



CITY OF SALISBURY, MARYLAND

AUDIT REPORT

JUNE 30, 2021

CITY OF SALISBURY
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CITY OF SALISBURY, MARYLAND

ORGANIZATION

SERVING AS OF JUNE 30, 2021

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	Jana Potvin
Director of Information Services	Bill Garrett
Director of Housing and Community Development	Ronald Strickler
Chief of Police	Barbara Duncan
Chief of Fire Department	John Tull



INDEPENDENT AUDITOR'S REPORT

December 13, 2021

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, 2021, 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

Members of City Council
City of Salisbury

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence 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, 2021, 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.

Emphasis of a Matter

As discussed in Notes 1 and 16 to the financial statements, the City has adopted the requirements of GASB Statement No. 84, "Fiduciary Activities." The statement provides additional guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. As a result, the City now presents a statement of changes in fiduciary net position for its custodial fund. Our opinion is not modified with respect to this matter.

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 57, schedules of the City's proportionate share of the net pension liability on pages 58 and 60, schedules of City contributions on pages 59 and 61, and schedule of the City's net OPEB liability and related ratios on page 62 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.

Members of City Council
City of Salisbury

Other Information

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

The other supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records 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 13, 2021, 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, 2021. 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, 2021 was \$81,845,282. Net position of our governmental activities increased by \$108,438 (or 1.7 percent) while net position of our business-type activities decreased by \$2,690,007 (or 3.4 percent).
- The General Fund reported revenues and other financing sources over expenditures and other financing uses resulting in a \$3,194,533 increase in fund balance, bringing its fund balance this year to \$17,005,761.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

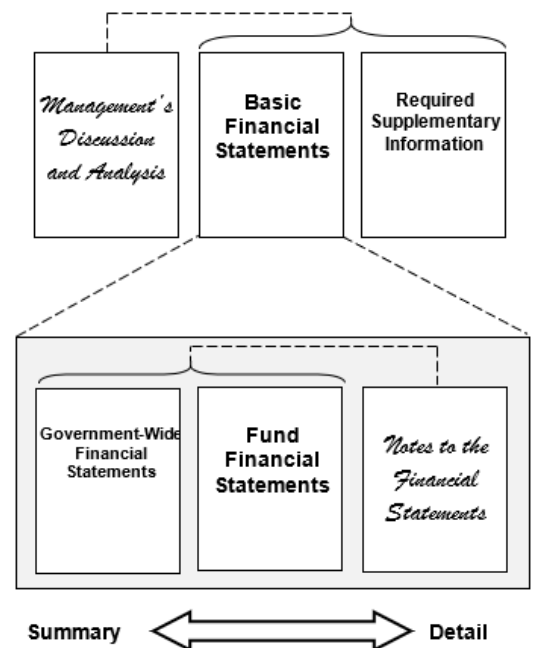


Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

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

Entity-wide Statements

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

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

The two entity-wide statements report the City's net position and how it has changed. Net position — the difference between the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources — is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The entity-wide financial statements of the City include the *governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, culture and recreation, and interest on long-term debt. Property taxes and charges for services fund most of these activities. In addition, the entity-wide financial statements include the City's business-type activities, which account for services for which the City charges customers.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* — not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds* — Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the entity-wide statements, additional information is provided at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- *Proprietary funds* — Proprietary funds generally are used to account for services for which the City charges customers — either outside customers, or internal units or departments of the City. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for customer services and include: water and sewer fees, Mitchell Landing Apartment rents, septage treatment fees, and stormwater system maintenance fees. Operating expenses for enterprise funds include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds provide the same type of information as shown in the entity-wide financial statements.

The City maintains the following types 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.

- *Custodial 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, 2021 was \$81,845,282.

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

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
CURRENT ASSETS:						
Cash and investments	\$ 15,428	\$ 11,056	\$ 6,987	\$ 7,832	\$ 22,415	\$ 18,888
Accounts and taxes receivable, net	3,394	3,678	2,951	3,012	6,345	6,690
Due from other governmental units	1,608	2,232	201	986	1,809	3,218
Internal balances	565	250	(565)	(250)	-	-
Inventories	772	872	386	383	1,158	1,255
Other	106	21	14	21	120	42
TOTAL CURRENT ASSETS	21,873	18,109	9,974	11,984	31,847	30,093
NONCURRENT ASSETS:						
Restricted cash	8,170	12,284	10,523	16,735	18,693	29,019
Capital assets at cost	101,062	96,732	189,307	183,001	290,369	279,733
Less accumulated depreciation	(37,928)	(35,159)	(53,704)	(49,295)	(91,632)	(84,454)
TOTAL NONCURRENT ASSETS	71,304	73,857	146,126	150,441	217,430	224,298
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred outflow - pension	7,262	5,596	1,100	703	8,362	6,299
Deferred outflow - OPEB	3,727	2,635	932	659	4,659	3,294
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,989	8,231	2,032	1,362	13,021	9,593
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	104,166	100,197	158,132	163,787	262,298	263,984
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	1,893	2,997	1,504	2,369	3,397	5,366
Bonds, notes, and capital leases payable	3,970	3,687	6,119	4,655	10,089	8,342
Other	1,505	1,121	1,500	305	3,005	1,426
TOTAL CURRENT LIABILITIES	7,368	7,805	9,123	7,329	16,491	15,134

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

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2021	2021	2020
NONCURRENT LIABILITIES:						
Compensated absences	1,949	1,905	272	241	2,221	2,146
Post-employment benefits	22,457	20,084	5,614	5,021	28,071	25,105
Net pension liability	35,585	30,176	4,686	4,163	40,271	34,339
Bonds, notes, and capital leases payable	27,576	30,292	62,445	68,456	90,021	98,748
TOTAL NONCURRENT LIABILITIES	87,567	82,457	73,017	77,881	160,584	160,338
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows – pensions	2,287	3,493	405	397	2,692	3,890
Deferred inflows - OPEB	549	156	137	39	686	195
TOTAL DEFERRED INFLOWS OF RESOURCES	2,836	3,649	542	436	3,378	4,085
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	97,771	93,911	82,682	85,646	180,453	179,557
NET POSITION:						
Net investment in capital assets	31,588	27,595	67,040	60,594	98,628	88,189
Restricted	8,169	12,284	10,522	16,735	18,691	29,019
Unrestricted (Deficit)	(33,362)	(33,592)	(2,112)	811	(35,474)	(32,781)
TOTAL NET POSITION	\$ 6,395	\$ 6,287	\$ 75,450	\$ 78,140	\$ 81,845	\$ 84,427

Net position of the City's governmental activities increased 1.7 percent to \$6,395,318 due to increases in assets not offset by increases in liabilities. Net position of the City's business-type activities decreased 3.4 percent to \$75,449,964 due to decreases in assets not offset by decreases in liabilities of a lesser amount.

The City's total revenues were \$66,213,520. A significant portion (45.6 percent) of the City's revenue comes from property and other taxes (See Figure A-3). A portion (38.7 percent) comes from charges for services, 13.2 percent is derived from operating grants, and 1.3 percent is derived from capital grants and contributions. The remaining 1.2 percent comes from miscellaneous, capital grants, and investment earnings.

Figure A-3
CITY'S SOURCES OF REVENUES
Fiscal Year 2021

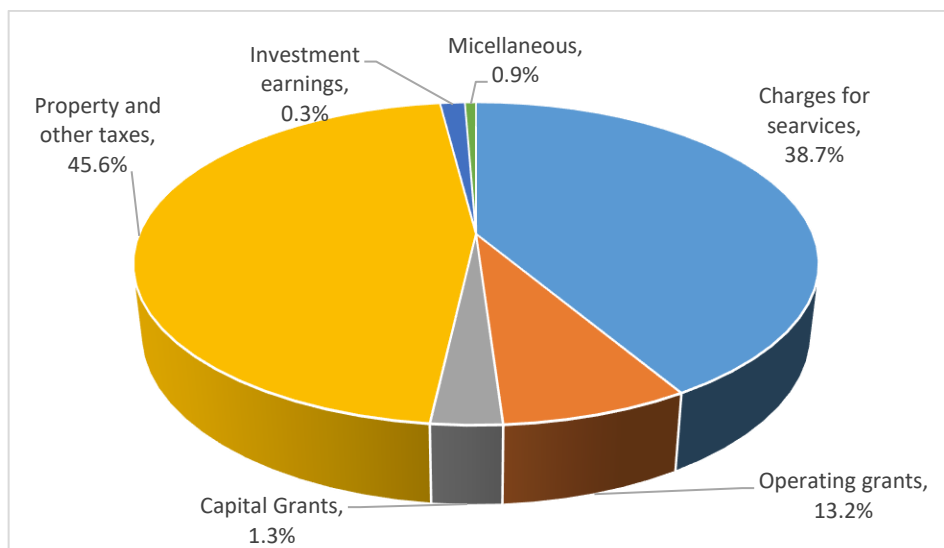


Table A-2
SOURCES OF REVENUES
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals		Percentage
	2021	2020	2021	2020	2021	2020	Change 2020-2021
Program revenues:							
Charges for services	\$ 8,181	\$ 8,439	\$ 17,453	\$ 17,988	\$ 25,634	\$ 26,427	-3%
Operating grants	8,712	4,789	-	-	8,712	4,789	82%
Capital grants	464	1,351	412	455	876	1,806	-51%
General revenues:							
Property and other taxes	30,164	29,461	-	-	30,164	29,461	2%
Investment earnings	213	530	23	358	236	888	-73%
Transfers	154	120	(154)	(120)	-	-	0%
Miscellaneous	517	397	74	2	591	399	48%
Total Revenues	\$ 48,405	\$ 45,087	\$ 17,808	\$ 18,683	\$ 66,213	\$ 63,770	4%

Table A-3 presents the costs of each of the City's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Table A-3
NET COST OF CITY FUNCTIONS
(in thousands of dollars)

	Total Cost of Services			Net (Revenue) Cost of Services		
	2021	2020	% Change	2021	2020	% Change
Governmental Activities:						
General government	\$ 5,728	\$ 5,008	14.4%	\$ (686)	\$ 2,721	-125.2%
Public safety	30,378	30,112	0.9%	22,996	21,587	6.5%
Public works	6,827	5,768	18.4%	4,397	2,722	61.5%
Recreation and culture	3,307	2,581	28.1%	2,175	1,860	16.9%
Nondepartmental	1,039	894	16.2%	1,039	894	16.2%
Interest on long-term debt	1,018	1,193	-14.7%	1,018	1,193	-14.7%
Total Governmental Activities	48,297	45,556		30,939	30,977	
Business-type Activities:						
Water and sewer	18,850	17,305	8.9%	2,375	308	671.1%
Mitchell Landing	173	222	-22.1%	4	61	-93.4%
Other	1,475	1,231	19.8%	255	(53)	-581.1%
Total Business-type Activities	20,498	18,758		2,634	316	
Total	\$ 68,795	\$ 64,314		\$ 33,573	\$ 31,293	

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

Governmental Activities		Business-type Activities		Totals	
2021	2020	2021	2020	2021	2020
\$ 108	\$ (469)	\$ (2,690)	\$ (76)	\$ (2,582)	\$ (545)

Governmental Activities

Property and other tax revenues increased approximately \$.7 million due to improvements in economic conditions. The cost of all *governmental* activities this year was \$48.3 million. However, the amount that the City's taxpayers paid for these activities through taxes was only \$30.2 million. Some of the cost was paid by those who directly benefited from the programs, \$8.2 million, or by grants and contributions, \$9.2 million. The total cost of governmental activities increased \$2.7 million, which can be attributed largely to increases in Public Works and General Government.

Business-type Activities

Revenues of the City's business-type activities were \$17.8 million in FY 2021, a decrease from \$18.7 million in FY 2020 (see Table A-2), while expenses were \$20.5 million in FY 2021 versus \$18.8 million in FY 2020. The overall revenue decrease is primarily due to less revenue related to charges for services earned by the City in FY 2021. Overall costs increased by \$1.7 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 2021, the City's governmental funds reported a combined fund balance of \$24.4 million, a \$.4 million decrease from the previous year. At year end, the General Fund had a fund balance of \$ 17.0 million and the Capital Improvements Fund had a fund balance of \$6.5 million. The fund balance for other governmental funds reported an ending in fund balance of \$0.9 million. Revenue collections were less than expenditures by \$1.0 million for the year for all governmental funds. General Fund revenue collections exceeded expenditures by \$4.1 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 \$46.5 million (including operating transfers), versus an original budget of \$45.4 million. The variance is due a \$1.0 million carry forward of encumbrances from FY 2020. Actual expenditures were \$3.7 million below final budget amounts. All departments were under budget during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the City had invested \$198.7 million, net of depreciation, 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
	2021	2020	2021	2020	2021	2020	
Land and art	\$ 8,675	\$ 8,676	\$ 2,198	\$ 2,198	\$ 10,873	\$ 10,874	0.0%
Construction-in-progress	7,924	15,354	9,634	4,250	17,558	19,604	-10.5%
Buildings and improvements	27,511	27,078	52,146	51,977	79,657	79,055	0.8%
Improvements, non-buildings	30,791	19,871	110,807	109,984	141,598	129,855	9.0%
Machinery and equipment	26,125	25,718	14,522	14,592	40,647	40,310	0.8%
Zoo animals	36	36	-	-	36	36	0.0%
Totals at historical cost	101,062	96,733	189,307	183,000	290,369	279,733	3.8%
Total accumulated depreciation	37,928	35,159	53,704	49,295	91,632	84,454	8.5%
 Net Capital Assets	 \$ 63,134	 \$ 61,574	 \$ 135,603	 \$ 133,706	 \$ 198,737	 \$ 195,280	 1.8%

The City's governmental capital purchases for fiscal year 2021 included the purchase of five police vehicles, a server for IT, one HCDD vehicle, software for the police department, and a dump truck. The Truitt Center Community Center was purchased, as well as additional land for the Service Center. The business-type activities additions to capital assets included the purchase of a video camera for the parking division and four vehicles, a dump truck, and an internal recycle pump to be used in the water and sewer division. Projects completed included Main Street, Riverside Circle, Riverwalk Repairs, Park Well Upgrades, and an elevated water tank. Continuing projects include Bicycle Master Plan, Urban Greenway, Street Scaping, Service Center, 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 \$100.1 million in bonds, notes, and leases outstanding, a decrease of \$7 million over the previous year.

The City is limited to a maximum general obligation bond limit of \$58.3 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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	
Leases payable	\$ 2,661	\$ 2,035	\$ 440	\$ 606	\$ 3,101	\$ 2,641	17.4%
Bonds payable	26,854	29,736	65,599	69,869	92,453	99,605	-7.2%
Mortgages and notes payable	-	-	1,382	1,382	1,382	1,382	0%
Bond premium	2,031	2,208	1,143	1,254	3,174	3,462	-8.3%
Total Bonds and Notes Payable	\$ 31,546	\$ 33,979	\$ 68,564	\$ 73,111	\$100,110	\$107,090	-6.5%

ECONOMIC FACTORS

- The City collected \$ 418,345 in building permit revenues for FY 2021 vs. \$354,881 for FY 2020.
- The City received \$1.1 million more in real estate property tax revenue in FY 2021. The total of other tax revenues was \$0.4 million more in FY 2021.
- The City's has a three-year reassessment cycle. The adjusted assessed value of all real properties in the City increased \$104.5 million over the prior year.
- The local (Wicomico County) unemployment rate as of July 2021 was 5.3 percent, down from 7.2 percent a year ago. The State of Maryland had a 5.8 percent rate, and the nation as a whole has a 5.2 percent unemployment rate for the same time period.

WATER SEWER FUND

The water and sewer fund adopted budget decreased from \$18.4 million in FY 2020 to \$18.1 million in FY 2021.

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, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investment pool	\$ 15,427,681	\$ 6,987,463	\$ 22,415,144
Taxes receivable, net	1,409,520	-	1,409,520
Accounts receivable, net	1,984,208	2,950,715	4,934,923
Due from other governmental units	1,608,033	183,145	1,791,178
Internal balances	565,785	(565,785)	-
Other assets	105,871	32,422	138,293
Inventories	771,896	386,319	1,158,215
Total Current Assets	21,872,994	9,974,279	31,847,273
Noncurrent assets:			
Restricted cash and investments	8,169,843	10,522,658	18,692,501
Construction-in-progress	7,923,973	9,634,408	17,558,381
Land and art	8,675,093	2,198,503	10,873,596
Capital assets at cost	84,463,304	177,474,303	261,937,607
Less accumulated depreciation	(37,928,429)	(53,704,095)	(91,632,524)
Total Noncurrent Assets	71,303,784	146,125,777	217,429,561
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension plan	7,262,194	1,099,825	8,362,019
Deferred outflows - OPEB plan	3,727,016	931,754	4,658,770
Total Deferred Outflows of Resources	10,989,210	2,031,579	13,020,789
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	\$ 104,165,988	\$ 158,131,635	\$ 262,297,623
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,892,990	\$ 1,504,358	\$ 3,397,348
Unearned revenue	850,188	1,324,705	2,174,893
Deposits and advance payments of taxes	194,786	11,840	206,626
Compensated absences	216,485	30,222	246,707
Accrued interest payable	243,016	133,135	376,151
Bonds, notes, and capital leases payable, net	3,970,043	6,119,173	10,089,216
Total Current Liabilities	7,367,508	9,123,433	16,490,941
Noncurrent liabilities:			
Compensated absences	1,948,369	271,997	2,220,366
Net OPEB liability	22,456,962	5,614,240	28,071,202
Net pension liability	35,585,357	4,685,780	40,271,137
Bonds, notes, and capital leases payable, net	27,576,332	62,444,425	90,020,757
Total Noncurrent Liabilities	87,567,020	73,016,442	160,583,462
Total Liabilities	94,934,528	82,139,875	177,074,403
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension plan	2,287,039	404,520	2,691,559
Deferred inflows - OPEB plan	549,103	137,276	686,379
Total Deferred Inflows of Resources	2,836,142	541,796	3,377,938
NET POSITION			
Net investment in capital assets	31,587,566	67,039,521	98,627,087
Restricted	8,169,843	10,522,658	18,692,501
Unrestricted (Deficit)	(33,362,091)	(2,112,215)	(35,474,306)
Total Net Position	6,395,318	75,449,964	81,845,282
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
	\$ 104,165,988	\$ 158,131,635	\$ 262,297,623

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

**CITY OF SALISBURY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 5,727,603	\$ 1,830,365	\$ 4,583,634	\$ -	\$ 686,396	\$ -	\$ 686,396
Public safety	30,377,734	3,358,227	4,023,474	-	(22,996,033)	-	(22,996,033)
Public works	6,827,087	2,237,572	104,572	87,955	(4,396,988)	-	(4,396,988)
Recreation and culture	3,307,016	755,064	450	376,400	(2,175,102)	-	(2,175,102)
Nondepartmental	1,039,769	-	-	-	(1,039,769)	-	(1,039,769)
Interest on long-term debt	1,017,752	-	-	-	(1,017,752)	-	(1,017,752)
Total Governmental Activities	<u>48,296,961</u>	<u>8,181,228</u>	<u>8,712,130</u>	<u>464,355</u>	<u>(30,939,248)</u>	<u>-</u>	<u>(30,939,248)</u>
BUSINESS-TYPE ACTIVITIES							
Water and sewer	18,850,360	16,063,539	-	411,713	-	(2,375,108)	(2,375,108)
Mitchell Landing	172,519	168,935	-	-	-	(3,584)	(3,584)
Other	1,475,249	1,220,525	-	-	-	(254,724)	(254,724)
Total Business-type Activities	<u>20,498,128</u>	<u>17,452,999</u>	<u>-</u>	<u>411,713</u>	<u>-</u>	<u>(2,633,416)</u>	<u>(2,633,416)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 68,795,089</u>	<u>\$ 25,634,227</u>	<u>\$ 8,712,130</u>	<u>\$ 876,068</u>	<u>(30,939,248)</u>	<u>(2,633,416)</u>	<u>(33,572,664)</u>
GENERAL REVENUES AND TRANSFERS							
Taxes:							
Real and personal property taxes, levied for general purposes					20,423,813	-	20,423,813
Ordinary business corporations and utilities					7,366,971	-	7,366,971
State shared income tax					2,334,601	-	2,334,601
Other taxes					38,132	-	38,132
Investment earnings					212,732	22,336	235,068
Gain (loss) on sale of fixed assets					(56,690)	74,623	17,933
Miscellaneous					574,577	-	574,577
Operating transfers					153,550	(153,550)	-
TOTAL GENERAL REVENUES AND TRANSFERS					<u>31,047,686</u>	<u>(56,591)</u>	<u>30,991,095</u>
CHANGE IN NET POSITION					108,438	(2,690,007)	(2,581,569)
NET POSITION, BEGINNING OF YEAR					6,286,880	78,139,971	84,426,851
NET POSITION, END OF YEAR					<u>\$ 6,395,318</u>	<u>\$ 75,449,964</u>	<u>\$ 81,845,282</u>

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

CITY OF SALISBURY, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
ASSETS				
Cash	\$ 5,760,274	\$ -	\$ 1,022,461	\$ 6,782,735
Investment pool	8,602,985	-	41,961	8,644,946
Taxes receivable	2,425,310	-	-	2,425,310
Less allowance for uncollectibles	(1,015,790)	-	-	(1,015,790)
Due from other governmental units	933,210	-	674,823	1,608,033
Due from other funds	632,859	-	-	632,859
Sundry accounts receivable	4,519,655	-	230,388	4,750,043
Less allowance for uncollectibles	(2,765,835)	-	-	(2,765,835)
Inventory	771,896	-	-	771,896
Other assets	105,871	-	-	105,871
Restricted cash	207,444	119,662	-	327,106
Restricted investment pool	1,321,751	6,520,986	-	7,842,737
TOTAL ASSETS	\$ 21,499,630	\$ 6,640,648	\$ 1,969,633	\$ 30,109,911
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,628,133	\$ 129,619	\$ 135,238	\$ 1,892,990
Due to other funds	-	-	67,074	67,074
Unearned revenue	-	-	850,188	850,188
Deposits and advance payment of taxes	158,443	-	36,343	194,786
Compensated absences	216,485	-	-	216,485
Total Liabilities	2,003,061	129,619	1,088,843	3,221,523
Deferred Inflows of Resources				
Unavailable revenue	2,490,808	-	-	2,490,808
Total Deferred Inflows of Resources	2,490,808	-	-	2,490,808
Fund Balances:				
Nonspendable	877,767	-	-	877,767
Restricted	-	6,511,029	-	6,511,029
Committed	2,378,100	-	558,241	2,936,341
Assigned	1,103,080	-	322,549	1,425,629
Unassigned	12,646,814	-	-	12,646,814
Total Fund Balances	17,005,761	6,511,029	880,790	24,397,580
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 21,499,630	\$ 6,640,648	\$ 1,969,633	\$ 30,109,911

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, 2021**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 24,397,580

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. 63,133,941

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. 2,490,808

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	\$ (31,546,375)	
Compensated absences	(1,948,369)	
Net OPEB liability	(22,456,962)	
Accrued interest on bonds	(243,016)	
Net pension liability	<u>(35,585,357)</u>	(91,780,079)

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	7,262,194	
Deferred outflows - OPEB plan	3,727,016	
Deferred inflows - pension plan	(2,287,039)	
Deferred inflows - OPEB plan	<u>(549,103)</u>	<u>8,153,068</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,395,318

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, 2021

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
REVENUES				
Taxes	\$ 30,361,776	\$ -	\$ -	\$ 30,361,776
Other revenue	4,091,504	11,037	58,046	4,160,587
Intergovernmental revenues	6,284,412	-	2,527,889	8,812,301
Charges for services	4,791,812	-	14,830	4,806,642
TOTAL REVENUES	<u>45,529,504</u>	<u>11,037</u>	<u>2,600,765</u>	<u>48,141,306</u>
EXPENDITURES				
Current:				
General government	4,121,549	-	1,126,537	5,248,086
Public safety	24,452,125	-	1,574,377	26,026,502
Public works	4,302,605	-	122,974	4,425,579
Recreation and culture	2,158,032	-	484,736	2,642,768
Nondepartmental	1,039,769	-	-	1,039,769
Capital outlays	657,247	3,953,095	466,591	5,076,933
Debt service:				
Principal	1,039,082	-	-	1,039,082
Interest	3,686,563	-	-	3,686,563
TOTAL EXPENDITURES	<u>41,456,972</u>	<u>3,953,095</u>	<u>3,775,215</u>	<u>49,185,282</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>4,072,532</u>	<u>(3,942,058)</u>	<u>(1,174,450)</u>	<u>(1,043,976)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(1,326,022)	155,550	1,324,022	153,550
Proceeds from bond and capital lease issuance	352,896	-	-	352,896
Proceeds from sale of capital assets	95,127	-	-	95,127
TOTAL OTHER FINANCING SOURCES (USES)	<u>(877,999)</u>	<u>155,550</u>	<u>1,324,022</u>	<u>601,573</u>
NET CHANGE IN FUND BALANCES	3,194,533	(3,786,508)	149,572	(442,403)
FUND BALANCES, BEGINNING OF YEAR	<u>13,811,228</u>	<u>10,297,537</u>	<u>731,218</u>	<u>24,839,983</u>
FUND BALANCES, END OF YEAR	<u>\$ 17,005,761</u>	<u>\$ 6,511,029</u>	<u>\$ 880,790</u>	<u>\$ 24,397,580</u>

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

**CITY OF SALISBURY, MARYLAND
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (442,403)

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	\$ 5,071,496	
Loss on disposal	(151,817)	
Depreciation expense	<u>(3,359,609)</u>	1,560,070

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. (1,431,143)

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. 527,425

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. 3,686,563

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:

Decrease in compensated absences	220,993	
Increase in deferred outflows - OPEB plan	1,091,901	
Increase in net OPEB liability	(2,372,667)	
Increase in deferred inflows - OPEB plan	(393,348)	
Decrease in accrued interest payable	21,331	
Increase in deferred outflows - pension plan	1,666,038	
Increase in net pension liability	(5,409,863)	
Decrease in deferred inflows - pension	<u>1,206,234</u>	<u>(3,969,381)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 108,438

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash	\$ 3,290,795	\$ 66,323	\$ 383,786	\$ 3,740,904
Investment pool	3,177,398	-	69,161	3,246,559
Accounts receivable, net	2,789,968	-	160,747	2,950,715
Due from other governmental units	183,145	-	-	183,145
Other assets	15,046	-	17,376	32,422
Inventories	386,319	-	-	386,319
Total Current Assets	<u>9,842,671</u>	<u>66,323</u>	<u>631,070</u>	<u>10,540,064</u>
Noncurrent assets:				
Restricted cash	-	217,630	-	217,630
Restricted investment pool	9,321,751	-	983,277	10,305,028
Capital assets:				
Construction-in-progress	9,175,264	-	459,144	9,634,408
Land	301,703	114,010	1,782,790	2,198,503
Buildings, equipment, and improvements	168,829,382	1,454,318	7,190,603	177,474,303
Less accumulated depreciation	(47,488,183)	(1,020,719)	(5,195,193)	(53,704,095)
Total Noncurrent Assets	<u>140,139,917</u>	<u>765,239</u>	<u>5,220,621</u>	<u>146,125,777</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension plan	1,044,567	-	55,258	1,099,825
Deferred outflows - OPEB plan	931,754	-	-	931,754
Total Deferred Outflows of Resources	<u>1,976,321</u>	<u>-</u>	<u>55,258</u>	<u>2,031,579</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 151,958,909</u>	<u>\$ 831,562</u>	<u>\$ 5,906,949</u>	<u>\$ 158,697,420</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Due in one year:				
Accounts payable	\$ 1,179,500	\$ -	\$ 149,850	\$ 1,329,350
Accrued payroll	152,778	11,298	10,932	175,008
Accrued interest payable	118,195	-	14,940	133,135
Due to other funds	-	-	565,785	565,785
Compensated absences	30,222	-	-	30,222
Bonds, notes, and capital leases payable	5,869,560	-	249,613	6,119,173
Deposits	-	10,914	926	11,840
Unearned revenue	1,324,705	-	-	1,324,705
Total Current Liabilities	<u>8,674,960</u>	<u>22,212</u>	<u>992,046</u>	<u>9,689,218</u>
Due in more than one year:				
Bonds, notes, and capital leases payable	59,603,909	1,381,807	1,458,709	62,444,425
Net OPEB liability	5,614,240	-	-	5,614,240
Provision for compensated absences	271,997	-	-	271,997
Net pension liability	4,450,355	-	235,425	4,685,780
Total Noncurrent Liabilities	<u>69,940,501</u>	<u>1,381,807</u>	<u>1,694,134</u>	<u>73,016,442</u>
Total Liabilities	<u>78,615,461</u>	<u>1,404,019</u>	<u>2,686,180</u>	<u>82,705,660</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension plan	384,196	-	20,324	404,520
Deferred inflows - OPEB plan	137,276	-	-	137,276
Total Deferred Inflows of Resources	<u>521,472</u>	<u>-</u>	<u>20,324</u>	<u>541,796</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	65,344,697	(834,198)	2,529,022	67,039,521
Restricted	9,321,751	217,630	983,277	10,522,658
Unrestricted (deficit)	(1,844,472)	44,111	(311,854)	(2,112,215)
Total Net Position (Deficit)	<u>72,821,976</u>	<u>(572,457)</u>	<u>3,200,445</u>	<u>75,449,964</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
	<u>\$ 151,958,909</u>	<u>\$ 831,562</u>	<u>\$ 5,906,949</u>	<u>\$ 158,697,420</u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
OPERATING REVENUES				
Charges for services	\$ 15,257,968	\$ 168,935	\$ 1,220,525	\$ 16,647,428
Penalties	35,485	-	-	35,485
Tapping charges and connection fees	210,386	-	-	210,386
Sundry income	129,084	-	-	129,084
Pretreatment monitoring fee	257,996	-	-	257,996
Impact fees	172,620	-	-	172,620
TOTAL OPERATING REVENUES	<u>16,063,539</u>	<u>168,935</u>	<u>1,220,525</u>	<u>17,452,999</u>
OPERATING EXPENSES				
Salaries	4,333,715	15,713	315,394	4,664,822
Personnel benefits	2,263,182	4,824	117,029	2,385,035
Professional and skilled services	762,275	13,197	434,891	1,210,363
Supplies	-	8,700	4,751	13,451
Other operating expenses	4,707,397	95,640	328,246	5,131,283
Equipment	1,483,018	-	450	1,483,468
TOTAL OPERATING EXPENSES	<u>13,549,587</u>	<u>138,074</u>	<u>1,200,761</u>	<u>14,888,422</u>
Operating income before depreciation	2,513,952	30,861	19,764	2,564,577
Depreciation	4,780,253	34,445	224,101	5,038,799
NET OPERATING LOSS	<u>(2,266,301)</u>	<u>(3,584)</u>	<u>(204,337)</u>	<u>(2,474,222)</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfers in (out)	-	2,000	(155,550)	(153,550)
Gain on sale of capital assets	58,423	-	16,200	74,623
Grants	411,713	-	-	411,713
Interest income	20,212	-	2,124	22,336
Interest expense	(520,520)	-	(50,387)	(570,907)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(30,172)</u>	<u>2,000</u>	<u>(187,613)</u>	<u>(215,785)</u>
CHANGE IN NET POSITION (DEFICIT)	<u>(2,296,473)</u>	<u>(1,584)</u>	<u>(391,950)</u>	<u>(2,690,007)</u>
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>75,118,449</u>	<u>(570,873)</u>	<u>3,592,395</u>	<u>78,139,971</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 72,821,976</u>	<u>\$ (572,457)</u>	<u>\$ 3,200,445</u>	<u>\$ 75,449,964</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, 2021

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 16,956,710	\$ 167,270	\$ 1,172,800	\$ 18,296,780
Payments to suppliers	(7,853,094)	(149,726)	(405,387)	(8,408,207)
Payments to employees	(5,993,052)	(22,134)	(424,324)	(6,439,510)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,110,564</u>	<u>(4,590)</u>	<u>343,089</u>	<u>3,449,063</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Internal activity - payments to other funds	-	-	(155,550)	(155,550)
Internal activity - received from other funds	-	2,000	-	2,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>2,000</u>	<u>(155,550)</u>	<u>(153,550)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds, notes, and capital leases	93,925	-	-	93,925
Principal paid on bonds, notes, and capital leases	(4,296,867)	-	(232,554)	(4,529,421)
Interest paid on bonds, notes, and mortgages	(641,839)	-	(60,091)	(701,930)
Payments for capital acquisitions	(6,910,520)	-	(25,907)	(6,936,427)
Proceeds from sale of capital assets	58,423	-	16,200	74,623
Capital grants	1,624,465	-	-	1,624,465
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,072,413)</u>	<u>-</u>	<u>(302,352)</u>	<u>(10,374,765)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	20,212	-	2,124	22,336
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>20,212</u>	<u>-</u>	<u>2,124</u>	<u>22,336</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,941,637)	(2,590)	(112,689)	(7,056,916)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,731,581	286,169	1,548,913	24,566,663
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 15,789,944</u>	<u>\$ 283,579</u>	<u>\$ 1,436,224</u>	<u>\$ 17,509,747</u>
Cash	\$ 3,290,795	\$ 66,323	\$ 383,786	\$ 3,740,904
Investment pool	3,177,398	-	69,161	3,246,559
Restricted cash	-	217,630	-	217,630
Restricted investment pool	9,321,751	-	983,277	10,305,028
	<u>\$ 15,789,944</u>	<u>\$ 283,953</u>	<u>\$ 1,436,224</u>	<u>\$ 17,510,121</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating loss	\$ (2,266,301)	\$ (3,584)	\$ (204,337)	\$ (2,474,222)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	4,780,253	34,445	224,101	5,038,799
(Increase) Decrease in:				
Accounts receivable	90,018	1,177	(30,349)	60,846
Due from other governmental units	803,153	-	(17,376)	785,777
Other assets	(2,803)	-	-	(2,803)
Inventories	5,501	-	-	5,501
Deferred outflows - pension	(377,083)	-	(19,947)	(397,030)
Deferred outflows - OPEB	(272,974)	-	-	(272,974)
Increase (Decrease) in:				
Accounts payable	(903,100)	(32,189)	46,820	(888,469)
Accrued payroll	23,888	(1,597)	1,401	23,692
Due to other funds	-	-	316,132	316,132
Compensated absences	34,885	-	-	34,885
Net OPEB liability	593,166	-	-	593,166
Net pension liability	496,480	-	26,265	522,745
Deferred inflows - pension	98,293	-	380	98,673
Deferred inflows - OPEB	7,188	-	-	7,188
Deposits	-	(2,468)	-	(2,468)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,110,564</u>	<u>\$ (4,216)</u>	<u>\$ 343,090</u>	<u>\$ 3,449,438</u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF CHANGES IN NET POSITION - CUSTODIAL FUNDS
JUNE 30, 2021

	<u>Health Care Trust</u>	<u>Custodial Funds</u>
ASSETS		
Cash	\$ -	\$ 564,959
Investment pool	-	71,272
Investments	2,309,268	-
Accounts receivable	-	229,423
	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,309,268</u>	<u>\$ 865,654</u>
NET POSITION		
Reserved for trust	\$ 2,309,268	\$ -
Reserved for police	-	335,849
Reserved for bay restoration	-	529,805
	<u> </u>	<u> </u>
TOTAL NET POSITION	<u><u>\$ 2,309,268</u></u>	<u><u>\$ 865,654</u></u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF CHANGES IN NET POSITION - CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Health Care Trust	Custodial Funds
ADDITIONS		
Investment earnings	\$ 56,735	\$ 117
Contributions - police	-	123,716
Contributions - bay restoration	-	1,146,611
Net appreciation in fair value of investments	491,986	-
TOTAL ADDITIONS	548,721	1,270,444
 DEDUCTIONS		
Deductions - police	-	6,412
Deductions - bay restoration	-	1,098,886
Operating expenses	2,783	-
TOTAL DEDUCTIONS	2,783	1,105,298
 CHANGE IN NET POSITION	545,938	165,146
 NET POSITION, BEGINNING OF YEAR (RESTATED)	1,763,330	700,508
 NET POSITION, END OF YEAR	\$ 2,309,268	\$ 865,654

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

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.

PROPRIETARY FUNDS

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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

Custodial fund reporting focuses on net position and changes in net position. The City's custodial 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.

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.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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 custodial 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.

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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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, 2021, 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.

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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 (Deficit)

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by grantors, creditors, or laws or regulations of other governments. Amounts not meeting the definition of restricted or net investment in capital assets are reported as unrestricted.

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

The deficit in the Mitchell Landing Fund (major enterprise fund) as of June 30, 2021 was \$572,457. This deficit is due to depreciation which cannot be recaptured through user charges.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Fund Balance

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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues not meeting these definitions are reported as nonoperating.

Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Implementation of GASB Statement

During the year ended June 30, 2021, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 84, "Fiduciary Activities." The purpose of this statement is to establish criteria for identifying and reporting fiduciary activities in order to enhance the consistency and comparability, ultimately increasing the value of the information reported within the financial statements.

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, 2021, the carrying amount of the City's cash deposits was \$11,633,334, and the bank balance was \$11,951,419. Of the bank balance, \$739,893 was covered by federal depository insurance, and \$11,211,526 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, 2021, MLGIP was rated AA by a nationally recognized statistical rating organization. As of June 30, 2021, the City had \$30,110,542 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, 2021 was \$2,309,368.

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, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money markets	\$ 30,134,047	\$ 30,134,047	\$ -
Mutual funds	2,103,055	2,103,055	-
Exchange traded products	182,708	182,708	-
TOTAL	\$ 32,419,810	\$ 32,419,810	\$ -

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, 2021 appropriate due from/to other funds have been established. The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable By</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 565,785	Nonmajor Proprietary Funds	\$ 565,785
General Fund	67,074	Nonmajor Governmental Funds	67,074
	<u>\$ 632,859</u>		<u>\$ 632,859</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, 2021 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,326,022
Capital Improvements Fund	155,550	-
Nonmajor Governmental Funds	1,324,022	-
Mitchell Landing	2,000	
Nonmajor Proprietary Funds	<u>-</u>	<u>155,550</u>
TOTAL	<u>\$ 1,481,572</u>	<u>\$ 1,481,572</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2021</u>
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land and art	\$ 8,676,138	\$ 150,772	\$ (151,817)	\$ -	\$ 8,675,093
Construction-in-progress	<u>15,354,112</u>	<u>2,905,085</u>	<u>-</u>	<u>(10,335,224)</u>	<u>7,923,973</u>
Total Capital Assets Not Being Depreciated	<u>24,030,250</u>	<u>3,055,857</u>	<u>(151,817)</u>	<u>(10,335,224)</u>	<u>16,599,066</u>
Capital assets being depreciated:					
Land improvements	767,410	-	-	-	767,410
Buildings and improvements	26,310,674	453,540	-	-	26,764,214
Improvements, non-buildings	19,870,737	564,929	-	10,335,224	30,770,890
Machinery and equipment	25,717,307	997,170	(589,687)	-	26,124,790
Zoo animals	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
Total Capital Assets Being Depreciated	<u>72,702,128</u>	<u>2,015,639</u>	<u>(589,687)</u>	<u>10,335,224</u>	<u>84,463,304</u>
Accumulated depreciation	<u>(35,158,507)</u>	<u>(3,359,609)</u>	<u>589,687</u>	<u>-</u>	<u>(37,928,429)</u>
Total Capital Assets Being Depreciated, Net	<u>37,543,621</u>	<u>(1,343,970)</u>	<u>-</u>	<u>10,335,224</u>	<u>46,534,875</u>
Governmental Activities Capital Assets, Net	<u>\$ 61,573,871</u>	<u>\$ 1,711,887</u>	<u>\$ (151,817)</u>	<u>\$ -</u>	<u>\$ 63,133,941</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	\$ 186,925
Public safety	1,706,687
Public works	874,560
Recreation and culture	<u>591,437</u>
Total depreciation expense	<u>\$ 3,359,609</u>

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2021</u>
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land	\$ 301,703	\$ -	\$ -	\$ -	\$ 301,703
Construction-in-progress	<u>3,767,459</u>	<u>8,085,158</u>	<u>(1,505,317)</u>	<u>(1,172,036)</u>	<u>9,175,264</u>
Total Capital Assets Not Being Depreciated	<u>4,069,162</u>	<u>8,085,158</u>	<u>(1,505,317)</u>	<u>(1,172,036)</u>	<u>9,476,967</u>
Capital assets being depreciated:					
Land improvements	430,636	-	-	-	430,636
Buildings and improvements	44,410,934	-	-	168,167	44,579,101
Improvements, non-buildings	109,917,971	-	-	823,869	110,741,840
Machinery and equipment	<u>13,012,059</u>	<u>341,802</u>	<u>(456,056)</u>	<u>180,000</u>	<u>13,077,805</u>
Total Capital Assets Being Depreciated	167,771,600	341,802	(456,056)	1,172,036	168,829,382
Accumulated depreciation	<u>(43,152,909)</u>	<u>(4,780,253)</u>	<u>444,979</u>	<u>-</u>	<u>(47,488,183)</u>
Total Capital Assets Being Depreciated, Net	<u>124,618,691</u>	<u>(4,438,451)</u>	<u>(11,077)</u>	<u>1,172,036</u>	<u>121,341,199</u>
Water and Sewer Fund Capital Assets, Net	<u>\$128,687,853</u>	<u>\$ 3,646,707</u>	<u>\$(1,516,394)</u>	<u>\$ -</u>	<u>\$130,818,166</u>
Parking Authority Fund					
Capital assets not being depreciated:					
Land	\$ 467,790	\$ -	\$ -	\$ -	\$ 467,790
Construction-in-progress	<u>482,650</u>	<u>25,906</u>	<u>-</u>	<u>(49,412)</u>	<u>459,144</u>
Total Capital Assets Not Being Depreciated	<u>950,440</u>	<u>25,906</u>	<u>-</u>	<u>(49,412)</u>	<u>926,934</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2021</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	245,314	-	(10,400)	49,412	284,326
Total Capital Assets Being Depreciated	4,453,368	-	(10,400)	49,412	4,492,380
Accumulated depreciation	(2,966,810)	(112,298)	10,400	-	(3,068,708)
Total Capital Assets Being Depreciated, Net	1,486,558	(112,298)	-	49,412	1,423,672
Parking Authority Fund Capital Assets, Net	<u>\$ 2,436,998</u>	<u>\$ (86,392)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,350,606</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	(1,525,499)	(19,307)	-	-	(1,544,806)
Total Capital Assets Being Depreciated, Net	230,471	(19,307)	-	-	211,164
City Marina Fund Capital Assets, Net	<u>\$ 1,545,471</u>	<u>\$ (19,307)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,526,164</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)

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Total Capital Assets Being Depreciated	1,116,809	-	(174,556)	-	942,253
Accumulated depreciation	<u>(663,739)</u>	<u>(92,496)</u>	<u>174,556</u>	<u>-</u>	<u>(581,679)</u>
Total Capital Assets Being Depreciated, Net	<u>453,070</u>	<u>(92,496)</u>	<u>-</u>	<u>-</u>	<u>360,574</u>
City Storm Water Fund Capital Assets, Net	<u>\$ 453,070</u>	<u>\$ (92,496)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,574</u>
Mitchell Landing Fund					
Capital assets not being depreciated:					
Land	<u>\$ 114,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,010</u>
Total Capital Assets Not Being Depreciated	<u>114,010</u>	<u>-</u>	<u>-</u>	<u>-</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	<u>89,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,405</u>
Total Capital Assets Being Depreciated	1,454,318	-	-	-	1,454,318
Accumulated depreciation	<u>(986,274)</u>	<u>(34,445)</u>	<u>-</u>	<u>-</u>	<u>(1,020,719)</u>
Total Capital Assets Being Depreciated, Net	<u>468,044</u>	<u>(34,445)</u>	<u>-</u>	<u>-</u>	<u>433,599</u>
Mitchell Landing Fund Capital Assets, Net	<u>\$ 582,054</u>	<u>\$ (34,445)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 547,609</u>

The majority of the construction-in-progress relates to the Bicycle Master Plan, City Park Master Plan, Main Street Master Plan, Service Center, Street Scaping, and Urban Greenway for the governmental activities. Business-type projects included , Paleo Well, Park Well, Fitzwater Pump Station, Gordy Road, Park Plant Flow Meter, 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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

valuation of all real property and five percent of the assessed valuation of all personal and corporate property subject to taxation by the City. The legal debt limit permitted at June 30, 2021 totaled \$ 58,336,380. After considering general obligations, including mortgages and notes outstanding of \$26,854,660, the available additional debt margin was \$31,481,720.

Long-term liability activity for the year ended June 30, 2021, was as follows:

	July 1, 2020	Additions	Retirements	June 30, 2021	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 29,736,405	\$ -	\$ (2,881,745)	\$ 26,854,660	\$2,943,138
Bond Premium	2,208,272	-	(177,307)	2,030,965	177,307
Capital Lease Obligations	<u>2,034,425</u>	<u>1,431,143</u>	<u>(804,818)</u>	<u>2,660,749</u>	<u>849,598</u>
	33,979,102	1,431,143	(3,863,870)	31,546,375	3,970,043
Compensated absences	2,116,683	48,171	-	2,164,854	216,485
Net OPEB Liability	20,084,295	2,372,667	-	22,456,962	-
Net Pension Liability	<u>30,175,494</u>	<u>5,409,863</u>	<u>-</u>	<u>35,585,357</u>	<u>-</u>
Governmental Activities Long-term Liabilities	<u>\$ 86,355,574</u>	<u>\$ 9,261,844</u>	<u>\$ (3,863,870)</u>	<u>\$ 91,753,548</u>	<u>\$4,186,528</u>
Business-type Activities:					
General Obligation Bonds	\$ 69,869,275	\$ 93,925	\$ (4,364,081)	\$ 65,599,119	\$5,828,010
Bond Premium	1,254,488	-	(112,151)	1,142,337	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	<u>605,675</u>	<u>-</u>	<u>(165,340)</u>	<u>440,335</u>	<u>179,012</u>
	73,111,245	93,925	(4,641,572)	68,563,598	6,119,173
Compensated absences	267,334	34,885	-	302,219	30,222
Net OPEB Liability	5,021,074	593,166	-	5,614,240	-
Net Pension Liability	<u>4,163,035</u>	<u>522,745</u>	<u>-</u>	<u>4,685,780</u>	<u>-</u>
Business-type Activities Long-term Liabilities	<u>\$ 82,562,688</u>	<u>\$ 1,244,721</u>	<u>\$ (4,641,572)</u>	<u>\$ 79,165,837</u>	<u>\$6,149,395</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)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
<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>	\$ -	\$ 490,754
<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>	-	14,798,152
<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, 2021 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>	-	605,039
<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>	2,210,874	-

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>	434,476	327,524
<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>	-	1,120,148
<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>	-	3,390,000

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>	1,871,000	-
<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>	31,801	-
<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>	-	35,259,303

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>	1,963,481	526,901
<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.</p>	5,847,621	6,552,379
<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>	4,242,172	261,045
<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>	9,839,400	855,600
	\$ 26,854,660	\$ 65,599,119

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>
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	2,809,980	438,329	3,248,309
2027-2031	8,427,043	1,086,776	9,513,819
2032-2035	3,802,431	159,278	3,961,709
	<u>\$ 26,854,660</u>	<u>\$ 4,501,138</u>	<u>\$ 31,355,798</u>

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
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	6,500,826	281,624	6,782,450
2027-2031	21,849,239	491,135	22,340,374
2032-2036	14,498,033	49,263	14,547,296
2037-2041	4,390,829	22,644	4,413,473
2042	5,057	2,911	7,968
	<u>\$ 65,599,119</u>	<u>\$ 2,717,158</u>	<u>\$ 68,316,277</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 \$5,349,560 with accumulated depreciation of \$1,111,693; for the water and sewer fund, the original cost is \$534,709 with accumulated depreciation of \$220,326; for the parking fund, the original cost is \$140,000 with accumulated depreciation of \$20,035; and for the storm water fund, the original cost is \$439,665 with accumulated depreciation of \$188,056 at June 30, 2021.

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>
2022	\$ 849,598	\$ 88,976	\$ 67,288	\$ 22,748
2023	752,217	44,875	35,590	22,748
2024	407,889	44,875	35,590	17,588
2025	348,413	14,236	35,590	17,588
2026	230,466	-	-	17,588
2027	189,427	-	-	-
Less amount representing interest	<u>(117,261)</u>	<u>(7,043)</u>	<u>(11,902)</u>	<u>(6,000)</u>
Present value of future minimum lease payments	<u>\$2,660,749</u>	<u>\$ 185,919</u>	<u>\$ 162,156</u>	<u>\$ 92,260</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 2021, 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, 2021, 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, 2021 was \$4,297,073.

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

At June 30, 2021, the City reported a liability of \$40,271,137 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2020, the City's proportion for the Employee plan was 0.0488 percent, a increase of 0.0013 percent from the prior year and the LEOPS plan was 0.1290 percent, an increase of 0.0100 percent from the prior year.

For the year ended June 30, 2021, the City recognized pension expense of \$6,852,043. At June 30, 2021, 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	\$ 46,763	\$ -	\$ 124,569	\$ 525,284	\$ 171,332	\$ 525,284
Differences between actual required contributions	-	42,620	224,033	24,379	224,033	66,999
Contributions subsequent to the measurement date	1,167,784	-	3,129,289	-	4,297,073	-
Differences between actual and expected experience	-	395,030	-	1,050,097	-	1,445,127
Differences between actual and expected returns	1,049,879	214,978	2,619,702	439,171	3,669,581	654,149
Total	<u>\$ 2,090,216</u>	<u>\$ 491,250</u>	<u>\$ 5,923,383</u>	<u>\$ 1,877,553</u>	<u>\$ 8,362,019</u>	<u>\$ 2,691,559</u>

An amount of \$4,297,073 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, 2022. 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:

<u>Year Ended June 30,</u>	
2022	\$ (202,791)
2023	352,236
2024	637,602
2025	582,957
2026	<u>3,383</u>
	<u>\$1,373,387</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2020.

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.40 percent.
- Salary increases – 3.10 percent.
- Inflation – 2.60 percent.
- Mortality rates were based on the RP-2014 Mortality Tables.

The actuarial assumptions used in the June 30, 2020 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 Discount Rate 7.40%	1% Increase 8.40%
City's proportionate share:			
Employee plan	\$ 15,702,227	\$ 11,022,365	\$ 7,137,490
LEOPS plan	41,507,937	29,248,772	18,867,546
	<u>\$ 57,210,164</u>	<u>\$ 40,271,137</u>	<u>\$ 26,005,036</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, 2021
Measurement period	July 1, 2020 - June 30, 2021

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, 2021 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 percent, 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 1.92 percent was used to measure the total OPEB liability as of June 30, 2021.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 1.92 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 0.92%	Current Discount Rate 1.92%	1% Increase 2.92%
Total OPEB liability	\$ 35,373,043	\$ 30,380,470	\$ 26,349,941
Fiduciary net position	2,309,268	2,309,268	2,309,268
Net OPEB liability	<u>\$ 33,063,775</u>	<u>\$ 28,071,202</u>	<u>\$ 24,040,673</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	\$ 25,299,921	\$ 30,380,470	\$ 36,906,482
Fiduciary net position	<u>2,309,268</u>	<u>2,309,268</u>	<u>2,309,268</u>
Net OPEB liability	<u>\$ 22,990,653</u>	<u>\$ 28,071,202</u>	<u>\$ 34,597,214</u>

Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2020	\$ 26,868,699
Service cost	1,399,469
Interest cost	648,775
Difference between expected and actual experience	(336,372)
Changes of assumptions	2,239,684
Benefit payments	<u>(439,785)</u>
Total OPEB liability as of June 30, 2021	<u>\$ 30,380,470</u>

The amount of OPEB expense recognized by the City was \$2,532,429 for the year ended June 30, 2021.

At June 30, 2021, 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	\$ 1,063,093	\$ 361,526
Changes of assumptions	3,595,677	82,804
Difference between actual and expected earnings	<u>-</u>	<u>242,049</u>
Total	<u>\$ 4,658,770</u>	<u>\$ 686,379</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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

Year Ending June 30,

2022	\$ 607,617
2023	616,079
2024	609,187
2025	578,976
2026	663,480
Thereafter	<u>897,052</u>
	<u>\$ 3,972,391</u>

NOTE 9 DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred amounts are invested in various annuity contracts.

All amounts of compensation deferred under the plan; all property and rights purchased with those amounts; and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of plan participants and their beneficiaries and are not subject to the claims of the City's general creditors.

The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 10 SERVICE AWARD TRUST

The City has a Volunteer Firemen Service Award Trust, which was established to accumulate funds for the City Volunteer Firemen's Retirement. The maximum monthly benefit per individual is \$500 upon retirement, and the retirement age is 60. The transactions of the Service Award Trust have been reported as an expendable trust fund in the fiduciary fund types.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2021, 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 06/30/2021	Commitments
Governmental Activities:			
Main Street Masterplan	\$ 4,022,871	\$ 2,509,411	\$ 1,513,460
Water Chiller and Heating	300,000	267,440	32,560
Urban Greenway	1,625,000	399,025	1,225,975
Bicycle Master Plan	2,783,034	1,570,844	1,212,190
Building Lighting	711,426	218,376	493,050
Mechanical ECM	387,403	385,515	1,888
Service Center	2,324,520	579,461	1,745,059
Street Scaping Div Circle	2,506,000	511,950	1,994,050
Community Center	625,000	549,456	75,544
City Park	786,851	292,505	494,346
Totals	<u>\$ 16,072,105</u>	<u>\$ 7,283,983</u>	<u>\$ 8,788,122</u>

In addition, the City has incurred costs totaling \$639,990 for governmental activities project costs that were not under a formal contract as of June 30, 2021.

	Project Amount	Completed as of 06/30/2021	Commitments
Business-type Activities:			
Paleo Well	\$ 3,328,629	\$ 1,330,226	\$ 1,998,403
East Main Street Sewer	436,615	348,990	87,625
Fitzwater Pump Station	5,621,355	4,184,967	1,436,388
Hampshire Road Life Station	2,300,000	2,278,269	21,731
Main Street Master	600,000	600,000	-
Park Plant Flow Meter	320,000	171,737	148,263
Totals	<u>\$ 12,606,599</u>	<u>\$ 8,914,189</u>	<u>\$ 3,692,410</u>

In addition, the City has incurred costs totaling \$720,219 for business-type activities project costs that were not under a formal contract as of June 30, 2021.

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the State to form the Local Government Insurance Trust

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 12 RISK MANAGEMENT (cont'd)

("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, 2021 fund balances are composed of the following:

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 771,896	\$ -	\$ -	\$ 771,896
Prepaid expenditures	105,871	-	-	105,871
Restricted:				
Capital improvements	-	6,511,029	-	6,511,029
Committed:				
Health care	1,951,892	-	-	1,951,892
General impact	10,328	-	-	10,328
Curb, gutter, and sidewalk	-	-	105,636	105,636
Trash container sales and demolition	-	-	304,776	304,776
National Folk Festival	-	-	147,829	147,829
Zoo Commission	415,880	-	-	415,880
Assigned:				
Grants	-	-	284,735	284,735
Encumbrances	1,103,080	-	-	1,103,080
Community development	-	-	37,814	37,814
Unassigned	12,646,814	-	-	12,646,814
Total Fund Balances	\$17,005,761	\$ 6,511,029	\$ 880,790	\$ 24,397,580

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, 2021, the City abated property taxes totaling \$93,381 under this program.

NOTE 15 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30 2021, economic and operational uncertainties have arisen which may impact the City in fiscal year 2022. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

NOTE 16 CHANGE IN ACCOUNTING PRINCIPLE

In accordance with adoption of GASB Statement No. 84, as discussed in Note 1, the City has restated its July 1, 2020 net position in its fiduciary activities to record the custodial fund's net position at June 30, 2020. The net result of this change is an increase of \$700,508 in net position of its custodial fund.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 17 SUBSEQUENT EVENTS

On September 1, 2021, the City issued Tax-Exempt Public Improvement and Refunding Bonds of 2021 in the amount of \$8,965,000 and Taxable Refunding Bonds of 2021 in the amount of \$2,895,000. The purpose of this issuance is to finance or reimburse costs of certain public projects, currently refund certain general obligation debt of the City, and pay costs of issuance of the Tax-Exempt Bonds.

The City has evaluated all subsequent events through December 13, 2021, 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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS):				
Tax revenue	\$ 29,563,189	\$ 29,563,189	\$ 30,361,776	\$ 798,587
Other revenue	4,054,145	4,068,043	4,091,504	23,461
Charges for services	4,711,682	4,711,682	4,791,812	80,130
Intergovernmental revenues	3,120,316	3,127,816	6,284,412	3,156,596
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>41,449,332</u>	<u>41,470,730</u>	<u>45,529,504</u>	<u>4,058,774</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government				
City council	89,567	77,758	77,310	448
City clerk	167,237	176,046	165,244	10,802
Mayor's office	646,139	646,088	626,772	19,316
Development services	845,373	830,918	823,941	6,977
City attorney	355,000	370,000	325,913	44,087
Finance	745,209	754,293	667,288	87,005
Purchasing	284,642	289,541	275,174	14,367
Human resources	381,353	381,404	319,838	61,566
Information services	599,466	598,350	560,293	38,057
Planning and zoning	225,226	257,162	198,288	58,874
Municipal buildings	204,790	418,448	110,492	307,956
Poplar Hill	53,137	53,137	41,907	11,230
Public safety				
Police and traffic control	15,625,769	15,959,310	15,073,627	885,683
Fire	9,769,581	9,834,614	8,462,945	1,371,669
Buildings, permits, and inspections	337,976	337,976	321,488	16,488
Neighborhood services and code compliance	1,135,415	1,314,619	1,176,438	138,181
Public works				
Supervision and engineering	498,192	506,892	499,090	7,802
Roadways	785,951	813,694	811,422	2,272
Engineering	1,024,638	1,204,159	982,142	222,017
Waste collection and disposal	1,315,026	1,353,026	1,339,725	13,301
Recycling	142,137	135,136	131,516	3,620
Fleet maintenance	449,245	449,245	433,608	15,637
Carpenter shop	134,943	118,943	105,101	13,842
Recreation and culture				
Municipal zoo	1,805,473	1,808,736	1,617,327	191,409
Park maintenance	690,469	671,245	544,669	126,576
Nondepartmental	1,068,420	1,057,218	1,039,769	17,449
Debt payments	4,723,952	4,725,824	4,725,645	179
TOTAL CHARGES TO APPROPRIATION	<u>44,104,326</u>	<u>45,143,782</u>	<u>41,456,972</u>	<u>3,686,810</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER EXPENDITURES)	<u>(2,654,994)</u>	<u>(3,673,052)</u>	<u>4,072,532</u>	<u>7,745,584</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(1,358,619)	(1,360,619)	(1,326,022)	34,597
Proceeds from sale of capital assets	280,000	280,000	95,127	(184,873)
Proceeds from bond and capital lease issuance	1,442,900	1,442,900	352,896	(1,090,004)
TOTAL OTHER FINANCING SOURCES (USES)	<u>364,281</u>	<u>362,281</u>	<u>(877,999)</u>	<u>(1,240,280)</u>
NET CHANGE IN FUND BALANCE	(2,290,713)	(3,310,771)	3,194,533	6,505,304
FUND BALANCE, BEGINNING OF YEAR	<u>13,811,228</u>	<u>13,811,228</u>	<u>13,811,228</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,520,515</u>	<u>\$ 10,500,457</u>	<u>\$ 17,005,761</u>	<u>\$ 6,505,304</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, 2020	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	0.04880%	0.04748%	0.04370%	0.04077%	0.04381%	0.04388%	0.03618%
City's proportion of the net pension liability - dollar value	\$ 11,022,365	\$ 9,792,715	\$ 9,169,651	\$ 8,817,962	\$ 10,337,660	\$ 9,118,977	\$ 6,421,441
City's covered employee payroll	\$ 10,274,521	\$ 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	107.28%	98.63%	95.40%	97.56%	114.53%	102.22%	78.21%
Plan fiduciary net position as a percentage of the total pension liability	70.72%	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, 2021</u>	<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	\$ 1,045,629	\$ 974,969	\$ 871,477	\$ 838,434	\$ 761,119	\$ 800,742	\$ 820,957
Contributions in relation to the contractually required contribution	<u>1,045,629</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 10,830,485	\$ 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	9.65%	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, 2020	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	0.12900%	0.11901%	0.11618%	0.10909%	0.11458%	0.09806%	0.09566%
City's proportion of the net pension liability - dollar value	\$ 29,248,772	\$ 24,545,814	\$ 24,376,517	\$ 23,590,848	\$ 27,035,352	\$ 20,378,891	\$ 16,976,786
City's covered employee payroll	\$ 8,625,104	\$ 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	339.11%	287.83%	285.52%	276.63%	320.06%	251.10%	220.18%
Plan fiduciary net position as a percentage of the total pension liability	70.72%	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, 2021</u>	<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	\$ 2,774,665	\$ 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>2,774,665</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 9,580,352	\$ 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	28.96%	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, 2021	June 30, 2020	June 30, 2019	June 30, 2018
TOTAL OPEB LIABILITY				
Service cost	\$ 1,399,469	\$ 855,590	\$ 721,012	\$ 700,469
Interest on total OPEB liability	648,775	742,609	750,575	713,494
Effect of change in assumptions	(336,372)	404,933	1,998,381	(149,048)
Differences between expected and actual experience	2,239,684	1,278,128	(100,801)	188,093
Benefit payments	(439,785)	(386,249)	(359,991)	(648,885)
NET CHANGE IN TOTAL OPEB LIABILITY	3,511,771	2,895,011	3,009,176	804,123
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	26,868,699	23,973,688	20,964,512	20,160,389
TOTAL OPEB LIABILITY, END OF YEAR	\$ 30,380,470	\$ 26,868,699	\$ 23,973,688	\$ 20,964,512
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 439,785	\$ 386,249	\$ 359,991	\$ 648,885
Net investment income	545,938	(25,811)	84,829	152,787
Benefit payments	(439,785)	(386,249)	(359,991)	(648,885)
Administrative expenses	-	-	-	(53,272)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	545,938	(25,811)	84,829	99,515
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	1,763,330	1,789,141	1,704,312	1,604,797
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ 2,309,268	\$ 1,763,330	\$ 1,789,141	\$ 1,704,312
CITY'S NET OPEB LIABILITY	\$ 28,071,202	\$ 25,105,369	\$ 22,184,547	\$ 19,260,200
Plan fiduciary net position as a percentage of total OPEB liability	7.60%	6.56%	7.46%	8.13%
Expected average remaining service years of all participants	8	8	9	9

Notes to Schedule:

Benefit Changes

None.

Changes of Assumptions

Discount Rate used was 3.62% for 2018, 3.13% for 2019, 2.45% for 2020, and 1.92% for 2021
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, 2021

	Final Budget	Actual	Variance Positive (Negative)
Taxes			
Real property	\$ 19,946,423	\$ 19,829,710	\$ (116,713)
Personal property	78,000	49,023	(28,977)
Ordinary business corporations and utilities	6,588,000	7,366,971	778,971
Payments in lieu of tax	485,766	483,767	(1,999)
Admissions and amusement	300,000	38,132	(261,868)
Local income tax	2,050,000	2,334,601	284,601
Total Taxes	<u>29,448,189</u>	<u>30,102,204</u>	<u>654,015</u>
Interest and penalties on delinquent taxes	115,000	259,572	144,572
Total Taxes, Interest, and Penalties	<u>29,563,189</u>	<u>30,361,776</u>	<u>798,587</u>
Other revenue			
Amusement licenses	3,000	5,675	2,675
Billboard licenses	19,000	23,066	4,066
Building and inspection permits	371,000	418,345	47,345
Business licenses	169,350	185,956	16,606
Franchise fees	390,000	390,958	958
Landlord licenses	850,000	703,684	(146,316)
Plumbing licenses and permits	50,000	37,085	(12,915)
Street-breaking permits	700	-	(700)
Towing companies	4,200	5,115	915
Other miscellaneous permits	31,200	38,952	7,752
Municipal infraction violations	57,000	111,597	54,597
Interest on investment of idle funds	12,500	22,155	9,655
Insurance proceeds	13,898	81,437	67,539
Donations	128,274	89,667	(38,607)
Zoo reimbursements	289,330	179,526	(109,804)
Zoo Commission	441,791	548,032	106,241
Sale of maps, codes, and documents	200	-	(200)
Bad debt collections	1,000	1,659	659
School zone camera fines	1,000,000	595,767	(404,233)
Healthcare rebate	-	348,300	348,300
Other miscellaneous receipts	235,600	304,528	68,928
Total Other Revenue	<u>4,068,043</u>	<u>4,091,504</u>	<u>23,461</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
Charges for services			
Administrative fees	642,145	563,904	(78,241)
Ambulance call fees	1,820,837	1,697,026	(123,811)
Hazmat special operations	10,000	9,601	(399)
Advertising	100	25	(75)
Filing fees	100	-	(100)
Garbage disposal fees	1,941,000	2,136,540	195,540
Inspection fees	20,600	20,740	140
Plan review fees	25,000	44,692	19,692
Police alarm systems	25,500	35,920	10,420
Weed removal	63,000	46,978	(16,022)
Fire permits and plan review	163,000	235,565	72,565
Zoning appeal fees	400	821	421
Total Charges for Services	<u>4,711,682</u>	<u>4,791,812</u>	<u>80,130</u>
Intergovernmental			
State of Maryland			
Police protection	597,629	543,645	(53,984)
Enterprise zone	84,000	93,381	9,381
Highway user	1,425,863	1,380,044	(45,819)
MDOT Reimbursements	-	31,788	31,788
Wicomico County			
Financial corporations	18,300	18,302	2
Fire department	734,524	734,524	-
Room tax	260,000	205,762	(54,238)
Safe stations	7,500	7,501	1
American recovery program	-	3,269,465	3,269,465
Total Intergovernmental	<u>3,127,816</u>	<u>6,284,412</u>	<u>3,156,596</u>
Total Revenues	<u>41,470,730</u>	<u>45,529,504</u>	<u>4,058,774</u>
Other Financing Sources			
Proceeds from bond issuance	1,442,900	352,896	(1,090,004)
Proceeds from sale of capital assets	280,000	95,127	(184,873)
Total Other Financing Sources	<u>1,722,900</u>	<u>448,023</u>	<u>(1,274,877)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 43,193,630</u>	<u>\$ 45,977,527</u>	<u>\$ 2,783,897</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
City council				
Salaries	\$ 63,000	\$ 63,000	\$ 63,000	\$ -
Personnel benefits	10,308	10,058	10,132	(74)
Other operating expenses	15,509	4,600	4,078	522
Community promotion	750	100	100	-
	<u>89,567</u>	<u>77,758</u>	<u>77,310</u>	<u>448</u>
City clerk				
Salaries	112,492	126,130	117,310	8,820
Personnel benefits	39,854	41,461	42,313	(852)
Other operating expenses	14,891	8,455	5,621	2,834
	<u>167,237</u>	<u>176,046</u>	<u>165,244</u>	<u>10,802</u>
Mayor's office				
Salaries	435,021	388,688	384,615	4,073
Personnel benefits	136,335	136,335	126,035	10,300
Professional services	71,023	69,701	66,606	3,095
Other operating expenses	-	45,833	45,833	-
Capital outlay	3,760	5,531	3,683	1,848
	<u>646,139</u>	<u>646,088</u>	<u>626,772</u>	<u>19,316</u>
Developmental services				
Salaries	155,138	136,938	137,865	(927)
Personnel benefits	46,840	45,940	44,573	1,367
Professional services	92,000	77,000	77,000	-
Other operating expenses	202,652	166,865	154,985	11,880
Community promotion	345,330	392,080	406,310	(14,230)
Capital outlay	3,413	12,095	3,208	8,887
	<u>845,373</u>	<u>830,918</u>	<u>823,941</u>	<u>6,977</u>
City attorney				
Professional services	355,000	370,000	325,913	44,087
	<u>355,000</u>	<u>370,000</u>	<u>325,913</u>	<u>44,087</u>
Internal services - finance				
Salaries	414,663	412,463	402,600	9,863
Personnel benefits	185,216	185,216	170,520	14,696
Professional services	53,000	64,021	52,223	11,798
Other operating expenses	84,770	73,293	39,898	33,395
Capital outlay	7,560	19,300	2,047	17,253
	<u>745,209</u>	<u>754,293</u>	<u>667,288</u>	<u>87,005</u>
Internal services - procurement				
Salaries	188,988	188,988	186,351	2,637
Personnel benefits	52,269	52,269	51,926	343
Professional services	12,000	13,456	7,220	6,236
Other operating expenses	29,825	28,138	23,182	4,956
Capital outlay	1,560	6,690	6,495	195
	<u>284,642</u>	<u>289,541</u>	<u>275,174</u>	<u>14,367</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (cont'd)				
Information technology				
Salaries	303,368	316,768	307,305	9,463
Personnel benefits	110,731	110,731	110,610	121
Professional services	12,000	12,000	1,400	10,600
Other operating expenses	114,767	102,197	85,500	16,697
Capital outlay	58,600	56,654	55,478	1,176
	<u>599,466</u>	<u>598,350</u>	<u>560,293</u>	<u>38,057</u>
Internal services - human resources				
Salaries	163,021	163,021	160,697	2,324
Personnel benefits	149,078	140,629	126,292	14,337
Professional services	29,000	29,000	15,663	13,337
Other operating expenses	40,254	48,754	17,186	31,568
	<u>381,353</u>	<u>381,404</u>	<u>319,838</u>	<u>61,566</u>
Planning and zoning				
Salaries	73,879	73,319	70,825	2,494
Personnel benefits	23,347	23,907	19,202	4,705
Professional services	125,000	156,936	105,453	51,483
Other operating expenses	3,000	3,000	2,808	192
	<u>225,226</u>	<u>257,162</u>	<u>198,288</u>	<u>58,874</u>
Municipal buildings				
Other operating expenses	204,790	363,448	110,492	252,956
Capital outlay	-	55,000	-	55,000
	<u>204,790</u>	<u>418,448</u>	<u>110,492</u>	<u>307,956</u>
Poplar hill mansion				
Salaries	26,500	26,500	26,585	(85)
Personnel benefits	3,111	3,111	3,011	100
Other operating expenses	23,526	23,526	12,311	11,215
	<u>53,137</u>	<u>53,137</u>	<u>41,907</u>	<u>11,230</u>
Total General Government	<u>4,597,139</u>	<u>4,853,145</u>	<u>4,192,460</u>	<u>660,685</u>
Public Safety				
Police services				
Salaries	7,275,897	6,757,074	6,690,762	66,312
Personnel benefits	4,326,238	4,255,568	3,894,480	361,088
Professional services	39,700	112,500	99,786	12,714
Other operating expenses	1,068,811	1,524,438	1,302,109	222,329
Community promotions	2,000	2,000	1,000	1,000
Capital outlays	157,000	459,735	422,833	36,902
	<u>12,869,646</u>	<u>13,111,315</u>	<u>12,410,970</u>	<u>700,345</u>
Police communications				
Salaries	581,780	616,538	595,120	21,418
Personnel benefits	241,320	242,604	191,481	51,123
Professional services	8,000	8,000	2,326	5,674
Other operating expenses	132,554	135,948	120,632	15,316
	<u>963,654</u>	<u>1,003,090</u>	<u>909,559</u>	<u>93,531</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety (cont'd)				
Animal control				
Salaries	66,852	68,275	68,039	236
Personnel benefits	27,783	28,042	27,500	542
Other operating expenses	5,100	5,100	1,287	3,813
Professional services	115,265	117,740	115,391	2,349
	<u>215,000</u>	<u>219,157</u>	<u>212,217</u>	<u>6,940</u>
Total Police Department	<u>14,048,300</u>	<u>14,333,562</u>	<u>13,532,746</u>	<u>800,816</u>
Traffic control				
Salaries	296,330	296,214	284,684	11,530
Personnel benefits	130,041	130,157	117,358	12,799
Professional services	650	650	150	500
Other operating expenses	1,150,448	1,198,727	1,138,689	60,038
	<u>1,577,469</u>	<u>1,625,748</u>	<u>1,540,881</u>	<u>84,867</u>
Fire department				
Firefighting				
Salaries	4,217,567	4,279,647	4,279,394	253
Personnel benefits	2,822,602	2,734,213	2,672,331	61,882
Professional services	151,940	151,940	144,548	7,392
Other operating expenses	914,621	1,038,071	966,309	71,762
Capital outlays	1,273,280	1,267,437	37,437	1,230,000
	<u>9,380,010</u>	<u>9,471,308</u>	<u>8,100,019</u>	<u>1,371,289</u>
Volunteer firemen				
Salaries	41,555	40,838	40,838	-
Personnel benefits	285,928	272,621	272,513	108
Professional services	37,600	25,359	25,148	211
Other operating expenses	8,272	8,272	8,211	61
Community promotions	16,216	16,216	16,216	-
	<u>389,571</u>	<u>363,306</u>	<u>362,926</u>	<u>380</u>
Total Fire Department	<u>9,769,581</u>	<u>9,834,614</u>	<u>8,462,945</u>	<u>1,371,669</u>
Buildings, permits, and inspections				
Salaries	233,403	234,249	234,248	1
Personnel benefits	76,473	77,216	75,575	1,641
Professional services	9,350	9,350	1,612	7,738
Other operating expenses	18,750	17,161	10,053	7,108
	<u>337,976</u>	<u>337,976</u>	<u>321,488</u>	<u>16,488</u>
Housing and community development				
Salaries	619,787	604,238	606,757	(2,519)
Personnel benefits	231,677	241,805	235,229	6,576
Professional services	396	396	346	50
Other operating expenses	186,211	225,538	146,014	79,524
Community promotions	96,744	69,297	65,992	3,305
Capital outlays	600	173,345	122,100	51,245
	<u>1,135,415</u>	<u>1,314,619</u>	<u>1,176,438</u>	<u>138,181</u>
Total Public Safety	<u>26,868,741</u>	<u>27,446,519</u>	<u>25,034,498</u>	<u>2,412,021</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Department of Public Works				
Resource management				
Salaries	330,509	342,052	339,956	2,096
Personnel benefits	116,958	121,992	117,579	4,413
Professional services	500	500	430	70
Other operating expenses	50,225	42,348	41,125	1,223
	<u>498,192</u>	<u>506,892</u>	<u>499,090</u>	<u>7,802</u>
Engineering				
Salaries	398,783	363,803	358,059	5,744
Personnel benefits	160,277	151,377	139,403	11,974
Professional services	13,228	209,286	45,612	163,674
Other operating expenses	452,350	469,367	439,068	30,299
Capital outlays	-	10,326	-	10,326
	<u>1,024,638</u>	<u>1,204,159</u>	<u>982,142</u>	<u>222,017</u>
Roadways				
Salaries	396,236	396,313	396,313	-
Personnel benefits	194,031	192,256	189,984	2,272
Professional services	1,000	1,000	1,000	-
Other operating expenses	194,684	224,125	224,125	-
Capital outlays	-	-	-	-
	<u>785,951</u>	<u>813,694</u>	<u>811,422</u>	<u>2,272</u>
Sanitation				
Waste collection and disposal				
Salaries	407,840	384,792	381,448	3,344
Personnel benefits	197,074	181,034	175,390	5,644
Professional services	1,000	1,000	1,000	-
Other operating expenses	709,112	786,200	781,887	4,313
	<u>1,315,026</u>	<u>1,353,026</u>	<u>1,339,725</u>	<u>13,301</u>
Recycling				
Salaries	75,690	75,993	75,435	558
Personnel benefits	39,683	38,576	37,396	1,180
Professional services	250	250	250	-
Other operating expenses	26,514	20,317	18,435	1,882
	<u>142,137</u>	<u>135,136</u>	<u>131,516</u>	<u>3,620</u>
Total Sanitation	<u>1,457,163</u>	<u>1,488,162</u>	<u>1,471,241</u>	<u>16,921</u>
Fleet maintenance				
Salaries	199,356	183,776	181,641	2,135
Personnel benefits	101,310	101,410	91,932	9,478
Professional services	600	600	570	30
Other operating expenses	147,979	163,459	159,465	3,994
Capital outlays	-	-	-	-
	<u>449,245</u>	<u>449,245</u>	<u>433,608</u>	<u>15,637</u>
Carpenter shop				
Salaries	79,185	61,985	59,191	2,794
Personnel benefits	31,280	31,840	23,444	8,396
Professional services	200	200	150	50
Other operating expenses	24,278	24,918	22,316	2,602
Capital outlays	-	-	-	-
	<u>134,943</u>	<u>118,943</u>	<u>105,101</u>	<u>13,842</u>
Total Department of Public Works	<u>4,350,132</u>	<u>4,581,095</u>	<u>4,302,604</u>	<u>278,491</u>

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CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation and Culture				
Municipal zoo				
Salaries	746,443	697,903	615,166	82,737
Personnel benefits	303,116	234,280	218,329	15,951
Professional services	22,100	33,100	30,485	2,615
Other operating expenses	730,694	840,333	750,227	90,106
Capital outlays	3,120	3,120	3,120	-
	<u>1,805,473</u>	<u>1,808,736</u>	<u>1,617,327</u>	<u>191,409</u>
Park maintenance				
Salaries	329,526	278,863	255,495	23,368
Personnel benefits	139,527	158,487	136,238	22,249
Professional services	560	560	560	-
Other operating expenses	220,856	232,491	151,532	80,959
Capital outlays	-	844	844	-
	<u>690,469</u>	<u>671,245</u>	<u>544,669</u>	<u>126,576</u>
Total Recreation and Culture	<u>2,495,942</u>	<u>2,479,981</u>	<u>2,161,996</u>	<u>317,985</u>
Nondepartmental				
Insurance				
Personnel benefits	517,420	501,197	480,879	20,318
Other operating expenses	300,000	305,021	311,805	(6,784)
	<u>817,420</u>	<u>806,218</u>	<u>792,684</u>	<u>13,534</u>
Miscellaneous				
Personnel benefits	251,000	251,000	247,085	3,915
	<u>251,000</u>	<u>251,000</u>	<u>247,085</u>	<u>3,915</u>
Total Nondepartmental	<u>1,068,420</u>	<u>1,057,218</u>	<u>1,039,769</u>	<u>17,449</u>
Debt Payments				
Principal redemption	2,881,736	3,686,563	3,686,563	-
Interest	1,842,216	1,030,561	1,030,382	179
Issuance	-	8,700	8,700	-
Total Debt Payments	<u>4,723,952</u>	<u>4,725,824</u>	<u>4,725,645</u>	<u>179</u>
TOTAL EXPENDITURES	<u>44,104,326</u>	<u>45,143,782</u>	<u>41,456,972</u>	<u>3,686,810</u>
Other Financing Uses				
Transfer to other funds	1,358,619	1,360,619	1,326,022	34,597
Total Other Financing Uses	<u>1,358,619</u>	<u>1,360,619</u>	<u>1,326,022</u>	<u>34,597</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 45,462,945</u>	<u>\$ 46,504,401</u>	<u>\$ 42,782,994</u>	<u>\$ 3,721,407</u>

Nonmajor Governmental Funds

CITY OF SALISBURY, MARYLAND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds					Total
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	National Folk Festival	
ASSETS						
Cash	\$ 51,819	\$ 563,110	\$ 221,761	\$ 37,814	\$ 147,957	\$ 1,022,461
Investment pool	33,143	5,671	3,147	-	-	41,961
Accounts receivable	20,674	123,509	86,205	-	-	230,388
Due from other governmental units	-	674,823	-	-	-	674,823
TOTAL ASSETS	<u>\$ 105,636</u>	<u>\$ 1,367,113</u>	<u>\$ 311,113</u>	<u>\$ 37,814</u>	<u>\$ 147,957</u>	<u>\$ 1,969,633</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 128,773	\$ 6,337	\$ -	\$ 128	\$ 135,238
Due to other funds	-	67,074	-	-	-	67,074
Unearned revenue - grants	-	850,188	-	-	-	850,188
Deposits and advance payment of taxes	-	36,343	-	-	-	36,343
Total Liabilities	<u>-</u>	<u>1,082,378</u>	<u>6,337</u>	<u>-</u>	<u>128</u>	<u>1,088,843</u>
Fund Balances:						
Committed	105,636	-	304,776	-	147,829	558,241
Assigned	-	284,735	-	37,814	-	322,549
Total Fund Balances	<u>105,636</u>	<u>284,735</u>	<u>304,776</u>	<u>37,814</u>	<u>147,829</u>	<u>880,790</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 105,636</u>	<u>\$ 1,367,113</u>	<u>\$ 311,113</u>	<u>\$ 37,814</u>	<u>\$ 147,957</u>	<u>\$ 1,969,633</u>

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds					Total
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	National Folk Festival	
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 14,830	\$ 14,830
Other revenue	1,923	25,224	30,899	-	-	58,046
Grant revenues	-	2,527,889	-	-	-	2,527,889
TOTAL REVENUES	<u>1,923</u>	<u>2,553,113</u>	<u>30,899</u>	<u>-</u>	<u>14,830</u>	<u>2,600,765</u>
EXPENDITURES						
General government	-	1,119,405	7,132	-	-	1,126,537
Public safety	-	1,574,377	-	-	-	1,574,377
Public works	-	86,930	36,044	-	-	122,974
Recreation and culture	-	40,000	7,735	-	437,001	484,736
Capital outlays	-	466,731	-	(140)	-	466,591
TOTAL EXPENDITURES	<u>-</u>	<u>3,287,443</u>	<u>50,911</u>	<u>(140)</u>	<u>437,001</u>	<u>3,775,215</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,923</u>	<u>(734,330)</u>	<u>(20,012)</u>	<u>140</u>	<u>(422,171)</u>	<u>(1,174,450)</u>
OTHER FINANCING SOURCES						
Operating transfers in	-	754,022	-	-	570,000	1,324,022
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>754,022</u>	<u>-</u>	<u>-</u>	<u>570,000</u>	<u>1,324,022</u>
NET CHANGE IN FUND BALANCES	1,923	19,692	(20,012)	140	147,829	149,572
FUND BALANCES, BEGINNING OF YEAR	<u>103,713</u>	<u>265,043</u>	<u>324,788</u>	<u>37,674</u>	<u>-</u>	<u>731,218</u>
FUND BALANCES, END OF YEAR	<u>\$ 105,636</u>	<u>\$ 284,735</u>	<u>\$ 304,776</u>	<u>\$ 37,814</u>	<u>\$ 147,829</u>	<u>\$ 880,790</u>

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2021

REVENUES	
Federal	\$ 1,528,232
State	847,647
Others	177,234
TOTAL REVENUES	<u>2,553,113</u>
EXPENDITURES	
General government	
Salaries	108,539
Personnel benefits	20,231
Operating expenses	990,635
Public safety	
Salaries	730,957
Personnel benefits	493,267
Operating expenses	350,153
Public works	
Salaries	4,000
Operating expenses	82,930
Recreation and culture	
Operating expenses	40,000
Capital outlay	466,731
TOTAL EXPENDITURES	<u>3,287,443</u>
OTHER FINANCING SOURCES	
Transfer in	<u>754,022</u>
NET CHANGE IN FUND BALANCE	19,692
FUND BALANCE, BEGINNING OF YEAR	<u>265,043</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 284,735</u></u>

Nonmajor Proprietary Funds

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2021

	Enterprise Funds			Total
	City Marina Fund	Parking Authority Fund	Stormwater Utility Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and investment pool	\$ -	\$ -	\$ 383,786	\$ 383,786
Investment pool	197	68,964	-	69,161
Accounts receivable	16,316	485,543	66,172	568,031
Less: allowance for uncollectible	-	(407,284)	-	(407,284)
Other assets	-	17,376	-	17,376
Total Current Assets	<u>16,513</u>	<u>164,599</u>	<u>449,958</u>	<u>631,070</u>
Noncurrent assets:				
Restricted investment pool	-	983,277	-	983,277
Capital assets				
Land	1,315,000	467,790	-	1,782,790
Construction-in-progress	-	459,144	-	459,144
Buildings, equipment, and improvements	1,755,970	4,492,380	942,253	7,190,603
Less accumulated depreciation	(1,544,806)	(3,068,708)	(581,679)	(5,195,193)
Total Noncurrent Assets	<u>1,526,164</u>	<u>3,333,883</u>	<u>360,574</u>	<u>5,220,621</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension plan	-	40,334	14,924	55,258
Total Deferred Outflows of Resources	<u>-</u>	<u>40,334</u>	<u>14,924</u>	<u>55,258</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,542,677</u>	<u>\$ 3,538,816</u>	<u>\$ 825,456</u>	<u>\$ 5,906,949</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Due in one year:				
Accounts payable	\$ 5,080	\$ 22,436	\$ 122,334	\$ 149,850
Accrued payroll	1,175	7,338	2,419	10,932
Accrued interest payable	-	14,940	-	14,940
Deposits	926	-	-	926
Due to other funds	158,200	407,585	-	565,785
Bonds, notes, and capital leases payable	-	182,325	67,288	249,613
Total Current Liabilities	<u>165,381</u>	<u>634,624</u>	<u>192,041</u>	<u>992,046</u>
Due in more than one year:				
Bonds, notes, and capital leases payable	-	1,363,840	94,869	1,458,709
Net pension liability	-	171,841	63,584	235,425
Total Noncurrent Liabilities	<u>-</u>	<u>1,535,681</u>	<u>158,453</u>	<u>1,694,134</u>
Total Liabilities	<u>165,381</u>	<u>2,170,305</u>	<u>350,494</u>	<u>2,686,180</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	-	14,835	5,489	20,324
NET POSITION (DEFICIT)				
Net investment in capital assets	1,526,164	804,441	198,417	2,529,022
Restricted	-	983,277	-	983,277
Unrestricted (Deficit)	(148,868)	(434,042)	271,056	(311,854)
Total Net Position	<u>1,377,296</u>	<u>1,353,676</u>	<u>469,473</u>	<u>3,200,445</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,542,677</u>	<u>\$ 3,538,816</u>	<u>\$ 825,456</u>	<u>\$ 5,906,949</u>

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds			Total
	City Marina Fund	Parking Authority Fund	Stormwater Utility Fund	
OPERATING REVENUES				
Charges for services	\$ 70,416	\$ 509,220	\$ 640,889	\$ 1,220,525
TOTAL OPERATING REVENUES	<u>70,416</u>	<u>509,220</u>	<u>640,889</u>	<u>1,220,525</u>
OPERATING EXPENSES				
Salaries	34,981	207,250	73,163	315,394
Personnel benefits	4,644	80,294	32,091	117,029
Professional and skilled services	3,897	114,748	316,246	434,891
Supplies	2,100	2,620	31	4,751
Other operating expenses	37,596	197,824	92,826	328,246
Equipment	-	450	-	450
TOTAL OPERATING EXPENSES	<u>83,218</u>	<u>603,186</u>	<u>514,357</u>	<u>1,200,761</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(12,802)	(93,966)	126,532	19,764
Depreciation	<u>19,307</u>	<u>112,298</u>	<u>92,496</u>	<u>224,101</u>
NET OPERATING INCOME (LOSS)	<u>(32,109)</u>	<u>(206,264)</u>	<u>34,036</u>	<u>(204,337)</u>
NONOPERATING REVENUES (EXPENSES)				
Transfers in (out)	-	-	(155,550)	(155,550)
Interest income	3	2,121	-	2,124
Interest expense	-	(44,225)	(6,162)	(50,387)
Gain on sale of capital assets	-	1,100	15,100	16,200
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3</u>	<u>(41,004)</u>	<u>(146,612)</u>	<u>(187,613)</u>
CHANGE IN NET POSITION	(32,106)	(247,268)	(112,576)	(391,950)
NET POSITION, BEGINNING OF YEAR	<u>1,409,402</u>	<u>1,600,944</u>	<u>582,049</u>	<u>3,592,395</u>
NET POSITION, END OF YEAR	<u>\$ 1,377,296</u>	<u>\$ 1,353,676</u>	<u>\$ 469,473</u>	<u>\$ 3,200,445</u>

Enterprise Funds

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
ENTERPRISE FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 4,357,511	\$ 10,900,457	\$ 15,257,968
Penalties	9,481	26,004	35,485
Tapping charges and connection fees	-	210,386	210,386
Sundry income	145,161	(16,077)	129,084
Pretreatment monitoring fee	-	257,996	257,996
Impact fees	172,620	-	172,620
TOTAL OPERATING REVENUES	<u>4,684,773</u>	<u>11,378,766</u>	<u>16,063,539</u>
OPERATING EXPENSES			
Salaries	1,741,278	2,592,437	4,333,715
Personnel benefits	909,945	1,353,237	2,263,182
Professional and skilled services	306,350	455,925	762,275
Other operating expenses	1,506,278	3,201,119	4,707,397
Equipment	663,954	819,064	1,483,018
TOTAL OPERATING EXPENSES	<u>5,127,805</u>	<u>8,421,782</u>	<u>13,549,587</u>
OPERATING INCOME BEFORE DEPRECIATION	(443,032)	2,956,984	2,513,952
Depreciation	<u>681,317</u>	<u>4,098,936</u>	<u>4,780,253</u>
NET OPERATING INCOME (LOSS)	<u>(1,124,349)</u>	<u>(1,141,952)</u>	<u>(2,266,301)</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	-	411,713	411,713
Interest income	10,106	10,106	20,212
Gain on sale of capital assets	17,750	40,673	58,423
Interest expense	(50,868)	(469,652)	(520,520)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(23,012)</u>	<u>(7,160)</u>	<u>(30,172)</u>
CHANGE IN NET POSITION	<u>\$ (1,147,361)</u>	<u>\$ (1,149,112)</u>	(2,296,473)
NET POSITION, BEGINNING OF YEAR			<u>75,118,449</u>
NET POSITION, END OF YEAR			<u>\$ 72,821,976</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Inspection fees	\$ 40,000	\$ 40,000	\$ 17,237	\$ (22,763)
Water sales	4,360,000	4,360,000	4,340,274	(19,726)
Penalties	22,500	22,500	9,481	(13,019)
Interest earned	-	-	10,106	10,106
Water income - sundry	206,500	206,500	145,161	(61,339)
Impact fees	-	-	172,620	172,620
Gain on sale of capital assets	-	-	17,750	17,750
TOTAL REVENUES	4,629,000	4,629,000	4,712,629	83,629
EXPENSES				
Engineering:				
Salaries	418,654	380,879	378,534	2,345
Personnel benefits	171,034	165,764	196,094	(30,330)
Professional and skilled services	56,552	68,719	26,953	41,766
Other operating expenses	133,677	121,511	77,316	44,195
Capital outlay	12,410	55,455	12,181	43,274
Total Engineering	792,327	792,328	691,078	101,250
Billing and collection:				
Salaries	137,743	137,743	137,311	432
Personnel benefits	54,487	54,487	74,391	(19,904)
Professional and skilled services	43,000	41,000	18,109	22,891
Other operating expenses	120,270	113,186	92,201	20,985
Capital outlay	-	9,084	2,818	6,266
Total Billing and Collection	355,500	355,500	324,830	30,670
Water treatment:				
Salaries	676,981	676,981	615,413	61,568
Personnel benefits	244,559	244,559	309,503	(64,944)
Professional and skilled services	-	-	47,201	(47,201)
Other operating expenses	1,194,223	1,191,586	902,103	289,483
Capital outlay	26,909	29,546	121,967	(92,421)
Total Water Treatment	2,142,672	2,142,672	1,996,187	146,485

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Distribution and storage:				
Salaries	563,941	560,816	508,820	51,996
Personnel benefits	238,342	238,342	273,519	(35,177)
Professional and skilled services	3,000	3,000	1,646	1,354
Other operating expenses	240,200	313,171	255,488	57,683
Capital outlay	49,281	50,125	526,988	(476,863)
Total Distribution and Storage	<u>1,094,764</u>	<u>1,165,454</u>	<u>1,566,461</u>	<u>(401,007)</u>
Administration:				
Salaries	99,091	101,200	101,200	-
Personnel benefits	43,621	43,973	56,438	(12,465)
Professional and skilled services	217,621	216,023	212,441	3,582
Other operating expenses	187,807	189,361	179,170	10,191
Total Administration	<u>548,140</u>	<u>550,557</u>	<u>549,249</u>	<u>1,308</u>
Debt payments:				
Principal redemption	343,198	343,198	-	343,198
Interest	121,018	121,018	50,868	70,150
Total Debt Payments	<u>464,216</u>	<u>464,216</u>	<u>50,868</u>	<u>413,348</u>
TOTAL EXPENSES	<u>5,397,619</u>	<u>5,470,727</u>	<u>5,178,673</u>	<u>292,054</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(768,619)	(841,727)	(466,044)	375,683
Depreciation	-	-	(681,317)	(681,317)
CHANGE IN NET POSITION	<u>\$ (768,619)</u>	<u>\$ (841,727)</u>	<u>\$ (1,147,361)</u>	<u>\$ (305,634)</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SEWER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Sewer charges	\$ 10,880,000	\$ 10,880,000	\$ 10,517,814	\$ (362,186)
Sewer charges - urban services	389,000	389,000	382,643	(6,357)
Penalties	50,000	50,000	26,004	(23,996)
Tapping charges and connection fees	-	-	210,386	210,386
Pretreatment monitoring fees	190,000	190,000	257,996	67,996
Interest earned	-	-	10,106	10,106
Sewer income - sundry	2,750	2,750	(16,077)	(18,827)
Grants	-	-	411,713	411,713
Gain on sale of capital assets	-	-	40,673	40,673
TOTAL REVENUES	11,511,750	11,511,750	11,841,258	329,508
EXPENSES				
Engineering:				
Salaries	418,654	384,009	378,534	5,475
Personnel benefits	160,409	151,809	181,861	(30,052)
Professional and skilled services	56,923	56,148	43,845	12,303
Other operating expenses	108,315	95,090	77,509	17,581
Capital outlay	12,410	55,655	12,218	43,437
Total Engineering	756,711	742,711	693,967	48,744
Billing and collection:				
Salaries	210,143	210,143	210,662	(519)
Personnel benefits	83,151	83,151	113,410	(30,259)
Professional and skilled services	31,000	31,000	22,923	8,077
Other operating expenses	38,538	38,538	22,290	16,248
Capital outlay	12,475	12,475	-	12,475
Total Billing and Collection	375,307	375,307	369,285	6,022
Wastewater treatment:				
Salaries	1,498,091	1,498,091	1,335,790	162,301
Personnel benefits	596,145	596,145	712,864	(116,719)
Professional and skilled services	75,200	69,151	-	69,151
Other operating expenses	3,425,926	3,326,501	2,642,456	684,045
Equipment	175,228	240,556	-	240,556
Total Wastewater Treatment	5,770,590	5,730,444	4,691,110	1,039,334

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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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Maintenance and repair:				
Salaries	520,456	520,456	444,838	75,618
Personnel benefits	221,419	220,219	236,285	(16,066)
Professional and skilled services	3,000	3,000	930	2,070
Other operating expenses	308,127	252,869	175,715	77,154
Capital outlay	91,944	106,176	806,846	(700,670)
Total Maintenance and Repair	<u>1,144,946</u>	<u>1,102,720</u>	<u>1,664,614</u>	<u>(561,894)</u>
Pretreatment monitoring:				
Salaries	130,930	130,395	120,557	9,838
Personnel benefits	39,803	40,338	48,894	(8,556)
Other operating expenses	33,126	33,126	17,245	15,881
Total Pretreatment Monitoring	<u>203,859</u>	<u>203,859</u>	<u>186,696</u>	<u>17,163</u>
Administration:				
Salaries	100,443	102,056	102,056	-
Personnel benefits	47,118	47,059	59,923	(12,864)
Professional and skilled services	388,586	406,121	388,227	17,894
Other operating expenses	276,322	266,496	265,904	592
Total Administration	<u>812,469</u>	<u>821,732</u>	<u>816,110</u>	<u>5,622</u>
Debt payments:				
Principal redemption	3,870,036	3,870,036	-	3,870,036
Interest	590,319	590,319	455,652	134,667
Issuance	-	14,000	14,000	-
Total Debt Payments	<u>4,460,355</u>	<u>4,474,355</u>	<u>469,652</u>	<u>4,004,703</u>
TOTAL EXPENSES	<u>13,524,237</u>	<u>13,451,128</u>	<u>8,891,434</u>	<u>4,559,694</u>
OPERATING INCOME (LOSS) BEFORE TRANSFERS AND DEPRECIATION	(2,012,487)	(1,939,378)	2,949,824	4,889,202
Depreciation	<u>-</u>	<u>-</u>	<u>(4,098,936)</u>	<u>(4,098,936)</u>
CHANGE IN NET POSITION	<u>\$ (2,012,487)</u>	<u>\$ (1,939,378)</u>	<u>\$ (1,149,112)</u>	<u>\$ 790,266</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - CITY MARINA
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 55,000	\$ 55,000	\$ 70,416	\$ 15,416
TOTAL OPERATING REVENUES	<u>55,000</u>	<u>55,000</u>	<u>70,416</u>	<u>15,416</u>
OPERATING EXPENSES				
Salaries	37,127	37,127	34,981	2,146
Personnel benefits	4,980	4,980	4,644	336
Professional and skilled services	4,655	4,655	3,897	758
Supplies	4,715	4,715	2,100	2,615
Other operating expenses	35,065	35,065	37,596	(2,531)
Equipment	25,000	25,000	-	25,000
TOTAL OPERATING EXPENSES	<u>111,542</u>	<u>111,542</u>	<u>83,218</u>	<u>28,324</u>
OPERATING LOSS BEFORE DEPRECIATION	(56,542)	(56,542)	(12,802)	43,740
Depreciation	<u>-</u>	<u>-</u>	<u>19,307</u>	<u>(19,307)</u>
NET OPERATING LOSS	(56,542)	(56,542)	(32,109)	24,433
NONOPERATING REVENUES				
Interest income	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
TOTAL NONOPERATING REVENUES	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
CHANGE IN NET POSITION	<u>\$ (56,542)</u>	<u>\$ (56,542)</u>	<u>\$ (32,106)</u>	<u>\$ 24,436</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - PARKING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Parking permits, fines, state grants, meters, and Park 'n Shop	\$ 675,000	\$ 675,000	\$ 509,220	\$ (165,780)
TOTAL OPERATING REVENUES	<u>675,000</u>	<u>675,000</u>	<u>509,220</u>	<u>(165,780)</u>
OPERATING EXPENSES				
Salaries	208,539	207,222	207,250	(28)
Personnel benefits	77,813	76,850	80,294	(3,444)
Professional and skilled services	124,032	125,571	114,748	10,823
Supplies	5,150	2,890	2,620	270
Other operating expenses	191,139	201,365	197,824	3,541
Equipment	-	450	450	-
TOTAL OPERATING EXPENSES	<u>606,673</u>	<u>614,348</u>	<u>603,186</u>	<u>11,162</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION				
	68,327	60,652	(93,966)	(154,618)
Depreciation	-	-	112,298	(112,298)
NET OPERATING LOSS	68,327	60,652	(206,264)	(266,916)
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	-	2,121	2,121
Gain on sale of capital assets	-	-	1,100	1,100
Interest expense	(225,074)	(225,074)	(44,225)	180,849
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(225,074)</u>	<u>(225,074)</u>	<u>(41,004)</u>	<u>184,070</u>
CHANGE IN NET POSITION	<u>\$ (156,747)</u>	<u>\$ (164,422)</u>	<u>\$ (247,268)</u>	<u>\$ (82,846)</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - STORMWATER UTILITY
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 630,000	\$ 630,000	\$ 640,889	\$ 10,889
TOTAL OPERATING REVENUES	<u>630,000</u>	<u>630,000</u>	<u>640,889</u>	<u>10,889</u>
OPERATING EXPENSES				
Salaries	98,964	73,639	73,163	476
Personnel benefits	61,237	50,061	32,091	17,970
Professional and skilled services	221,350	397,265	316,246	81,019
Supplies	200	200	31	169
Other operating expenses	90,536	100,035	92,826	7,209
TOTAL OPERATING EXPENSES	<u>472,287</u>	<u>621,200</u>	<u>514,357</u>	<u>106,843</u>
OPERATING INCOME BEFORE DEPRECIATION	157,713	8,800	126,532	117,732
Depreciation	<u>-</u>	<u>-</u>	<u>92,496</u>	<u>(92,496)</u>
NET OPERATING INCOME	<u>157,713</u>	<u>8,800</u>	<u>34,036</u>	<u>25,236</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfer out	(155,550)	(155,550)	(155,550)	-
Interest expense	(67,518)	(67,518)	(6,162)	61,356
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>15,100</u>	<u>15,100</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(223,068)</u>	<u>(223,068)</u>	<u>(146,612)</u>	<u>76,456</u>
CHANGE IN NET POSITION	<u>\$ (65,355)</u>	<u>\$ (214,268)</u>	<u>\$ (112,576)</u>	<u>\$ 101,692</u>

STATISTICAL INFORMATION

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)
JUNE 30, 2021**

Levy Year	Total	General Fund		
		Real Property	Personal Property	Corporations
2021	\$ 698,056	\$ 353,508	\$ 5,152	\$ 339,396
2020	215,803	74,265	6,120	135,418
2019	129,992	21,811	5,907	102,274
2018	219,766	22,603	4,660	192,503
2017 and prior	1,161,693	281,147	44,788	835,758
	2,425,310	753,334	66,627	1,605,349
Less allowance for uncollectibles	(1,015,790)	-	(59,445)	(956,345)
	<u>\$ 1,409,520</u>	<u>\$ 753,334</u>	<u>\$ 7,182</u>	<u>\$ 649,004</u>

NOTE: Included in the above are unearned taxes of \$481,844

CITY OF SALISBURY, MARYLAND
STATEMENT OF BONDED INDEBTEDNESS (UNAUDITED)
JUNE 30, 2021

Description of Bonds and Purpose of Issue	Interest		Bond Maturities	Date Issued	Authorized Total Issue	Outstanding June 30, 2021	Requirements to June 30, 2021		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	\$ 490,754	\$ 162,283	\$ 10,447	MD Dept. Enviroment
Water Quality Bond of 2005	0.40	F & A1	02/01/09-02/01/28	09/29/05	42,009,341	14,798,152	2,120,974	166,788	MD Water Quality Fin.
Maryland Water Quality Bond (ARRA)	0	A & F1	08/01/11-02/01/30	12/04/09	2,056,400	605,039	145,022	-	MD Water Quality Fin.
Maryland Energy Administration	0	S & M1	09/01/11-03/01/13	12/04/09	258,740	-	-	-	MD Water Quality Fin.
Refinance Public Improvement Bond	3.35	A & O1	10/01/11-10/01/26	10/04/10	5,050,000	2,210,874	327,822	79,555	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	762,000	453,000	33,413	Suntrust Bank
Series 2012A Maryland Water Quality Financing Adminstration Drinking Water Bond	0.90	A & F1	05/22/12-02/01/43	05/22/12	1,631,000	1,120,148	50,681	13,403	MD Water Quality Fin.
Series 2012B Maryland Water Quality Financing Adminstration 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	3,390,000	369,000	107,592	Suntrust Bank
Public Improvement Bonds of 2014	2.96	J & J1	07/01/14-07/01/28	12/23/13	3,178,000	1,871,000	204,000	58,544	Hebron Savings Bank
Series 2014A Maryland Water Quality Financing Adminstration Drinking Water Bond	1.00	On demand	02/01/16-02/01/29	03/20/14	66,375	31,801	4,667	521	MD Water Quality Fin.
Series 2014B Maryland Water Quality Financing Adminstration 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 Adminstration Drinking Water Bond	0	F & A1	08/01/15-02/01/37	06/30/15	34,545,000	35,259,303	150,000	-	MD Water Quality Fin.
Series 2015B Maryland Water Quality Financing Adminstration 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	2,490,382	466,655	59,377	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	12,400,000	1,910,000	581,563	Bank of America
2018 Public Improvements Bond	2.51	J1	06/01/18-06/01/32	12/23/17	5,724,853	4,503,217	351,722	121,859	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	10,695,000	530,000	426,000	Sun Trust Bank
						<u>\$92,453,779</u>	<u>\$ 7,245,826</u>	<u>\$ 1,659,062</u>	

CITY OF SALISBURY, MARYLAND

**GENERAL FUND REVENUE BY SOURCE (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2021**

<u>Fiscal Year Ended June 30</u>	<u>Property Taxes</u>	<u>Local Income Taxes</u>	<u>State Shared Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Revenues from Use of Money and Property</u>	<u>Revenue from Other Agencies</u>	<u>Service Charges and Other</u>	<u>Total</u>	<u>Surplus Appropriated</u>
2021	\$ 27,989,043 61.47%	\$ 2,334,601 5.13%	\$ 1,902,515 4.18%	\$ 1,417,879 3.11%	\$ 707,364 1.55%	\$ 22,155 0.05%	\$ 5,538,545 12.16%	\$ 5,617,402 12.34%	\$ 45,529,504 100.00%	\$ 2,475,078
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 65.42%	1,813,673 4.81%	1,871,351 4.96%	1,251,117 3.32%	1,388,717 3.68%	131,227 0.35%	2,394,418 6.35%	4,196,852 11.12%	37,729,636 100.00%	1,782,844
2017	22,526,196 65.37%	1,954,687 5.67%	1,794,736 5.21%	1,130,075 3.28%	826,605 2.40%	64,134 0.19%	1,993,242 5.78%	4,170,384 12.10%	34,460,059 100.00%	1,876,770

CITY OF SALISBURY, MARYLAND
GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2021

Fiscal Year Ended June 30	General Government	Police	Fire	Other Safety	Department of Public Works				Miscellaneous and Transfers	Total
					Supervision & Engineering	Highways	Sanitation & Other	Recreation		
2021	\$ 4,192,461 9.80%	\$13,532,744 31.63%	\$ 8,462,946 19.78%	\$ 3,038,807 7.10%	\$ 1,481,233 3.46%	\$ 811,422 1.90%	\$ 2,009,949 4.70%	\$ 2,161,996 5.05%	\$ 7,091,436 16.58%	\$ 42,782,994 100.00%
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 13.84%	\$ 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 13.66%	39,043,242 100.00%
2018	3,701,899 9.34%	12,081,923 30.48%	8,833,792 22.28%	3,041,561 7.67%	1,934,841 4.88%	714,943 1.80%	1,926,571 4.86%	2,056,707 5.19%	5,348,152 13.50%	39,640,389 100.00%
2017	3,317,424 7.15%	11,714,643 25.25%	7,365,195 15.87%	1,988,524 4.29%	1,530,795 3.30%	1,894,141 4.08%	2,536,646 5.47%	1,930,038 4.16%	14,123,703 30.43%	46,401,109 100.00%

CITY OF SALISBURY, MARYLAND
WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2021

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
2021	\$ 4,357,511	\$ 355,117	\$10,900,457	\$ 940,802	\$16,553,887	\$ 1,742,899	\$ 12,066,569	\$ 1,483,018	\$ 520,520	\$ 4,780,253	\$ 18,850,360
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

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, 2021**

<u>Fiscal Year Ended June 30</u>	<u>Assessable Basis</u>	<u>Total General Sinking Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected in Year of Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
2021	\$ 2,409,081,247	\$ 28,189,060	\$ 26,655,135	94.56%	\$ 850,141	\$ 27,505,276	97.57%	\$ 694,328	2.46%
2020	\$ 2,312,626,586	\$ 27,244,457	\$ 26,054,111	95.63%	\$ 554,987	\$ 26,609,098	97.67%	\$ 940,607	3.45%
2019	2,228,360,951	26,402,199	24,744,210	93.72%	484,372	25,228,582	95.55%	1,972,716	7.47%
2018	2,151,596,042	25,652,521	23,715,956	92.45%	542,031	24,257,987	94.56%	1,919,494	7.48%
2017	2,079,435,806	23,235,981	21,889,832	94.21%	228,267	22,118,099	95.19%	1,822,261	7.84%

CITY OF SALISBURY, MARYLAND

**GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2021**

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	Personal Property	Corporations		Total							
	Full and Partial Year		Ordinary	Railroads and Utilities								
2021	\$ 2,113,819,337	\$ 2,561,790	\$ 214,723,980	\$ 77,976,140	\$ 2,409,081,247	\$ 92,453,779	0.0384	\$ 57,039,482	\$ 25,493,107	\$ 10,229,365	\$ 61,076,841	0.167
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	53,758,160	0.136