34,715)
Other	1,214,473	1,316,287	-	14,685	-	116,499
Total Business-type Activities	<u>15,547,664</u>	<u>16,401,294</u>	<u>-</u>	<u>8,972,824</u>	<u>-</u>	<u>9,826,454</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 57,329,122</u>	<u>\$ 23,064,546</u>	<u>\$ 3,849,406</u>	<u>\$ 9,688,720</u>	<u>(30,552,904)</u>	<u>(20,726,450)</u>
GENERAL REVENUES AND TRANSFERS						
Taxes						
Real and personal property taxes, levied for general purposes					16,997,629	16,997,629
Ordinary business corporations and utilities					5,528,567	5,528,567
State shared income tax					1,954,688	1,954,688
Other taxes					320,782	320,782
Investment earnings					-	-
Gain on sale of capital assets					124,802	324,136
Miscellaneous					298,766	298,766
Operating transfers					315,336	315,336
TOTAL GENERAL REVENUES AND TRANSFERS					<u>75,355</u>	<u>-</u>
CHANGE IN NET POSITION					<u>49,447</u>	<u>25,739,904</u>
NET POSITION, BEGINNING OF YEAR					(4,862,447)	5,013,454
NET POSITION, END OF YEAR					<u>6,322,277</u>	<u>64,521,165</u>
					<u>\$ 1,459,830</u>	<u>\$ 69,534,619</u>

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

CITY OF SALISBURY, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
ASSETS				
Cash	\$ 2,433,220	\$ -	\$ 114,075	\$ 2,547,295
Investment pool	7,766,351	-	38,022	7,804,373
Taxes receivable	2,197,592	-	-	2,197,592
Less allowance for uncollectibles	(887,588)	-	-	(887,588)
Due from other governmental units	522,004	-	608,218	1,130,222
Due from other funds	276,868	-	-	276,868
Sundry accounts receivable	4,197,981	-	258,551	4,456,532
Less allowance for uncollectibles	(2,619,769)	-	-	(2,619,769)
Inventory	805,802	-	-	805,802
Prepaid expenditures	2,226	-	-	2,226
Restricted cash	1,505,357	840,434	-	2,345,791
Restricted investment pool	-	5,398,739	-	5,398,739
TOTAL ASSETS	\$16,200,044	\$ 6,239,173	\$ 1,018,866	\$23,458,083
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,604,006	\$ 1,336,131	\$ 94,981	\$ 3,035,118
Due to other funds	-	-	75,962	75,962
Unearned revenue	-	-	192,896	192,896
Deposits and advance payment of taxes	433,576	-	-	433,576
Compensated absences	154,239	-	-	154,239
Total Liabilities	2,191,821	1,336,131	363,839	3,891,791
Deferred Inflows of Resources				
Unavailable revenue	1,561,650	-	-	1,561,650
Total Deferred Inflows of Resources	1,561,650	-	-	1,561,650
Fund Balances:				
Nonspendable	808,028	-	-	808,028
Restricted	-	4,903,042	-	4,903,042
Committed	1,964,695	-	320,094	2,284,789
Assigned	3,026,169	-	334,933	3,361,102
Unassigned	6,647,681	-	-	6,647,681
Total Fund Balances	12,446,573	4,903,042	655,027	18,004,642
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$16,200,044	\$ 6,239,173	\$ 1,018,866	\$23,458,083

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 POSITION
JUNE 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 18,004,642
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Amounts reported for governmental activities in the statement of net position 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 column of the statement of net position.	52,103,434
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Certain revenues that do not provide current financial resources are reported as unavailable revenue in the fund financial statements but are reported as revenue in the governmental activities column of the statement of activities.	1,561,650
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements but are reported in the governmental activities column statement of net position. Those liabilities consist of:

Bonds, notes, and capital leases payable	\$ (24,818,774)	
Compensated absences	(1,388,152)	
Post-employment benefits	(17,765,091)	
Accrued interest on bonds	(132,336)	
Net pension liability	(32,995,195)	(77,099,548)

Deferred inflows and outflows related to the City's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in assumptions, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred pension contributions	2,925,486	
Deferred outflows of resources - pensions	6,172,906	
Deferred inflows of resources - pensions	(2,208,740)	6,889,652

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,459,830
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The accompanying notes are an integral part of these financial statements.

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
REVENUES				
Taxes	\$24,801,665	\$ -	\$ -	\$24,801,665
Other revenue	4,250,105	364,332	15,924	4,630,361
Intergovernmental revenues	2,428,600	-	1,214,735	3,643,335
Charges for services	2,979,689	-	61,322	3,041,011
TOTAL REVENUES	34,460,059	364,332	1,291,981	36,116,372
EXPENDITURES				
Current:				
General government	3,278,547	-	691,841	3,970,388
Public safety	20,435,138	-	450,552	20,885,690
Public works	4,855,183	-	54,835	4,910,018
Recreation and culture	1,930,038	-	-	1,930,038
Nondepartmental	931,423	-	-	931,423
Capital outlays	1,778,500	4,689,586	209,445	6,677,531
Debt service:				
Principal	2,300,773	-	-	2,300,773
Interest	786,680	98,423	-	885,103
TOTAL EXPENDITURES	36,296,282	4,788,009	1,406,673	42,490,964
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,836,223)	(4,423,677)	(114,692)	(6,374,592)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(785,416)	758,793	101,978	75,355
Proceeds from bond issuance	9,977,305	1,404,177	-	11,381,482
Bond premium	1,370,142	-	-	1,370,142
Payment to refunding agent	(9,319,411)	(147,281)	-	(9,466,692)
Proceeds from sale of capital assets	467,942	-	-	467,942
TOTAL OTHER FINANCING SOURCES	1,710,562	2,015,689	101,978	3,828,229
NET CHANGE IN FUND BALANCES	(125,661)	(2,407,988)	(12,714)	(2,546,363)
FUND BALANCES, BEGINNING OF YEAR	12,572,234	7,311,030	667,741	20,551,005
FUND BALANCES, END OF YEAR	\$12,446,573	\$ 4,903,042	\$ 655,027	\$18,004,642

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, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (2,546,363)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlays	\$ 6,231,668	
Loss on disposal	(169,176)	
Depreciation expense	<u>(2,355,190)</u>	3,707,302

Bond and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, bond and capital leases of this amount were issued. (11,381,483)

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. Unavailable revenues increased by this amount this year. 337,205

Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of net position treats such repayments as a reduction in long-term liabilities. 11,767,465

Governmental funds report bond premiums as other financing sources. However, these amounts are reported on the statement of net position as deferred charges and are amortized over the life of the debt. (1,278,799)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	(260)	
Increase in post-employment benefits	(683,200)	
Increase in accrued interest payable	(26,368)	
Increase in deferred pension contributions	47,031	
Increase in deferred outflow - pension	2,362,663	
Increase in net pension liability	(7,373,946)	
Decrease in deferred inflow - pension	<u>206,306</u>	<u>(5,467,774)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (4,862,447)

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash	\$ 4,512,010	\$ 467	\$ 341,942	\$ 4,854,419
Investment pool	548,967	-	409,170	958,137
Accounts receivable, net	2,711,908	4,696	131,960	2,848,564
Due from other governmental units	5,024,724	-	5,000	5,029,724
Other assets	438,693	-	-	438,693
Inventories	19,716	-	-	19,716
Total Current Assets	<u>13,256,018</u>	<u>5,163</u>	<u>888,072</u>	<u>14,149,253</u>
Noncurrent assets:				
Restricted cash	-	275,646	-	275,646
Restricted investment pool	21,093,071	-	-	21,093,071
Capital assets:				
Construction-in-progress	53,807,566	-	62,758	53,870,324
Land	266,703	114,010	1,782,790	2,163,503
Buildings, equipment, and improvements	94,796,198	1,454,319	6,879,143	103,129,660
Less accumulated depreciation	(31,489,254)	(882,645)	(4,586,558)	(36,958,457)
Total Noncurrent Assets	<u>138,474,284</u>	<u>961,330</u>	<u>4,138,133</u>	<u>143,573,747</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension contributions	305,569	-	16,752	322,321
Deferred pension	817,804	-	44,833	862,637
Total Deferred Outflows of Resources	<u>1,123,373</u>	<u>-</u>	<u>61,585</u>	<u>1,184,958</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 152,853,675</u></u>	<u><u>\$ 966,493</u></u>	<u><u>\$ 5,087,790</u></u>	<u><u>\$ 158,907,958</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Due in one year:				
Accounts payable	\$ 4,162,496	\$ 6,417	\$ 95,307	\$ 4,264,220
Accrued payroll	84,631	9,499	6,717	100,847
Accrued interest payable	184,817	-	881	185,698
Due to other funds	-	-	200,906	200,906
Compensated absences	22,282	-	-	22,282
Bonds, notes, and capital leases payable	3,986,718	-	123,111	4,109,829
Deposits	-	10,251	728	10,979
Unearned revenue	949,180	-	-	949,180
Total Current Liabilities	<u>9,390,124</u>	<u>26,167</u>	<u>427,650</u>	<u>9,843,941</u>
Due in more than one year:				
Bonds, notes, and capital leases payable	69,628,630	1,381,807	632,954	71,643,391
Post-employment benefits	4,441,273	-	-	4,441,273
Provision for compensated absences	200,539	-	-	200,539
Net pension liability	4,150,289	-	227,528	4,377,817
Total Noncurrent Liabilities	<u>78,420,731</u>	<u>1,381,807</u>	<u>860,482</u>	<u>80,663,020</u>
Total Liabilities	<u>87,810,855</u>	<u>1,407,974</u>	<u>1,288,132</u>	<u>90,506,961</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	309,253	-	16,955	326,208
NET POSITION (DEFICIT)				
Net investment in capital assets	53,331,450	(696,123)	3,382,068	56,017,395
Restricted	11,527,486	275,646	-	11,803,132
Unrestricted	(125,369)	(21,004)	400,635	254,262
Total Net Position (Deficit)	<u>64,733,567</u>	<u>(441,481)</u>	<u>3,782,703</u>	<u>68,074,789</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 152,853,675</u></u>	<u><u>\$ 966,493</u></u>	<u><u>\$ 5,087,790</u></u>	<u><u>\$ 158,907,958</u></u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
OPERATING REVENUES				
Charges for services	\$ 14,215,790	\$ 180,706	\$ 1,316,278	\$ 15,712,774
Penalties	72,474	-	-	72,474
Tapping charges and connection fees	151,147	-	-	151,147
Sundry income	176,974	-	9	176,983
Pretreatment monitoring fee	180,925	-	-	180,925
Impact fees	106,991	-	-	106,991
TOTAL OPERATING REVENUES	14,904,301	180,706	1,316,287	16,401,294
OPERATING EXPENSES				
Salaries	3,750,259	27,086	288,084	4,065,429
Personnel benefits	1,932,213	3,577	119,237	2,055,027
Professional and skilled services	1,104,928	24,806	247,595	1,377,329
Supplies	-	17,252	8,776	26,028
Other operating expenses	4,149,482	99,326	295,672	4,544,480
Equipment	73,244	-	47,841	121,085
Bad debt expense	-	7,986	-	7,986
TOTAL OPERATING EXPENSES	11,010,126	180,033	1,007,205	12,197,364
Operating income before depreciation	3,894,175	673	309,082	4,203,930
Depreciation	2,246,750	35,388	185,216	2,467,354
NET OPERATING INCOME (LOSS)	1,647,425	(34,715)	123,866	1,736,576
NONOPERATING REVENUES (EXPENSES)				
Operating transfers out	-	-	(75,355)	(75,355)
Grants	8,958,139	-	14,685	8,972,824
Interest income	122,334	488	1,980	124,802
Interest expense	(860,894)	-	(22,052)	(882,946)
TOTAL NONOPERATING REVENUES (EXPENSES)	8,219,579	488	(80,742)	8,139,325
CHANGE IN NET POSITION	9,867,004	(34,227)	43,124	9,875,901
NET POSITION (DEFICIT), BEGINNING OF YEAR	54,866,563	(407,254)	3,739,579	58,198,888
NET POSITION (DEFICIT), END OF YEAR	\$64,733,567	\$ (441,481)	\$ 3,782,703	\$68,074,789

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, 2017

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$17,199,749	\$ 180,167	\$ 1,278,526	\$18,658,442
Payments to suppliers	(5,040,038)	(161,607)	(524,712)	(5,726,357)
Payments to employees	(5,488,860)	(22,152)	(402,690)	(5,913,702)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>6,670,851</u>	<u>(3,592)</u>	<u>351,124</u>	<u>7,018,383</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Internal activity - payments to other funds	-	-	(75,355)	(75,355)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(75,355)</u>	<u>(75,355)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds, notes, and capital leases	23,540,731	-	110,559	23,651,290
Principal paid on bonds, notes, and capital leases	(12,039,996)	-	(29,057)	(12,069,053)
Interest paid on bonds, notes, and mortgages	(899,719)	-	(22,380)	(922,099)
Payments for capital acquisitions	(23,675,148)	-	(62,758)	(23,737,906)
Capital grants	9,417,613	-	14,685	9,432,298
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,656,519)</u>	<u>-</u>	<u>11,049</u>	<u>(3,645,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	122,334	488	1,980	124,802
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>122,334</u>	<u>488</u>	<u>1,980</u>	<u>124,802</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,136,666	(3,104)	288,798	3,422,360
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>23,017,382</u>	<u>279,217</u>	<u>462,314</u>	<u>23,758,913</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$26,154,048</u></u>	<u><u>\$ 276,113</u></u>	<u><u>\$ 751,112</u></u>	<u><u>\$27,181,273</u></u>
Cash	\$ 4,512,010	\$ 467	\$ 341,942	\$ 4,854,419
Investment pool	548,967	-	409,170	958,137
Restricted cash	-	275,646	-	275,646
Restricted investment pool	21,093,071	-	-	21,093,071
	<u>\$26,154,048</u>	<u>\$ 276,113</u>	<u>\$ 751,112</u>	<u>\$27,181,273</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,647,425	\$ (34,715)	\$ 123,866	\$ 1,736,576
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	2,246,750	35,388	185,216	2,467,354
(Increase) Decrease in:				
Accounts receivable	(10,657)	(767)	(34,060)	(45,484)
Due from other governmental units	2,318,407	-	(3,701)	2,314,706
Other assets	(34,501)	-	-	(34,501)
Inventories	505,826	-	-	505,826
Deferred pension contributions	17,736	-	351	18,087
Deferred outflows - pension	(281,075)	-	(16,440)	(297,515)
Increase (Decrease) in:				
Accounts payable	(183,709)	(12,237)	75,172	(120,774)
Accrued payroll	(149,267)	8,511	(10,468)	(151,224)
Compensated absences	7,903	-	-	7,903
Post-employment benefits	170,800	-	-	170,800
Net pension liability	468,441	-	32,757	501,198
Deferred inflows - pension	(40,926)	-	(1,569)	(42,495)
Deposits	(12,302)	228	-	(12,074)
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	<u><u>\$ 6,670,851</u></u>	<u><u>\$ (3,592)</u></u>	<u><u>\$ 351,124</u></u>	<u><u>\$ 7,018,383</u></u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Health Care Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ -	\$ 415,256
Investment pool	-	64,027
Investments	1,604,797	-
Accounts receivable	<u>-</u>	<u>204,218</u>
Total Assets	<u>1,604,797</u>	<u>683,501</u>
 LIABILITIES		
Accounts payable	-	300,620
Deposits	-	204,218
Due to other governmental units	<u>-</u>	<u>178,663</u>
Total Liabilities	<u>-</u>	<u>683,501</u>
 NET POSITION		
Restricted	<u><u>\$ 1,604,797</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 POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Health Care Trust</u>
ADDITIONS	
Interest	\$ 31,393
Net appreciation in fair value of investments	<u>166,264</u>
TOTAL ADDITIONS	<u>197,657</u>
DEDUCTIONS	
Operating expenses	<u>4,701</u>
TOTAL DEDUCTIONS	<u>4,701</u>
CHANGE IN NET POSITION	192,956
NET POSITION, BEGINNING OF YEAR	<u>1,411,841</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,604,797</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 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 position 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 position 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 position 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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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.

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, liabilities, and deferred inflows of resources 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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, 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.
- 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 position and changes in net position. 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 position.

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, current liabilities, and deferred inflows of resources 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.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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 revenues, expenses, and changes in net position. The statement of changes in net position 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 unearned and unavailable revenue, and in the presentation of expenses versus expenditures.

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.

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

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated items received 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.

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.

Investments

Investments are recorded at fair value.

In establishing the fair value of investments, the City uses the following hierarchy. The lowest available level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

Allowance for Uncollectible Accounts

The City estimates an allowance for uncollectible accounts based upon an aging of the receivables and the City's historical collection rates experienced in prior years for each type of receivable. Real estate taxes that can be liened with Wicomico County for lack of payment are deemed to be fully collectible; other taxes, such as local personal taxes and ordinary business corporation taxes which cannot be liened, are not considered fully collectible and are recorded net of an allowance. In addition, the City may terminate service and lien a user's property for delinquent water and sewer bills and, therefore, considers water and sewer utility receivables to be fully collectible.

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 inflows of resources in the balance sheet – governmental funds. An allowance is established for delinquent personal property taxes to the extent that their collectibility is improbable. At June 30, 2017, 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 position 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 position 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 capital 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:

Land improvements	10 - 40 years
Buildings and improvements	10 - 40 years
Improvements, nonbuildings	10 - 40 years
Machinery and equipment	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 Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consists 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 position is 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. Amounts not meeting the definition of restricted or net investment in capital assets are reported as unrestricted.

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

Fund Balance (Deficit)

Fund balance will be displayed in the following classifications (if applicable) depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

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 City Council is the highest level of decision-making authority for the City. 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. City Council has designated the Director of Internal Services the authority to assign amounts for specific purposes.

Unassigned – all other spendable amounts.

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 City Council or the Director of Internal Services has provided otherwise in its commitment or assignment actions.

The deficit in the Mitchell Landing Fund (major enterprise fund) as of June 30, 2017 was \$441,481. This deficit is due to depreciation which cannot be recaptured through user charges.

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 and sewer. 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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

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, 2017, the carrying amount of the City's deposits was \$10,635,296, and the bank balance was \$10,847,313. Of the bank balance, \$523,848 was covered by federal depository insurance, and \$10,323,465 was exposed to custodial credit risk because, in accordance with Maryland State law, it was uninsured and the collateral held by the depository's agent was not in the City's name.

Investment Pool

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 Capital Advisors, LLC. An 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.

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, MLGIP acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. These external investment pools are considered 2a7-like pools and are recorded at amortized cost. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. As of June 30, 2017, MLGIP was rated AAAm by a nationally recognized statistical rating organization. As of June 30, 2017, the City had \$35,121,458 invested in MLGIP.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

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 cash and equivalents and government and corporate bonds. The investments are held at State Street Bank in the City's name. The total investment balance in this fund at June 30, 2017 was \$1,604,797.

The City did not have any individual investments that exceeded five percent of the total investment amount.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money markets	\$ 35,299,388	\$ 35,299,388	\$ -
Government and agency bonds	198,670	-	198,670
Corporate bonds	164,936	-	164,936
Mutual funds	141,091	141,091	-
Common stock	922,170	922,170	-
TOTAL	<u>\$ 36,726,255</u>	<u>\$ 36,362,649</u>	<u>\$ 363,606</u>

Investments in corporate bonds held at June 30, 2017 are as follows:

<u>Quantity</u>	<u>Company</u>	<u>Interest Rate</u>	<u>Due Date</u>
15,000	General Electric Company	5.25%	12/06/17
15,000	United Parcel Service, Inc.	5.50%	01/15/18
15,000	Caterpillar Financial Services	5.45%	04/15/18

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

Quantity	Company	Interest Rate	Due Date
10,000	GTE Corporation	6.84%	04/15/18
10,000	Merrill Lynch & Co., Inc.	6.875%	04/25/18
15,000	Johnson and Johnson	5.15%	07/15/18
15,000	Cisco Systems	2.125%	03/01/19
15,000	Franklin Resources, Inc.	4.625%	05/20/20
15,000	Charles Schwab Corp.	4.45%	07/22/20
15,000	JP Morgan Chase	2.295%	08/15/21
20,000	Qualcomm Inc.	3.00%	05/20/22

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, 2017, appropriate due from/to other funds have been established. The composition of interfund balances as of June 30, 2017 is as follows:

<u>Receivable By</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 200,906	Nonmajor Proprietary Funds	\$ 200,906
General Fund	<u>75,962</u>	Nonmajor Governmental Funds	<u>75,962</u>
	<u>\$ 276,868</u>		<u>\$ 276,868</u>

Interfund receivables/payables represent temporary borrowings between funds and general fund contributions to support certain enterprise activities.

Interfund transfers for the year ended June 30, 2017 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 785,416
Capital Improvements Fund	758,793	-
Nonmajor Governmental Funds	101,978	-
Nonmajor Proprietary Funds	<u>-</u>	<u>75,355</u>
TOTAL	<u>\$ 860,771</u>	<u>\$ 860,771</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2017</u>
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land and art	\$ 8,374,538	\$ 59,984	\$ -	\$ -	\$ 8,434,522
Construction-in-progress	<u>7,516,958</u>	<u>4,520,690</u>	<u>(189,993)</u>	<u>(1,172,883)</u>	<u>10,674,772</u>
Total Capital Assets Not Being Depreciated	<u>15,891,496</u>	<u>4,580,674</u>	<u>(189,993)</u>	<u>(1,172,883)</u>	<u>19,109,294</u>
Capital assets being depreciated:					
Land improvements	767,410	-	-	-	767,410
Buildings and improvements	21,286,829	38,600	-	-	21,325,429
Improvements, non-buildings	15,706,551	-	-	1,172,883	16,879,434
Machinery and equipment	19,751,004	1,802,387	(413,238)	-	21,140,153
Zoo animals	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
Total Capital Assets Being Depreciated	<u>57,547,794</u>	<u>1,840,987</u>	<u>(413,238)</u>	<u>1,172,883</u>	<u>60,148,426</u>
Accumulated depreciation	<u>(25,043,158)</u>	<u>(2,355,190)</u>	<u>244,062</u>	<u>-</u>	<u>(27,154,286)</u>
Total Capital Assets Being Depreciated, Net	<u>32,504,636</u>	<u>(514,203)</u>	<u>(169,176)</u>	<u>1,172,883</u>	<u>32,994,140</u>
Governmental Activities Capital Assets, Net	<u>\$ 48,396,132</u>	<u>\$ 4,066,471</u>	<u>\$ (359,169)</u>	<u>\$ -</u>	<u>\$ 52,103,434</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 31,368
Public safety	1,425,471
Public works	702,507
Recreation and culture	<u>195,844</u>
Total depreciation expense	<u>\$ 2,355,190</u>

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2017</u>
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land	\$ 266,703	\$ -	\$ -	\$ -	\$ 266,703
Construction-in-progress	<u>33,509,488</u>	<u>23,059,779</u>	<u>(432,507)</u>	<u>(2,329,194)</u>	<u>53,807,566</u>
Total Capital Assets Not Being Depreciated	<u>33,776,191</u>	<u>23,059,779</u>	<u>(432,507)</u>	<u>(2,329,194)</u>	<u>54,074,269</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Capital assets being depreciated:					
Land improvements	430,636	-	-	-	430,636
Buildings and improvements	43,602,287	-	-	650,375	44,252,662
Improvements, non-buildings	36,466,570	-	-	1,678,819	38,145,388
Machinery and equipment	11,582,642	384,869	-	-	11,967,511
Total Capital Assets Being Depreciated	92,082,135	384,869	-	2,329,194	94,796,198
Accumulated depreciation	(29,242,504)	(2,246,750)	-	-	(31,489,254)
Total Capital Assets Being Depreciated, Net	62,839,630	(1,861,881)	-	2,329,194	63,306,943
Water and Sewer Fund Capital Assets, Net	<u>\$ 96,615,821</u>	<u>\$21,197,902</u>	<u>\$ (432,507)</u>	<u>\$ -</u>	<u>\$117,381,213</u>
Parking Authority Fund					
Capital assets not being depreciated:					
Land	\$ 467,790	\$ -	\$ -	\$ -	\$ 467,790
Total Capital Assets Not Being Depreciated	467,790	-	-	-	467,790
Capital assets being depreciated:					
Land improvements	156,704	-	-	-	156,704
Buildings and improvements	3,986,550	-	-	-	3,986,550
Improvements, non-buildings	64,800	-	-	-	64,800
Machinery and equipment	183,348	-	-	-	183,348
Total Capital Assets Being Depreciated	4,391,402	-	-	-	4,391,402
Accumulated depreciation	(2,600,983)	(92,732)	-	-	(2,693,715)
Total Capital Assets Being Depreciated, Net	1,790,419	(92,732)	-	-	1,697,687
Parking Authority Fund Capital Assets, Net	<u>\$ 2,258,209</u>	<u>\$ (92,732)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,165,477</u>
City Marina Fund					
Capital assets not being depreciated:					
Land	\$ 1,315,000	\$ -	\$ -	\$ -	\$ 1,315,000
Total Capital Assets Not Being Depreciated	1,315,000	-	-	-	1,315,000

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Capital assets being depreciated:					
Land improvements	1,418,255	-	-	-	1,418,255
Buildings and improvements	209,494	-	-	-	209,494
Other fixed assets	128,221	-	-	-	128,221
Total Capital Assets Being Depreciated	1,755,970	-	-	-	1,755,970
Accumulated depreciation	(1,448,272)	(19,307)	-	-	(1,467,579)
Total Capital Assets Being Depreciated, Net	307,698	(19,307)	-	-	288,391
City Marina Fund Capital Assets, Net	<u>\$ 1,622,698</u>	<u>\$ (19,307)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,603,391</u>
Stormwater Utility Fund					
Capital assets not being depreciated:					
Construction-in-progress	\$ -	\$ 62,758	\$ -	\$ -	\$ 62,758
Total Capital Assets Not Being Depreciated	-	62,758	-	-	62,758
Capital assets being depreciated:					
Other fixed assets	731,771	-	-	-	731,771
Total Capital Assets Being Depreciated	731,771	62,758	-	-	794,529
Accumulated depreciation	(352,087)	(73,177)	-	-	(425,264)
Total Capital Assets Being Depreciated, Net	379,684	(73,177)	-	-	369,265
City Storm Water Fund Capital Assets, Net	<u>\$ 379,684</u>	<u>\$ (10,419)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369,265</u>
Mitchell Landing Fund					
Capital assets not being depreciated:					
Land	\$ 114,010	\$ -	\$ -	\$ -	\$ 114,010
Total Capital Assets Not Being Depreciated	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
Accumulated depreciation	(847,257)	(35,388)	-	-	(882,645)
Total Capital Assets Being Depreciated, Net	607,062	(35,388)	-	-	571,674
Mitchell Landing Fund Capital Assets, Net	<u>\$ 721,072</u>	<u>\$ (35,388)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,684</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

The majority of the construction-in-progress relates to the New Fire Station, Main Street Master Plan, Zoo Animal Health Building, Riverwalk Repairs, Police Communication, Beaverdam Creek Tidal, Visitor Center Zoo, Coty Cox Flood Relief, Waverly Drive, and the Skatepark for the governmental activities. Business-type projects included the expansion of the wastewater treatment plant, Paleo Well, Park Well, Beaverdam/Isabella, and East Main Street Sewer. Refer to Note 11 for more information regarding the total project and completed amounts relating to these projects.

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 two percent of the assessed valuation of all real property and five 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, 2017 totaled \$50,167,992. After considering general obligations, including mortgages and notes outstanding of \$20,595,778, the available additional debt margin was \$29,572,214.

Long-term debt activity for the year ended June 30, 2017, was as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 21,848,440	\$ 9,505,081	\$ (10,843,991)	\$ 20,509,530	\$1,803,558
Bond Premium	-	1,370,142	(91,343)	1,278,799	91,343
Mortgage and Notes Payable:					
Lawton Loan	114,997	-	(28,749)	86,248	14,374
Capital Lease Obligations	1,962,520	1,876,402	(894,725)	2,944,197	752,113
	23,925,957	12,751,625	(11,858,808)	24,818,774	2,661,388
Compensated absences	1,542,102	289	-	1,542,391	154,239
Governmental Activities					
Long-term Debt	<u>\$ 25,468,059</u>	<u>\$12,751,914</u>	<u>\$ (11,858,808)</u>	<u>\$ 26,361,165</u>	<u>\$2,815,627</u>
Business-type Activities:					
General Obligation Bonds	\$ 60,670,865	\$23,738,869	\$ (11,958,996)	\$ 72,450,738	\$3,893,878
Bond Premium	-	1,578,133	(105,209)	1,472,924	105,209
Mortgage 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	557,808	-	(110,057)	447,751	110,742
	62,610,480	25,317,002	(12,174,262)	75,753,220	4,109,829
Compensated absences	214,918	7,903	-	222,821	22,282
Business-type Activities					
Long-term Debt	<u>\$ 62,825,398</u>	<u>\$25,324,905</u>	<u>\$ (12,174,262)</u>	<u>\$ 75,976,041</u>	<u>\$4,132,111</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

The City's long-term debt consisted of the following:

	Balance Outstanding	
	Governmental Activities	Business-type Activities
In the year ended June 30, 2003, the City obligated itself to pay to the Maryland Department of the Environment ("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 water and sewer enterprise fund.	\$ -	\$ 1,136,017
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. The final amount advanced as of June 30, 2017 is \$41,721,225. 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 water and sewer enterprise fund.	-	23,231,478
In the year ended June 30, 2010, the City obligated itself to pay to MDE the amount of \$2,756,400. The final amount advanced as of June 30, 2017 is \$2,056,250. The loan is repayable in annual installments of \$145,021. There was an initial payment of \$1,000 due on August 1, 2011. Due to the reduction in principal drawn, the bonds now mature through February 1, 2026 with a reduced final payment of \$24,955. There is no interest on this obligation, which is accounted for in the water and sewer enterprise fund.	-	1,185,124

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
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 was 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.	86,248	-
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.	-	12,182
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.	3,459,773	-
In the year ended June 30, 2012, the City issued \$4,828,000 of Public Improvement Refunding Bonds at an interest rate of 2.39 percent. Interest is payable semi-annually beginning June 1, 2012. The bonds mature in varying amounts beginning June 1, 2012 and continuing through June 1, 2023. This obligation is carried in the water and sewer enterprise fund, the nonmajor enterprise fund, and the general fund.	1,431,583	1,083,417

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
In the year ended June 30, 2012, the City entered into a tax-exempt loan agreement with MDE in the amount of \$1,631,000 at a rate of .90 percent for 30 years. The interest payments are due semi-annually beginning August 1, 2012. Annual principal payments are due February 1, beginning February 1, 2014. The obligation is accounted for in the water and sewer enterprise fund.	-	1,320,175
In the year ended June 30, 2013, the City entered into a loan agreement with the Maryland Water Quality Financing Administration ("the Administration") in the amount of \$1,500,000. The loan is due on demand, with interest accruing at the default rate (3.74 percent) from the date of demand. The Administration shall forgive repayment of the principal amount if the City performs all of its obligations under the loan agreement. If the Administration has not demanded repayment of the principal prior to May 22, 2022, then the loan shall be deemed forgiven. This obligation is accounted for in the water and sewer enterprise fund.	-	1,412,274
In the year ended June 30, 2013, the City issued \$6,041,000 of Public Improvement Bonds at an interest rate of 3.01 percent. Interest is payable semi-annually beginning July 1, 2013. The bonds mature in varying amounts beginning July 1, 2013 and continuing through July 1, 2028. The bonds are accounted for in the water and sewer enterprise fund.	-	4,802,000
In the year ended June 30, 2014, the City issued \$3,178,000 of Public Improvement Bonds at an interest rate of 2.96 percent. Interest is payable semi-annually beginning July 1, 2014. The bonds mature in varying		

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
amounts beginning July 1, 2014 and continuing through July 1, 2028. The bonds are accounted for in the general fund.	2,652,000	-
In the year ended June 30, 2014, the City entered into a tax-exempt loan agreement with the Administration in the amount of \$66,375. The final amount advanced on the loan was \$59,119. The loan is due on demand, with interest accruing at the default rate (1.00 percent) from the date of demand. This obligation is accounted for in the general fund.	50,193	-
In the year ended June 30, 2014, the City entered into a loan agreement with the Administration in the amount of \$464,625. The final amount advanced as of June 30, 2017 is \$413,835. The loan is due on demand and bears no interest. The Administration shall forgive payment of the principal amount if the City performs all of its obligations under the loan agreement. If the Administration has not demanded repayment of the principal prior to March 20, 2024, then the loan shall be deemed forgiven. This obligation is accounted for in the general fund.	413,835	-
In the year ended June 30, 2015, the City obligated itself to pay the Administration the amount of \$34,545,000 for wastewater treatment plant upgrades and expansion. Principal is payable annually beginning February 1, 2018 continuing through February 1, 2037 and bears no interest. This obligation is accounted for in the water and sewer fund. As of June 30, 2017, total principal of \$27,147,106 has been drawn on this facility.	-	27,147,106

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
In the year ended June 30, 2016, the City issued \$4,726,200 of Public Improvements Bonds at an interest rate of 2.18 percent. Interest is payable semi-annually beginning June 30, 2016. The bonds mature in varying amounts beginning June 1, 2016 and continuing through December 1, 2025. The bonds are accounted for in the general fund and the water and sewer enterprise fund.	3,388,696	909,417
In the year ended June 30, 2017, the City issued \$20,030,000 of Public Improvement Refunding Bonds at an interest rate of 5.00 percent. Interest is payable semi-annually beginning April 1, 2017. The bonds mature in varying amounts beginning April 1, 2017 and continuing through April 1, 2031. The bonds are accounted for in the general fund, the water and sewer enterprise fund, and in the non-major enterprise fund. The refunding resulted in a gross cash flow savings of \$1,599,402 and an economic benefit or net present value savings of \$1,372,618.	9,113,450	10,211,548
	<u>\$ 20,595,778</u>	<u>\$ 72,450,738</u>

Principal maturities of the City's long-term debt is as follows:

Year Ending June 30,	Governmental Activities		
	Principal Maturities	Interest Maturities	Total Maturities
2018	\$ 1,786,519	\$ 684,173	\$ 2,470,692
2019	1,947,332	620,797	2,568,129
2020	2,025,978	550,067	2,576,045
2021	2,062,808	476,041	2,538,849
2022	2,088,291	399,397	2,487,688
2023-2027	9,297,233	909,167	10,206,400
2028-2031	1,387,617	52,881	1,440,498
	<u>\$ 20,595,778</u>	<u>\$ 3,692,523</u>	<u>\$ 24,288,301</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

Year Ending June 30,	Business-type Activities		
	Principal Maturities	Interest Maturities	Total Maturities
2018	\$ 3,990,760	\$ 845,031	\$ 4,835,791
2019	4,153,763	778,685	4,932,448
2020	4,234,697	706,287	4,940,984
2021	4,301,295	630,620	4,931,915
2022	4,341,602	552,436	4,894,038
2023-2027	26,433,511	1,631,091	28,064,602
2028-2032	17,967,603	222,549	18,190,152
2033-2037	5,283,168	33,127	5,316,295
2038-2041	1,744,339	19,964	1,764,303
	<u>\$ 72,450,738</u>	<u>\$ 5,419,790</u>	<u>\$ 77,870,528</u>

Conduit Debt

In the year ended June 30, 2007, the City issued Special Obligation Bonds (Villages at Aydelotte Farm Project), Series of 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 and are not subject to the debt limit set forth in the City's Charter. These bonds were issued with the expectation that interest thereon shall be excludable from gross income of the holders thereof for federal income tax purposes.

In the year ended June 30, 2007, the City issued Special Obligation Bonds (Village at Salisbury Lake Project), Series of 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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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 and 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.

Capital Leases

The City has entered into leases for the acquisition of various machinery and equipment, which are classified as capital leases. 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 \$3,979,263 with accumulated depreciation of \$203,647; for the water and sewer fund, the original cost is \$582,598 with accumulated depreciation of \$159,124; and for the storm water fund, the original cost is \$214,665 with accumulated depreciation of \$23,255 at June 30, 2017.

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

<u>Year Ending June 30,</u>	<u>General</u>	<u>Water and Sewer</u>	<u>Stormwater Utility</u>
2018	\$ 874,869	\$ 87,372	\$ 31,697
2019	603,549	87,372	31,697
2020	603,549	44,101	31,697
2021	377,210	44,101	31,697
2022	377,210	44,101	31,697
2023	284,992	-	-
Less amount representing interest	(177,182)	(12,581)	(5,200)
Present value of future minimum lease payments	<u>\$2,944,197</u>	<u>\$ 294,466</u>	<u>\$ 153,285</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN

Generally, all regular employees of the City participate in the State of Maryland Employees Retirement and Pension Systems ("Employees' Systems"). Law enforcement officers and firemen employed by the City generally participate in the State of Maryland Law Enforcement Officers Pension Systems ("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.

Benefits Provided

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.

Member Contributions

During fiscal year 2017, the State Personnel and Pensions Article required active members to contribute to the Systems at a rate of seven percent for LEOPS and six percent for non-LEOPS personnel of each employee's covered salary.

Employer Contributions

The City's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, the rate of the employer contribution varied depending on each pension plans' requirements. The City's contribution to the Systems for the year ended June 30, 2017 was \$3,247,807.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2017, the City reported a liability of \$37,373,012 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The City's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the City's proportion for the Employee plan was 0.0438 percent, a decrease of 0.00007 percent from the prior year and the LEOPS plan was 0.11458 percent, an increase of 0.01652 percent from the prior year.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

For the year ended June 30, 2017, the City recognized pension expense of \$4,999,517. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Employees Plan		LEOPS Plan		Total	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Changes in assumptions	\$ 409,190	\$ -	\$ 933,445	\$ -	\$ 1,342,635	\$ -
Differences between actual required contributions	-	157,104	37,158	207,446	37,158	364,550
Contributions subsequent to the measurement date	761,119	-	2,486,688	-	3,247,807	-
Differences between actual and expected experience	-	261,757	-	628,096	-	889,853
Differences between actual and expected returns	<u>1,627,817</u>	<u>351,435</u>	<u>4,027,933</u>	<u>929,110</u>	<u>5,655,750</u>	<u>1,280,545</u>
Total	<u>\$ 2,798,126</u>	<u>\$ 770,296</u>	<u>\$ 7,485,224</u>	<u>\$ 1,764,652</u>	<u>\$10,283,350</u>	<u>\$ 2,534,948</u>

An amount of \$3,247,807 is reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ended June 30,

2017	\$ 1,012,731
2018	1,012,731
2019	1,625,929
2020	954,154
2021	<u>(104,950)</u>
	<u>\$ 4,500,595</u>

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the system's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.55 percent.
- Salary increases – 3.3 to 9.2 percent, including wage inflation.
- Inflation – 2.7 percent for general inflation, and 3.2 percent for wages.
- Mortality rates were based on the RP-2014 Mortality Tables.

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The assumptions derived from the experience study were adopted by the Board of Trustees for first use in the actuarial valuation as of June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equity	37%	6.9%
Private equity	10%	7.2%
Rate sensitive	20%	1.3%
Credit opportunity	9%	4.2%
Real estate	15%	4.7%
Absolute return	9%	4.2%
	<u>100%</u>	

The above is the Board of Trustees adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount Rate

The discount used to measure the total pension liability was 7.55 percent. The discount rate was based on the expected rate of return on the pension plan investments of 7.55 percent. The projection of cash flows used to determine this single discount rate assumed that plan member

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.55 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.55 percent) or one percentage point higher (8.55 percent) than the current rate.

	1% Decrease 6.55%	Current Rate Discount Rate 7.55%	1% Increase 8.55%
City's proportionate share:			
Employee plan	\$ 14,199,662	\$ 10,337,660	\$ 7,123,881
LEOPS plan	37,135,408	27,035,352	18,630,601
	<u>\$ 51,335,070</u>	<u>\$ 37,373,012</u>	<u>\$ 25,754,482</u>

Pension Plan Fiduciary Net Position

Detailed information about the Systems' fiduciary net position is available in the Systems' Comprehensive Annual Financial Report, which may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201, or by visiting the Systems' website at www.sra.maryland.gov.

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.

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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

For the year ended June 30, 2017, there were 58 participants eligible and receiving post-retirement health care benefits at a pay-as-you-go annual cost to the City of \$260,519.

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 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 2017 was \$1,635,000. The City has recorded the associated liability as of June 30, 2017 in the statement of net position.

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	\$ 21,352,364
Annual Required Contribution	1,635,000
Interest on net OPEB obligation	748,000
Amortization of net OPEB obligation	(1,058,000)
Contributions	<u>(471,000)</u>
Total Net OPEB Obligation at End of Year	<u>\$ 22,206,364</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]
7/1/2016	\$1,547,369	\$29,611,000	\$28,063,031	5.23%	\$16,565,119	169%
7/1/2015	\$1,446,700	\$27,661,000	\$26,214,300	5.23%	\$16,150,067	162%
7/1/2014	\$1,356,000	\$23,032,000	\$21,676,000	5.89%	\$15,378,119	141%
7/1/2013	\$1,267,000	\$31,051,000	\$29,783,991	4.08%	\$14,814,161	201%

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 health care 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, not presented as required supplementary information but included in the notes to financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Summary of Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on a substantive plan as understood by the employer and the plan members; and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point, and any known changes in the plan going forward.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement, was used. Medical trends are based on Society of Actuaries Long-term Medical Trend Model. The initial rate is 8.0 percent in 2013, decreasing gradually. The rate in 2050 is 5.5 percent for pre-Medicare, and 5.0 percent for post-Medicare. The ultimate rate is 4.4 percent for pre-Medicare and 4.3 percent for post-Medicare, and is achieved in 2099. The actuarial assumptions included an investment return for discounted liabilities of 7.0 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 no assets as of June 30, 2017.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2017, the City had infrastructure projects yet to be completed. The commitments and amounts completed are as follows:

	Project Amount	Completed as of 06/30/2017	Commitments
Governmental Activities:			
Main Street Master Plan #33170	\$ 822,067	\$ 819,583	\$ 2,484
Fire Station Renovation #2	4,210,420	4,210,420	-
Zoo Animal Health Building	2,466,137	215,955	2,250,182
Riverwalk Repairs	2,009,892	1,874,013	135,879
Main Street Master Plan #48022	2,788,117	185,777	2,602,340
Visitor Zoo Center	420,944	328,240	92,704
Police Communication	1,886,091	619,976	1,266,115
Coty Cox Flood Relief	1,200,000	980,689	219,311
Skate Park	294,000	292,089	1,911
Waverly Drive	631,000	546,219	84,781
Spine Rail Trail	150,000	-	150,000
Visitor Center Down Town	380,000	-	380,000
SW Aquatic Weed Harvaste	133,189	-	133,189
Totals	<u>\$ 17,391,857</u>	<u>\$ 10,072,961</u>	<u>\$ 7,318,896</u>

In addition, the City has incurred costs totaling \$601,811 for governmental activities project costs that were not under a formal contract as of June 30, 2017.

	Project Amount	Completed as of 06/30/2017	Commitments
Business-type Activities:			
Beaverdam Isabella	\$ 510,448	\$ 269,124	\$ 241,324
Park Well	274,037	274,037	-
Paleo Well	3,243,229	301,686	2,941,543
East Main Street Sewer	233,821	233,821	-
WWTP Upgrade	71,166,283	52,141,121	19,052,162
Belt Filter Press	309,000	-	309,000
Park WTP Aeration Unit	299,000	-	299,000
Totals	<u>\$ 76,035,818</u>	<u>\$ 53,192,789</u>	<u>\$ 22,843,029</u>

In addition, the City has incurred costs totaling \$677,535 for business-type activities project costs that were not under a formal contract as of June 30, 2017.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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 FUND BALANCES

As of June 30, 2017, fund balances are composed of the following:

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 805,802	\$ -	\$ -	\$ 805,802
Prepaid expenditures	2,226	-	-	2,226
Restricted:				
Capital improvements	-	4,903,042	-	4,903,042
Committed:				
Health care	1,954,615	-	-	1,954,615
General impact	10,080	-	-	10,080
Curb, gutter, and sidewalk	-	-	77,402	77,402
Trash container sales and demolition	-	-	242,692	242,692
Assigned:				
Grants	-	-	274,553	274,553
Encumbrances	3,026,169	-	-	3,026,169
Community development	-	-	60,390	60,390
Unassigned	6,647,681	-	-	6,647,681
Total Fund Balances	<u>\$12,446,573</u>	<u>\$ 4,903,042</u>	<u>\$ 655,037</u>	<u>\$ 18,004,652</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 14 TAX ABATEMENT

Enterprise Zone Credit

The City offers Enterprise Zone credit for companies that are planning to relocate and already located within the Salisbury Enterprise Zone. A business is eligible if it makes a capital investment in its property (i.e., constructs or renovates a building, or expands an existing facility), or hires two or more new employees in the zone. The two basic benefits involve credits on property taxes and state income taxes. Commercial as well as industrial concerns are eligible.

This 10-year property tax credit is available to companies that locate, expand, or substantially improve business properties in the Enterprise Zone. The property tax credit is equal to 80 percent of the difference between the base year value of the property (the assessment in the year prior to new construction, expansion, or substantial improvement) and the assessed value of the property after the investment is made. The property tax credit is 80 percent for five years. During the last five years, the property tax credit declines 10 percent annually; the credit is 70 percent, 60 percent, 50 percent, 40 percent, and 30 percent, respectively.

There are two types of income tax credits that could be applied to state income taxes. If the employee is economically disadvantaged (as determined by the Maryland Jobs Service), the business may be entitled to a credit up to \$3,000 of the employee's wages in the first year of employment. The credit is \$2,000 in the second year and \$1,000 in the third. If the employee is not economically disadvantaged, the business may take a \$1,000 credit in the first year.

For the fiscal year ended June 30, 2017, the City abated property taxes totaling \$83,951 under this program.

NOTE 15 SUBSEQUENT EVENTS

On July 11, 2017, the Council of the City approved the issuance of general obligation bonds in the principal amount of \$20,030,000. These bonds were designated for the City of Salisbury Public Improvement and Refunding Bonds of 2017, and were for the purpose of financing or reimbursing costs of public improvement projects and refinancing existing obligations. These bonds were issued on July 28, 2017.

The City has evaluated all subsequent events through December 6, 2017, 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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
RESOURCES (INFLOWS):				
Tax revenue	\$24,571,221	\$24,571,221	\$24,801,665	\$ 230,444
Other revenue	3,676,813	4,526,742	4,250,105	(276,637)
Charges for services	3,271,931	3,271,931	2,979,689	(292,242)
Intergovernmental revenues	2,392,187	2,392,187	2,428,600	36,413
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>33,912,152</u>	<u>34,762,081</u>	<u>34,460,059</u>	<u>(302,022)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government				
City council	85,315	85,315	68,590	16,725
City clerk	159,610	159,615	153,719	5,896
Mayor's office	721,547	724,650	600,112	124,538
Development services	415,886	416,643	409,348	7,295
City attorney	275,000	313,000	306,505	6,495
Finance	568,739	572,108	516,696	55,412
Purchasing	225,471	229,931	211,800	18,131
Human resources	283,493	293,153	268,711	24,442
Information services	367,027	379,587	348,164	31,423
Planning and zoning	174,832	321,203	294,530	26,673
Municipal buildings	219,935	249,143	98,902	150,241
Poplar Hill	58,747	59,396	40,347	19,049
Public safety				
Police and traffic control	12,568,740	12,889,450	12,416,802	472,648
Fire	8,473,630	8,959,195	7,365,195	1,594,000
Buildings, permits, and inspections	394,046	394,947	381,393	13,554
Neighborhood services and code compliance	878,447	917,284	904,972	12,312
Public works				
Supervision and engineering	1,762,520	2,430,120	1,530,795	899,325
Roadways	1,099,332	1,082,525	1,019,351	63,174
Highway lighting	833,075	877,075	874,790	2,285
Waste collection and disposal	1,486,950	1,735,483	1,652,785	82,698
Recycling	360,133	360,218	313,429	46,789
Fleet maintenance	535,809	535,980	440,496	95,484
Carpenter shop	134,944	135,007	129,936	5,071
Recreation and culture				
Municipal zoo	1,157,639	1,538,177	1,467,864	70,313
Park maintenance	554,987	611,075	462,174	148,901
Nondepartmental	1,196,232	1,179,632	931,423	248,209
Debt payments	3,472,913	3,438,232	3,087,453	350,779
TOTAL CHARGES TO APPROPRIATION	<u>38,464,999</u>	<u>40,888,144</u>	<u>36,296,282</u>	<u>4,591,862</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(4,552,847)</u>	<u>(6,126,063)</u>	<u>(1,836,223)</u>	<u>4,289,840</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(152,000)	(1,602,313)	(785,416)	816,897
Proceeds from sale of capital assets	-	-	467,942	467,942
Proceeds from bond and capital lease issuance	2,141,150	11,311,104	9,977,305	(1,333,799)
Payment to refunding agent	-	(9,400,000)	(9,319,411)	80,589
Bond premium	-	-	1,370,142	1,370,142
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,989,150</u>	<u>308,791</u>	<u>1,710,562</u>	<u>1,401,771</u>
NET CHANGE IN FUND BALANCE	<u>(2,563,697)</u>	<u>(5,817,272)</u>	<u>(125,661)</u>	<u>5,691,611</u>
FUND BALANCE, BEGINNING OF YEAR	<u>12,572,234</u>	<u>12,572,234</u>	<u>12,572,234</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$10,008,537</u>	<u>\$ 6,754,962</u>	<u>\$12,446,573</u>	<u>\$ 5,691,611</u>

CITY OF SALISBURY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - EMPLOYEE PLAN

	MEASUREMENT DATE		
	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
City's proportion of the net pension liability	0.04381%	0.04388%	0.03618%
City's proportion of the net pension liability - dollar value	\$ 10,337,660	\$ 9,118,977	\$ 6,421,441
City's covered employee payroll	\$ 9,025,976	\$ 8,921,251	\$ 8,210,528
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	114.53%	102.22%	78.21%
Plan fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CITY OF SALISBURY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS - EMPLOYEE PLAN

	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 761,119	\$ 800,742	\$ 820,957
Contributions in relation to the contractually required contribution	<u>761,119</u>	<u>800,742</u>	<u>820,957</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 9,038,825	\$ 9,025,976	\$ 8,921,251
Contributions as a percentage of covered-employee payroll	8.42%	8.87%	9.20%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CITY OF SALISBURY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY - LEOPS

	MEASUREMENT DATE		
	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
City's proportion of the net pension liability	0.11458%	0.09806%	0.09566%
City's proportion of the net pension liability - dollar value	\$ 27,035,352	\$ 20,378,891	\$ 16,976,786
City's covered employee payroll	\$ 8,446,986	\$ 8,115,718	\$ 7,710,443
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	320.06%	251.10%	220.18%
Plan fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

CITY OF SALISBURY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS - LEOPS

	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 2,486,688	\$ 2,418,121	\$ 2,123,236
Contributions in relation to the contractually required contribution	<u>2,486,688</u>	<u>2,418,121</u>	<u>2,123,236</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 8,527,899	\$ 8,446,986	\$ 8,115,718
Contributions as a percentage of covered-employee payroll	29.16%	28.63%	26.16%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

OTHER SUPPLEMENTARY INFORMATION

General Fund

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Taxes			
Real property	\$16,105,643	\$16,423,128	\$ 317,485
Personal property	52,166	65,873	13,707
Ordinary business corporations and utilities	6,025,000	5,528,567	(496,433)
Payments in lieu of tax	414,412	412,748	(1,664)
Admissions and amusement	364,000	320,782	(43,218)
State shared income tax	1,450,000	1,954,687	504,687
Total taxes	<u>24,411,221</u>	<u>24,705,785</u>	<u>294,564</u>
Interest and penalties on delinquent taxes	<u>160,000</u>	<u>95,880</u>	<u>(64,120)</u>
Total Taxes, Interest, and Penalties	<u>24,571,221</u>	<u>24,801,665</u>	<u>230,444</u>
Other revenue			
Amusement licenses	4,000	2,385	(1,615)
Billboard licenses	21,000	20,151	(849)
Building and inspection permits	275,000	216,139	(58,861)
Business licenses	153,800	160,823	7,023
Franchise fees	503,044	443,341	(59,703)
Landlord licenses	632,500	654,797	22,297
Parking fines and meter collections (adjustment)	-	(397,120)	(397,120)
Plumbing licenses and permits	50,000	42,959	(7,041)
Street-breaking permits	1,750	1,325	(425)
Towing companies	3,500	3,600	100
Other miscellaneous permits	29,925	27,896	(2,029)
Municipal infraction violations	46,000	46,425	425
Interest on investment of idle funds	12,500	64,134	51,634
Insurance proceeds	-	159,865	159,865
Health insurance rebate	53,009	55,662	2,653
Donations	591,230	577,951	(13,279)
Damages to City property	-	2,934	2,934
Zoo reimbursements	235,000	203,314	(31,686)
Zoo Commission	391,941	391,941	-
Sale of maps, codes, and documents	2,000	203	(1,797)
Bad debt collections	2,500	5,516	3,016
School zone camera fines	1,350,000	1,177,299	(172,701)
Other miscellaneous receipts	168,043	388,565	220,522
Total Other Revenue	<u>4,526,742</u>	<u>4,250,105</u>	<u>(276,637)</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Charges for services			
Administrative fees	420,731	419,116	(1,615)
Ambulance call fees	1,750,000	1,928,114	178,114
Advertising	100	140	40
Filing fees	200	-	(200)
Garbage disposal fees	923,000	641,485	(281,515)
Inspection fees	27,300	40,722	13,422
Plan review fees	20,000	24,746	4,746
Police alarm systems	40,000	10,901	(29,099)
Weed removal	90,000	(85,535)	(175,535)
Zoning appeal and housing board appeal fees	600	-	(600)
Total Charges for Services	<u>3,271,931</u>	<u>2,979,689</u>	<u>(292,242)</u>
Intergovernmental			
State of Maryland			
Police protection	565,885	541,569	(24,316)
Enterprise zone	60,000	84,900	24,900
Highway user	948,000	945,713	(2,287)
Wicomico County			
Financial corporations	18,302	18,302	-
Fire department	590,000	590,000	-
Room tax	210,000	248,116	38,116
Total Intergovernmental	<u>2,392,187</u>	<u>2,428,600</u>	<u>36,413</u>
Total Revenues	<u>34,762,081</u>	<u>34,460,059</u>	<u>(302,022)</u>
Other Financing Sources			
Proceeds from bond issuance	11,311,104	9,977,305	(1,333,799)
Bond premium	-	1,370,142	1,370,142
Proceeds from sale of capital assets	-	467,942	467,942
Total Other Financing Sources	<u>11,311,104</u>	<u>11,815,389</u>	<u>504,285</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$46,073,185</u></u>	<u><u>\$46,275,448</u></u>	<u><u>\$ 202,263</u></u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
City council				
Salaries	\$ 52,000	\$ 52,000	\$ 51,382	\$ 618
Personnel benefits	8,493	8,851	8,108	743
Professional services	500	350	-	350
Other operating expenses	22,972	22,764	9,024	13,740
Community promotion	750	750	76	674
Capital outlay	600	600	-	600
	<u>85,315</u>	<u>85,315</u>	<u>68,590</u>	<u>16,725</u>
City clerk				
Salaries	103,925	104,165	104,165	-
Personnel benefits	35,475	35,240	35,149	91
Other operating expenses	20,210	20,210	14,405	5,805
	<u>159,610</u>	<u>159,615</u>	<u>153,719</u>	<u>5,896</u>
Mayor's office				
Salaries	311,035	282,081	271,318	10,763
Personnel benefits	102,183	102,197	81,673	20,524
Professional services	1,000	872	840	32
Other operating expenses	70,587	94,345	76,082	18,263
Community promotion	236,742	236,142	161,186	74,956
Capital outlay	-	9,013	9,013	-
	<u>721,547</u>	<u>724,650</u>	<u>600,112</u>	<u>124,538</u>
Developmental services				
Salaries	47,167	47,867	47,589	278
Personnel benefits	19,392	13,813	13,634	179
Professional services	71,400	77,037	77,037	-
Other operating expenses	182,427	191,327	186,989	4,338
Community promotion	89,500	79,500	77,000	2,500
Capital outlay	6,000	7,099	7,099	-
	<u>415,886</u>	<u>416,643</u>	<u>409,348</u>	<u>7,295</u>
City attorney				
Professional services	275,000	313,000	306,505	6,495
	<u>275,000</u>	<u>313,000</u>	<u>306,505</u>	<u>6,495</u>
Internal services - finance				
Salaries	303,062	303,062	295,867	7,195
Personnel benefits	108,951	108,961	107,832	1,129
Professional services	48,446	56,946	53,893	3,053
Other operating expenses	82,080	63,195	44,000	19,195
Capital outlay	26,200	39,944	15,104	24,840
	<u>568,739</u>	<u>572,108</u>	<u>516,696</u>	<u>55,412</u>
Internal services - purchasing				
Salaries	134,370	134,360	133,871	489
Personnel benefits	45,686	45,703	45,131	572
Professional services	14,000	16,108	10,417	5,691
Other operating expenses	29,165	31,510	21,387	10,123
Capital outlay	2,250	2,250	994	1,256
	<u>225,471</u>	<u>229,931</u>	<u>211,800</u>	<u>18,131</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (cont'd)				
Internal services - human resources				
Salaries	128,932	128,932	126,719	2,213
Personnel benefits	126,316	120,773	106,829	13,944
Professional services	12,000	15,905	11,739	4,166
Other operating expenses	15,245	20,527	16,757	3,770
Capital outlay	1,000	7,016	6,667	349
	<u>283,493</u>	<u>293,153</u>	<u>268,711</u>	<u>24,442</u>
Information services				
Salaries	193,723	193,720	187,684	6,036
Personnel benefits	73,312	73,325	62,680	10,645
Other operating expenses	99,992	112,542	97,800	14,742
	<u>367,027</u>	<u>379,587</u>	<u>348,164</u>	<u>31,423</u>
City and county - joint activities				
Planning and zoning	174,832	321,203	294,530	26,673
	<u>174,832</u>	<u>321,203</u>	<u>294,530</u>	<u>26,673</u>
Municipal buildings				
Other operating expenses	219,935	249,143	98,902	150,241
	<u>219,935</u>	<u>249,143</u>	<u>98,902</u>	<u>150,241</u>
Poplar Hill Mansion	58,747	59,396	40,347	19,049
Total General Government	<u>3,555,602</u>	<u>3,803,744</u>	<u>3,317,424</u>	<u>486,320</u>
Public Safety				
Police services				
Salaries	6,421,417	6,155,051	6,107,588	47,463
Personnel benefits	3,478,525	3,255,745	3,226,030	29,715
Professional services	44,610	80,756	33,771	46,985
Other operating expenses	939,515	1,264,637	1,168,855	95,782
Community promotions	5,000	42,296	32,084	10,212
Capital outlays	63,000	421,594	391,957	29,637
	<u>10,952,067</u>	<u>11,220,079</u>	<u>10,960,285</u>	<u>259,794</u>
Police communications				
Salaries	546,127	464,805	419,068	45,737
Personnel benefits	192,781	154,206	121,178	33,028
Professional services	9,255	1,755	72	1,683
Other operating expenses	63,907	59,011	44,777	14,234
	<u>812,070</u>	<u>679,777</u>	<u>585,095</u>	<u>94,682</u>
Animal control				
Salaries	75,528	55,377	55,026	351
Personnel benefits	36,651	35,362	28,312	7,050
Other operating expenses	5,000	5,000	2,072	2,928
Professional services	88,261	88,261	83,853	4,408
	<u>205,440</u>	<u>184,000</u>	<u>169,263</u>	<u>14,737</u>
Total Police Department	<u>11,969,577</u>	<u>12,083,856</u>	<u>11,714,643</u>	<u>369,213</u>

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CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety (cont'd)				
Traffic control				
Salaries	286,720	283,368	261,926	21,442
Personnel benefits	134,748	137,392	127,265	10,127
Other operating expenses	107,695	106,706	93,091	13,615
Capital outlays	70,000	278,128	219,877	58,251
	<u>599,163</u>	<u>805,594</u>	<u>702,159</u>	<u>103,435</u>
Fire department				
Firefighting				
Salaries	3,649,149	3,757,085	3,680,911	76,174
Personnel benefits	2,107,061	2,163,933	2,157,045	6,888
Professional services	146,000	157,741	151,886	5,855
Other operating expenses	846,164	1,060,551	964,704	95,847
Capital outlays	1,422,500	1,545,303	175,071	1,370,232
	<u>8,170,874</u>	<u>8,684,613</u>	<u>7,129,617</u>	<u>1,554,996</u>
Volunteer firemen				
Salaries	27,000	12,849	12,849	-
Personnel benefits	224,894	211,871	185,850	26,021
Professional services	42,000	42,000	30,017	11,983
Other operating expenses	8,862	7,862	6,862	1,000
	<u>302,756</u>	<u>274,582</u>	<u>235,578</u>	<u>39,004</u>
Total Fire Department	<u>8,473,630</u>	<u>8,959,195</u>	<u>7,365,195</u>	<u>1,594,000</u>
Buildings, permits, and inspections				
Salaries	266,023	269,428	267,831	1,597
Personnel benefits	100,206	101,096	98,302	2,794
Professional services	5,050	4,100	270	3,830
Other operating expenses	20,367	18,388	13,055	5,333
Capital outlays	2,400	1,935	1,935	-
	<u>394,046</u>	<u>394,947</u>	<u>381,393</u>	<u>13,554</u>
Neighborhood services and code compliance				
Salaries	455,035	456,281	453,310	2,971
Personnel benefits	185,900	185,662	180,097	5,565
Professional services	538	751	698	53
Other operating expenses	176,964	215,025	211,412	3,613
Community promotions	40,000	40,000	40,000	-
Capital outlays	20,010	19,565	19,455	110
	<u>878,447</u>	<u>917,284</u>	<u>904,972</u>	<u>12,312</u>
Total Public Safety	<u>22,314,863</u>	<u>23,160,876</u>	<u>21,068,362</u>	<u>2,092,514</u>
Department of Public Works				
Supervision and engineering				
Salaries	590,361	603,013	601,675	1,338
Personnel benefits	221,144	221,495	218,212	3,283
Professional services	220,325	220,568	15,936	204,632
Other operating expenses	700,690	1,374,669	694,972	679,697
Capital outlays	30,000	10,375	-	10,375
	<u>1,762,520</u>	<u>2,430,120</u>	<u>1,530,795</u>	<u>899,325</u>

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CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Department of Public Works (cont'd)				
Roadways				
Salaries	346,927	346,927	343,189	3,738
Personnel benefits	171,888	172,182	156,058	16,124
Other operating expenses	231,867	216,596	173,318	43,278
Capital outlays	348,650	346,820	346,786	34
	<u>1,099,332</u>	<u>1,082,525</u>	<u>1,019,351</u>	<u>63,174</u>
Highway lighting				
Other operating expenses	<u>833,075</u>	<u>877,075</u>	<u>874,790</u>	<u>2,285</u>
	<u>833,075</u>	<u>877,075</u>	<u>874,790</u>	<u>2,285</u>
Sanitation				
Waste collection and disposal				
Salaries	365,445	365,798	326,901	38,897
Personnel benefits	186,405	187,027	161,839	25,188
Other operating expenses	751,200	736,521	721,567	14,954
Capital outlays	183,900	446,137	442,478	3,659
	<u>1,486,950</u>	<u>1,735,483</u>	<u>1,652,785</u>	<u>82,698</u>
Recycling				
Salaries	99,523	99,523	98,959	564
Personnel benefits	54,660	54,973	53,769	1,204
Other operating expenses	27,350	27,122	23,944	3,178
Capital outlays	178,600	178,600	136,757	41,843
	<u>360,133</u>	<u>360,218</u>	<u>313,429</u>	<u>46,789</u>
Total Sanitation	<u>1,847,083</u>	<u>2,095,701</u>	<u>1,966,214</u>	<u>129,487</u>
Fleet maintenance				
Salaries	230,613	220,041	180,209	39,832
Personnel benefits	94,545	105,288	84,945	20,343
Other operating expenses	210,651	210,651	175,342	35,309
	<u>535,809</u>	<u>535,980</u>	<u>440,496</u>	<u>95,484</u>
Carpenter shop				
Salaries	73,943	73,943	71,880	2,063
Personnel benefits	36,008	35,531	34,867	664
Other operating expenses	24,993	25,533	23,189	2,344
	<u>134,944</u>	<u>135,007</u>	<u>129,936</u>	<u>5,071</u>
Total Department of Public Works	<u>6,212,763</u>	<u>7,156,408</u>	<u>5,961,582</u>	<u>1,194,826</u>
Recreation and Culture				
Municipal zoo				
Salaries	605,163	820,144	791,977	28,167
Personnel benefits	254,777	255,117	238,746	16,371
Professional services	17,700	17,200	15,032	2,168
Other operating expenses	239,999	435,438	416,802	18,636
Capital outlays	40,000	10,278	5,307	4,971
	<u>1,157,639</u>	<u>1,538,177</u>	<u>1,467,864</u>	<u>70,313</u>

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CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation and Culture (cont'd)				
Park maintenance				
Salaries	222,618	259,618	214,180	45,438
Personnel benefits	97,206	101,119	86,766	14,353
Other operating expenses	235,163	250,338	161,228	89,110
	<u>554,987</u>	<u>611,075</u>	<u>462,174</u>	<u>148,901</u>
Total Recreation and Culture	<u>1,712,626</u>	<u>2,149,252</u>	<u>1,930,038</u>	<u>219,214</u>
Nondepartmental				
Insurance				
Health care claims	325,000	325,000	311,899	13,101
Insurance	350,532	333,932	272,346	61,586
	<u>675,532</u>	<u>658,932</u>	<u>584,245</u>	<u>74,687</u>
Miscellaneous				
Personnel benefits	517,000	517,000	347,176	169,824
Other operating expenses	3,700	3,700	2	3,698
	<u>520,700</u>	<u>520,700</u>	<u>347,178</u>	<u>173,522</u>
Total Nondepartmental	<u>1,196,232</u>	<u>1,179,632</u>	<u>931,423</u>	<u>248,209</u>
Debt Payments				
Principal redemption	1,891,547	11,628,367	2,300,772	9,327,595
Interest	1,581,366	1,165,424	747,740	417,684
Issuance	-	44,441	38,941	5,500
Total Debt Payments	<u>3,472,913</u>	<u>12,838,232</u>	<u>3,087,453</u>	<u>9,750,779</u>
TOTAL EXPENDITURES	<u>38,464,999</u>	<u>50,288,144</u>	<u>36,296,282</u>	<u>13,991,862</u>
Other Financing Uses				
Transfer to other funds	152,000	1,602,313	785,416	816,897
Payment to refunding agent	-	-	9,319,411	(9,319,411)
Total Other Financing Uses	<u>152,000</u>	<u>1,602,313</u>	<u>10,104,827</u>	<u>(8,502,514)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$38,616,999</u>	<u>\$51,890,457</u>	<u>\$46,401,109</u>	<u>\$ 5,489,348</u>

Nonmajor Governmental Funds

CITY OF SALISBURY, MARYLAND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds				Total
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	
ASSETS					
Cash	\$ 33,538	\$ -	\$ 154,011	\$ 60,390	\$ 247,939
Investment pool	31,493	3,625	2,904	-	38,022
Accounts receivable	26,353	145,993	86,205	-	258,551
Due from other governmental units	-	608,218	-	-	608,218
TOTAL ASSETS	\$ 91,384	\$ 757,836	\$ 243,120	\$ 60,390	\$ 1,152,730
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Cash overdraft	\$ -	\$ 133,864	\$ -	\$ -	\$ 133,864
Accounts payable	13,982	80,571	428	-	94,981
Due to other funds	-	75,962	-	-	75,962
Unearned revenue - grants	-	192,896	-	-	192,896
Total Liabilities	13,982	483,293	428	-	497,703
Fund Balances:					
Committed	77,402	-	242,692	-	320,094
Assigned	-	274,543	-	60,390	334,933
Total Fund Balances	77,402	274,543	242,692	60,390	655,027
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 91,384	\$ 757,836	\$ 243,120	\$ 60,390	\$ 1,152,730

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds					Total
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund		
REVENUES						
Charges for services	\$ 38,135	\$ -	\$ 23,187	\$ -	\$	61,322
Other revenue	-	7,424	-	8,500		15,924
Grant revenues	-	1,214,735	-	-		1,214,735
TOTAL REVENUES	<u>38,135</u>	<u>1,222,159</u>	<u>23,187</u>	<u>8,500</u>		<u>1,291,981</u>
EXPENDITURES						
General government	-	691,708	-	133		691,841
Public safety	-	450,552	-	-		450,552
Public works	40,035	-	14,800	-		54,835
Capital outlays	-	161,566	-	47,879		209,445
TOTAL EXPENDITURES	<u>40,035</u>	<u>1,303,826</u>	<u>14,800</u>	<u>48,012</u>		<u>1,406,673</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,900)</u>	<u>(81,667)</u>	<u>8,387</u>	<u>(39,512)</u>		<u>(114,692)</u>
OTHER FINANCING SOURCES						
Operating transfers in	-	101,978	-	-		101,978
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>101,978</u>	<u>-</u>	<u>-</u>		<u>101,978</u>
NET CHANGE IN FUND BALANCES	<u>(1,900)</u>	<u>20,311</u>	<u>8,387</u>	<u>(39,512)</u>		<u>(12,714)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>79,302</u>	<u>254,232</u>	<u>234,305</u>	<u>99,902</u>		<u>667,741</u>
FUND BALANCES, END OF YEAR	<u>\$ 77,402</u>	<u>\$ 274,543</u>	<u>\$ 242,692</u>	<u>\$ 60,390</u>		<u>\$ 655,027</u>

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2017

REVENUES	
Federal	\$ 584,458
State	617,849
Others	<u>19,852</u>
TOTAL REVENUES	<u>1,222,159</u>
EXPENDITURES	
General government	
Salaries	29,441
Personnel benefits	3,079
Operating expenses	659,188
Public safety	
Salaries	168,881
Operating expenses	159,727
Capital outlay	121,944
Capital outlay	<u>161,566</u>
TOTAL EXPENDITURES	<u>1,303,826</u>
OTHER FINANCING SOURCES	
Transfer in	<u>101,978</u>
NET CHANGE IN FUND BALANCE	20,311
FUND BALANCE, BEGINNING OF YEAR	<u>254,232</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 274,543</u></u>

Nonmajor Proprietary Funds

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds			
	City Marina Fund	Parking Authority Fund	Stormwater Utility Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and investment pool	\$ -	\$ 55,294	\$ 295,516	\$ 350,810
Investment pool	197	408,973	-	409,170
Accounts receivable	2,227	129,733	-	131,960
Due from other governments	5,000	-	-	5,000
Total Current Assets	<u>7,424</u>	<u>594,000</u>	<u>295,516</u>	<u>896,940</u>
Noncurrent assets:				
Capital assets				
Land	1,315,000	467,790	-	1,782,790
Construction-in-progress	-	-	62,758	62,758
Buildings, equipment, and improvements	1,755,970	4,391,402	731,771	6,879,143
Less accumulated depreciation	(1,467,579)	(2,693,715)	(425,264)	(4,586,558)
Total Noncurrent Assets	<u>1,603,391</u>	<u>2,165,477</u>	<u>369,265</u>	<u>4,138,133</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension contributions	-	10,330	6,422	16,752
Deferred pension	-	27,647	17,186	44,833
Total Deferred Outflows of Resources	<u>-</u>	<u>37,977</u>	<u>23,608</u>	<u>61,585</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 1,610,815</u></u>	<u><u>\$ 2,797,454</u></u>	<u><u>\$ 688,389</u></u>	<u><u>\$ 5,096,658</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Due in one year:				
Cash overdraft	\$ 8,868	\$ -	\$ -	\$ 8,868
Accounts payable	9,242	5,367	80,698	95,307
Accrued payroll	744	3,910	2,063	6,717
Accrued interest payable	-	881	-	881
Deposits	728	-	-	728
Due to general fund	47,238	153,668	-	200,906
Bonds, notes, and capital leases payable	-	91,414	31,697	123,111
Total Current Liabilities	<u>66,820</u>	<u>255,240</u>	<u>114,458</u>	<u>436,518</u>
Due in more than one year:				
Bonds, notes, and capital leases payable	-	511,366	121,588	632,954
Net pension liability	-	140,306	87,222	227,528
Total Noncurrent Liabilities	<u>-</u>	<u>651,672</u>	<u>208,810</u>	<u>860,482</u>
Total Liabilities	<u>66,820</u>	<u>906,912</u>	<u>323,268</u>	<u>1,297,000</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	-	10,455	6,500	16,955
NET POSITION (DEFICIT)				
Net investment in capital assets	1,603,391	1,562,697	215,980	3,382,068
Unrestricted (Deficit)	(59,396)	317,390	142,641	400,635
Total Net Position	<u>1,543,995</u>	<u>1,880,087</u>	<u>358,621</u>	<u>3,782,703</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 1,610,815</u></u>	<u><u>\$ 2,797,454</u></u>	<u><u>\$ 688,389</u></u>	<u><u>\$ 5,096,658</u></u>

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds			
	City Marina Fund	Parking Authority Fund	Stormwater Utility Fund	Total
OPERATING REVENUES				
Charges for services	\$ 58,438	\$ 679,765	\$ 578,075	\$ 1,316,278
Other revenue	-	9	-	9
TOTAL OPERATING REVENUES	<u>58,438</u>	<u>679,774</u>	<u>578,075</u>	<u>1,316,287</u>
OPERATING EXPENSES				
Salaries	36,891	173,037	78,156	288,084
Personnel benefits	6,584	43,088	69,565	119,237
Professional and skilled services	-	117,686	129,909	247,595
Supplies	6,978	1,798	-	8,776
Other operating expenses	30,295	178,194	87,183	295,672
Equipment	28,329	19,512	-	47,841
TOTAL OPERATING EXPENSES	<u>109,077</u>	<u>533,315</u>	<u>364,813</u>	<u>1,007,205</u>
OPERATING (LOSS) INCOME BEFORE DEPRECIATION	(50,639)	146,459	213,262	309,082
Depreciation	<u>19,307</u>	<u>92,732</u>	<u>73,177</u>	<u>185,216</u>
NET OPERATING (LOSS) INCOME	<u>(69,946)</u>	<u>53,727</u>	<u>140,085</u>	<u>123,866</u>
NONOPERATING REVENUES (EXPENSES)				
Transfers in (out)	-	-	(75,355)	(75,355)
Interest income	3	1,977	-	1,980
Interest expense	-	(22,052)	-	(22,052)
Grant revenue	<u>14,685</u>	<u>-</u>	<u>-</u>	<u>14,685</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>14,688</u>	<u>(20,075)</u>	<u>(75,355)</u>	<u>(80,742)</u>
CHANGE IN NET POSITION	(55,258)	33,652	64,730	43,124
NET POSITION, BEGINNING OF YEAR	<u>1,599,253</u>	<u>1,846,435</u>	<u>293,891</u>	<u>3,739,579</u>
NET POSITION, END OF YEAR	<u>\$ 1,543,995</u>	<u>\$ 1,880,087</u>	<u>\$ 358,621</u>	<u>\$ 3,782,703</u>

Enterprise Funds

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
ENTERPRISE FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Water Department	Sewer Department	Total
OPERATING REVENUES			
Charges for services	\$ 4,112,559	\$ 10,103,231	\$ 14,215,790
Penalties	24,381	48,093	72,474
Tapping charges and connection fees	8,320	142,827	151,147
Sundry income	176,249	725	176,974
Pretreatment monitoring fee	-	180,925	180,925
Impact fees	106,991	-	106,991
TOTAL OPERATING REVENUES	<u>4,428,500</u>	<u>10,475,801</u>	<u>14,904,301</u>
OPERATING EXPENSES			
Salaries	1,498,237	2,252,022	3,750,259
Personnel benefits	758,840	1,173,373	1,932,213
Professional and skilled services	172,845	932,083	1,104,928
Other operating expenses	1,600,882	2,548,600	4,149,482
Equipment	50,945	22,299	73,244
TOTAL OPERATING EXPENSES	<u>4,081,749</u>	<u>6,928,377</u>	<u>11,010,126</u>
OPERATING INCOME BEFORE DEPRECIATION	346,751	3,547,424	3,894,175
Depreciation	<u>586,125</u>	<u>1,660,625</u>	<u>2,246,750</u>
NET OPERATING INCOME (LOSS)	<u>(239,374)</u>	<u>1,886,799</u>	<u>1,647,425</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	-	8,958,139	8,958,139
Interest income	61,167	61,167	122,334
Interest expense	<u>(243,459)</u>	<u>(617,435)</u>	<u>(860,894)</u>
TOTAL NONOPERATING EXPENSES	<u>(182,292)</u>	<u>8,401,871</u>	<u>8,219,579</u>
CHANGE IN NET POSITION	<u>\$ (421,666)</u>	<u>\$ 10,288,670</u>	9,867,004
NET POSITION, BEGINNING OF YEAR			<u>54,866,563</u>
NET POSITION, END OF YEAR			<u>\$ 64,733,567</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Inspection fees	\$ 35,000	\$ 35,000	\$ 93,859	\$ 58,859
Water sales	3,957,750	3,957,750	4,018,700	60,950
Penalties	22,500	22,500	24,381	1,881
Tapping charges and connection fees	-	-	8,320	8,320
Interest earned	-	-	61,167	61,167
Water income - sundry	183,850	183,850	176,249	(7,601)
Impact fees	-	-	106,991	106,991
Current surplus available	400,525	400,525	-	(400,525)
TOTAL REVENUES	4,599,625	4,599,625	4,489,667	(109,958)
EXPENSES				
Engineering				
Salaries	325,745	325,745	264,099	61,646
Personnel benefits	131,547	128,391	132,243	(3,852)
Professional and skilled services	32,000	80,795	45,487	35,308
Other operating expenses	86,069	69,032	52,814	16,218
Equipment	-	30,000	-	30,000
Total Engineering	575,361	633,963	494,643	139,320
Billing and collection				
Salaries	109,046	108,126	102,619	5,507
Personnel benefits	38,541	39,465	43,090	(3,625)
Professional and skilled services	5,100	5,400	1,249	4,151
Other operating expenses	104,145	100,870	80,450	20,420
Equipment	14,063	14,711	8,456	6,255
Total Billing and Collection	270,895	268,572	235,864	32,708
Water treatment				
Salaries	529,812	529,812	499,248	30,564
Personnel benefits	230,573	231,043	265,786	(34,743)
Other operating expenses	933,152	1,337,684	1,030,064	307,620
Total Water Treatment	1,693,537	2,098,539	1,795,098	303,441

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CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Distribution and storage				
Salaries	541,992	540,631	511,367	29,264
Personnel benefits	221,634	223,474	267,923	(44,449)
Other operating expenses	241,551	289,611	289,379	232
Equipment	90,000	80,212	42,489	37,723
Total Distribution and Storage	<u>1,095,177</u>	<u>1,133,928</u>	<u>1,111,158</u>	<u>22,770</u>
Administration				
Salaries	106,690	120,904	120,904	-
Personnel benefits	41,263	44,118	49,798	(5,680)
Professional and skilled services	136,308	126,251	126,109	142
Other operating expenses	159,410	154,871	148,175	6,696
Equipment	-	15,188	-	15,188
Total Administration	<u>443,671</u>	<u>461,332</u>	<u>444,986</u>	<u>16,346</u>
Debt payments				
Principal redemption	388,883	1,236,556	-	1,236,556
Interest	132,101	246,167	243,459	2,708
Total Debt Payments	<u>520,984</u>	<u>1,482,723</u>	<u>243,459</u>	<u>1,239,264</u>
 TOTAL EXPENSES	 <u>4,599,625</u>	 <u>6,079,057</u>	 <u>4,325,208</u>	 <u>1,753,849</u>
 OPERATING INCOME (LOSS) BEFORE TRANSFERS AND DEPRECIATION	 -	 (1,479,432)	 164,459	 1,643,891
TRANSFERS				
Transfer out	(794,000)	(794,000)	-	794,000
Depreciation	-	-	(586,125)	(586,125)
 CHANGE IN NET POSITION	 <u>\$ (794,000)</u>	 <u>\$ (2,273,432)</u>	 <u>\$ (421,666)</u>	 <u>\$ 1,851,766</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SEWER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sewer charges	\$ 9,995,125	\$ 9,995,125	\$ 9,735,423	\$ (259,702)
Sewer charges - urban services	350,000	350,000	367,808	17,808
Penalties	60,000	60,000	48,093	(11,907)
Tapping charges and connection fees	-	-	142,827	142,827
Pretreatment monitoring fees	185,000	185,000	180,925	(4,075)
Interest earned	-	-	61,167	61,167
Sewer income - sundry	5,050	5,050	725	(4,325)
Grants	-	-	8,958,139	8,958,139
Debt proceeds	180,000	180,000	-	(180,000)
Current surplus available	1,769,731	1,769,731	-	(1,769,731)
TOTAL REVENUES	12,544,906	12,544,906	19,495,107	6,950,201
EXPENSES				
Engineering				
Salaries	347,315	347,315	342,582	4,733
Personnel benefits	130,768	141,561	158,202	(16,641)
Professional and skilled services	113,000	220,238	173,443	46,795
Other operating expenses	91,291	95,968	66,793	29,175
Capital outlay	21,000	21,000	17,933	3,067
Total Engineering	703,374	826,082	758,953	67,129
Billing and collection				
Salaries	175,098	171,398	166,925	4,473
Personnel benefits	60,855	63,962	80,327	(16,365)
Professional and skilled services	13,850	18,850	15,662	3,188
Other operating expenses	23,385	23,985	12,702	11,283
Capital outlay	3,500	3,500	-	3,500
Total Billing and Collection	276,688	281,695	275,616	6,079
Wastewater treatment				
Salaries	1,318,457	1,307,990	1,133,015	174,975
Personnel benefits	599,898	601,868	637,030	(35,162)
Professional and skilled services	50,000	462,400	460,458	1,942
Other operating expenses	2,708,856	2,759,889	2,035,343	724,546
Equipment	90,000	-	-	-
Total Wastewater Treatment	4,767,211	5,132,147	4,265,846	866,301

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CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SEWER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Maintenance and repair				
Salaries	496,739	496,739	368,239	128,500
Personnel benefits	190,527	191,001	194,752	(3,751)
Other operating expenses	294,548	331,773	210,370	121,403
Equipment	65,848	215,779	4,366	211,413
Total Maintenance and Repair	<u>1,047,662</u>	<u>1,235,292</u>	<u>777,727</u>	<u>457,565</u>
Pretreatment monitoring				
Salaries	110,978	110,978	97,600	13,378
Personnel benefits	45,986	46,090	42,037	4,053
Other operating expenses	33,786	33,786	26,310	7,476
Total Pretreatment Monitoring	<u>190,750</u>	<u>190,854</u>	<u>165,947</u>	<u>24,907</u>
Administration				
Salaries	144,918	144,918	143,661	1,257
Personnel benefits	53,463	56,882	61,025	(4,143)
Professional and skilled services	280,914	328,727	282,520	46,207
Other operating expenses	220,863	215,676	197,082	18,594
Equipment	-	10,544	-	10,544
Total Administration	<u>700,158</u>	<u>756,747</u>	<u>684,288</u>	<u>72,459</u>
Debt payments				
Principal redemption	3,357,898	11,036,142	-	11,036,142
Interest	662,367	772,037	617,435	154,602
Total Debt Payments	<u>4,020,265</u>	<u>11,808,179</u>	<u>617,435</u>	<u>11,190,744</u>
 TOTAL EXPENSES	 <u>11,706,108</u>	 <u>20,230,996</u>	 <u>7,545,812</u>	 <u>12,685,184</u>
 OPERATING INCOME (LOSS) BEFORE TRANSFERS AND DEPRECIATION	 838,798	 (7,686,090)	 11,949,295	 19,635,385
TRANSFERS				
Transfer out	(44,800)	(44,800)	-	44,800
Depreciation	-	-	(1,660,625)	(1,660,625)
CHANGE IN NET POSITION	<u>\$ 793,998</u>	<u>\$ (7,730,890)</u>	<u>\$ 10,288,670</u>	<u>\$ 18,019,560</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - CITY MARINA
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES				
Slip rentals	\$ 30,000	\$ 30,000	\$ 33,227	\$ 3,227
Electric fees	5,000	5,000	5,126	126
Gas sales	20,000	20,000	19,950	(50)
Miscellaneous	-	-	135	135
TOTAL OPERATING REVENUES	<u>55,000</u>	<u>55,000</u>	<u>58,438</u>	<u>3,438</u>
OPERATING EXPENSES				
Salaries	35,490	36,891	36,891	-
Personnel benefits	6,551	6,702	6,584	118
Supplies	1,100	6,100	6,978	(878)
Other operating expenses	71,175	92,058	30,295	61,763
Equipment	-	5,000	28,329	(23,329)
TOTAL OPERATING EXPENSES	<u>114,316</u>	<u>146,751</u>	<u>109,077</u>	<u>37,674</u>
OPERATING LOSS BEFORE DEPRECIATION	(59,316)	(91,751)	(50,639)	41,112
Depreciation	<u>-</u>	<u>-</u>	<u>19,307</u>	<u>(19,307)</u>
NET OPERATING LOSS	(59,316)	(91,751)	(69,946)	21,805
NONOPERATING REVENUES				
Interest income	-	-	3	3
Grant revenue	<u>-</u>	<u>10,000</u>	<u>14,685</u>	<u>4,685</u>
TOTAL NONOPERATING REVENUES	<u>-</u>	<u>10,000</u>	<u>14,688</u>	<u>4,688</u>
CHANGE IN NET POSITION	<u>\$ (59,316)</u>	<u>\$ (81,751)</u>	<u>\$ (55,258)</u>	<u>\$ 26,493</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - PARKING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Parking permits, fines, state grants, meters, and Park 'n Shop	\$ 630,000	\$ 630,000	\$ 679,765	\$ 49,765
Rent and other	3,000	3,000	9	(2,991)
TOTAL OPERATING REVENUES	<u>633,000</u>	<u>633,000</u>	<u>679,774</u>	<u>46,774</u>
OPERATING EXPENSES				
Salaries	187,725	184,382	173,037	11,345
Personnel benefits	54,344	54,957	43,088	11,869
Professional and skilled services	68,800	82,300	117,686	(35,386)
Supplies	-	-	1,798	(1,798)
Other operating expenses	304,436	302,285	178,194	124,091
Equipment	2,500	117,250	19,512	97,738
TOTAL OPERATING EXPENSES	<u>617,805</u>	<u>741,174</u>	<u>533,315</u>	<u>207,859</u>
OPERATING INCOME BEFORE DEPRECIATION	15,195	(108,174)	146,459	254,633
Depreciation	<u>-</u>	<u>-</u>	<u>92,732</u>	<u>(92,732)</u>
NET OPERATING INCOME (LOSS)	15,195	(108,174)	53,727	161,901
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	-	1,977	1,977
Principal payment	(88,251)	(88,251)	-	88,251
Interest expense	<u>(36,639)</u>	<u>(36,639)</u>	<u>(22,052)</u>	<u>14,587</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(124,890)</u>	<u>(124,890)</u>	<u>(20,075)</u>	<u>104,815</u>
CHANGE IN NET POSITION	<u>\$ (109,695)</u>	<u>\$ (233,064)</u>	<u>\$ 33,652</u>	<u>\$ 266,716</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - STORMWATER UTILITY
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES				
Charges for services	\$ 560,000	\$ 560,000	\$ 578,075	\$ 18,075
Other revenue	129,000	129,000	-	(129,000)
TOTAL OPERATING REVENUES	689,000	689,000	578,075	(110,925)
OPERATING EXPENSES				
Salaries	88,326	89,326	78,156	11,170
Personnel benefits	57,372	57,480	69,565	(12,085)
Professional and skilled services	136,800	252,050	129,909	122,141
Other operating expenses	127,250	88,679	76,683	11,996
Equipment	149,500	159,963	10,500	149,463
TOTAL OPERATING EXPENSES	559,248	647,498	364,813	282,685
OPERATING INCOME BEFORE DEPRECIATION	129,752	41,502	213,262	171,760
Depreciation	-	-	73,177	(73,177)
NET OPERATING INCOME	129,752	41,502	140,085	98,583
NONOPERATING REVENUES (EXPENSES)				
Operating transfer out	(75,355)	(75,355)	(75,355)	-
Interest expense	(54,397)	(54,397)	-	54,397
TOTAL NONOPERATING REVENUE (EXPENSES)	(129,752)	(129,752)	(75,355)	54,397
CHANGE IN NET POSITION	\$ -	\$ (88,250)	\$ 64,730	\$ 152,980

STATISTICAL INFORMATION

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)
JUNE 30, 2017**

Levy Year	Total	General Fund		
		Real Property	Personal Property	Corporations
2017	\$ 475,401	\$ 288,168	\$ 2,783	\$ 184,450
2016	220,670	64,428	607	155,635
2015	157,257	25,180	607	131,470
2014	73,322	25,497	93	47,732
2013 and prior	1,270,942	478,923	42,877	844,089
	2,197,592	882,196	46,967	1,363,376
Less allowance for uncollectibles	(887,588)	-	(44,437)	(843,151)
	<u>\$ 1,310,004</u>	<u>\$ 882,196</u>	<u>\$ 2,530</u>	<u>\$ 520,225</u>

NOTE: Included in the above are unearned taxes of \$472,294.

CITY OF SALISBURY, MARYLAND

STATEMENT OF BONDED INDEBTEDNESS (UNAUDITED)
JUNE 30, 2017

Description of Bonds and Purpose of Issue	Interest		Bond Maturities	Date Issued	Authorized Total Issue	Outstanding June 30, 2017	Requirements to June 30, 2017		Payable At
	Rate (Percent)	Dates Payable					Principal	Interest	
General Obligation Bonds									
Water Quality Bond of 2003	0.40	F & A1	08/01/03-08/01/24	04/17/03	\$ 3,163,361	\$ 1,136,017	\$ 159,712	\$ 13,018	MD Dept. Environment
Water Quality Bond of 2005	0.40	F & A1	02/01/09-02/01/28	09/29/05	41,721,225	23,231,478	2,087,374	200,387	MD Water Quality Fin.
Public Improvement Bonds of 2007	4.03	A & O1	04/01/08-04/01/27	04/12/07	4,950,000	-	2,722,500	54,858	Capital One
Public Improvement Bonds of 2008	4.09	F & A1	02/01/09-02/01/28	01/22/08	3,605,000	-	2,265,000	46,319	Suntrust Equip. & Leasing Corp.
Public Improvement Bonds of 2009	3.78	M & N1	05/01/10-05/01/25	11/06/09	2,600,000	-	1,054,494	9,610	Hebron Savings Bank
Maryland Water Quality Bond (ARRA)	0	A & F1	08/01/11-02/01/30	12/04/09	2,056,250	1,185,124	145,021	-	MD Water Quality Fin.
Maryland Energy Administration	0	S & M1	09/01/11-03/01/13	12/04/09	258,740	86,248	28,749	-	MD Water Quality Fin.
Maryland Energy Administration	2.50	J & J1	01/01/11-07/01/16	08/23/10	142,800	12,182	23,914	754	MD Water Quality Fin.
Refinance Public Improvement Bond	3.35	A & O1	10/01/11-10/01/26	10/04/10	5,050,000	3,459,773	287,340	120,715	Bank of America
Public Improvements Refunding Bond, Series 2011B	2.39	J & DA1	12/13/11-06/01/23	12/13/11	4,828,000	2,515,000	413,000	69,979	Suntrust Bank
2012 Public Improvement Bond	2.52	M & N1	05/03/12-06/30/27	05/03/12	7,693,000	-	5,913,000	36,010	Suntrust Bank
Series 2012A Maryland Water Quality Financing Administration Drinking Water Bond	0.90	A & F1	05/22/12-02/01/43	05/22/12	1,631,000	1,320,175	48,897	15,187	MD Water Quality Fin.
Series 2012B Maryland Water Quality Financing Administration Drinking Water Bond	0	A & F1	05/22/12-02/01/43	05/22/12	1,500,000	1,412,274	-	-	MD Water Quality Fin.
Public Improvement Bonds of 2013	3.01	J & J1	12/05/12-06/30/29	12/05/12	6,041,000	4,802,000	327,000	149,352	Suntrust Bank
Public Improvement Bonds of 2014	2.96	J & J1	07/01/14-07/01/28	12/23/13	3,178,000	2,652,000	181,000	81,327	Hebron Savings Bank
Series 2014A Maryland Water Quality Financing Administration Drinking Water Bond	1.00	On demand	02/01/16-02/01/29	03/20/14	66,375	50,193	8,926	375	MD Water Quality Fin.
Series 2014B Maryland Water Quality Financing Administration Drinking Water Bond	0	On demand	03/20/14-02/01/29	03/20/14	464,625	413,835	-	-	MD Water Quality Fin.
Public Improvement Bonds of 2015	2.85	A & O1	04/01/15-04/01/29	09/26/14	4,090,000	-	3,588,000	33,198	Suntrust Bank
Public Improvements Refunding Bond	2.53	A & O1	04/01/15-04/01/24	09/26/14	2,754,365	-	2,444,721	20,063	Suntrust Bank
Series 2015A Maryland Water Quality Financing Administration Drinking Water Bond	0	F & A1	08/01/15-02/01/37	06/30/15	34,545,000	27,147,106	-	-	MD Water Quality Fin.
Series 2015B Maryland Water Quality Financing Administration Drinking Water Bond	0	F & A1	08/01/15-02/01/37	06/30/15	15,000,000	-	-	-	MD Water Quality Fin.
Public Improvement Bonds of 2016	2.18	J & D1	12/01/15-06/01/26	12/01/15	4,726,200	4,298,113	428,088	98,365	Bank of America
2017 Public Improvements Refunding Bond	5.00	A & O1	04/01/17-04/01/31	07/28/16	20,030,000	19,324,998	705,000	585,605	Bank of America
						\$ 93,046,516	\$ 22,831,736	\$ 1,535,122	

CITY OF SALISBURY, MARYLAND

**GENERAL FUND REVENUE BY SOURCE (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2017**

Fiscal Year Ended June 30	Property Taxes		Local Income Taxes		State Shared Taxes		Licenses and Permits		Fines and Forfeitures		Revenues from Use of Money and Property		Revenue from Other Agencies		Service Charges and Other		Total		Surplus Appropriated	
2017	\$22,526,196	65.37%	\$ 1,954,687	5.67%	\$ 1,794,736	5.21%	\$ 1,130,075	3.28%	\$ 826,605	2.40%	\$ 64,134	0.19%	\$ 1,993,242	5.78%	\$ 4,170,384	12.10%	\$34,460,059	100.00%	\$ 1,876,770	
2016	22,277,811	64.92%	1,882,874	5.49%	1,779,355	5.18%	1,008,833	2.94%	1,393,656	4.06%	30,403	0.09%	1,737,886	5.06%	4,207,275	12.26%	34,318,093	100.00%	1,577,020	
2015	21,830,718	63.35%	1,631,437	4.73%	1,606,230	4.66%	877,882	2.55%	861,953	2.50%	20,850	0.06%	1,979,429	5.74%	4,267,389	12.38%	33,075,888	95.98%	387,604	
2014	21,648,544	63.08%	1,554,622	4.53%	1,637,787	4.77%	1,043,834	3.04%	855,103	2.49%	32,167	0.09%	2,046,793	5.96%	3,367,048	9.81%	32,185,898	93.79%	825,564	
2013	20,164,623	60.96%	1,439,078	4.35%	1,094,247	3.31%	1,033,844	3.13%	811,316	2.45%	29,284	0.09%	1,911,414	5.78%	3,290,838	9.95%	29,774,644	90.02%	1,007,473	

CITY OF SALISBURY, MARYLAND

GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)

FIVE YEARS ENDED JUNE 30, 2017

Fiscal Year Ended June 30	General Government	Department of Public Works					Recreation	Miscellaneous & Transfers	Total
		Police	Fire	Other Safety	Supervision & Engineering	Highways			
2017	\$3,317,424 7.15%	\$11,714,643 25.25%	\$7,365,195 15.87%	\$1,988,524 4.29%	\$1,530,795 3.30%	\$1,894,141 4.08%	\$1,930,038 4.16%	\$ 14,123,703 30.44%	\$46,401,109 100.00%
2016	2,972,789 8.52%	11,615,144 33.28%	7,975,874 22.85%	1,562,910 4.48%	1,466,084 4.20%	1,526,495 4.37%	1,939,828 5.56%	3,832,939 10.98%	34,900,072 100.00%
2015	2,861,790 6.17%	11,318,972 24.39%	6,681,923 14.40%	1,422,459 3.07%	1,800,877 3.88%	1,469,201 3.17%	1,766,395 3.81%	6,011,813 12.96%	35,428,124 100.00%
2014	2,633,985 7.55%	10,447,024 29.93%	5,878,921 16.85%	1,304,210 3.74%	2,020,376 5.79%	1,557,077 4.46%	2,267,820 6.50%	3,761,796 10.78%	32,365,401 100.00%
2013	2,439,617 6.89%	9,902,257 27.95%	6,173,771 17.43%	941,182 2.66%	1,835,733 5.18%	1,563,482 4.41%	1,584,513 4.47%	4,435,082 12.52%	30,816,365 100.00%

CITY OF SALISBURY, MARYLAND
WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2017

Fiscal Year Ended June 30	Revenue					Expenses					
	Water Charges	Other Water	Sewer Charges	Other Sewer	Total	Surplus Appropriated	Operations	Capital Outlay	Debt Service	Depreciation	Total
2017	\$ 4,112,559	\$ 377,108	\$10,103,231	\$ 9,391,876	\$23,984,774	\$ 2,779,706	\$10,936,882	\$ 73,245	\$ 860,894	\$ 2,246,750	\$14,117,771
2016	3,897,743	523,400	9,723,436	10,175,356	24,319,935	2,170,256	12,081,294	2,106	709,486	2,153,181	14,946,067
2015	4,006,105	412,902	10,156,633	563,016	15,138,656	1,601,869	10,833,511	40,547	749,998	1,237,918	12,861,974
2014	4,005,568	460,748	10,245,075	1,385,555	16,096,946	1,246,307	9,758,723	48,391	818,788	1,278,563	11,904,465
2013	4,125,240	602,048	10,586,504	1,861,054	17,174,846	1,851,757	10,225,483	46,877	707,821	1,344,011	12,324,192

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

CITY OF SALISBURY, MARYLAND

**GENERAL AND SINKING FUND - PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2017**

Fiscal Year Ended June 30	Assessable Basis	Total General Sinking Tax Levy	Percent of Levy		Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
			Current Tax Collections	Collected in Year of Levy					
2017	\$ 2,079,435,806	\$ 23,235,981	\$ 21,889,832	94.21%	\$ 228,267	\$ 22,118,099	95.19%	\$ 1,725,298	7.43%
2016	2,069,149,309	23,089,919	21,557,434	93.36%	389,437	21,946,771	95.05%	1,582,745	6.85%
2015	2,016,397,463	22,304,785	20,959,871	93.97%	467,826	21,427,697	96.07%	1,575,057	7.06%
2014	2,046,442,133	21,685,798	20,949,666	96.61%	340,539	21,290,205	98.18%	1,907,296	8.80%
2013	2,228,304,647	23,207,089	19,411,466	83.64%	380,515	19,791,981	85.28%	2,045,252	8.81%

CITY OF SALISBURY, MARYLAND

**GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2017**

Fiscal Year Ended June 30	Assessed Values					Ratio G. O. Debt to Assessed Values	General Obligation Debt and Notes Payable	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								
2017	\$1,793,459,946	\$2,866,060	\$219,735,720	\$ 63,374,080	\$2,079,435,806	0.0447	\$ 93,046,516	\$ 50,167,992	\$ 29,572,214	\$ 7,306,484	\$ 60,518,880	0.121
2016	1,787,044,569	3,017,040	217,303,180	61,784,520	2,069,149,309	0.0399	82,634,302	49,846,128	27,882,679	7,029,377	49,846,139	0.141
2015	1,748,436,713	2,467,580	205,701,610	59,791,560	2,016,397,463	0.0341	68,725,686	48,366,772	29,036,814	6,207,124	12,861,975	0.483
2014	1,775,307,203	2,397,520	211,985,160	56,752,250	2,046,442,133	0.0342	70,057,647	98,125,781	28,068,134	6,225,744	11,904,466	0.523
2013	1,963,683,547	2,029,930	206,407,060	56,184,110	2,228,304,647	0.0331	73,775,676	105,009,452	31,233,776	6,869,278	12,324,193	0.557