



CITY OF SALISBURY, MARYLAND

AUDIT REPORT

JUNE 30, 2018

CITY OF SALISBURY
TABLE OF CONTENTS

	<u>PAGE</u>
ORGANIZATION	1
INDEPENDENT AUDITOR'S REPORT	2 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	5 - 12
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	13
- Statement of Activities	14
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	15
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	16
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	18
- Statement of Net Position - Proprietary Funds	19
- Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	20
- Statement of Cash Flows - Proprietary Funds	21
- Statement of Net Position - Fiduciary Funds	22
- Statement of Changes in Net Position - Fiduciary Fund	23
NOTES TO FINANCIAL STATEMENTS	24 - 56

CITY OF SALISBURY
TABLE OF CONTENTS

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
- Budgetary Comparison Schedule - General Fund	57
- Schedule of the City's Proportionate Share of the Net Pension Liability - Employee Plan	58
- Schedule of City Pension Contributions - Employee Plan	59
- Schedule of the City's Proportionate Share of the Net Pension Liability - LEOPS	60
- Schedule of City Pension Contributions - LEOPS	61
- Schedule of the City's Net OPEB Liability and Related Ratios	62
- Schedule of City OPEB Contributions	63
OTHER SUPPLEMENTARY INFORMATION	
General Fund:	
- Schedule of Revenue - Budgeted and Actual	64 - 65
- Schedule of Expenditures Compared with Appropriations	66 - 70
Nonmajor Governmental Funds:	
- Combining Balance Sheet	71
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	72
- Statement of Revenues, Expenditures, and Changes in Fund Balance - Grant Fund	73
Nonmajor Proprietary Funds:	
- Combining Statement of Net Position	74
- Combining Statement of Revenues, Expenses, and Changes in Net Position	75

CITY OF SALISBURY

TABLE OF CONTENTS

	<u>PAGE</u>
Enterprise Funds:	
- Combining Statement of Revenues, Expenses, and Changes in Net Position - Water and Sewer Fund	76
- Schedule of Revenues and Expenses - Budget and Actual	
- Water Department	77 - 78
- Sewer Department	79 - 80
- City Marina	81
- Parking Authority	82
- Stormwater Utility	83
STATISTICAL INFORMATION (UNAUDITED)	
- Schedule of Delinquent Taxes Receivable	84
- Statement of Bonded Indebtedness	85
- General Fund Revenue by Source	86
- General Fund Expenditures by Function	87
- Water and Sewer Department Operations	88
- General and Sinking Fund - Property Tax Levies and Collections	89
- General and Sinking Fund - Assessed Values and Debt Ratios	90

CITY OF SALISBURY, MARYLAND

ORGANIZATION

SERVING AS OF JUNE 30, 2018

OFFICIALS - ELECTED

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

OFFICIALS - STAFF

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

INDEPENDENT AUDITOR'S REPORT

December 3, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Members of City Council
City of Salisbury

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salisbury, Salisbury, Maryland, as of June 30, 2018, 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 2 and 14 to the financial statements, the City of Salisbury has adopted the requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This statement modifies the accounting for the City's other postemployment benefits. As a result, the beginning governmental activities, business-type activities, and proprietary funds net position have been restated. 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, schedule of the City's net OPEB liability and related ratios on page 62, and schedule of City OPEB contributions on page 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Members of City Council
City of Salisbury

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 3, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP



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, 2018. 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, 2018 was \$83,755,603. Net position of our governmental activities increased by \$1,912,069 (or 43.6 percent) while net position of our business-type activities increased by \$8,658,132 (or 12.6 percent).
- The General Fund reported revenues and other financing sources under expenditures and other financing uses resulting in a \$1,707,640 decrease in fund balance, bringing its fund balance this year to \$10,738,933.

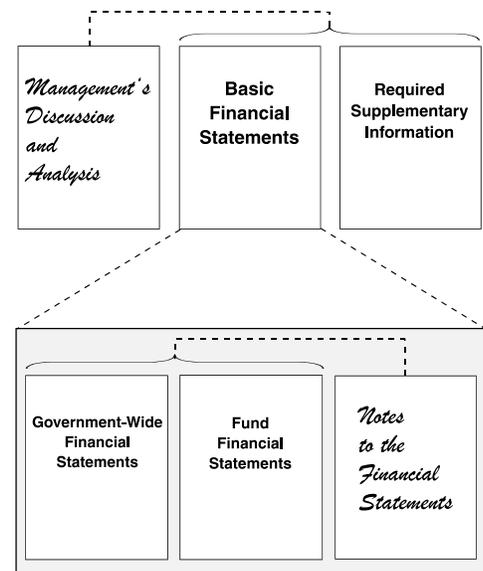
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



Summary  Detail

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

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

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

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

Entity-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The City has the following kinds of funds:

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

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

The City maintains the following type of enterprise funds to account for the operations of the City's business-type activities: water and sewer services and Mitchell Landing Apartments, both of which are considered to be major funds of the City, and several other nonmajor fee-supported activities.

- *Fiduciary funds* — The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that — because of a trust arrangement — can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's entity-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position at June 30, 2018 was \$83,775,603.

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
CURRENT ASSETS:						
Cash and investments	\$ 10,649	\$ 10,352	\$ 7,646	\$ 5,812	\$ 18,295	\$ 16,164
Accounts and taxes receivable, net	3,183	3,147	2,708	2,848	5,891	5,995
Due from other governmental units	975	1,130	3,950	5,030	4,925	6,160
Internal balances	314	201	(314)	(201)	-	-
Inventories	776	806	374	439	1,150	1,245
Other	2	2	10	20	12	22
TOTAL CURRENT ASSETS	15,899	15,638	14,374	13,948	30,273	29,586
NONCURRENT ASSETS:						
Restricted cash	8,726	7,744	19,756	21,369	28,482	29,113
Capital assets at cost	83,829	79,258	173,682	159,163	257,511	238,421
Less accumulated depreciation	(29,209)	(27,154)	(39,618)	(36,958)	(68,827)	(64,112)
TOTAL NONCURRENT ASSETS	63,346	59,848	153,820	143,574	217,166	203,422
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred outflows — pension plan	7,917	9,098	984	1,185	8,901	10,283
Deferred outflows — OPEB plan	134	-	33	-	167	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,051	9,098	1,017	1,185	9,068	10,283
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	87,296	84,584	169,211	158,707	256,507	243,291
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	3,101	3,035	3,799	4,365	6,900	7,400
Bonds, notes, and capital leases payable	2,963	2,661	4,400	4,110	7,363	6,771
Other	780	913	975	1,168	1,755	2,081
TOTAL CURRENT LIABILITIES	6,844	6,609	9,174	9,643	16,018	16,252

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

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
NONCURRENT LIABILITIES:						
Compensated absences	1,573	1,388	190	201	1,763	1,589
Postemployment benefits	15,408	14,844	3,852	3,711	19,260	18,555
Net pension liability	28,708	32,995	3,701	4,377	32,409	37,372
Bonds, notes, and capital leases payable	24,397	22,158	74,243	71,644	98,640	93,802
TOTAL NONCURRENT LIABILITIES	70,086	71,385	81,986	79,933	152,072	151,318
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows – pension plan	3,941	2,209	554	326	4,495	2,535
Deferred inflows – OPEB plan	133	-	33	-	166	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,074	2,209	587	326	4,661	2,535
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	81,004	80,203	91,748	89,902	172,752	170,105
NET POSITION:						
Net investment in capital assets	27,260	32,187	55,421	56,018	82,681	88,205
Restricted	8,726	7,745	19,756	11,803	28,482	19,548
Unrestricted (Deficit)	(29,694)	(35,551)	2,286	254	(27,408)	(34,567)
TOTAL NET POSITION	\$ 6,292	\$ 4,381	\$ 77,463	\$ 68,075	\$ 83,755	\$ 73,186

Net position of the City's governmental activities increased 43.6 percent to \$6,292,528 due to increases in assets offset by decreases in liabilities. Net position of the City's business-type activities increased 12.6 percent to \$77,463,075 due to increases in current assets and capital assets related to the ongoing construction of the City's wastewater treatment plant.

The City's total revenues were \$64,539,111. A significant portion (41.9 percent) of the City's revenue comes from property and other taxes. (See Figure A-3). A portion (38.9 percent) comes from charges for services, 5.7 percent is derived from operating grants, and 12.2 percent is derived from capital grants and contributions. The remaining 1.3 percent comes from miscellaneous, capital grants, and investment earnings. The total cost of all programs and services was \$53,968,910.

Figure A-3
 CITY'S SOURCES OF REVENUES
 Fiscal Year 2018

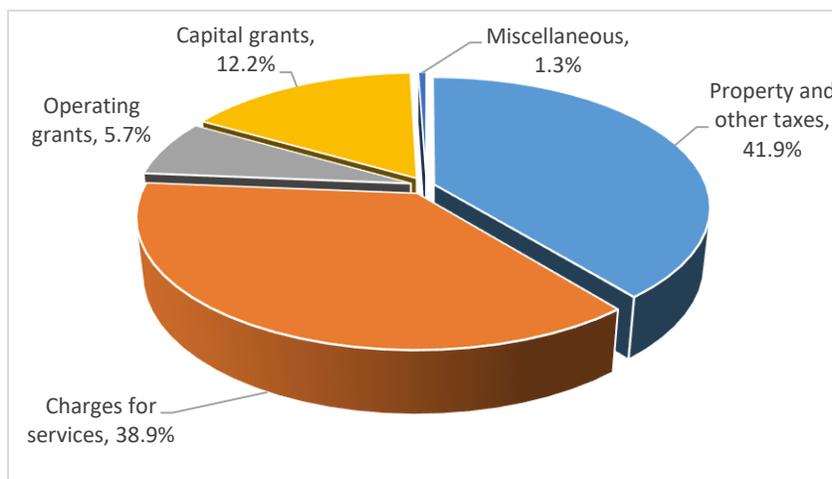


Table A-2
SOURCES OF REVENUES
 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals		Percentage
	2018	2017	2018	2017	2018	2017	Change 2017-2018
Program revenues:							
Charges for services	\$ 7,645	\$ 6,663	\$ 17,461	\$ 16,401	\$ 25,106	\$ 23,064	9%
Operating grants	3,676	3,850	35	-	3,711	3,850	-4%
Capital grants	1,376	716	6,492	8,973	7,868	9,689	-19%
General revenues:							
Property and other taxes	27,047	24,802	-	-	27,047	24,802	9%
Investment earnings	328	199	282	125	610	324	88%
Transfers	157	75	(157)	(75)	-	-	0%
Miscellaneous	197	614	-	-	197	614	-68%
Total Revenues and Transfers	\$ 40,426	\$ 36,919	\$ 24,113	\$ 25,424	\$ 64,539	\$ 62,343	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		
	2018	2017	% Change	2018	2017	% Change
Governmental Activities:						
General government	\$ 4,533	\$ 4,295	5.5%	\$ 1,898	\$ 1,130	67.9%
Public safety	23,916	27,086	-11.7%	16,759	20,733	-19.2%
Public works	5,736	6,364	-9.9%	3,451	5,339	-35.4%
Recreation and culture	2,264	2,194	3.2%	1,645	1,509	9.0%
Nondepartmental	1,196	931	28.5%	1,196	931	28.5%
Interest on long-term debt	869	911	-4.7%	868	911	-4.7%
Total Governmental Activities	38,514	41,781		25,817	30,553	
Business-type Activities:						
Water and sewer	14,005	14,118	-0.8%	(8,453)	(9,745)	-13.3%
Mitchell Landing	200	215	-7.0%	22	35	-37.1%
Other	1,250	1,215	2.9%	(102)	(116)	-12.1%
Total Business-type Activities	15,455	15,548		(8,533)	(9,826)	
Total	\$ 53,969	\$ 57,329		\$ 17,284	\$ 20,727	

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

Governmental Activities		Business-type Activities		Totals	
2018	2017	2018	2017	2018	2017
\$ 1,912	\$ (4,862)	\$ 8,658	\$ 9,876	\$ 10,570	\$ 5,014

Governmental Activities

Property and other tax revenues increased approximately \$2.4 million due to improvements in economic conditions. The cost of all *governmental* activities this year was \$38.5 million. However, the amount that the City's taxpayers paid for these activities through taxes was only \$25.6 million. Some of the cost was paid by those who directly benefited from the programs, \$7.6 million, or by grants and contributions, \$3.7 million. The net cost of governmental activities decreased \$3.3 million, which can be attributed largely to decreases in Public Safety and General Government.

Business-type Activities

Revenues of the City's business-type activities were \$24.1 million in FY 2018, a decrease from \$25.4 million in FY 2017 (refer to Table A-2), while expenses were \$15.5 million in both FY 2018 and FY 2017. The overall revenue decrease is primarily due to less grant funds received by the City in FY 2018 to aid in the construction of the City's wastewater treatment plant, which was offset by increases in water sewer operating revenues. There was little change in overall costs of business-type activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of the end of FY 2018, the City's governmental funds reported a combined fund balance of \$19.1 million, a \$1.1 million increase over the previous year. At year end, the General Fund had a fund balance of \$10.7 million, and the Capital Improvements Fund had a fund balance of \$7.7 million. The fund balance for other governmental funds reported an ending in fund balance of \$0.7 million. Revenue collections were less than expenditures by \$4.7 million for the year.

General Fund Budgetary Highlights

Over the course of the year, the City processed budget amendments which are used to update the revised budget. The ending revised budget for expenditures in the general fund was \$42.7 million (including operating transfers), versus an original budget of \$39.4 million. The majority of the variance is due a carry forward of encumbrances from FY 2017. Actual expenditures were \$3.1 million below final budget amounts. All departments were under budget during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had invested \$257.5 million in a broad range of capital assets. (See Table A-5.)

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

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2018	2017	2018	2017	2018	2017	
Land and art	\$ 8,442	\$ 8,495	\$ 2,198	\$ 2,171	\$ 10,640	\$ 10,606	-0.2%
Construction-in-progress	7,692	10,675	30,972	53,870	38,664	64,545	-40.1%
Land improvements	767	767	2,014	2,014	2,781	2,781	0.0%
Buildings and improvements	25,885	21,326	49,805	49,805	75,690	71,130	6.4%
Improvements, non-buildings	18,882	16,879	74,845	38,211	93,727	55,090	70.1%
Machinery and equipment	22,125	21,140	13,848	13,092	35,973	34,232	5.1%
Zoo animals	36	36	-	-	36	36	0.0%
Totals at historical cost	83,829	79,318	173,682	159,163	257,511	238,420	8.0%
Total accumulated depreciation	29,209	27,154	39,618	36,958	68,827	64,112	7.4%
Net Capital Assets	\$ 54,620	\$ 52,164	\$ 134,064	\$ 122,205	\$ 188,684	\$ 174,308	8.2%

The City's governmental capital purchases for fiscal year 2018 included the purchase of nine police vehicles, two fire trucks, five other vehicles used in various departments of the City, a Gator, a Workman, and a Zero-Turn Mower. Infrastructure improvements included the completion of the Skate park, Parsons Road Project, Zoo Animal Health Building, Zoo Visitor Center, Coty Cox Flood Relief Project, and Waverly Drive Project. The business-type activities additions to capital assets include the purchase of an Aquatic Weed Harvester. Projects completed included the Beaverdam / Isabella Project, Water Treatment Plant Air Compressor Project, and Belt Filter Press Project. Continuing projects include the wastewater treatment plant, Park Well, Paleo Well, East Main Street Sewer, Fitzwater Pump Station, and Hampshire Road Lift Station. More information about the City's capital assets is presented in the notes to the financial statements.

Long-term Debt

At year end, the City had \$106.0 million in bonds, notes, and leases outstanding, an increase of \$5.4 million over the previous year. During fiscal year 2018, the City issued \$5.7 million of Public Improvement Bonds to finance a number of public works projects, including Riverside Circle, Bicycle Master Plan, Radio System and Dispatch Equipment, and other various renovations and improvements of City infrastructure. The City also drew down an additional \$6.8 million, (total \$33.8 million) in revolving loan funds from federal loans administered by the Maryland Department of the Environment to finance the construction of its wastewater treatment plant, as well as to fund other water quality infrastructure improvements.

The City is limited to a maximum general obligation bond limit of \$52.0 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Leases payable	\$ 2,151	\$ 2,944	\$ 336	\$ 448	\$ 2,487	\$ 3,392	-26.7%
Bonds payable, net	25,152	21,789	76,925	73,924	102,077	95,713	6.6%
Mortgages and notes payable	57	86	1,382	1,382	1,439	1,468	-2.0%
Total Bonds and Notes Payable	\$ 27,360	\$ 24,819	\$ 78,643	\$ 75,754	\$106,003	\$100,573	5.4%

ECONOMIC FACTORS

- The City collected \$275,289 in building permit revenues for FY 2018 vs. \$216,539 for FY 2017.
- The City received \$1.1million more in real estate property tax revenue in FY 2018. The total of other tax revenues were \$.9 million more in FY 2018.
- The City's has a three-year reassessment cycle. The adjusted assessed value of all real properties in the City increased \$58.6 million over the prior year.
- The local (Wicomico County) unemployment rate as of July 2018 was 5.4 percent, up from 4.9 percent from a year ago. The State of Maryland had a 4.5 percent rate, and the nation as a whole has a 4.1 percent unemployment rate.

WATER SEWER FUND

The water and sewer fund adopted budget increased from \$17.2 million in FY 2017 to \$18.2 million in FY 2018.

The City is in the final phase of upgrading the Wastewater Treatment Plant ("WWTP"). After the last upgrade in 2008, the WWTP has not produced effluent at the level required by the State. As a result, the City completed a corrective action plan

for the WWTP upgrade, which was approved by the State of Maryland Department of the Environment. The City is under an amended consent order from the State of Maryland, which dictates that the WWTP must be meeting effluent limits by December 31, 2017. The WWTP met effluent limits starting in December 2017. The construction is in the final commissioning phase and is scheduled for completion in December 2018. The total construction cost is \$52 million and is funded with Biological Nutrient Removal and Enhanced Nutrient Removal (BNR/ENR) grants and a zero percent interest State Revolving Fund loan.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Director of Internal Services in the Finance Division, 125 North Division Street, Room 103, Salisbury, MD 21801 or visit the City's website at www.ci.salisbury.md.us.

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investment pool	\$ 10,648,466	\$ 7,646,178	\$ 18,294,644
Taxes receivable, net	1,365,968	-	1,365,968
Accounts receivable, net	1,817,129	2,707,641	4,524,770
Due from other governmental units	975,135	3,949,779	4,924,914
Internal balances	314,154	(314,154)	-
Other assets	2,258	9,858	12,116
Inventories	776,249	374,238	1,150,487
Total Current Assets	<u>15,899,359</u>	<u>14,373,540</u>	<u>30,272,899</u>
Noncurrent assets:			
Restricted cash and investments	8,726,118	19,755,501	28,481,619
Construction-in-progress	7,691,839	30,972,099	38,663,938
Land and art	8,441,682	2,206,365	10,648,047
Capital assets at cost	67,695,795	140,503,638	208,199,433
Less accumulated depreciation	(29,209,322)	(39,617,885)	(68,827,207)
Total Noncurrent Assets	<u>63,346,112</u>	<u>153,819,718</u>	<u>217,165,830</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension plan	7,917,346	984,455	8,901,801
Deferred outflows - OPEB plan	133,755	33,439	167,194
Total Deferred Outflows of Resources	<u>8,051,101</u>	<u>1,017,894</u>	<u>9,068,995</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>\$ 87,296,572</u>	<u>\$ 169,211,152</u>	<u>\$ 256,507,724</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current liabilities:			
Accounts payable and accrued expenses	\$ 3,100,889	\$ 3,798,749	\$ 6,899,638
Unearned revenue	363,827	768,900	1,132,727
Deposits and advance payments of taxes	109,132	13,911	123,043
Compensated absences	174,807	21,126	195,933
Accrued interest payable	132,181	171,384	303,565
Bonds, notes, and capital leases payable	2,962,691	4,400,446	7,363,137
Total Current Liabilities	<u>6,843,527</u>	<u>9,174,516</u>	<u>16,018,043</u>
Noncurrent liabilities:			
Compensated absences	1,573,267	190,133	1,763,400
Post-employment benefits	15,408,160	3,852,040	19,260,200
Net pension liability	28,707,308	3,701,501	32,408,809
Bonds, notes, and capital leases payable	24,397,240	74,242,601	98,639,841
Total Noncurrent Liabilities	<u>70,085,975</u>	<u>81,986,275</u>	<u>152,072,250</u>
Total Liabilities	<u>76,929,502</u>	<u>91,160,791</u>	<u>168,090,293</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension plan	3,941,470	554,018	4,495,488
Deferred inflows - OPEB plan	133,072	33,268	166,340
Total Deferred Inflows of Resources	<u>4,074,542</u>	<u>587,286</u>	<u>4,661,828</u>
NET POSITION			
Net investment in capital assets	27,260,063	55,421,170	82,681,233
Restricted	8,726,118	19,755,501	28,481,619
Unrestricted (Deficit)	(29,693,653)	2,286,404	(27,407,249)
Total Net Position	<u>6,292,528</u>	<u>77,463,075</u>	<u>83,755,603</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
	<u>\$ 87,296,572</u>	<u>\$ 169,211,152</u>	<u>\$ 256,507,724</u>

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

**CITY OF SALISBURY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	\$ 4,533,288	\$ 1,703,659	\$ 272,906	\$ (1,898,581)	-	\$ (1,898,581)
Public safety	23,916,162	4,063,503	101,458	(16,758,638)	-	(16,758,638)
Public works	5,736,032	1,258,152	1,001,445	(3,450,885)	-	(3,450,885)
Recreation and culture	2,264,232	619,599	-	(1,644,633)	-	(1,644,633)
Nondepartmental	1,195,662	-	-	(1,195,662)	-	(1,195,662)
Interest on long-term debt	868,472	-	-	(868,472)	-	(868,472)
Total Governmental Activities	38,513,848	7,644,913	1,375,809	(25,816,871)	-	(25,816,871)
BUSINESS-TYPE ACTIVITIES						
Water and sewer	14,005,120	15,936,157	6,487,003	-	8,453,040	8,453,040
Mitchell Landing	199,971	177,682	-	-	(22,289)	(22,289)
Other	1,249,971	1,346,751	5,000	-	101,780	101,780
Total Business-type Activities	15,455,062	17,460,590	6,492,003	-	8,532,531	8,532,531
TOTAL PRIMARY GOVERNMENT	<u>\$ 53,968,910</u>	<u>\$ 25,105,503</u>	<u>\$ 7,867,812</u>	<u>(25,816,871)</u>	<u>8,532,531</u>	<u>(17,284,340)</u>
GENERAL REVENUES AND TRANSFERS						
Taxes:						
Real and personal property taxes, levied for general purposes				18,377,008	-	18,377,008
Ordinary business corporations and utilities				6,552,502	-	6,552,502
State shared income tax				1,813,673	-	1,813,673
Other taxes				303,618	-	303,618
Investment earnings				328,202	282,549	610,751
Miscellaneous				196,989	-	196,989
Operating transfers				156,948	(156,948)	-
TOTAL GENERAL REVENUES AND TRANSFERS				<u>27,728,940</u>	<u>125,601</u>	<u>27,854,541</u>
CHANGE IN NET POSITION				1,912,069	8,658,132	10,570,201
NET POSITION, BEGINNING OF YEAR, RESTATED				4,380,459	68,804,943	73,185,402
NET POSITION, END OF YEAR				<u>\$ 6,292,528</u>	<u>\$ 77,463,075</u>	<u>\$ 83,755,603</u>

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

CITY OF SALISBURY, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
ASSETS				
Cash	\$ 2,198,550	\$ -	\$ 227,022	\$ 2,425,572
Investment pool	8,183,830	-	39,064	8,222,894
Taxes receivable	2,258,386	-	-	2,258,386
Less allowance for uncollectibles	(892,418)	-	-	(892,418)
Due from other governmental units	270,020	-	705,115	975,135
Due from other funds	390,116	-	-	390,116
Sundry accounts receivable	4,551,096	-	257,785	4,808,881
Less allowance for uncollectibles	(2,991,752)	-	-	(2,991,752)
Inventory	776,249	-	-	776,249
Prepaid expenditures	2,258	-	-	2,258
Restricted cash	212,260	828,529	-	1,040,789
Restricted investment pool	-	7,685,329	-	7,685,329
TOTAL ASSETS	\$ 14,958,595	\$ 8,513,858	\$ 1,228,986	\$ 24,701,439
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 2,126,844	\$ 854,111	\$ 119,934	\$ 3,100,889
Due to other funds	-	-	75,962	75,962
Unearned revenue	-	-	363,827	363,827
Deposits and advance payment of taxes	109,132	-	-	109,132
Compensated absences	174,807	-	-	174,807
Total Liabilities	2,410,783	854,111	559,723	3,824,617
Deferred Inflows of Resources				
Unavailable revenue	1,808,879	-	-	1,808,879
Total Deferred Inflows of Resources	1,808,879	-	-	1,808,879
Fund Balances:				
Nonspendable	778,507	-	-	778,507
Restricted	-	7,659,747	-	7,659,747
Committed	1,693,351	-	361,193	2,054,544
Assigned	868,485	-	308,070	1,176,555
Unassigned	7,398,590	-	-	7,398,590
Total Fund Balances	10,738,933	7,659,747	669,263	19,067,943
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 14,958,595	\$ 8,513,858	\$ 1,228,986	\$ 24,701,439

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, 2018**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 19,067,943

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. 54,619,994

Certain revenues that do not provide current financial resources are reported as unavailable revenue in the fund financial statements but are reported as revenue in the governmental activities column of the statement of activities. 1,808,879

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	\$ (27,359,931)	
Compensated absences	(1,573,267)	
Net OPEB liability	(15,408,160)	
Accrued interest on bonds	(132,181)	
Net pension liability	<u>(28,707,308)</u>	(73,180,847)

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	7,917,346	
Deferred outflows - OPEB plan	133,755	
Deferred inflows - pension plan	(3,941,470)	
Deferred inflows - OPEB plan	<u>(133,072)</u>	<u>3,976,559</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,292,528

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, 2018

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
REVENUES				
Taxes	\$26,799,572	\$ -	\$ -	\$26,799,572
Other revenue	4,212,634	516,588	214,133	4,943,355
Intergovernmental revenues	2,925,831	-	1,470,047	4,395,878
Charges for services	3,791,599	-	-	3,791,599
TOTAL REVENUES	<u>37,729,636</u>	<u>516,588</u>	<u>1,684,180</u>	<u>39,930,404</u>
EXPENDITURES				
Current:				
General government	3,649,691	-	791,905	4,441,596
Public safety	22,180,055	-	422,198	22,602,253
Public works	4,545,338	-	200,801	4,746,139
Recreation and culture	2,028,685	-	-	2,028,685
Nondepartmental	1,195,661	-	-	1,195,661
Capital outlays	1,888,470	3,668,252	402,052	5,958,774
Debt service:				
Principal	2,785,353	-	-	2,785,353
Interest	868,627	-	-	868,627
TOTAL EXPENDITURES	<u>39,141,880</u>	<u>3,668,252</u>	<u>1,816,956</u>	<u>44,627,088</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,412,244)</u>	<u>(3,151,664)</u>	<u>(132,776)</u>	<u>(4,696,684)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(498,509)	515,416	140,041	156,948
Proceeds from bond issuance	24,900	5,392,953	-	5,417,853
Proceeds from sale of capital assets	178,213	-	6,971	185,184
TOTAL OTHER FINANCING SOURCES (USES)	<u>(295,396)</u>	<u>5,908,369</u>	<u>147,012</u>	<u>5,759,985</u>
NET CHANGE IN FUND BALANCES	(1,707,640)	2,756,705	14,236	1,063,301
FUND BALANCES, BEGINNING OF YEAR	<u>12,446,573</u>	<u>4,903,042</u>	<u>655,027</u>	<u>18,004,642</u>
FUND BALANCES, END OF YEAR	<u>\$10,738,933</u>	<u>\$ 7,659,747</u>	<u>\$ 669,263</u>	<u>\$19,067,943</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, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,063,301

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	\$ 5,754,027	
Loss on disposal	(480,748)	
Depreciation expense	<u>(2,756,719)</u>	2,516,560

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. (5,417,853)

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. 247,229

Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of net position treats such repayments as a reduction in long-term liabilities. 2,785,353

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. 91,343

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

Increase in compensated absences	(185,116)	
Increase in deferred outflows - OPEB plan	133,755	
Increase in net OPEB liability	(563,686)	
Increase in deferred inflows - OPEB plan	(133,072)	
Decrease in accrued interest payable	144	
Decrease in deferred outflows - pension plan	(1,181,046)	
Decrease in net pension liability	4,287,887	
Increase in deferred inflow - pension	<u>(1,732,730)</u>	<u>626,136</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,912,069

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash	\$ 3,864,986	\$ 18,012	\$ 266,656	\$ 4,149,654
Investment pool	3,083,019	-	413,505	3,496,524
Accounts receivable, net	2,564,884	3,144	139,613	2,707,641
Due from other governmental units	3,948,610	-	1,169	3,949,779
Other assets	9,858	-	-	9,858
Inventories	374,238	-	-	374,238
Total Current Assets	13,845,595	21,156	820,943	14,687,694
Noncurrent assets:				
Restricted cash	3,419,825	275,694	-	3,695,519
Restricted investment pool	15,725,746	-	334,236	16,059,982
Capital assets:				
Construction-in-progress	30,946,950	-	25,149	30,972,099
Land	301,703	121,872	1,782,790	2,206,365
Buildings, equipment, and improvements	132,038,576	1,446,456	7,018,606	140,503,638
Less accumulated depreciation	(33,930,814)	(917,796)	(4,769,275)	(39,617,885)
Total Noncurrent Assets	148,501,986	926,226	4,391,506	153,819,718
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension plan	935,864	-	48,591	984,455
Deferred outflows - OPEB plan	33,439	-	-	33,439
Total Deferred Outflows of Resources	969,303	-	48,591	1,017,894
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	\$ 163,316,884	\$ 947,382	\$ 5,261,040	\$ 169,525,306
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Due in one year:				
Accounts payable	\$ 3,657,140	\$ 6,810	\$ 39,632	\$ 3,703,582
Accrued payroll	87,447	988	6,732	95,167
Accrued interest payable	170,065	-	1,319	171,384
Due to other funds	-	-	314,154	314,154
Compensated absences	21,126	-	-	21,126
Bonds, notes, and capital leases payable	4,262,867	-	137,579	4,400,446
Deposits	-	13,037	874	13,911
Unearned revenue	768,900	-	-	768,900
Total Current Liabilities	8,967,545	20,835	500,290	9,488,670
Due in more than one year:				
Bonds, notes, and capital leases payable	72,044,289	1,381,807	816,505	74,242,601
Net OPEB liability	3,852,040	-	-	3,852,040
Provision for compensated absences	190,133	-	-	190,133
Net pension liability	3,518,805	-	182,696	3,701,501
Total Noncurrent Liabilities	79,605,267	1,381,807	999,201	81,986,275
Total Liabilities	88,572,812	1,402,642	1,499,491	91,474,945
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension plan	526,674	-	27,344	554,018
Deferred inflows - OPEB plan	33,268	-	-	33,268
Total Deferred Inflows of Resources	559,942	-	27,344	587,286
NET POSITION (DEFICIT)				
Net investment in capital assets	53,049,259	(731,275)	3,103,186	55,421,170
Restricted	19,145,571	275,694	334,236	19,755,501
Unrestricted	1,989,300	321	296,783	2,286,404
Total Net Position (Deficit)	74,184,130	(455,260)	3,734,205	77,463,075
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
	\$ 163,316,884	\$ 947,382	\$ 5,261,040	\$ 169,525,306

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, 2018

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
OPERATING REVENUES				
Charges for services	\$ 14,910,502	\$ 177,682	\$ 1,346,746	\$ 16,434,930
Penalties	82,399	-	-	82,399
Tapping charges and connection fees	258,518	-	-	258,518
Sundry income	298,835	-	5	298,840
Pretreatment monitoring fee	228,094	-	-	228,094
Impact fees	192,809	-	-	192,809
TOTAL OPERATING REVENUES	<u>15,971,157</u>	<u>177,682</u>	<u>1,346,751</u>	<u>17,495,590</u>
OPERATING EXPENSES				
Salaries	3,780,304	15,999	297,464	4,093,767
Personnel benefits	1,770,160	9,632	96,576	1,876,368
Professional and skilled services	1,120,036	9,986	246,542	1,376,564
Supplies	-	1,805	10,380	12,185
Other operating expenses	4,171,624	127,398	249,432	4,548,454
Equipment	7,132	-	142,216	149,348
TOTAL OPERATING EXPENSES	<u>10,849,256</u>	<u>164,820</u>	<u>1,042,610</u>	<u>12,056,686</u>
Operating income before depreciation	5,121,901	12,862	304,141	5,438,904
Depreciation	<u>2,441,560</u>	<u>35,152</u>	<u>182,718</u>	<u>2,659,430</u>
NET OPERATING INCOME (LOSS)	<u>2,680,341</u>	<u>(22,290)</u>	<u>121,423</u>	<u>2,779,474</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfers out	-	-	(156,948)	(156,948)
Grants	6,487,003	-	5,000	6,492,003
Interest income	267,368	8,511	6,670	282,549
Interest expense	(714,303)	-	(24,643)	(738,946)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>6,040,068</u>	<u>8,511</u>	<u>(169,921)</u>	<u>5,878,658</u>
CHANGE IN NET POSITION	8,720,409	(13,779)	(48,498)	8,658,132
NET POSITION (DEFICIT), BEGINNING OF YEAR, RESTATED	<u>65,463,721</u>	<u>(441,481)</u>	<u>3,782,703</u>	<u>68,804,943</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 74,184,130</u>	<u>\$ (455,260)</u>	<u>\$ 3,734,205</u>	<u>\$ 77,463,075</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, 2018

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$16,110,236	\$ 182,020	\$ 1,343,075	\$17,635,331
Payments to suppliers	(5,885,019)	(148,428)	(590,997)	(6,624,444)
Payments to employees	(5,645,013)	(24,510)	(415,475)	(6,084,998)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,580,204</u>	<u>9,082</u>	<u>336,603</u>	<u>4,925,889</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Internal activity - payments to other funds	-	-	(156,948)	(156,948)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(156,948)</u>	<u>(156,948)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds, notes, and capital leases	7,861,061	-	331,900	8,192,961
Principal paid on bonds, notes, and capital leases	(3,981,759)	-	(133,881)	(4,115,640)
Interest paid on bonds, notes, and mortgages	(832,492)	-	(24,205)	(856,697)
Payments for capital acquisitions	(14,261,577)	-	(101,854)	(14,363,431)
Capital grants	6,306,723	-	5,000	6,311,723
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,908,044)</u>	<u>-</u>	<u>76,960</u>	<u>(4,831,084)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	267,368	8,511	6,670	282,549
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>267,368</u>	<u>8,511</u>	<u>6,670</u>	<u>282,549</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(60,472)	17,593	263,285	220,406
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>26,154,048</u>	<u>276,113</u>	<u>751,112</u>	<u>27,181,273</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$26,093,576</u>	<u>\$ 293,706</u>	<u>\$ 1,014,397</u>	<u>\$27,401,679</u>
Cash	\$ 3,864,986	\$ 18,012	\$ 266,656	\$ 4,149,654
Investment pool	3,083,019	-	413,505	3,496,524
Restricted cash	3,419,825	275,694	-	3,695,519
Restricted investment pool	15,725,746	-	334,236	16,059,982
	<u>\$26,093,576</u>	<u>\$ 293,706</u>	<u>\$ 1,014,397</u>	<u>\$27,401,679</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,680,341	\$ (22,290)	\$ 121,423	\$ 2,779,474
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,441,560	35,152	182,718	2,659,430
(Increase) Decrease in:				
Accounts receivable	147,024	1,552	(7,653)	140,923
Due from other governmental units	(7,945)	-	3,831	(4,114)
Other assets	64,455	-	-	64,455
Inventories	9,858	-	-	9,858
Deferred outflows - pension	187,509	-	12,994	200,503
Deferred outflows - OPEB	(33,439)	-	-	(33,439)
Increase (Decrease) in:				
Accounts payable	(660,540)	393	57,573	(602,574)
Accrued payroll	2,816	(8,511)	14	(5,681)
Compensated absences	(11,562)	-	-	(11,562)
Net OPEB liability	140,922	-	-	140,922
Net pension liability	(631,484)	-	(44,832)	(676,316)
Deferred inflows - pension	217,421	-	10,389	227,810
Deferred inflows - OPEB	33,268	-	-	33,268
Deposits	-	2,786	146	2,932
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,580,204</u>	<u>\$ 9,082</u>	<u>\$ 336,603</u>	<u>\$ 4,925,889</u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Health Care Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ -	\$ 422,876
Investment pool	-	65,744
Investments	1,704,312	-
Accounts receivable	-	207,679
	<u>1,704,312</u>	<u>696,299</u>
Total Assets	<u>1,704,312</u>	<u>696,299</u>
LIABILITIES		
Accounts payable	-	309,872
Deposits	-	207,679
Due to other governmental units	-	178,748
	<u>-</u>	<u>696,299</u>
Total Liabilities	<u>-</u>	<u>696,299</u>
NET POSITION		
Restricted	<u><u>\$ 1,704,312</u></u>	<u><u>\$ -</u></u>

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

**CITY OF SALISBURY, MARYLAND
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Health Care Trust</u>
ADDITIONS	
Interest	\$ 33,477
Net appreciation in fair value of investments	<u>69,881</u>
TOTAL ADDITIONS	<u>103,358</u>
 DEDUCTIONS	
Operating expenses	<u>3,843</u>
TOTAL DEDUCTIONS	<u>3,843</u>
 CHANGE IN NET POSITION	 99,515
NET POSITION, BEGINNING OF YEAR	<u>1,604,797</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,704,312</u></u>

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE CITY OF SALISBURY

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to local government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision of whether to include a potential component unit was made by applying the criteria set forth in the GASB standards related to component units. The basic - but not the only - criterion for including a potential component unit is the exercise of oversight responsibility by the City's elected officials. Based upon the application of these criteria, the accompanying statements include the financial transactions of the Salisbury Zoo Commission, Inc. ("the Zoo"). The operations of the Zoo are included in the general fund.

Basis of Presentation

The City's basic financial statements consist of entity-wide statements, including a statement of net position and a statement of activities; and fund financial statements, which provide a more detailed level of financial information.

ENTITY-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the City. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

PROPRIETARY FUNDS

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

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

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

FIDUCIARY FUNDS

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

Measurement Focus

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

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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

Basis of Accounting

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

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

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

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

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

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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

Budgetary Data

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

Cash Equivalents

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

Investments

Investments are recorded at fair value.

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

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

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

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Allowance for Uncollectible Accounts

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

Property Taxes

Property taxes attach as an enforceable lien as of July 1. Taxes are levied on July 1 and are recognized when levied. Taxes are due and payable on or before September 30, and all unpaid taxes become delinquent October 1. Wicomico County, Maryland bills and collects property taxes for the City. Real property taxes uncollected as of 60 days after fiscal year end are considered unavailable to pay liabilities that are owed at the balance sheet date and, therefore, are included in deferred inflows of resources in the balance sheet – governmental funds. An allowance is established for delinquent personal property taxes to the extent that their collectibility is improbable. At June 30, 2018, all property taxes were deemed collectible, and there was no allowance.

Inventories

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not capitalized.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

All reported capital assets except land, art, and construction-in-progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10 - 40 years
Buildings and improvements	10 - 40 years
Improvements, nonbuildings	10 - 40 years
Machinery and equipment	5 - 15 years

Compensated Absences

The City accrues a liability for vested compensated absences including vacation, sick leave, compensatory time, and holidays worked with various limitations on each type of compensated absence. All accrued compensated absences liabilities are recorded in the entity-wide financial statements.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide statements; and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Net Position

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

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

Fund Balance (Deficit)

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

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. City Council has designated the Director of Internal Services the authority to assign amounts for specific purposes.

Unassigned – all other spendable amounts.

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

The deficit in the Mitchell Landing Fund (major enterprise fund) as of June 30, 2018 was \$455,260. This deficit is due to depreciation which cannot be recaptured through user charges.

Operating Revenues and Expenses

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Estimates in the Preparation of Financial Statements

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

Implementation of GASB Statement

During the year ended June 30, 2018, the City implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, with the objective of improving the accounting and financial reporting of state and local governments for other postemployment benefits. It requires that state and local governments recognize and record the actuarially determined net other postemployment benefits liability, or, for multi-employer cost sharing plans, the entity's share of the net other postemployment benefits liability, in the entity's 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, 2018, the carrying amount of the City's deposits was \$8,314,585, and the bank balance was \$8,789,175. Of the bank balance, \$537,750 was covered by federal depository insurance, and \$8,251,425 was exposed to custodial credit risk because, in accordance with Maryland State law, it was uninsured and the collateral held by the depository's agent was not in the City's name.

Investment Pool

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, MLGIP acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. These external investment pools are considered 2a7-like pools and are recorded at amortized cost. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. As of June 30, 2018, MLGIP was rated AA by a nationally recognized statistical rating organization. As of June 30, 2018, the City had \$38,950,298 invested in MLGIP.

Restricted Cash

Restricted cash in the governmental funds represents funds held in escrow by a local financial institution relating to the 2009, 2008, 2007, 2004, and 2003 Public Improvement Bonds. Additional restricted cash in the enterprise funds represents a replacement reserve fund for the Mitchell Landing Fund and funds held in escrow for the 2009, 2008, and 2007 Public Improvement Bonds.

Retiree Health Plan Trust

The investment policy of the City of Salisbury Health Care Trust requires that the funds be managed as a balanced account with approximately 60 percent equities, and 40 percent cash and equivalents and government and corporate bonds. The investments are held at State Street Bank in the City's name. The total investment balance in this fund at June 30, 2018 was \$1,704,312.

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money markets	\$ 39,273,764	\$ 39,273,764	\$ -
Government and agency bonds	199,077	-	199,077
Corporate bonds	79,584	-	79,584
Mutual funds	139,866	139,866	-
Common stock	962,320	962,320	-
TOTAL	\$ 40,654,611	\$ 40,375,950	\$ 278,661

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

Investments in corporate bonds held at June 30, 2018 are as follows:

Quantity	Company	Interest Rate	Due Date
15,000	Johnson and Johnson	5.15%	07/15/18
15,000	Cisco Systems	2.125%	03/01/19
15,000	Charles Schwab Corp.	4.45%	07/22/20
15,000	JP Morgan Chase	2.295%	08/15/21
20,000	Qualcomm Inc.	3.00%	05/20/22

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES

As a result of its operations, the City effects a variety of transactions between funds to finance operations and service debt. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2018, appropriate due from/to other funds have been established. The composition of interfund balances as of June 30, 2018 is as follows:

<u>Receivable By</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 314,154	Nonmajor Proprietary Funds	\$ 314,154
General Fund	<u>75,962</u>	Nonmajor Governmental Funds	<u>75,962</u>
	<u>\$ 390,116</u>		<u>\$ 390,116</u>

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

Interfund transfers for the year ended June 30, 2018 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 498,509
Capital Improvements Fund	515,416	-
Nonmajor Governmental Funds	140,041	-
Nonmajor Proprietary Funds	<u>-</u>	<u>156,948</u>
TOTAL	<u>\$ 655,457</u>	<u>\$ 655,457</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2018</u>
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land and art	\$ 8,434,522	\$ -	\$ (61,968)	\$ 69,128	\$ 8,441,682
Construction-in-progress	<u>10,674,771</u>	<u>3,926,362</u>	<u>(5,755)</u>	<u>(6,903,539)</u>	<u>7,691,839</u>
Total Capital Assets Not Being Depreciated	<u>19,109,293</u>	<u>3,926,362</u>	<u>(67,723)</u>	<u>(6,834,411)</u>	<u>16,133,521</u>
Capital assets being depreciated:					
Land improvements	767,410	-	-	-	767,410
Buildings and improvements	21,325,429	20,241	(291,952)	4,861,991	25,885,709
Improvements, non-buildings	16,879,434	-	-	2,002,420	18,881,854
Machinery and equipment	21,140,154	1,807,424	(822,756)	-	22,124,822
Zoo animals	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
Total Capital Assets Being Depreciated	60,148,427	1,827,665	(1,114,708)	6,834,411	67,695,795
Accumulated depreciation	<u>(27,154,286)</u>	<u>(2,756,719)</u>	<u>701,683</u>	<u>-</u>	<u>(29,209,322)</u>
Total Capital Assets Being Depreciated, Net	<u>32,994,141</u>	<u>(929,054)</u>	<u>(413,025)</u>	<u>6,834,411</u>	<u>38,486,473</u>
Governmental Activities Capital Assets, Net	<u>\$ 52,103,434</u>	<u>\$ 2,997,308</u>	<u>\$ (480,748)</u>	<u>\$ -</u>	<u>\$ 54,619,994</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 38,418
Public safety	1,646,990
Public works	812,241
Recreation and culture	<u>259,070</u>
Total Depreciation Expense	<u>\$ 2,756,719</u>

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2018</u>
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land	\$ 266,703	\$ 35,000	\$ -	\$ -	\$ 301,703
Construction-in-progress	<u>53,807,567</u>	<u>14,761,339</u>	<u>(379,578)</u>	<u>(37,242,378)</u>	<u>30,946,950</u>
Total Capital Assets Not Being Depreciated	<u>54,074,270</u>	<u>14,796,339</u>	<u>(379,578)</u>	<u>(37,242,378)</u>	<u>31,248,653</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Capital assets being depreciated:					
Land improvements	430,636	-	-	-	430,636
Buildings and improvements	44,252,662	-	-	-	44,252,662
Improvements, non-buildings	38,145,389	-	-	36,634,378	74,779,767
Machinery and equipment	11,967,511	-	-	608,000	12,575,511
Total Capital Assets Being Depreciated	94,796,198	-	-	37,242,378	132,038,576
Accumulated depreciation	<u>(31,489,254)</u>	<u>(2,441,560)</u>	-	-	<u>(33,930,814)</u>
Total Capital Assets Being Depreciated, Net	<u>63,306,944</u>	<u>(2,441,560)</u>	-	<u>37,242,378</u>	<u>98,107,762</u>
Water and Sewer Fund Capital Assets, Net	<u>\$ 117,381,214</u>	<u>\$ 12,354,779</u>	<u>\$ (379,578)</u>	\$ -	<u>\$ 129,356,415</u>
Parking Authority Fund					
Capital assets not being depreciated:					
Land	\$ 467,790	\$ -	\$ -	\$ -	\$ 467,790
Construction-in-progress		<u>25,149</u>			<u>25,149</u>
Total Capital Assets Not Being Depreciated	<u>467,790</u>	<u>25,149</u>	-	-	<u>492,939</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	183,348	-	-	-	183,348
Total Capital Assets Being Depreciated	4,391,402	-	-	-	4,391,402
Accumulated depreciation	<u>(2,693,714)</u>	<u>(92,732)</u>	-	-	<u>(2,786,446)</u>
Total Capital Assets Being Depreciated, Net	<u>1,697,688</u>	<u>(92,732)</u>	-	-	<u>1,604,956</u>
Parking Authority Fund Capital Assets, Net	<u>\$ 2,165,478</u>	<u>\$ (67,583)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,097,895</u>
City Marina Fund					
Capital assets not being depreciated:					
Land	\$ 1,315,000	\$ -	\$ -	\$ -	\$ 1,315,000
Total Capital Assets Not Being Depreciated	<u>1,315,000</u>	-	-	-	<u>1,315,000</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Capital assets being depreciated:					
Land improvements	1,418,255	-	-	-	1,418,255
Buildings and improvements	209,494	-	-	-	209,494
Other fixed assets	128,221	-	-	-	128,221
Total Capital Assets Being Depreciated	1,755,970	-	-	-	1,755,970
Accumulated depreciation	(1,467,578)	(19,307)	-	-	(1,486,885)
Total Capital Assets Being Depreciated, Net	288,392	(19,307)	-	-	269,085
City Marina Fund Capital Assets, Net	<u>\$ 1,603,392</u>	<u>\$ (19,307)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,584,085</u>
Stormwater Utility Fund					
Capital assets not being depreciated:					
Construction-in-progress	\$ 62,758	\$ -	\$ -	\$ (62,758)	\$ -
Total Capital Assets Not Being Depreciated	62,758	-	-	(62,758)	-
Capital assets being depreciated:					
Other fixed assets	731,771	76,705	-	62,758	871,234
Total Capital Assets Being Depreciated	731,771	76,705	-	62,758	871,234
Accumulated depreciation	(425,265)	(70,679)	-	-	(495,944)
Total Capital Assets Being Depreciated, Net	306,506	6,026	-	-	375,290
City Storm Water Fund Capital Assets, Net	<u>\$ 369,264</u>	<u>\$ 6,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,290</u>
Mitchell Landing Fund					
Capital assets not being depreciated:					
Land	\$ 121,872	\$ -	\$ -	\$ -	\$ 121,872
Total Capital Assets Not Being Depreciated	121,872	-	-	-	121,872
Capital assets being depreciated:					
Land improvements	7,862	-	-	-	7,862
Buildings and improvements	1,349,190	-	-	-	1,349,190
Machinery and equipment	89,405	-	-	-	89,405
Total Capital Assets Being Depreciated	1,446,456	-	-	-	1,446,456
Accumulated depreciation	(882,644)	(35,152)	-	-	(917,796)
Total Capital Assets Being Depreciated, Net	563,812	(35,152)	-	-	528,660
Mitchell Landing Fund Capital Assets, Net	<u>\$ 685,684</u>	<u>\$ (35,152)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,532</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

The majority of the construction-in-progress relates to the Amphitheater, Main Street Master Plan, Riverwalk Repairs, Police Communication, Main Street Broadband, and East Main Street Storm for the governmental activities. Business-type projects included the expansion of the wastewater treatment plant, Paleo Well, Park Well, Fitzwater Pump Station, Hampshire Road Lift Station, and East Main Street Sewer. Refer to Note 11 for more information regarding the total project and completed amounts relating to these projects.

NOTE 6 LONG-TERM DEBT

The City's Charter provides that total bonded or other indebtedness of the City payable from its general tax revenues shall at no time exceed the total of two percent of the assessed valuation of all real property and five percent of the assessed valuation of all personal and corporate property subject to taxation by the City. The legal debt limit permitted at June 30, 2018 totaled \$ 52,016,825. After considering general obligations, including mortgages and notes outstanding of \$24,021,247, the available additional debt margin was \$27,995,578.

Long-term debt activity for the year ended June 30, 2018, was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 20,509,530	\$ 5,392,953	\$ (1,938,735)	\$ 23,963,748	\$2,233,887
Bond Premium	1,278,799	-	(91,343)	1,187,456	91,343
Mortgage and Notes Payable:					
Lawton Loan	86,248	-	(28,749)	57,499	28,749
Capital Lease Obligations	2,944,197	24,900	(817,869)	2,151,228	608,712
	<u>24,818,774</u>	<u>5,417,853</u>	<u>(2,876,696)</u>	<u>27,359,931</u>	<u>2,962,691</u>
Compensated absences	1,542,391	205,683	-	1,748,074	174,807
Governmental Activities Long-term Debt	<u>\$ 26,361,165</u>	<u>\$ 5,623,536</u>	<u>\$ (2,876,696)</u>	<u>\$ 29,108,005</u>	<u>\$3,137,498</u>
Business-type Activities:					
General Obligation Bonds	\$ 72,450,738	\$ 7,108,903	\$ (4,001,891)	\$ 75,557,750	\$4,176,168
Bond Premium	1,472,924	-	(105,209)	1,367,715	105,209
Mortgage and Notes Payable:					
Department of Housing and Community Development - Mitchell Landing Project - no interest or principal due while project serves as low-income rental housing	1,381,807	-	-	1,381,807	-
Capital Lease Obligations	447,751	-	(111,976)	335,775	119,069
	<u>75,753,220</u>	<u>7,108,903</u>	<u>(4,219,076)</u>	<u>78,643,047</u>	<u>4,400,446</u>
Compensated absences	222,821	-	11,562	211,259	21,126
Business-type Activities Long-term Debt	<u>\$ 75,976,041</u>	<u>\$ 7,108,903</u>	<u>\$ (4,230,638)</u>	<u>\$ 78,854,306</u>	<u>\$4,421,572</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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

	Balance Outstanding	
	Governmental Activities	Business-type Activities
<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>	\$ -	\$ 975,666
<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>	-	21,135,755
<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, 2018 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>	-	1,040,103

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, 2010, the City entered into a loan agreement with the Maryland Energy Administration ("MEA") for its Jane E. Lawton Conservation Loan Program ("JELLP") for the amount of \$258,740. There is no interest on this loan. The first principal payment was due 13 months after the first draw on the loan, and the loan matures September 2019. The loan is accounted for in the general fund.</p>	57,499	-
<p>In the year ended June 30, 2011, the City entered into a loan agreement with MEA for JELLP for the amount of \$142,800 at an interest rate of 2.5 percent. Interest is payable semi-annually beginning March 1, 2012. The bonds mature in varying amounts beginning March 1, 2012 and continuing through July 15, 2017. This obligation is accounted for in the nonmajor enterprise fund.</p>	-	-
<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>	3,162,807	-
<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>	1,190,980	901,020

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 entered into a tax-exempt loan agreement with MDE in the amount of \$1,631,000 at a rate of .90 percent for 30 years. The interest payments are due semi-annually beginning August 1, 2012. Annual principal payments are due February 1, beginning February 1, 2014. The obligation is accounted for in the water and sewer enterprise fund.</p>	-	1,270,838
<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>	-	4,465,000
<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 21, 2014 and continuing through July 1, 2028. The bonds are accounted for in the general fund.</p>	2,465,000	-

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 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>	45,664	-
<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, 2017 is \$413,835. The loan is due on demand and bears no interest. The Administration shall forgive payment of the principal amount if the City performs all of its obligations under the loan agreement. If the Administration has not demanded repayment of the principal prior to March 20, 2024, then the loan shall be deemed forgiven. This obligation is accounted for in the general fund.</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. As of June 30, 2018, total principal of \$33,924,109 has been drawn on this facility.</p>	-	33,774,109
<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>	3,043,834	816,858

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, 2017, the City issued \$20,030,000 of Public Improvement Refunding Bonds at an interest rate variable from 2.50 to 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>	8,429,630	9,445,369
<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>	5,211,998	320,758
	\$ 24,021,247	\$ 75,557,750

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

Year Ending June 30,	Governmental Activities		
	Principal Maturities	Interest Maturities	Total Maturities
2019	\$ 2,262,636	\$ 751,618	\$ 3,014,254
2020	2,349,195	672,974	3,022,169
2021	2,394,138	590,835	2,984,973
2022	2,427,938	505,875	2,933,813
2023	2,428,490	418,783	2,847,273
2024-2028	9,689,061	972,050	10,661,111
2029-2032	2,469,789	129,966	2,599,755
	\$ 24,021,247	\$ 4,042,101	\$ 28,063,348

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2019	\$ 4,173,168	\$ 786,736	\$ 4,959,904
2020	4,254,589	713,851	4,968,440
2021	4,321,686	637,685	4,959,371
2022	4,362,505	558,989	4,921,494
2023	4,342,425	478,136	4,820,561
2024-2028	27,792,761	1,338,736	29,131,497
2029-2033	15,341,309	78,804	15,420,113
2034-2038	9,283,987	30,541	9,314,528
2039-2042	1,685,320	14,900	1,700,220
	<u>\$ 75,557,750</u>	<u>\$ 4,638,378</u>	<u>\$ 80,196,128</u>

Conduit Debt

In the year ended June 30, 2007, the City issued Special Obligation Bonds (Villages at Aydelotte Farm Project), Series of 2007, in the amount of \$9,775,000, payable solely from and secured by a pledge of certain tax increment revenues and special tax revenues. These bonds are secured in the first instance by the proceeds of tax collections attributable to the increase in the assessed value of real property located in a prescribed development district over the original taxable value of such real property, as determined in accordance with the Maryland Tax Increment Financing Act. To the extent such tax increment revenues are insufficient, proceeds of special taxes levied on and collected from the taxable parcels within a prescribed special taxing district will be used to pay debt service. The full faith and credit and unlimited taxing power of the City have not been pledged to pay these bonds. These bonds are payable over 30 years, with semi-annual interest payments on each July 1 and January 1, starting July 1, 2007; and principal payments on July 1 in the years 2012 to 2036, inclusive, with a final principal and interest payment on January 1, 2037. These bonds bear interest at the rate of 5.25 percent per annum and are not subject to the debt limit set forth in the City's Charter. These bonds were issued with the expectation that interest thereon shall be excludable from gross income of the holders thereof for federal income tax purposes.

In the year ended June 30, 2007, the City issued Special Obligation Bonds (Village at Salisbury Lake Project), Series of 2007, in the amount of \$15,000,000, payable solely from and secured by a pledge of certain tax increment revenues and special tax revenues. These bonds are secured in the first instance by the proceeds of tax collections attributable to the increase in the assessed value of real property located in a prescribed development district over the original taxable value of such property, as determined in accordance with the Maryland Tax

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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 \$5,544,992 with accumulated depreciation of \$1,811,488; for the water and sewer fund, the original cost is \$582,598 with accumulated depreciation of \$217,384; and for the storm water fund, the original cost is \$214,665 with accumulated depreciation of \$44,722 at June 30, 2018.

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>
2019	\$ 608,712	\$ 87,372	\$ 31,697
2020	608,712	44,101	31,697
2021	382,373	44,101	31,697
2022	382,373	44,101	31,697
2023	284,992	-	-
2024	-	-	-
Less amount representing interest	<u>(115,934)</u>	<u>(7,605)</u>	<u>(3,083)</u>
Present value of future minimum lease payments	<u>\$2,151,228</u>	<u>\$ 212,070</u>	<u>\$ 123,705</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN

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

Benefits Provided

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

Member Contributions

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

Employer Contributions

The City's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, 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, 2018 was \$3,460,524.

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

At June 30, 2018, the City reported a liability of \$32,408,809 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The City's proportion

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

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, 2017, the City's proportion for the Employee plan was 0.0408 percent, a decrease of 0.0030 percent from the prior year, and the LEOPS plan was 0.1091 percent, a decrease of 0.0055 percent from the prior year.

For the year ended June 30, 2018, the City recognized pension expense of \$1,838,410. At June 30, 2018, 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	\$ 336,133	\$ -	\$ 780,020	\$ -	\$ 1,116,153	\$ -
Differences between actual required contributions	-	164,443	245,696	144,106	245,696	308,549
Contributions subsequent to the measurement date	838,434	-	2,622,090	-	3,460,524	-
Differences between actual and expected experience	-	627,361	-	1,624,495	-	2,251,856
Differences between actual and expected returns	<u>1,170,663</u>	<u>528,016</u>	<u>2,908,765</u>	<u>1,407,067</u>	<u>4,079,428</u>	<u>1,935,083</u>
Total	<u>\$ 2,345,230</u>	<u>\$ 1,319,820</u>	<u>\$ 6,556,571</u>	<u>\$ 3,175,668</u>	<u>\$ 8,901,801</u>	<u>\$ 4,495,488</u>

An amount of \$3,460,524 is reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ended June 30,

2019	\$ 414,300
2020	1,027,498
2021	355,724
2022	(703,380)
2023	<u>(148,353)</u>
	<u>\$ 945,789</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the system's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.50 percent.
- Salary increases – 3.3 to 9.2 percent, including wage inflation.
- Inflation – 2.65 percent for general inflation, and 3.15 percent for wages.
- Mortality rates were based on the RP-2014 Mortality Tables.

The actuarial assumptions used in the June 30, 2017 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The assumptions derived from the experience study were adopted by the Board of Trustees for first use in the actuarial valuation as of June 30, 2012.

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

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

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

The above is the Board of Trustees adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Discount Rate

The discount used to measure the total pension liability was 7.50 percent. The discount rate was based on the expected rate of return on the pension plan investments of 7.50 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.50 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 (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Rate Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share:			
Employee plan	\$ 12,496,813	\$ 8,817,962	\$ 5,765,575
LEOPS plan	33,432,910	23,590,847	15,424,728
	<u>\$ 45,929,723</u>	<u>\$ 32,408,809</u>	<u>\$ 21,190,303</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 POSTEMPLOYMENT HEALTHCARE PLAN

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 8 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

joined the trust, and the trust was renamed, "Amended Retiree Health Plan Trust for the Wicomico County Board of Education and Wicomico County and the City of Salisbury" ("the Trust").

The plan is an agent multiple-employer plan with combined administrative functions for efficiency, and each agent employer remains responsible for financing benefits of its own individual plan. Each agent employer also remains individually responsible for its own separate actuarial valuations, and expenses and obligations are measured like those of sole employers. The assets of the three entities are segregated within the Trust.

The assets of the Trust are managed by an investment manager, Croft-Leominster, Inc., under a formal investment policy. The Board meets quarterly to review investment performance. The investment manager provides a fiscal year performance report to the Board. Questions regarding performance should be directed to the plan administrator. The plan does not issue a stand-alone financial report.

Funding Policy

The City has chosen to continue to pay current retiree medical payments from the general fund. Therefore, the Trust will fund each year, to the extent appropriate, the Annual Required Contribution ("ARC").

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2018, the same date as the latest actuarial valuation.

Discount Rate

The discount used to measure the total OPEB liability was 3.62 percent.

Healthcare Cost Trend

The rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments. The healthcare cost trend was 4.0 percent in 2018.

Mortality Rates

Mortality rates are based on RP-2014 Total Dataset Mortality with Scale MP-2014 and RP-2014 Disabled Retiree Mortality with Scale MP-2014 tables for healthy and disabled individuals respectively.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Salary Increases

Salary increases are based on State of Maryland General and LEOPS salary increase assumptions.

Medicare Participation

It is assumed that current active administrators will participate in Medicare upon retirement.

Sensitivity Analysis

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

	1% Decrease 2.62%	Current Rate Discount Rate 3.62%	1% Increase 4.62%
Total OPEB liability	\$ 25,192,036	\$ 20,964,512	\$ 17,680,869
Fiduciary net position	1,704,312	1,704,312	1,704,312
Net OPEB liability	<u>\$ 23,487,724</u>	<u>\$ 19,260,200</u>	<u>\$ 15,976,557</u>

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	Current Rate Discount Rate	1% Increase
Total OPEB liability	\$ 17,439,230	\$ 20,964,512	\$ 25,559,406
Fiduciary net position	1,704,312	1,704,312	1,704,312
Net OPEB liability	<u>\$ 15,734,918</u>	<u>\$ 19,260,200</u>	<u>\$ 23,855,094</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2017	\$20,160,389
Service cost	700,469
Interest on OPEB obligation	713,494
Effect of assumption changes or inputs	39,045
Benefit payments	<u>(648,885)</u>
Total OPEB liability as of June 30, 2018	<u>\$20,964,512</u>

The amount of OPEB expense recognized by the City was \$704,608 for the year ended June 30, 2018. An amount of \$0 is reported as deferred outflows of resources resulting from the City's benefit payments subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. At June 30, 2018, the City reported deferred outflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 167,194	\$ -
Changes of assumptions	-	(132,487)
Difference between actual and expected earnings	<u>-</u>	<u>(33,853)</u>
Total	<u>\$ 167,194</u>	<u>\$ (166,340)</u>

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

<u>Year Ending June 30,</u>	
2019	\$ (4,125)
2020	(4,125)
2021	(4,125)
2022	(4,125)
2023	4,338
Thereafter	<u>13,016</u>
	<u>\$ 854</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFERRED COMPENSATION PLAN

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

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

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

NOTE 10 SERVICE AWARD TRUST

The City has a Volunteer Firemen Service Award Trust, which was established to accumulate funds for the City Volunteer Firemen's Retirement. The maximum monthly benefit per individual is \$500 upon retirement, and the retirement age is 60. The transactions of the Service Award Trust have been reported as an expendable trust fund in the fiduciary fund types. The trust has no assets as of June 30, 2018.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2018, the City had infrastructure projects yet to be completed. The commitments and amounts completed are as follows:

	Project Amount	Completed as of 06/30/2018	Commitments
Governmental Activities:			
Main Street Master Plan	\$ 12,213,839	\$ 2,947,890	\$ 9,265,949
Riverwalk Repairs	2,109,892	1,887,879	222,013
Main Street Broadband	197,520	146,025	51,495
Police Communication	1,972,720	1,325,237	647,483
Amphitheater	500,000	353,334	146,666
East Main Street Storm	350,200	350,200	-
Totals	<u>\$ 17,344,171</u>	<u>\$ 7,010,565</u>	<u>\$ 10,333,606</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

In addition, the City has incurred costs totaling \$681,274 for governmental activities project costs that were not under a formal contract as of June 30, 2018.

	<u>Project Amount</u>	<u>Completed as of 06/30/2018</u>	<u>Commitments</u>
Business-type Activities:			
Hampshire Road Lift Station	\$3,413,093	\$ 223,672	\$ 3,189,421
Park Well	295,997	287,226	8,771
Paleo Well	4,228,629	309,539	3,919,090
East Main Street Sewer	631,492	309,115	322,377
WWTP Upgrade	31,371,953	29,494,429	1,877,524
Fitzwater Pump Station	9,081,355	180,841	8,900,514
Totals	<u>\$ 49,022,519</u>	<u>\$ 30,804,822</u>	<u>\$ 18,217,697</u>

In addition, the City has incurred costs totaling \$167,277 for business-type activities project costs that were not under a formal contract as of June 30, 2018.

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the State to form the Local Government Insurance Trust ("LGIT"), a public entity risk pool currently operating as a common risk management and insurance program for member municipalities. The City pays an annual premium to LGIT for its building and contents, commercial general liability, environmental liability, business automobile, and excess liability coverage. The agreement for formation of the LGIT provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for liability claims. The City continues to carry separate commercial insurance for its workers' compensation and health insurance coverage. Settled claims resulting from the above risks have not exceeded coverage in any of the past three fiscal years.

Under the terms of the agreement, LGIT deficits may be funded by additional assessments against participating municipalities, levied at the trustees' discretion.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 13 FUND BALANCES

As of June 30, 2018, fund balances are composed of the following:

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 776,249	\$ -	\$ -	\$ 776,249
Prepaid expenditures	2,258	-	-	2,258
Restricted:				
Capital improvements	-	7,659,747	-	7,659,747
Committed:				
Health care	1,683,185	-	-	1,683,185
General impact	10,166	-	-	10,166
Curb, gutter, and sidewalk	-	-	89,010	89,010
Trash container sales and demolition	-	-	272,183	272,183
Assigned:				
Grants	-	-	267,935	267,935
Encumbrances	868,485	-	-	868,485
Community development	-	-	40,135	40,135
Unassigned	7,398,590	-	-	7,398,590
Total Fund Balances	<u>\$ 10,738,933</u>	<u>\$ 7,659,747</u>	<u>\$ 669,263</u>	<u>\$ 19,067,943</u>

NOTE 14 PRIOR PERIOD ADJUSTMENTS

The City has increased its July 1, 2016 net position in the governmental activities by \$2,920,617 due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The City recorded a beginning net OPEB liability of \$14,844,474 adjusting the previously recorded liability of \$17,765,091.

The City has increased its July 1, 2016 net position by \$730,155 in the business-type activities and water and sewer fund due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The City recorded a beginning net OPEB liability of \$730,155.

NOTE 15 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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 15 TAX ABATEMENT (cont'd)

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, 2018, the City abated property taxes totaling \$85,061 under this program.

NOTE 16 SUBSEQUENT EVENTS

The City has evaluated all subsequent events through December 3, 2018, 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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS):				
Tax revenue	\$26,607,694	\$26,607,694	\$26,799,572	\$ 191,878
Other revenue	3,845,568	3,877,525	4,212,634	335,109
Charges for services	3,933,447	3,933,447	3,791,599	(141,848)
Intergovernmental revenues	2,881,099	2,881,099	2,925,831	44,732
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>37,267,808</u>	<u>37,299,765</u>	<u>37,729,636</u>	<u>429,871</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government				
City council	76,605	76,605	76,003	602
City clerk	159,306	160,372	158,281	2,091
Mayor's office	602,467	602,467	564,818	37,649
Development services	631,577	694,789	638,676	56,113
City attorney	284,800	359,800	343,291	16,509
Finance	548,318	567,163	518,772	48,391
Purchasing	274,431	274,936	250,148	24,788
Human resources	289,770	294,988	264,917	30,071
Information services	447,549	457,394	441,392	16,002
Planning and zoning	111,584	127,570	123,249	4,321
Municipal buildings	237,601	387,202	282,590	104,612
Poplar Hill	59,628	62,597	39,762	22,835
Public safety				
Police and traffic control	14,509,040	14,942,202	13,676,176	1,266,026
Fire	7,794,362	9,186,474	8,833,792	352,682
Buildings, permits, and inspections	331,294	331,987	309,356	22,631
Neighborhood services and code compliance	1,160,530	1,155,368	1,137,952	17,416
Public works				
Supervision and engineering	258,401	258,402	252,348	6,054
Roadways	734,513	741,094	714,943	26,151
Engineering	1,284,114	2,162,026	1,682,493	479,533
Waste collection and disposal	1,276,930	1,278,930	1,201,029	77,901
Recycling	128,980	295,445	153,674	141,771
Fleet maintenance	527,434	528,739	438,798	89,941
Carpenter shop	137,473	137,473	133,070	4,403
Recreation and culture				
Municipal zoo	1,584,366	1,587,438	1,506,034	81,404
Park maintenance	595,556	655,644	550,673	104,971
Nondepartmental	1,032,967	1,016,530	1,195,663	(179,133)
Debt payments	3,912,657	3,934,257	3,653,980	280,277
TOTAL CHARGES TO APPROPRIATION	<u>38,992,253</u>	<u>42,277,892</u>	<u>39,141,880</u>	<u>3,136,012</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER EXPENDITURES)	<u>(1,724,445)</u>	<u>(4,978,127)</u>	<u>(1,412,244)</u>	<u>3,565,883</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(419,500)	(419,500)	(422,509)	(3,009)
Proceeds from sale of capital assets	-	-	178,213	178,213
Proceeds from bond and capital lease issuance	2,141,150	28,000	24,900	(3,100)
Payment to refunding agent	-	(9,400,000)	(76,000)	9,324,000
Bond premium	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,721,650</u>	<u>(9,791,500)</u>	<u>(295,396)</u>	<u>9,496,104</u>
NET CHANGE IN FUND BALANCE	(2,795)	(14,769,627)	(1,707,640)	13,061,987
FUND BALANCE, BEGINNING OF YEAR	<u>12,446,573</u>	<u>12,446,573</u>	<u>12,446,573</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$12,443,778</u>	<u>\$ (2,323,054)</u>	<u>\$10,738,933</u>	<u>\$13,061,987</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, 2017	JUNE 30, 2016	JUNE 30, 2015
City's proportion of the net pension liability	0.04077%	0.04381%	0.04388%
City's proportion of the net pension liability - dollar value	\$ 8,817,962	\$ 10,337,660	\$ 9,118,977
City's covered employee payroll	\$ 9,038,825	\$ 9,025,976	\$ 8,921,251
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	97.56%	114.53%	102.22%
Plan fiduciary net position as a percentage of the total pension liability	69.38%	65.79%	68.78%
			71.87%
			78.21%
			0.03618%

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, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 838,434	\$ 761,119	\$ 800,742	\$ 820,957
Contributions in relation to the contractually required contribution	<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>
City's covered employee payroll	\$ 9,612,053	\$ 9,038,825	\$ 9,025,976	\$ 8,921,251
Contributions as a percentage of covered-employee payroll	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, 2017	JUNE 30, 2016	JUNE 30, 2015
City's proportion of the net pension liability	0.10909%	0.11458%	0.09806%
City's proportion of the net pension liability - dollar value	\$ 23,590,848	\$ 27,035,352	\$ 20,378,891
City's covered employee payroll	\$ 8,527,899	\$ 8,446,986	\$ 8,115,718
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	276.63%	320.06%	251.10%
Plan fiduciary net position as a percentage of the total pension liability	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, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 2,622,090	\$ 2,486,688	\$ 2,418,121	\$ 2,123,236
Contributions in relation to the contractually required contribution	<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>
City's covered employee payroll	\$ 9,012,310	\$ 8,527,899	\$ 8,446,986	\$ 8,115,718
Contributions as a percentage of covered-employee payroll	29.09%	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, 2018
TOTAL OPEB LIABILITY	
Service cost	\$ 700,469
Interest on total OPEB liability	713,494
Effect of change in assumptions	(149,048)
Differences between expected and actual experience	188,093
Benefit payments	(648,885)
NET CHANGE IN TOTAL OPEB LIABILITY	804,123
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	20,160,389
TOTAL OPEB LIABILITY, END OF YEAR	\$ 20,964,512
<u>PLAN FIDUCIARY NET POSITION</u>	
Contributions - employer	\$ 648,885
Net investment income	152,787
Benefit payments	(648,885)
Administrative expenses	(53,272)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	99,515
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	1,604,797
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ 1,704,312
CITY'S NET OPEB LIABILITY	\$ 19,260,200
Plan fiduciary net position as a percentage of total OPEB liability	8.13%
Covered employee payroll	\$ 9,012,310
City's net OPEB liability as a percentage of covered payroll	213.71%
Expected average remaining service years of all participants	9

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.

**CITY OF SALISBURY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OPEB CONTRIBUTIONS**

<u>Year</u>	<u>Actuarial Determined Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as a Percentage of Payroll</u>
2018	\$ 648,885	\$ 648,885	\$ -	\$ 9,012,310	7.20%

Notes to Schedule:

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Valuation Date:

June 30, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	3.62%
Healthcare trend rates	5.4% in 2018 through 2019, 5.3% in 2020 through 2022, 5.29% in 2023 through 2030

OTHER SUPPLEMENTARY INFORMATION

General Fund

**CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Budget	Actual	Variance Positive (Negative)
Taxes			
Real property	\$17,239,136	\$17,499,545	\$ 260,409
Personal property	64,362	75,152	10,790
Ordinary business corporations and utilities	6,857,908	6,552,502	(305,406)
Payments in lieu of tax	416,288	424,294	8,006
Admissions and amusement	345,000	303,618	(41,382)
State shared income tax	1,550,000	1,813,673	263,673
Total Taxes	<u>26,472,694</u>	<u>26,668,784</u>	<u>196,090</u>
Interest and penalties on delinquent taxes	135,000	130,788	(4,212)
Total Taxes, Interest, and Penalties	<u>26,607,694</u>	<u>26,799,572</u>	<u>191,878</u>
Other revenue			
Amusement licenses	3,500	5,035	1,535
Billboard licenses	21,000	20,970	(30)
Building and inspection permits	275,000	275,289	289
Business licenses	156,300	166,122	9,822
Franchise fees	508,742	416,897	(91,845)
Landlord licenses	632,500	709,126	76,626
Parking fines and meter collections (adjustment)	-	13,388	13,388
Plumbing licenses and permits	45,000	33,575	(11,425)
Street-breaking permits	1,750	1,350	(400)
Towing companies	3,500	4,350	850
Other miscellaneous permits	31,925	35,300	3,375
Municipal infraction violations	75,000	49,558	(25,442)
Interest on investment of idle funds	12,500	131,227	118,727
Insurance proceeds	10,650	16,436	5,786
Donations	123,607	105,325	(18,282)
Zoo reimbursements	245,000	217,980	(27,020)
Zoo Commission	445,345	401,444	(43,901)
Sale of maps, codes, and documents	1,100	198	(902)
Bad debt collections	7,000	3,822	(3,178)
School zone camera fines	1,100,000	1,325,771	225,771
Other miscellaneous receipts	178,106	279,471	101,365
Total Other Revenue	<u>3,877,525</u>	<u>4,212,634</u>	<u>335,109</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Budget	Actual	Variance Positive (Negative)
Charges for services			
Administrative fees	523,247	524,657	1,410
Ambulance call fees	1,750,000	1,947,170	197,170
Advertising	100	140	40
Filing fees	200	-	(200)
Garbage disposal fees	1,261,000	1,124,151	(136,849)
Inspection fees	30,300	28,999	(1,301)
Plan review fees	20,000	27,530	7,530
Police alarm systems	40,000	34,206	(5,794)
Weed removal	90,000	50,389	(39,611)
Zoning appeal and housing board appeal fees	600	-	(600)
Fire permits and plan review	200,000	54,357	(145,643)
Hazmat revenue	18,000	-	(18,000)
Total Charges for Services	<u>3,933,447</u>	<u>3,791,599</u>	<u>(141,848)</u>
Intergovernmental			
State of Maryland			
Police protection	551,024	541,877	(9,147)
Enterprise zone	60,000	169,011	109,011
Highway user	981,773	981,825	52
Wicomico County			
Financial corporations	18,302	18,302	-
Fire department	1,060,000	950,000	(110,000)
Room tax	210,000	264,816	54,816
Total Intergovernmental	<u>2,881,099</u>	<u>2,925,831</u>	<u>44,732</u>
Total Revenues	<u>37,299,765</u>	<u>37,729,636</u>	<u>429,871</u>
Other Financing Sources			
Proceeds from bond issuance	28,000	24,900	(3,100)
Proceeds from sale of capital assets	-	178,213	178,213
Total Other Financing Sources	<u>28,000</u>	<u>203,113</u>	<u>175,113</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$37,327,765</u>	<u>\$37,932,749</u>	<u>\$ 604,984</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
City council				
Salaries	\$ 52,000	\$ 52,000	\$ 52,000	\$ -
Personnel benefits	8,814	8,821	8,804	17
Other operating expenses	15,041	15,684	15,151	533
Community promotion	750	100	48	52
	<u>76,605</u>	<u>76,605</u>	<u>76,003</u>	<u>602</u>
City clerk				
Salaries	106,003	106,003	105,963	40
Personnel benefits	36,230	36,255	36,199	56
Other operating expenses	17,073	18,114	16,119	1,995
	<u>159,306</u>	<u>160,372</u>	<u>158,281</u>	<u>2,091</u>
Mayor's office				
Salaries	403,457	400,745	390,308	10,437
Personnel benefits	126,286	126,301	104,974	21,327
Professional services	960	100	98	2
Other operating expenses	71,764	74,509	68,638	5,871
Capital outlay	-	812	800	12
	<u>602,467</u>	<u>602,467</u>	<u>564,818</u>	<u>37,649</u>
Developmental services				
Salaries	77,837	123,692	112,004	11,688
Personnel benefits	32,855	34,607	31,216	3,391
Professional services	73,955	77,037	77,036	1
Other operating expenses	188,350	199,411	192,809	6,602
Community promotion	253,580	253,590	219,659	33,931
Capital outlay	5,000	6,452	5,952	500
	<u>631,577</u>	<u>694,789</u>	<u>638,676</u>	<u>56,113</u>
City attorney				
Professional services	284,800	359,800	343,291	16,509
	<u>284,800</u>	<u>359,800</u>	<u>343,291</u>	<u>16,509</u>
Internal services - finance				
Salaries	301,390	301,390	288,337	13,053
Personnel benefits	111,023	111,023	106,407	4,616
Professional services	60,520	60,520	47,540	12,980
Other operating expenses	64,685	56,738	47,806	8,932
Capital outlay	-	28,792	27,910	882
Not defined	10,700	8,700	772	7,928
	<u>548,318</u>	<u>567,163</u>	<u>518,772</u>	<u>48,391</u>
Internal services - purchasing				
Salaries	178,430	178,430	167,478	10,952
Personnel benefits	53,216	53,216	44,611	8,605
Professional services	13,400	13,905	13,791	114
Other operating expenses	28,135	28,014	23,917	4,097
Capital outlay	1,250	1,371	351	1,020
	<u>274,431</u>	<u>274,936</u>	<u>250,148</u>	<u>24,788</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (cont'd)				
Information technology				
Salaries	239,835	239,835	239,260	575
Personnel benefits	87,462	87,462	84,204	3,258
Professional services	-	30	30	-
Other operating expenses	113,252	110,806	100,826	9,980
Capital outlay	7,000	19,261	17,072	2,189
	<u>447,549</u>	<u>457,394</u>	<u>441,392</u>	<u>16,002</u>
Internal services - human resources				
Salaries	129,219	129,219	129,170	49
Personnel benefits	134,396	133,796	112,287	21,509
Professional services	10,610	13,776	9,840	3,936
Other operating expenses	15,545	18,076	13,499	4,577
Capital outlay	-	121	121	-
	<u>289,770</u>	<u>294,988</u>	<u>264,917</u>	<u>30,071</u>
Planning and zoning				
Salaries	70,000	69,900	68,280	1,620
Personnel benefits	30,789	26,889	24,484	2,405
Professional services	9,550	29,536	29,240	296
Other operating expenses	1,245	1,245	1,245	-
	<u>111,584</u>	<u>127,570</u>	<u>123,249</u>	<u>4,321</u>
Municipal buildings				
Professional services	20,000	20,000	10,936	9,064
Other operating expenses	217,601	367,202	271,654	95,548
	<u>237,601</u>	<u>387,202</u>	<u>282,590</u>	<u>104,612</u>
Poplar hill mansion				
Salaries	25,000	25,000	25,000	-
Personnel benefits	1,913	1,912	1,912	-
Other operating expenses	32,715	35,685	12,850	22,835
	<u>59,628</u>	<u>62,597</u>	<u>39,762</u>	<u>22,835</u>
Total General Government	<u>3,723,636</u>	<u>4,065,883</u>	<u>3,701,899</u>	<u>363,984</u>
Public Safety				
Police services				
Salaries	6,678,735	6,632,105	6,480,981	151,124
Personnel benefits	3,829,834	3,857,423	3,370,935	486,488
Professional services	38,500	132,314	79,901	52,413
Other operating expenses	1,076,312	1,228,227	1,074,616	153,611
Community promotions	1,000	10,148	10,022	126
Capital outlays	385,000	455,409	267,412	187,997
	<u>12,009,381</u>	<u>12,315,626</u>	<u>11,283,867</u>	<u>1,031,759</u>
Police communications				
Salaries	590,135	500,785	396,073	104,712
Personnel benefits	206,028	206,028	127,554	78,474
Professional services	8,000	8,000	3,125	4,875
Other operating expenses	78,650	65,550	57,943	7,607
	<u>882,813</u>	<u>780,363</u>	<u>584,695</u>	<u>195,668</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety (cont'd)				
Animal control				
Salaries	75,105	80,605	79,667	938
Personnel benefits	44,681	45,031	32,427	12,604
Other operating expenses	5,000	12,800	10,687	2,113
Professional services	93,876	91,766	90,580	1,186
	<u>218,662</u>	<u>230,202</u>	<u>213,361</u>	<u>16,841</u>
Total Police Department	<u>13,110,856</u>	<u>13,326,191</u>	<u>12,081,923</u>	<u>1,244,268</u>
Traffic control				
Salaries	286,062	289,223	289,223	-
Personnel benefits	136,519	140,355	138,759	1,596
Other operating expenses	975,603	1,121,902	1,101,740	20,162
Capital outlays	-	64,531	64,531	-
	<u>1,398,184</u>	<u>1,616,011</u>	<u>1,594,253</u>	<u>21,758</u>
Fire department				
Firefighting				
Salaries	3,988,221	3,953,757	3,818,309	135,448
Personnel benefits	2,282,601	2,303,242	2,234,257	68,985
Professional services	146,000	151,713	140,975	10,738
Other operating expenses	951,366	986,241	860,953	125,288
Capital outlays	20,000	1,405,315	1,404,616	699
	<u>7,388,188</u>	<u>8,800,268</u>	<u>8,459,110</u>	<u>341,158</u>
Volunteer firemen				
Salaries	27,000	6,413	6,413	-
Personnel benefits	230,374	228,777	218,274	10,503
Professional services	40,000	41,216	40,195	1,021
Other operating expenses	8,800	9,800	9,800	-
Community promotions	100,000	100,000	100,000	-
	<u>406,174</u>	<u>386,206</u>	<u>374,682</u>	<u>11,524</u>
Total Fire Department	<u>7,794,362</u>	<u>9,186,474</u>	<u>8,833,792</u>	<u>352,682</u>
Buildings, permits, and inspections				
Salaries	220,558	220,308	220,151	157
Personnel benefits	82,464	82,940	69,569	13,371
Professional services	4,350	4,350	1,615	2,735
Other operating expenses	23,922	24,389	18,021	6,368
	<u>331,294</u>	<u>331,987</u>	<u>309,356</u>	<u>22,631</u>
Housing and community development				
Salaries	575,079	528,591	526,084	2,507
Personnel benefits	225,337	224,424	219,881	4,543
Professional services	516	546	444	102
Other operating expenses	223,998	253,631	246,410	7,221
Community promotions	107,000	106,500	104,476	2,024
Capital outlays	28,600	41,676	40,657	1,019
	<u>1,160,530</u>	<u>1,155,368</u>	<u>1,137,952</u>	<u>17,416</u>
Total Public Safety	<u>23,795,226</u>	<u>25,616,031</u>	<u>23,957,276</u>	<u>1,658,755</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Department of Public Works				
Resource management				
Salaries	182,890	178,217	175,535	2,682
Personnel benefits	63,002	70,076	67,858	2,218
Other operating expenses	12,509	10,109	8,955	1,154
	<u>258,401</u>	<u>258,402</u>	<u>252,348</u>	<u>6,054</u>
Engineering				
Salaries	427,467	427,467	425,894	1,573
Personnel benefits	174,645	174,645	156,189	18,456
Professional services	20,000	224,340	31,103	193,237
Other operating expenses	659,502	1,333,074	1,067,999	265,075
Capital outlays	2,500	2,500	1,308	1,192
	<u>1,284,114</u>	<u>2,162,026</u>	<u>1,682,493</u>	<u>479,533</u>
Roadways				
Salaries	354,766	342,787	324,116	18,671
Personnel benefits	155,252	158,577	151,097	7,480
Other operating expenses	224,495	239,730	239,730	-
Capital outlays	-	-	-	-
	<u>734,513</u>	<u>741,094</u>	<u>714,943</u>	<u>26,151</u>
Sanitation				
Waste collection and disposal				
Salaries	371,535	371,535	311,094	60,441
Personnel benefits	184,243	172,543	160,704	11,839
Other operating expenses	721,152	734,852	729,231	5,621
	<u>1,276,930</u>	<u>1,278,930</u>	<u>1,201,029</u>	<u>77,901</u>
Recycling				
Salaries	67,488	67,469	66,033	1,436
Personnel benefits	35,236	35,255	34,047	1,208
Other operating expenses	26,256	26,254	23,884	2,370
Capital outlays	-	166,467	29,710	136,757
	<u>128,980</u>	<u>295,445</u>	<u>153,674</u>	<u>141,771</u>
Total Sanitation	<u>1,405,910</u>	<u>1,574,375</u>	<u>1,354,703</u>	<u>219,672</u>
Fleet maintenance				
Salaries	220,997	220,997	184,741	36,256
Personnel benefits	116,620	115,030	90,435	24,595
Other operating expenses	189,817	192,712	163,622	29,090
	<u>527,434</u>	<u>528,739</u>	<u>438,798</u>	<u>89,941</u>
Carpenter shop				
Salaries	75,386	75,365	73,862	1,503
Personnel benefits	36,314	36,685	35,441	1,244
Other operating expenses	25,773	25,423	23,767	1,656
	<u>137,473</u>	<u>137,473</u>	<u>133,070</u>	<u>4,403</u>
Total Department of Public Works	<u>4,347,845</u>	<u>5,402,109</u>	<u>4,576,355</u>	<u>825,754</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation and Culture				
Municipal zoo				
Salaries	852,413	837,063	801,548	35,515
Personnel benefits	242,398	246,448	221,553	24,895
Professional services	17,450	20,750	20,350	400
Other operating expenses	472,105	483,177	462,583	20,594
	<u>1,584,366</u>	<u>1,587,438</u>	<u>1,506,034</u>	<u>81,404</u>
Park maintenance				
Salaries	291,041	291,041	260,490	30,551
Personnel benefits	125,918	125,797	103,883	21,914
Other operating expenses	178,597	210,785	158,279	52,506
Capital outlays	-	28,021	28,021	-
	<u>595,556</u>	<u>655,644</u>	<u>550,673</u>	<u>104,971</u>
Total Recreation and Culture	<u>2,179,922</u>	<u>2,243,082</u>	<u>2,056,707</u>	<u>186,375</u>
Nondepartmental				
Insurance				
Health care claims	-	-	286,130	(286,130)
Insurance	745,017	703,580	597,217	106,363
	<u>745,017</u>	<u>703,580</u>	<u>883,347</u>	<u>(179,767)</u>
Miscellaneous				
Personnel benefits	284,000	287,950	287,316	634
Professional services	-	25,000	25,000	-
Other operating expenses	3,950	-	-	-
	<u>287,950</u>	<u>312,950</u>	<u>312,316</u>	<u>634</u>
Total Nondepartmental	<u>1,032,967</u>	<u>1,016,530</u>	<u>1,195,663</u>	<u>(179,133)</u>
Debt Payments				
Principal redemption	1,776,569	1,967,490	1,967,484	6
Interest	2,136,088	1,966,767	1,686,496	280,271
Total Debt Payments	<u>3,912,657</u>	<u>3,934,257</u>	<u>3,653,980</u>	<u>280,277</u>
TOTAL EXPENDITURES	<u>38,992,253</u>	<u>42,277,892</u>	<u>39,141,880</u>	<u>3,136,012</u>
Other Financing Uses				
Transfer to other funds	419,500	419,500	422,509	(3,009)
Transfer to housing first	76,000	76,000	76,000	-
Total Other Financing Uses	<u>495,500</u>	<u>495,500</u>	<u>498,509</u>	<u>(3,009)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$39,487,753</u>	<u>\$42,773,392</u>	<u>\$39,640,389</u>	<u>\$ 3,133,003</u>

Nonmajor Governmental Funds

CITY OF SALISBURY, MARYLAND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds					
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total	
ASSETS						
Cash	\$ 36,507	\$ (26,446)	\$ 176,826	\$ 40,135	\$ 227,022	
Investment pool	32,050	4,021	2,993	-	39,064	
Accounts receivable	20,453	144,327	93,005	-	257,785	
Due from other governmental units	-	705,115	-	-	705,115	
TOTAL ASSETS	\$ 89,010	\$ 827,017	\$ 272,824	\$ 40,135	\$ 1,228,986	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 119,293	\$ 641	\$ -	\$ 119,934	
Due to other funds	-	75,962	-	-	75,962	
Unearned revenue - grants	-	363,827	-	-	363,827	
Total Liabilities	-	559,082	641	-	559,723	
Fund Balances:						
Committed	89,010	-	272,183	-	361,193	
Assigned	-	267,935	-	40,135	308,070	
Total Fund Balances	89,010	267,935	272,183	40,135	669,263	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 89,010	\$ 827,017	\$ 272,824	\$ 40,135	\$ 1,228,986	

**CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds					
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total	
REVENUES						
Other revenue	\$ 12,941	\$ 133,892	\$ 67,300	-	\$ 214,133	
Grant revenues	-	1,470,047	-	-	1,470,047	
TOTAL REVENUES	<u>12,941</u>	<u>1,603,939</u>	<u>67,300</u>	<u>-</u>	<u>1,684,180</u>	
EXPENDITURES						
General government	-	775,696	16,209	-	791,905	
Public safety	-	422,198	-	-	422,198	
Public works	1,333	177,868	21,600	-	200,801	
Capital outlays	-	374,826	-	27,226	402,052	
TOTAL EXPENDITURES	<u>1,333</u>	<u>1,750,588</u>	<u>37,809</u>	<u>27,226</u>	<u>1,816,956</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,608</u>	<u>(146,649)</u>	<u>29,491</u>	<u>(27,226)</u>	<u>(132,776)</u>	
OTHER FINANCING SOURCES						
Operating transfers in	-	140,041	-	-	140,041	
Gain on sale of fixed assets	-	-	-	6,971	6,971	
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>140,041</u>	<u>-</u>	<u>6,971</u>	<u>147,012</u>	
NET CHANGE IN FUND BALANCES	<u>11,608</u>	<u>(6,608)</u>	<u>29,491</u>	<u>(20,255)</u>	<u>14,236</u>	
FUND BALANCES, BEGINNING OF YEAR	<u>77,402</u>	<u>274,543</u>	<u>242,692</u>	<u>60,390</u>	<u>655,027</u>	
FUND BALANCES, END OF YEAR	<u>\$ 89,010</u>	<u>\$ 267,935</u>	<u>\$ 272,183</u>	<u>\$ 40,135</u>	<u>\$ 669,263</u>	

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2018

REVENUES	
Federal	\$ 415,128
State	1,087,565
Others	<u>101,246</u>
TOTAL REVENUES	<u>1,603,939</u>
EXPENDITURES	
General government	
Salaries	108,749
Personnel benefits	13,273
Operating expenses	653,674
Public safety	
Salaries	204,622
Operating expenses	51,492
Capital outlay	166,084
Public works	
Operating expenses	177,868
Capital outlay	<u>374,826</u>
TOTAL EXPENDITURES	<u>1,750,588</u>
OTHER FINANCING SOURCES	
Transfer in	<u>140,041</u>
NET CHANGE IN FUND BALANCE	(6,608)
FUND BALANCE, BEGINNING OF YEAR	<u>274,543</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 267,935</u></u>

Nonmajor Proprietary Funds

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds			Total
	City Marina Fund	Parking Authority Fund	Stormwater Utility Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and investment pool	\$ 44	\$ -	\$ 266,612	\$ 266,656
Investment pool	197	413,308	-	413,505
Accounts receivable	2,770	108,559	28,284	139,613
Due from other governments	-	-	1,169	1,169
Total Current Assets	<u>3,011</u>	<u>521,867</u>	<u>296,065</u>	<u>820,943</u>
Noncurrent assets:				
Restricted investment pool	-	334,236	-	334,236
Capital assets				
Land	1,315,000	467,790	-	1,782,790
Construction-in-progress	-	25,149	-	25,149
Buildings, equipment, and improvements	1,755,970	4,391,402	871,234	7,018,606
Less accumulated depreciation	(1,486,885)	(2,786,446)	(495,944)	(4,769,275)
Total Noncurrent Assets	<u>1,584,085</u>	<u>2,432,131</u>	<u>375,290</u>	<u>4,391,506</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension plan	-	28,673	19,918	48,591
Total Deferred Outflows of Resources	<u>-</u>	<u>28,673</u>	<u>19,918</u>	<u>48,591</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,587,096</u>	<u>\$ 2,982,671</u>	<u>\$ 691,273</u>	<u>\$ 5,261,040</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Due in one year:				
Accounts payable	\$ 715	\$ 25,170	\$ 13,747	\$ 39,632
Accrued payroll	865	3,792	2,075	6,732
Accrued interest payable	-	1,319	-	1,319
Deposits	874	-	-	874
Due to general fund	99,338	214,816	-	314,154
Bonds, notes, and capital leases payable	-	105,882	31,697	137,579
Total Current Liabilities	<u>101,792</u>	<u>350,979</u>	<u>47,519</u>	<u>500,290</u>
Due in more than one year:				
Bonds, notes, and capital leases payable	-	724,495	92,010	816,505
Net pension liability	-	107,807	74,889	182,696
Total Noncurrent Liabilities	<u>-</u>	<u>832,302</u>	<u>166,899</u>	<u>999,201</u>
Total Liabilities	<u>101,792</u>	<u>1,183,281</u>	<u>214,418</u>	<u>1,499,491</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	-	16,135	11,209	27,344
NET POSITION (DEFICIT)				
Net investment in capital assets	1,584,085	1,601,754	251,583	3,437,422
Unrestricted (Deficit)	(98,781)	181,501	214,063	296,783
Total Net Position	<u>1,485,304</u>	<u>1,783,255</u>	<u>465,646</u>	<u>3,734,205</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,587,096</u>	<u>\$ 2,982,671</u>	<u>\$ 691,273</u>	<u>\$ 5,261,040</u>

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds			Total
	City Marina Fund	Parking Authority Fund	Stormwater Utility Fund	
OPERATING REVENUES				
Charges for services	\$ 60,373	\$ 645,122	\$ 641,251	\$ 1,346,746
Other revenue	-	5	-	5
TOTAL OPERATING REVENUES	<u>60,373</u>	<u>645,127</u>	<u>641,251</u>	<u>1,346,751</u>
OPERATING EXPENSES				
Salaries	34,941	177,838	84,685	297,464
Personnel benefits	6,046	44,655	45,875	96,576
Professional and skilled services	-	117,355	129,187	246,542
Supplies	7,587	2,793	-	10,380
Other operating expenses	30,080	175,246	44,106	249,432
Equipment	26,103	116,113	-	142,216
TOTAL OPERATING EXPENSES	<u>104,757</u>	<u>634,000</u>	<u>303,853</u>	<u>1,042,610</u>
OPERATING (LOSS) INCOME BEFORE DEPRECIATION	(44,384)	11,127	337,398	304,141
Depreciation	19,307	92,732	70,679	182,718
NET OPERATING (LOSS) INCOME	<u>(63,691)</u>	<u>(81,605)</u>	<u>266,719</u>	<u>121,423</u>
NONOPERATING REVENUES (EXPENSES)				
Transfers in (out)	-	-	(156,948)	(156,948)
Interest income	-	6,670	-	6,670
Interest expense	-	(21,897)	(2,746)	(24,643)
Grant revenue	5,000	-	-	5,000
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>5,000</u>	<u>(15,227)</u>	<u>(159,694)</u>	<u>(169,921)</u>
CHANGE IN NET POSITION	(58,691)	(96,832)	107,025	(48,498)
NET POSITION, BEGINNING OF YEAR	<u>1,543,995</u>	<u>1,880,087</u>	<u>358,621</u>	<u>3,782,703</u>
NET POSITION, END OF YEAR	<u>\$ 1,485,304</u>	<u>\$ 1,783,255</u>	<u>\$ 465,646</u>	<u>\$ 3,734,205</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, 2018

	Water Department	Sewer Department	Total
OPERATING REVENUES			
Charges for services	\$ 4,210,517	\$ 10,699,985	\$ 14,910,502
Penalties	22,831	59,568	82,399
Tapping charges and connection fees	18,145	240,373	258,518
Sundry income	256,579	42,256	298,835
Pretreatment monitoring fee	-	228,094	228,094
Impact fees	192,809	-	192,809
TOTAL OPERATING REVENUES	<u>4,700,881</u>	<u>11,270,276</u>	<u>15,971,157</u>
OPERATING EXPENSES			
Salaries	1,629,479	2,150,825	3,780,304
Personnel benefits	707,786	1,062,374	1,770,160
Professional and skilled services	571,142	548,894	1,120,036
Other operating expenses	1,607,863	2,563,761	4,171,624
Equipment	2,000	5,132	7,132
TOTAL OPERATING EXPENSES	<u>4,518,270</u>	<u>6,330,986</u>	<u>10,849,256</u>
OPERATING INCOME BEFORE DEPRECIATION	182,611	4,939,290	5,121,901
Depreciation	<u>587,379</u>	<u>1,854,181</u>	<u>2,441,560</u>
NET OPERATING INCOME (LOSS)	<u>(404,768)</u>	<u>3,085,109</u>	<u>2,680,341</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	-	6,487,003	6,487,003
Interest income	134,472	132,896	267,368
Interest expense	<u>(77,667)</u>	<u>(636,636)</u>	<u>(714,303)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>56,805</u>	<u>5,983,263</u>	<u>6,040,068</u>
CHANGE IN NET POSITION	<u>\$ (347,963)</u>	<u>\$ 9,068,372</u>	8,720,409
NET POSITION, BEGINNING OF YEAR, RESTATED			<u>65,463,721</u>
NET POSITION, END OF YEAR			<u>\$ 74,184,130</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Inspection fees	\$ 40,000	\$ 40,000	\$ 7,619	\$ (32,381)
Water sales	4,066,563	4,066,563	4,202,898	136,335
Penalties	22,500	22,500	22,831	331
Tapping charges and connection fees	-	-	18,145	18,145
Interest earned	-	-	134,472	134,472
Water income - sundry	183,350	183,350	256,579	73,229
Impact fees	-	-	192,809	192,809
TOTAL REVENUES	4,312,413	4,312,413	4,835,353	522,940
EXPENSES				
Engineering:				
Salaries	339,838	336,583	312,659	23,924
Personnel benefits	150,212	153,467	144,929	8,538
Professional and skilled services	31,000	66,288	51,050	15,238
Other operating expenses	104,969	108,938	74,945	33,993
Equipment	-	30,000	-	30,000
Total Engineering	626,019	695,276	583,583	111,693
Billing and collection:				
Salaries	120,546	120,546	114,228	6,318
Personnel benefits	46,994	46,994	48,797	(1,803)
Professional and skilled services	10,400	9,219	6,819	2,400
Other operating expenses	95,120	94,780	87,050	7,730
Equipment	-	3,913	2,000	1,913
Total Billing and Collection	273,060	275,452	258,894	16,558
Water treatment:				
Salaries	593,594	593,594	540,964	52,630
Personnel benefits	253,063	253,063	230,081	22,982
Professional and skilled services	-	-	262,080	(262,080)
Other operating expenses	1,296,990	1,585,709	1,021,511	564,198
Total Water Treatment	2,143,647	2,432,366	2,054,636	377,730

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Distribution and storage:				
Salaries	562,709	562,709	508,198	54,511
Personnel benefits	229,997	231,037	221,604	9,433
Professional and skilled services	-	-	101,229	(101,229)
Other operating expenses	236,403	237,383	283,859	(46,476)
Total Distribution and Storage	<u>1,029,109</u>	<u>1,031,129</u>	<u>1,114,890</u>	<u>(83,761)</u>
Administration:				
Salaries	159,037	157,032	153,430	3,602
Personnel benefits	51,559	58,578	62,375	(3,797)
Professional and skilled services	155,503	152,943	149,964	2,979
Other operating expenses	142,821	140,367	133,832	6,535
Community promotions	-	6,667	6,666	1
Total Administration	<u>508,920</u>	<u>515,587</u>	<u>506,267</u>	<u>9,320</u>
Debt payments:				
Principal redemption	1,036,954	322,394	-	322,394
Interest	561,621	151,457	77,667	73,790
Total Debt Payments	<u>1,598,575</u>	<u>473,851</u>	<u>77,667</u>	<u>396,184</u>
TOTAL EXPENSES	<u>6,179,330</u>	<u>5,423,661</u>	<u>4,595,937</u>	<u>827,724</u>
OPERATING INCOME (LOSS) BEFORE TRANSFERS AND DEPRECIATION	(1,866,917)	(1,111,248)	239,416	1,350,664
TRANSFERS				
Transfer out	(20,000)	(20,000)	-	20,000
Depreciation	-	-	(587,379)	(587,379)
CHANGE IN NET POSITION	<u>\$ (1,886,917)</u>	<u>\$ (1,131,248)</u>	<u>\$ (347,963)</u>	<u>\$ 783,285</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SEWER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Sewer charges	\$ 10,456,875	\$ 10,456,875	\$ 10,313,815	\$ (143,060)
Sewer charges - urban services	396,094	396,094	386,170	(9,924)
Penalties	60,000	60,000	59,568	(432)
Tapping charges and connection fees	-	-	240,373	240,373
Pretreatment monitoring fees	185,000	185,000	228,094	43,094
Interest earned	-	-	132,896	132,896
Sewer income - sundry	5,050	5,050	42,256	37,206
Grants	-	-	6,487,003	6,487,003
TOTAL REVENUES	11,103,019	11,103,019	17,890,175	6,787,156
EXPENSES				
Engineering:				
Salaries	333,019	333,019	301,357	31,662
Personnel benefits	141,421	141,421	137,177	4,244
Professional and skilled services	34,000	196,504	124,635	71,869
Other operating expenses	118,531	118,140	87,679	30,461
Capital outlay	-	3,011	3,011	-
Total Engineering	626,971	792,095	653,859	138,236
Billing and collection:				
Salaries	186,020	186,020	166,889	19,131
Personnel benefits	71,639	71,639	75,457	(3,818)
Professional and skilled services	19,250	19,250	18,909	341
Other operating expenses	21,385	21,385	11,554	9,831
Capital outlay	3,500	3,500	2,000	1,500
Total Billing and Collection	301,794	301,794	274,809	26,985
Wastewater treatment:				
Salaries	1,360,735	1,360,735	1,069,956	290,779
Personnel benefits	625,818	625,818	548,380	77,438
Professional and skilled services	50,000	54,250	67,611	(13,361)
Other operating expenses	3,787,391	4,123,644	2,017,601	2,106,043
Equipment	51,300	52,420	-	52,420
Total Wastewater Treatment	5,875,244	6,216,867	3,703,548	2,513,319

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SEWER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Maintenance and repair:				
Salaries	447,956	447,956	371,836	76,120
Personnel benefits	194,977	196,177	193,303	2,874
Other operating expenses	288,248	308,216	211,578	96,638
Total Maintenance and Repair	<u>931,181</u>	<u>952,349</u>	<u>776,717</u>	<u>175,632</u>
Pretreatment monitoring:				
Salaries	109,954	109,080	82,853	26,227
Personnel benefits	33,594	34,468	33,675	793
Other operating expenses	33,186	33,186	25,156	8,030
Total Pretreatment Monitoring	<u>176,734</u>	<u>176,734</u>	<u>141,684</u>	<u>35,050</u>
Administration:				
Salaries	175,374	173,075	157,934	15,141
Personnel benefits	61,073	69,819	74,382	(4,563)
Professional and skilled services	342,415	387,218	337,739	49,479
Other operating expenses	218,408	223,591	210,193	13,398
Equipment	-	121	121	-
Total Administration	<u>797,270</u>	<u>853,824</u>	<u>780,369</u>	<u>73,455</u>
Debt payments:				
Principal redemption	2,872,343	3,586,903	-	3,586,903
Interest	414,266	824,450	636,636	187,814
Total Debt Payments	<u>3,286,609</u>	<u>4,411,353</u>	<u>636,636</u>	<u>3,774,717</u>
TOTAL EXPENSES	<u>11,995,803</u>	<u>13,705,016</u>	<u>6,967,622</u>	<u>6,737,394</u>
OPERATING INCOME (LOSS) BEFORE TRANSFERS AND DEPRECIATION	(892,784)	(2,601,997)	10,922,553	13,524,550
Depreciation	-	-	(1,854,181)	(1,854,181)
CHANGE IN NET POSITION	<u>\$ (892,784)</u>	<u>\$ (2,601,997)</u>	<u>\$ 9,068,372</u>	<u>\$ 11,670,369</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - CITY MARINA
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Slip rentals	\$ 32,000	\$ 32,000	\$ 33,623	\$ 1,623
Electric fees	5,000	5,000	4,863	(137)
Gas sales	19,500	19,500	21,732	2,232
Miscellaneous	-	-	155	155
TOTAL OPERATING REVENUES	<u>56,500</u>	<u>56,500</u>	<u>60,373</u>	<u>3,873</u>
OPERATING EXPENSES				
Salaries	36,200	36,200	34,941	1,259
Personnel benefits	6,672	6,672	6,046	626
Supplies	10,925	10,925	7,587	3,338
Other operating expenses	34,350	34,350	30,080	4,270
Equipment	-	28,974	26,103	2,871
TOTAL OPERATING EXPENSES	<u>88,147</u>	<u>117,121</u>	<u>104,757</u>	<u>12,364</u>
OPERATING LOSS BEFORE DEPRECIATION	(31,647)	(60,621)	(44,384)	16,237
Depreciation	-	-	19,307	(19,307)
NET OPERATING LOSS	(31,647)	(60,621)	(63,691)	(3,070)
NONOPERATING REVENUES				
Interest income	-	15,382	-	(15,382)
Grant revenue	-	19,685	5,000	(14,685)
TOTAL NONOPERATING REVENUES	<u>-</u>	<u>35,067</u>	<u>5,000</u>	<u>(30,067)</u>
CHANGE IN NET POSITION	<u>\$ (31,647)</u>	<u>\$ (25,554)</u>	<u>\$ (58,691)</u>	<u>\$ (33,137)</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - PARKING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Parking permits, fines, state grants, meters, and Park 'n Shop	\$ 756,000	\$ 756,000	\$ 645,122	\$ (110,878)
Rent and other	-	-	5	5
TOTAL OPERATING REVENUES	<u>756,000</u>	<u>756,000</u>	<u>645,127</u>	<u>(110,873)</u>
OPERATING EXPENSES				
Salaries	182,016	180,387	177,838	2,549
Personnel benefits	53,765	64,165	44,655	19,510
Professional and skilled services	151,927	144,074	117,355	26,719
Supplies	2,300	2,875	2,793	82
Other operating expenses	179,203	184,987	175,246	9,741
Equipment	1,250	144,250	116,113	28,137
TOTAL OPERATING EXPENSES	<u>570,461</u>	<u>720,738</u>	<u>634,000</u>	<u>86,738</u>
OPERATING INCOME BEFORE DEPRECIATION	185,539	35,262	11,127	(24,135)
Depreciation	-	-	92,732	(92,732)
NET OPERATING INCOME (LOSS)	185,539	35,262	(81,605)	(116,867)
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	-	6,670	6,670
Principal payment	(91,413)	(102,555)	-	102,555
Interest expense	(57,180)	(46,038)	(21,897)	24,141
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(148,593)</u>	<u>(148,593)</u>	<u>(15,227)</u>	<u>133,366</u>
CHANGE IN NET POSITION	<u>\$ 36,946</u>	<u>\$ (113,331)</u>	<u>\$ (96,832)</u>	<u>\$ 16,499</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - STORMWATER UTILITY
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 600,000	\$ 600,000	\$ 641,251	\$ 41,251
TOTAL OPERATING REVENUES	600,000	600,000	641,251	41,251
OPERATING EXPENSES				
Salaries	93,311	95,111	84,685	10,426
Personnel benefits	54,666	54,366	45,875	8,491
Professional and skilled services	125,000	239,970	129,187	110,783
Other operating expenses	137,751	216,868	44,106	172,762
TOTAL OPERATING EXPENSES	410,728	606,315	303,853	302,462
OPERATING INCOME BEFORE DEPRECIATION	189,272	(6,315)	337,398	343,713
Depreciation	-	-	70,679	(70,679)
NET OPERATING INCOME	189,272	(6,315)	266,719	273,034
NONOPERATING REVENUES (EXPENSES)				
Operating transfer out	(156,948)	(156,948)	(156,948)	-
Interest expense	(32,324)	(32,324)	(2,746)	29,578
TOTAL NONOPERATING REVENUE (EXPENSES)	(189,272)	(189,272)	(159,694)	29,578
CHANGE IN NET POSITION	\$ -	\$ (195,587)	\$ 107,025	\$ 302,612

STATISTICAL INFORMATION

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)
JUNE 30, 2018**

Levy Year	Total	General Fund		
		Real Property	Personal Property	Corporations
2018	\$ 649,094	\$ 291,306	\$ 5,183	\$ 352,605
2017	163,000	25,885	953	136,162
2016	159,027	22,383	(46)	136,690
2015	90,079	21,812	125	68,142
2014 and prior	<u>1,197,186</u>	<u>359,150</u>	<u>41,721</u>	<u>796,315</u>
	2,258,386	720,536	47,936	1,489,914
Less allowance for uncollectibles	<u>(892,418)</u>	<u>-</u>	<u>(43,313)</u>	<u>(849,105)</u>
	<u>\$ 1,365,968</u>	<u>\$ 720,536</u>	<u>\$ 4,623</u>	<u>\$ 640,809</u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF BONDED INDEBTEDNESS (UNAUDITED)
JUNE 30, 2018

Description of Bonds and Purpose of Issue	Interest		Bond Maturities	Date Issued	Authorized Total Issue	Outstanding June 30, 2018	Requirements to June 30, 2019		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	\$ 975,666	\$ 160,992	\$ 11,738	MD Dept. Environment
Water Quality Bond of 2005	0.40	F & A1	02/01/09-02/01/28	09/29/05	41,721,225	21,135,755	2,107,106	183,655	MD Water Quality Fin.
Maryland Water Quality Bond (ARRA)	0	A & F1	08/01/11-02/01/30	12/04/09	2,056,250	1,040,103	145,021	-	MD Water Quality Fin.
Maryland Energy Administration	0	S & M1	09/01/11-03/01/13	12/04/09	258,740	57,499	28,749	-	MD Water Quality Fin.
Refinance Public Improvement Bond	3.35	A & O1	10/01/11-10/01/26	10/04/10	5,050,000	3,162,807	306,915	100,813	Bank of America
Public Improvements Refunding Bond, Series 2011B	2.39	J & DA1	12/13/11-06/01/23	12/13/11	4,828,000	2,092,000	434,000	58,329	Suntrust Bank
Series 2012A Maryland Water Quality Financing Administration Drinking Water Bond	0.90	A & F1	05/22/12-02/01/43	05/22/12	1,631,000	1,270,838	49,781	14,303	MD Water Quality Fin.
Series 2012B Maryland Water Quality Financing Administration Drinking Water Bond	0	A & F1	05/22/12-02/01/43	05/22/12	1,500,000	1,412,274	-	-	MD Water Quality Fin.
Public Improvement Bonds of 2013	3.01	J & J1	12/05/12-06/30/29	12/05/12	6,041,000	4,465,000	348,000	129,159	Suntrust Bank
Public Improvement Bonds of 2014	2.96	J & J1	07/01/14-07/01/28	12/23/13	3,178,000	2,465,000	192,000	70,099	Hebron Savings Bank
Series 2014A Maryland Water Quality Financing Administration Drinking Water Bond	1.00	On demand	02/01/16-02/01/29	03/20/14	66,375	45,664	4,575	612	MD Water Quality Fin.
Series 2014B Maryland Water Quality Financing Administration Drinking Water Bond	0	On demand	03/20/14-02/01/29	03/20/14	464,625	413,835	-	-	MD Water Quality Fin.
Series 2015A Maryland Water Quality Financing Administration Drinking Water Bond	0	F & A1	08/01/15-02/01/37	06/30/15	34,545,000	33,774,109	150,000	-	MD Water Quality Fin.
Series 2015B Maryland Water Quality Financing Administration Drinking Water Bond	0	F & A1	08/01/15-02/01/37	06/30/15	1,500,000	-	-	-	MD Water Quality Fin.
Public Improvement Bonds of 2016	2.18	J & D1	12/01/15-06/01/26	12/01/15	4,726,200	3,860,692	446,956	79,291	Bank of America
2017 Public Improvements Refunding Bond	5.00	A & O1	04/01/17-04/01/31	07/28/16	20,030,000	17,875,000	1,730,000	759,813	Bank of America
2018 Public Improvements Bond	2.51	J1	06/01/18-06/01/32	12/23/17	5,724,853	5,532,755	334,709	138,872	BB&T Bank
						<u>\$ 99,578,997</u>	<u>\$ 6,438,804</u>	<u>\$ 1,546,684</u>	

CITY OF SALISBURY, MARYLAND

**GENERAL FUND REVENUE BY SOURCE (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2018**

Fiscal Year Ended June 30	Property Taxes		Local Income Taxes		State Shared Taxes		Licenses and Permits		Fines and Forfeitures		Revenues from Use of Money and Property		Revenue from Other Agencies		Service Charges and Other		Total		Surplus Appropriated	
2018	\$24,682,281	65.42%	\$ 1,813,673	4.81%	\$ 1,871,351	4.96%	\$ 1,251,117	3.32%	\$ 1,388,717	3.68%	\$ 131,227	0.35%	\$ 2,394,418	6.35%	\$ 4,196,852	11.12%	\$37,729,636	100.00%	\$ 1,782,844	
2017	22,526,196	65.37%	1,954,687	5.67%	1,794,736	5.21%	1,130,075	3.28%	826,605	2.40%	64,134	0.19%	1,993,242	5.78%	4,170,384	12.10%	34,460,059	100.00%	1,876,770	
2016	22,277,811	64.92%	1,882,874	5.49%	1,779,355	5.18%	1,008,833	2.94%	1,393,656	4.06%	30,403	0.09%	1,737,886	5.06%	4,207,275	12.26%	34,318,093	100.00%	1,577,020	
2015	21,830,718	66.00%	1,631,437	4.93%	1,606,230	4.86%	877,882	2.65%	861,953	2.61%	20,850	0.06%	1,979,429	5.98%	4,267,389	12.90%	33,075,888	100.00%	387,604	
2014	21,648,544	67.26%	1,554,622	4.83%	1,637,787	5.09%	1,043,834	3.24%	855,103	2.66%	32,167	0.10%	2,046,793	6.36%	3,367,048	10.46%	32,185,898	100.00%	825,564	

CITY OF SALISBURY, MARYLAND
GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2018

Fiscal Year Ended June 30	General Government	Police	Fire	Other Safety	Department of Public Works				Recreation	Miscellaneous & Transfers	Total
					Supervision & Engineering	Highways	Sanitation & Other				
2018	\$3,701,899 9.34%	\$12,081,923 30.48%	\$8,833,792 22.28%	\$3,041,561 7.67%	\$1,934,841 4.88%	\$ 714,943 1.80%	\$1,926,571 4.86%	\$2,056,707 5.19%	\$ 5,348,152 13.49%	\$39,640,389 100.00%	
2017	3,317,424 7.15%	11,714,643 25.25%	7,365,195 15.87%	1,988,524 4.29%	1,530,795 3.30%	1,894,141 4.08%	2,536,646 5.47%	1,930,038 4.16%	14,123,703 30.44%	46,401,109 100.00%	
2016	2,972,789 8.52%	11,615,144 33.28%	7,975,874 22.85%	1,562,910 4.48%	1,466,084 4.20%	1,526,495 4.37%	2,008,009 5.75%	1,939,828 5.56%	3,832,939 10.98%	34,900,072 100.00%	
2015	2,861,790 6.17%	11,318,972 24.39%	6,681,923 14.40%	1,422,459 3.07%	1,800,877 3.88%	1,469,201 3.17%	2,094,694 4.51%	1,766,395 3.81%	6,011,813 12.96%	35,428,124 100.00%	
2014	2,633,985 7.55%	10,447,024 29.93%	5,878,921 16.85%	1,304,210 3.74%	2,020,376 5.79%	1,557,077 4.46%	2,494,192 7.15%	2,267,820 6.50%	3,761,796 10.78%	32,365,401 100.00%	

CITY OF SALISBURY, MARYLAND
WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2018

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
2018	\$ 4,210,517	\$ 624,836	\$ 10,699,986	\$ 7,190,189	\$22,725,528	\$ 2,028,669	\$ 10,842,124	\$ 7,132	\$ 714,303	\$ 2,441,560	\$14,005,119
2017	4,112,559	377,108	10,103,231	9,391,876	23,984,774	2,779,706	10,936,882	73,245	860,894	2,246,750	14,117,771
2016	3,897,743	523,400	9,723,436	10,175,356	24,319,935	2,170,256	12,081,294	2,106	709,486	2,153,181	14,946,067
2015	4,006,105	412,902	10,156,633	563,016	15,138,656	1,601,869	10,833,511	40,547	749,998	1,237,918	12,861,974
2014	4,005,568	460,748	10,245,075	1,385,555	16,096,946	1,246,307	9,758,723	48,391	818,788	1,278,563	11,904,465

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, 2018

Fiscal Year Ended June 30	Assessable Basis	Total General Sinking Tax Levy	Current Tax Collections	Percent of Levy		Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percent of Current Levy		Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
				Collected in Year of Levy	Delinquent Tax Collections			Current Levy	Outstanding Delinquent Taxes		
2018	\$ 2,151,596,042	\$ 23,906,500	\$ 23,715,956	99.20%	\$ 542,031	\$ 24,257,987	101.47%	\$ 1,919,494	8.03%		
2017	2,079,435,806	23,235,981	21,889,832	94.21%	228,267	22,118,099	95.19%	1,822,261	7.84%		
2016	2,069,149,309	23,089,919	21,557,434	93.36%	389,437	21,946,771	95.05%	1,582,745	6.85%		
2015	2,016,397,463	22,304,785	20,959,871	93.97%	467,826	21,427,697	96.07%	1,575,057	7.06%		
2014	2,046,442,133	21,685,798	20,949,666	96.61%	340,539	21,290,205	98.18%	1,907,296	8.80%		

CITY OF SALISBURY, MARYLAND

GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS (UNAUDITED)
 FIVE YEARS ENDED JUNE 30, 2018

Fiscal Year Ended June 30	Assessed Values				General Obligation Debt and Notes Payable	Ratio G. O. Debt to Assessed Values	Legal Debt Limit	Legal Debt Margin	Total G. O. Debt Service	Total Expenditures General Fund and Water & Sewer	Ratio G. O. Debt Service to Total Expenditures	
	Real Property Full and Partial Year	Personal Property	Corporations									
			Ordinary	Railroads and Utilities								
2018	\$1,852,099,222	\$3,105,050	\$234,255,790	\$62,135,980	\$2,151,596,042	\$99,578,997	0.0463	\$52,016,825	\$27,995,578	\$7,974,157	\$53,618,944	0.149
2017	1,793,459,946	2,866,060	219,735,720	63,374,080	2,079,435,806	93,046,518	0.0447	50,167,992	29,572,214	7,306,484	60,518,880	0.121
2016	1,787,044,569	3,017,040	217,303,180	61,784,520	2,069,149,309	82,634,302	0.0399	49,846,128	27,882,679	7,029,377	50,827,619	0.138
2015	1,748,436,713	2,467,580	205,701,610	59,791,560	2,016,397,463	68,725,686	0.0341	48,366,772	29,036,814	6,207,124	12,861,975	0.483
2014	1,775,307,203	2,397,520	211,985,160	56,752,250	2,046,442,133	70,057,647	0.0342	98,125,781	28,068,134	6,225,744	11,904,466	0.523