

CITY OF SALISBURY
WORK SESSION
DECEMBER 2, 2019

Public Officials Present

Council President John “Jack” R. Heath
Council Vice-President Muir Boda

Mayor Jacob R. Day
Councilwoman Michele Gregory

Public Officials Not Present

Councilwoman Angela M. Blake
Councilwoman April Jackson

In Attendance

City Administrator Julia Glanz, Deputy City Administrator Andy Kitzrow, Finance Director Keith Cordrey, Department of Infrastructure and Development (DID) Director Amanda Pollack, Attorney Michael Sullivan, City Planner Anne Roane, Fire Chief John Tull, Deputy Chief James Gladwell, Deputy Chief Lee Smith, Fire Station 2 President Richard Rathel, Fire Station 16 President Billy Lewis, Sustainability Coordinator Alyssa Hastings, City Clerk Kim Nichols, City Attorney Mark Tilghman, and interested citizens.

On December 2, 2019 Salisbury City Council convened in a Work Session at 4:30 p.m. in Council Chambers of the Government Office Building. The following is a synopsis of the topics discussed:

Tree City Presentation

DID Director Amanda Pollack announced Dr. Sarah Surak’s Salisbury University Senior Sustainability class was attending the Work Session to present their class project. They selected the Tree City Project, and reported on the steps the City of Salisbury would need to complete to become a Tree City. Ms. Pollack said the students accomplished a great amount of work this semester.

From the podium, students Sophia Crosgrow and Rachel Dubbs presented why Salisbury should become a Tree City and outlined the steps necessary to become certified.

Ms. Pollack said the Green Team would review the ordinance with Field Ops and DID and meet with the arborists to ensure they were comfortable with the language. The \$2 per capital annual budget would primarily come from Field Ops’ budget. The students created a work sheet to track how much of the budget applied to trees. The City needed to complete all four standards before applying, and the application would be targeted after the Arbor Day Celebration in April 2020.

Mayor Day thanked Dr. Surak and the students for their hard work and noted the partnership was another benefit of having a university in the City. President Heath said projects such as this gave students a broader understanding and thanked Dr. Surak and the students for the presentation.

Presentation of FY19 Audit

Finance Director Keith Cordrey, joined by Leslie A. Michalik and Andrew Haynie of PKS & Company, PA, handed out the *Draft Audit/Single Audit Reports and Overview/Financial Highlights*.

Ms. Michalik reported PKS & Company, PA performed the audit for the City of Salisbury for year ended June 30, 2019. The audit opinion stated the financial statements were the representation of the management of the City and that the auditor's responsibility was to express an opinion based upon their audit procedures. The opinion of PKS & Company, PA was that the City's financial statements presented fairly in all material respects and the financial position of the City as of June 30, 2019 and for the year that ended was in accordance with the accounting principals generally accepted in the United States of America (GAAP), and had a clean or unmodified opinion.

Ms. Michalik said the firm also performed the audit in accordance with Government Auditing Standards (the Yellow Book), which required they look at the following two additional things:

- 1) Did the City comply with all applicable laws, regulations, contracts and grants? No opinion was required, but they were required to report non-compliance. None was found.
- 2) They examined the City's accounting policies and procedures. No expressed opinion was required, but any weaknesses in procedures had to be reported. There were none found.

Ms. Michalik provided the overview of the Government-wide Financial Statements and the Fund Financial Statements, included in the "Overview of Audit and Financial Highlights" handout, attached as part of the minutes.

Mr. Cordrey reported there were General Fund revenues over expenditures of \$1.45 million due to the following reasons:

- 1) In Favorable Expenditures, Debt Service had \$700,000 in savings due to the consolidation of the issuance of FY19 into FY20.
- 2) The City received a credit from the Maryland Retirement System of \$250,000 that dealt with an agreement made in the LEOPS Program in 2003.
- 3) The City received \$398,000 more in Local Income Taxes than was budgeted.
- 4) Building Permits were up \$285,000 over what was budgeted.

Mr. Cordrey said the City realized \$740,000 increase to Surplus due to prior year credits that had accumulated from the Maryland Retirement System program. The \$1.45 million increase in the General Fund and the \$740,000 increase to Surplus represented an increase of \$2.4 million to Unassigned Surplus, growing the balance from \$7.4 million to \$9.8 million. This balance was very close to the City's three months of expenditures they had been targeting for a very long time.

Ms. Michalik reported on the Single Audit Report, required since the City spent over \$750,000 in Federal grants or loans. For June 30, 2019 the City's Federal expenditures totaled \$2.8 million. The Clean Water Revolving Loans and Community Development Block Grants were tested and complied in all material respects with the types of requirements that could have a direct and material effect on each of its major federal programs. They rendered an unmodified or clean opinion, with no noncompliance issues with grants or weaknesses in internal controls or reporting. The books and records were in good order with strong accounting controls in place. There were no difficulties in performing the audit and the City was in good financial shape.

Mr. Cordrey introduced Assistant Director of Finance-Operations Olga Butar and Assistant Director of Finance-Accounting Sandy Green. President Heath congratulated Mr. Cordrey and his team.

Mayor Day said the City was not in this position seven years ago when he was first elected. Under Mayor Ireton and the Council at the time, Finance began responding to the auditing issues found, and one by one corrected problems and instituted protocols related to bond pools and grant funds.

Hudson Health's Main Campus Project

Hudson Health Services, Inc. attorney Michael Sullivan, President/CEO Leslie Brown, Clinical Director Kevin Meenan, and Becker Morgan Group team Ron Morgan and Bill Sieg joined Council.

Mr. Sullivan reported the State of Maryland informed Hudson Health they were unable to improve the property on Emerson Avenue on the same parcel with Deer's Head Hospital, without the State's consent because they were tenants. They could not provide improvements without complying with State procurement policies, even though Hudson Health proposed to self-fund the improvements. In 2017, Hudson Health asked for a lease extension (due to expire on May 18, 2024) because they were proposing a private investment of at least a million dollars to the property. To proceed with the investment they needed assurance that Hudson Health could continue to lease the property. The State suggested they pursue acquisition of the property. Mr. Sullivan discussed the benefits Hudson Health provided and how the revitalization would further benefit the community.

Ms. Brown presented a PowerPoint on the project to overview Hudson Health's history, their impact on the community opioid epidemic, and the proposed Master Plan for the campus site revitalization. The attached packet was handed out to Council and included as part of the minutes. Ms. Brown indicated they were requesting support from the City Council for the acquisition of the property that Hudson Health was leasing from the State of Maryland. Mayor Day and Council discussed adding the project as one of the City's priorities for the legislative session.

Council reached unanimous consensus to prepare the letter of support for Hudson Health Services.

EDU Waiver Request for 218 West Main Street

DID Director Amanda Pollack and Chris Gilkerson joined Council. Ms. Pollack explained the bank of EDUs established by Council in 2013 was from the Linens of the Week properties. She presented Opportunity Street, LLC's request for 22 EDUs for their development in the old Vernon Powell Building involving mixed use apartments and a children's museum. At the current capacity fee rate (\$3,533/EDU), the request was valued at \$77,726 and the City would have 86 remaining EDUs.

Council reached unanimous consensus to advance the resolution to legislative agenda.

Introduction to Zoning Code Revision Process

Ms. Pollack and Planner Anne Roane introduced the Zoning Code revision process. Ms. Roane reported the current zoning code was written in 1983. With 24 zones and 21 overlay districts, the zoning code had 236 sections, all with cross references. When reviewing development plans, it has been cumbersome to developers and staff. The City contracted with JMT to perform the review and develop revisions. They sought to consolidate many of the zones and incorporate the Bike Master Plan, City Park Plan, Route 13 Plan, Historic District Guidelines and Critical Area Program. They were in the first phase (assessment phase) whereby the consultant was reviewing the documents to determine what could be retained and changed. The zoning map would be reviewed in the next phase to consolidate zones and begin mapping. Phase 3 involved rewriting the entire document.

The update was for Council's information only and Council was not directed to reach consensus.

Accepting Developer Contribution for Pedestrian Signal and Crosswalk on Beaglin Park Dr.

Ms. Pollack stated the Coventry Plaza Shopping Center project was under design. The agreement for the developer to fund pedestrian improvements at the intersection of Beaglin Park Dr. and Still Meadow Blvd. was made at the July 2019 Planning Commission. The cost for signalized pedestrian improvements (curb, gutter & sidewalk, activators, crosswalk and ADA mats) was \$27,200.

Council reached unanimous consensus to advance the ordinance to legislative agenda.

Fire Station Roof Replacement Budget Amendment

Fire Chief John Tull, Deputy Chief James Gladwell, Deputy Chief Lee Smith, Fire Station 2 President Richard Rathel, and Fire Station 16 President Billy Lewis joined Council. Chief Tull requested moving \$1,430 from the City's Capital Project Fund to reallocate funds for the Station 1 Roof Replacement Project. When the original work was done they had a contingency for repairing deteriorated decking boards, but more damage was found than expected. He requested moving funds in the FY2020 Bond Pool from Fire Phone System Upgrade to Station 1 Roof Replacement.

Council reached unanimous consensus to advance the budget amendment to legislative session.

Volunteer Recruit Coordinator Position

Chief Tull discussed the need for active Fire Department volunteers, the decline in those willing to join, and the need for a Volunteer Coordinator position to attract and retain volunteers. He offered the following plan to fund the salary and benefits for the proposed new position:

- Year One- the Volunteer Corporations would cover 100%
- Year Two- the Volunteer Corporations would cover 75% and the City would cover 25%
- Year Three- the Volunteer Corporations would cover 50% and the City would cover 50%
- Year Four- the Volunteer Corporations would cover 25% and the City would cover 75%
- Year Five and beyond- The City would assume full responsibility of funding the position

After Year Three, the City and the Volunteer Corporations would evaluate the impact that the position made on recruitment and retention of volunteers and use a 10% annual increase in membership as a benchmark metric. If they decide the program was successful, funding would continue for the position. Human Resources recommended the Pay Grade 9 for the new position.

President Heath noted that fraternal organizations were struggling to attract volunteers. The investment in volunteers was significant, and one of the biggest focus had to be on retention.

Council unanimously supported funding the new position and advancing to legislative agenda.

Self-Contained Breathing Apparatus (SCBA) Budget Amendment

Chief Tull reported on the budget amendment appropriating funds to purchase SCBA. They requested replacing the ninety (90) sets during the FY20 CIP and Budget process because the current

SCBA had reached its end of serviceable life. They applied for a grant through the 2018 Assistance to Firefighters Grant (AFG) Program to cover the cost but did not receive an award.

Mayor Day said they considered taking on debt to purchase the SCBA and had hoped for the grant funding. Finance Director Cordrey calculated they would be shouldering another 50% in debt and interest payments if they took on debt. Taking from surplus would leave the City with \$1.8 million additional unassigned surplus this year over last year. They discussed funding with bond money. Mr. Boda said large ticket items such as this should be mentioned in the departmental budget discussions.

Council reached unanimous consensus to advance the budget amendment to legislative agenda.

Vehicle Repair Account Budget Amendment

Fire Chief Tull reported the budget amendment for \$75,000 was for current and unexpected apparatus repairs. Over the past five months they made substantial repairs to the aged fleet and spent over 95% of the budget (\$125,540) so far. He discussed the repairs made to each apparatus and the schedule for repairs: ambulances (replacement of three (3) every five (5) years), engines (replacement at ten (10) years), and ladder trucks (replacement at fourteen (14) years).

Council reached unanimous consensus to advance the budget amendment to legislative agenda.

President Heath called for a recess at 6:24 p.m. and Council reconvened at 6:29 p.m.

Salisbury Board of License Commissioners

City Attorney Mark Tilghman explained the legislation in the packet set the framework for the Code should the State approve moving forward and suggested adding "Festivals". President Heath asked if the City should send a letter or resolution. Mayor Day said they were meeting with the Eastern Shore Delegation soon and this would be discussed.

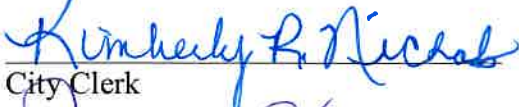
Motion to Convene In Closed Session

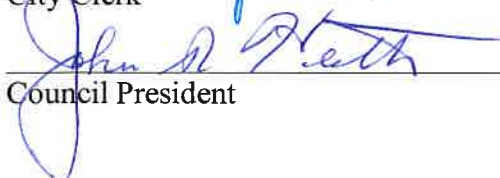
At 6:32 p.m. Mr. Boda moved, Ms. Gregory seconded, and the vote was unanimous to convene in Closed Session to obtain legal advice from counsel on a legal matter in accordance with the Annotated Code of Maryland, State Government Article, §3-305(b)(7).

Adjournment

At 6:36 upon a motion and seconded to adjourn the Closed Session made by Mr. Boda and Ms. Gregory, respectively, and approved by unanimous vote in favor (3-0), Council reconvened in Open Session. President Heath reported the Council had met with counsel to discuss the City's participation in a class action suit.

With no further business to discuss on the agenda, the Open Session adjourned at 6:37 p.m.


City Clerk


Council President



PKS & Company, P.A.

**Certified Public Accountants
& Advisors to Business**

DRAFT

December 2, 2019

ANDREW M. HAYNIE, CPA

SUSAN P. KEEN, CPA

MICHAEL C. KLEGER, CPA

E. LEE MCCABE, CPA

JEFFREY A. MICHALIK, CPA

ROBERT L. MOORE, CPA

DANIEL M. O'CONNELL II, CPA

JOHN M. STERN, JR., CPA

**Members of the City Council
City of Salisbury, Maryland**

We have audited the financial statements of the City of Salisbury, Maryland as of and for the year ended June 30, 2019, and have issued our report thereon dated December 2, 2019. Professional standards require that we advise you of the following matters relating to our audit.

PKSca.com

Our Responsibility in Relation to the Financial Statement Audit

Salisbury
1801 SWEETBAY DRIVE
P.O. BOX 72
SALISBURY, MD 21803
TEL: 410.516.5600

As communicated in our engagement letter dated May 1, 2019, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Ocean City
12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Salisbury, Maryland solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Lewes
1143 SAVANNAH ROAD
SUITE 1
LEWES, DE 19958
TEL: 302.645.5757

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLIANCE GLOBAL

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City of Salisbury, Maryland is included in the Summary of Significant Accounting Policies in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allowance for uncollectible accounts, the economic life of capital assets for the purpose of calculating depreciation, the net pension and OPEB liabilities including deferred inflows and outflows, and the fair value of investments.

Management's estimate of the allowance for uncollectible accounts is based on an aging of the receivables and the City's historical collection rates from prior years for each type of receivable. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the economic life of capital assets is based on historical information concerning the life of similar assets. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole. We evaluated the key factors and assumptions used to estimate the economic lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred inflows and outflows are based on the actuarially determined amounts of the Maryland State Retirement and Pension plan. We evaluated the key factors and assumptions used to develop the net pension liability, deferred inflows, and deferred outflows in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net OPEB liability and related deferred inflows and outflows are based on actuarially determined amounts calculated by an independent contractor. We evaluated the key factors and assumptions used to develop the net OPEB liability, deferred inflows, and deferred outflows in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the fair value of their investments is based on observable market values. We evaluated the key factors and assumptions used to develop the fair value of investments and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statements misstatements whose effects in the current and prior periods, as determined by management, are immaterial both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements noted during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Salisbury, Maryland's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a letter dated December 2, 2019.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the City of Salisbury, Maryland, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City of Salisbury, Maryland's auditors.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedule – general fund, the Maryland State Retirement and Pension System and OPEB schedules on pages 57 through 61, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of the City Council and management of the City of Salisbury, Maryland and is not intended to be and should not be used by anyone other than these specified parties.

CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF SALISBURY MARYLAND
SCHEDULE OF PASSE ADJUSTMENTS
YEAR ENDED JUNE 30, 2017**

GENERAL FUND

Description	Amount of Known Misstatement	Overstatement (Understatement)				Overstatement (Understatement) Change in Net Position
		Assets	Liabilities	Deferred Inflows	Equity	
Deferred revenue for lease proceeds	51,660	\$	\$ 51,660	\$	\$ (51,660)	\$ (51,660)
Promise to Give	74,000	(74,000)		(74,000)		
Deferred property taxes	98,094			98,094	(98,094)	(98,094)
		<u>\$ (74,000)</u>	<u>\$ 51,660</u>	<u>\$ 24,094</u>	<u>\$ (149,754)</u>	<u>\$ (149,754)</u>
Financial statement totals		<u>\$ 16,501,373</u>	<u>\$ 2,035,734</u>	<u>\$ 1,535,485</u>	<u>\$ 12,930,154</u>	<u>\$ 1,450,854</u>
Percentage of total		<u>-0.4%</u>	<u>2.5%</u>	<u>1.6%</u>	<u>-1.2%</u>	<u>-10.3%</u>

GOVERNMENTAL ACTIVITIES

Description	Amount of Known Misstatement	Overstatement (Understatement)				Overstatement (Understatement) Change in Net Position
		Assets	Liabilities	Deferred Inflows	Equity	
Promise to Give	74,000	(74,000)			(74,000)	(74,000)
		<u>\$ (74,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (74,000)</u>	<u>\$ (74,000)</u>
Financial statement totals		<u>\$ 79,078,981</u>			<u>\$ 6,756,044</u>	<u>\$ (276,852)</u>
Percentage of total		<u>-0.1%</u>			<u>-1.1%</u>	<u>26.7%</u>



CITY OF SALISBURY, MARYLAND

Overview of Audit and Financial Highlights

Year ended June 30, 2019





Independent Auditors' Report

In our opinion, the financial statements **present fairly, in all material respects** the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salisbury, Maryland as of June 30, 2019 and for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Clean or unmodified opinion.

Highest level of assurance that we can give.

See pages 2 – 3 of audit report.



Government Auditing Standards Report

Report on internal control over financial reporting and on compliance and other matters

- Not an opinion report
- We did not identify any material weaknesses in internal control over financial reporting
- We did not identify any instances of noncompliance that we were required to report under *Government Auditing Standards*

See pages 1 – 2 of Single Audit Report



Overview of Financial Statements

- Government-wide Financial Statements – pages 12 – 13
- Fund Financial Statements
 - Governmental fund – pages 14 – 17
 - Proprietary (Enterprise) funds – pages 18 – 20
 - Fiduciary Funds – pages 21 – 22
- Notes to the financial statements – pages 23 – 55
- Required supplementary information – pages 56 - 61
- Supplementary and statistical information – pages 62 -89

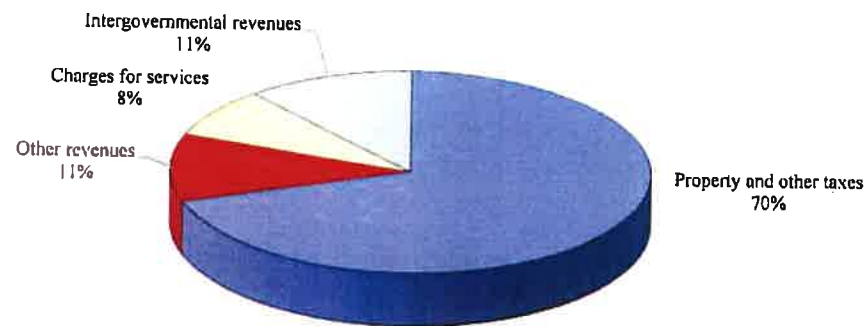
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

	2019		2018
	Final Budget	Actual	Actual
Revenues	\$ 38,827,914	\$ 40,425,013	\$ 37,729,636
Expenditures	42,454,084	38,533,972	39,141,880
Revenues over (under) expenditures	<u>(3,626,170)</u>	<u>1,891,041</u>	<u>(1,412,244)</u>
Other financing sources (uses)			
Operating transfers in (out)	(511,077)	(509,270)	(498,509)
Proceeds from issuance of debt	21,747	38,178	24,900
Proceeds from sale of capital assets	719,000	30,905	178,213
Net other financing sources (uses)	<u>229,670</u>	<u>(440,187)</u>	<u>(295,396)</u>
Net change in fund balance	<u>\$ (3,396,500)</u>	<u>\$ 1,450,854</u>	<u>\$ (1,707,640)</u>

See pages 16 and 56 of the audit report.

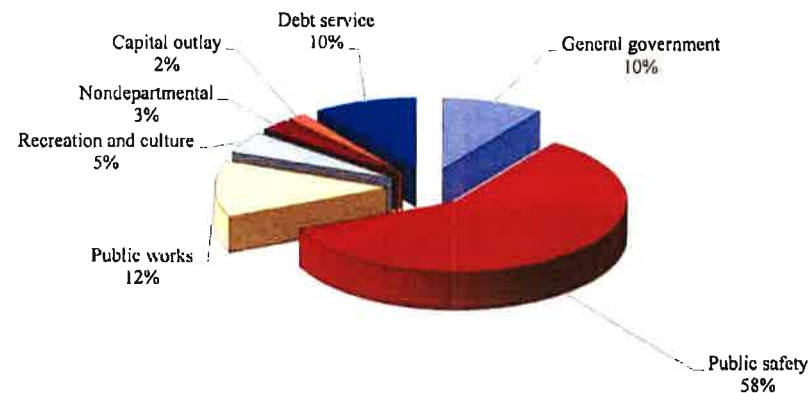
General Fund Revenues by Source



	Budget	2019 Actual	%	2018 \$	%
Property and other taxes	\$ 27,556,597	\$ 28,160,477	70.97%	\$ 26,799,572	71.03%
Other revenues	4,005,395	4,456,462	10.32%	4,212,634	11.17%
Charges for services	4,226,191	3,203,934	10.88%	2,925,831	7.75%
Intergovernmental revenues	3,039,731	4,604,140	7.83%	3,791,599	10.05%
Totals	\$ 38,827,914	\$ 40,425,013	100.00%	\$ 37,729,636	100.00%

See pages 63 – 64 of audit report.

General Fund Expenditures by Program



	2019			2018	
	Budget	Actual	%	Actual	%
General government	\$ 4,063,543	\$ 3,744,655	9.57%	\$ 3,649,691	9.31%
Public safety	23,952,850	22,593,472	56.42%	22,180,055	56.67%
Public works	5,278,489	4,817,399	12.43%	4,545,338	11.61%
Recreation and culture	2,057,705	1,876,312	4.85%	2,028,685	5.18%
Nondepartmental	1,013,752	1,055,539	2.39%	1,195,661	3.05%
Capital outlay	1,567,782	674,292	3.69%	1,888,470	4.82%
Debt service	4,519,963	3,772,303	10.65%	3,653,980	9.34%
Totals	\$ 42,454,084	\$ 38,533,972	100.00%	\$ 39,141,880	100.00%

See pages 65 – 69 of audit report.

General Fund Balance

	2019	2018
Fund balances, end of year		
Nonspendable (Inventory)	\$ 794,462	\$ 778,507
Committed (Health care, impact, zoo)	1,795,554	1,693,351
Assigned (Encumbrances)	537,230	868,485
Unassigned	9,802,908	7,398,590 *
Total fund balances	<u>\$ 12,930,154</u>	<u>\$ 10,738,933 *</u>

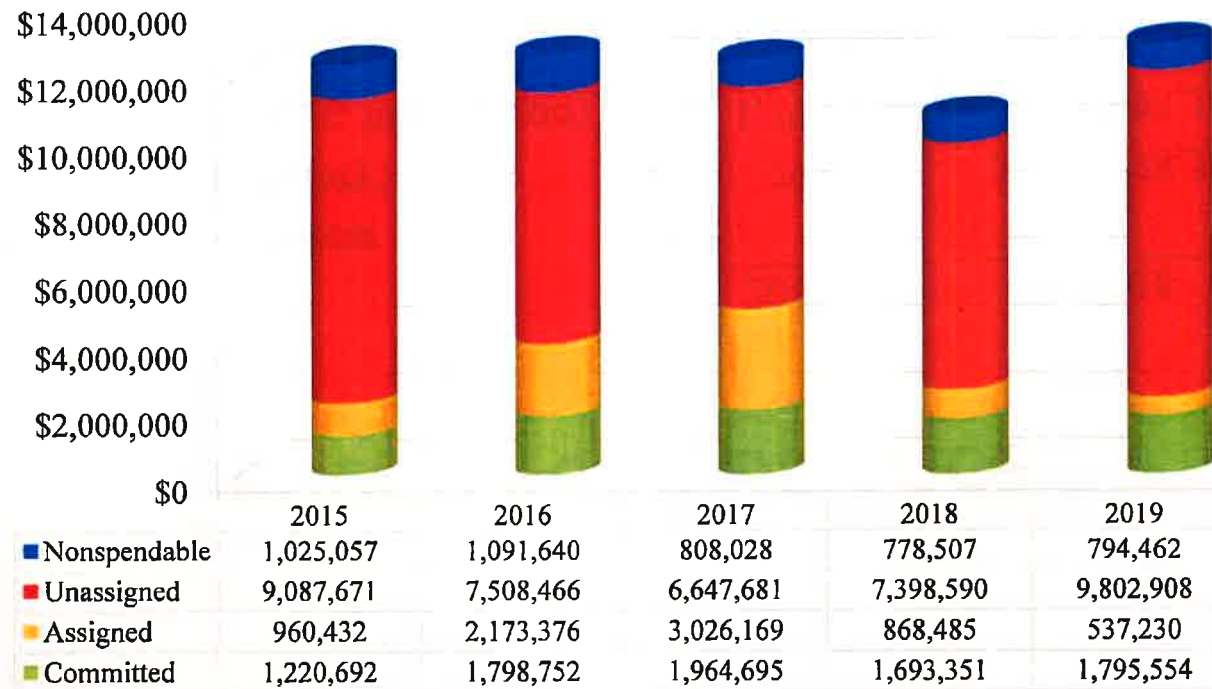
Unrestricted (committed, assigned, and unassigned) = \$12,135,692
Represents 3.75 months of operating expenditures.

*Restated

See page 53 of audit report.

General Fund Balance

Five years ended June 30, 2019



Water and Sewer Fund Statement of Activities

	2019	2018
Operating revenues	\$ 17,213,654	\$ 15,971,157
Operating expenses	11,793,872	10,849,256
Operating income before depreciation	5,419,782	5,121,901
Depreciation expense	4,587,216	2,441,560
Net operating income	832,566	2,680,341
Non-operating revenues (expenses)		
Grants	259,232	6,487,003
Interest income	456,198	267,368
Interest expense	(649,763)	(714,303)
Total non-operating revenues	65,667	6,040,068
Net change in net position	\$ 898,233	\$ 8,720,409

See pages 19 and 76 – 79 of the audit report.

Water and Sewer Fund

Net Position/Working Capital

	2019	2018
Net position consists of:		
Investment in capital assets, net of debt	\$ 56,262,233	\$ 53,049,259
Restricted	17,926,363	19,145,571
Unrestricted net position	893,767	1,989,300
	<u>\$ 75,082,363</u>	<u>\$ 74,184,130</u>
Working capital measures available capital or ability to meet obligations.		
Working capital :	2019	2018
Current assets	\$ 13,051,714	\$ 13,845,595
Current liabilities	8,765,845	8,967,545
	<u>\$ 4,285,869</u>	<u>\$ 4,878,050</u>
# Days of working capital	<u>95</u>	<u>134</u>

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See page 18 of the audit report.

Government-Wide Statement of Activities

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
GENERAL REVENUES AND TRANSFERS			
Property taxes and other taxes	\$ 27,723,135	\$	\$ 27,723,135
Investment earnings	558,663	471,364	1,030,027
Miscellaneous	201,600		201,600
Transfers	160,000	(160,000)	
PROGRAM REVENUES			
Charges for services	9,053,924	18,643,331	27,697,255
Operating grants	4,252,807		4,252,807
Capital grants	846,345	259,232	1,105,577
Total revenues	<u>42,796,474</u>	<u>19,213,927</u>	<u>62,010,401</u>
EXPENSES			
	<u>43,073,326</u>	<u>18,460,969</u>	<u>61,534,295</u>
Change in net position	<u>\$ (276,852)</u>	<u>\$ 752,958</u>	<u>\$ 476,106</u>

See page 13 of audit report.

Government-Wide Net position

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	\$ 31,331,775	\$ 58,850,349	\$ 90,182,124
Restricted	5,619,199	18,544,056	24,163,255
Unrestricted (deficit)	(30,194,930)	821,628	(29,373,302)
Total net position	<u>\$ 6,756,044</u>	<u>\$ 78,216,033</u>	<u>\$ 84,972,077</u>
Working capital :			
Current assets	\$ 16,994,947	\$ 13,323,057	
Current liabilities	5,558,698	9,109,503	
	<u>\$ 11,436,249</u>	<u>\$ 4,213,554</u>	
# Days of working capital	<u>97</u>	<u>83</u>	

See page 13 of audit report.

Net Pension/OPEB Obligations

Pension = Maryland State Retirement System

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension liability	<u>\$ 29,648,006</u>	<u>\$ 3,898,162</u>	<u>\$ 33,546,168</u>

Pension Funded ratio

- 6/30/19 71%
- 6/30/18 69%
- 6/30/17 66%

OPEB = Other post-employment benefits

Net OPEB liability	<u>\$ 17,747,638</u>	<u>\$ 4,436,909</u>	<u>\$ 22,184,547</u>
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See pages 45 – 51 of the audit report.

Capital Assets

	Governmental Activities	Business-type Activities	Total
Construction in progress	\$ 9,482,079	\$ 4,711,756	\$ 14,193,835
Land and art	8,594,735	2,198,503	10,793,238
Capital assets	<u>70,488,813</u>	<u>172,735,152</u>	<u>243,223,965</u>
	88,565,627	179,645,411	268,211,038
Less accumulated depreciation	<u>(32,100,791)</u>	<u>(44,428,481)</u>	<u>(76,529,272)</u>
Net capital assets	<u>\$ 56,464,836</u>	<u>\$ 135,216,930</u>	<u>\$ 191,681,766</u>

PROJECTS YET TO BE COMPLETED

Project amount	\$ 20,998,895	\$ 30,331,012	\$ 51,329,907
Completed as of 6/30/19	<u>(8,979,128)</u>	<u>(4,391,734)</u>	<u>(13,370,862)</u>
Commitments	<u>\$ 12,019,767</u>	<u>\$ 25,939,278</u>	<u>\$ 37,959,045</u>

See pages 34 – 37 and page 52 of audit report.

Long-Term Debt

General Obligation Bonds

	Governmental Activities	Business-type Activities	Total
Outstanding debt at June 30	<u>\$ 21,758,607</u>	<u>\$ 73,212,106</u>	<u>\$ 94,970,713</u>
New debt incurred during fiscal year	<u>\$</u>	<u>\$ 1,827,518</u>	<u>\$ 1,827,518</u>
Annual Debt service costs			
Projected fiscal year 6/30/20*			
Principal	\$ 2,349,195	\$ 4,254,589	\$ 6,603,784
Interest	676,801	716,752	1,393,553
Total	<u>\$ 3,025,996</u>	<u>\$ 4,971,341</u>	<u>\$ 7,997,337</u>
Annual debt service cost as a percentage of operating revenue	<u>8%</u>	<u>27%</u>	
*Not including new debt issued in FY20.			
Legal debt limit at June 30	<u>\$ 53,491,315</u>		
Available debt margin	<u>\$ 31,732,708</u>		

See pages 37 -44 and page 84 of the audit report.



Mitchell Landing Apartments

- Performed a separate audit in accordance with GAAP.
 - Clean or unmodified opinion.
- In addition, we audited the Apartments' compliance requirements applicable to programs under MD Department of Health and Community Development.
- For the year ended June 30, 2019, Mitchell Landing Apartments did not complete the annual Tenant Recertification Form or prepare an addendum to the lease agreement for four of the tenants that we tested.
- Property manager provided us with a corrective action plan.



Single Audit Report

- For year ended June 30, 2019, Federal expenditures totaled \$2,796,939.
- Programs tested as major programs:
 - Clean Water State Revolving Loans (EPA) - \$1,827,518
 - Community Development Block Grants (HUD) – \$379,721
- City qualifies as low-risk auditee.

See pages 4 – 5 and page 10 of single audit report.



Single Audit Auditors' Report on Compliance

City of Salisbury complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

- Unmodified or clean opinion
- We did not identify any instances of noncompliance that we were required to report

Report on internal control over financial reporting and on compliance and other matters

- Not an opinion report
- We did not identify any material weaknesses in internal control over financial reporting

In Conclusion ...

- Questions?



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HUDSON HEALTH SERVICES

Hudson Health Services has been a beacon of hope in Wicomico County since it opened its doors in 1980. With over 1000 people a year walking through its doors seeking a new way of living, the non-profit addiction treatment provider has grown over the years to meet the needs of our community. The program offers a full continuum of residential care, including an inpatient campus, halfway and recovery housing.

The provider's 51-bed treatment facility is known for its tranquil, wooded property overlooking Johnson's Lake in the heart of Salisbury. The program incorporates holistic therapies such as rhythmic drumming and yoga into a treatment model that helps patients begin to understand the biological and behavioral roots of the disease of Addiction.

Our Facilities:

- State of the Art Admission & Administration Building
- 51-Bed Main Treatment Campus
- 3 ASAM 3.1 Low-Intensity Residential Homes
- 2 Transitional Homes in Salisbury, Maryland
- 2 Transitional Homes in Georgetown, Delaware

Hudson Health – Overview

In 2016, Mayor Jake Day formed the **START Task Force** to establish a diverse team of focused, well-resourced individuals to help identify tools and initiatives both available and necessary for the City of Salisbury to combat opioid use and addiction. Substance Treatment and Abuse Reduction Task Force. (2019, August 1). Retrieved from <https://salisbury.md/mayors-office/start-task-force>

Below are the **NEEDS** identified by that group:

1. Need Crisis Intervention Teams Midnight to 8am
2. Lack of Crisis / Detox Beds
3. Lack of Support / Treatment for Adolescents
4. Lack of Qualified, Certified Addiction Treatment Professionals
5. All First Responders Need to Carry Narcan

Identified Community Needs

Since then Hudson Health has been proactive in doing our part to address those needs.

Need Crisis Intervention Teams Midnight to 8am

Hudson Health provides an after-hours line so that the Peer Programs working in the counties can inquire about services beyond normal business hours.

Lack of Support / Treatment for Adolescents

Hudson Health does not treat adolescents at this time, however; our outreach and clinical professionals are always available to provide education in the school system or where parents are in need.

All First Responders Need to Carry Narcan

In line with this recommendation, Hudson Health requires all staff to be Narcan trained and provides Narcan emergency kits in all facilities. Additionally, Hudson Health is in the process of becoming an Overdose Response Program, which would allow trained staff to train staff, patients, and community members on Narcan administration and provide kits to those in need.

Lack of Crisis / Detox Beds

Since 2016, Hudson Health has increased its bed capacity at the Main Treatment Campus by 21% - adding 9 total beds for a total of 51. The addition of all levels of Residential Treatment on the campus, and in our housing, has allowed for longer treatment episodes for our most vulnerable patients. Additionally, Hudson Health is partnering with Wicomico and Worcester Counties to initiate a crisis bed plan, with hopes of an expansion of those services in the very near future.

Lack of Qualified, Certified Addiction Treatment Professionals

Hudson Health invests in our employees by providing on-site trainings as well as financial and tuition reimbursement to its licensed and certified staff. Additionally, Hudson Health plans on taking a leadership role in the county to provide CCAR trainings for peers or those interested in becoming certified peers.

Steps We Took

Opened a brand new Admissions and Administration building which allowed us to move several departments off campus so that we could increase bed capacity.

Started offering Open Access (walk-in) hours one day a week.

Obtained approval from the Maryland Department of Health to provide ASAM level 3.5 at our Main Treatment Campus, in turn increasing the average length of stay in inpatient from 12 days to 35 days.

Opened an 8-bed Halfway House (ASAM 3.1) for women in Salisbury.

In The Last Year

Now offering Open Access (walk-in) hours 5-days a week.

Added 2 additional Halfway Houses (ASAM level 3.1) with an increase in staff:

In addition to the Program Director (a licensed or certified counselor), we ensure,

- Dedicated Case Manager in each house to assist with employment readiness, life skills development, linkage to resources, and monitoring of patient progress outside of the primary treatment plan.*
- Full-time Nurse Practitioner to provide health education and non-emergent medical care, as well as medication management.*
- Live-in staff house managers in each residence.*

Partnered with the Maryland Coalition of Families to provide support and education to anyone in the community with a loved one struggling with Addiction.

Partnered with Worcester and Wicomico counties to provide crisis beds in conjunction with the Safe Station initiative, with a plan to expand those services in the very near future.

In The Last Six Months

Accredited by the Joint Commission



Licensed by the Maryland
Department of Health's
Behavioral Health Administration



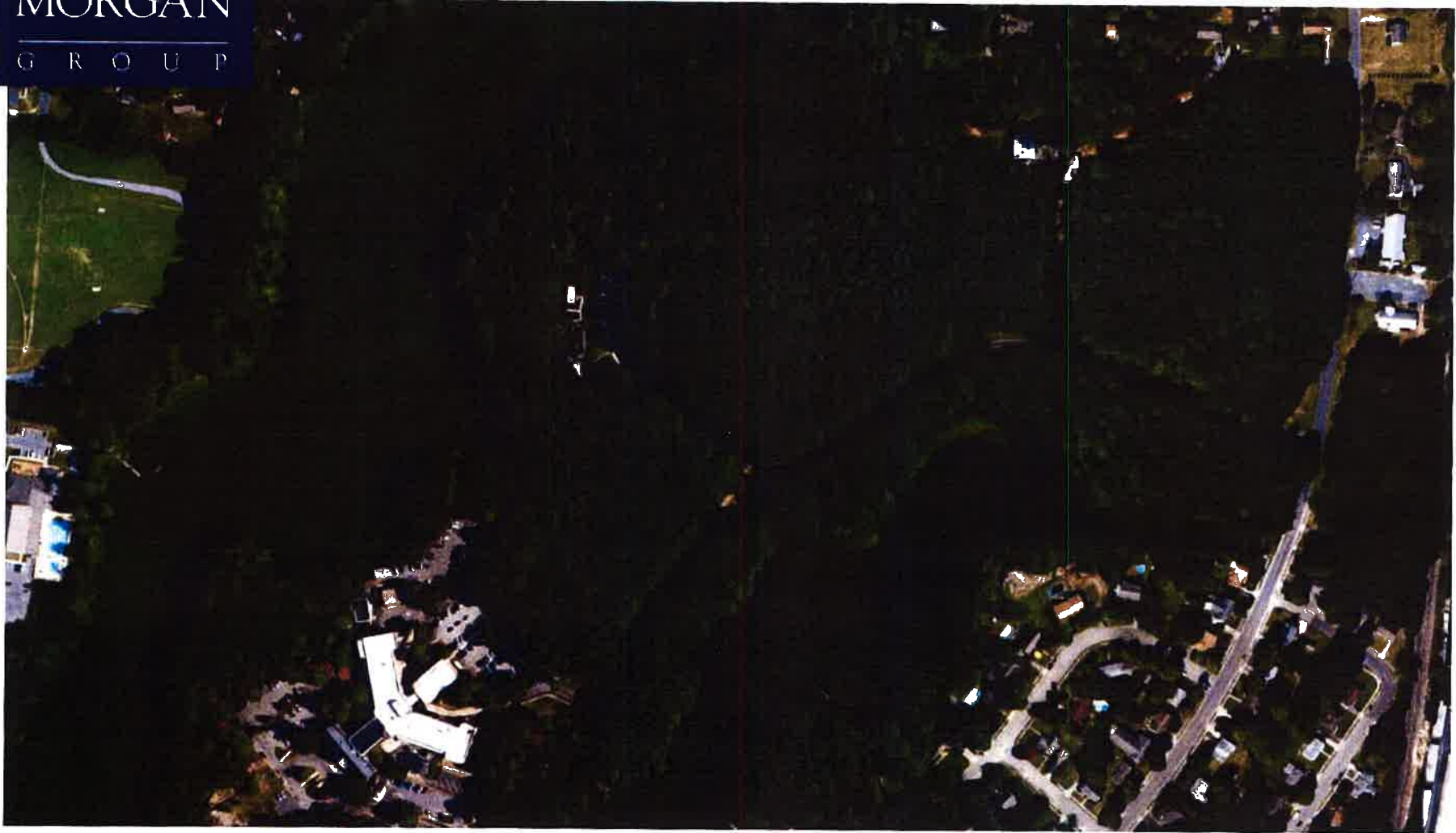
MARYLAND
Department of Health

Transitional Housing Certified by
Affiliates of the National Association of
Recovery Residences (NARR)



40 Years of Quality

Campus Revitalization



Aerial - Existing Site Conditions

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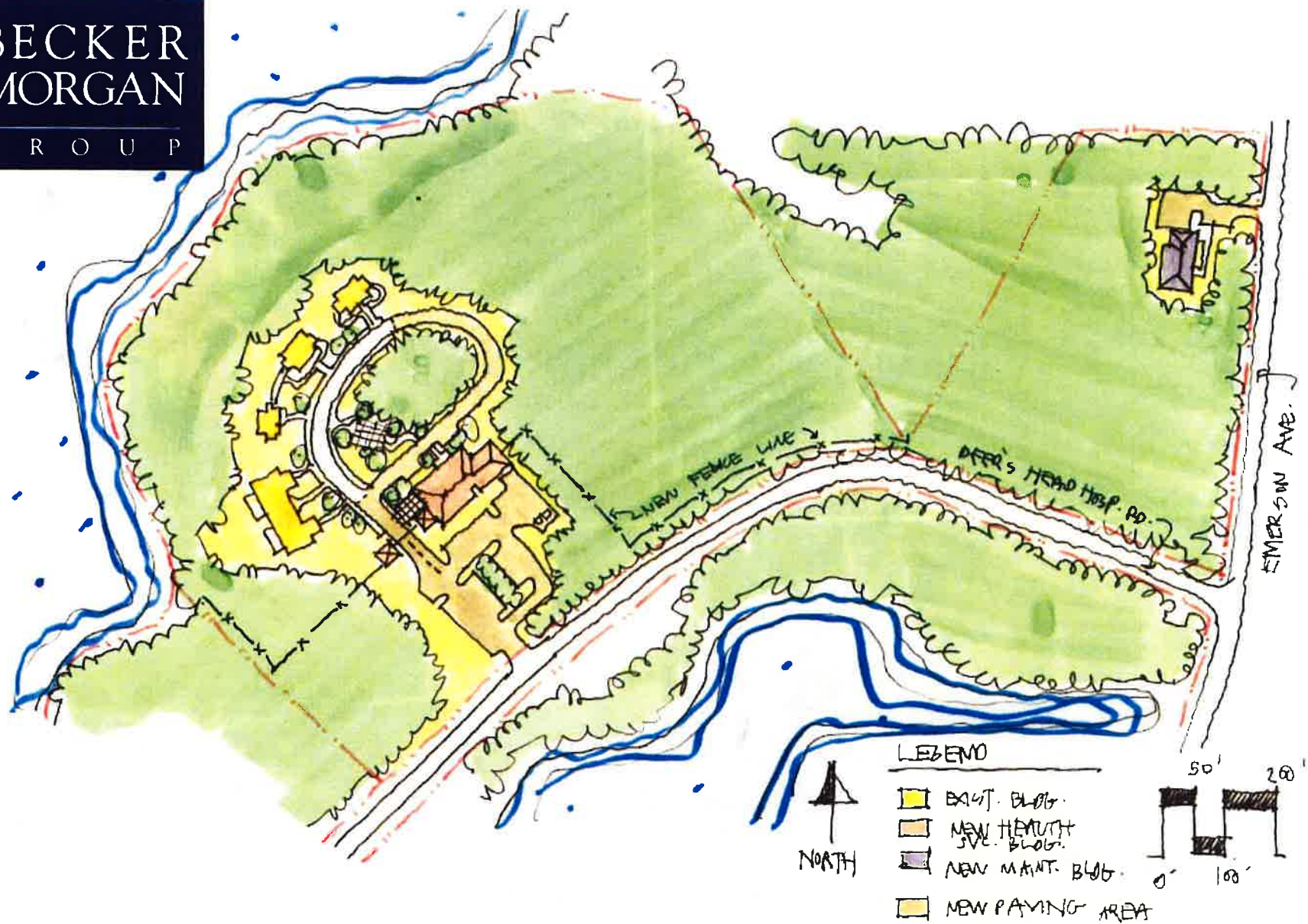
Aerial - Location / Wetlands

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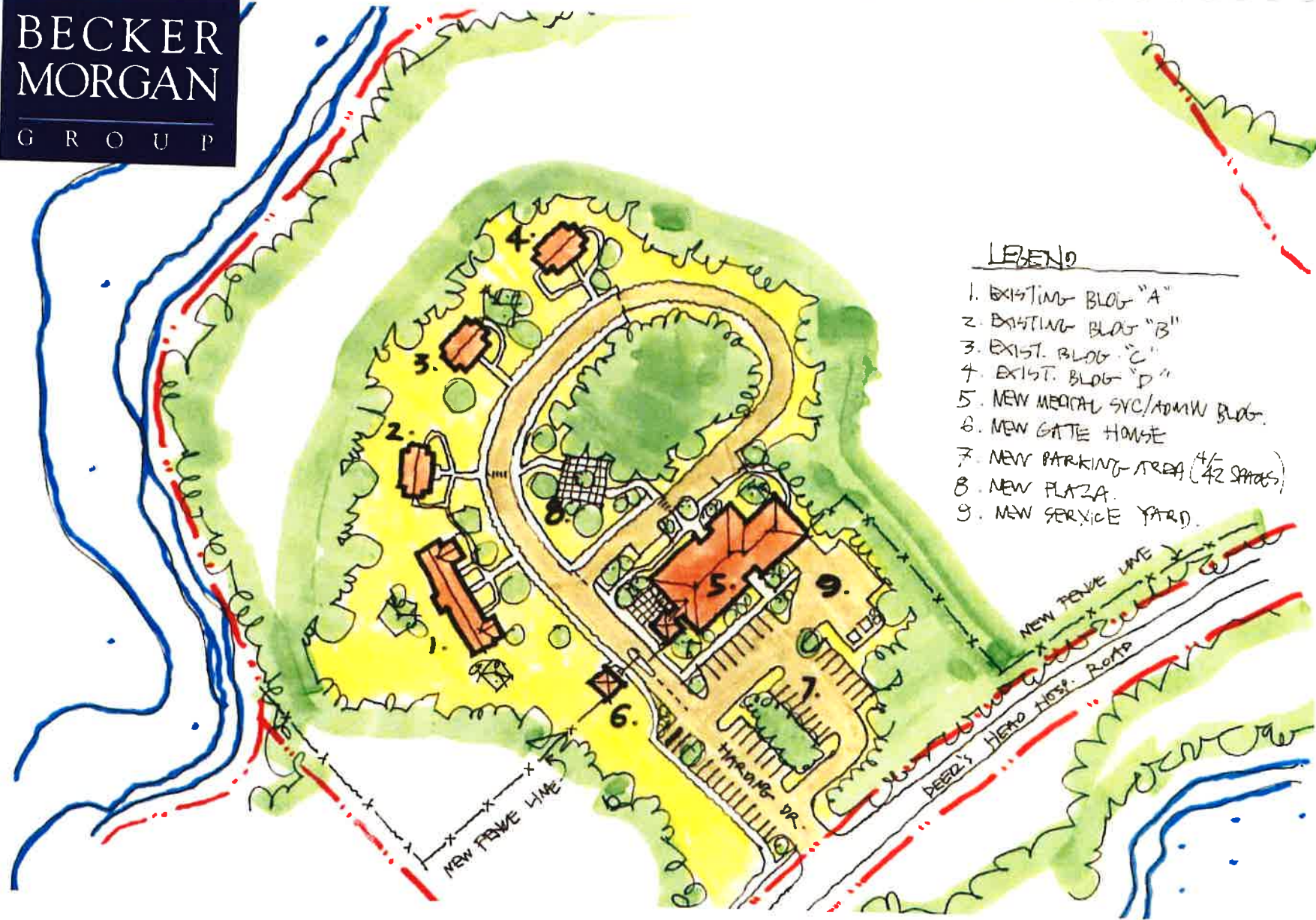


Existing Buildings





Proposed Master Plan

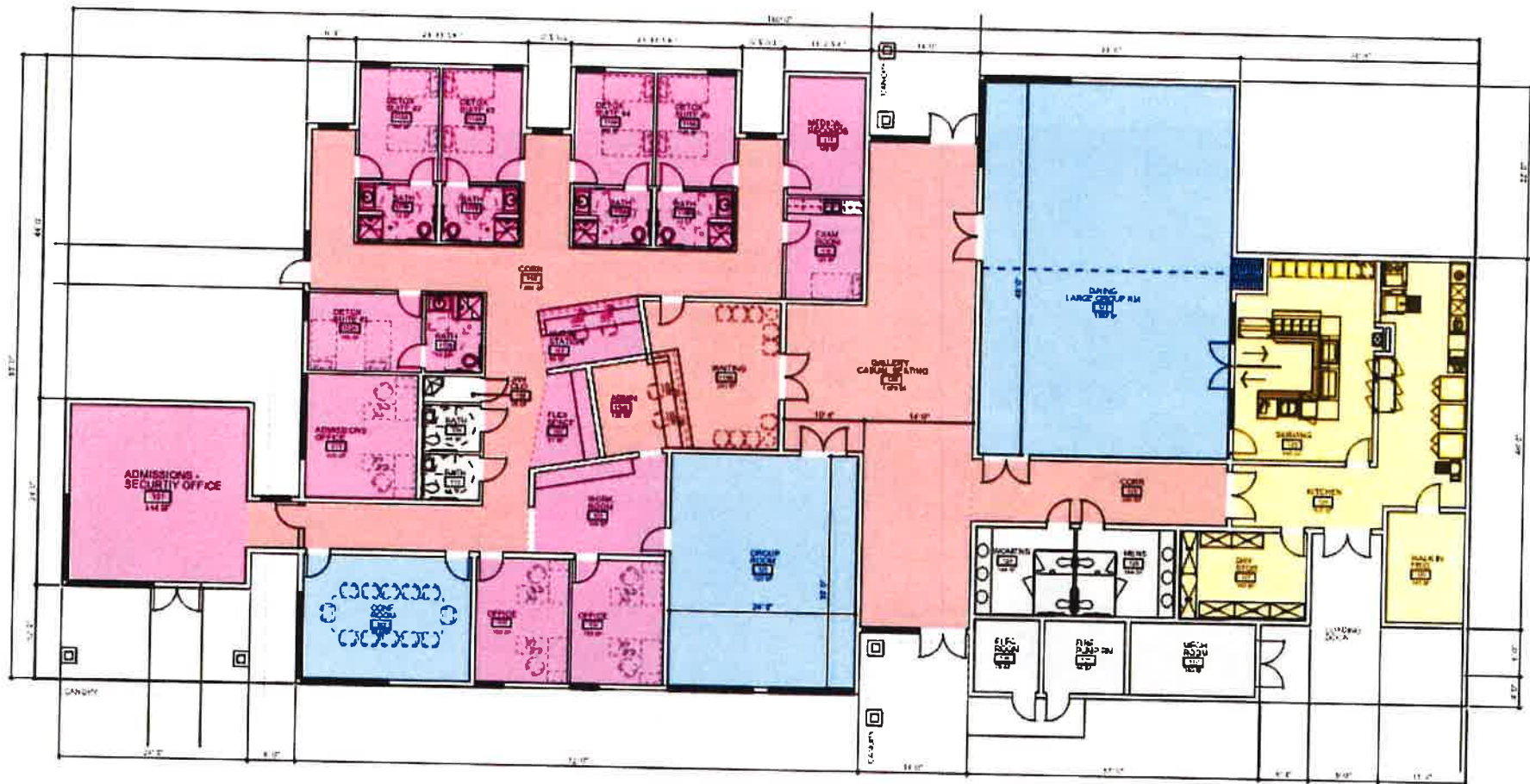


Proposed Master Plan - Enlargement

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Proposed Master Plan - Rendering

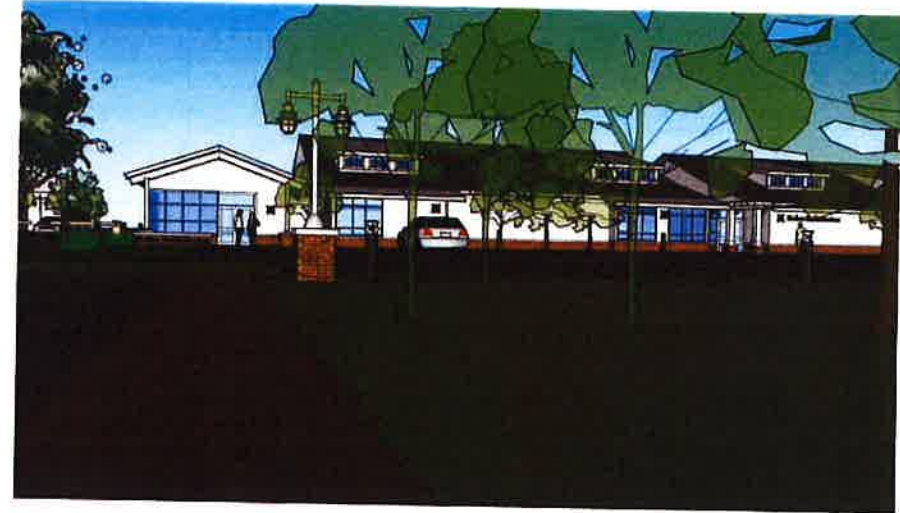


Proposed Floor Plan



Proposed Building – Rendering Views

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Proposed Building – Rendering Views

What We Need:

- Your advocacy and your support for the acquisition of the property that is currently leased by Hudson Health.

What We Have:

- Resources to acquire property and funding for development of property, to benefit the needs of our community.

Let's Make This Happen!