



CITY OF SALISBURY, MARYLAND

AUDIT REPORT

JUNE 30, 2020

CITY OF SALISBURY
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CITY OF SALISBURY, MARYLAND

ORGANIZATION

SERVING AS OF JUNE 30, 2020

OFFICIALS - ELECTED

Mayor	Jacob R. Day
President of Council	John R. (Jack) Heath
Vice President of Council	Muir Boda
Council Members	Angela M. Blake April Jackson Michele Gregory

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 Loyd
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



INDEPENDENT AUDITOR'S REPORT

December 7, 2020

Members of City Council
City of Salisbury
Salisbury, Maryland

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salisbury ("the City"), Salisbury, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate

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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 polices 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salisbury, Salisbury, Maryland, as of June 30, 2020, and the respective changes in its financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison information on page 56, schedules of the City's proportionate share of the net pension liability on pages 57 and 59, schedules of City contributions on pages 58 and 60, and schedule of the City's net OPEB liability and related ratios on page 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 Information

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

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The other supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP



City of Salisbury, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

This section of the annual financial report of the City of Salisbury ("the City") presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2020. 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, 2020 was \$84,426,851. Net position of our governmental activities decreased by \$469,164 (or 6.9 percent) while net position of our business-type activities decreased by \$76,062 (or .1 percent).
- The General Fund reported revenues and other financing sources over expenditures and other financing uses resulting in a \$881,074 increase in fund balance, bringing its fund balance this year to \$13,811,228.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts — *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *entity-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the entity-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1, Required Components of the City's Annual Financial Report

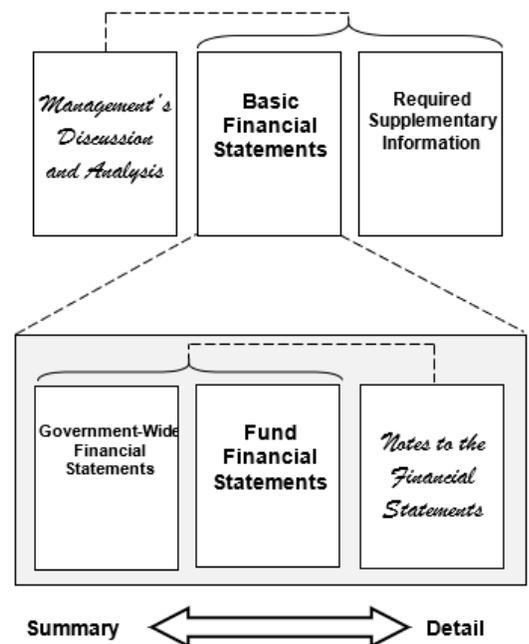


Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary	Activities the City operate similar to private businesses: self insurance	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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.

- *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 at June 30, 2020 was \$84,426,851.

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
CURRENT ASSETS:						
Cash and investments	\$ 11,056	\$ 11,581	\$ 7,832	\$ 7,526	\$ 18,888	\$ 9,107
Accounts and taxes receivable, net	3,678	3,098	3,012	2,687	6,690	5,785
Due from other governmental units	2,232	1,287	986	2,971	3,218	4,258
Internal balances	250	229	(250)	(229)	-	-
Inventories	872	794	383	368	1,255	1,162
Other	21	5	21	-	42	5
TOTAL CURRENT ASSETS	18,109	16,994	11,984	13,323	30,093	30,317
NONCURRENT ASSETS:						
Restricted cash	12,284	5,619	16,735	18,544	29,019	24,163
Capital assets at cost	96,732	88,566	183,001	179,645	279,733	268,211
Less accumulated depreciation	(35,159)	(32,101)	(49,295)	(44,428)	(84,454)	(76,529)
TOTAL NONCURRENT ASSETS	73,857	62,084	150,441	153,761	224,298	215,845
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred outflow - pension	5,596	6,428	703	831	6,299	7,259
Deferred outflow - OPEB	2,635	1,561	659	390	3,294	1,951
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,231	7,989	1,362	1,221	9,593	9,210
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	100,197	87,067	163,787	168,305	263,984	255,372
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	2,997	1,601	2,369	4,127	5,366	5,728
Bonds, notes, and capital leases payable	3,687	3,194	4,655	4,491	8,342	7,685
Other	1,121	763	305	492	1,426	1,255
TOTAL CURRENT LIABILITIES	7,805	5,558	7,329	9,110	15,134	14,668

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

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
NONCURRENT LIABILITIES:						
Compensated absences	1,905	1,641	241	211	2,146	1,852
Post-employment benefits	20,084	17,748	5,021	4,437	25,105	22,185
Net pension liability	30,176	29,648	4,163	3,898	34,339	33,546
Bonds, notes, and capital leases payable	30,292	21,939	68,456	71,875	98,748	93,814
TOTAL NONCURRENT LIABILITIES	82,457	70,976	77,881	80,421	160,338	151,397
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows – pensions	3,493	3,593	397	511	3,890	4,104
Deferred inflows - OPEB	156	185	39	46	195	231
TOTAL DEFERRED INFLOWS OF RESOURCES	3,649	3,778	436	557	4,085	4,335
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	93,911	80,312	85,646	90,088	179,557	170,400
NET POSITION:						
Net investment in capital assets	27,595	31,332	60,594	58,850	88,189	90,182
Restricted	12,284	5,619	16,735	18,544	29,019	24,163
Unrestricted (Deficit)	(33,592)	(30,195)	811	822	(32,781)	(29,373)
TOTAL NET POSITION	\$ 6,287	\$ 6,756	\$ 78,140	\$ 78,216	\$ 84,427	\$ 84,972

Net position of the City's governmental activities decreased 6.9 percent to \$6,286,880 due to decreases in assets not offset by decreases in liabilities of a lesser amount. Net position of the City's business-type activities decreased 0.1 percent to \$78,139,971 due to decreases in assets not offset by decreases in liabilities of a lesser amount.

The City's total revenues were \$63,769,237. A significant portion (46.2 percent) of the City's revenue comes from property and other taxes (See Figure A-3). A portion (41.5 percent) comes from charges for services, 7.5 percent is derived from operating grants, and 2.8 percent is derived from capital grants and contributions. The remaining 2.0 percent comes from miscellaneous, capital grants, and investment earnings. The total cost of all programs and services was \$64,314,463.

Figure A-3
CITY'S SOURCES OF REVENUES
Fiscal Year 2020

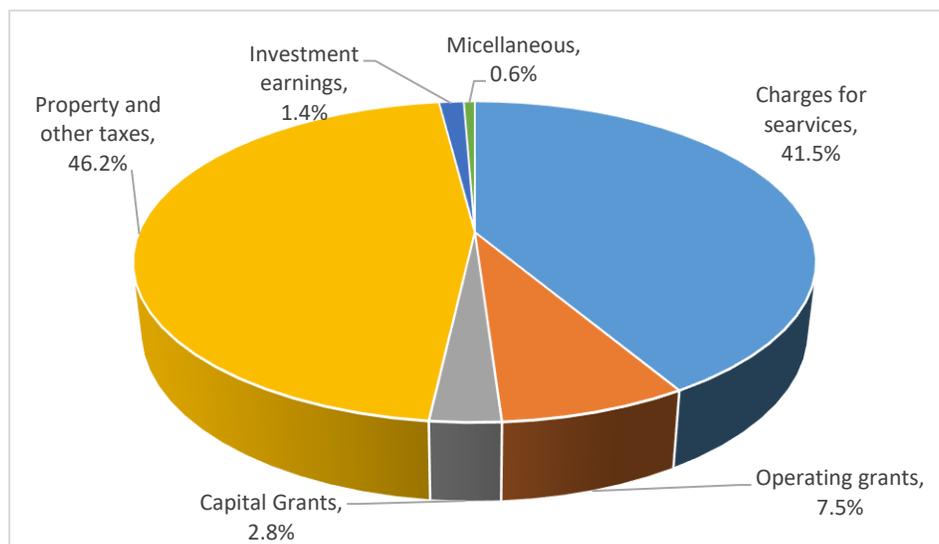


Table A-2
SOURCES OF REVENUES
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals		Percentage
	2020	2019	2020	2019	2020	2019	Change 2019-2020
Program revenues:							
Charges for services	\$ 8,439	\$ 9,054	\$ 17,988	\$ 18,644	\$ 26,427	\$ 27,698	-5%
Operating grants	4,789	4,253	-	-	4,789	4,253	13%
Capital grants	1,351	846	455	259	1,806	1,105	63%
General revenues:							
Property and other taxes	29,461	27,723	-	-	29,461	27,723	6%
Investment earnings	530	559	358	471	888	1,030	-14%
Transfers	120	160	(120)	(160)	-	-	0%
Miscellaneous	397	201	2	-	399	201	99%
Total Revenues	\$ 45,087	\$ 42,796	\$ 18,683	\$ 19,214	\$ 63,770	\$ 62,010	3%

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		
	2020	2019	% Change	2020	2019	% Change
Governmental Activities:						
General government	\$ 5,008	\$ 4,766	5.1%	\$ 2,721	\$ 1,498	81.7%
Public safety	30,112	27,845	8.1%	21,587	20,505	5.3%
Public works	5,768	6,292	-8.3%	2,722	3,723	-26.9%
Recreation and culture	2,581	2,329	10.8%	1,860	1,353	37.5%
Nondepartmental	894	1,056	-15.3%	894	1,056	-15.3%
Interest on long-term debt	1,193	785	51.8%	1,193	785	51.8%
Total Governmental Activities	45,556	43,073		30,977	28,920	
Business-type Activities:						
Water and sewer	17,305	17,031	1.6%	308	(442)	-169.7%
Mitchell Landing	222	213	4.2%	61	56	8.9%
Other	1,231	1,217	1.2%	(53)	(55)	-3.6%
Total Business-type Activities	18,758	18,461		316	(441)	
Total	\$ 64,314	\$ 61,534		\$ 31,293	\$ 28,479	

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

Governmental Activities		Business-type Activities		Totals	
2020	2019	2020	2019	2020	2019
\$ (469)	\$ (277)	\$ (76)	\$ 753	\$ (545)	\$ 476

Governmental Activities

Property and other tax revenues increased approximately \$1.7 million due to improvements in economic conditions. The cost of all *governmental* activities this year was \$45.6 million. However, the amount that the City's taxpayers paid for these activities through taxes was only \$31.0 million. Some of the cost was paid by those who directly benefited from the programs, \$8.4 million, or by grants and contributions, \$6.1 million. The total cost of governmental activities increased \$2.5 million, which can be attributed largely to increases in Public Safety and General Government.

Business-type Activities

Revenues of the City's business-type activities were \$18.7 million in FY 2020, a decrease from \$19.2 million in FY 2019 (see Table A-2), while expenses were \$18.8 million in FY 2020 versus \$18.5 million in FY 2019. The overall revenue decrease is primarily due to less revenue related to charges for services earned by the City in FY 2020. Overall costs increased by \$0.3 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 2020, the City's governmental funds reported a combined fund balance of \$24.8 million, a \$6.7 million increase from the previous year. At year end, the General Fund had a fund balance of \$13.8 million and the Capital Improvements Fund had a fund balance of \$10.3 million. The fund balance for other governmental funds reported an ending in fund balance of \$0.7 million. Revenue collections were less than expenditures by \$6.1 million for the year for all governmental funds. General Fund revenue collections exceeded expenditures by \$0.3 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 \$45.6 million (including operating transfers), versus an original budget of \$42.4 million. Part of the variance is due a \$1.2 million carry forward of encumbrances from FY 2019 and \$0.7 million required for updated breathing apparatus equipment needed by the Fire Department. Actual expenditures were \$3.6 million below final budget amounts. All departments were under budget during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had invested \$279.7 million in a broad range of capital assets (See Table A-5).

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

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2020	2019	2020	2019	2020	2019	
Land and art	\$ 8,676	\$ 8,595	\$ 2,198	\$ 2,198	\$ 10,874	\$ 10,793	0.8%
Construction-in-progress	15,354	9,482	4,250	4,712	19,604	14,194	38.1%
Buildings and improvements	27,078	27,027	51,977	51,917	79,055	78,944	0.1%
Improvements, non-buildings	19,871	18,882	109,984	106,545	129,855	125,427	3.5%
Machinery and equipment	25,718	24,544	14,592	14,273	40,310	38,817	3.8%
Zoo animals	36	36	-	-	36	36	0.0%
Totals at historical cost	96,733	88,566	183,000	179,645	279,733	268,211	4.3%
Total accumulated depreciation	35,159	32,101	49,295	44,428	84,454	76,529	10.4%
Net Capital Assets	\$ 61,574	\$ 56,465	\$ 133,706	\$ 135,217	\$ 195,280	\$ 191,682	1.9%

The City's governmental capital purchases for fiscal year 2020 included the purchase of eight police vehicles, a server for IT, a bucket truck, one HCDD vehicle, a dump truck, a mini excavator, and a refuse truck. There was one land purchase, as well as a phone system for the fire department, and a mural that was painted. The business-type activities additions to capital assets included the purchase of a sweeper and toro for the parking division and five vehicles, a dump truck, and a golf cart to be used in the water and sewer division. Projects completed included the Hampshire Road Lift Station and the Replacement of Water Mains and Sewer at East Main Street. Continuing projects include Main Street Master Plan, Urban Greenway, Street Scaping, the Park Well, Paleo Well, Fitzwater Pump Station, and Parking Garage Facade and Repair. 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 \$107.1 million in bonds, notes, and leases outstanding, an increase of \$5.6 million over the previous year. During fiscal year 2020, \$11.2 million in additional Public Improvement Bonds were issued. These bonds will be used to fund various projects including Main Street Master Plan, Urban Greenway Implementation and Improvements, Bicycle Master Plan Improvements, Street Scaping, Field Operations Facility Plan, Water Chiller and Heating and Air Conditioning, Building Lighting and Controls, Parking Garage Bearing Pad Replacement and Structural Repairs.

The City is limited to a maximum general obligation bond limit of \$55.4 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)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Total % Change</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
Leases payable	\$ 2,035	\$ 2,278	\$ 606	\$ 510	\$ 2,641	\$ 2,788	-5.3%
Bonds payable, net	29,736	21,730	69,869	73,212	99,605	94,942	4.9%
Mortgages and notes payable	-	29	1,382	1,382	1,382	1,411	-2.1%
Bond premium	2,208	1,096	1,254	1,263	3,462	2,359	46.8%
Total Bonds and Notes Payable	\$ 33,979	\$ 25,133	\$ 73,111	\$ 76,367	\$107,090	\$101,500	5.5%

ECONOMIC FACTORS

- The City collected \$354,881 in building permit revenues for FY 2020 vs. \$575,519 for FY 2019.
- The City received \$0.8 million more in real estate property tax revenue in FY 2020. The total of other tax revenues was \$0.6 million more in FY 2020.
- The City's has a three-year reassessment cycle. The adjusted assessed value of all real properties in the City increased \$78.4 million over the prior year.
- The local (Wicomico County) unemployment rate as of July 2020 was 7.2 percent, up from 4.6 percent a year ago. The State of Maryland had a 7.7 percent rate, and the nation as a whole has a 10.2 percent unemployment rate.

WATER SEWER FUND

The water and sewer fund adopted budget increased from \$18.0 million in FY 2019 to \$18.4 million in FY 2020.

The City has completed upgrading the Wastewater Treatment Plant ("WWTP"). The WWTP has been fully operational since September 25, 2019. The total construction cost is \$52 million and was 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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investment pool	\$ 11,056,274	\$ 7,831,523	\$ 18,887,797
Taxes receivable, net	1,568,259	-	1,568,259
Accounts receivable, net	2,109,985	3,011,560	5,121,545
Due from other governmental units	2,231,691	986,298	3,217,989
Internal balances	249,653	(249,653)	-
Other assets	21,306	20,547	41,853
Inventories	871,433	383,516	1,254,949
Total Current Assets	18,108,601	11,983,791	30,092,392
Noncurrent assets:			
Restricted cash and investments	12,283,958	16,735,140	29,019,098
Construction-in-progress	15,354,112	4,250,109	19,604,221
Land and art	8,676,138	2,198,503	10,874,641
Capital assets at cost	72,702,128	176,552,065	249,254,193
Less accumulated depreciation	(35,158,507)	(49,295,231)	(84,453,738)
Total Noncurrent Assets	73,857,829	150,440,586	224,298,415
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension plan	5,596,156	702,795	6,298,951
Deferred outflows - OPEB plan	2,635,115	658,780	3,293,895
Total Deferred Outflows of Resources	8,231,271	1,361,575	9,592,846
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	\$ 100,197,701	\$ 163,785,952	\$ 263,983,653
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current liabilities:			
Accounts payable and accrued expenses	\$ 2,997,136	\$ 2,369,135	\$ 5,366,271
Unearned revenue	469,213	111,953	581,166
Deposits and advance payments of taxes	175,523	14,308	189,831
Compensated absences	211,668	26,733	238,401
Accrued interest payable	264,347	152,007	416,354
Bonds, notes, and capital leases payable, net	3,687,129	4,655,249	8,342,378
Total Current Liabilities	7,805,016	7,329,385	15,134,401
Noncurrent liabilities:			
Compensated absences	1,905,015	240,601	2,145,616
Net OPEB liability	20,084,295	5,021,074	25,105,369
Net pension liability	30,175,494	4,163,035	34,338,529
Bonds, notes, and capital leases payable, net	30,291,973	68,455,996	98,747,969
Total Noncurrent Liabilities	82,456,777	77,880,706	160,337,483
Total Liabilities	90,261,793	85,210,091	175,471,884
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension plan	3,493,273	396,952	3,890,225
Deferred inflows - OPEB plan	155,755	38,938	194,693
Total Deferred Inflows of Resources	3,649,028	435,890	4,084,918
NET POSITION			
Net investment in capital assets	27,594,769	60,594,201	88,188,970
Restricted	12,283,958	16,735,140	29,019,098
Unrestricted (Deficit)	(33,591,847)	810,630	(32,781,217)
Total Net Position	6,286,880	78,139,971	84,426,851
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
	\$ 100,197,701	\$ 163,785,952	\$ 263,983,653

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

**CITY OF SALISBURY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities
	Expenses	Capital Grants and Contributions	Total	Total
GOVERNMENTAL ACTIVITIES				
General government	\$ 5,008,390	\$ 216,372	\$ (2,720,727)	\$ (2,720,727)
Public safety	30,111,525	4,183,555	(21,586,731)	(21,586,731)
Public works	5,767,759	1,024,111	(2,721,957)	(2,721,957)
Recreation and culture	2,580,749	110,894	(1,860,314)	(1,860,314)
Nondepartmental	894,438	-	(894,438)	(894,438)
Interest on long-term debt	1,192,988	-	(1,192,988)	(1,192,988)
Total Governmental Activities	45,555,849	4,788,739	(30,977,155)	(30,977,155)
BUSINESS-TYPE ACTIVITIES				
Water and sewer	17,305,109	454,434	(307,738)	(307,738)
Mitchell Landing	221,373	-	(60,805)	(60,805)
Other	1,232,132	-	52,354	52,354
Total Business-type Activities	18,758,614	454,434	(316,189)	(316,189)
TOTAL PRIMARY GOVERNMENT	\$ 64,314,463	\$ 4,788,739	\$ (30,977,155)	\$ (31,293,344)
GENERAL REVENUES AND TRANSFERS				
Taxes:				
Real and personal property taxes, levied for general purposes			19,370,671	19,370,671
Ordinary business corporations and utilities			7,615,530	7,615,530
State shared income tax			2,260,354	2,260,354
Other taxes			214,053	214,053
Investment earnings			529,764	358,647
Miscellaneous			397,619	1,480
Operating transfers			120,000	(120,000)
TOTAL GENERAL REVENUES AND TRANSFERS			30,507,991	30,748,118
CHANGE IN NET POSITION			(469,164)	(545,226)
NET POSITION, BEGINNING OF YEAR			6,756,044	78,216,033
NET POSITION, END OF YEAR			\$ 6,286,880	\$ 84,426,851

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

CITY OF SALISBURY, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
ASSETS				
Cash	\$ 2,028,504	\$ -	\$ 322,410	\$ 2,350,914
Investment pool	8,663,398	-	41,962	8,705,360
Taxes receivable	2,630,727	-	-	2,630,727
Less allowance for uncollectibles	(1,062,468)	-	-	(1,062,468)
Due from other governmental units	518,488	-	1,713,203	2,231,691
Due from other funds	1,166,727	-	-	1,166,727
Sundry accounts receivable	4,415,449	-	231,513	4,646,962
Less allowance for uncollectibles	(2,536,977)	-	-	(2,536,977)
Inventory	871,433	-	-	871,433
Other assets	21,306	-	-	21,306
Restricted cash	207,214	254,825	-	462,039
Restricted investment pool	559,765	11,262,154	-	11,821,919
TOTAL ASSETS	\$ 17,483,566	\$ 11,516,979	\$ 2,309,088	\$ 31,309,633
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,673,534	\$ 1,219,442	\$ 104,160	\$ 2,997,136
Due to other funds	-	-	917,074	917,074
Unearned revenue	-	-	469,213	469,213
Deposits and advance payment of taxes	88,100	-	87,423	175,523
Compensated absences	211,668	-	-	211,668
Total Liabilities	1,973,302	1,219,442	1,577,870	4,770,614
Deferred Inflows of Resources				
Unavailable revenue	1,699,036	-	-	1,699,036
Total Deferred Inflows of Resources	1,699,036	-	-	1,699,036
Fund Balances:				
Nonspendable	892,739	-	-	892,739
Restricted	-	10,297,537	-	10,297,537
Committed	2,202,194	-	428,501	2,630,695
Assigned	1,020,426	-	302,717	1,323,143
Unassigned	9,695,869	-	-	9,695,869
Total Fund Balances	13,811,228	10,297,537	731,218	24,839,983
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 17,483,566	\$ 11,516,979	\$ 2,309,088	\$ 31,309,633

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

**CITY OF SALISBURY, MARYLAND
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2020**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 24,839,983

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements but are reported in the governmental activities column of the statement of net position. 61,573,871

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. 1,699,036

Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements but are reported in the governmental activities column statement of net position. Those liabilities consist of:

Bonds, notes, and capital leases payable	\$ (33,979,102)	
Unearned revenue	(469,213)	
Compensated absences	(1,905,015)	
Net OPEB liability	(20,084,295)	
Accrued interest on bonds	(264,347)	
Net pension liability	<u>(30,175,494)</u>	(86,877,466)

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	5,596,156	
Deferred outflows - OPEB plan	2,635,115	
Deferred inflows - pension plan	(3,493,273)	
Deferred inflows - OPEB plan	<u>(155,755)</u>	<u>4,582,243</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,817,667

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
REVENUES				
Taxes	\$ 29,551,379	\$ -	\$ -	\$ 29,551,379
Other revenue	3,941,081	162,898	83,039	4,187,018
Intergovernmental revenues	2,981,412	-	2,964,288	5,945,700
Charges for services	5,073,701	-	-	5,073,701
TOTAL REVENUES	41,547,573	162,898	3,047,327	44,757,798
EXPENDITURES				
Current:				
General government	4,057,856	-	456,738	4,514,594
Public safety	23,677,757	-	1,760,344	25,438,101
Public works	4,461,287	-	14,718	4,476,005
Recreation and culture	2,075,796	-	76,874	2,152,670
Nondepartmental	894,434	-	-	894,434
Capital outlays	1,927,194	6,084,774	1,211,525	9,223,493
Debt service:				
Principal	1,048,075	-	-	1,048,075
Interest	3,153,441	-	-	3,153,441
TOTAL EXPENDITURES	41,295,840	6,084,774	3,520,199	50,900,813
DEFICIENCY OF REVENUES UNDER EXPENDITURES	251,733	(5,921,876)	(472,872)	(6,143,015)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(580,702)	539,500	161,202	120,000
Proceeds from bond and capital lease issuance	1,151,167	11,499,936	-	12,651,103
Proceeds from sale of capital assets	58,876	-	-	58,876
TOTAL OTHER FINANCING SOURCES (USES)	629,341	12,039,436	161,202	12,829,979
NET CHANGE IN FUND BALANCES	881,074	6,117,560	(311,670)	6,686,964
FUND BALANCES, BEGINNING OF YEAR	12,930,154	4,179,977	1,042,888	18,153,019
FUND BALANCES, END OF YEAR	\$ 13,811,228	\$ 10,297,537	\$ 731,218	\$ 24,839,983

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

**CITY OF SALISBURY, MARYLAND
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,686,964

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

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

Capital outlays	\$ 8,271,323	
Loss on disposal	(39,541)	
Depreciation expense	<u>(3,122,747)</u>	5,109,035

Bond and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, bond and capital leases of this amount were issued. (12,651,103)

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. (42,957)

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. 3,153,442

Governmental funds report bond premiums as other financing sources. However, these amounts are reported on the statement of net position as deferred charges and are amortized over the life of the debt. 177,307

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

Increase in compensated absences	(264,191)	
Increase in deferred outflows - OPEB plan	1,074,946	
Increase in net OPEB liability	(2,336,657)	
Increase in deferred inflows - OPEB plan	28,979	
Decrease in accrued interest payable	(144,914)	
Decrease in deferred outflows - pension plan	(832,323)	
Decrease in net pension liability	(527,488)	
Increase in deferred inflow - pension	<u>99,796</u>	<u>(2,901,852)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (469,164)

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash	\$ 4,096,055	\$ 76,190	\$ 411,737	\$ 4,583,982
Investment pool	3,173,789	-	73,752	3,247,541
Accounts receivable, net	2,879,986	1,177	130,397	3,011,560
Due from other governmental units	986,298	-	-	986,298
Other assets	20,547	-	-	20,547
Inventories	383,516	-	-	383,516
Total Current Assets	11,540,191	77,367	615,886	12,233,444
Noncurrent assets:				
Restricted cash	-	209,979	-	209,979
Restricted investment pool	15,461,737	-	1,063,424	16,525,161
Capital assets:				
Construction-in-progress	3,767,459	-	482,650	4,250,109
Land	301,703	114,010	1,782,790	2,198,503
Buildings, equipment, and improvements	167,771,600	1,454,318	7,326,147	176,552,065
Less accumulated depreciation	(43,152,909)	(986,274)	(5,156,048)	(49,295,231)
Total Noncurrent Assets	144,149,590	792,033	5,498,963	150,440,586
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension plan	667,484	-	35,311	702,795
Deferred outflows - OPEB plan	658,780	-	-	658,780
Total Deferred Outflows of Resources	1,326,264	-	35,311	1,361,575
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	\$ 157,016,045	\$ 869,400	\$ 6,150,160	\$ 164,035,605
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Due in one year:				
Accounts payable	\$ 2,082,600	\$ 32,189	\$ 103,030	\$ 2,217,819
Accrued payroll	128,890	12,895	9,531	151,316
Accrued interest payable	136,077	-	15,930	152,007
Due to other funds	-	-	249,653	249,653
Compensated absences	26,733	-	-	26,733
Bonds, notes, and capital leases payable	4,405,636	-	249,613	4,655,249
Deposits	-	13,382	926	14,308
Unearned revenue	111,953	-	-	111,953
Total Current Liabilities	6,891,889	58,466	628,683	7,579,038
Due in more than one year:				
Bonds, notes, and capital leases payable	65,374,211	1,381,807	1,699,978	68,455,996
Net OPEB liability	5,021,074	-	-	5,021,074
Provision for compensated absences	240,601	-	-	240,601
Net pension liability	3,953,875	-	209,160	4,163,035
Total Noncurrent Liabilities	74,589,761	1,381,807	1,909,138	77,880,706
Total Liabilities	81,481,650	1,440,273	2,537,821	85,459,744
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension plan	377,008	-	19,944	396,952
Deferred inflows - OPEB plan	38,938	-	-	38,938
Total Deferred Inflows of Resources	415,946	-	19,944	435,890
NET POSITION (DEFICIT)				
Net investment in capital assets	58,908,006	(799,753)	2,485,948	60,594,201
Restricted	15,461,737	209,979	1,063,424	16,735,140
Unrestricted	748,706	18,901	43,023	810,630
Total Net Position (Deficit)	75,118,449	(570,873)	3,592,395	78,139,971
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
	\$ 157,016,045	\$ 869,400	\$ 6,150,160	\$ 164,035,605

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, 2020

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
OPERATING REVENUES				
Charges for services	\$ 15,673,278	\$ 160,568	\$ 1,284,486	\$ 17,118,332
Penalties	48,780	-	-	48,780
Tapping charges and connection fees	255,792	-	-	255,792
Sundry income	170,678	-	-	170,678
Pretreatment monitoring fee	181,981	-	-	181,981
Impact fees	212,428	-	-	212,428
TOTAL OPERATING REVENUES	<u>16,542,937</u>	<u>160,568</u>	<u>1,284,486</u>	<u>17,987,991</u>
OPERATING EXPENSES				
Salaries	4,184,340	17,940	301,994	4,504,274
Personnel benefits	2,175,034	5,316	122,480	2,302,830
Professional and skilled services	762,539	16,535	219,454	998,528
Supplies	-	-	16,434	16,434
Other operating expenses	4,907,895	147,137	281,377	5,336,409
Equipment	60,784	-	16,775	77,559
TOTAL OPERATING EXPENSES	<u>12,090,592</u>	<u>186,928</u>	<u>958,514</u>	<u>13,236,034</u>
Operating income before depreciation	4,452,345	(26,360)	325,972	4,751,957
Depreciation	4,634,879	34,445	211,699	4,881,023
NET OPERATING INCOME (LOSS)	<u>(182,534)</u>	<u>(60,805)</u>	<u>114,273</u>	<u>(129,066)</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfers out	-	-	(120,000)	(120,000)
Gain on sale of capital assets	-	-	1,480	1,480
Grants	454,434	-	-	454,434
Interest income	343,824	404	14,419	358,647
Interest expense	(579,638)	-	(61,919)	(641,557)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>218,620</u>	<u>404</u>	<u>(166,020)</u>	<u>53,004</u>
CHANGE IN NET POSITION (DEFICIT)	36,086	(60,401)	(51,747)	(76,062)
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>75,082,363</u>	<u>(510,472)</u>	<u>3,644,142</u>	<u>78,216,033</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 75,118,449</u>	<u>\$ (570,873)</u>	<u>\$ 3,592,395</u>	<u>\$ 78,139,971</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, 2020

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 18,203,716	\$ 162,908	\$ 1,284,388	\$ 19,651,012
Payments to suppliers	(7,570,606)	(150,975)	(528,282)	(8,249,863)
Payments to employees	(5,715,335)	(17,501)	(407,207)	(6,140,043)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>4,917,775</u>	<u>(5,568)</u>	<u>348,899</u>	<u>5,261,106</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Internal activity - payments to other funds	-	-	(120,000)	(120,000)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(120,000)</u>	<u>(120,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds, notes, and capital leases	160,892	-	1,117,133	1,278,025
Principal paid on bonds, notes, and capital leases	(4,233,537)	-	(187,673)	(4,421,210)
Interest paid on bonds, notes, and mortgages	(700,476)	-	(55,846)	(756,322)
Payments for capital acquisitions	(3,104,570)	-	(264,969)	(3,369,539)
Proceeds from sale of capital assets	-	-	1,480	1,480
Capital grants	264,832	-	-	264,832
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,612,859)</u>	<u>-</u>	<u>610,125</u>	<u>(7,002,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	343,824	404	14,419	358,647
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>343,824</u>	<u>404</u>	<u>14,419</u>	<u>358,647</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,351,260)	(5,164)	853,443	(1,502,981)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	25,082,841	291,333	695,470	26,069,644
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 22,731,581</u>	<u>\$ 286,169</u>	<u>\$ 1,548,913</u>	<u>\$ 24,566,663</u>
Cash	\$ 4,096,055	\$ 76,190	\$ 411,737	\$ 4,583,982
Investment pool	3,173,789	-	73,752	3,247,541
Restricted cash	-	209,979	-	209,979
Restricted investment pool	15,461,737	-	1,063,424	16,525,161
	<u>\$ 22,731,581</u>	<u>\$ 286,169</u>	<u>\$ 1,548,913</u>	<u>\$ 24,566,663</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (182,534)	\$ (60,805)	\$ 114,273	\$ (129,066)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	4,634,879	34,445	211,699	4,881,023
(Increase) Decrease in:				
Accounts receivable	(324,403)	(37)	(150)	(324,590)
Due from other governmental units	1,985,182	-	-	1,985,182
Other assets	(15,343)	-	-	(15,343)
Inventories	(20,547)	-	-	(20,547)
Deferred outflows - pension	121,315	-	6,417	127,732
Deferred outflows - OPEB	(268,737)	-	-	(268,737)
Increase (Decrease) in:				
Accounts payable	(1,803,498)	12,697	(14,741)	(1,805,542)
Accrued payroll	38,265	5,755	3,241	47,261
Due to other funds	-	-	20,499	20,499
Compensated absences	32,386	-	-	32,386
Net OPEB liability	584,165	-	-	584,165
Net pension liability	251,566	-	13,307	264,873
Deferred inflows - pension	(7,200)	-	(5,698)	(12,898)
Deferred inflows - OPEB	(107,721)	-	-	(107,721)
Deposits	-	2,377	52	2,429
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 4,917,775</u>	<u>\$ (5,568)</u>	<u>\$ 348,899</u>	<u>\$ 5,261,106</u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Health Care Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ -	\$ 399,930
Investment pool	-	71,156
Investments	1,763,330	-
Accounts receivable	-	231,501
	<u>1,763,330</u>	<u>702,587</u>
Total Assets		
LIABILITIES		
Accounts payable	-	279,041
Deposits	-	191,845
Due to other governmental units	-	231,701
	<u>-</u>	<u>702,587</u>
Total Liabilities		
NET POSITION		
Restricted	<u>\$ 1,763,330</u>	<u>\$ -</u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Health Care Trust
ADDITIONS	
Investment earnings	\$ 62,270
TOTAL ADDITIONS	62,270
DEDUCTIONS	
Loss on sale of investments	85,758
Operating expenses	2,323
TOTAL DEDUCTIONS	88,081
CHANGE IN NET POSITION	(25,811)
NET POSITION, BEGINNING OF YEAR	1,789,141
NET POSITION, END OF YEAR	\$ 1,763,330

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE CITY OF SALISBURY

The City of Salisbury, Maryland ("the City") was established in 1732. The City is governed by a Mayor and a board of five Council Members elected by the voters of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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.

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

FUND FINANCIAL STATEMENTS

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

Fund Accounting

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

GOVERNMENTAL FUNDS

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

General Fund – The general fund is the general operating fund of the City. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

Capital Improvements Fund – The capital improvements fund is used to account for all financial transactions related to the acquisition or construction of major capital facilities for the governmental fund type activities.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position, and cash flows and are classified as enterprise funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City's major enterprise funds are:

- Water and Sewer Fund – The Water and Sewer Fund is used to account for all financial transactions, including the acquisition or construction of major capital facilities, related to the operations of the City's water and sewer services.
- Mitchell Landing Fund – The Mitchell Landing Fund is used to account for all financial transactions related to the operations of the Mitchell Landing Apartments, a low-income housing project which operates under the guidelines of the Maryland Department of Housing and Community Development.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The City's fiduciary funds include the health care trust, police-confiscated asset, and bay restoration funds. These funds account for assets held by the City in a trustee capacity or as fiscal agent for individuals, private organizations, other governments, and/or other funds.

Measurement Focus

Entity-wide financial statements – The entity-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net position.

Fund financial statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the entity-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements for governmental funds.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Like the entity-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of revenues, expenses, and changes in net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Entity-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned and unavailable revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means received within 60 days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, primarily include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursable basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, interest, and rent.

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

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated items received during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures generally are recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The City Council adopts an annual budget as set forth in the City Charter. The budget is prepared on the budgetary basis of accounting consistent with GAAP, except that depreciation is not considered. The Mayor may transfer the balance of unencumbered appropriations between general classifications of expenditures within an office, department, or agency. At the Mayor's request, in the last three months of the budget year, the Council may, by resolution, transfer any unencumbered appropriation balance from one office, department, or agency to another. All appropriations lapse at year end.

Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are recorded at fair value.

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

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

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

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Allowance for Uncollectible Accounts

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

Property Taxes

Property taxes attach as an enforceable lien as of July 1. Taxes are levied on July 1 and are recognized when levied. Taxes are due and payable on or before September 30, and all unpaid taxes become delinquent October 1. Effective July 1, 2019 the City began billing and collecting real estate taxes, prior to that date the real estate taxes were billed and collected by Wicomico County, Maryland on behalf of the City. Real property taxes uncollected as of 60 days after fiscal year end are considered unavailable to pay liabilities that are owed at the balance sheet date and, therefore, are included in deferred inflows of resources in the balance sheet – governmental funds. An allowance is established for delinquent personal property taxes to the extent that their collectibility is improbable. At June 30, 2020, all property taxes were deemed collectible, and there was no allowance.

Inventories

Inventory is presented at the lower of cost or market on a first-in, first-out basis and is expensed when used.

Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the entity-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the entity-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated capital assets, 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

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, non-buildings	10 - 40 years
Machinery and equipment	5 - 15 years
Zoo animals	8-15 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 not meeting the definition of restricted or net investment in capital assets are reported as unrestricted.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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. City Council has designated the Director of Internal Services the authority to assign amounts for specific purposes.

Unassigned – all other spendable amounts.

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

The deficit in the Mitchell Landing Fund (major enterprise fund) as of June 30, 2020 was \$570,873. This deficit is due to depreciation which cannot be recaptured through user charges.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the good or service that is

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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, 2020, the carrying amount of the City's cash deposits was \$8,006,844, and the bank balance was \$7,783,902. Of the bank balance, \$597,071 was covered by federal depository insurance, and \$7,186,831 was exposed to custodial credit risk because, in accordance with Maryland State law, it was uninsured and the collateral held by the depository's agent was not in the City's name.

Investment Pool

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

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, MLGIP acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. These external investment pools are considered 2a7-like pools and are recorded at amortized cost. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. As of June 30, 2020, MLGIP was rated AA by a nationally recognized statistical rating organization. As of June 30, 2020, the City had \$40,371,137 invested in MLGIP.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

Restricted Cash

Restricted cash in the governmental funds represents funds held in escrow by a local financial institution relating to the 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 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, 2020 was \$1,763,330.

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 accounting principles generally accepted in the United States of America. The City has the following recurring fair value measurements as of June 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money markets	\$ 40,390,565	\$ 40,390,565	\$ -
Mutual funds	1,620,250	1,620,250	-
Exchange traded products	123,652	123,652	-
TOTAL	\$ 42,134,467	\$ 42,134,467	\$ -

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, 2020 appropriate due from/to other funds have been established. The composition of interfund balances as of June 30, 2020 is as follows:

<u>Receivable By</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 249,653	Nonmajor Proprietary Funds	\$ 249,653
General Fund	917,074	Nonmajor Governmental Funds	917,074
	<u>\$ 1,166,727</u>		<u>\$ 1,166,727</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES (cont'd)

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, 2020 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 580,702
Capital Improvements Fund	539,500	-
Nonmajor Governmental Funds	161,202	-
Nonmajor Proprietary Funds	-	120,000
	<u> </u>	<u> </u>
TOTAL	<u>\$ 700,702</u>	<u>\$ 700,702</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2020</u>
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land and art	\$ 8,594,735	\$ 120,944	\$ (39,541)	\$ -	\$ 8,676,138
Construction-in-progress	9,482,079	6,860,916	-	(988,883)	15,354,112
Total Capital Assets Not Being Depreciated	<u>18,076,814</u>	<u>6,981,860</u>	<u>(39,541)</u>	<u>(988,883)</u>	<u>24,030,250</u>
Capital assets being depreciated:					
Land improvements	767,410	-	-	-	767,410
Buildings and improvements	26,259,245	51,429	-	-	26,310,674
Improvements, non-buildings	18,881,854	-	-	988,883	19,870,737
Machinery and equipment	24,544,304	1,238,034	(65,031)	-	25,717,307
Zoo animals	36,000	-	-	-	36,000
Total Capital Assets Being Depreciated	70,488,813	1,289,463	(65,031)	988,883	72,702,128
Accumulated depreciation	<u>(32,100,791)</u>	<u>(3,122,747)</u>	<u>65,031</u>	<u>-</u>	<u>(35,158,507)</u>
Total Capital Assets Being Depreciated, Net	<u>38,388,022</u>	<u>(1,833,284)</u>	<u>-</u>	<u>988,883</u>	<u>37,543,621</u>
Governmental Activities Capital Assets, Net	<u>\$ 56,464,836</u>	<u>\$ 5,148,576</u>	<u>\$ (39,541)</u>	<u>\$ -</u>	<u>\$ 61,573,871</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

Depreciation was charged to governmental functions as follows:

General government	\$ 166,028
Public safety	1,763,612
Public works	874,938
Recreation and culture	<u>318,169</u>
 Total depreciation expense	 <u>\$ 3,122,747</u>

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2020</u>
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land	\$ 301,703	\$ -	\$ -	\$ -	\$ 301,703
Construction-in-progress	<u>4,441,932</u>	<u>3,148,504</u>	<u>(202,781)</u>	<u>(3,620,196)</u>	<u>3,767,459</u>
Total Capital Assets Not Being Depreciated	<u>4,743,635</u>	<u>3,148,504</u>	<u>(202,781)</u>	<u>(3,620,196)</u>	<u>4,069,162</u>
Capital assets being depreciated:					
Land improvements	430,636	-	-	-	430,636
Buildings and improvements	44,350,062	-	-	60,872	44,410,934
Improvements, non-buildings	106,480,755	-	-	3,437,216	109,917,971
Machinery and equipment	<u>12,731,104</u>	<u>158,847</u>	<u>-</u>	<u>122,108</u>	<u>13,012,059</u>
Total Capital Assets Being Depreciated	163,992,557	158,847	-	3,620,196	167,771,600
Accumulated depreciation	<u>(38,518,030)</u>	<u>(4,634,879)</u>	<u>-</u>	<u>-</u>	<u>(43,152,909)</u>
Total Capital Assets Being Depreciated, Net	<u>125,474,527</u>	<u>(4,476,032)</u>	<u>-</u>	<u>3,620,196</u>	<u>124,618,691</u>
Water and Sewer Fund Capital Assets, Net	<u>\$130,218,162</u>	<u>\$(1,327,528)</u>	<u>\$ (202,781)</u>	<u>\$ -</u>	<u>\$128,687,853</u>
Parking Authority Fund					
Capital assets not being depreciated:					
Land	\$ 467,790	\$ -	\$ -	\$ -	\$ 467,790
Construction-in-progress	<u>269,824</u>	<u>212,826</u>	<u>-</u>	<u>-</u>	<u>482,650</u>
Total Capital Assets Not Being Depreciated	<u>737,614</u>	<u>212,826</u>	<u>-</u>	<u>-</u>	<u>950,440</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2020</u>
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	207,443	52,143	(14,272)	-	245,314
Total Capital Assets Being Depreciated	4,415,497	52,143	(14,272)	-	4,453,368
Accumulated depreciation	(2,881,186)	(99,896)	14,272	-	(2,966,810)
Total Capital Assets Being Depreciated, Net	1,534,311	(47,753)	-	-	1,486,558
Parking Authority Fund Capital Assets, Net	<u>\$ 2,271,925</u>	<u>\$ 165,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,436,998</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
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	(1,506,192)	(19,307)	-	-	(1,525,499)
Total Capital Assets Being Depreciated, Net	249,778	(19,307)	-	-	230,471
City Marina Fund Capital Assets, Net	<u>\$ 1,564,778</u>	<u>\$ (19,307)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,545,471</u>
Stormwater Utility Fund					
Capital assets not being depreciated:					
Construction-in-progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total Capital Assets Not Being Depreciated	-	-	-	-	-

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	July 1, 2019	Additions	Deletions	Transfers	June 30, 2020
Total Capital Assets Being Depreciated	1,116,809	-	-	-	1,116,809
Accumulated depreciation	(571,243)	(92,496)	-	-	(663,739)
Total Capital Assets Being Depreciated, Net	<u>545,566</u>	<u>(92,496)</u>	-	-	<u>453,070</u>
City Storm Water Fund Capital Assets, Net	<u>\$ 545,566</u>	<u>\$ (92,496)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,070</u>
Mitchell Landing Fund					
Capital assets not being depreciated:					
Land	\$ 114,010	\$ -	\$ -	\$ -	\$ 114,010
Total Capital Assets Not Being Depreciated	<u>114,010</u>	-	-	-	<u>114,010</u>
Capital assets being depreciated:					
Land improvements	7,862	-	-	-	7,862
Buildings and improvements	1,357,051	-	-	-	1,357,051
Machinery and equipment	89,405	-	-	-	89,405
Total Capital Assets Being Depreciated	1,454,318	-	-	-	1,454,318
Accumulated depreciation	(951,829)	(34,445)	-	-	(986,274)
Total Capital Assets Being Depreciated, Net	<u>502,489</u>	<u>(34,445)</u>	-	-	<u>468,044</u>
Mitchell Landing Fund Capital Assets, Net	<u>\$ 616,499</u>	<u>\$ (34,445)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 582,054</u>

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, and Urban Greenway for the governmental activities. Business-type projects included , Paleo Well, Park Well, Fitzwater Pump Station, Sewer Infiltration Inflow Remediation, 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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

corporate property subject to taxation by the City. The legal debt limit permitted at June 30, 2020 totaled \$ 55,354,239. After considering general obligations, including mortgages and notes outstanding of \$29,736,405, the available additional debt margin was \$25,617,835.

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 21,729,857	\$10,327,000	\$ (2,320,452)	\$ 29,736,405	\$2,881,738
Bond Premium	1,096,113	1,289,466	(177,307)	2,208,272	177,307
Mortgage and Notes Payable:					
Lawton Loan	28,750	-	(28,750)	-	-
Capital Lease Obligations	2,278,342	560,323	(804,240)	2,034,425	628,084
	<u>25,133,062</u>	<u>12,176,789</u>	<u>(3,330,749)</u>	<u>33,979,102</u>	<u>3,687,129</u>
Compensated absences	1,823,138	293,545	-	2,116,683	211,668
Net OPEB Liability	17,747,638	2,336,657	-	20,084,295	-
Net Pension Liability	29,648,006	527,488	-	30,175,494	-
Governmental Activities Long-term Liabilities	<u>\$ 74,351,844</u>	<u>\$15,334,479</u>	<u>\$ (3,330,749)</u>	<u>\$ 86,355,574</u>	<u>\$3,898,797</u>
Business-type Activities:					
General Obligation Bonds	\$ 73,212,106	\$ 911,752	\$ (4,254,853)	\$ 69,869,275	\$4,364,086
Bond Premium	1,262,506	104,133	(112,151)	1,254,488	112,151
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	510,162	262,140	(166,627)	605,675	179,012
	<u>76,366,581</u>	<u>1,278,025</u>	<u>(4,533,361)</u>	<u>73,111,245</u>	<u>4,655,249</u>
Compensated absences	234,948	32,386	-	267,334	26,733
Net OPEB Liability	4,436,909	584,165	-	5,021,074	-
Net Pension Liability	3,898,162	264,873	-	4,163,035	-
Business-type Activities Long-term Liabilities	<u>\$ 84,936,600</u>	<u>\$ 2,159,449</u>	<u>\$ (4,533,361)</u>	<u>\$ 82,562,688</u>	<u>\$4,681,982</u>

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	<u>Balance Outstanding</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
<p>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.</p>	\$ -	\$ 653,037
<p>In the year ended June 30, 2006, the City obligated itself to pay to MDE the amount of \$42,009,341 at an annual interest rate of 0.4 percent for wastewater treatment plant upgrades and expansion. The final amount advanced as of June 30, 2017 is \$41,721,225. Interest is payable semi-annually beginning February 1, 2006, and principal is payable annually beginning February 1, 2009 until the principal amount of the bond has been paid. The general obligation bond is accounted for in the water and sewer enterprise fund.</p>	-	16,919,126
<p>In the year ended June 30, 2010, the City obligated itself to pay to MDE the amount of \$2,756,400. The final amount advanced as of June 30, 2020 is \$2,056,250. The loan is repayable in annual installments of \$145,021. There was an initial payment of \$1,000 due on August 1, 2011. Due to the reduction in principal drawn, the bonds now mature through February 1, 2026 with a reduced final payment of \$24,955. There is no interest on this obligation, which is accounted for in the water and sewer enterprise fund.</p>	-	750,061
<p>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.</p>	2,538,696	-

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
<p>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.</p>	692,143	522,858
<p>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 0.90 percent for 30 years. The interest payments are due semi-annua 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.</p>	-	1,170,828
<p>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.</p>	-	1,412,274
<p>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.</p>	-	3,759,000

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
<p>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.</p>	2,075,000	-
<p>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.</p>	36,467	-
<p>In the year ended June 30, 2014, the City entered into a loan agreement with the Administration in the amount of \$464,625. The final amount advanced as of June 30, 2018 is \$413,835. The loan is due on demand and bears no interest. The Administration shall forgive payment of the principal amount if the City performs all of its obligations under the loan agreement. If the Administration has not demanded repayment of the principal prior to March 20, 2024, then the loan shall be deemed forgiven. This obligation is accounted for in the general fund.</p>	413,835	-
<p>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.</p>	-	35,315,378

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
<p>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 01, 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.</p>	2,331,392	625,645
<p>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.</p>	6,748,377	7,561,623
<p>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.</p>	4,573,495	281,445
<p>In the year ended June 30, 2020, the City issued \$11,225,000 of Public Improvement Bonds at an interest rate of 2.125 to 5.00 percent. Interest is payable semi-annually beginning March 1, 2020. The bonds mature in varying amounts beginning March 1, 2020 and continuing through March 1, 2035. The bonds are accounted for in the general fund and in the non-major enterprise fund.</p>	10,327,000	898,000
	\$ 29,736,405	\$ 69,869,275

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2021	\$ 2,881,738	\$ 984,938	\$ 3,866,676
2022	2,943,138	874,451	3,817,589
2023	2,966,690	760,174	3,726,864
2024	3,184,112	645,591	3,829,703
2025	2,721,266	536,539	3,257,805
2026-2030	9,894,021	1,413,214	11,307,235
2031-2035	5,145,440	271,169	5,416,609
	<u>\$ 29,736,405</u>	<u>\$ 5,486,076</u>	<u>\$ 35,222,481</u>

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2021	\$ 4,364,086	\$ 673,420	\$ 5,037,506
2022	5,819,579	592,197	6,411,776
2023	4,389,225	508,411	4,897,636
2024	4,207,985	426,305	4,634,290
2025	3,938,346	339,668	4,278,014
2026-2030	25,278,214	737,635	26,015,849
2031-2035	14,453,537	63,945	14,517,482
2036-2040	7,352,620	25,300	7,377,920
2041-2042	65,683	6,368	72,051
	<u>\$ 69,869,275</u>	<u>\$ 3,373,249</u>	<u>\$ 73,242,524</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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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 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 \$5,077,797 with accumulated depreciation of \$1,216,985; for the water and sewer fund, the original cost is \$534,709 with accumulated depreciation of \$146,689; for the parking fund, the original cost is \$140,000 with accumulated depreciation of \$9,623; and for the storm water fund, the original cost is \$439,665 with accumulated depreciation of \$131,508 at June 30, 2020.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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

<u>Year Ending June 30,</u>	<u>General</u>	<u>Water and Sewer</u>	<u>Stormwater Utility</u>	<u>Parking</u>
2021	\$ 628,084	\$ 88,976	\$ 67,288	\$ 22,748
2022	628,084	88,976	67,288	22,748
2023	530,703	44,875	35,590	22,748
2024	186,374	44,875	35,590	17,588
2025	126,898	14,236	35,590	17,588
2026	41,039	-	-	17,588
Less amount representing interest	<u>(106,754)</u>	<u>(12,393)</u>	<u>(17,833)</u>	<u>(8,393)</u>
Present value of future minimum lease payments	<u>\$ 2,034,428</u>	<u>\$ 269,545</u>	<u>\$ 223,513</u>	<u>\$ 112,615</u>

NOTE 7 PENSION PLAN

Generally, all regular employees of the City participate in the State of Maryland Employees Retirement and Pension Systems ("Employees' Systems"). Law enforcement officers and firemen employed by the City generally participate in the State of Maryland Law Enforcement Officers Pension Systems ("LEOPS"). Both the Employees' Systems and LEOPS (collectively, the "Systems") are cost-sharing multiple-employer public retirement systems sponsored by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly.

Benefits Provided

Participants in the Systems may retire with full benefits after 30 years of service regardless of age or at various ages with specified years of eligibility service for reduced benefits. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating in the retirement system prior to specified retirement age are refunded their accumulated contributions plus earned interest or may defer receipt of accumulated contributions until age 60. Participants and their beneficiaries may also be eligible for disability and death benefits based on years of creditable service and average final compensation.

Member Contributions

During fiscal year 2020, the State Personnel and Pensions Article required active members to contribute to the Systems at a rate of seven percent for LEOPS and six percent for non-LEOPS personnel of each employee's covered salary.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

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, 2020, 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, 2020 was \$3,820,294.

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

At June 30, 2020, the City reported a liability of \$34,338,529 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2019, the City's proportion for the Employee plan was 0.0475 percent, a increase of 0.0038 percent from the prior year and the LEOPS plan was 0.1190 percent, an increase of 0.0028 percent from the prior year.

For the year ended June 30, 2020, the City recognized pension expense of \$3,219,615. At June 30, 2020, 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	\$ 149,872	\$ -	\$ 364,293	\$ 668,024	\$ 514,165	\$ 668,024
Differences between actual required contributions	-	85,284	331,750	52,573	331,750	137,857
Contributions subsequent to the measurement date	1,045,629	-	2,774,665	-	3,820,294	-
Differences between actual and expected experience	-	602,997	-	1,580,340	-	2,183,337
Differences between actual and expected returns	457,681	245,470	1,175,061	655,537	1,632,742	901,007
Total	<u>\$ 1,653,182</u>	<u>\$ 933,751</u>	<u>\$ 4,645,769</u>	<u>\$ 2,956,474</u>	<u>\$ 6,298,951</u>	<u>\$ 3,890,225</u>

An amount of \$3,820,294 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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ended June 30,

2021	\$ 128,737
2022	(930,368)
2023	(375,341)
2024	(89,975)
2025	<u>(144,621)</u>
	<u>\$ (1,411,568)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2019.

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.40 percent.
- Salary increases – 3.15 percent.
- Inflation – 2.65 percent.
- Mortality rates were based on the RP-2014 Mortality Tables.

The actuarial assumptions used in the June 30, 2019 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The assumptions derived from the experience study were adopted by the Board of Trustees for first use in the actuarial valuation as of June 30, 2012.

Discount Rate

The discount used to measure the total pension liability was 7.40 percent. The discount rate was based on the expected rate of return on the pension plan investments of 7.40 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.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

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 7.40 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 (6.40 percent) or one percentage point higher (8.40 percent) than the current rate.

	1% Decrease 6.40%	Current Rate Discount Rate 7.40%	1% Increase 8.40%
City's proportionate share:			
Employee plan	\$ 14,180,415	\$ 9,792,715	\$ 6,146,470
LEOPS plan	35,525,672	24,545,814	15,398,524
	<u>\$ 49,706,087</u>	<u>\$ 34,338,529</u>	<u>\$ 21,544,994</u>

Pension Plan Fiduciary Net Position

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

NOTE 8 POST-RETIREMENT HEALTH CARE BENEFITS

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.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

The assets of the Trust are managed by an investment manager, Croff-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 April 1, 2020, a total of 488 employees were covered by the benefit terms as follows:

Active Employees	380
Retirees in pay status (pre-Medicare)	43
Retirees in pay status (post-Medicare)	65

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

Accounting principles generally accepted in the United States of America require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation date	April 1, 2020
Measurement date	June 30, 2020
Measurement period	July 1, 2019 to June 30, 2020

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Actuarial Assumptions

The net OPEB liability in the June 30, 2020 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	2.5%
Rate of growth in real income/GDP per year	1.5%
Extra trend due to technology and other factors	1.1%
Expected health share of GDP in 2029	20.0%
Health share of GDP resistance point	25.0%
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.

The following are the changes in assumptions for the plan; the discount rate changed to 2.45%, the medical trend rate was updated to the latest model released by the SOA and excludes the impact of the Cadillac Tax, and the mortality assumption was updated to the latest experience study on public sector employees and retirees released by the SOA.

Discount rate

The discount rate of 2.45% was used to measure the total OPEB liability as of June 30, 2020.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.62 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 1.45%	Current Rate Discount Rate 2.45%	1% Increase 3.45%
Total OPEB liability	\$ 31,174,916	\$ 26,868,699	\$ 23,376,191
Fiduciary net position	1,763,330	1,763,330	1,763,330
Net OPEB liability	<u>\$ 29,411,586</u>	<u>\$ 25,105,369</u>	<u>\$ 21,612,861</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate of 4.0 percent, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease 3.00%	Current Trend Rate 4.00%	1% Increase 5.00%
Total OPEB liability	\$ 22,675,154	\$ 26,868,699	\$ 32,197,968
Fiduciary net position	<u>1,763,330</u>	<u>1,763,330</u>	<u>1,763,330</u>
Net OPEB liability	<u>\$ 20,911,824</u>	<u>\$ 25,105,369</u>	<u>\$ 30,434,638</u>

Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2019	\$ 23,973,688
Service cost	855,590
Interest cost	742,609
Difference between expected and actual experience	1,278,128
Changes of assumptions	404,933
Benefit payments	<u>(386,249)</u>
Total OPEB liability as of June 30, 2020	<u>\$ 26,868,699</u>

The amount of OPEB expense recognized by the City was \$1,927,164 for the year ended June 30, 2020.

At June 30, 2020, the City reported deferred outflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,243,758	\$ 78,401
Changes of assumptions	1,908,613	99,365
Difference between actual and expected earnings	<u>141,524</u>	<u>16,927</u>
Total	<u>\$ 3,293,895</u>	<u>\$ 194,693</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFERRED COMPENSATION PLAN

Deferred inflows of resources due to the change in assumptions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 454,205
2022	454,204
2023	462,666
2024	455,774
2025	425,563
Thereafter	<u>846,790</u>
	<u>\$ 3,099,202</u>

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.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2020, the City had infrastructure projects yet to be completed. The commitments and amounts completed are as follows:

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

	Project Amount	Completed as of 06/30/2020	Commitments
Business-type Activities:			
Main Street Masterplan	\$ 12,415,704	\$ 7,923,404	\$ 4,492,300
Riverwalk Repairs	2,109,892	1,931,007	178,885
Urban Greenway	1,282,200	424,958	857,242
Bicycle Master Plan	1,758,534	1,563,098	195,436
Riverside Circle	1,746,514	1,436,215	310,299
Service Center	852,000	495,352	356,648
Street Scaping Div Circle	956,000	507,085	448,915
Community Center	500,000	414,212	85,788
City Park	358,851	267,195	91,656
Totals	<u>\$ 21,979,695</u>	<u>\$ 14,962,526</u>	<u>\$ 7,017,169</u>

In addition, the City has incurred costs totaling \$391,586 for governmental activities project costs that were not under a formal contract as of June 30, 2020.

	Project Amount	Completed as of 06/30/2020	Commitments
Business-type Activities:			
Park Well	\$ 295,997	\$ 292,693	\$ 3,304
Paleo Well	4,228,629	461,713	3,766,916
East Main Street Sewer	661,321	347,501	313,820
Fitzwater Pump Station	9,081,355	1,403,233	7,678,122
Hampshire Road Life Station	3,413,093	71,996	3,341,097
Main Street Master	11,128,117	739,798	10,388,319
	400,000	326,325	73,675
Totals	<u>\$ 29,208,512</u>	<u>\$ 3,643,259</u>	<u>\$ 25,565,253</u>

In addition, the City has incurred costs totaling \$606,850 for business-type activities project costs that were not under a formal contract as of June 30, 2020.

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 12 RISK MANAGEMENT (cont'd)

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, 2020 fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventory	\$ 871,433	\$ -	\$ -	871,433
Prepaid expenditures	21,306	-	-	21,306
Restricted:				
Capital improvements	-	10,297,537	-	10,297,537
Committed:				
Health care	1,882,227	-	-	1,882,227
General impact	10,328	-	-	10,328
Curb, gutter, and sidewalk	-	-	103,713	103,713
Trash container sales and demolition	-	-	324,788	324,788
Zoo Commission	309,639	-	-	309,639
Assigned:				
Grants	-	-	265,043	265,043
Encumbrances	1,020,426	-	-	1,020,426
Community development	-	-	37,674	37,674
Unassigned	9,695,869	-	-	9,695,869
 Total Fund Balances	 <u>\$13,811,228</u>	 <u>\$ 10,297,537</u>	 <u>\$ 731,218</u>	 <u>\$ 24,839,983</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 14 TAX ABATEMENT

Enterprise Zone Credit

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

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

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

For the fiscal year ended June 30, 2020, the City abated property taxes totaling \$76,937 under this program.

NOTE 15 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30 2020, economic and operational uncertainties have arisen which may impact the City in fiscal year 2021. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

NOTE 16 SUBSEQUENT EVENTS

The City has evaluated all subsequent events through December 7, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALISBURY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS):				
Tax revenue	\$ 28,637,436	\$ 28,637,436	\$ 29,551,379	\$ 913,943
Other revenue	3,876,251	4,122,312	3,941,081	(181,231)
Charges for services	4,408,456	4,582,956	5,073,701	490,745
Intergovernmental revenues	3,050,378	3,251,964	2,981,412	(270,552)
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>39,972,521</u>	<u>40,594,668</u>	<u>41,547,573</u>	<u>952,905</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government				
City council	78,519	78,519	70,213	8,306
City clerk	163,795	163,810	160,550	3,260
Mayor's office	591,184	591,195	580,945	10,250
Development services	825,411	826,221	756,159	70,062
City attorney	354,800	399,800	361,424	38,376
Elections	51,500	68,050	68,048	2
Finance	733,238	741,905	667,899	74,006
Purchasing	271,174	272,025	260,650	11,375
Human resources	340,165	343,170	309,972	33,198
Information services	544,802	545,063	536,741	8,322
Planning and zoning	179,314	179,314	146,440	32,874
Municipal buildings	285,352	435,215	171,576	263,639
Poplar Hill	52,316	52,316	40,486	11,830
Public safety				
Police and traffic control	15,119,816	15,572,150	14,568,188	1,003,962
Fire	8,181,228	9,095,161	8,919,014	176,147
Buildings, permits, and inspections	331,140	335,989	323,534	12,455
Neighborhood services and code compliance	1,207,707	1,249,983	1,092,430	157,553
Public works				
Supervision and engineering	516,795	517,145	472,685	44,461
Roadways	924,836	1,082,837	1,059,568	23,269
Engineering	1,157,664	1,727,131	1,426,026	301,105
Waste collection and disposal	1,295,783	1,585,943	1,497,370	88,574
Recycling	132,899	133,122	127,084	6,038
Fleet maintenance	443,441	443,542	383,250	60,292
Carpenter shop	145,697	145,887	110,368	35,519
Recreation and culture				
Municipal zoo	1,243,838	1,616,747	1,511,741	105,007
Park maintenance	652,723	692,055	577,533	114,522
Nondepartmental	1,047,740	1,027,740	894,432	133,308
Debt payments	4,848,274	4,873,018	4,201,515	671,503
TOTAL CHARGES TO APPROPRIATION	<u>41,721,152</u>	<u>44,795,054</u>	<u>41,295,840</u>	<u>3,499,214</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER EXPENDITURES)	<u>(1,748,631)</u>	<u>(4,200,386)</u>	<u>251,733</u>	<u>4,452,119</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	206,109	206,109	135,000	(71,109)
Operating transfers out	(664,901)	(834,901)	(715,702)	119,199
Proceeds from sale of capital assets	-	-	58,876	58,876
Proceeds from bond and capital lease issuance	560,323	560,323	1,151,167	590,844
TOTAL OTHER FINANCING SOURCES (USES)	<u>101,531</u>	<u>(68,469)</u>	<u>629,341</u>	<u>697,810</u>
NET CHANGE IN FUND BALANCE	(1,647,100)	(4,268,855)	881,074	5,149,929
FUND BALANCE, BEGINNING OF YEAR	<u>12,930,154</u>	<u>12,930,154</u>	<u>12,930,154</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,283,054</u>	<u>\$ 8,661,299</u>	<u>\$ 13,811,228</u>	<u>\$ 5,149,929</u>

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

	MEASUREMENT DATE					
	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
City's proportion of the net pension liability	0.04748%	0.04370%	0.04077%	0.04381%	0.04388%	0.03618%
City's proportion of the net pension liability - dollar value	\$ 9,792,715	\$ 9,169,651	\$ 8,817,962	\$ 10,337,660	\$ 9,118,977	\$ 6,421,441
City's covered employee payroll	\$ 9,928,830	\$ 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	98.63%	95.40%	97.56%	114.53%	102.22%	78.21%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS - EMPLOYEE PLAN**

	<u>JUNE 30, 2020</u>	<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	\$ 974,969	\$ 871,477	\$ 838,434	\$ 761,119	\$ 800,742	\$ 820,957
Contributions in relation to the contractually required contribution	<u>974,969</u>	<u>871,477</u>	<u>838,434</u>	<u>761,119</u>	<u>800,742</u>	<u>820,957</u>
Contribution excess	<u>\$ -</u>					
City's covered employee payroll	\$ 10,274,521	\$ 9,928,830	\$ 9,612,053	\$ 9,038,825	\$ 9,025,976	\$ 8,921,251
Contributions as a percentage of covered-employee payroll	9.49%	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY - LEOPS

	MEASUREMENT DATE					
	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
City's proportion of the net pension liability	0.11901%	0.11618%	0.10909%	0.11458%	0.09806%	0.09566%
City's proportion of the net pension liability - dollar value	\$ 24,545,814	\$ 24,376,517	\$ 23,590,848	\$ 27,035,352	\$ 20,378,891	\$ 16,976,786
City's covered employee payroll	\$ 8,527,889	\$ 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	287.83%	285.52%	276.63%	320.06%	251.10%	220.18%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS - LEOPS**

	<u>JUNE 30, 2020</u>	<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	\$ 2,316,726	\$ 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>2,316,726</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>					
City's covered employee payroll	\$ 8,625,104	\$ 8,527,889	\$ 8,537,671	\$ 8,527,899	\$ 8,446,986	\$ 8,115,718
Contributions as a percentage of covered-employee payroll	28.33%	27.17%	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS**

	MEASUREMENT DATE		
	June 30, 2020	June 30, 2019	June 30, 2018
TOTAL OPEB LIABILITY			
Service cost	\$ 855,590	\$ 721,012	\$ 700,469
Interest on total OPEB liability	742,609	750,575	713,494
Effect of change in assumptions	404,933	1,998,381	(149,048)
Differences between expected and actual experience	1,278,128	(100,801)	188,093
Benefit payments	<u>(386,249)</u>	<u>(359,991)</u>	<u>(648,885)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	2,895,011	3,009,176	804,123
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	<u>23,973,688</u>	<u>20,964,512</u>	<u>20,160,389</u>
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 26,868,699</u>	<u>\$ 23,973,688</u>	<u>\$ 20,964,512</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 386,249	\$ 359,991	\$ 648,885
Net investment income	(25,811)	84,829	152,787
Benefit payments	(386,249)	(359,991)	(648,885)
Administrative expenses	<u>-</u>	<u>-</u>	<u>(53,272)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(25,811)	84,829	99,515
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>1,789,141</u>	<u>1,704,312</u>	<u>1,604,797</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 1,763,330</u>	<u>\$ 1,789,141</u>	<u>\$ 1,704,312</u>
CITY'S NET OPEB LIABILITY	<u>\$ 25,105,369</u>	<u>\$ 22,184,547</u>	<u>\$ 19,260,200</u>
Plan fiduciary net position as a percentage of total OPEB liability	6.56%	7.46%	8.13%
Expected average remaining service years of all participants	8	9	9

Notes to Schedule:

Benefit changes None.

Changes of Assumptions Discount Rate used was 3.62% for 2018, 3.13% for 2019, and 2.45% for 2020
The medical trend was updated to the latest model released by the SOA and excludes the impact of the Cadillac Tax
The mortality assumption was updated to the latest experience study on public sector employees and retirees released by the SOA

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 trend is available.

OTHER SUPPLEMENTARY INFORMATION

General Fund

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Taxes			
Real property	\$ 18,794,712	\$ 18,736,793	\$ (57,919)
Personal property	72,000	83,904	11,904
Ordinary business corporations and utilities	6,936,000	7,615,530	679,530
Payments in lieu of tax	469,724	467,874	(1,850)
Admissions and amusement	350,000	214,053	(135,947)
State shared income tax	1,900,000	2,260,354	360,354
Total Taxes	<u>28,522,436</u>	<u>29,378,508</u>	<u>856,072</u>
Interest and penalties on delinquent taxes	115,000	172,871	57,871
Total Taxes, Interest, and Penalties	<u>28,637,436</u>	<u>29,551,379</u>	<u>913,943</u>
Other revenue			
Amusement licenses	3,000	-	(3,000)
Billboard licenses	19,000	19,050	50
Building and inspection permits	400,000	354,881	(45,119)
Business licenses	155,300	100,234	(55,066)
Franchise fees	390,000	396,278	6,278
Landlord licenses	650,000	719,191	69,191
Plumbing licenses and permits	70,000	47,800	(22,200)
Street-breaking permits	700	725	25
Towing companies	4,200	3,600	(600)
Other miscellaneous permits	24,500	35,479	10,979
Municipal infraction violations	51,000	74,754	23,754
Interest on investment of idle funds	9,500	187,700	178,200
Insurance proceeds	29,584	28,451	(1,133)
Donations	107,107	131,774	24,667
Zoo reimbursements	292,637	242,405	(50,232)
Zoo Commission	402,380	291,380	(111,000)
Developer reimbursement	62,200	35,000	(27,200)
Sale of maps, codes, and documents	200	90	(110)
Bad debt collections	1,000	1,577	577
School zone camera fines	1,200,000	808,565	(391,435)
Healthcare rebate	-	280,580	280,580
Other miscellaneous receipts	250,004	181,567	(68,437)
Total Other Revenue	<u>4,122,312</u>	<u>3,941,081</u>	<u>(181,231)</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Charges for services			
Administrative fees	562,156	562,156	-
Ambulance call fees	1,920,000	2,437,599	517,599
Hazmat special operations	-	37,498	37,498
Advertising	100	115	15
Filing fees	100	115	15
Garbage disposal fees	1,783,000	1,748,678	(34,322)
Inspection fees	29,600	20,555	(9,045)
Plan review fees	24,000	32,761	8,761
Police alarm systems	26,500	25,799	(701)
Weed removal	63,000	30,764	(32,236)
Fire permits and plan review	174,500	177,661	3,161
Total Charges for Services	<u>4,582,956</u>	<u>5,073,701</u>	<u>490,745</u>
Intergovernmental			
State of Maryland			
Police protection	577,063	543,973	(33,090)
Enterprise zone	84,000	76,937	(7,063)
Highway user	1,358,201	1,252,672	(105,529)
MDOT Reimbursements	191,586	101,178	(90,408)
Wicomico County			
Financial corporations	18,300	18,302	2
Fire department	752,814	752,814	-
Room tax	260,000	225,536	(34,464)
Safe stations	10,000	10,000	-
Total Intergovernmental	<u>3,251,964</u>	<u>2,981,412</u>	<u>(270,552)</u>
Total Revenues	<u>40,594,668</u>	<u>41,547,573</u>	<u>952,905</u>
Other Financing Sources			
Transfers in	206,109	135,000	(71,109)
Proceeds from bond issuance	560,323	1,151,167	590,844
Proceeds from sale of capital assets	-	58,876	58,876
Total Other Financing Sources	<u>766,432</u>	<u>1,345,043</u>	<u>578,611</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 41,361,100</u>	<u>\$ 42,892,616</u>	<u>\$ 1,531,516</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
City council				
Salaries	\$ 52,000	\$ 52,030	\$ 52,028	\$ 2
Personnel benefits	9,260	9,230	8,113	1,117
Other operating expenses	16,509	16,509	9,947	6,562
Community promotion	750	750	125	625
	<u>78,519</u>	<u>78,519</u>	<u>70,213</u>	<u>8,306</u>
City clerk				
Salaries	110,287	112,494	112,399	95
Personnel benefits	37,072	37,650	37,629	21
Other operating expenses	16,076	13,306	10,203	3,103
Capital outlay	360	360	319	41
	<u>163,795</u>	<u>163,810</u>	<u>160,550</u>	<u>3,260</u>
Mayor's office				
Salaries	380,168	388,907	388,907	-
Personnel benefits	131,031	114,746	111,831	2,915
Professional services	960	-	-	-
Other operating expenses	71,485	75,102	69,353	5,749
Capital outlay	7,540	12,440	10,854	1,586
	<u>591,184</u>	<u>591,195</u>	<u>580,945</u>	<u>10,250</u>
Developmental services				
Salaries	127,776	149,626	137,047	12,579
Personnel benefits	36,660	40,847	40,821	26
Professional services	92,000	92,000	77,000	15,000
Other operating expenses	261,838	268,211	241,067	27,144
Community promotion	301,864	270,264	258,674	11,590
Capital outlay	5,273	5,273	1,550	3,723
	<u>825,411</u>	<u>826,221</u>	<u>756,159</u>	<u>70,062</u>
City attorney				
Professional services	354,800	399,800	361,424	38,376
	<u>354,800</u>	<u>399,800</u>	<u>361,424</u>	<u>38,376</u>
Elections				
Professional services	25,100	40,823	40,821	2
Other operating expenses	26,400	27,227	27,227	-
	<u>51,500</u>	<u>68,050</u>	<u>68,048</u>	<u>2</u>
Internal services - finance				
Salaries	408,593	408,593	408,153	440
Personnel benefits	185,567	185,567	166,193	19,374
Professional services	49,408	53,408	31,892	21,516
Other operating expenses	89,670	84,116	57,589	26,527
Capital outlay	-	10,221	4,072	6,149
	<u>733,238</u>	<u>741,905</u>	<u>667,899</u>	<u>74,006</u>
Internal services - procurement				
Salaries	183,118	177,868	176,621	1,247
Personnel benefits	47,896	47,896	46,193	1,703
Professional services	12,000	12,846	11,388	1,458
Other operating expenses	28,160	29,915	26,390	3,525
Capital outlay	-	3,500	58	3,442
	<u>271,174</u>	<u>272,025</u>	<u>260,650</u>	<u>11,375</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (cont'd)				
Information technology				
Salaries	273,729	289,580	289,580	-
Personnel benefits	92,546	102,288	102,287	1
Professional services	12,000	9,560	7,128	2,432
Other operating expenses	107,927	86,796	84,845	1,951
Capital outlay	58,600	56,839	52,901	3,938
	<u>544,802</u>	<u>545,063</u>	<u>536,741</u>	<u>8,322</u>
Internal services - human resources				
Salaries	155,791	155,791	155,457	334
Personnel benefits	145,038	141,319	123,521	17,798
Professional services	11,400	13,490	8,738	4,752
Other operating expenses	24,836	27,770	18,764	9,006
Capital outlay	3,100	4,800	3,492	1,308
	<u>340,165</u>	<u>343,170</u>	<u>309,972</u>	<u>33,198</u>
Planning and zoning				
Salaries	72,430	72,960	72,960	-
Personnel benefits	21,737	21,838	21,816	22
Professional services	80,587	80,587	48,542	32,045
Other operating expenses	4,560	3,929	3,122	807
	<u>179,314</u>	<u>179,314</u>	<u>146,440</u>	<u>32,874</u>
Municipal buildings				
Other operating expenses	285,352	380,215	171,576	208,639
Capital outlay	-	55,000	-	55,000
	<u>285,352</u>	<u>435,215</u>	<u>171,576</u>	<u>263,639</u>
Poplar hill mansion				
Salaries	25,000	25,192	25,192	-
Personnel benefits	2,940	2,955	2,869	86
Other operating expenses	24,376	24,169	12,425	11,744
	<u>52,316</u>	<u>52,316</u>	<u>40,486</u>	<u>11,830</u>
Total General Government	<u>4,471,570</u>	<u>4,696,603</u>	<u>4,131,103</u>	<u>565,500</u>
Public Safety				
Police services				
Salaries	7,111,416	6,859,144	6,798,054	61,090
Personnel benefits	3,996,175	3,827,489	3,618,982	208,507
Professional services	38,500	256,500	39,795	216,705
Other operating expenses	1,106,253	1,328,565	1,176,415	152,150
Community promotions	1,000	1,000	35	965
Capital outlays	229,765	605,849	345,533	260,316
	<u>12,483,109</u>	<u>12,878,547</u>	<u>11,978,814</u>	<u>899,733</u>
Police communications				
Salaries	503,203	506,483	503,166	3,317
Personnel benefits	208,689	178,689	163,661	15,028
Professional services	8,000	5,000	4,909	91
Other operating expenses	73,917	135,446	131,224	4,222
	<u>793,809</u>	<u>825,618</u>	<u>802,960</u>	<u>22,658</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety (cont'd)				
Animal control				
Salaries	65,642	64,042	53,541	10,501
Personnel benefits	42,582	32,582	21,484	11,098
Other operating expenses	5,100	5,100	3,315	1,785
Professional services	110,430	112,117	109,241	2,876
	<u>223,754</u>	<u>213,841</u>	<u>187,581</u>	<u>26,260</u>
Total Police Department	<u>13,500,672</u>	<u>13,918,006</u>	<u>12,969,355</u>	<u>948,651</u>
Traffic control				
Salaries	278,285	284,353	283,131	1,222
Personnel benefits	134,576	121,328	113,779	7,549
Professional services	550	1,000	760	240
Other operating expenses	1,107,733	1,143,224	1,096,924	46,300
Capital outlays	98,000	104,239	104,239	-
	<u>1,619,144</u>	<u>1,654,144</u>	<u>1,598,833</u>	<u>55,311</u>
Fire department				
Firefighting				
Salaries	4,120,938	4,278,456	4,247,985	30,471
Personnel benefits	2,654,152	2,615,552	2,534,262	81,290
Professional services	147,940	147,940	120,501	27,439
Other operating expenses	863,021	949,336	912,577	36,759
Community promotions	6,000	-	-	-
Capital outlays	-	740,000	739,975	25
	<u>7,792,051</u>	<u>8,731,284</u>	<u>8,555,300</u>	<u>175,984</u>
Volunteer firemen				
Salaries	-	-	-	-
Personnel benefits	263,305	260,304	260,303	1
Professional services	37,600	20,301	20,152	149
Other operating expenses	8,272	8,272	8,259	13
Community promotions	80,000	75,000	75,000	-
	<u>389,177</u>	<u>363,877</u>	<u>363,714</u>	<u>163</u>
Total Fire Department	<u>8,181,228</u>	<u>9,095,161</u>	<u>8,919,014</u>	<u>176,147</u>
Buildings, permits, and inspections				
Salaries	228,826	233,190	233,000	190
Personnel benefits	71,342	72,022	71,158	864
Professional services	9,350	9,350	4,971	4,379
Other operating expenses	21,622	21,427	14,405	7,022
	<u>331,140</u>	<u>335,989</u>	<u>323,534</u>	<u>12,455</u>
Housing and community development				
Salaries	605,941	611,316	610,566	750
Personnel benefits	229,505	226,552	210,508	16,044
Professional services	396	436	436	-
Other operating expenses	234,752	223,489	160,353	63,136
Community promotions	94,400	76,400	74,907	1,493
Capital outlays	42,713	111,790	35,660	76,130
	<u>1,207,707</u>	<u>1,249,983</u>	<u>1,092,430</u>	<u>157,553</u>
Total Public Safety	<u>24,839,891</u>	<u>26,253,283</u>	<u>24,903,166</u>	<u>1,350,117</u>

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CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Department of Public Works				
Resource management				
Salaries	335,599	335,599	317,387	18,212
Personnel benefits	121,391	121,491	106,202	15,289
Professional services	500	460	170	290
Other operating expenses	50,705	50,995	43,435	7,560
Capital outlays	8,600	8,600	5,490	3,110
	<u>516,795</u>	<u>517,145</u>	<u>472,685</u>	<u>44,461</u>
Engineering				
Salaries	391,963	392,863	387,112	5,751
Personnel benefits	149,403	149,303	143,263	6,041
Professional services	17,688	242,904	40,661	202,243
Other operating expenses	598,610	942,061	854,990	87,071
	<u>1,157,664</u>	<u>1,727,131</u>	<u>1,426,026</u>	<u>301,105</u>
Roadways				
Salaries	370,986	365,722	365,597	125
Personnel benefits	164,163	169,852	166,571	3,280
Professional services	1,000	1,000	950	50
Other operating expenses	213,687	218,571	198,757	19,814
Capital outlays	175,000	327,693	327,693	-
	<u>924,836</u>	<u>1,082,837</u>	<u>1,059,568</u>	<u>23,269</u>
Sanitation				
Waste collection and disposal				
Salaries	385,034	373,497	331,971	41,527
Personnel benefits	197,957	196,264	159,673	36,591
Professional services	1,000	1,000	1,000	-
Other operating expenses	710,232	733,758	724,862	8,896
Capital outlays	1,560	281,424	279,864	1,560
	<u>1,295,783</u>	<u>1,585,943</u>	<u>1,497,370</u>	<u>88,574</u>
Recycling				
Salaries	70,140	70,468	70,468	-
Personnel benefits	36,245	36,324	34,853	1,471
Professional services	250	250	250	-
Other operating expenses	26,264	26,079	21,513	4,566
	<u>132,899</u>	<u>133,122</u>	<u>127,084</u>	<u>6,038</u>
Total Sanitation	<u>1,428,682</u>	<u>1,719,065</u>	<u>1,624,454</u>	<u>94,612</u>
Fleet maintenance				
Salaries	186,505	178,510	160,544	17,966
Personnel benefits	103,087	102,287	70,902	31,386
Professional services	600	600	300	300
Other operating expenses	150,129	159,025	149,493	9,532
Capital outlays	3,120	3,120	2,012	1,108
	<u>443,441</u>	<u>443,542</u>	<u>383,250</u>	<u>60,292</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Department of Public Works (cont'd)				
Carpenter shop				
Salaries	79,709	78,999	61,273	17,726
Personnel benefits	37,704	37,554	24,885	12,669
Professional services	200	200	140	60
Other operating expenses	26,525	27,575	24,071	3,504
Capital outlays	1,560	1,560	-	1,560
	<u>145,697</u>	<u>145,887</u>	<u>110,368</u>	<u>35,519</u>
Total Department of Public Works	<u>4,617,116</u>	<u>5,635,608</u>	<u>5,076,351</u>	<u>559,257</u>
Recreation and Culture				
Municipal zoo				
Salaries	669,348	654,248	596,593	57,655
Personnel benefits	245,217	241,748	207,431	34,317
Professional services	20,300	45,371	44,302	1,069
Other operating expenses	305,853	671,789	659,868	11,921
Capital outlays	3,120	3,591	3,546	45
	<u>1,243,838</u>	<u>1,616,747</u>	<u>1,511,741</u>	<u>105,007</u>
Park maintenance				
Salaries	318,915	297,582	268,499	29,083
Personnel benefits	144,157	144,557	113,793	30,764
	560	1,560	1,450	110
Other operating expenses	187,531	237,846	183,855	53,991
Capital outlays	1,560	10,510	9,936	574
	<u>652,723</u>	<u>692,055</u>	<u>577,533</u>	<u>114,522</u>
Total Recreation and Culture	<u>1,896,561</u>	<u>2,308,802</u>	<u>2,089,274</u>	<u>219,529</u>
Nondepartmental				
Insurance				
Personnel benefits	480,640	460,640	358,284	102,356
Other operating expenses	287,100	287,100	279,243	7,858
	<u>767,740</u>	<u>747,740</u>	<u>637,527</u>	<u>110,213</u>
Miscellaneous				
Personnel benefits	280,000	280,000	256,905	23,095
	<u>280,000</u>	<u>280,000</u>	<u>256,905</u>	<u>23,095</u>
Total Nondepartmental	<u>1,047,740</u>	<u>1,027,740</u>	<u>894,432</u>	<u>133,308</u>
Debt Payments				
Principal redemption	3,153,435	3,153,435	3,153,441	(6)
Interest	1,694,839	1,532,018	887,215	644,803
Issuance	-	187,565	160,859	26,706
Total Debt Payments	<u>4,848,274</u>	<u>4,873,018</u>	<u>4,201,515</u>	<u>671,503</u>
TOTAL EXPENDITURES	<u>41,721,152</u>	<u>44,795,054</u>	<u>41,295,840</u>	<u>3,499,214</u>
Other Financing Uses				
Transfer to other funds	664,901	834,901	715,702	119,199
Total Other Financing Uses	<u>664,901</u>	<u>834,901</u>	<u>715,702</u>	<u>119,199</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 42,386,053</u>	<u>\$ 45,629,955</u>	<u>\$ 42,011,542</u>	<u>\$ 3,618,413</u>

Nonmajor Governmental Funds

CITY OF SALISBURY, MARYLAND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds					
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total	
ASSETS						
Cash	\$ 48,771	-	\$ 235,965	\$ 37,674	\$ 322,410	
Investment pool	33,143	5,671	3,148	-	41,962	
Accounts receivable	21,799	123,509	86,205	-	231,513	
Due from other governmental units	-	1,713,203	-	-	1,713,203	
TOTAL ASSETS	\$ 103,713	\$ 1,842,383	\$ 325,318	\$ 37,674	\$ 2,309,088	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	-	\$ 103,630	\$ 530	-	\$ 104,160	
Due to other funds	-	917,074	-	-	917,074	
Unearned revenue - grants	-	87,423	-	-	87,423	
Total Liabilities	-	1,108,127	530	-	1,108,657	
Deferred Inflows of Resources						
Unavailable revenue	-	469,213	-	-	469,213	
Total Deferred Inflows of Resources	-	469,213	-	-	469,213	
Fund Balances:						
Committed	103,713	-	324,788	-	428,501	
Assigned	-	265,043	-	37,674	302,717	
Total Fund Balances	103,713	265,043	324,788	37,674	731,218	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 103,713	\$ 1,842,383	\$ 325,318	\$ 37,674	\$ 2,309,088	

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds					
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total	
REVENUES						
Other revenue	\$ 15,997	\$ 27,607	\$ 39,435	\$ -	\$ 83,039	
Grant revenues	-	2,949,163	15,125	-	2,964,288	
TOTAL REVENUES	15,997	2,976,770	54,560	-	3,047,327	
EXPENDITURES						
General government	-	455,435	1,979	(676)	456,738	
Public safety	-	1,760,344	-	-	1,760,344	
Public works	-	287	14,431	-	14,718	
Recreation & culture	-	69,484	7,390	-	76,874	
Capital outlays	-	1,185,527	25,644	354	1,211,525	
TOTAL EXPENDITURES	-	3,471,077	49,444	(322)	3,520,199	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,997	(494,307)	5,116	322	(472,872)	
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	-	474,202	(313,000)	-	161,202	
TOTAL OTHER FINANCING SOURCES (USES)	-	474,202	(313,000)	-	161,202	
NET CHANGE IN FUND BALANCES	15,997	(20,105)	(307,884)	322	(311,670)	
FUND BALANCES, BEGINNING OF YEAR	87,716	285,148	632,672	37,352	1,042,888	
FUND BALANCES, END OF YEAR	\$ 103,713	\$ 265,043	\$ 324,788	\$ 37,674	\$ 731,218	

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES	
Federal	\$ 1,010,460
State	1,803,848
Others	<u>162,462</u>
TOTAL REVENUES	<u><u>2,976,770</u></u>
EXPENDITURES	
General government	
Salaries	106,421
Personnel benefits	10,946
Operating expenses	338,068
Public safety	
Salaries	846,009
Operating expenses	555,298
Capital outlay	359,037
Public works	
Operating expenses	287
Recreation & culture	
Operating expenses	69,484
Capital outlay	<u>1,185,527</u>
TOTAL EXPENDITURES	<u><u>3,471,077</u></u>
OTHER FINANCING SOURCES	
Transfer in	<u>474,202</u>
NET CHANGE IN FUND BALANCE	(20,105)
FUND BALANCE, BEGINNING OF YEAR	<u>285,148</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 265,043</u></u>

Nonmajor Proprietary Funds

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Funds			Total
	City Marina Fund	Parking Authority Fund	Stormwater Utility Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and investment pool	\$ 300	\$ 4,221	\$ 407,216	\$ 411,737
Investment pool	197	73,555	-	73,752
Accounts receivable	11,455	464,912	32,785	509,152
Less: allowance for uncollectible	-	(378,755)	-	(378,755)
Total Current Assets	<u>11,952</u>	<u>163,933</u>	<u>440,001</u>	<u>615,886</u>
Noncurrent assets:				
Restricted investment pool	-	1,063,424	-	1,063,424
Capital assets				
Land	1,315,000	467,790	-	1,782,790
Construction-in-progress	-	482,650	-	482,650
Buildings, equipment, and improvements	1,755,970	4,453,368	1,116,809	7,326,147
Less accumulated depreciation	(1,525,499)	(2,966,810)	(663,739)	(5,156,048)
Total Noncurrent Assets	<u>1,545,471</u>	<u>3,500,422</u>	<u>453,070</u>	<u>5,498,963</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension plan	-	25,774	9,537	35,311
Total Deferred Outflows of Resources	<u>-</u>	<u>25,774</u>	<u>9,537</u>	<u>35,311</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 1,557,423</u></u>	<u><u>\$ 3,690,129</u></u>	<u><u>\$ 902,608</u></u>	<u><u>\$ 6,150,160</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Due in one year:				
Accounts payable	\$ 1,203	\$ 69,530	\$ 32,297	\$ 103,030
Accrued payroll	1,054	5,605	2,872	9,531
Accrued interest payable	-	15,930	-	15,930
Deposits	926	-	-	926
Due to other funds	144,838	104,815	-	249,653
Bonds, notes, and capital leases payable	-	182,325	67,288	249,613
Total Current Liabilities	<u>148,021</u>	<u>378,205</u>	<u>102,457</u>	<u>628,683</u>
Due in more than one year:				
Bonds, notes, and capital leases payable	-	1,543,752	156,226	1,699,978
Net pension liability	-	152,670	56,490	209,160
Total Noncurrent Liabilities	<u>-</u>	<u>1,696,422</u>	<u>212,716</u>	<u>1,909,138</u>
Total Liabilities	<u>148,021</u>	<u>2,074,627</u>	<u>315,173</u>	<u>2,537,821</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	-	14,558	5,386	19,944
NET POSITION (DEFICIT)				
Net investment in capital assets	1,545,471	710,921	229,556	2,485,948
Restricted	-	1,063,424	-	1,063,424
Unrestricted (Deficit)	(136,069)	(173,401)	352,493	43,023
Total Net Position	<u>1,409,402</u>	<u>1,600,944</u>	<u>582,049</u>	<u>3,592,395</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 1,557,423</u></u>	<u><u>\$ 3,690,129</u></u>	<u><u>\$ 902,608</u></u>	<u><u>\$ 6,150,160</u></u>

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			Total
	City Marina Fund	Parking Authority Fund	Stormwater Utility Fund	
OPERATING REVENUES				
Charges for services	\$ 67,360	\$ 584,193	\$ 632,933	\$ 1,284,486
TOTAL OPERATING REVENUES	67,360	584,193	632,933	1,284,486
OPERATING EXPENSES				
Salaries	34,510	187,430	80,054	301,994
Personnel benefits	4,004	75,627	42,849	122,480
Professional and skilled services	389	89,266	129,799	219,454
Supplies	7,436	8,918	80	16,434
Other operating expenses	36,555	201,111	43,711	281,377
Equipment	-	16,775	-	16,775
TOTAL OPERATING EXPENSES	82,894	579,127	296,493	958,514
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(15,534)	5,066	336,440	325,972
Depreciation	19,307	99,896	92,496	211,699
NET OPERATING INCOME (LOSS)	(34,841)	(94,830)	243,944	114,273
NONOPERATING REVENUES (EXPENSES)				
Transfers in (out)	-	-	(120,000)	(120,000)
Interest income	-	14,419	-	14,419
Interest expense	-	(54,291)	(7,628)	(61,919)
Gain on sale of asset	-	1,480	-	1,480
TOTAL NONOPERATING REVENUES (EXPENSES)	-	(38,392)	(127,628)	(166,020)
CHANGE IN NET POSITION	(34,841)	(133,222)	116,316	(51,747)
NET POSITION, BEGINNING OF YEAR	1,444,243	1,734,166	465,733	3,644,142
NET POSITION, END OF YEAR	\$ 1,409,402	\$ 1,600,944	\$ 582,049	\$ 3,592,395

Enterprise Funds

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
ENTERPRISE FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 4,438,863	\$ 11,234,415	\$ 15,673,278
Penalties	14,700	34,080	48,780
Tapping charges and connection fees	-	255,792	255,792
Sundry income	181,922	(11,244)	170,678
Pretreatment monitoring fee	-	181,981	181,981
Impact fees	212,428	-	212,428
TOTAL OPERATING REVENUES	<u>4,847,913</u>	<u>11,695,024</u>	<u>16,542,937</u>
OPERATING EXPENSES			
Salaries	1,700,364	2,483,976	4,184,340
Personnel benefits	865,616	1,309,418	2,175,034
Professional and skilled services	348,272	414,267	762,539
Other operating expenses	1,503,019	3,404,876	4,907,895
Equipment	23,123	37,661	60,784
TOTAL OPERATING EXPENSES	<u>4,440,394</u>	<u>7,650,198</u>	<u>12,090,592</u>
OPERATING INCOME BEFORE DEPRECIATION	407,519	4,044,826	4,452,345
Depreciation	<u>631,785</u>	<u>4,003,094</u>	<u>4,634,879</u>
NET OPERATING INCOME (LOSS)	<u>(224,266)</u>	<u>41,732</u>	<u>(182,534)</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	-	454,434	454,434
Interest income	171,912	171,912	343,824
Interest expense	(59,149)	(520,489)	(579,638)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>112,763</u>	<u>105,857</u>	<u>218,620</u>
CHANGE IN NET POSITION	<u>\$ (111,503)</u>	<u>\$ 147,589</u>	36,086
NET POSITION, BEGINNING OF YEAR			<u>75,082,363</u>
NET POSITION, END OF YEAR			<u>\$ 75,118,449</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Inspection fees	\$ 40,000	\$ 40,000	\$ 5,202	\$ (34,798)
Water sales	4,360,000	4,360,000	4,433,661	73,661
Penalties	22,500	22,500	14,700	(7,800)
Interest earned	-	-	171,912	171,912
Water income - sundry	211,500	211,500	181,922	(29,578)
Impact fees	-	-	212,428	212,428
Lease proceeds	123,140	123,140	-	(123,140)
TOTAL REVENUES	4,757,140	4,757,140	5,019,825	262,685
EXPENSES				
Engineering:				
Salaries	409,591	409,423	400,993	8,430
Personnel benefits	161,367	162,334	198,702	(36,368)
Professional and skilled services	26,426	35,626	4,060	31,566
Other operating expenses	139,060	139,560	101,347	38,213
Capital outlay	5,750	35,750	11,498	24,252
Total Engineering	742,194	782,693	716,600	66,093
Billing and collection:				
Salaries	133,235	133,743	133,743	-
Personnel benefits	50,233	50,331	66,818	(16,487)
Professional and skilled services	43,000	42,394	13,166	29,228
Other operating expenses	120,270	120,275	94,342	25,933
Total Billing and Collection	346,738	346,743	308,069	38,674
Water treatment:				
Salaries	615,889	588,860	563,037	25,823
Personnel benefits	234,331	234,331	284,758	(50,427)
Professional and skilled services	-	-	3,660	(3,660)
Other operating expenses	1,159,612	1,297,949	929,819	368,130
Capital outlay	57,940	86,161	7,681	78,480
Total Water Treatment	2,067,772	2,207,301	1,788,955	418,346

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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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Distribution and storage:				
Salaries	578,524	572,524	507,577	64,947
Personnel benefits	228,991	228,991	254,501	(25,510)
Professional and skilled services	-	3,000	117,193	(114,193)
Other operating expenses	239,503	251,342	211,032	40,310
Capital outlay	79,700	126,700	3,944	122,756
Total Distribution and Storage	<u>1,126,718</u>	<u>1,182,557</u>	<u>1,094,247</u>	<u>88,310</u>
Administration:				
Salaries	90,284	95,339	95,014	325
Personnel benefits	42,319	42,154	60,837	(18,683)
Professional and skilled services	217,621	216,698	210,193	6,505
Other operating expenses	187,807	182,840	166,479	16,361
Total Administration	<u>538,031</u>	<u>537,031</u>	<u>532,523</u>	<u>4,508</u>
Debt payments:				
Principal redemption	334,917	334,925	-	334,925
Interest	131,726	131,718	59,149	72,569
Total Debt Payments	<u>466,643</u>	<u>466,643</u>	<u>59,149</u>	<u>407,494</u>
TOTAL EXPENSES	<u>5,288,096</u>	<u>5,522,968</u>	<u>4,499,543</u>	<u>1,023,425</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(530,956)	(765,828)	520,282	1,286,110
Depreciation	<u>-</u>	<u>-</u>	<u>(631,785)</u>	<u>(631,785)</u>
CHANGE IN NET POSITION	<u>\$ (530,956)</u>	<u>\$ (765,828)</u>	<u>\$ (111,503)</u>	<u>\$ 654,325</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SEWER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Sewer charges	\$ 10,930,000	\$ 10,930,000	\$ 10,840,301	\$ (89,699)
Sewer charges - urban services	389,000	389,000	394,114	5,114
Penalties	56,000	56,000	34,080	(21,920)
Tapping charges and connection fees	-	-	255,792	255,792
Pretreatment monitoring fees	190,000	190,000	181,981	(8,019)
Interest earned	-	-	171,912	171,912
Sewer income - sundry	4,750	4,750	(11,244)	(15,994)
Grants	-	-	454,434	454,434
Debt proceeds	24,000	24,000	-	(24,000)
TOTAL REVENUES	11,593,750	11,593,750	12,321,370	727,620
EXPENSES				
Engineering:				
Salaries	409,591	410,391	400,261	10,130
Personnel benefits	151,055	151,055	187,827	(36,772)
Professional and skilled services	33,756	32,606	42,544	(9,938)
Other operating expenses	115,156	115,986	77,569	38,417
Capital outlay	29,750	29,270	5,270	24,000
Total Engineering	<u>739,308</u>	<u>739,308</u>	<u>713,471</u>	<u>25,837</u>
Billing and collection:				
Salaries	204,191	209,059	209,059	-
Personnel benefits	76,668	77,167	99,924	(22,757)
Professional and skilled services	31,000	25,633	23,092	2,541
Other operating expenses	39,155	37,655	23,107	14,548
Capital outlay	15,975	17,475	952	16,523
Total Billing and Collection	<u>366,989</u>	<u>366,989</u>	<u>356,134</u>	<u>10,855</u>
Wastewater treatment:				
Salaries	1,380,662	1,283,382	1,232,845	50,537
Personnel benefits	603,513	603,513	679,817	(76,304)
Professional and skilled services	85,200	49,368	-	49,368
Other operating expenses	3,661,912	3,408,725	2,783,385	625,340
Equipment	29,164	248,463	29,164	219,299
Total Wastewater Treatment	<u>5,760,451</u>	<u>5,593,451</u>	<u>4,725,211</u>	<u>868,240</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Maintenance and repair:				
Salaries	489,841	479,841	435,734	44,107
Personnel benefits	222,182	221,853	222,934	(1,081)
Other operating expenses	294,370	299,755	242,998	56,757
Capital outlay	3,920	95,864	2,275	93,589
Total Maintenance and Repair	<u>1,010,313</u>	<u>1,097,313</u>	<u>903,941</u>	<u>193,372</u>
Pretreatment monitoring:				
Salaries	116,171	116,171	110,220	5,951
Personnel benefits	40,974	40,974	47,257	(6,283)
Other operating expenses	33,191	33,191	21,172	12,019
Total Pretreatment Monitoring	<u>190,336</u>	<u>190,336</u>	<u>178,649</u>	<u>11,687</u>
Administration:				
Salaries	91,619	96,181	95,857	324
Personnel benefits	46,281	46,726	71,659	(24,933)
Professional and skilled services	389,181	388,241	348,631	39,610
Other operating expenses	276,822	270,796	256,645	14,151
Total Administration	<u>803,903</u>	<u>801,944</u>	<u>772,792</u>	<u>29,152</u>
Debt payments:				
Principal redemption	3,813,958	3,813,958	-	3,813,958
Interest	655,289	655,289	520,489	134,800
Total Debt Payments	<u>4,469,247</u>	<u>4,469,247</u>	<u>520,489</u>	<u>3,948,758</u>
TOTAL EXPENSES	<u>13,340,547</u>	<u>13,258,588</u>	<u>8,170,687</u>	<u>5,087,901</u>
OPERATING INCOME (LOSS) BEFORE TRANSFERS AND DEPRECIATION	(1,746,797)	(1,664,838)	4,150,683	5,815,521
TRANSFERS				
Transfer in	-	-	367,000	367,000
Transfer out	(277,000)	(367,000)	(367,000)	-
Depreciation	-	-	(4,003,094)	(4,003,094)
CHANGE IN NET POSITION	<u>\$ (2,023,797)</u>	<u>\$ (2,031,838)</u>	<u>\$ 147,589</u>	<u>\$ 2,179,427</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - CITY MARINA
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 86,232	\$ 86,232	\$ 67,360	\$ (18,872)
TOTAL OPERATING REVENUES	<u>86,232</u>	<u>86,232</u>	<u>67,360</u>	<u>(18,872)</u>
OPERATING EXPENSES				
Salaries	36,200	34,731	34,510	221
Personnel benefits	4,757	4,757	4,004	753
Professional and skilled services	450	489	389	100
Other operating expenses	44,825	46,350	43,991	2,359
Equipment	-	-	-	-
TOTAL OPERATING EXPENSES	<u>86,232</u>	<u>86,327</u>	<u>82,894</u>	<u>3,433</u>
OPERATING LOSS BEFORE DEPRECIATION	-	(95)	(15,534)	(15,439)
Depreciation	-	-	19,307	(19,307)
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (95)</u>	<u>\$ (34,841)</u>	<u>\$ (34,746)</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - PARKING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Parking permits, fines, state grants, meters, and Park 'n Shop	\$ 678,200	\$ 678,200	\$ 584,193	\$ (94,007)
TOTAL OPERATING REVENUES	<u>678,200</u>	<u>678,200</u>	<u>584,193</u>	<u>(94,007)</u>
OPERATING EXPENSES				
Salaries	202,643	200,924	187,430	13,494
Personnel benefits	74,877	74,825	75,627	(802)
Professional and skilled services	124,032	122,214	89,266	32,948
Other operating expenses	199,739	222,237	210,029	12,208
Equipment	115,000	90,220	16,775	73,445
TOTAL OPERATING EXPENSES	<u>716,291</u>	<u>710,420</u>	<u>579,127</u>	<u>131,293</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION				
	(38,091)	(32,220)	5,066	37,286
Depreciation	-	-	99,896	(99,896)
NET OPERATING LOSS	(38,091)	(32,220)	(94,830)	(62,610)
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	-	14,419	14,419
Capital lease proceeds	115,000	60,000	-	(60,000)
Gain on sale of fixed assets	-	-	1,480	1,480
Principal payment	(105,723)	(105,723)	-	105,723
Interest expense	(130,777)	(130,777)	(54,291)	76,486
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(121,500)</u>	<u>(176,500)</u>	<u>(38,392)</u>	<u>138,108</u>
CHANGE IN NET POSITION	<u>\$ (159,591)</u>	<u>\$ (208,720)</u>	<u>\$ (133,222)</u>	<u>\$ 75,498</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - STORMWATER UTILITY
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 620,000	\$ 620,000	\$ 632,933	\$ 12,933
TOTAL OPERATING REVENUES	<u>620,000</u>	<u>620,000</u>	<u>632,933</u>	<u>12,933</u>
OPERATING EXPENSES				
Salaries	98,365	99,565	80,054	19,511
Personnel benefits	49,682	48,682	42,849	5,833
Professional and skilled services	190,850	282,160	129,799	152,361
Other operating expenses	120,750	104,547	43,791	60,756
TOTAL OPERATING EXPENSES	<u>459,647</u>	<u>534,954</u>	<u>296,493</u>	<u>238,461</u>
OPERATING INCOME BEFORE DEPRECIATION				
	160,353	85,046	336,440	251,394
Depreciation	-	-	92,496	(92,496)
NET OPERATING INCOME	<u>160,353</u>	<u>85,046</u>	<u>243,944</u>	<u>158,898</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfer out	(120,000)	(120,000)	(120,000)	-
Interest expense	(67,518)	(67,518)	(7,628)	59,890
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(187,518)</u>	<u>(187,518)</u>	<u>(127,628)</u>	<u>59,890</u>
CHANGE IN NET POSITION	<u>\$ (27,165)</u>	<u>\$ (102,472)</u>	<u>\$ 116,316</u>	<u>\$ 218,788</u>

STATISTICAL INFORMATION

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)
JUNE 30, 2020**

Levy Year	Total	General Fund		
		Real Property	Personal Property	Corporations
2018	\$ 951,702	\$ 467,945	\$ 7,445	\$ 476,312
2017	166,350	21,564	6,309	138,477
2016	222,043	22,671	4,819	194,553
2015	66,047	20,034	1,088	44,925
2016 and prior	<u>1,224,585</u>	<u>308,580</u>	<u>43,189</u>	<u>872,816</u>
	2,630,727	840,794	62,850	1,727,083
Less allowance for uncollectibles	<u>(1,062,468)</u>	<u>-</u>	<u>(52,250)</u>	<u>(1,010,218)</u>
	<u>\$ 1,568,259</u>	<u>\$ 840,794</u>	<u>\$ 10,600</u>	<u>\$ 716,865</u>

NOTE: Included in the above are unearned taxes of \$482,192

CITY OF SALISBURY, MARYLAND

STATEMENT OF BONDED INDEBTEDNESS (UNAUDITED)
JUNE 30, 2020

Description of Bonds and Purpose of Issue	Interest		Bond Maturities	Date Issued	Authorized Total Issue	Outstanding June 30, 2020	Requirements to June 30, 2020		Payable At
	Rate (Percent)	Dates Payable					Principal	Interest	
General Obligation Bonds									
Water Quality Bond of 2003	0.40	F & A1	08/01/03-08/01/24	04/17/03	\$ 3,163,361	\$ 653,037	\$ 161,636	\$ 11,094	MD Dept. Environment
Water Quality Bond of 2005	0.40	F & A1	02/01/09-02/01/28	09/29/05	42,009,341	16,919,126	2,112,523	175,238	MD Water Quality Fin.
Maryland Water Quality Bond (ARRA)	0	A & F1	08/01/11-02/01/30	12/04/09	2,056,250	750,061	145,021	-	MD Water Quality Fin.
Maryland Energy Administration	0	S & M1	09/01/11-03/01/13	12/04/09	258,740	-	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	2,538,696	317,196	90,359	Bank of America
Public Improvements Refunding Bond, Series 2011B	2.75	J & DA1	12/13/11-06/01/23	12/13/11	4,828,000	1,215,000	443,000	45,595	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	1,170,828	50,229	13,855	MD Water Quality Fin.
Series 2012B Maryland Water Quality Financing Administration Drinking Water Bond	0	A & F1	05/22/12-02/01/43	05/22/12	1,500,000	1,412,274	-	-	MD Water Quality Fin.
Public Improvement Bonds of 2013	3.01	J & J1	12/05/12-06/30/29	12/05/12	6,041,000	3,759,000	358,000	118,534	Suntrust Bank
Public Improvement Bonds of 2014	2.96	J & J1	07/01/14-07/01/28	12/23/13	3,178,000	2,075,000	198,000	64,326	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	36,468	4,621	567	MD Water Quality Fin.
Series 2014B Maryland Water Quality Financing Administration Drinking Water Bond	0	On demand	03/20/14-02/01/29	03/20/14	464,625	413,835	-	-	MD Water Quality Fin.
Series 2015A Maryland Water Quality Financing Administration Drinking Water Bond	0	F & A1	08/01/15-02/01/37	06/30/15	34,545,000	35,315,378	150,000	-	MD Water Quality Fin.
Series 2015B Maryland Water Quality Financing Administration Drinking Water Bond	0	F & A1	08/01/15-02/01/37	06/30/15	1,500,000	-	-	-	MD Water Quality Fin.
Public Improvement Bonds of 2016	2.18	J & D1	12/01/15-06/01/26	12/01/15	4,726,200	2,957,037	456,699	69,441	Bank of America
2017 Public Improvements Refunding Bond	2.00 - 5.00	A & O1	04/01/17-04/01/31	07/28/16	20,030,000	14,310,000	1,835,000	673,313	Bank of America
2018 Public Improvements Bond	2.51	J1	06/01/18-06/01/32	12/23/17	5,724,853	4,854,938	343,110	130,471	BB&T Bank
2019 Public Improvements Bond	2.125-5.00	M & S1	3/1/20-6/1/35	10/08/19	11,225,000	11,225,000	-	174,480	Sun Trust Bank
						<u>\$99,605,678</u>	<u>\$ 6,603,784</u>	<u>\$ 1,567,273</u>	

CITY OF SALISBURY, MARYLAND

**GENERAL FUND REVENUE BY SOURCE (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2020**

Fiscal Year Ended June 30	Revenues						Service Charges and Other	Total	Surplus Appropriated	
	Property Taxes	Local Income Taxes	State Shared Taxes	Licenses and Permits	Fines and Forfeitures	Revenues from Use of Money and Property				Revenue from Other Agencies
2020	\$27,076,972 65.08%	\$ 2,260,354 5.43%	\$ 1,939,940 4.66%	\$ 1,280,959 3.08%	\$ 883,319 2.12%	\$ 187,700 0.45%	\$ 2,185,588 5.25%	\$5,791,617 13.92%	\$41,606,449 100.00%	\$ 2,290,713
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%	1,876,770
2018	24,682,281 59.32%	1,813,673 4.36%	1,871,351 4.50%	1,251,117 3.01%	1,388,717 3.34%	131,227 0.32%	2,394,418 5.75%	4,196,852 10.09%	37,729,636 90.68%	1,782,844
2017	22,526,196 55.72%	1,954,687 4.84%	1,794,736 4.44%	1,130,075 2.80%	826,605 2.04%	64,134 0.16%	1,993,242 4.93%	4,170,384 10.32%	34,460,059 85.24%	1,876,770
2016	22,277,811 59.05%	1,882,874 4.99%	1,779,355 4.72%	1,008,833 2.67%	1,393,656 3.69%	30,403 0.08%	1,737,886 4.61%	4,207,275 11.15%	34,318,093 90.96%	1,577,020

CITY OF SALISBURY, MARYLAND

**GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2020**

Fiscal Year Ended June 30	General Government	Department of Public Works							Miscellaneous & Transfers	Total
		Police	Fire	Other Safety	Supervision & Engineering	Highways	Sanitation & Other	Recreation		
2020	\$4,131,101 9.83%	\$12,969,356 30.87%	\$8,919,013 21.23%	\$3,014,795 7.18%	\$1,898,710 4.52%	\$1,059,568 2.52%	\$2,118,072 5.04%	\$2,089,274 4.97%	\$ 5,811,650 13.83%	\$42,011,539 100.00%
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 5.03%	1,893,357 4.85%	5,337,112 13.67%	39,043,242 100.00%
2018	3,701,899 8.81%	12,081,923 28.76%	8,833,792 21.03%	3,041,561 7.24%	1,934,841 4.61%	714,943 1.70%	1,926,571 4.59%	2,056,707 4.90%	5,348,152 12.73%	39,640,389 94.36%
2017	3,317,424 8.50%	11,714,643 30.00%	7,365,195 18.86%	1,988,524 5.09%	1,530,795 3.92%	1,894,141 4.85%	2,536,646 6.50%	1,930,038 4.94%	14,123,703 36.17%	46,401,109 118.85%
2016	2,972,789 7.50%	11,615,144 29.30%	7,975,874 20.12%	1,562,910 3.94%	1,466,084 3.70%	1,526,495 3.85%	2,008,009 5.07%	1,939,828 4.89%	3,832,939 9.67%	34,900,072 88.04%

CITY OF SALISBURY, MARYLAND
WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2020

Fiscal Year Ended June 30	Revenue						Expenses				
	Water Charges	Other Water	Sewer Charges	Other Sewer	Total	Surplus Appropriated	Operations	Capital Outlay	Debt Service	Depreciation	Total
2020	\$ 4,438,863	\$ 580,962	\$ 11,234,415	\$ 1,086,955	\$ 17,341,195	\$ 1,985,331	\$ 12,029,808	\$ 60,784	\$ 579,638	\$ 4,634,879	\$ 17,305,109
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

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, 2020

Fiscal Year Ended June 30	Assessable Basis	Total General Sinking Tax Levy	Percent of Levy		Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
			Collected in Year of Levy	Delinquent Tax Collections					
2020	\$ 2,312,626,586	\$ 27,244,457	95.63%	\$ 554,987	\$ 26,609,098	97.67%	\$ 940,607	3.45%	
2019	2,228,360,951	26,402,199	93.72%	484,372	25,228,582	95.55%	1,972,716	7.47%	
2018	2,151,596,042	25,652,521	92.45%	542,031	24,257,987	94.56%	1,919,494	7.48%	
2017	2,079,435,806	23,235,981	94.21%	228,267	22,118,099	95.19%	1,822,261	7.84%	
2016	2,069,149,309	23,089,919	93.36%	389,437	21,946,771	95.05%	1,582,745	6.85%	

CITY OF SALISBURY, MARYLAND

GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS (UNAUDITED)
 FIVE YEARS ENDED JUNE 30, 2020

Fiscal Year Ended June 30	Assessed Values			General Obligation Debt and Notes Payable	Ratio G. O. Debt to Assessed Values	Legal Debt Limit	Legal Debt Margin	Total G. O. Debt Service	Total Expenditures General Fund and Water & Sewer	Ratio G. O. Debt Service to Total Expenditures		
	Real Property Full and Partial Year	Personal Property	Corporations									
			Ordinary								Railroads and Utilities	
Total												
2020	\$2,009,236,346	\$3,247,210	\$ 229,679,260	\$ 70,463,770	\$2,312,626,586	\$ 99,605,678	0.0431	\$ 55,354,239	\$ 25,617,835	\$ 8,904,182	\$ 59,316,648	0.150
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	56,074,093	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	14,117,772	0.518
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