

CITY OF SALISBURY, MARYLAND

AUDIT REPORT

YEAR ENDED JUNE 30, 2019

CITY OF SALISBURY, MARYLAND

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CITY OF SALISBURY, MARYLAND

ORGANIZATION

SERVING AS OF JUNE 30, 2019

OFFICIAL – ELECTED

Mayor	Jacob R. Day
President of Council	John R. (Jack) Heath
Vice president of Council	Muir Boda
Council members	April Jackson Angela Blake James Ireton, Jr.

OFFICIALS – STAFF

City Administrator	Julia Glanz
Deputy City Administrator	Andrew Kitzrow
City Clerk	Kimberly Nichols
City Attorney	S. Mark Tilghman
Public Information Officer	Christopher Demone
Director of Finance	Keith Cordrey
Director of Procurement	Jennifer Miller
Director of Human Resources	Jeanne Lloyd
Director of Business Development	Laura Soper
Director of Infrastructure and Development	Amanda Pollack
Director of Water Works	Corinne Cameron
Director of Field Operations	M. Tom Stevenson
Director of Information Services	Bill Garrett
Director of Housing and Community Development	Everett Howard
Chief of Police	Barbara Duncan
Chief of Fire Department	John Tull



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ALLINIAL GLOBAL

INDEPENDENT AUDITORS' REPORT

Members of the City Council
City of Salisbury, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salisbury, Maryland (the "City"), as of and for the year ended June 30, 2019, 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

City of Salisbury, Maryland's 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.

Auditors' 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 auditors' 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.

We believe that the audit evidence 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, Maryland, as of June 30, 2019, and the respective changes in 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 and the required supplementary information on pages 4 through 11 and pages 56 through 61 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of the City of Salisbury, Maryland'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 of Salisbury, Maryland's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 2, 2019



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, 2019. 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, 2019 was \$84,972,077. Net position of our governmental activities decreased by \$276,852 (or 3.9 percent) while net position of our business-type activities increased by \$752,958 (or .9 percent).
- The General Fund reported revenues and other financing sources under expenditures and other financing uses resulting in a \$1,450,854 increase in fund balance, bringing its fund balance this year to \$12,930,154.

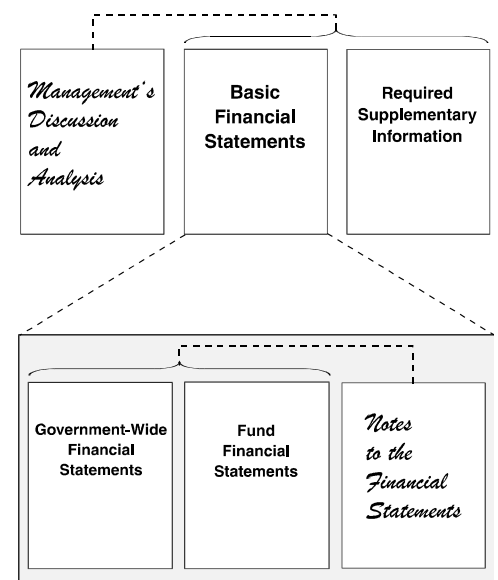
OVERVIEW OF THE FINANCIAL STATEMENTS

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




Summary  Detail Detail

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

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

Entity-wide Statements

The entity-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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.

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.

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

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	• Statement of net position	• Balance sheet	• Statement of net position	• Statement of fiduciary net position
	• Statement of activities	• Statement of revenues, expenditures, and changes in fund balances	• Statement of revenues, expenses, and changes in fund net position • Statement of cash flows	• 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

- *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 \$84,972,077.

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
CURRENT ASSETS:						
Cash and investments	\$ 11,581	\$ 10,649	\$ 7,526	\$ 7,646	\$ 19,107	\$ 18,295
Accounts and taxes receivable, net	3,098	3,183	2,687	2,708	5,785	5,891
Due from other governmental units	1,287	975	2,971	3,950	4,258	4,925
Internal balances	229	314	(229)	(314)		
Inventories	5	2	368	374	373	1,150
Other	794	776		10	794	12
TOTAL CURRENT ASSETS	16,994	15,899	13,323	14,374	30,317	30,273
NONCURRENT ASSETS:						
Restricted cash	5,619	8,726	18,544	19,756	24,163	28,482
Capital assets at cost	88,566	83,829	179,645	173,682	268,211	257,511
Less accumulated depreciation	(32,101)	(29,209)	(44,428)	(39,618)	(76,529)	(68,827)
TOTAL NONCURRENT ASSETS	62,084	63,346	153,761	153,820	215,845	217,166
TOTAL ASSETS	79,078	79,245	167,084	168,194	246,162	247,439
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred pension contributions	6,428	7,917	831	984	7,259	8,901
Deferred outflow – pensions	1,561	134	390	33	1,951	167
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,989	8,051	1,221	1,017	9,210	9,068
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	1,601	3,101	4,127	3,799	5,728	6,900
Bonds, notes, and capital leases payable	3,194	2,963	4,491	4,400	7,685	7,363
Other	763	780	492	975	1,255	1,755
TOTAL CURRENT LIABILITIES	5,558	6,844	9,110	9,174	14,668	16,018

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

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
NONCURRENT LIABILITIES:						
Compensated absences	1,641	1,573	211	190	1,852	1,763
Post-employment benefits	17,748	15,408	4,437	3,852	22,185	19,260
Net pension liability	29,648	28,708	3,898	3,701	33,546	32,409
Bonds, notes, and capital leases payable	21,938	24,397	71,876	74,243	93,814	98,640
TOTAL NONCURRENT LIABILITIES	70,975	70,086	80,422	81,986	151,397	152,072
TOTAL LIABILITIES	76,533	76,930	89,532	91,160	166,065	168,090
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows – pensions	3,593	3,941	511	554	4,104	4,495
Deferred inflows – OPEB plan	185	133	46	34	231	166
TOTAL DEFERRED INFLOWS OF RESOURCES	3,778	4,074	557	588	4,335	4,661
NET POSITION:						
Net investment in capital assets	31,332	27,260	58,850	55,421	90,182	82,681
Restricted	5,619	8,726	18,544	19,756	24,163	28,482
Unrestricted (Deficit)	(30,195)	(29,694)	822	2,286	(29,373)	(27,408)
TOTAL NET POSITION	\$ 6,756	\$ 6,292	\$ 78,216	\$ 77,463	\$ 84,972	\$ 83,755

Net position of the City's governmental activities decreased 3.9 percent to \$6,756,044 due to decreases in assets not offset by decreases in liabilities of a lesser amount. Net position of the City's business-type activities increased .9 percent to \$78,216,033 due to decreases in noncurrent liabilities offset by increases in assets of a lesser amount.

The City's total revenues were \$62,010,401. A significant portion (44.7 percent) of the City's revenue comes from property and other taxes. (See Figure A-3). A portion (44.7 percent) comes from charges for services, 6.9 percent is derived from operating grants, and 1.8 percent is derived from capital grants and contributions. The remaining 1.9 percent comes from miscellaneous, capital grants, and investment earnings. The total cost of all programs and services was \$61,534,295.

Figure A-3
CITY'S SOURCES OF REVENUES
Fiscal Year 2019

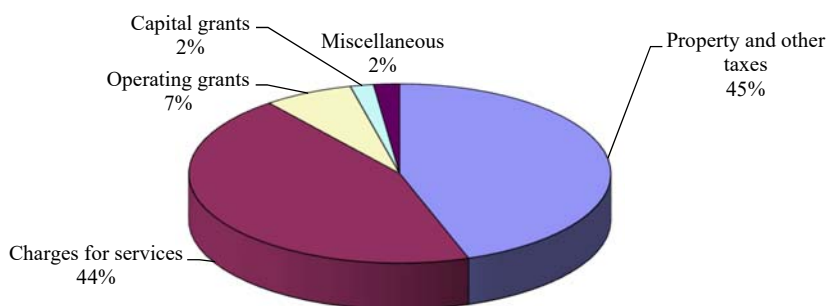


Table A-2
SOURCES OF REVENUES
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2019	2018	2019	2018	2019	2018	2018-2019
Program revenues:							
Charges for services	\$ 9,054	\$ 7,645	\$ 18,644	\$ 17,461	\$ 27,698	\$ 25,106	10%
Operating grants	4,253	3,676		35	4,253	3,711	15%
Capital grants	846	1,376	259	6,492	1,105	7,868	-86%
General revenues:							
Property and other taxes	27,723	27,047			27,723	27,047	2%
Investment earnings	559	328	471	283	1,030	611	69%
Transfers	160	157	(160)	(157)			
Miscellaneous	201	197		(1)	201	196	3%
Total Revenues	\$ 42,796	\$ 40,426	\$ 19,214	\$ 24,113	\$ 62,010	\$ 64,539	-4%

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		
	2019	2018	% Change	2019	2018	% Change
Governmental Activities:						
General government	\$ 4,766	\$ 4,533	5.1%	\$ 1,498	\$ 1,898	-21.1%
Public safety	27,845	23,916	16.4%	20,505	16,759	22.4%
Public works	6,292	5,736	9.7%	3,723	3,451	11.1%
Recreation and culture	2,329	2,264	2.9%	1,353	1,645	-17.8%
Nondepartmental	1,056	1,196	-11.7%	1,056	1,196	-11.7%
Interest on long-term debt	785	869	-9.7%	785	868	9.6%
Total Governmental Activities	43,073	38,514		28,920	25,817	
Business-type Activities:						
Water and sewer	17,031	14,005	21.6%	(442)	(8,453)	-94.8%
Mitchell Landing	213	200		56	22	
Other	1,217	1,250	-2.6%	(55)	(102)	-46.1%
Total Business-type Activities	18,461	15,455		(441)	(8,533)	
Total	\$ 61,534	\$ 53,969		\$ 28,479	\$ 17,284	

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

Governmental Activities		Business-type Activities		Totals	
2019	2018	2019	2018	2019	2018
\$ (277)	\$ 1,912	\$ 753	\$ 8,658	\$ 476	\$ 10,570

Governmental Activities

Property and other tax revenues increased approximately \$.7 million due to improvements in economic conditions. The cost of all *governmental* activities this year was \$43.1 million. However, the amount that the City's taxpayers paid for these activities through taxes was only \$27.8 million. Some of the cost was paid by those who directly benefited from the programs, \$9.1 million, or by grants and contributions, \$5.1 million. The total cost of governmental activities increased \$4.6 million, which can be attributed largely to increases in Public Safety and Public Works.

Business-type Activities

Revenues of the City's business-type activities were \$19.2 million in FY 2019, a decrease from \$4.9 million in FY 2018 (refer to Table A-2), while expenses were \$18.5 million in FY 2019 versus \$15.5 million in FY 2018. The overall revenue decrease is primarily due to less grant funds received by the City in FY 2019 to aid in the construction of the City's wastewater treatment plant, which was offset by increases in water sewer operating revenues. Overall costs increased by \$3.0 million due largely to increase in operating cost in the Water and Sewer Fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of the end of FY 2019, the City's governmental funds reported a combined fund balance of \$18.2 million, a \$1.7 million decline from the previous year. At year end, the General Fund had a fund balance of \$12.9 million and the Capital Improvements Fund had a fund balance of \$4.2 million. The fund balance for other governmental funds reported an ending in fund balance of \$1.0 million. Revenue collections were less than expenditures by \$1.9 million for the year for all governmental funds. General Fund revenue collections exceeded expenditures by \$1.9 million.

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 \$43.0 million (including operating transfers), versus an original budget of \$41.0 million. The majority of the variance is due a \$.9 million carry forward of encumbrances from FY 2018 and \$.2 million required for grant match to meet the requirements of a grant. Actual expenditures were \$3.9 million below final budget amounts. All departments were under budget during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had invested \$268.2 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 %
	2019	2018	2019	2018	2019	2018	Change
Land and art	\$ 8,595	\$ 8,442	\$ 2,198	\$ 2,198	\$ 10,793	\$ 10,640	-0.2%
Construction-in-progress	9,482	7,692	4,712	30,972	14,194	38,664	-40.1%
Land improvements	767	767	2,014	2,014	2,781	2,781	0.0%
Buildings and improvements	26,259	25,885	49,902	49,805	76,161	75,690	6.4%
Improvements, non-buildings	18,882	18,882	106,546	74,845	125,428	93,727	70.1%
Machinery and equipment	24,544	22,125	14,273	13,848	38,817	35,973	5.1%
Zoo animals	36	36			36	36	0.0%
Totals at historical cost	88,565	83,829	179,645	173,682	268,210	257,511	8.0%
Total accumulated depreciation	32,101	29,209	44,428	39,618	76,529	68,827	7.4%
Net Capital Assets	<u>\$ 56,464</u>	<u>\$ 54,620</u>	<u>\$135,217</u>	<u>\$134,064</u>	<u>\$191,681</u>	<u>\$188,684</u>	8.2%

The City's governmental capital purchases for fiscal year 2019 included the purchase of four police vehicles, uplifting on police vehicles, a mini dome camera system, a toro, a robotic total station, a chiller, a dump truck, a refuse truck, and two other vehicles. There were three land purchases, as well as a new police communication system. The business-type activities additions to capital assets include the purchase of a parking vehicle, a street sweeper, a John Deere Steer, and three other vehicles used in the water and sewer department. Projects completed included the Paleo Water Treatment roof and the Waste Water Treatment Plant. Continuing projects include the Park Well, Paleo Well, East Main Street Sewer, Fitzwater Pump Station, and Hampshire Road Lift 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 \$101.5 million in bonds, notes, and leases outstanding, a decrease of \$4.5 million over the previous year. During fiscal year 2019 no additional Public Improvements were issued, however, the City did draw down an additional \$1.8 million, (total \$35.4 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 \$53.5 million. Debt in enterprise funds is not subject to the maximum bond limit. 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)

	Governmental		Business-type		Totals		Total %
	2019	2018	2019	2018	2019	2018	Change
Leases payable	\$ 2,278	\$ 2,151	\$ 510	\$ 336	\$ 2,788	\$ 2,487	12%
Bonds payable, net	21,730	23,964	73,212	75,558	94,942	99,522	-5%
Mortgages and notes payable	29	57	1,382	1,382	1,411	1,439	-2%
Bond premium	1,096	1,188	1,263	1,367	2,359	2,555	-8%
Total Bonds and Notes Payable	\$ 25,133	\$ 27,360	\$ 76,367	\$ 78,643	\$101,500	\$106,003	-4%

ECONOMIC FACTORS

- The City collected \$576,519 in building permit revenues for FY 2019 vs. \$275,289 for FY 2018.
- The City received \$1.0 million more in real estate property tax revenue in FY 2019. The total of other tax revenues was \$.4 million more in FY 2019.
- The City's has a three-year reassessment cycle. The adjusted assessed value of all real properties in the City increased \$78.8 million over the prior year.
- The local (Wicomico County) unemployment rate as of July 2019 was 4.6 percent, down from 5.4 percent a year ago. The State of Maryland had a 4.0 percent rate, and the nation as a whole has a 4.0 percent unemployment rate.

WATER SEWER FUND

The water and sewer fund adopted budget decreased from \$18.2 million in FY 2018 to \$18.0 million in FY 2019.

The City has completed upgrading the Wastewater Treatment Plant (“WWTP”). After the last upgrade in 2008, the WWTP had 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 WWTP met the required effluent limits starting in December 2017. Since the project was complete and met the requirement effluent limits, the City has been released from the consent order from the State of Maryland. The project received overall Substantial Completion on April 3, 2019. 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.

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.salisbury.md.

CITY OF SALISBURY, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investment pool	\$ 11,581,457	\$ 7,525,588	\$ 19,107,045
Taxes receivable, net	1,284,584		1,284,584
Accounts receivable, net	1,813,085	2,686,970	4,500,055
Due from other governmental units	1,286,972	2,971,480	4,258,452
Internal balances	229,154	(229,154)	
Other assets	5,233		5,233
Inventories	794,462	368,173	1,162,635
Total current assets	<u>16,994,947</u>	<u>13,323,057</u>	<u>30,318,004</u>
Noncurrent assets:			
Restricted cash and investments	5,619,198	18,544,056	24,163,254
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 at cost	70,488,813	172,735,152	243,223,965
Less accumulated depreciation	<u>(32,100,791)</u>	<u>(44,428,481)</u>	<u>(76,529,272)</u>
Total noncurrent assets	<u>62,084,034</u>	<u>153,760,986</u>	<u>215,845,020</u>
Total assets	<u>79,078,981</u>	<u>167,084,043</u>	<u>246,163,024</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension plan	6,428,479	830,527	7,259,006
Deferred outflows - OPEB plan	<u>1,560,169</u>	<u>390,043</u>	<u>1,950,212</u>
Total deferred outflows of resources	<u>7,988,648</u>	<u>1,220,570</u>	<u>9,209,218</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	1,600,726	4,127,416	5,728,142
Unearned revenue	389,800	301,555	691,355
Deposits and advance payments of taxes	71,979	11,879	83,858
Compensated absences	182,314	23,495	205,809
Accrued interest payable	119,433	154,576	274,009
Bonds, notes, and capital leases payable	<u>3,194,446</u>	<u>4,490,582</u>	<u>7,685,028</u>
Total current liabilities	<u>5,558,698</u>	<u>9,109,503</u>	<u>14,668,201</u>
Noncurrent liabilities:			
Compensated absences	1,640,824	211,453	1,852,277
Net OPEB liability	17,747,638	4,436,909	22,184,547
Net pension liability	29,648,006	3,898,162	33,546,168
Bonds, notes, and capital leases payable	<u>21,938,616</u>	<u>71,875,999</u>	<u>93,814,615</u>
Total noncurrent liabilities	<u>70,975,084</u>	<u>80,422,523</u>	<u>151,397,607</u>
Total liabilities	<u>76,533,782</u>	<u>89,532,026</u>	<u>166,065,808</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension plan	3,593,069	510,371	4,103,440
Deferred inflows - OPEB plan	<u>184,734</u>	<u>46,183</u>	<u>230,917</u>
Total deferred inflows of resources	<u>3,777,803</u>	<u>556,554</u>	<u>4,334,357</u>
NET POSITION			
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)	<u>(30,194,930)</u>	<u>821,628</u>	<u>(29,373,302)</u>
Total net position	<u>\$ 6,756,044</u>	<u>\$ 78,216,033</u>	<u>\$ 84,972,077</u>

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

CITY OF SALISBURY, MARYLAND

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

		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	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 4,766,075	\$ 2,577,121	\$ 610,563	\$ 80,479	\$ (1,497,912)	\$	\$ (1,497,912)
Public safety	27,844,681	4,107,685	3,231,683		(20,505,313)		(20,505,313)
Public works	6,291,707	1,685,225	398,061	485,435	(3,722,986)		(3,722,986)
Recreation and culture	2,329,656	683,893	12,500	280,431	(1,352,832)		(1,352,832)
Nondepartmental	1,055,539				(1,055,539)		(1,055,539)
Interest on long-term debt	785,668				(785,668)		(785,668)
Total governmental activities	<u>43,073,326</u>	<u>9,053,924</u>	<u>4,252,807</u>	<u>846,345</u>	<u>(28,920,250)</u>		<u>(28,920,250)</u>
BUSINESS-TYPE ACTIVITIES							
Water and sewer	17,030,851	17,213,654		259,232		442,035	442,035
Mitchell Landing	212,539	156,792				(55,747)	(55,747)
Other	1,217,579	1,272,885				55,306	55,306
Total business-type activities	<u>18,460,969</u>	<u>18,643,331</u>		<u>259,232</u>		<u>441,594</u>	<u>441,594</u>
TOTAL PRIMARY GOVERNMENT	<u>61,534,295</u>	<u>27,697,255</u>	<u>4,252,807</u>	<u>1,105,577</u>	<u>(28,920,250)</u>	<u>441,594</u>	<u>(28,478,656)</u>
GENERAL REVENUES AND TRANSFERS							
Taxes:							
Real and personal property taxes, levied for general purposes					18,700,459		18,700,459
Ordinary business corporations and utilities					6,534,820		6,534,820
State shared income tax					2,148,438		2,148,438
Other taxes					339,418		339,418
Investment earnings					558,663	471,364	1,030,027
Miscellaneous					199,337		199,337
Gain on sale of fixed assets					2,263		2,263
Operating transfers					160,000	(160,000)	
TOTAL GENERAL REVENUES AND TRANSFERS					<u>28,643,398</u>	<u>311,364</u>	<u>28,954,762</u>
CHANGE IN NET POSITION					(276,852)	752,958	476,106
NET POSITION, BEGINNING OF YEAR, RESTATED					<u>7,032,896</u>	<u>77,463,075</u>	<u>84,495,971</u>
NET POSITION, END OF YEAR					<u>\$ 6,756,044</u>	<u>\$ 78,216,033</u>	<u>\$ 84,972,077</u>

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

CITY OF SALISBURY, MARYLAND

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
ASSETS				
Cash	\$ 3,689,328	\$ 1,092	\$ 621,662	\$ 4,312,082
Investment pool	7,227,413		41,962	7,269,375
Taxes receivable	2,275,066			2,275,066
Less allowance for uncollectibles	(990,482)			(990,482)
Due from other governmental units	416,500		870,472	1,286,972
Due from other funds	355,115			355,115
Sundry accounts receivable	4,320,776		228,292	4,549,068
Less allowance for uncollectibles	(2,735,983)			(2,735,983)
Inventory	794,462			794,462
Other assets	5,233			5,233
Restricted cash	203,808	376,195		580,003
Restricted investment pool	940,137	4,099,058		5,039,195
TOTAL ASSETS	\$ 16,501,373	\$ 4,476,345	\$ 1,762,388	\$ 22,740,106
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,115,619	\$ 296,368	\$ 188,739	\$ 1,600,726
Due to other funds			125,961	125,961
Unearned revenue			389,800	389,800
Deposits and advance payment of taxes	737,801		15,000	752,801
Compensated absences	182,314			182,314
Total liabilities	<u>2,035,734</u>	<u>296,368</u>	<u>719,500</u>	<u>3,051,602</u>
Deferred inflows of resources:				
Unavailable revenue	1,535,485			1,535,485
Total deferred inflows of resources	<u>1,535,485</u>			<u>1,535,485</u>
Fund Balances:				
Nonspendable	794,462			794,462
Restricted		4,179,977		4,179,977
Committed	1,795,554		720,388	2,515,942
Assigned	537,230		322,500	859,730
Unassigned	9,802,908			9,802,908
Total fund balances	<u>12,930,154</u>	<u>4,179,977</u>	<u>1,042,888</u>	<u>18,153,019</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 16,501,373	\$ 4,476,345	\$ 1,762,388	\$ 22,740,106

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

CITY OF SALISBURY, MARYLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2019

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$	18,153,019
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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 current 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.		56,464,836
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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.		1,535,485
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Some liabilities are not due and payable in the current period and are not reported in the fund financial statement, but are reported in the governmental activities column of the Statement of Net Position. Those liabilities consist of:

Bonds, notes, and capital leases payable (net of deposits received)	(24,452,240)	
Compensated absences	(1,640,824)	
Net OPEB liability	(17,747,638)	
Accrued interest on bonds	(119,433)	
Net pension liability	<u>(29,648,006)</u>	(73,608,141)

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

Deferred outflows - pension plan	6,428,479	
Deferred outflows - OPEB plan	1,560,169	
Deferred inflows - pension plan	(3,593,069)	
Deferred inflows - OPEB plan	<u>(184,734)</u>	<u>4,210,845</u>

NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>6,756,044</u>
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CITY OF SALISBURY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
REVENUES				
Taxes	\$ 28,160,477	\$	\$	\$ 28,160,477
Other revenue	4,456,462	186,503	412,722	5,055,687
Intergovernmental revenues	3,203,934		1,646,023	4,849,957
Charges for services	4,604,140			4,604,140
TOTAL REVENUES	<u>40,425,013</u>	<u>186,503</u>	<u>2,058,745</u>	<u>42,670,261</u>
EXPENDITURES				
Current				
General government	3,744,655		748,409	4,493,064
Public safety	22,593,472		787,049	23,380,521
Public works	4,817,399		155,992	4,973,391
Recreation and culture	1,876,312		104,340	1,980,652
Nondepartmental	1,055,539			1,055,539
Capital outlay	674,292	3,943,273	281,600	4,899,165
Debt service:				
Principal	2,973,887			2,973,887
Interest	798,416			798,416
TOTAL EXPENDITURES	<u>38,533,972</u>	<u>3,943,273</u>	<u>2,077,390</u>	<u>44,554,635</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,891,041</u>	<u>(3,756,770)</u>	<u>(18,645)</u>	<u>(1,884,374)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(509,270)	277,000	392,270	160,000
Proceeds from issuance of debt	38,178			38,178
Proceeds from sale of capital assets	30,905			30,905
TOTAL OTHER FINANCING SOURCES (USES)	<u>(440,187)</u>	<u>277,000</u>	<u>392,270</u>	<u>229,083</u>
NET CHANGE IN FUND BALANCES	1,450,854	(3,479,770)	373,625	(1,655,291)
FUND BALANCES, BEGINNING OF YEAR, RESTATED	<u>11,479,300</u>	<u>7,659,747</u>	<u>669,263</u>	<u>19,808,310</u>
FUND BALANCES, END OF YEAR	<u>\$ 12,930,154</u>	<u>\$ 4,179,977</u>	<u>\$ 1,042,888</u>	<u>\$ 18,153,019</u>

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

CITY OF SALISBURY, MARYLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,655,291)

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 these assets is allocated over their estimated lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlays	\$ 4,560,965	
Donation of capital assets	146,000	
Loss on disposal	(28,642)	
Depreciation expense	<u>(2,952,843)</u>	1,725,480

Bond and capital lease proceeds provide current financial resources to governmental funds; however, issuing debts increases long-term liabilities in the statement of net position. In the current period, capital leases of this amount were issued. (38,178)

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. (273,394)

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. 2,973,887

Governmental funds report bond premiums as other financing sources. However, these amounts are reported on the statement of net position as deferred changes and are amortized over the life of the debt. 91,343

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

Increase in compensated absences	(67,557)	
Increase in deferred outflows - OPEB plan	1,426,414	
Increase in net OPEB liability	(2,339,478)	
Increase in deferred inflows - OPEB plan	(51,662)	
Decrease in accrued interest payable	12,748	
Decrease in deferred outflows - pension plan	(1,488,867)	
Increase in net pension liability	(940,698)	
Decrease in deferred inflow - pension plan	<u>348,401</u>	<u>(3,100,699)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (276,852)

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

CITY OF SALISBURY, MARYLAND

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2019

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
ASSETS				
Current assets				
Cash	\$ 3,288,184	\$ 15,021	\$ 279,430	\$ 3,582,635
Investment pool	3,868,294		74,659	3,942,953
Accounts receivable, net	2,555,583	1,140	130,247	2,686,970
Due from other governmental units	2,971,480			2,971,480
Inventories	368,173			368,173
Total current assets	13,051,714	16,161	484,336	13,552,211
Non-current assets				
Restricted cash	3,489,914	276,312		3,766,226
Restricted investment pool	14,436,449		341,381	14,777,830
Capital assets				
Construction-in-progress	4,441,932		269,824	4,711,756
Land	301,703	114,010	1,782,790	2,198,503
Buildings, equipment, and improvements	163,992,557	1,454,319	7,288,276	172,735,152
Less accumulated depreciation	(38,518,030)	(951,829)	(4,958,622)	(44,428,481)
Total non-current assets	148,144,525	892,812	4,723,649	153,760,986
Total assets	161,196,239	908,973	5,207,985	167,313,197
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension plan	788,799		41,728	830,527
Deferred outflows - OPEB plan	390,043			390,043
Total deferred outflows of resources	1,178,842		41,728	1,220,570
LIABILITIES				
Due in one year:				
Accounts payable	3,886,098	19,492	117,771	4,023,361
Accrued payroll	90,625	7,140	6,290	104,055
Accrued interest payable	153,433		1,143	154,576
Due to other funds			229,154	229,154
Compensated absences	23,495			23,495
Bonds, notes, and capital leases payable	4,310,639		179,943	4,490,582
Deposits		11,005	874	11,879
Unearned revenue	301,555			301,555
Total current liabilities	8,765,845	37,637	535,175	9,338,657
Due in more than one year:				
Bonds, notes, and capital leases payable	69,645,290	1,381,808	848,901	71,875,999
Net OPEB liability	4,436,909			4,436,909
Provision for compensated absences	211,453			211,453
Net pension liability	3,702,309		195,853	3,898,162
Total non-current liabilities	77,995,961	1,381,808	1,044,754	80,422,523
Total liabilities	86,761,806	1,419,445	1,579,929	89,761,180
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension plan	484,729		25,642	510,371
Deferred inflows - OPEB plan	46,183			46,183
Total deferred inflows of resources	530,912		25,642	556,554
NET POSITION				
Net investment in capital assets	56,262,233	(765,308)	3,353,424	58,850,349
Restricted	17,926,363	276,312	341,381	18,544,056
Unrestricted	893,767	(21,476)	(50,663)	821,628
Total net position	\$ 75,082,363	\$ (510,472)	\$ 3,644,142	\$ 78,216,033

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, 2019

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
OPERATING REVENUES				
Charges for services	\$ 15,991,643	\$ 156,792	\$ 1,272,885	\$ 17,421,320
Penalties	75,774			75,774
Tapping charges and connection fees	13,520			13,520
Sundry income	212,015			212,015
Pretreatment monitoring fee	180,295			180,295
Impact fees	740,407			740,407
TOTAL OPERATING REVENUES	<u>17,213,654</u>	<u>156,792</u>	<u>1,272,885</u>	<u>18,643,331</u>
OPERATING EXPENSES				
Salaries	4,121,496	13,261	320,908	4,455,665
Personnel benefits	1,731,684	9,537	136,266	1,877,487
Professional and skilled services	1,072,337	10,219	266,697	1,349,253
Other operating expenses	4,837,665	145,489	270,499	5,253,653
Equipment	30,690		9,703	40,393
TOTAL OPERATING EXPENSES	<u>11,793,872</u>	<u>178,506</u>	<u>1,004,073</u>	<u>12,976,451</u>
Operating income (loss) before depreciation	5,419,782	(21,714)	268,812	5,666,880
Depreciation	4,587,216	34,033	189,347	4,810,596
NET OPERATING INCOME (LOSS)	<u>832,566</u>	<u>(55,747)</u>	<u>79,465</u>	<u>856,284</u>
NON-OPERATING REVENUES (EXPENSES)				
Operating transfers out			(160,000)	(160,000)
Grants	259,232			259,232
Interest income	456,198	535	14,631	471,364
Interest expense	(649,763)		(24,159)	(673,922)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>65,667</u>	<u>535</u>	<u>(169,528)</u>	<u>(103,326)</u>
CHANGE IN NET POSITION	898,233	(55,212)	(90,063)	752,958
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>74,184,130</u>	<u>(455,260)</u>	<u>3,734,205</u>	<u>77,463,075</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 75,082,363</u>	<u>\$ (510,472)</u>	<u>\$ 3,644,142</u>	<u>\$ 78,216,033</u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Funds			
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 17,222,955	\$ 156,764	\$ 1,282,251	\$ 18,661,970
Payments to suppliers	(5,695,811)	(143,026)	(468,760)	(6,307,597)
Payments to employees	(5,296,509)	(16,646)	(439,298)	(5,752,453)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,230,635	(2,908)	374,193	6,601,920
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Borrowings between funds			(85,000)	(85,000)
Transfers between funds			(160,000)	(160,000)
NET CASH USED BY OPERATING ACTIVITIES			(245,000)	(245,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for acquisition of capital assets	(5,448,963)		(514,345)	(5,963,308)
Proceeds from capital grants	769,017		1,169	770,186
Principal paid on long-term debt	(4,272,171)		(175,240)	(4,447,411)
Issuance of long-term debt	1,920,944		250,000	2,170,944
Interest paid on long-term debt	(666,395)		(24,335)	(690,730)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(7,697,568)		(462,751)	(8,160,319)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	456,198	535	14,631	471,364
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,010,735)	(2,373)	(318,927)	(1,332,035)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	26,093,576	293,706	1,014,397	27,401,679
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 25,082,841	\$ 291,333	\$ 695,470	\$ 26,069,644
Cash	\$ 3,288,184	\$ 15,021	\$ 279,430	\$ 3,582,635
Investment pool	3,868,294		74,659	3,942,953
Restricted cash	3,489,914	276,312		3,766,226
Restricted investment pool	14,436,449		341,381	14,777,830
	<u>\$ 25,082,841</u>	<u>\$ 291,333</u>	<u>\$ 695,470</u>	<u>\$ 26,069,644</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 832,566	\$ (55,747)	\$ 79,465	\$ 856,284
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	4,587,216	34,033	189,347	4,810,596
(Increase) decrease in assets:				
Accounts receivable	9,301	2,004	9,366	20,671
Other assets	9,858			9,858
Inventories	6,065			6,065
Deferred outflows - pension	(209,539)		6,863	(202,676)
Increase (decrease) in liabilities:				
Accounts payable	228,958	12,682	78,139	319,779
Accrued payroll	3,178	6,152	(442)	8,888
Compensated absences	23,689			23,689
Net OPEB liability	584,869			584,869
Deferred inflows - pension	(41,945)		(1,702)	(43,647)
Deferred inflows - OPEB	12,915			12,915
Net pension liability	183,504		13,157	196,661
Deposits		(2,032)		(2,032)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 6,230,635	\$ (2,908)	\$ 374,193	\$ 6,601,920

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

CITY OF SALISBURY, MARYLAND

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2019

	Health Care Trust	Agency Funds
ASSETS		
Cash	\$	\$ 420,308
Investment pool		69,217
Investments	1,789,141	
Accounts receivable		204,985
Total assets	1,789,141	694,510
LIABILITIES		
Accounts payable		306,884
Deposits		205,015
Due to other governmental units		179,138
Total liabilities		691,037
NET POSITION		
Restricted	\$ 1,789,141	\$ 3,473

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, 2019

	Health Care Trust
ADDITIONS	
Interest	\$ 70,141
Net appreciation in fair value of investments	17,299
TOTAL ADDITIONS	<u>87,440</u>
DEDUCTIONS	
Operating expenses	<u>2,611</u>
TOTAL DEDUCTIONS	<u>2,611</u>
CHANGE IN NET POSITION	84,829
NET POSITION, BEGINNING OF YEAR	<u>1,704,312</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,789,141</u></u>

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

FUND FINANCIAL STATEMENTS

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

Fund Accounting

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

GOVERNMENTAL FUNDS

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

JUNE 30, 2019

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

PROPRIETARY FUNDS

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

JUNE 30, 2019

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 revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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

JUNE 30, 2019

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

JUNE 30, 2019

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 collectability is improbable. At June 30, 2019, all property taxes were deemed collectible, and there was no allowance.

Effective July 1, 2019, the City began billing and collecting real estate taxes.

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, received before June 15, 2015, are recorded at their fair market values as of the date received. Donated capital assets received after June 15, 2015 are recorded at acquisition value. 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

JUNE 30, 2019

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (MSRPS), and additions to/deductions from MSRPS's fiduciary net position have been determined on the same basis as they are reported by MSRPS.

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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 are available.

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. The 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 the City Council or the Director of Finance has provided otherwise in its commitment or assignment actions.

The deficit in the Mitchell Landing Fund (major enterprise fund) as of June 30, 2019 was \$510,472. This deficit is due to depreciation which cannot be recaptured through user charges.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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.

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, 2019, the carrying amount of the City's deposits was \$10,960,482, and the bank balance was \$9,155,333. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$8,655,333 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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 3 CASH AND INVESTMENTS (cont'd)

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, 2019, MLGIP was rated AA by a nationally recognized statistical rating organization. As of June 30, 2019, the City had \$34,588,484 invested in MLGIP.

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, 2019 was \$1,789,141.

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, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money markets	\$ 34,624,806	\$ 34,624,806	\$ -
Mutual funds	1,614,951	1,614,951	-
Exchange traded products	<u>137,868</u>	<u>137,868</u>	<u>-</u>
TOTAL	<u>\$ 36,377,625</u>	<u>\$ 36,377,625</u>	<u>\$ -</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 appropriate due from/to other funds have been established. The composition of interfund balances as of June 30, 2019 is as follows:

<u>Receivable By</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 229,154	Nonmajor Proprietary Funds	\$ 229,154
General Fund	<u>125,961</u>	Nonmajor Governmental Funds	<u>125,961</u>
	<u>\$ 355,115</u>		<u>\$ 355,115</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, 2019 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 509,270
Capital Improvements Fund	277,000	-
Nonmajor Governmental Funds	392,270	-
Nonmajor Proprietary Funds	<u>-</u>	<u>160,000</u>
TOTAL	<u>\$ 669,270</u>	<u>\$ 669,270</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2019</u>
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land and art	\$ 8,441,682	\$ 163,053	\$ (10,000)	\$ -	\$ 8,594,735
Construction-in-progress	<u>7,691,839</u>	<u>3,537,863</u>		<u>(1,747,623)</u>	<u>9,482,079</u>
Total Capital Assets Not being depreciated	<u>16,133,521</u>	<u>3,700,916</u>	<u>(10,000)</u>	<u>(1,747,623)</u>	<u>18,076,814</u>
Capital assets being depreciated:					
Land improvements	767,410	-	-	-	767,410
Buildings and improvements	25,885,709	373,536	-	-	26,259,245
Improvements, non-buildings	18,881,854	-	-	-	18,881,854
Machinery and equipment	22,124,822	2,499,498	(80,016)	-	24,544,304
Zoo animals	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
Total Capital Assets Being depreciated	67,695,795	2,873,034	(80,016)	-	70,488,813
Accumulated depreciation	<u>(29,209,322)</u>	<u>(2,952,843)</u>	<u>61,374</u>	<u>-</u>	<u>(32,100,791)</u>
Total Capital Assets Being Depreciated, Net	<u>38,486,473</u>	<u>(79,809)</u>	<u>(18,642)</u>	<u>-</u>	<u>38,388,022</u>
Governmental Activities Capital Assets, Net	<u>\$ 54,619,994</u>	<u>\$ 3,621,107</u>	<u>\$ (28,642)</u>	<u>\$ (1,747,623)</u>	<u>\$ 56,464,836</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 63,443
Public safety	1,786,749
Public works	836,960
Recreation and culture	<u>265,691</u>
Total depreciation expense	<u>\$ 2,952,843</u>

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2019</u>
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land	\$ 301,703	\$ -	\$ -	\$ -	\$ 301,703
Construction-in-progress	<u>30,946,950</u>	<u>5,606,775</u>	<u>(410,805)</u>	<u>(31,700,988)</u>	<u>4,441,932</u>
Total Capital Assets Not Being Depreciated	<u>31,248,653</u>	<u>5,606,775</u>	<u>(410,805)</u>	<u>(31,700,988)</u>	<u>4,743,635</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Capital assets being depreciated:					
Land improvements	430,636	-	-	-	430,636
Buildings and improvements	44,252,662	97,400	-	-	44,350,062
Improvements, non-buildings	74,779,767	-	-	31,700,988	106,480,755
Machinery and equipment	12,575,511	155,593	-	-	12,731,104
Total Capital Assets Being Depreciated	132,038,576	252,993	-	31,700,988	163,992,557
Accumulated depreciation	(33,930,814)	(4,587,216)	-	-	(38,518,030)
Total Capital Assets Being Depreciated, Net	98,107,762	(4,334,223)	-	31,700,988	125,474,527
Water and Sewer Fund					
Capital Assets, Net	<u>\$ 129,356,415</u>	<u>\$ 1,272,552</u>	<u>\$ (410,805)</u>	<u>\$ -</u>	<u>\$ 130,218,162</u>

Parking Authority Fund

Capital assets not being depreciated:

Land	\$ 467,790	\$ -	\$ -	\$ -	\$ 467,790
Construction-in-progress	25,149	244,675	-	-	269,824
Total Capital Assets Not Being Depreciated	492,939	244,675	-	-	737,614
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	24,095	-	-	207,443
Total Capital Assets Being Depreciated	4,391,402	-	-	-	4,415,497
Accumulated depreciation	(2,786,446)	(94,740)	-	-	(2,881,186)
Total Capital Assets Being Depreciated, Net	1,604,956	(70,645)	-	-	1,534,311
Parking Authority Fund					
Capital Assets, Net	<u>\$ 2,097,895</u>	<u>\$ 174,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,271,925</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

JUNE 30, 2019

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2018</u>	<u>Addition</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2019</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	(1,486,885)	(19,307)	-	-	(1,506,192)
Total Capital Assets Being Depreciated, Net	269,085	(19,307)	-	-	249,778
City Marina Fund					
Capital Assets, Net	<u>\$ 1,584,085</u>	<u>\$ (19,307)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,564,778</u>
Stormwater Utility Fund					
Capital assets not being depreciated:					
Construction-in-progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total Capital Assets Not Being Depreciated	-	-	-	-	-
Capital assets being depreciated:					
Other fixed assets	871,234	245,575	-	-	1,116,809
Total Capital Assets Being Depreciated	871,234	245,575	-	-	1,116,809
Accumulated depreciation	(495,944)	(75,300)	-	-	(571,244)
Total Capital Assets Being Depreciated, Net	375,290	170,275	-	-	545,565
City Storm Water Fund					
Capital Assets, Net	<u>\$ 375,290</u>	<u>\$ 170,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545,565</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	(917,796)	(34,033)	-	-	(951,829)
Total Capital Assets Being Depreciated, Net	536,523	(34,033)	-	-	502,490
Mitchell Landing Fund					
Capital Assets, Net	<u>\$ 650,533</u>	<u>\$ (34,033)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 616,500</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 5 CAPITAL ASSETS (cont'd)

The majority of the construction-in-progress relates to the Bicycle Master Plan, City Park Master Plan, Main Street Master Plan, Riverwalk Repairs, Riverside Circle, Urban Greenway, and East Main Street Storm for the governmental activities. Business-type projects included: Paleo Well, Park Well, Fitzwater Pump Station, Hampshire Road Lift Station, 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, 2019 totaled \$53,491,315. After considering general obligations, including mortgages and notes outstanding of \$21,758,606, the available additional debt margin was \$31,732,709.

Long-term debt activity for the year ended June 30, 2019, was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 23,963,748	\$ -	\$ (2,233,891)	\$ 21,729,857	\$ 2,320,446
Bond Premium	1,187,456	-	(91,343)	1,096,113	91,343
Mortgage and Notes Payable:					
Lawton Loan	57,499	-	(28,749)	28,750	28,750
Capital Lease Obligations	<u>2,151,228</u>	<u>838,361</u>	<u>(711,247)</u>	<u>2,278,342</u>	<u>753,907</u>
	27,359,931	838,361	(3,065,230)	25,133,062	3,194,446
Compensated absences	<u>1,748,074</u>	<u>75,064</u>	<u>-</u>	<u>1,823,138</u>	<u>182,314</u>
Governmental Activities					
Long-term Debt	<u>\$ 29,108,005</u>	<u>\$ 913,425</u>	<u>\$ (3,065,230)</u>	<u>\$ 26,956,200</u>	<u>\$ 3,376,760</u>
Business-type Activities:					
General Obligation Bonds	\$ 75,557,750	\$ 1,827,518	\$ (4,173,162)	\$ 73,212,106	\$ 4,254,588
Bond Premium	1,367,715	-	(105,209)	1,262,506	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	<u>335,775</u>	<u>343,426</u>	<u>(169,039)</u>	<u>510,162</u>	<u>130,785</u>
	78,643,047	2,170,944	(4,447,410)	76,366,581	4,490,582
Compensated absences	<u>211,259</u>	<u>23,689</u>	<u>-</u>	<u>234,948</u>	<u>23,495</u>
Business-type Activities					
Long-term Debt	<u>\$ 78,854,306</u>	<u>\$ 2,194,633</u>	<u>\$ (4,447,410)</u>	<u>\$ 76,601,529</u>	<u>\$ 4,514,077</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 6 LONG-TERM DEBT (cont'd)

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

	Balance Outstanding	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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.	\$ -	\$ 814,673
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 on the loan was \$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.	-	19,031,649
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 on the loan was \$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.	-	895,082

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 March 2020. The loan is accounted for in the general fund.	28,750	-
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.	2,855,892	-
In the year ended June 30, 2012, the City issued \$4,828,000 of Public Improvement Refunding Bonds at an interest rate of 2.75 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 non-major enterprise fund, and the general fund.	944,121	713,879

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.	-	1,221,057
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.	-	4,117,000
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 amounts beginning July 1, 2014 and continuing through July 1, 2028. The bonds are accounted for in the general fund.	2,273,000	-

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 6 LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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.	41,089	-
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 on the loan was \$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, 2019, total principal of \$35,751,627 has been drawn on this facility.	-	35,451,627
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 1, 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.	2,691,454	722,283

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
In the year ended June 30, 2017, the City issued \$20,030,000 of Public Improvement Refunding Bonds at an interest rate of 2.00-5.00 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.	7,613,763	8,531,237
In the year ended June 30, 2018, the City issued \$5,724,853 of Public Improvement Bonds at an interest rate of 2.51 percent. Interest is payable semi-annually beginning June 1, 2018. The bonds mature in varying amounts beginning June 1, 2018 and continuing through June 1, 2032. The bonds are accounted for in the general fund and in the non-major enterprise fund.	4,896,703	301,345
	<u>\$ 21,758,607</u>	<u>\$ 73,212,106</u>

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

	Governmental Activities		
Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2020	\$ 2,349,195	\$ 676,801	\$ 3,025,996
2021	2,394,138	593,018	2,987,156
2022	2,427,938	507,601	2,935,539
2023	2,428,490	419,659	2,848,149
2024	2,618,312	332,676	2,950,988
2025-2029	8,012,001	696,428	8,708,429
2030-2034	1,528,533	72,911	1,601,444
	<u>\$ 21,758,607</u>	<u>\$ 3,299,094</u>	<u>\$ 25,057,701</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 6 LONG-TERM DEBT (cont'd)

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2020	\$ 4,254,589	\$ 716,752	\$ 4,971,341
2021	4,321,686	639,340	4,961,026
2022	4,362,505	560,297	4,922,802
2023	4,342,425	478,801	4,821,226
2024	4,158,785	399,095	4,557,880
2025-2029	27,273,794	971,421	28,245,215
2030-2034	14,537,189	54,167	14,591,356
2035-2039	6,565,096	27,933	7,478,163
2040-2042	1,625,769	10,366	1,636,135
	<u>\$ 73,212,106</u>	<u>\$ 3,858,172</u>	<u>\$ 76,185,144</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 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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 6 LONG-TERM DEBT (cont'd)

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 \$3,888,312 with accumulated depreciation of \$829,053; for the water and sewer fund, the original cost is \$676,024 with accumulated depreciation of \$280,615; for the parking fund, the original cost is \$25,000 with accumulated depreciation of \$2,008; and for the stormwater fund, the original cost is \$439,665 with accumulated depreciation of \$74,959 at June 30, 2019.

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

Year Ending June 30,	General	Water and Sewer	Stormwater Utility	Parking Authority
2020	\$ 753,908	\$ 58,337	\$ 67,288	\$ 5,160
2021	527,569	58,337	67,288	5,160
2022	527,569	58,337	67,288	5,160
2023	430,188	14,236	35,590	5,160
2024	85,860	14,236	35,590	
2025	85,860	14,236	35,590	
Less amount representing interest	(132,612)	(10,657)	(25,230)	(944)
Present value of future minimum lease payments	<u>\$ 2,278,342</u>	<u>\$ 207,062</u>	<u>\$ 283,404</u>	<u>\$ 19,696</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 7 PENSION PLAN

General Information about the 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.

Contributions

Member contributions - The State Personnel and Pensions Article requires 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, 2019, 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, 2019 was \$3,418,766.

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

At June 30, 2019, the City reported a liability of \$33,546,168 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the City's proportion for the Employee plan was 0.0437 percent, a decrease of 0.00292 percent from the prior year and the LEOPS plan was 0.11618 percent, an increase of 0.00708 percent from the prior year.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 7 PENSION PLAN (cont'd)

For the year ended June 30, 2019, the City recognized pension expense of \$3,218,998. At June 30, 2019, 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	\$ 265,167	\$ -	\$ 631,249	\$ -	\$ 896,416	\$ -
Differences between actual and required contributions	-	130,248	440,716	80,766	440,716	211,014
Contributions subsequent to the measurement date	974,969	-	2,443,797	-	3,418,766	-
Differences between actual and expected experience	-	713,647	-	1,869,535	-	2,583,182
Differences between actual and expected returns	713,509	356,652	1,789,599	952,592	2,503,108	1,309,244
Total	<u>\$ 1,953,645</u>	<u>\$ 1,200,547</u>	<u>\$ 5,305,361</u>	<u>\$ 2,902,893</u>	<u>\$ 7,259,006</u>	<u>\$ 4,103,440</u>

An amount of \$3,418,766 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, 2019. 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 Ending June 30,

2020	\$ 845,468
2021	173,694
2022	(885,405)
2023	(330,381)
2024	<u>(66,576)</u>
	<u>\$ (263,200)</u>

Actuarial Assumptions

The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2018 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 9.10%, including inflation
Investment rate of return	7.45%

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 7 PENSION PLAN (cont'd)

Mortality rates were based on the RP-2014 Combined Healthy Mortality table projected to the year 2025.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statements No. 25 and 67 of the Governmental Accounting Standards Board (GASB).

Discount Rate

The discount used to measure the total pension liability was 7.45 percent. The discount rate was based on the expected rate of return on the pension plan investments of 7.45 percent. The projection of cash flows used to determine this single discount rate assumed that plan member 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 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

	1% Decrease 6.45%	Current Rate Discount Rate 7.45%	1% Increase 8.45%
City's proportionate share:			
Employee plan	\$ 13,207,445	\$ 9,169,651	\$ 5,818,573
LEOPS plan	35,110,535	24,376,517	15,468,035
	<u>\$ 48,317,980</u>	<u>\$ 33,546,168</u>	<u>\$ 21,286,608</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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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.

Benefits Provided

A PPO and an EPO plan are available for participants under age 65. Both plans include medical, prescription, dental, and vision. The prescription plan covers both retail and mail order prescription drugs. Once a retiree turns 65, a Medicare supplemental plan is available. The supplemental plan also includes vision, dental, and prescription.

Employees retiring through ordinary disability must have worked for the City of Salisbury for a specified number of years prior to retirement, plus fulfill the State Retirement Agency’s criteria for an immediate service retirement.

On February 27, 2017, the City Council approved changes to the OPEB plan. For future retirees, the annual subsidy is capped at \$3,500 for a retiree, \$7,000 for retirees with spouse coverage, and \$9,500 for retiree with family coverage. Future hires are also required to have twenty years of service to be eligible for these benefits.

Employees covered by benefit terms

As of October 1, 2018, a total of 450 employees were covered by the benefit terms as follows:

Retirees in pay status (pre-Medicare)	46
Retirees in pay status (post-Medicare)	51
Active employees	353

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (cont'd)

Contributions

The City has not established an irrevocable trust. The plan is funded on a pay-as-you-go-basis from the City's general fund.

Net OPEB Liability

Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation date	October 1, 2018
Measurement date	June 30, 2019
Measurement period	July 1, 2018 to June 30, 2019

Actuarial assumptions

The net OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement. The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The model was updated in 2016.

Inflation	2.3%
Rate of growth in real income/GDP per year	1.6%
Excess medical cost growth	1.3%
Health share of GDP resistance point	25%
Year for limiting cost growth to GDP Growth	2075

Mortality rates were based on the RP-2014 Total Dataset Mortality with Scale MP-2014 and RP-2014 Disabled Retiree Mortality with Scale MP-2014.

Discount rate

The discount rate used to measure the total OPEB liability as of the beginning of the year (June 30, 2018) is 3.62%. The rate as of June 30, 2019 is 3.13%.

Changes in the net OPEB liability

Net OPEB liability at beginning of year	\$ 19,260,200
Service cost	721,012
Interest	665,746
Difference between expected and actual experience	(100,801)
Changes of assumption	1,998,381
Benefit payments (net of retiree contributions)	<u>(359,991)</u>
Net OPEB liability at End of Year	<u>\$ 22,184,547</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (cont'd)

Sensitivity of the total and net OPEB liability to changes in the discount rate

The following presents the total and net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

Discount Rate	1% Decrease 2.13%	Discount Rate 3.13%	1% Increase 4.13%
Total OPEB liability	\$29,246,385	\$23,973,688	\$20,388,459
Net OPEB liability	\$27,457,244	\$22,184,547	\$18,599,318

Sensitivity of the total and net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare trend rate:

Discount Rate	1% Decrease 2.80%	Discount Rate 3.80%	1% Increase 4.80%
Total OPEB liability	\$19,870,623	\$23,973,688	\$30,032,738
Net OPEB liability	\$18,081,482	\$22,184,547	\$28,243,597

OPEB expense and deferred inflows of resources related to OPEB

For the year ended June 30, 2019, the City recognized an OPEB expense of \$1,565,897. At June 30, 2019, the City reported deferred outflows of resources or deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 146,295	\$ 89,061
Changes of assumptions	1,776,339	115,390
Net difference between projected and actual earnings on OPEB plan investments	27,578	25,390
	<u>\$ 1,950,212</u>	<u>\$ 230,917</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (cont'd)

Amounts reported as deferred inflows of resources related to the OPEB plan will be recognized as follows:

Fiscal year ending June 30:	
2020	\$ 13,612
2021	213,612
2022	213,611
2023	222,073
2024	215,180
Thereafter	641,207
	<u>\$ 1,719,295</u>

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, 2019.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2019, the City had infrastructure projects yet to be completed. The commitments and amounts completed are as follows:

	Project Amount	Completed as of 06/30/2019	Commitments
Governmental Activities:			
Amphitheater	\$ 575,000	\$ 543,123	\$ 31,877
Main Street Master Plan	12,415,704	4,103,838	8,311,866
Riverwalk Repairs	2,109,892	1,931,007	178,885
East Main Street Storm	350,200	350,200	-
Urban Greenway	1,282,200	310,544	971,656
Bicycle Master Plan	1,308,534	1,026,971	281,563
Riverside Circle	1,746,514	186,316	1,560,198
Service Center	852,000	312,425	539,575
City Park	358,851	214,704	144,147
Totals	<u>\$ 20,998,895</u>	<u>\$ 8,979,128</u>	<u>\$ 12,019,767</u>

In addition, the City has incurred costs totaling \$502,951 for governmental activities project costs that were not under a formal contract as of June 30, 2019.

	Project Amount	Completed as of 06/30/2019	Commitments
Business-type Activities:			
Park Well	\$ 95,997	\$ 92,693	\$ 3,304
Paleo Well	4,228,629	310,656	3,917,973
East Main Street Sewer	661,321	347,501	313,820
Fitzwater Pump Station	9,081,355	188,561	8,892,794
Hampshire Road Lift Station	3,413,093	1,356,759	2,056,334
Main Street Master Plan	11,128,117	373,064	10,755,053
Replace Water Main	772,500	772,500	-
Replace Sewer Main	750,000	750,000	-
Totals	<u>\$ 30,331,012</u>	<u>\$ 4,391,734</u>	<u>\$ 25,939,278</u>

In addition, the City has incurred costs totaling \$50,198 for business-type activities project costs that were not under a formal contract as of June 30, 2019.

Other contingent liabilities

The City is involved in legal matters which may result in a loss to the City. These matters are being handled by the City's insurance company. The outcomes cannot be determined at this time.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019 fund balances are composed of the following:

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 794,462	\$	\$	\$ 794,462
Restricted:				
Capital improvements		4,179,977		4,179,977
Committed:				
Health care	1,581,418			1,581,418
General impact	10,328			10,328
Zoo	203,808			203,808
Curb, gutter, and sidewalk			87,716	87,716
Trash container sales and demolition			632,672	632,672
Assigned:				
Grants			285,148	285,148
Encumbrances	537,230			537,230
Community development			37,352	37,352
Unassigned	9,802,908			9,802,908
Total Fund Balances	<u>\$ 12,930,154</u>	<u>\$ 4,179,977</u>	<u>\$ 1,042,888</u>	<u>\$ 18,153,019</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 14 PRIOR PERIOD ADJUSTMENTS

The City has increased its July 1, 2018 fund balance in the General Fund and net position in the governmental activities by \$740,367 due to determining previous year accruals for retirement contributions could be reduced by credits available through the Maryland Statement Retirement system.

	General Fund Fund Balance	Governmental Activities Net Position
As previously reported	\$ 10,738,933	\$ 6,292,529
Adjustment	740,367	740,367
As restated	<u>\$ 11,479,300</u>	<u>\$ 7,032,896</u>

NOTE 14 TAX ABATEMENT

Enterprise Zone Credit

The City offers Enterprise Zone credits 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, 2019, the City abated property taxes totaling \$85,061 under this program.

NOTE 15 SUBSEQUENT EVENTS

The City has evaluated all subsequent events through December 2, 2019, the date the financial statements were available to be issued.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB issued Statement No. 87, *Leases*, in June 2017. It is effective for reporting periods beginning after December 15, 2020. The new guidance requires recognition of certain lease assets and liabilities that were previously classified as operating leases. It also recognizes inflows of resources or outflows of resources based on the payment provisions of the contract.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*, requires interest cost incurred before the end of a construction period be recognized as an expense for financial statements prepared using the economic resources measurement focus. Previously, this interest was included in the historical cost of capital assets. It is effective for periods beginning after December 15, 2019.

GASB Statement No. 84, *Fiduciary Activities*, updates and clarifies the provisions for fiduciary activities. It is effective for periods beginning after December 15, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALISBURY, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(UNAUDITED)**

FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
RESOURCES (INFLOWS):				
Tax revenue	\$ 27,556,597	\$ 27,556,597	\$ 28,160,477	\$ 603,880
Other revenue	3,950,032	4,005,395	4,456,462	451,067
Charges for services	4,226,191	4,226,191	4,604,140	377,949
Intergovernmental revenues	2,825,159	3,039,731	3,203,934	164,203
Amounts available for appropriation	<u>38,557,979</u>	<u>38,827,914</u>	<u>40,425,013</u>	<u>1,597,099</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government				
City council	78,203	78,203	66,629	11,574
City clerk	161,889	161,889	152,934	8,955
Mayor's office	598,430	598,430	539,176	59,254
Development services	777,851	780,389	740,942	39,447
City attorney	284,800	374,315	364,677	9,638
Finance	621,450	706,450	611,217	95,233
Purchasing	261,377	261,377	243,471	17,906
Human resources	308,244	308,244	299,296	8,948
Information services	460,922	462,801	459,755	3,046
Planning and zoning	102,280	102,280	95,007	7,273
Municipal buildings	197,600	514,493	393,079	121,414
Poplar hill	58,023	58,023	54,019	4,004
Public safety				
Police and traffic control	13,249,991	13,581,367	12,251,783	1,329,584
Fire	8,150,546	8,166,735	7,879,515	287,220
Traffic	1,381,761	1,512,608	1,490,815	21,793
Buildings, permits, and inspections	324,527	324,527	306,635	17,892
Neighborhood services and code compliance	1,087,632	1,091,000	1,022,915	68,085
Public works				
Supervision and engineering	1,899,734	2,564,829	2,188,921	375,908
Roadways	883,207	884,083	689,625	194,458
Waste collection and disposal	1,555,108	1,558,207	1,270,529	287,678
Recycling	130,876	130,876	125,273	5,603
Fleet maintenance	448,449	465,872	430,903	34,969
Carpenter shop	138,566	138,566	135,657	2,909
Recreation and culture				
Municipal zoo	1,432,538	1,433,362	1,332,218	101,144
Park maintenance	636,569	661,443	561,139	100,304
Nondepartmental	1,013,752	1,013,752	1,055,539	(41,787)
Debt payments	4,510,902	4,519,963	3,772,303	747,660
TOTAL CHARGES TO APPROPRIATIONS	<u>40,755,227</u>	<u>42,454,084</u>	<u>38,533,972</u>	<u>3,920,112</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,197,248)</u>	<u>(3,626,170)</u>	<u>1,891,041</u>	<u>5,517,211</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(304,626)	(511,077)	(509,270)	1,807
Proceeds from sale of capital assets		21,747	30,905	9,158
Proceeds from issuance of debt	719,000	719,000	38,178	(680,822)
TOTAL OTHER FINANCING SOURCES (USES)	<u>414,374</u>	<u>229,670</u>	<u>(440,187)</u>	<u>(669,857)</u>
NET CHANGE IN FUND BALANCE	(1,782,874)	(3,396,500)	1,450,854	4,847,354
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>11,479,300</u>	<u>11,479,300</u>	<u>11,479,300</u>	
FUND BALANCE, END OF YEAR	<u>\$ 9,696,426</u>	<u>\$ 8,082,800</u>	<u>\$ 12,930,154</u>	<u>\$ 4,847,354</u>

CITY OF SALISBURY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - EMPLOYEE PLAN
(UNAUDITED)**

	Measurement date				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City's proportion of the net pension liability	0.04370%	0.04077%	0.04381%	0.04388%	0.03618%
City's proportionate share of the net pension liability - dollar value	\$ 9,169,651	\$ 8,817,962	\$ 10,337,660	\$ 9,118,977	\$ 6,421,441
City's covered employee payroll	\$ 9,612,053	\$ 9,038,825	\$ 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	95.40%	97.56%	114.53%	102.22%	78.21%
Plan fiduciary net position as a percentage of the total pension liability	71.18%	69.38%	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, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS - EMPLOYEE PLAN
(UNAUDITED)**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 871,477	\$ 838,434	\$ 761,119	\$ 800,742	\$ 820,957
Contributions in relation to the contractually required contribution	<u>871,477</u>	<u>838,434</u>	<u>761,119</u>	<u>800,742</u>	<u>820,957</u>
Contribution excess	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered employee payroll	\$ 9,928,830	\$ 9,612,053	\$ 9,038,825	\$ 9,025,976	\$ 8,921,251
Contributions as a percentage of covered employee payroll	8.78%	8.72%	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, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - LEOPS**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM
(UNAUDITED)**

	Measurement Date				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City's proportion of the net pension liability	0.116180%	0.109090%	0.114580%	0.098060%	0.095660%
City's proportionate share of the net pension liability - dollar value	\$ 24,376,517	\$ 23,590,848	\$ 27,035,352	\$ 20,378,891	\$ 16,976,786
City's covered employee payroll	\$ 8,537,671	\$ 8,527,899	\$ 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	285.52%	276.63%	320.06%	251.10%	220.18%
Plan fiduciary net position as a percentage of the total pension liability	71.18%	69.38%	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, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS - LEOPS
(UNAUDITED)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,443,797	\$ 2,622,090	\$ 2,486,688	\$ 2,418,121	\$ 2,123,236
Contributions in relation to the contractually required contribution	<u>2,443,797</u>	<u>2,622,090</u>	<u>2,486,688</u>	<u>2,418,121</u>	<u>2,123,236</u>
Contribution excess	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered employee payroll	\$ 8,527,899	\$ 8,537,671	\$ 8,527,899	\$ 8,446,986	\$ 8,115,718
Contributions as a percentage of covered employee payroll	28.66%	30.71%	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.

CITY OF SALISBURY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
(UNAUDITED)**

	Measurement Date <u>June 30, 2019</u>	Measurement Date <u>June 30, 2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 721,012	\$ 700,469
Interest on total OPEB liability	750,575	713,494
Effect of change in assumptions	1,998,381	(149,048)
Differences between expected and actual experience	(100,801)	188,093
Benefit payments	<u>(359,991)</u>	<u>(648,885)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	3,009,176	804,123
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	<u>20,964,512</u>	<u>20,160,389</u>
 TOTAL OPEB LIABILITY, END OF YEAR	 <u><u>\$ 23,973,688</u></u>	 <u><u>\$ 20,964,512</u></u>
 PLAN FIDUCIARY NET POSITION		
Contributions employer	\$ 359,991	\$ 648,885
Net investment income	84,829	152,787
Benefit payments	(359,991)	(648,885)
Administrative expenses	<u>(53,272)</u>	<u>(53,272)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	84,829	99,515
FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>1,704,312</u>	<u>1,604,797</u>
 FIDUCIARY NET POSITION, END OF YEAR	 <u><u>\$ 1,789,141</u></u>	 <u><u>\$ 1,704,312</u></u>
 CITY'S NET OPEB LIABILITY	 <u><u>\$ 22,184,547</u></u>	 <u><u>\$ 19,260,200</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	 <u><u>7.46%</u></u>	 <u><u>8.13%</u></u>
 Expected average remaining service years of all participants	 9	 9

Notes to Schedule:

In accordance with GASB Statement No. 75, 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 period trend is available.

Benefit changes: None

Changes of assumptions: The discount rate was changed as follows:
 6/30/2018 3.62%
 6/30/2019 3.13%

Because this OPEB plan does not depend on salary, covered-employee payroll and net OPEB liability a % of payroll are not presented.

Actuarially determined contributions are not calculated for this plan.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY AND STATISTICAL INFORMATION

Members of the City Council
 City of Salisbury, Maryland

Report on Supplementary Information

PKS CPA.com

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Our report on our audit of the financial statements that collectively comprise the City of Salisbury, Maryland's basic financial statements as of June 30, 2019, appears on pages one and two. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Salisbury, Maryland's basic financial statements. The supplementary information presented on pages 63 through 82 is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information 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, except for the portion marked "unaudited", 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 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information marked "unaudited" 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.

Statistical Information

The statistical information on pages 83 through 89 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.

MEMBERS OF:

AMERICAN INSTITUTE OF
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CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
 December 2, 2019

CITY OF SALISBURY, MARYLAND

SCHEDULE OF REVENUES - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget (Unaudited)	Actual	Variance Positive (Negative)
REVENUES			
Taxes			
Real property	\$ 17,991,135	\$ 18,463,626	\$ 472,491
Personal property	72,000	61,377	(10,623)
Ordinary business corporations and utilities	6,822,000	6,534,820	(287,180)
Payments in lieu of tax	436,462	444,038	7,576
Admissions and amusement	350,000	339,418	(10,582)
State shared income tax	1,750,000	2,148,438	398,438
Total taxes	27,421,597	27,991,717	570,120
Interest and penalties on delinquent taxes	135,000	168,760	33,760
Total taxes, interest, and penalties	27,556,597	28,160,477	603,880
Other revenue			
Amusement licenses	3,500	4,345	845
Billboard licenses	21,000	19,050	(1,950)
Building and inspection licenses	290,000	575,519	285,519
Business licenses	154,300	161,237	6,937
Franchise fees	430,000	425,537	(4,463)
Landlord licenses	644,000	683,559	39,559
Parking fines and meter collections (adjustment)		(13,540)	(13,540)
Plumbing licenses and permits	42,000	96,365	54,365
Street-breaking permits	1,750	700	(1,050)
Towing companies	4,000	4,125	125
Other miscellaneous permits	26,100	35,714	9,614
Municipal infraction violations	150,000	58,820	(91,180)
Interest on investment of idle funds	12,500	274,626	262,126
Insurance proceeds	53,205	64,385	11,180
Donations	50,000	103,757	53,757
Zoo reimbursements	253,748	223,496	(30,252)
Zoo commission	280,734	448,337	167,603
Sale of maps, codes, and documents	1,100	130	(970)
Bad debt collections	2,000	1,789	(211)
School zone camera fines	1,350,000	1,033,659	(316,341)
Other miscellaneous receipts	235,458	254,852	19,394
Total other revenue	4,005,395	4,456,462	451,067

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES - GENERAL FUND
(CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget (Unaudited)	Actual	Variance Positive (Negative)
Charges for Services			
Administrative fees	536,948	537,183	235
Ambulance call fees	1,875,000	2,088,739	213,739
Advertising	100	143	43
Filing fees	100	100	
Garbage disposal fees	1,485,643	1,551,122	65,479
Inspection fees	26,300	24,707	(1,593)
Plan review fees	23,000	32,293	9,293
Police alarm systems	30,000	23,659	(6,341)
Weed removal	99,000	66,837	(32,163)
Zoning appeal and housing board appeal fees	600	446	(154)
Fire permits and plan review	149,500	278,911	129,411
Total charges for services	<u>4,226,191</u>	<u>4,604,140</u>	<u>377,949</u>
Intergovernmental			
State of Maryland			
Police protection	586,509	556,474	(30,035)
Enterprise zone	84,000	76,834	(7,166)
Highway user	1,070,682	1,079,116	8,434
MDOT Reimbursement	214,572	391,231	176,659
Wicomico County			
Financial corporations	18,300	18,302	2
Fire department	820,668	820,668	
Room tax	245,000	261,309	16,309
Total intergovernmental	<u>3,039,731</u>	<u>3,203,934</u>	<u>164,203</u>
Total revenues	<u>38,827,914</u>	<u>40,425,013</u>	<u>1,597,099</u>
OTHER FINANCING SOURCES			
Proceeds from issuance of debt	719,000	38,178	(680,822)
Proceeds from sale of capital assets	21,747	30,905	9,158
Total other financing sources	<u>740,747</u>	<u>69,083</u>	<u>(671,664)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 39,568,661</u>	<u>\$ 40,494,096</u>	<u>\$ 925,435</u>

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT				
City council				
Salaries	\$ 52,000	\$ 52,000	\$ 51,702	\$ 298
Personnel benefits	8,944	8,944	8,232	712
Other operating expenses	16,509	16,509	6,592	9,917
Community promotion	750	750	103	647
	<u>78,203</u>	<u>78,203</u>	<u>66,629</u>	<u>11,574</u>
City clerk				
Salaries	108,123	108,123	108,083	40
Personnel benefits	37,329	37,329	36,377	952
Other operating expenses	16,437	16,437	8,474	7,963
	<u>161,889</u>	<u>161,889</u>	<u>152,934</u>	<u>8,955</u>
Mayor's office				
Salaries	404,247	383,051	348,690	34,361
Personnel benefits	119,059	119,059	101,023	18,036
Professional services	960	2,428	2,239	189
Other operating expenses	71,485	86,687	80,604	6,083
Capital outlay	2,679	7,205	6,620	585
	<u>598,430</u>	<u>598,430</u>	<u>539,176</u>	<u>59,254</u>
Developmental services				
Salaries	126,208	130,244	130,028	216
Personnel benefits	36,284	36,324	36,209	115
Professional services	102,000	92,000	77,273	14,727
Other operating expenses	198,832	208,970	199,726	9,244
Community promotion	311,114	309,990	295,894	14,096
Capital outlay	3,413	2,861	1,812	1,049
	<u>777,851</u>	<u>780,389</u>	<u>740,942</u>	<u>39,447</u>
City attorney				
Professional services	284,800	374,315	364,677	9,638
	<u>284,800</u>	<u>374,315</u>	<u>364,677</u>	<u>9,638</u>
Internal services - finance				
Salaries	375,353	383,218	382,917	301
Personnel benefits	146,719	154,454	143,967	10,487
Professional services	40,650	29,400	28,825	575
Other operating expenses	58,728	78,021	42,970	35,051
Capital outlay		61,357	12,538	48,819
	<u>621,450</u>	<u>706,450</u>	<u>611,217</u>	<u>95,233</u>
Internal services - purchasing				
Salaries	175,714	175,714	165,851	9,863
Personnel benefits	46,651	46,651	42,620	4,031
Professional services	11,596	11,596	10,750	846
Other operating expenses	27,416	27,416	24,250	3,166
	<u>261,377</u>	<u>261,377</u>	<u>243,471</u>	<u>17,906</u>

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS
GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT (Continued)				
Information technology				
Salaries	262,484	263,921	263,204	717
Personnel benefits	90,942	93,623	93,529	94
Professional services		120	120	
Other operating expenses	104,740	104,695	102,460	2,235
Capital outlay	2,756	442	442	
	<u>460,922</u>	<u>462,801</u>	<u>459,755</u>	<u>3,046</u>
Internal services - human resources				
Salaries	140,784	140,784	138,264	2,520
Personnel benefits	129,694	116,507	116,188	319
Professional services	11,400	24,981	21,898	3,083
Other operating expenses	23,716	24,012	21,286	2,726
Capital outlay	2,650	1,960	1,660	300
	<u>308,244</u>	<u>308,244</u>	<u>299,296</u>	<u>8,948</u>
Planning and zoning				
Salaries	71,010	71,010	70,983	27
Personnel benefits	21,123	21,123	21,060	63
Professional services	9,147	7,147		7,147
Other operating expenses	1,000	3,000	2,964	36
	<u>102,280</u>	<u>102,280</u>	<u>95,007</u>	<u>7,273</u>
Municipal buildings				
Professional services		9,064		9,064
Other operating expenses	197,600	235,903	140,604	95,299
Capital outlay		269,526	252,475	17,051
	<u>197,600</u>	<u>514,493</u>	<u>393,079</u>	<u>121,414</u>
Poplar Hill Mansion				
Salaries	25,000	25,000	25,000	
Personnel benefits	2,848	2,848	2,784	64
Other operating expenses	30,175	30,175	26,235	3,940
	<u>58,023</u>	<u>58,023</u>	<u>54,019</u>	<u>4,004</u>
Total general government	<u>3,911,069</u>	<u>4,406,894</u>	<u>4,020,202</u>	<u>386,692</u>
PUBLIC SAFETY				
Police services				
Salaries	7,032,507	6,815,316	6,676,665	138,651
Personnel benefits	3,824,879	3,870,081	3,446,500	423,581
Professional services	40,660	119,690	115,654	4,036
Other operating expenses	1,048,793	1,244,616	1,050,920	193,696
Community promotions	1,000	1,000	1,000	
Capital outlay	234,000	528,962	271,674	257,288
	<u>12,181,839</u>	<u>12,579,665</u>	<u>11,562,413</u>	<u>1,017,252</u>
Police communications				
Salaries	543,874	472,974	388,399	84,575
Personnel benefits	226,422	226,422	135,831	90,591
Professional services	8,000	8,000	2,302	5,698
Other operating expenses	74,917	76,367	30,984	45,383
	<u>853,213</u>	<u>783,763</u>	<u>557,516</u>	<u>226,247</u>

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS
GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
PUBLIC SAFETY (Continued)				
Animal control				
Salaries	77,523	77,523	16,034	61,489
Personnel benefits	30,364	30,364	8,344	22,020
Other operating expenses	5,100	5,100	4,768	332
Professional services	101,952	104,952	102,708	2,244
	<u>214,939</u>	<u>217,939</u>	<u>131,854</u>	<u>86,085</u>
Total police department	<u>13,249,991</u>	<u>13,581,367</u>	<u>12,251,783</u>	<u>1,329,584</u>
Traffic control				
Salaries	274,667	276,567	270,214	6,353
Personnel benefits	131,135	129,980	119,886	10,094
Professional services	550	550	550	
Other operating expenses	975,409	1,105,511	1,100,165	5,346
Total traffic control	<u>1,381,761</u>	<u>1,512,608</u>	<u>1,490,815</u>	<u>21,793</u>
Fire department				
Firefighting				
Salaries	4,056,129	4,065,691	4,063,821	1,870
Personnel benefits	2,500,294	2,528,950	2,399,456	129,494
Professional services	147,940	147,031	140,379	6,652
Other operating expenses	898,701	925,112	853,577	71,535
Capital outlay	137,425	139,925	63,101	76,824
	<u>7,740,489</u>	<u>7,806,709</u>	<u>7,520,334</u>	<u>286,375</u>
Volunteer firemen				
Salaries	27,000			
Personnel benefits	257,185	245,984	245,214	770
Professional services	37,600	25,770	25,695	75
Other operating expenses	8,272	8,272	8,272	
Community promotions	80,000	80,000	80,000	
	<u>410,057</u>	<u>360,026</u>	<u>359,181</u>	<u>845</u>
Total fire department	<u>8,150,546</u>	<u>8,166,735</u>	<u>7,879,515</u>	<u>287,220</u>
Buildings, permits, and inspections				
Salaries	224,340	224,350	224,266	84
Personnel benefits	69,215	69,415	68,363	1,052
Professional services	9,350	9,350	3,711	5,639
Other operating expenses	21,622	21,412	10,295	11,117
Total buildings, permits, and inspections	<u>324,527</u>	<u>324,527</u>	<u>306,635</u>	<u>17,892</u>
Housing and community development				
Salaries	604,635	551,546	534,600	16,946
Personnel benefits	213,791	221,867	218,561	3,306
Professional services	516	396	310	86
Other operating expenses	188,590	184,291	169,468	14,823
Community promotions	78,400	78,400	76,560	1,840
Capital outlay	1,700	54,500	23,416	31,084
Total housing & community development	<u>1,087,632</u>	<u>1,091,000</u>	<u>1,022,915</u>	<u>68,085</u>
Total public safety	<u>24,194,457</u>	<u>24,676,237</u>	<u>22,951,663</u>	<u>1,724,574</u>

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS
GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
PUBLIC WORKS				
Supervision				
Salaries	\$ 333,875	\$ 333,825	\$ 293,993	\$ 39,832
Personnel benefits	135,595	135,273	106,996	28,277
Professional services	500	500	500	
Other operating expenses	51,405	51,777	49,870	1,907
	<u>521,375</u>	<u>521,375</u>	<u>451,359</u>	<u>70,016</u>
Engineering				
Salaries	447,017	446,500	429,291	17,209
Personnel benefits	159,245	159,975	152,611	7,364
Professional services	21,138	207,845	7,551	200,294
Other operating expenses	750,959	1,210,190	1,124,600	85,590
Capital outlay		18,944	23,509	(4,565)
	<u>1,378,359</u>	<u>2,043,454</u>	<u>1,737,562</u>	<u>305,892</u>
Total supervision and engineering	<u>1,899,734</u>	<u>2,564,829</u>	<u>2,188,921</u>	<u>375,908</u>
Roadways				
Salaries	355,033	358,033	346,559	11,474
Personnel benefits	155,688	156,963	145,899	11,064
Professional services	1,000	1,000	1,000	
Other operating expenses	206,486	203,087	196,167	6,920
Capital outlay	165,000	165,000		165,000
	<u>883,207</u>	<u>884,083</u>	<u>689,625</u>	<u>194,458</u>
Sanitation				
Waste collection and disposal				
Salaries	381,180	348,790	348,790	
Personnel benefits	186,271	183,316	178,942	4,374
Professional services	1,000	1,000	1,000	
Other operating expenses	711,657	745,101	741,797	3,304
Capital outlay	275,000	280,000		280,000
	<u>1,555,108</u>	<u>1,558,207</u>	<u>1,270,529</u>	<u>287,678</u>
Recycling				
Salaries	68,802	68,802	67,035	1,767
Personnel benefits	35,561	35,561	33,406	2,155
Professional services	250	250	250	
Other operating expenses	26,263	26,263	24,582	1,681
	<u>130,876</u>	<u>130,876</u>	<u>125,273</u>	<u>5,603</u>
Total sanitation	<u>1,685,984</u>	<u>1,689,083</u>	<u>1,395,802</u>	<u>293,281</u>
Fleet maintenance				
Salaries	200,326	173,977	169,251	4,726
Personnel benefits	92,269	90,718	77,609	13,109
Professional services	600	600	600	
Other operating expenses	155,254	200,577	183,443	17,134
	<u>448,449</u>	<u>465,872</u>	<u>430,903</u>	<u>34,969</u>
Carpenter shop				
Salaries	76,857	77,017	76,522	495
Personnel benefits	36,485	36,325	35,451	874
Professional services	200	200	200	
Other operating expenses	25,024	25,024	23,484	1,540
	<u>138,566</u>	<u>138,566</u>	<u>135,657</u>	<u>2,909</u>
Total public works	<u>5,055,940</u>	<u>5,742,433</u>	<u>4,840,908</u>	<u>901,525</u>

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS
GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget (Unaudited)	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
RECREATION AND CULTURE				
Municipal zoo				
Salaries	\$ 785,692	\$ 765,492	\$ 732,726	\$ 32,766
Personnel benefits	240,431	243,181	197,092	46,089
Professional services	18,700	23,400	22,471	929
Other operating expenses	387,715	401,289	379,929	21,360
	<u>1,432,538</u>	<u>1,433,362</u>	<u>1,332,218</u>	<u>101,144</u>
Park maintenance				
Salaries	321,619	296,519	252,623	43,896
Personnel benefits	135,674	138,874	109,184	29,690
Professional services	600	600	600	
Other operating expenses	178,676	188,350	181,687	6,663
Capital outlay		37,100	17,045	20,055
	<u>636,569</u>	<u>661,443</u>	<u>561,139</u>	<u>100,304</u>
 Total recreation and culture	 <u>2,069,107</u>	 <u>2,094,805</u>	 <u>1,893,357</u>	 <u>201,448</u>
NONDEPARTMENTAL				
Insurance				
Health care claims			128,153	(128,153)
Insurance	717,000	717,000	651,147	65,853
	<u>717,000</u>	<u>717,000</u>	<u>779,300</u>	<u>(62,300)</u>
Miscellaneous				
Personnel benefits	292,800	292,800	276,239	16,561
Other operating expenses	3,952	3,952		3,952
	<u>296,752</u>	<u>296,752</u>	<u>276,239</u>	<u>20,513</u>
 Total nondepartmental	 <u>1,013,752</u>	 <u>1,013,752</u>	 <u>1,055,539</u>	 <u>(41,787)</u>
DEBT PAYMENTS				
Principal redemption	2,973,887	2,973,887	2,973,887	
Interest	1,537,015	1,546,076	798,416	747,660
 Total debt payments	 <u>4,510,902</u>	 <u>4,519,963</u>	 <u>3,772,303</u>	 <u>747,660</u>
 Total expenditures	 <u>40,755,227</u>	 <u>42,454,084</u>	 <u>38,533,972</u>	 <u>3,920,112</u>
OTHER FINANCING SOURCES				
Transfer to other funds	304,626	511,077	509,270	1,807
Total other financing uses	<u>304,626</u>	<u>511,077</u>	<u>509,270</u>	<u>1,807</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 41,059,853</u>	<u>\$ 42,965,161</u>	<u>\$ 39,043,242</u>	<u>\$ 3,921,919</u>

See independent auditors' report on supplementary and statistical informatin.

CITY OF SALISBURY, MARYLAND

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	Special Revenue Funds				
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total
ASSETS					
Cash	\$ 35,995	\$ 925	\$ 543,319	\$ 41,423	\$ 621,662
Investment pool	33,143	5,671	3,148		41,962
Accounts receivable	18,578	123,509	86,205		228,292
Due from other governmental units		870,472			870,472
TOTAL ASSETS	<u>\$ 87,716</u>	<u>\$ 1,000,577</u>	<u>\$ 632,672</u>	<u>\$ 41,423</u>	<u>\$ 1,762,388</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$	\$ 184,668	\$	\$ 4,071	\$ 188,739
Due to other funds		125,961			125,961
Unearned revenue - grants		389,800			389,800
Deposits and advance payment of taxes		15,000			15,000
Total liabilities		<u>715,429</u>		<u>4,071</u>	<u>719,500</u>
 Fund Balances:					
Committed	87,716		632,672		720,388
Assigned		285,148		37,352	322,500
Total fund balances	<u>87,716</u>	<u>285,148</u>	<u>632,672</u>	<u>37,352</u>	<u>1,042,888</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 87,716</u>	<u>\$ 1,000,577</u>	<u>\$ 632,672</u>	<u>\$ 41,423</u>	<u>\$ 1,762,388</u>

See auditors' independent report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds				
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total
REVENUES					
Other revenue	\$ 8,155	\$ 1,649	\$ 402,918	\$	\$ 412,722
Grant revenue		1,646,023			1,646,023
TOTAL REVENUES	<u>8,155</u>	<u>1,647,672</u>	<u>402,918</u>		<u>2,058,745</u>
EXPENDITURES					
General government		737,018	5,633	5,758	748,409
Public safety		787,049			787,049
Public works	9,449	133,294	13,249		155,992
Recreation and culture		104,340			104,340
Capital outlay		239,028	23,547	19,025	281,600
TOTAL EXPENDITURES	<u>9,449</u>	<u>2,000,729</u>	<u>42,429</u>	<u>24,783</u>	<u>2,077,390</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,294)</u>	<u>(353,057)</u>	<u>360,489</u>	<u>(24,783)</u>	<u>(18,645)</u>
OTHER FINANCING SOURCES					
Operating transfers in		370,270		22,000	392,270
TOTAL OTHER FINANCING SOURCES		<u>370,270</u>		<u>22,000</u>	<u>392,270</u>
NET CHANGE IN FUND BALANCES	(1,294)	17,213	360,489	(2,783)	373,625
FUND BALANCES, BEGINNING OF YEAR	<u>89,010</u>	<u>267,935</u>	<u>272,183</u>	<u>40,135</u>	<u>669,263</u>
FUND BALANCES, END OF YEAR	<u>\$ 87,716</u>	<u>\$ 285,148</u>	<u>\$ 632,672</u>	<u>\$ 37,352</u>	<u>\$ 1,042,888</u>

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GRANT FUND**

FOR THE YEAR ENDED JUNE 30, 2019

REVENUES

Federal	\$ 662,554
State	897,906
Others	87,212
TOTAL REVENUES	<u>1,647,672</u>

EXPENDITURES

General Government	
Salaries	92,667
Personnel benefits	8,976
Operating expenses	635,375
Public safety	
Salaries	410,038
Personnel benefits	146,760
Operating expenses	230,251
Public works	
Operating expenses	133,294
Recreation and Culture	
Operating expenses	104,340
Capital outlay	239,028
TOTAL EXPENDITURES	<u>2,000,729</u>

DEFICIENCY OF REVENUES UNDER EXPENDITURES (353,057)

OTHER FINANCING SOURCES

Operating transfers in	<u>370,270</u>
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NET CHANGE IN FUND BALANCE 17,213

FUND BALANCE, BEGINNING OF YEAR 267,935

FUND BALANCE, END OF YEAR \$ 285,148

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS

JUNE 30, 2019

	Enterprise Funds			
	City Marina Fund	Parking Authority Fund	Stormwater Utility Fund	Total
ASSETS				
Current assets:				
Cash and investment pool	\$ 568	\$ 38,472	\$ 240,390	\$ 279,430
Investment pool	197	74,462		74,659
Accounts receivable, net	6,590	95,373	28,284	130,247
Total current assets	<u>7,355</u>	<u>208,307</u>	<u>268,674</u>	<u>484,336</u>
Noncurrent assets:				
Restricted investment pool		341,381		341,381
Capital assets				
Land	1,315,000	467,790		1,782,790
Construction-in-progress		269,824		269,824
Buildings, equipment, and improvements	1,755,970	4,415,497	1,116,809	7,288,276
Less accumulated depreciation	<u>(1,506,192)</u>	<u>(2,881,186)</u>	<u>(571,244)</u>	<u>(4,958,622)</u>
Total noncurrent assets	<u>1,564,778</u>	<u>2,613,306</u>	<u>545,565</u>	<u>4,723,649</u>
Total assets	<u>1,572,133</u>	<u>2,821,613</u>	<u>814,239</u>	<u>5,207,985</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension plan		<u>30,458</u>	<u>11,270</u>	<u>41,728</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,934	100,676	15,161	117,771
Accrued payroll	744	4,156	1,390	6,290
Accrued interest payable		1,143		1,143
Deposits	874			874
Due to general fund	124,338	104,816		229,154
Bonds, notes, and capital leases payable		112,655	67,288	179,943
Total current liabilities	<u>127,890</u>	<u>323,446</u>	<u>83,839</u>	<u>535,175</u>
Noncurrent liabilities:				
Bonds, notes, and capital leases payable		632,785	216,116	848,901
Net pension liability		142,957	52,896	195,853
Total noncurrent liabilities		<u>775,742</u>	<u>269,012</u>	<u>1,044,754</u>
Total liabilities	<u>127,890</u>	<u>1,099,188</u>	<u>352,851</u>	<u>1,579,929</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension plan		<u>18,717</u>	<u>6,925</u>	<u>25,642</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	1,564,778	1,526,485	262,161	3,353,424
Restricted		341,381		341,381
Unrestricted (deficit)	<u>(120,535)</u>	<u>(133,700)</u>	<u>203,572</u>	<u>(50,663)</u>
Total net position	<u>\$ 1,444,243</u>	<u>\$ 1,734,166</u>	<u>\$ 465,733</u>	<u>\$ 3,644,142</u>

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Funds			
	City Marina Fund	Parking Authority Fund	Stormwater Utility Fund	Total
OPERATING REVENUES				
Charges for services	\$ 51,695	\$ 625,674	\$ 595,516	\$ 1,272,885
TOTAL OPERATING REVENUES	<u>51,695</u>	<u>625,674</u>	<u>595,516</u>	<u>1,272,885</u>
OPERATING EXPENSES				
Salaries	29,551	205,792	85,565	320,908
Personnel benefits	5,431	104,237	26,598	136,266
Professional and skilled services	431	66,967	199,299	266,697
Other operating expenses	38,036	186,012	46,451	270,499
Equipment		9,703		9,703
TOTAL OPERATING EXPENSES	<u>73,449</u>	<u>572,711</u>	<u>357,913</u>	<u>1,004,073</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(21,754)	52,963	237,603	268,812
Depreciation	<u>19,307</u>	<u>94,740</u>	<u>75,300</u>	<u>189,347</u>
NET OPERATING INCOME (LOSS)	<u>(41,061)</u>	<u>(41,777)</u>	<u>162,303</u>	<u>79,465</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfers in (out)			(160,000)	(160,000)
Interest income		14,631		14,631
Interest expense		(21,943)	(2,216)	(24,159)
TOTAL NONOPERATING REVENUES (EXPENSES)		<u>(7,312)</u>	<u>(162,216)</u>	<u>(169,528)</u>
CHANGE IN NET POSITION	(41,061)	(49,089)	87	(90,063)
NET POSITION, BEGINNING OF YEAR	<u>1,485,304</u>	<u>1,783,255</u>	<u>465,646</u>	<u>3,734,205</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,444,243</u></u>	<u><u>\$ 1,734,166</u></u>	<u><u>\$ 465,733</u></u>	<u><u>\$ 3,644,142</u></u>

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND - WATER AND SEWER**

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 4,571,346	\$ 11,420,297	\$ 15,991,643
Penalties	21,872	53,902	75,774
Tapping charges and connections fees	13,520		13,520
Sundry income	217,306	(5,291)	212,015
Pretreatment monitoring fee		180,295	180,295
Impact fees	321,313	419,094	740,407
TOTAL OPERATING REVENUES	<u>5,145,357</u>	<u>12,068,297</u>	<u>17,213,654</u>
OPERATING EXPENSES			
Salaries	1,634,451	2,487,045	4,121,496
Personnel benefits	700,632	1,031,052	1,731,684
Professional and skilled services	584,647	487,690	1,072,337
Other operating expenses	1,567,096	3,270,569	4,837,665
Equipment	8,198	22,492	30,690
TOTAL OPERATING EXPENSES	<u>4,495,024</u>	<u>7,298,848</u>	<u>11,793,872</u>
OPERATING INCOME BEFORE DEPRECIATION	650,333	4,769,449	5,419,782
Depreciation	<u>601,712</u>	<u>3,985,504</u>	<u>4,587,216</u>
NET OPERATING INCOME	<u>48,621</u>	<u>783,945</u>	<u>832,566</u>
NONOPERATING REVENUES (EXPENSES)			
Grants		259,232	259,232
Interest income	229,352	226,846	456,198
Interest expense	(68,013)	(581,750)	(649,763)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>161,339</u>	<u>(95,672)</u>	<u>65,667</u>
CHANGE IN NET POSITION	<u>\$ 209,960</u>	<u>\$ 688,273</u>	898,233
NET POSITION, BEGINNING OF YEAR			<u>74,184,130</u>
NET POSITION, END OF YEAR			<u>\$ 75,082,363</u>

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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, 2019

	Budget (Unaudited)		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Inspection fees	\$ 40,000	\$ 40,000	\$ 72,192	\$ 32,192
Water sales	4,452,950	4,452,950	4,499,154	46,204
Penalties	22,500	22,500	21,872	(628)
Interest earned			229,352	229,352
Water income - sundry	179,250	179,250	217,306	38,056
Tapping charges and connection fees			13,520	13,520
Impact fees			321,313	321,313
Lease proceeds	37,000	37,000		(37,000)
TOTAL REVENUES	<u>4,731,700</u>	<u>4,731,700</u>	<u>5,374,709</u>	<u>643,009</u>
EXPENSES				
Engineering				
Salaries	347,028	346,070	345,654	416
Personnel benefits	137,350	138,521	152,123	(13,602)
Professional and skilled services	31,000	39,909	28,085	11,824
Other operating expenses	111,965	103,339	68,771	34,568
Equipment	5,570	52,284	8,198	44,086
Total engineering	<u>632,913</u>	<u>680,123</u>	<u>602,831</u>	<u>77,292</u>
Billing and collection				
Salaries	131,769	131,769	131,530	239
Personnel benefits	47,911	48,731	56,571	(7,840)
Professional and skilled services	30,900	34,900	20,140	14,760
Other operating expenses	102,620	97,800	89,969	7,831
Capital outlay		1,913		1,913
Total billing and collection	<u>313,200</u>	<u>315,113</u>	<u>298,210</u>	<u>16,903</u>
Water treatment				
Salaries	590,418	590,418	541,605	48,813
Personnel benefits	213,777	213,777	227,756	(13,979)
Professional and skilled services			130,611	(130,611)
Other operating expenses	1,148,912	1,615,457	1,036,163	579,294
Capital outlay	37,000	37,923		37,923
Total water treatment	<u>1,990,107</u>	<u>2,457,575</u>	<u>1,936,135</u>	<u>521,440</u>

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CITY OF SALISBURY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER DEPARTMENT (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2019

	Budget (Unaudited)			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Distribution and storage				
Salaries	\$ 611,241	\$ 611,241	\$ 533,540	\$ 77,701
Personnel benefits	220,482	220,483	228,134	(7,651)
Professional and skilled services			200,231	(200,231)
Other operating expenses	236,403	236,403	205,993	30,410
Total distribution and storage	<u>1,068,126</u>	<u>1,068,127</u>	<u>1,167,898</u>	<u>(99,771)</u>
Administration				
Salaries	82,762	76,857	82,122	(5,265)
Personnel benefits	28,462	34,366	36,048	(1,682)
Professional and skilled services	209,627	209,627	205,580	4,047
Other operating expenses	183,442	183,442	166,200	17,242
Total administration	<u>504,293</u>	<u>504,292</u>	<u>489,950</u>	<u>14,342</u>
Debt payments				
Principal redemption	326,241	326,247		326,247
Interest	112,389	113,540	68,013	45,527
Total debt payments	<u>438,630</u>	<u>439,787</u>	<u>68,013</u>	<u>371,774</u>
TOTAL EXPENSES	<u>4,947,269</u>	<u>5,465,017</u>	<u>4,563,037</u>	<u>901,980</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(215,569)	(733,317)	811,672	1,544,989
Depreciation			601,712	(601,712)
CHANGE IN NET POSITION	<u>\$ (215,569)</u>	<u>\$ (733,317)</u>	<u>\$ 209,960</u>	<u>\$ 943,277</u>

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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, 2019

	Budget (Unaudited)		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sewer charges	\$ 10,945,625	\$ 10,945,625	\$ 10,990,187	\$ 44,562
Sewer charges-urban services	389,062	389,062	430,110	41,048
Penalties	56,000	56,000	53,902	(2,098)
Pretreatment monitoring fees	185,000	185,000	180,295	(4,705)
Interest earned			226,846	226,846
Sundry income	4,050	4,050	(5,291)	(9,341)
Tapping charges and connection fees			419,094	419,094
Grants			259,232	259,232
Debt proceeds	56,426	56,426		(56,426)
TOTAL REVENUES	<u>11,636,163</u>	<u>11,636,163</u>	<u>12,554,375</u>	<u>918,212</u>
EXPENSES				
Engineering				
Salaries	352,814	352,804	365,090	(12,286)
Personnel benefits	130,577	130,801	131,997	(1,196)
Professional and skilled services	32,800	99,987	91,623	8,364
Other operating expenses	83,826	100,762	70,630	30,132
Capital outlay	5,570	5,570	5,117	453
Total engineering	<u>605,587</u>	<u>689,924</u>	<u>664,457</u>	<u>25,467</u>
Billing and collection				
Salaries	191,131	194,027	213,134	(19,107)
Personnel benefits	73,397	74,497	86,439	(11,942)
Professional and skilled services	27,250	35,949	34,105	1,844
Other operating expenses	26,385	16,689	14,191	2,498
Capital outlay	3,500	26,140	13,165	12,975
Total billing and collection	<u>321,663</u>	<u>347,302</u>	<u>361,034</u>	<u>(13,732)</u>
Water treatment				
Salaries	1,336,468	1,336,468	1,275,233	61,235
Personnel benefits	560,233	560,233	546,437	13,796
Professional and skilled services	50,000	50,000	20,064	29,936
Other operating expenses	3,812,030	4,577,058	2,661,954	1,915,104
Equipment	56,426	154,846	4,210	150,636
Total water treatment	<u>5,815,157</u>	<u>6,678,605</u>	<u>4,507,898</u>	<u>2,170,707</u>

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CITY OF SALISBURY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SEWER DEPARTMENT (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2019

	Budget (Unaudited)		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Maintenance and repair				
Salaries	\$ 465,905	\$ 465,905	\$ 435,435	\$ 30,470
Personnel benefits	198,836	198,836	186,114	12,722
Other operating expenses	288,846	334,594	259,043	75,551
Total distribution and storage	953,587	999,335	880,592	118,743
Pretreatment monitoring				
Salaries	108,811	100,479	102,087	(1,608)
Personnel benefits	29,657	37,988	39,579	(1,591)
Other operating expenses	33,186	34,285	24,075	10,210
Total pretreatment monitoring	171,654	172,752	165,741	7,011
Administration				
Salaries	84,082	77,949	96,066	(18,117)
Personnel benefits	33,651	39,784	40,486	(702)
Professional and skilled services	344,693	373,632	341,898	31,734
Other operating expenses	260,006	261,632	240,676	20,956
Total administration	722,432	752,997	719,126	33,871
Debt payments				
Principal redemption	3,744,054	3,744,054		3,744,054
Interest	754,131	755,051	581,750	173,301
Total debt payments	4,498,185	4,499,105	581,750	3,917,355
TOTAL EXPENSES	13,088,265	14,140,020	7,880,598	6,259,422
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(1,452,102)	(2,503,857)	4,673,777	7,177,634
Depreciation			3,985,504	(3,985,504)
CHANGE IN NET POSITION	\$ (1,452,102)	\$ (2,503,857)	\$ 688,273	\$ 3,192,130

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CITY OF SALISBURY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - CITY MARINA**

FOR THE YEAR ENDED JUNE 30, 2019

	Budget (Unaudited)		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Slip rental	\$ 32,000	\$ 32,000	\$ 31,751	\$ (249)
Electric fees	4,700	4,700	4,243	(457)
Gas sales	16,500	16,500	15,531	(969)
Miscellaneous	3,000	3,000	170	(2,830)
TOTAL OPERATING REVENUES	<u>56,200</u>	<u>56,200</u>	<u>51,695</u>	<u>(4,505)</u>
OPERATING EXPENSES				
Salaries	36,200	36,200	29,551	6,649
Personnel benefits	6,672	6,672	5,431	1,241
Professional and skilled services	100	431	431	
Other operating expenses	45,175	45,129	38,036	7,093
TOTAL OPERATING EXPENSES	<u>88,147</u>	<u>88,432</u>	<u>73,449</u>	<u>14,983</u>
OPERATING LOSS BEFORE DEPRECIATION	(31,947)	(32,232)	(21,754)	10,478
Depreciation			19,307	(19,307)
CHANGE IN NET POSITION	<u>\$ (31,947)</u>	<u>\$ (32,232)</u>	<u>\$ (41,061)</u>	<u>\$ (8,829)</u>

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CITY OF SALISBURY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - PARKING AUTHORITY**

FOR THE YEAR ENDED JUNE 30, 2019

	Budget (Unaudited)		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Parking permits, fines, state grants, meters, and Park n' Shop	\$ 725,000	\$ 725,000	\$ 625,674	\$ (99,326)
TOTAL OPERATING REVENUES	<u>725,000</u>	<u>725,000</u>	<u>625,674</u>	<u>(99,326)</u>
OPERATING EXPENSES				
Salaries	204,494	205,792	205,792	
Personnel benefits	63,414	69,117	104,237	35,120
Professional and skilled services	116,573	100,445	66,967	(33,478)
Other operating expenses	180,853	202,160	186,012	(16,148)
Equipment	61,250	89,156	9,703	(79,453)
TOTAL OPERATING EXPENSES	<u>626,584</u>	<u>666,670</u>	<u>572,711</u>	<u>(93,959)</u>
OPERATING INCOME BEFORE DEPRECIATION	98,416	58,330	52,963	5,367
Depreciation			94,740	(94,740)
NET OPERATING INCOME (LOSS)	<u>98,416</u>	<u>58,330</u>	<u>(41,777)</u>	<u>(100,107)</u>
NONOPERATING REVENUES (EXPENSES)				
Proceeds from extended term financing	25,000	25,000		(25,000)
Investment earnings			14,631	14,631
Principal payment	(102,883)	(102,883)		102,883
Interest expenses	(61,665)	(61,665)	(21,943)	39,722
Total nonoperating revenues (expenses)	<u>(139,548)</u>	<u>(139,548)</u>	<u>(7,312)</u>	<u>132,236</u>
CHANGE IN NET POSITION	<u>\$ (41,132)</u>	<u>\$ (81,218)</u>	<u>\$ (49,089)</u>	<u>\$ 32,129</u>

See independent auditors' report on supplementary and statistical information.

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - STORMWATER UTILITY**

FOR THE YEAR ENDED JUNE 30, 2019

	Budget (Unaudited)		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 600,000	\$ 600,000	\$ 595,516	\$ (4,484)
TOTAL OPERATING REVENUES	<u>600,000</u>	<u>600,000</u>	<u>595,516</u>	<u>(4,484)</u>
OPERATING EXPENSES				
Salaries	92,717	95,017	85,565	9,452
Personnel benefits	53,856	53,856	26,598	27,258
Professional and skilled services	141,275	251,640	199,299	52,341
Other operating expenses	120,750	142,447	46,451	95,996
Equipment	225,000	249,250		249,250
TOTAL OPERATING EXPENSES	<u>633,598</u>	<u>792,210</u>	<u>357,913</u>	<u>434,297</u>
OPERATING INCOME BEFORE DEPRECIATION	(33,598)	(192,210)	237,603	429,813
Depreciation			75,300	(75,300)
NET OPERATING INCOME	<u>(33,598)</u>	<u>(192,210)</u>	<u>162,303</u>	<u>354,513</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfers out	(160,000)	(160,000)	(160,000)	
Proceeds from extended term financing	225,000	225,000		(225,000)
Interest expenses	(68,301)	(68,301)	(2,216)	66,085
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(3,301)</u>	<u>(3,301)</u>	<u>(162,216)</u>	<u>(158,915)</u>
CHANGE IN NET POSITION	<u>\$ (36,899)</u>	<u>\$ (195,511)</u>	<u>\$ 87</u>	<u>\$ 195,598</u>

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STATISTICAL INFORMATION

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE
(UNAUDITED)**

AS OF JUNE 30, 2019

Levy Year	Total	General Fund		
		Real Property	Personal Property	Corporations
2019	\$ 537,595	\$ 196,579	\$ 6,844	\$ 334,172
2018	320,889	61,747	4,660	254,482
2017	111,368	15,422	751	95,195
2016	74,750	16,438	167	58,145
2015 and prior	<u>1,230,464</u>	<u>365,875</u>	<u>43,114</u>	<u>821,475</u>
	2,275,066	656,061	55,536	1,563,469
Less allowances for uncollectibles	<u>(990,482)</u>		<u>(46,362)</u>	<u>(944,120)</u>
	<u>\$ 1,284,584</u>	<u>\$ 656,061</u>	<u>\$ 9,174</u>	<u>\$ 619,349</u>

NOTE: Included in the above are unearned taxes of \$474,893.

CITY OF SALISBURY, MARYLAND
STATEMENT OF BONDED INDEBTEDNESS
(UNAUDITED)

JUNE 30, 2019

Description of Bonds and Purpose of Issue	Interest		Bond Maturities	Date Issued	Authorized Total Issue	Outstanding June 30, 2019	Principal	Interest	Payable At
	Rate (Percent)	Dates Payable							
General Obligation Bonds									
Water Quality Bond of 2003	0.40	F & A1	08/01/03-08/01/24	04/17/03	\$ 3,163,361	\$ 814,673	\$ 160,992	\$ 11,738	MD Dept. Environment
Water Quality Bond of 2005	0.40	F & A1	02/01/09-02/01/28	09/29/05	41,721,225	19,031,649	2,104,106	183,655	MD Water Quality Fin.
Maryland Water Quality Bond (ARRA)	0.00	A & F1	08/01/11-02/01/30	12/04/09	2,056,400	895,082	145,021		MD Water Quality Fin.
Maryland Energy Administration	0.00	S & M1	09/01/11-03/01/13	12/04/09	258,740	28,750	28,749		MD Water Quality Fin.
Refinance Public Improvement Bond	3.35	A & O1	10/01/11-10/01/26	10/04/10	5,050,000	2,855,892	306,915	100,813	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	1,658,000	434,000	57,530	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	1,221,057	49,781	14,303	MD Water Quality Fin.
Series 2012B Maryland Water Quality Financing Administration Drinking Water Bond	0.00	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	4,117,000	348,000	129,159	Suntrust Bank
Public Improvement Bonds of 2014	2.96	J & J1	07/01/14-07/01/28	12/23/13	3,178,000	2,273,000	192,000	70,115	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	41,089	4,575	612	MD Water Quality Fin.
Series 2014B Maryland Water Quality Financing Administration Drinking Water Bond	0.00	On demand	03/20/14-02/01/29	03/20/14	464,625	413,835			MD Water Quality Fin.
Series 2015A Maryland Water Quality Financing Administration Drinking Water Bond	0.00	F & A1	08/01/15-02/01/37	06/30/15	34,545,000	35,451,627	149,999		MD Water Quality Fin.
Series 2015B Maryland Water Quality Financing Administration Drinking Water Bond	0.00	F & A1	08/01/15-02/01/37	06/30/15	1,500,000				MD Water Quality Fin.
Public Improvements Bonds of 2016	2.18	J & D1	12/01/15-06/01/26	12/01/15	4,726,200	3,413,737	446,956	79,291	Bank of America
2017 Public Improvement Refunding Bond	5.00	A & O1	04/01/17-04/01/31	07/28/16	20,030,000	16,145,000	1,730,000	759,813	Bank of America
2018 Public Improvement Bond	2.51	J1	06/01/18-06/01/32	12/23/17	5,724,853	5,198,048	334,708	138,872	BB&T Bank
						\$ 94,970,713	\$ 6,435,802	\$ 1,545,901	

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CITY OF SALISBURY, MARYLAND
GENERAL FUND REVENUE BY SOURCE
(UNAUDITED)

FIVE YEARS ENDED JUNE 30, 2019

<u>Fiscal Year Ended June 30</u>	<u>Property Taxes</u>	<u>Local Income Taxes</u>	<u>State Shared Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Revenues from Use of Money and Property</u>	<u>Revenue from Other Agencies</u>	<u>Service Charges and Other</u>	<u>Total</u>	<u>Surplus Appropriated</u>
2019	\$ 25,672,621 63.51%	\$ 2,148,438 5.31%	\$ 2,312,137 5.72%	\$ 1,580,614 3.91%	\$ 1,115,784 2.76%	\$ 237,781 0.59%	\$ 2,328,583 5.76%	\$ 5,029,056 12.44%	\$ 40,425,014 100.00%	1,647,099
2018	24,682,281 65.42%	1,813,673 4.81%	1,871,351 4.96%	1,251,117 3.32%	1,388,717 3.68%	131,227 0.35%	2,394,418 6.35%	4,196,852 11.12%	37,729,636 100.00%	1,782,844
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 66.00%	1,631,437 4.93%	1,606,230 4.86%	877,882 2.65%	861,953 2.61%	20,850 0.06%	1,979,429 5.98%	4,267,389 12.90%	33,075,888 100.00%	387,604

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CITY OF SALISBURY, MARYLAND
GENERAL FUND EXPENDITURES BY FUNCTION
(UNAUDITED)

FIVE YEARS ENDED JUNE 30, 2019

Fiscal Year Ended June 30	General Government	Police	Fire	Other Safety	Department of Public Works			Recreation	Miscellaneous & Transfers	Total
					Supervision & Engineering	Highways	Sanitation & Other			
2019	\$ 4,020,202 10.30%	\$ 12,251,783 31.38%	\$ 7,879,515 20.18%	\$ 2,820,365 7.22%	\$ 2,188,921 5.61%	\$ 689,625 1.77%	\$ 1,962,362 5.02%	\$ 1,893,357 4.85%	\$ 5,337,112 13.67%	\$ 39,043,242 100.00%
2018	3,701,899 9.34%	12,081,923 30.48%	8,833,792 22.28%	3,041,561 7.67%	1,934,841 4.88%	714,943 1.80%	1,926,571 4.86%	2,056,707 5.19%	5,348,152 13.49%	39,640,389 100.00%
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%	2,536,646 5.47%	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%	2,008,009 5.75%	1,939,828 5.56%	3,832,939 10.98%	34,900,072 100.00%
2015	2,861,790 8.08%	11,318,972 31.95%	6,681,923 18.86%	1,422,459 4.02%	1,800,877 5.08%	1,469,201 4.15%	2,094,694 5.91%	1,766,395 4.99%	6,011,813 16.97%	35,428,124 100.00%

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CITY OF SALISBURY, MARYLAND
WATER AND SEWER DEPARTMENT OPERATIONS
(UNAUDITED)

FIVE YEARS ENDED JUNE 30, 2019

Fiscal Year Ended June 30	Revenue					Surplus Appropriated	Expenses				
	Water Charges	Other Water	Sewer Charges	Other Sewer	Total		Operations	Capital Outlay	Debt Service	Depreciation	Total
2019	\$ 4,571,346	\$ 803,363	\$ 11,420,297	\$ 1,134,078	\$ 17,929,084	\$ 2,062,272	\$ 11,763,182	\$ 30,690	\$ 649,763	\$ 4,587,216	\$ 17,030,851
2018	4,210,517	624,836	10,699,986	7,190,189	22,725,528	2,028,669	10,842,124	7,132	714,303	2,441,560	14,005,119
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

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, 2019

<u>Fiscal Year Ended June 30</u>	<u>Assessable Basis</u>	<u>Total General Sinking Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected in Year of Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
2019	\$ 2,228,360,951	\$ 26,402,199	\$ 24,744,210	93.72%	\$ 484,372	\$ 25,228,582	95.55%	\$ 1,972,716	7.47%
2018	2,151,596,042	25,652,521	23,715,956	92.45%	542,031	24,257,987	94.56%	1,919,494	7.48%
2017	2,079,435,806	23,235,981	21,889,832	94.21%	228,267	22,118,099	95.19%	1,822,261	7.84%
2016	2,069,149,309	23,089,919	21,557,434	93.36%	389,437	21,946,871	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%

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CITY OF SALISBURY, MARYLAND
GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS
(UNAUDITED)

FIVE YEARS ENDED JUNE 30, 2019

Fiscal Year Ended June 30	Assessed Values					General Obligation Debt and Notes Payable	Ratio G. O. Debt to Assessed Values	Legal Debt Limit	Legal Debt Margin	Total G. O. Debt Service	Total Expenditures General Fund and Water & Sewer	Ratio G. O. Debt Service to Total Expenditures
	Real Property		Corporations									
	Full and Partial Year	Personal Property	Ordinary	Railroads and Utilities	Total							
2019	\$ 1,930,891,071	\$ 3,058,170	\$ 226,509,050	\$ 67,902,660	\$ 2,228,360,951	\$ 94,970,713	\$ 0.0426	\$ 53,491,315	\$ 31,732,709	\$ 7,997,337	\$ 56,074,091	0.143
2018	1,852,099,222	3,105,050	234,255,790	62,135,980	2,151,596,042	99,578,997	0.0463	52,016,825	27,995,578	7,974,157	53,618,944	0.149
2017	1,793,459,946	2,866,060	219,735,720	63,374,080	2,079,435,806	93,046,518	0.0447	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	82,634,302	0.0399	49,846,128	27,882,679	7,029,377	50,827,619	0.138
2015	1,748,436,713	2,467,580	205,701,610	59,791,560	2,016,397,463	68,725,686	0.0341	48,366,772	29,036,814	6,207,124	12,861,975	0.483

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