



City of Salisbury

CITY COUNCIL AGENDA



Monday, December 9, 2013
Government Office Building

6:00 p.m.
Room 301

Times shown for agenda items are estimates only.

- 6:00 p.m. CALL TO ORDER
- 6:01 p.m. WELCOME/ANNOUNCEMENTS
- 6:03 p.m. INVOCATION/MEDITATION AND PLEDGE OF ALLEGIANCE
- 6:10 p.m. COMMUNITY ORGANIZATION PRESENTATION
- Village of Hope – presented by Jasmine Rogers
- 6:20 p.m. ADOPTION OF LEGISLATIVE AGENDA
- 6:25 p.m. CONSENT AGENDA – City Clerk Kim Nichols
- November 18, 2013 work session minutes 1a
 - November 25, 2013 regular meeting minutes 1b
 - Resolution No. 2350 - accepting grant funds from the State of Maryland through the Governor’s Office of Crime Control and Prevention to purchase mobile fingerprint scanners 1c
 - Resolution No. 2351 - supporting an application for the City of Salisbury to become a Maryland Smart Energy Community 1d
- 6:30 p.m. AWARD OF BIDS – Assistant Director of Internal Services – Procurement & Parking Jennifer L. Miller 2
- Declaration of Surplus – W-16 JCB Backhoe
- 6:35 p.m. PRESENTATION OF AUDIT – Internal Services Director Keith Cordrey/Ms. Pam Baker (Barbacane, Thornton and Co.) 3
- FY13 audit and financial statements
- 7:00 p.m. PUBLIC HEARING/ RESOLUTION (COMCAST RATE FILING) – Interim City Administrator M. Thomas Stevenson 4
- Resolution No. 2352 - approving the calculation of maximum permitted rates for limited basic service and regulated equipment rates and installation charges as set forth in Comcast’s rate filing dated *September 30, 2013*
- 7:15 p.m. RESOLUTIONS – Interim City Administrator M. Thomas Stevenson
- Resolution No. 2353 - authorizing the Mayor to sign a renewal lease with the Tri-County Council for the Lower Shore of Maryland for the use of a grass strip on Calvert Street as a Shore Transit bus stop and transfer station 5a

- Resolution No. 2354 - authorizing the Mayor to sign a renewal lease with the Tri-County Council for the Lower Shore of Maryland for the use of a grass strip and the sidewalk parallel thereto on Circle Avenue between the corner of Division Street and the entrance to Parking Lot #1 as a Shore Transit bus stop 5b
- Resolution No. 2355 - accepting the donation of a desktop computer from the Delmarva Zoological Society for the Salisbury Zoological Park 5c

7:25 p.m. ANNEXATION RESOLUTIONS – Merritt Mill Road/Smith Annexation – Interim City Administrator M. Thomas Stevenson

- Resolution No. 2356 - approving the Merritt Mill Road/Smith Annexation and establishing a date for the public hearing 6a
- Resolution No. 2357 - approving the Merritt Mill Road/Smith Annexation plan 6b

7:50 p.m. ORDINANCES – City Attorney Mark Tilghman

- Ordinance No. 2271 – 2nd reading – to establish a mechanical permit fee 7a
- Ordinance No. 2272 - 1st reading - rezoning property (former Linens of the Week property) located on the Northerly side of Anne Street and on both sides of Short Street from General Commercial to R-5a Residential 7b
- Ordinance No. 2273 - to authorize and empower City of Salisbury (the “City”) to issue and sell from time to time, upon its full faith and credit, General Obligation Bonds in one or more series in an aggregate principal amount not to exceed three million one hundred seventy-eight thousand dollars (\$3,178,000.00), the proceeds of the sale thereof to be used and applied for the public purpose of financing, reimbursing or refinancing costs (as defined herein, which include issuance costs and capitalized interest) of the public purpose projects identified herein as: Riverwalk, Mainstreet Master Plan, Coty Cox drainage improvements, and Germania Circle 7c

8:15 p.m. PUBLIC COMMENTS

8:20 p.m. ADJOURNMENT

Copies of the agenda items are available for review
in the City Clerk’s Office
Room 305 – City/County Government Office Building
410-548-3140
or
on the City’s web site
www.ci.salisbury.md.us

City Council meetings are conducted in open session unless otherwise indicated. All or part of the Council’s meetings can be held in closed session under the authority of the Maryland Open Meetings Law, Annotated Code of Maryland 10-508(a), by vote of the City Council.

**The December 23, 2013 Legislative Session has been cancelled
Proposed agenda items for January 13, 2014 (subject to change)**

- Public Hearing/Ordinance No. 2272 - 2nd reading - rezoning property (former Linens of the Week property) located on the Northerly side of Anne Street and on both sides of Short Street from General Commercial to R-5a Residential
- Public Hearing/Resolution No. 2356 - approving the Merritt Mill Road/Smith Annexation and establishing a date for the public hearing
- Public Hearing/Resolution No. 2357 - approving the Merritt Mill Road/Smith Annexation plan

Posted: December 4, 2013 (Revised December 6 –revision in item #4in italics)

1 CITY OF SALISBURY
2 WORK SESSION
3 NOVEMBER 18, 2013
4

5 Public Officials Present
6

7 Council President Jacob R. Day Council Vice-President Laura Mitchell
8 Councilwoman Eugenie P. Shields Councilman Timothy K. Spies
9 Councilwoman Terry E. Cohen (*arrived 3:05 p.m.*)

10
11 Public Officials Not Present

12 Mayor James Ireton, Jr.
13

14 In Attendance
15

16 Assistant City Clerk Diane C. Nelson, CMC, Interim City Administrator M. Thomas (Tom) Stevenson,
17 Jr., City Attorney Mark Tilghman, Information Technology Director Bill Garrett, Deputy Director
18 Internal Services – Procurement Jennifer Miller, Community Development Administrative Support
19 Technician Virginia Hussey, Friends of Poplar Hill Mansion Chairperson Aleta Davis, interested
20 citizens, and members of the press.
21

22 -----
23 The City Council convened in work session at 1:33 p.m. in Council Chambers of the Government
24 Office Building.
25

26 President Day announced that technical difficulties with equipment necessitated the temporary delay of
27 the Community Organization presentation and proceeded to discussion of the next agenda item.
28

29 **Enhanced Call Back Verification requirement**
30

31 Interim City Administrator Tom Stevenson and Alarm Engineering President/CEO Ron Boltz joined
32 Council for continued discussion of Enhanced Call Verification (ECV), a process which requires two
33 phone calls from the Central Monitoring Station, one to the premise address and one to a contact
34 person of record, rather than the standard one phone call prior to dispatching police to an alarm.
35 Messrs. Stevenson and Boltz outlined the process which is becoming the industry standard
36 nationwide, is expected to drastically reduce Police Department false alarm calls without
37 compromising citizen safety. ECV applies only to intrusion alarms; fire, panic, and medical alarms
38 would continue to immediately dispatch police prior to owner notification, due to the urgency of those
39 types of alarms and the lower frequency of false alarms in these categories.
40

41 Discussion included the following proposed edits and requests for updated information:

- 42 • Line 6, insert “i” in “verification”
- 43 • Line 95, replace “will be” with “shall”
- 44 • Line 139, whether “intending” is needed
- 45 • Lines 159-166, Alarm companies to provide list of users to police/fire departments-do these City
46 Departments actually need these lists
- 47 • Lines 220-223, Panic alarms prohibited – possible removal of the section

- 48 • Line 241, insert “selling” between “to” and “installing”
- 49 • Lines 256-259, Alarm system operating instructions-possible addition: installer must provide
- 50 instructions; does police department or only fire department need instructions as stated?
- 51 • Quantity of contact phone numbers to be requested versus required by law
- 52 • Update prior calculations for *per call departmental response costs* for Fire and Police Departments
- 53 • Include an appeal process using standard appeal language directly from the City Code

54
55 After discussion, Council reached consensus for Mr. Stevenson to collaborate with Chiefs Duncan and
56 Hoppes, and Mr. Tilghman in updating the ordinance to reflect today’s discussion in preparation for
57 placement on an upcoming Work Session agenda.

58 59 **Community Organization Presentation – HEAL Cities & Towns Campaign**

60
61 Institute for Public Health Innovation Mid-Atlantic Region Assistant Program Manager Marisa C. Jones
62 made a PowerPoint presentation that provided an overview of the *Healthy Eating Active Living (HEAL)*
63 *Cities & Towns Campaign* partnership between the Institute for Public Health Innovation and the
64 Maryland Municipal League that supports municipalities’ efforts in adopting policies that promote
65 healthy and active lifestyles for citizens in their communities by relying on manpower and content
66 expertise from HEAL Cities. There followed a question and answer period by Council.

67
68 After discussion, Council reached consensus to move forward with the campaign, requesting Ms. Jones
69 provide the assessment tool and a sample resolution by mid-December that Council can incorporate into
70 its upcoming goal setting session.

71 72 **Storm Window Replacement Grant for Poplar Hill Mansion**

73
74 Community Development Administrative Support Technician Virginia Hussey and Friends of Poplar
75 Hill Mansion Chairperson Aleta Davis joined Council and presented a request for Council to accept by
76 resolution, the Maryland Heritage Areas Authority grant funds awarded to the City of Salisbury in an
77 amount not to exceed \$20,000.00 for window replacement at the Poplar Hill Mansion; there followed a
78 question and answer period by Council.

79
80 After discussion, Council reached consensus to advance the resolution to the November 25, 2013
81 Council Legislative Session, inclusive of the correct spelling of “accepting” in Line 5 of the resolution.

82 83 **Records Retention Policy**

84
85 Messrs. Stevenson and Garrett joined Council for continued discussion of the Records Retention Policy,
86 providing updates on questions raised during previous discussions and an overview of the digital
87 repository software, Laserfiche, which most City departments currently use to scan documents into their
88 respective departmental file repositories.

89
90 Discussion included the following topics:

- 91 • alert in ordinance and/or footnotes in retention policy pertaining to minutes, video and audio files
- 92 to amend the current 1-yr. retention for video/audio files if they become the minutes of record as
- 93 allowed by new legislation, when written minutes are no longer produced
- 94 • workload impact on Clerk’s Office to certify destruction of records

- 95 • scanned document functioning the same as the original document
96 • Department Heads to update their 2008 signoff of the Retention Policy
97

98 After discussion, Council reached consensus to advance the Records Retention Policy to an upcoming
99 Legislative Session.

100
101 **Charter Resolution No. 2348**
102

103 President Day initiated discussion by providing background information regarding Council’s decision at
104 a recent Legislative Session to refer the Veterans and Small Business Preference Policy Charter
105 Resolution back to Work Session.
106

107 Discussion included the following topics:

- 108 • Example from Cecil County
- 109 • Ascertain State of Maryland procurement processes, preference policies, disparity studies,
110 certifications, and legal considerations - piggyback on same where applicable
- 111 • Line 29, “evaluated” – expand the concept which is picked up in Section C
- 112 • Broad charter change for enabling legislation; specifics of preference policies enacted by
113 ordinances
- 114 • Address other preference policies in addition to Small Business and Veterans – Locally-owned,
115 Women-owned and Minority-owned businesses – would require new advertisement and public
116 hearing
- 117 • Priority and exclusivity of preference tiers/percentages when multiple preference policies apply
- 118 • Certification process to be designated a Small Business
- 119 • Preference Benefit Caps – specific dollar amount versus percentage
- 120 • Active pursuit of businesses eligible for preferential treatment versus uniform inclusion of
121 preference policies in all Requests for Proposals (RFPs)
- 122 • Applicability or non-applicability of preference policies to all or some RFPs
- 123 • City RFPs-currently posted on website & *eMaryland Marketplace*-could expand to Veterans’ sites
124 and Small Business Development Center at Salisbury University (SU)
- 125 • Consequences, if any, if City appropriately piggybacks on other jurisdictions’ contracts that do not
126 offer preferences
127

128 After discussion, Council reached consensus for Mr. Tilghman to prepare a draft Charter Amendment, a
129 draft legal advertisement, and a draft ordinance for each preference policy for discussion at the next
130 Work Session.
131

132 **General Discussion**
133

134 Given the number of requests similar to the *HEAL Cities & Towns Campaign* that Council has and could
135 expect to receive in the future, there was brief discussion regarding establishing a policy for evaluating
136 these requests to ensure that a City alliance with any given organization would not be in conflict with
137 any City policies or cost the City undue monies; it was suggested that the topic be placed on the agenda
138 planning document.
139

140 *President Day called for a short recess at 3:45 p.m.; the work session reconvened at 4:30 p.m.*
141

142 **Motion to convene in Closed Session to first discuss the appointment, employment, assignment,**
143 **promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation**
144 **of appointees, employees, or officials over whom this public body has jurisdiction; or any other**
145 **personnel matter that affects one or more specific individuals and then to consult with Counsel to**
146 **obtain legal advice on a legal matter as permitted under the Annotated Code of Maryland §10-**
147 **508(a)(1)(7)**

148
149 At 4:31 p.m., Mrs. Mitchell moved and Mrs. Shields seconded, to convene in Closed Session to discuss
150 and meet with candidates for the open City Administrator position and to receive an update from
151 Counsel on pending/ongoing litigation.

152
153 Council discussed the impact its concerns with all the circumstances, media attention, and Charter
154 requirements surrounding the open City Administrator position had on the request this evening that
155 Council meet with candidates; thereafter Council convened in Closed Session on a unanimous vote in
156 favor.

157
158 On a motion by Mr. Spies, seconded by Mrs. Mitchell, and approved on a unanimous vote in favor,
159 Council adjourned the Closed Session at 6:14 p.m., returned to Open Work Session, and reported that
160 while in Closed Session Council had discussed personnel issues and candidates, but did not meet with
161 any candidates; no action was taken. Council also received an update on pending litigation from
162 Counsel.

163
164 Council then discussed options for communicating its response to the Mayor after having met in Closed
165 Session. Council reached unanimous consensus for Mr. Day to prepare a letter that would be reviewed
166 by the City Attorney and copied to all councilmembers, prior to it being sent to the Mayor. The letter is
167 to communicate the following:

- 168
- 169 • Council is not in a position at this time to provide consent on the forwarded candidates, but will
170 provide advice
 - 171 ○ Due to the significance of the City Administrator position, Council would like to see a broader
172 pool of applicants based on a national search; Council would be in a better position to consider
173 candidates at that time
 - 174 ○ No candidate should be forwarded without the *full endorsement* of the Mayor

175
176 The Work Session adjourned at 6:20 p.m.

177
178
179 _____
180 Assistant City Clerk

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183 _____
184 Council President

1 **CITY OF SALISBURY, MARYLAND**

2
3 **REGULAR MEETING**

NOVEMBER 25, 2013

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5 **PUBLIC OFFICIALS PRESENT**

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Council President Jacob R. Day Council Vice President Laura Mitchell
Mayor James P. Ireton, Jr. Councilwoman Eugenie P. Shields
Councilwoman Terry E. Cohen

PUBLIC OFFICIALS NOT PRESENT

Councilman Timothy K. Spies

IN ATTENDANCE

Assistant City Clerk Diane C. Nelson, CMC, City Attorney Mark Tilghman, Interim City Administrator M. Thomas (Tom) Stevenson, Jr., Deputy Director Internal Services – Procurement Jennifer Miller, Fire Chief Rick Hoppes, Assistant Fire Chief Darrin Scott, Firefighter/Paramedic Aaron Colegrove, Firefighter/Paramedic Chris Truitt, Building, Permitting, and Inspections Director Bill Holland, Public Works Director Mike Moulds, Public Works Deputy Director Amanda Pollack, Community Development Administrative Support Technician Virginia Hussey, Friends of Poplar Hill Mansion Chairperson Aleta Davis, Poplar Hill Mansion Curator Sarah Meyers, interested citizens, and members of the press

MEDITATION – PLEDGE OF ALLEGIANCE

The City Council met in regular session at 6:00 p.m. in Council Chambers. Council President Day called the meeting to order; a moment of silent mediation was held followed by the Pledge of Allegiance.

PRESENTATION

Mayor Ireton presented a Certificate of Appreciation to Fire Chief Rick Hoppes and thanked the Salisbury Fire Department employees for supporting breast cancer awareness with their 3rd Annual Corn Hole Tournament to benefit Women Supporting Women. Chief Hoppes thanked the Salisbury Department Heads for supporting the effort and recognized Firefighter/Paramedic Aaron Colegrove for spearheading the event.

Chief Hoppes was joined by Firefighter/Paramedic Colegrove, Assistant Fire Chief Darrin Scott, and Acting Lieutenant-Firefighter/Paramedic Chris Truitt at the podium and presented the donation in the amount of \$3,135 to Women Supporting Women staff members Sue Revell, Executive Director and Marly Lynk, Director of Community Relations.

43 **COMMUNITY ORGANIZATION PRESENTATION** – *Salvation Army – presented by Major*
44 *Victor Tidman*

45
46 *Salvation Army Major Victor Tidman joined Council to discuss the \$220,000 goal for the Salisbury,*
47 *Maryland Red Kettle drive, the largest drive to date, slated to help serve over eight hundred (800)*
48 *families in the area. The very first Salvation Army Red Kettle drive provided fifty (50) food baskets*
49 *for the area needy. This year, one hundred years later, one thousand two hundred (1,200) food boxes*
50 *will be distributed.*

51
52 *Major Tidman thanked the community for helping the Salvation Army provide for the needy families.*

53
54 **ADOPTION OF LEGISLATIVE AGENDA**

55
56 *On a motion and second by Mrs. Shields and Mrs. Mitchell, respectively, the legislative agenda was*
57 *unanimously adopted on a 4-0 vote.*

58
59 **CONSENT AGENDA** – *presented by Assistant City Clerk Diane Nelson*

60
61 *The Consent Agenda, consisting of the following items, was unanimously approved on a motion by*
62 *Ms. Cohen that was seconded by Mrs. Shields:*

- 63
64
 - *November 12, 2013 regular meeting minutes*
 - *Resolution No. 2349 – accepting funds awarded through a grant from the Maryland Heritage*
66 *Areas Authority for the purpose of window replacement for the Poplar Hill Mansion*

67
68 **AWARD OF BIDS** – *presented by Deputy Director Internal Services – Procurement Jennifer Miller*

69
70 *The Award of Bids, consisting of the following items, was unanimously approved on a motion by*
71 *Mrs. Mitchell and seconded by Ms. Cohen:*

- 72
73
 - *Change Order #2 to Contract No. RFP 04-10 – Engineering Services for Caustic Chemical*
74 *Storage Building and Feed System - \$15,000.00*

75
76 **ORDINANCES** – *presented by City Attorney Mark Tilghman*

- 77
78
 - *Ordinance No. 2269 – 2nd reading – amending section 15.040.010 of Chapter 15.04 Building*
79 *Code of the Salisbury Municipal Code to update the reference to the International Energy*
80 *Conservation Code to the 2012 Edition*

81
82 *Mrs. Shields moved, Ms. Cohen seconded, and the vote was unanimous (4-0) to approve*
83 *Ordinance No. 2269 for second reading.*

- 84
85
 - *Ordinance No. 2270 – 2nd reading – modifying the language of the Garbage, Rubbish and*
86 *Refuse Code in accordance with Chapter 8.16 of the City Code*

87

88 *Mrs. Shields moved, Mrs. Mitchell seconded, and the vote was unanimous (4-0) to approve*
89 *Ordinance No. 2270 for second reading.*

90

- 91 • *Ordinance No. 2271* – *1st reading - to establish a mechanical permit fee*

92

93 *Ms. Cohen moved and Mrs. Mitchell seconded to approve Ordinance No. 2271 for first*
94 *reading.*

95

96 *Mrs. Mitchell moved, Ms. Cohen seconded, and the vote was unanimous (4-0) to amend*
97 *Ordinance No. 2271 by striking “and processed by _____,” on Lines 19 and 20, and*
98 *inserting “by the applicant” after “completed” on Line 19.*

99

100 *Ordinance No. 2271 for first reading, as amended, was unanimously approved on a 4-0 vote.*

101

102 **ADJOURNMENT**

103

104 *There being no comments received from the public, President Day adjourned the Legislative Session*
105 *at 6:33 p.m.*

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CITY OF SALISBURY, MARYLAND
CLOSED SESSION
NOVEMBER 18, 2013

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137 *TIME & PLACE:* 4:31 p.m., Government Office Building – Room 301
138 *PURPOSE:* To discuss the appointment, employment, assignment, promotion, discipline,
139 demotion, compensation, removal, resignation, or performance evaluation of
140 appointees, employees, or officials over whom this public body has
141 jurisdiction; or any other personnel matter that affects one or more specific
142 individuals and to consult with Counsel to obtain legal advice on a legal
143 matter
144 *VOTE TO CLOSE:* Unanimous
145 *CITATION:* Annotated Code of Maryland §10-508(a)(1)(7)
146 *PRESENT:* Council President Jacob R. Day, Council Vice President Laura Mitchell,
147 Councilwoman Terry E. Cohen, Councilwoman Eugenie P. Shields,
148 Councilman Timothy K. Spies, Assistant City Clerk Diane C. Nelson, and
149 City Attorney Mark Tilghman
150 *ABSENT:* Mayor James Ireton, Jr.

151
152
153 *The City Council convened in a Work Session in Room #301 in the Government Office Building at*
154 *1:33 p.m.*

155
156 *At 4:31 p.m., Mrs. Mitchell moved and Mrs. Shields seconded, to convene in Closed Session to*
157 *discuss and meet with candidates for the open City Administrator position and to receive an update*
158 *from Counsel on pending/ongoing litigation.*

159
160 *Council discussed the impact its concerns with all the circumstances, media attention, and Charter*
161 *requirements surrounding the open City Administrator position had on the request this evening that*
162 *Council meet with candidates; thereafter, Council convened in Closed Session on a unanimous vote*
163 *in favor.*

164
165 *On a motion by Mr. Spies, seconded by Mrs. Mitchell, and approved on a unanimous vote in favor,*
166 *Council adjourned the Closed Session at 6:14 p.m., returned to Open Work Session, and reported*
167 *that while in Closed Session Council had discussed personnel issues and candidates, but did not*
168 *meet with any candidates; no action was taken. Council also received an update on pending*
169 *litigation from Counsel.*

170
171 *Thereafter, Council continued in open Work Session.*

172
173
174 _____
174 *Assistant City Clerk*

175
176 _____
177 *Council President*

City of Salisbury



JAMES IRETON JR.
MAYOR

TOM STEVENSON
ACTING CITY ADMINISTRATOR



Maryland

699 W. SALISBURY PARKWAY
SALISBURY, MD 21801
TEL: 410-548-3165



BARBARA DUNCAN
CHIEF OF POLICE

November 19, 2013

TO: Mr. Tom Stevenson

FROM: Chief Barbara Duncan

SUBJECT: Resolution – Acceptance of Grant Funds for Mobile Fingerprint Scanner

Attached, please find a Resolution to accept \$9,000.00 in grant funds from the State of Maryland, awarded through the Governor's Office of Crime Control and Prevention to be used for the purchase of mobile fingerprint readers. This equipment will provide real time assistance to officers of the Salisbury Police Department in the field by identifying suspects potentially involved in criminal activity.

This equipment will provide the ability for street patrol officers to fingerprint suspects on the scene of an incident and then use the scanner device to connect wirelessly for verification of a person's identity.

Unless you, or the Mayor, have further questions, please forward this Resolution to the City Council.

Chief Barbara Duncan
Chief of Police

Attachment

RESOLUTION No. 2350

A RESOLUTION OF THE CITY OF SALISBURY ACCEPTING GRANT FUNDS FROM THE STATE OF MARYLAND THROUGH THE GOVERNOR’S OFFICE OF CRIME CONTROL AND PREVENTION TO PURCHASE “MOBILE FINGERPRINT SCANNERS”.

WHEREAS, The City of Salisbury accepts funds from GOCCP in the amount of \$9,000.00 (nine thousand dollars) to purchase mobile fingerprint scanners to assist the police department with the reduction in criminal activity; and

WHEREAS, this technology will give street patrol officers the ability to fingerprint suspects in the field and at the scene of an incident; and

WHEREAS, the fingerprint scanner device is designed to connect wirelessly for verification of identity in real time; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND that awarded State Grant funds in the amount of \$9,000.00 (nine thousand dollars) be accepted and utilized by the Salisbury Police Department.

THIS RESOLUTION was duly passed at a meeting of the Council of the City of Salisbury held on _____, and is to become effective immediately upon adoption.

ATTEST:

Kimberly R. Nichols
City Clerk

Jacob R. Day, President
Salisbury City Council

APPROVED BY ME THIS:

_____ day of _____, 2013

James Ireton, Jr., Mayor

City of Salisbury



MARYLAND



JAMES IRETON, JR.
MAYOR

TOM STEVENSON
ACTING CITY ADMINISTRATOR

125 NORTH DIVISION STREET
SALISBURY, MARYLAND 21801
Tel: 410-548-3170
Fax: 410-548-3107

MICHAEL S. MOULDS, P.E.
DIRECTOR OF PUBLIC WORKS

To: Tom Stevenson, Acting City Administrator
From: Michael Moulds, Director of Public Works
Amanda Pollack, Deputy Director of Public Works
Date: November 22, 2013
Re: Maryland Smart Energy Communities

Public Works and Internal Services – Procurement have researched the qualifications and application process to become a Maryland Smart Energy Community. To be designated as a Smart Energy Community, a Maryland local government must adopt a set of policies specified by the Maryland Energy Administration in two of the three policy areas: energy efficiency, renewable energy, and transportation petroleum reduction. The policies are intended to be realistic goals, which the community sets for itself and makes a good faith effort towards achieving, and not a mandate from the State. Communities are eligible to receive their full grant funding for energy-related projects once two of three policies are adopted and related deliverables completed.

The application to become a new Maryland Smart Energy Community is due on December 19, 2013. The application requires confirmation from the City Council confirming that they intend to pursue the policies by October 31, 2014. Staff has met with Richard Anderson from CQI Associates, and believe that the goals are realistic for the City of Salisbury to achieve in the allotted time.

Attached is a Resolution for consideration to support the application to become a Maryland Smart Energy Community. Unless you or the Mayor has further questions, please forward a copy of this memo to the City Council.

1 RESOLUTION NO. 2351

2
3 A RESOLUTION OF THE CITY OF SALISBURY, MARYLAND SUPPORTING AN
4 APPLICATION FOR THE CITY OF SALISBURY TO BECOME A MARYLAND
5 SMART ENERGY COMMUNITY.

6
7 WHEREAS, energy consumption and costs are of great importance to the City; and

8
9 WHEREAS, the City has previously participated in Maryland Energy
10 Administration programs to reduce energy consumption; and

11
12 WHEREAS, the Maryland Energy Administration has a program to be designated as
13 a Maryland Smart Energy Community; and

14
15 WHEREAS, becoming a Maryland Smart Energy Community will result in the
16 prospect of grant funding, reduced utility and fuel expenses, support of local sustainability
17 initiatives, greenhouse gas emissions reduction, recognition as a Statewide leader in energy
18 and sustainability, and receiving technical assistance from the Maryland Energy
19 Administration and the University of Maryland; and

20
21 WHEREAS, to become a Maryland Smart Energy Community, the City of
22 Salisbury will need to commit to passing two policy goals by October 31, 2014, specifically
23 Energy Efficiency and Transportation Petroleum Reduction; and

24
25 WHEREAS, the Energy Efficiency policy will establish an electricity consumption
26 baseline and develop a plan to reduce per-square foot electricity consumption of local
27 government-owned buildings by 15 percent within five years of the baseline year; and

28
29 WHEREAS, the Transportation Petroleum Reduction will establish a petroleum
30 consumption baseline for all local government vehicles, and put in place a plan to reduce
31 petroleum consumption by 20 percent within five years of the baseline year; and

32
33 WHEREAS, the City of Salisbury Departments of Public Works and Internal
34 Services – Procurement have researched these goals and believe that these two goals are
35 realistic to achieve within the prescribed timeframe; and

36
37 WHEREAS, support of the application does not commit the City to accept funding
38 nor does it ensure implementation of the policy goals; and

39
40 WHEREAS, not passing the policy goals by October 31, 2014 will make the City
41 ineligible for funding from the Maryland Smart Energy Communities program.

42
43 NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Salisbury,
44 Maryland does hereby support the application for the City of Salisbury to become a
45 Maryland Smart Energy Community.

46
47 THIS RESOLUTION was introduced and duly passed at a meeting of the Council
48 of the City of Salisbury, Maryland held on _____, 2013 and is to become effective
49 immediately upon adoption.

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ATTEST:

Kimberly R. Nichols
CITY CLERK

Jacob R. Day
PRESIDENT, City Council

APPROVED by me this _____ day of _____, 2013

James Ireton, Jr.
MAYOR, City of Salisbury

City of Salisbury



MARYLAND

Salisbury



2010

125 NORTH DIVISION STREET
SALISBURY, MARYLAND 21801
Tel: 410-548-3190
Fax: 410-548-3192

JAMES IRETON, JR.
MAYOR

M. THOMAS STEVENSON, JR.
INTERIM CITY ADMINISTRATOR

VACANT
ASSISTANT CITY ADMINISTRATOR

KEITH A. CORDREY
DIRECTOR OF INTERNAL SERVICES
PROCUREMENT DIVISION

COUNCIL AGENDA

December 9, 2013

1. Declaration of Surplus – W-16 JCB Backhoe \$0.00

City of Salisbury



MARYLAND

Salisbury



2010

125 NORTH DIVISION STREET
SALISBURY, MARYLAND 21801
Tel: 410-548-3190
Fax: 410-548-3192

JAMES IRETON, JR.
MAYOR

M. THOMAS STEVENSON, JR.
ACTING CITY ADMINISTRATOR

VACANT
ASSISTANT CITY ADMINISTRATOR

KEITH A. CORDREY
DIRECTOR OF INTERNAL SERVICES
PROCUREMENT DIVISION

COUNCIL AGENDA

December 9, 2013

To: Mayor and City Council

Subject: Declaration of Surplus Item – JCB Backhoe

The Procurement Division received a request from the Salisbury Public Works Department, Water & Sewer, to declare a W-16, JCB Backhoe, as surplus.

Upon declaration of surplus, as approved by Council, the aforementioned equipment will be put up for auction. Additional details are noted in the department memo.

Thank you,

Jennifer Miller
Assistant Director of Internal Services-Procurement & Parking

City of Salisbury



MARYLAND



125 NORTH DIVISION STREET
SALISBURY, MARYLAND 21801
Tel: 410-548-3170
Fax: 410-548-3107

JAMES IRETON, JR.
MAYOR

TOM STEVENSON
ACTING CITY ADMINISTRATOR

MICHAEL S. MOULDS, P.E.
DIRECTOR OF PUBLIC WORKS

To: Jennifer Miller
From: Walter Webster
Subject: Surplus W-16, 1989 – JCB Backhoe
Date: November 18, 2013
Cc: Mike Moulds

The Water & Sewer Branch recommends W-16, JCB Backhoe be declared surplus. This backhoe is a 1989 JCB with approximately 3,041 hours.

VIN # SMBT41093526097

Vehicle Condition - Poor

This backhoe is currently in poor condition with many hours, age of vehicle, and body deterioration. It has costly yearly expenditures and parts which are becoming hard to acquire.

Body Condition- Poor

The automated body is worn out.

All repairs would exceed the value of the backhoe and would not bring the backhoe back to a standard that would last long before something major or minor breaks again.

This backhoe was replaced through funds that were allocated in the FY2013 budget. Funding for this purchase was available in account number #86083-577020. We recommend this backhoe be included in the City sponsored auction rather than traded in. We hope to receive a greater amount through the auction process than the trade in offered.


Walter Webster
Water & Sewer Superintendent

11/18/13
Date


Mike Moulds
Director of Public Works

11/19/13
Date

City of Salisbury



MARYLAND

Salisbury



2010

125 NORTH DIVISION STREET
SALISBURY, MARYLAND 21801

Tel: 410-334-3028

Fax: 410-548-3192

KEITH A. CORDREY
DIRECTOR OF INTERNAL SERVICES

JAMES IRETON, JR.
MAYOR

TOM STEVENSON
INTERIM CITY ADMINISTRATOR

To: Tom Stevenson, Interim City Administrator

From: Keith Cordrey, Director of Internal Services *KAC*

Date: December 4, 2013

Re: Draft Audit Report

Please find attached an updated draft copy of the audit received from Barbacane Thornton & Company LLP today. The draft is still in the review process and any changes will be submitted Monday morning so we can post a final version on the website. Pam will be here Monday Dec 9 to present the Audit in the council meeting.

DRAFT - FOR DISCUSSION PURPOSES ONLY

December 2, 2013

Members of City Council
City of Salisbury
Salisbury, Maryland

In planning and performing our audit of the financial statements of the City of Salisbury as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Salisbury's internal control over financial reporting ("internal control") as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit, we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses, and matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. This letter does not affect our report dated December 2, 2013 on the financial statements of the City of Salisbury.

The accompanying comments and recommendations are intended solely for the information and use of the members of Council, management and others within the City of Salisbury, and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

STATUS OF PRIOR YEAR RECOMMENDATIONS

OVERDRAFT CASH BALANCES (AMOUNTS DUE TO OTHER FUNDS)

During our prior year audit, we noted that the previous auditor determined that the City is utilizing the pooled cash account as a method to support funds that do not have adequate cash flows to cover their expenditures. This has resulted in several funds carrying large credit or overdraft balances, as well as fund deficits in certain funds.

We continued to recommend that the City consider analyzing these credit or overdraft cash balance funds, create a corrective action plan and consider approving transfers when necessary and as needed.

DRAFT - FOR DISCUSSION PURPOSES ONLY

Members of City Council
City of Salisbury
page 2

Status

During our current year audit, we noted that most of the credit balances were resolved. The water and sewer fund and grant fund still had a large credit balance as of June 30, 2013 and that transfers were not made to alleviate the situation. This recommendation is still applicable for the current year.

Management's Response

Management has reviewed deficit cash accounts and has taken steps to resolve.

CREDIT CARDS

During our prior year review of controls surrounding credit cards, we noted that the Administrative Department's credit card is used for activity that requires the use of a credit card for persons other than the person assigned. In addition, activity is not approved by internal services and we noted one instance of an expenditure without a proper receipt.

We recommended that the Administrative credit card be used only by the person assigned. We further recommended that statements be sent to internal services, that activity be approved by internal services and that receipts be provided for all activity. Additionally, we recommended that if certain business activities require the use of a credit card, a card be designated to internal services for such use.

Status

During our current year audit, we noted that the process and use of the Administrative credit card remained the same. This recommendation is still applicable for the current year.

Management's Response

The City has only one general credit card available for purchases for the entire City at this time. The City is in the process of implementing a P Card system.

DORMANT CASH ACCOUNTS

During our audit of cash of the City, we determined that the City maintains several bank accounts that have not had any activity and report zero balances. Inactive bank accounts can be susceptible to misuse by someone seeking to misappropriate cash.

We recommended that management of the City appraise the need for the existing bank accounts and close any that are no longer deemed necessary.

Status

The City has adopted the policy of reviewing dormant accounts and closing them. This recommendation is no longer applicable.

DRAFT - FOR DISCUSSION PURPOSES ONLY

Members of City Council
City of Salisbury
page 3

ALLOWANCE FOR DOUBTFUL ACCOUNTS (NON-REAL ESTATE TAXES)

The allowance for doubtful accounts is not being analyzed periodically. We recommended that management prepare an analysis of uncollectible accounts at least semi-annually. This analysis should consider prior charge-off experience and experience with customers, as well as other information management may have about specific accounts, such as indications of financial difficulty. Management should adjust the estimate for the allowance for doubtful accounts after reviewing the analysis and making appropriate collection efforts in order to collect as much as possible and to ensure that the estimated loss from uncollectible accounts receivable is reflected accurately on the balance sheet.

Status

The City prepared a schedule analyzing doubtful accounts at year end along with posting related entries updating the allowance for doubtful accounts. Therefore, this recommendation is no longer applicable.

SICK BANK

The City maintains a sick bank for employees who voluntarily contribute annually from individual sick leave benefits. Individuals who participate in the sick bank are eligible to receive sick leave benefits over and above what they have individually accrued. We determined that even though the hours contributed and used are being tracked, there is no calculation of the dollar amount in the pool. Furthermore, the financial balance is not recorded on the books and records of the City. Therefore, when an employee utilizes the benefits of the pool, the related payroll expense is recorded against that individual's budgeted expense line item rather than as a charge to the accumulated pool. A method not only overstates current expenses by department, but does not track adequate funding of the sick bank pool and the management of the benefit from a funding/oversight perspective.

We recommended that the City develop financial procedures to effectively measure and record the value of the sick bank pool and the contributions/utilization of the resources accumulated.

Status

The City has developed a process of tracking the sick bank pool. Therefore, this recommendation is no longer applicable.

CURRENT YEAR RECOMMENDATIONS

ACCOUNT RECONCILIATIONS

During our audit, we noted that several accounts with small balances are not reconciled on a monthly or periodic basis. In one instance, the account noted carried a balance that had not changed since 2007. In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger accounts for accounts receivable, other assets, accounts payable and other liabilities to supporting documentation.

DRAFT - FOR DISCUSSION PURPOSES ONLY

Members of City Council
City of Salisbury
page 4

We recommend that the City develop a financial procedures policy that identifies the accounts to be reconciled and performs the reconciliations on a monthly or periodic basis as determined by management to assure that account balances are correctly recorded in the financial reports and statements.

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

BARBACANE, THORNTON & COMPANY LLP

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND

AUDIT REPORT

JUNE 30, 2013

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY

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CITY OF SALISBURY

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CITY OF SALISBURY, MARYLAND

ORGANIZATION

SERVING AS OF JUNE 30, 2013

OFFICIALS - ELECTED

Mayor	James Ireton, Jr.
President of Council	Jacob Day
Vice President of Council	Laura Mitchell
Council Members	Terry Cohen Eugenie Shields Tim Spies

OFFICIALS - STAFF

Acting City Administrator	Tom Stevenson
Assistant City Administrator	Vacant
City Clerk	Kimberly Nichols
Director of Internal Services	Keith Cordrey
City Solicitor	S. Mark Tilghman
Director of Public Works	Michael Moulds
Director of Department of Building, Permits and Inspections	William Holland
Interim Director of Neighborhood Services and Code Compliance	Susan Phillips
Director of Community Development	Deborah J. Stam
Chief of Police	Barbara Duncan
Acting Chief of Fire Department	Rick Hoppes
Incorporated	1854

DRAFT - FOR DISCUSSION PURPOSES ONLY

INDEPENDENT AUDITOR'S REPORT

December 2, 2013

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, Salisbury, Maryland, as of and for the year ended June 30, 2013, 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 of material misstatement.

An audit involves performing procedures to obtain 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

DRAFT - FOR DISCUSSION PURPOSES ONLY

Members of City Council
City of Salisbury

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, 2013, 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.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the 2012 statements have been restated to correct an error. 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 and budgetary comparison information on pages 5 through 11 and 46 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, which 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 of Salisbury's basic financial statements. The other supplementary information and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic

DRAFT - FOR DISCUSSION PURPOSES ONLY

Members of City Council
City of Salisbury

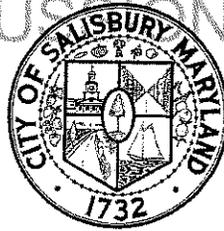
financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing 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 financial statements as a whole.

The statistical section 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 2, 2013 on our consideration of the City of Salisbury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Salisbury'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, 2013. 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, 2013 was \$112,766,771. Net position of our governmental activities decreased by \$2,841,843 (or 8.8 percent) while net position of our business-type activities increased by \$4,746,996 (or 6.0 percent).
- The General Fund reported expenditures in excess of revenues of \$706,057, bringing its fund balance this year to \$11,980,884.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts — *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and *other 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* and *other supplementary information* that further explain and support the information in the financial statements.

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

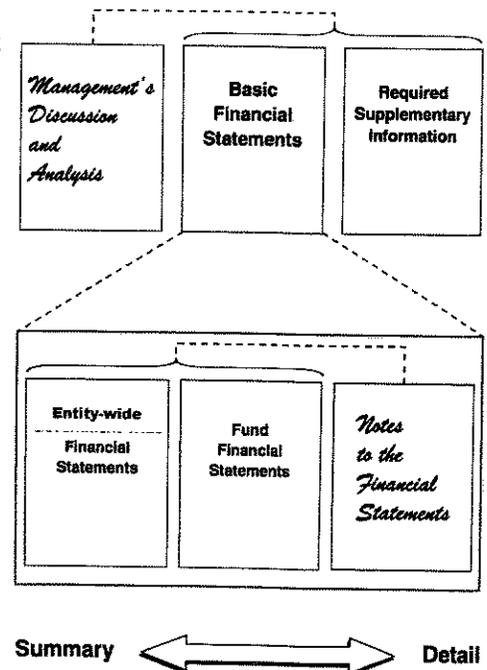


Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

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

Entity-wide Statements

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operate similar to private businesses: self insurance	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net position * Statement of revenues, expenses and changes in fund net position * Statement of cash flows	* 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 assets/liabilities information	All assets and liabilities, 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 and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The two entity-wide statements report the City's net position and how it has changed. Net position — the difference between the City's assets and liabilities — 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) *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 including: water and sewer fees, Mitchell Landing Apartment rents and Septage treatment 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, all of which are considered to be major funds of the City, and several other nonmajor fee-supported activities.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$112.8 million.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
CURRENT ASSETS:						
Cash and investment pool	\$ 10,081	\$ 10,741	\$ 17,462	\$ 14,632	\$ 27,543	\$ 25,373
Accounts receivable, net	3,339	4,004	2,786	2,658	6,125	6,662
Due from other governmental units	1,848	520	742	610	2,590	1,130
Due from other funds	194	-	(194)	-	-	-
Other	2	-	-	12	2	12
Inventories	708	835	488	509	1,196	1,344
TOTAL CURRENT ASSETS	16,172	16,100	21,284	18,421	37,456	34,521
NONCURRENT ASSETS:						
Restricted cash and investment pool	4,120	4,605	13,067	11,328	17,187	15,933
Capital assets at cost	62,091	60,940	153,118	147,802	215,209	208,742
Less accumulated depreciation	(20,733)	(18,971)	(41,373)	(39,861)	(62,106)	(58,832)
TOTAL NONCURRENT ASSETS	45,478	46,574	124,812	119,269	170,290	166,104
TOTAL ASSETS	61,650	62,674	146,096	137,690	207,746	200,625
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	1,569	833	461	413	2,030	1,246
Bonds, notes and capital leases payable	2,609	2,551	3,929	3,613	6,538	6,164
Other	664	859	46	175	710	1,034
TOTAL CURRENT LIABILITIES	4,842	4,243	4,436	4,201	9,278	8,444
NONCURRENT LIABILITIES:						
Compensated absences	1,189	1,148	181	202	1,370	1,350
Post-employment benefits	11,440	8,351	3,041	2,220	14,481	10,571
Bonds, notes and capital leases payable	14,672	16,937	55,178	50,680	69,850	67,617
TOTAL NONCURRENT LIABILITIES	27,301	26,436	58,400	53,102	85,701	79,538
TOTAL LIABILITIES	32,143	30,679	62,836	57,302	94,979	87,982
NET POSITION:						
Net investment in capital assets	24,078	22,481	52,638	53,648	76,716	76,129
Restricted	4,120	4,605	13,067	11,328	17,187	15,933
Unrestricted	1,309	4,909	17,555	15,411	18,864	20,581
TOTAL NET POSITION	\$ 29,507	\$ 31,995	\$ 83,260	\$ 80,387	\$ 112,767	\$ 112,643

City of Salisbury, Maryland
Management's Discussion & Analysis
 (Unaudited)

Net position of the City's governmental activities declined 8.8 percent to \$29.5 million due to decreases in noncurrent assets, increases in current liabilities and increases in noncurrent liabilities. Net position of the City's business-type activities increased by 6.0 percent to \$83.3 million due to increases in current and non-current assets relating to a wastewater treatment plant settlement.

The City's total revenues were \$49.9 million. A significant portion, 42.3 percent, of the City's revenue comes from property and other taxes. (See Figure A-3.) A portion, 45.4 percent, comes from charges for services and 7.9 percent comes from operating grants. The remaining 4.4 percent comes from miscellaneous, capital grants and investment earnings. The total cost of all programs and services was \$48 million.

Figure A-3
 City of Salisbury
 Sources of Revenue for Fiscal Year 2013

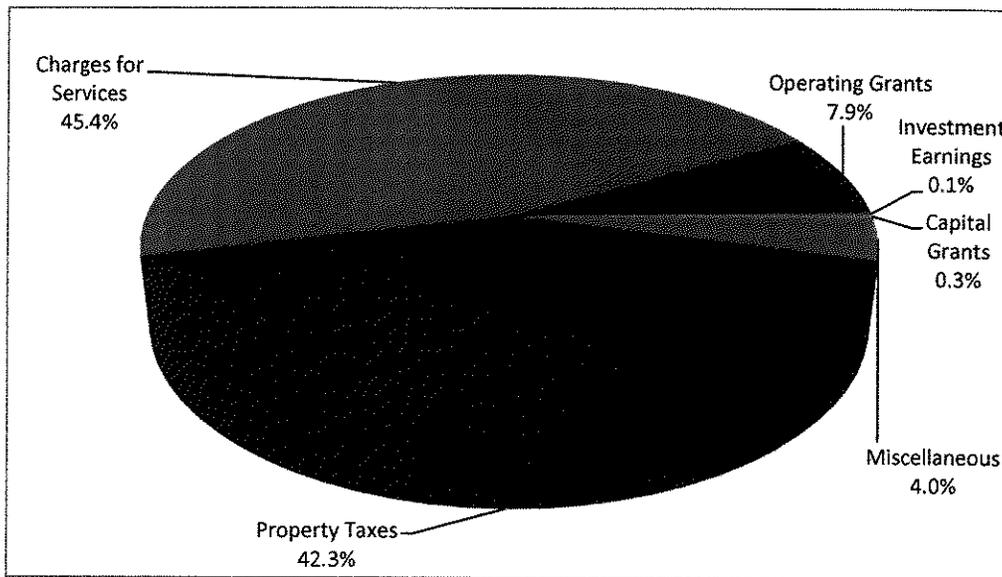


Table A-2
 SOURCES OF REVENUES
 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 5,897	\$ 4,471	\$ 16,734	\$ 16,378	\$ 22,631	\$ 20,849
Operating grants	3,914	3,741	-	-	3,914	3,741
Capital grants	149	764	-	288	149	1,052
General revenues/transfers:						
Taxes	21,416	23,181	-	-	21,416	23,181
Investment earnings	29	30	36	18	65	48
Operating transfers	(43)	(33)	43	33	-	-
Miscellaneous	504	1,221	1,213	7,599	1,717	8,820
TOTAL REVENUES	\$ 31,866	\$ 33,375	\$ 18,026	\$ 24,316	\$ 49,892	\$ 57,691

Table A-3 presents the cost 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.

DRAFT - FOR DISCUSSION PURPOSES ONLY

City of Salisbury, Maryland
 Management's Discussion & Analysis
 (Unaudited)

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	% Change	2013	2012	% Change
Governmental activities:						
General government	\$ 3,223	\$ 3,210	0.4%	\$ 582	\$ 707	-17.6%
Public safety	20,011	18,879	6.09%	15,019	14,529	3.3%
Public works	7,839	6,533	20.0%	6,335	4,975	27.3%
Recreation and culture	1,969	2,043	-3.6%	1,147	1,478	-22.4%
Miscellaneous	1,023	492	108.0%	1,023	493	107.5%
Interest on long-term debt	642	910	-29.5%	642	910	-29.5%
Total governmental activities	34,707	32,067		24,748	23,092	
Business-type activities:						
Water and sewer	12,324	12,828	-3.9%	(3,603)	(3,011)	19.7%
Other	956	1,001	-4.5%	149	175	-14.9%
Total business-type activities	13,280	13,829		(3,454)	(2,836)	
Total	\$ 47,987	\$ 45,896		\$ 21,294	\$ 20,256	

CHANGE IN NET POSITION
 (in thousands of dollars)

Governmental Activities		Business-type Activities		Totals	
2013	2012	2013	2012	2013	2012
\$ (2,842)	\$ 1,307	\$ 4,747	\$ 10,487	\$ 1,905	\$ 11,794

Governmental Activities

Property tax revenues were down due in part to a decline in the assessable base between FY 2013 and FY 2012. The cost of all *governmental* activities this year was \$34.7 million. However, the amount that the City's taxpayers paid for these activities through taxes was only \$21.4 million. Some of the cost was paid by those who directly benefited from the programs, \$5.9 million, or by grants and contributions, \$4.1 million. The total cost of governmental activities increased by 8.2 percent, which can be attributed largely to increases in public safety and public works.

Business-type Activities

Revenues of the City's business-type activities were \$18.0 million in FY 2013 vs. \$24.3 million in FY 2012 (refer to Table A-2) while expenses were \$13.3 million in FY 2013 versus \$13.8 million in FY 2012. The revenue decline is due to the City receiving lawsuit settlement proceeds in relation to the Wastewater Treatment plant of \$6.4 million more in FY 2012 than in FY 2013. Overall costs decreased by \$.5 million or 3.9 percent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of the end of FY 2013, the City's governmental funds reported a combined fund balance of \$17.1 million, \$.7 million less than the previous year. At year end, the general fund had a fund balance of \$12.0 million and the capital improvements fund had a fund balance of \$4.0 million. The fund balance for other governmental funds reported an ending fund balance of \$1.1 million. Revenue collections were less than expenditures 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 \$33.7 million versus an Original Budget of \$31.1 million. The majority of the variance is due to a carry forward of encumbrances from FY 2012. Actual expenditures were \$2.8 million below final budget amounts. All departments were under budget during the year.

DRAFT - FOR DISCUSSION PURPOSES ONLY

City of Salisbury, Maryland
 Management's Discussion & Analysis
 (Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the City had invested \$215 million in a broad range of capital assets. (See Table A-4.)

Table A-4
 CITY'S CAPITAL ASSETS
 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2013	2012	2013	2012	2013	2012	
Land and art	\$ 7,884	\$ 7,884	\$ 2,047	\$ 2,047	\$ 9,931	\$ 9,931	0%
Buildings and improvements	20,435	20,434	21,758	21,758	42,193	42,192	0%
Infrastructure	12,804	8,240	30,909	25,644	43,713	33,884	29%
Machinery and equipment	18,254	17,464	11,969	11,597	30,223	29,061	4%
Zoo animals	36	36	-	-	36	36	0%
Construction-in-progress	2,678	6,882	86,435	86,756	89,113	93,638	-5%
Totals at historical cost	62,091	60,940	153,118	147,802	215,209	208,742	3%
Total accumulated depreciation	20,733	18,971	41,373	39,861	62,106	58,832	6%
Net capital assets	<u>\$ 41,358</u>	<u>\$ 41,969</u>	<u>\$111,745</u>	<u>\$107,941</u>	<u>\$153,103</u>	<u>\$149,910</u>	2%

The City's governmental capital purchases for fiscal year 2013 included a fireman's radios, foam trailer, ambulances, rescue/rapid response vessel and 11 police vehicles. Infrastructure improvements were made to the Waverly Street storm drains and the park pedestrian bridge. The business-type activities purchases included a sewer vac truck and upgrades to the wastewater treatment plant, construction of the Beaverdam Creek Stabilization, and improvements made for portable water storage. 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 \$76.4 million in bonds, notes and leases outstanding, an increase of \$2.6 million over the previous year. The City issued \$6 million of Public Improvement bonds to finance the Waverly Drive Water Quality Inlet project, the Milford Street Water Tank and the continuing construction of the upgrade to the Wastewater treatment plant. The City used lease financing to purchase an ambulance, radios and a new sewer jet vac truck in FY 2013. The City is limited to a maximum general obligation bond limit of \$105 million. The City has recently issued its debt through private placement or use of loan programs with the State of Maryland; thus, it does not go to the credit rating agencies. More detailed information about the City's long-term liabilities is presented in Note 6 to the financial statements.

Table A-5
 CITY'S LONG-TERM DEBT
 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2013	2012	2013	2012	2013	2012	
Leases payable	\$ 2,325	\$ 2,716	\$ 287	\$ 133	\$ 2,612	\$ 2,849	-8%
Bonds payable	14,755	16,537	57,438	52,778	72,193	69,315	4%
Mortgages and notes payable	201	235	1,382	1,382	1,583	1,617	-2%
Total Bonds and Notes Payable	<u>\$ 17,281</u>	<u>\$ 19,488</u>	<u>\$ 59,107</u>	<u>\$ 54,293</u>	<u>\$ 76,388</u>	<u>\$ 73,781</u>	4%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Construction activity in the City is slowly increasing, corresponding to the overall housing market. There is still some continuing construction activity in the City, with a mixture of residential and commercial. The City collected \$364,641 in building permit revenues for FY 2013 vs. \$185,570 for FY 2012, which reflects the growth in activity.
- The City received \$483,428 less real estate tax revenue in FY 2013 due to a decline in real property assessments. The total of other tax revenues were \$48,171 more in FY 2013 than FY 2012.
- The City's next three-year reassessment cycle started in January 2013.
- The State of Maryland continued the revenue cuts for Highway User Taxes for FY 2013 but budgeted substantial increases for FY 2014.
- The local (Wicomico County) unemployment rate as of August 2013 was 7.7 percent, down 1.0 percent from a year ago. The State of Maryland had a 7.0 percent rate and the nation as a whole has a 7.3 percent unemployment rate.

The City did not raise taxes for FY 2013. The City has limited options for generating revenue and is near its current tax rate limit. The City must be prepared for revenue reductions from State of Maryland revenue sources. As a result, the City will need to continue to limit the growth of expenses in order to stay within projected revenues and other operating resources.

As for the City's business-type activities, the water and sewer fund final budget decreased from \$23.6 million in the FY 2012 to \$22.6 million in FY 2013. Sewer rates were increased in FY 2012 (18.4 percent) and were unchanged in FY 2013. The City is in the process of upgrading the Wastewater Treatment Plant ("WWTP"). After the last upgrade, the WWTP is not producing effluent at the level required by the State. As a result, the City has completed a Corrective Action Plan and Preliminary Engineering Report for the WWTP upgrades. Both documents have been approved by the State of Maryland Department of the Environment. The design of the improvements recommended in the Corrective Action Plan is underway. The City is under an Amended Consent Order from the State of Maryland, which dictates that the upgrade must be complete and the WWTP meeting effluent limits by December 31, 2017. The Amended Consent Order outlined the financing options for the WWTP, including providing Biological Nutrient Removal and Enhanced Nutrient Removal ("BNR/ENR") grants and a 0% 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, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investment pool	\$ 10,081,045	\$ 17,462,286	\$ 27,543,331
Taxes receivable, net	1,170,024	-	1,170,024
Accounts receivable, net	2,168,916	2,785,429	4,954,345
Due from other governmental units	1,847,725	742,437	2,590,162
Due from other funds	193,542	(193,542)	-
Inventories	708,383	487,363	1,195,746
Other assets	1,980		1,980
Total Current Assets	<u>16,171,615</u>	<u>21,283,973</u>	<u>37,455,588</u>
Noncurrent assets:			
Restricted cash	4,120,435	13,067,314	17,187,749
Construction-in-progress	2,677,919	86,435,515	89,113,434
Land and art	7,883,810	2,046,753	9,930,563
Capital assets at cost	51,529,132	64,636,126	116,165,258
Less accumulated depreciation	(20,732,614)	(41,373,408)	(62,106,022)
Total Noncurrent Assets	<u>45,478,682</u>	<u>124,812,300</u>	<u>170,290,982</u>
TOTAL ASSETS	<u>\$ 61,650,297</u>	<u>\$ 146,096,273</u>	<u>\$ 207,746,570</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,478,494	\$ 307,064	\$ 1,785,558
Unearned revenue	880	-	880
Due to other governmental units	3,150	-	3,150
Deposits and advance payments of taxes	528,155	25,747	553,902
Compensated absences	132,138	20,157	152,295
Accrued interest payable	90,465	153,946	244,411
Bonds, notes and capital leases payable	2,608,521	3,929,131	6,537,652
Total Current Liabilities	<u>4,841,803</u>	<u>4,436,045</u>	<u>9,277,848</u>
Noncurrent liabilities:			
Compensated absences	1,189,249	181,408	1,370,657
Post-employment benefits	11,440,277	3,041,086	14,481,363
Bonds, notes and capital leases payable	14,672,323	55,177,608	69,849,931
Total Noncurrent Liabilities	<u>27,301,849</u>	<u>58,400,102</u>	<u>85,701,951</u>
Total Liabilities	<u>32,143,652</u>	<u>62,836,147</u>	<u>94,979,799</u>
NET POSITION			
Net investment in capital assets	24,077,403	52,638,247	76,715,650
Restricted	4,120,435	13,067,314	17,187,749
Unrestricted	1,308,807	17,554,565	18,863,372
Total Net Position	<u>29,506,645</u>	<u>83,260,126</u>	<u>112,766,771</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 61,650,297</u>	<u>\$ 146,096,273</u>	<u>\$ 207,746,570</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, 2013**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
	Expenses	Capital Grants and Contributions	Total	Total
GOVERNMENTAL ACTIVITIES				
General government	\$ 3,223,000	\$ -	\$ (581,547)	\$ (581,547)
Public safety	20,011,470	-	(15,019,049)	(15,019,049)
Public works	7,839,004	148,974	(6,335,104)	(6,335,104)
Recreation and culture	1,968,974	-	(1,146,942)	(1,146,942)
Nondepartmental	1,022,520	-	(1,022,520)	(1,022,520)
Interest on long-term debt	642,370	-	(642,370)	(642,370)
Total Governmental Activities	<u>34,707,338</u>	<u>148,974</u>	<u>(24,747,532)</u>	<u>(24,747,532)</u>
BUSINESS-TYPE ACTIVITIES				
Water and sewer	12,324,192	-	3,602,803	3,602,803
Other	955,780	-	(148,829)	(148,829)
Total Business-type Activities	<u>13,279,972</u>	<u>-</u>	<u>3,453,974</u>	<u>3,453,974</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 47,987,310</u>	<u>\$ 148,974</u>	<u>(24,747,532)</u>	<u>(21,293,558)</u>
GENERAL REVENUES				
Taxes				
Real and personal property taxes, levied for general purposes			14,454,670	14,454,670
Ordinary business corporations and utilities			5,129,244	5,129,244
State shared income tax			1,439,078	1,439,078
Other taxes			393,131	393,131
Unrestricted investment earnings			29,284	36,092
Lawsuit settlement proceeds, net			-	1,213,464
Miscellaneous			503,748	65,376
Operating transfers			(43,466)	-
TOTAL GENERAL REVENUES AND TRANSFERS			<u>21,905,689</u>	<u>1,293,022</u>
CHANGE IN NET POSITION			(2,841,843)	4,746,996
NET POSITION, BEGINNING OF YEAR *			32,348,488	78,513,130
NET POSITION, END OF YEAR			<u>\$ 29,506,645</u>	<u>\$ 83,260,126</u>

* Restated. See Notes 14 and 15.

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

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
ASSETS				
Cash	\$ 9,785,969	\$ -	\$ 234,100	\$10,020,069
Investment pool	695,446	-	36,935	732,381
Taxes receivable	2,532,628	-	-	2,532,628
Less allowance for uncollectibles	(1,362,604)	-	-	(1,362,604)
Due from other governmental units	369,969	-	1,477,756	1,847,725
Due from other funds	193,542	-	-	193,542
Sundry accounts receivable	4,069,453	-	111,163	4,180,616
Less allowance for uncollectibles	(2,011,700)	-	-	(2,011,700)
Inventory	708,383	-	-	708,383
Other assets	1,980	-	-	1,980
Restricted cash	158,750	1,067,191	-	1,225,941
Restricted investment pool	-	2,894,494	-	2,894,494
	<u>\$15,141,816</u>	<u>\$ 3,961,685</u>	<u>\$ 1,859,954</u>	<u>\$20,963,455</u>
TOTAL ASSETS				
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Cash overdraft	\$ -	\$ -	\$ 671,405	\$ 671,405
Accounts payable and accrued expenses	1,409,471	-	69,023	1,478,494
Due to other governmental units	3,150	-	-	3,150
Deposits and advance payment of taxes	528,155	-	-	528,155
Compensated absences	130,926	-	1,212	132,138
Total Liabilities	<u>2,071,702</u>	<u>-</u>	<u>741,640</u>	<u>2,813,342</u>
Deferred Inflows of Resources				
Unavailable revenue	1,089,230	-	880	1,090,110
Total Deferred Inflows of Resources	<u>1,089,230</u>	<u>-</u>	<u>880</u>	<u>1,090,110</u>
Fund Balances:				
Nonspendable	708,383	-	-	708,383
Restricted	-	3,961,685	-	3,961,685
Committed	673,064	-	304,526	977,590
Assigned	1,569,809	-	812,908	2,382,717
Unassigned	9,029,628	-	-	9,029,628
Total Fund Balances	<u>11,980,884</u>	<u>3,961,685</u>	<u>1,117,434</u>	<u>17,060,003</u>
	<u>\$15,141,816</u>	<u>\$ 3,961,685</u>	<u>\$ 1,859,954</u>	<u>\$20,963,455</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				

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

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 17,060,003

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. 41,358,247

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. 1,089,230

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	\$ (17,280,844)	
Compensated absences	(1,189,249)	
Post-employment benefits	(11,440,277)	
Accrued interest on bonds	<u>(90,465)</u>	<u>(30,000,835)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 29,506,645

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

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
REVENUES				
Taxes	\$21,996,832	\$ -	\$ -	\$21,996,832
Other revenue	3,548,372	3,904	104	3,552,380
Intergovernmental revenues	1,438,344	148,974	2,475,262	4,062,580
Charges for services	2,791,096	-	86,782	2,877,878
TOTAL REVENUES	29,774,644	152,878	2,562,148	32,489,670
EXPENDITURES				
Current:				
General government	2,439,619	-	388,421	2,828,040
Public safety	16,919,858	-	-	16,919,858
Public works	4,807,675	-	1,464,578	6,272,253
Recreation and culture	1,584,511	-	-	1,584,511
Nondepartmental	1,022,520	-	-	1,022,520
Capital outlays	629,619	795,817	270,691	1,696,127
Debt service:				
Principal	2,543,272	-	-	2,543,272
Interest	647,163	-	-	647,163
TOTAL EXPENDITURES	30,594,237	795,817	2,123,690	33,513,744
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(819,593)	(642,939)	438,458	(1,024,074)
OTHER FINANCING SOURCES				
Operating transfers in (out)	(222,128)	-	178,662	(43,466)
Proceeds from extended term financing	335,664	-	-	335,664
TOTAL OTHER FINANCING SOURCES	113,536	-	178,662	292,198
NET CHANGE IN FUND BALANCES	(706,057)	(642,939)	617,120	(731,876)
FUND BALANCES, BEGINNING OF YEAR *	12,686,941	4,604,624	500,314	17,791,879
FUND BALANCES, END OF YEAR	\$11,980,884	\$ 3,961,685	\$ 1,117,434	\$17,060,003

* Restated. See Note 15.

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, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (731,876)

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	\$ 1,227,914	
Depreciation expense	<u>(1,838,932)</u>	(611,018)

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, capital leases of this amount were issued. (335,664)

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. (580,709)

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. 2,543,272

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	(41,741)	
Increase in post-employment benefits	(3,088,900)	
Decrease in accrued interest payable	<u>4,793</u>	<u>(3,125,848)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (2,841,843)

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

CITY OF SALISBURY, MARYLAND
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 JUNE 30, 2013

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
ASSETS				
Current assets:				
Cash	\$ -	\$ 19,042	\$ 202	\$ 19,244
Investment pool	19,661,515	-	377,251	20,038,766
Accounts receivable	2,748,929	3,550	32,950	2,785,429
Due from other governmental units	742,437	-	-	742,437
Inventories	487,363	-	-	487,363
Total Current Assets	23,640,244	22,592	410,403	24,073,239
Noncurrent assets:				
Restricted cash	-	141,021	-	141,021
Restricted investment pool	12,926,293	-	-	12,926,293
Capital assets:				
Construction-in-progress	86,369,515	-	66,000	86,435,515
Land	149,953	114,010	1,782,790	2,046,753
Buildings, equipment and improvements	57,281,094	1,454,319	5,900,713	64,636,126
Less accumulated depreciation	(36,970,662)	(739,066)	(3,663,680)	(41,373,408)
Total Noncurrent Assets	119,756,193	970,284	4,085,823	124,812,300
TOTAL ASSETS	\$143,396,437	\$ 992,876	\$ 4,496,226	\$148,885,539
LIABILITIES AND NET POSITION				
LIABILITIES				
Due in one year:				
Cash overdraft	\$ 2,595,724	\$ -	\$ -	\$ 2,595,724
Accounts payable	149,380	9,610	5,994	164,984
Accrued payroll	132,099	988	8,993	142,080
Accrued interest payable	151,808	-	2,138	153,946
Due to other funds	-	-	193,542	193,542
Provision for compensated absences	20,157	-	-	20,157
Bonds, notes and capital leases payable	3,845,722	-	83,409	3,929,131
Deposits	12,302	13,445	-	25,747
Total Current Liabilities	6,907,192	24,043	294,076	7,225,311
Due in more than one year:				
Bonds, notes and capital leases payable	53,129,463	1,381,807	666,338	55,177,608
Post-employment benefits	3,041,086	-	-	3,041,086
Provision for compensated absences	181,408	-	-	181,408
Total Noncurrent Liabilities	56,351,957	1,381,807	666,338	58,400,102
Total Liabilities	63,259,149	1,405,850	960,414	65,625,413
NET POSITION (DEFICIT)				
Net investment in capital assets	49,854,715	(552,544)	3,336,076	52,638,247
Restricted	12,926,293	141,021	-	13,067,314
Unrestricted	17,356,280	(1,451)	199,736	17,554,565
Total Net Position (Deficit)	80,137,288	(412,974)	3,535,812	83,260,126
TOTAL LIABILITIES AND NET POSITION	\$143,396,437	\$ 992,876	\$ 4,496,226	\$148,885,539

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

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
OPERATING REVENUES				
Charges for services	\$ 14,732,066	\$ 170,984	\$ 635,967	\$ 15,539,017
Penalties	83,069	-	-	83,069
Tapping charges and connection fees	18,393	-	-	18,393
Sundry income	487,024	-	-	487,024
Pretreatment monitoring fee	184,997	-	-	184,997
Impact fees	421,446	-	-	421,446
TOTAL OPERATING REVENUES	<u>15,926,995</u>	<u>170,984</u>	<u>635,967</u>	<u>16,733,946</u>
OPERATING EXPENSES				
Salaries	3,374,110	-	205,148	3,579,258
Personnel benefits	2,301,020	5,987	77,834	2,384,841
Professional and skilled services	1,552,080	49,504	129,847	1,731,431
Supplies	1,171,438	50,997	15,185	1,237,620
Other operating expenses	1,866,396	44,537	178,486	2,089,419
Equipment	7,272	-	-	7,272
Bad debt expense	-	9,953	-	9,953
TOTAL OPERATING EXPENSES	<u>10,272,316</u>	<u>160,978</u>	<u>606,500</u>	<u>11,039,794</u>
Operating income before depreciation	5,654,679	10,006	29,467	5,694,152
Depreciation	1,344,011	36,623	132,117	1,512,751
NET OPERATING INCOME (LOSS)	<u>4,310,668</u>	<u>(26,617)</u>	<u>(102,650)</u>	<u>4,181,401</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfers in	-	-	43,466	43,466
Lawsuit settlement proceeds, net	1,213,464	-	-	1,213,464
Interest income	34,387	1,379	326	36,092
Interest expense	(707,865)	-	(19,562)	(727,427)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>539,986</u>	<u>1,379</u>	<u>24,230</u>	<u>565,595</u>
CHANGE IN NET POSITION	4,850,654	(25,238)	(78,420)	4,746,996
NET POSITION (DEFICIT), BEGINNING OF YEAR*	<u>75,286,634</u>	<u>(387,736)</u>	<u>3,614,232</u>	<u>78,513,130</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 80,137,288</u>	<u>\$ (412,974)</u>	<u>\$ 3,535,812</u>	<u>\$ 83,260,126</u>

* Restated. See Notes 14 and 15.

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, 2013

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$15,672,726	\$ 174,919	\$ 628,334	\$16,475,979
Payments to suppliers	(6,089,013)	(164,370)	(210,363)	(6,463,746)
Payments to employees	(3,399,112)	-	(206,306)	(3,605,418)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,184,601</u>	<u>10,549</u>	<u>211,665</u>	<u>6,406,815</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Litigation settlement proceeds	1,213,464	-	-	1,213,464
Internal activity - payments (to) from other funds	-	-	43,466	43,466
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,213,464</u>	<u>-</u>	<u>43,466</u>	<u>1,256,930</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds, notes and capital leases	9,203,069	-	-	9,203,069
Principal paid on bonds, notes and capital leases	(4,308,252)	-	(81,433)	(4,389,685)
Interest paid on bonds, notes and mortgages	(681,861)	-	(19,913)	(701,774)
Payments for capital acquisitions	(5,250,772)	-	(66,000)	(5,316,772)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,037,816)</u>	<u>-</u>	<u>(167,346)</u>	<u>(1,205,162)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends	34,387	1,379	326	36,092
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>34,387</u>	<u>1,379</u>	<u>326</u>	<u>36,092</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,394,636	11,928	88,111	6,494,675
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>23,597,448</u>	<u>148,135</u>	<u>289,342</u>	<u>24,034,925</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$29,992,084</u>	<u>\$ 160,063</u>	<u>\$ 377,453</u>	<u>\$30,529,600</u>
Cash (overdraft)	\$ (2,595,724)	\$ 19,042	\$ 202	\$ (2,576,480)
Investment pool	19,661,515	-	377,251	20,038,766
Restricted cash	-	141,021	-	141,021
Restricted investment pool	12,926,293	-	-	12,926,293
	<u>\$29,992,084</u>	<u>\$ 160,063</u>	<u>\$ 377,453</u>	<u>\$30,529,600</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 4,310,668	\$ (26,617)	\$ (102,650)	\$ 4,181,401
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,344,011	36,623	132,117	1,512,751
(Increase) Decrease in:				
Accounts receivables	(122,009)	2,425	(7,633)	(127,217)
Due from other governments	(132,260)	-	-	(132,260)
Prepaid expenses	12,270	-	-	12,270
Inventories	21,005	-	-	21,005
Increase (Decrease) in:				
Accounts payable	(45,182)	(3,392)	(2,553)	(51,127)
Accrued expenses	(1,608)	-	(1,158)	(2,766)
Due to other governments	-	-	193,542	193,542
Compensated absences	(23,394)	-	-	(23,394)
Post-employment benefits	821,100	-	-	821,100
Deposits	-	1,510	-	1,510
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,184,601</u>	<u>\$ 10,549</u>	<u>\$ 211,665</u>	<u>\$ 6,406,815</u>

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

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND STATEMENT OF NET POSITION - FIDUCIARY FUNDS JUNE 30, 2013

	<u>Health Care Trust</u>	<u>Private- purpose Trust</u>	<u>Agency Funds</u>
ASSETS			
Cash and investment pool	\$ -	\$ 102,772	\$ 430,818
Investments	1,267,573	-	-
Accounts receivable	-	-	182,611
Total Assets	<u>1,267,573</u>	<u>102,772</u>	<u>613,429</u>
LIABILITIES			
Cash overdraft	-	187,604	-
Accounts payable	-	-	18,574
Deposits	-	-	150,672
Due to other governmental units	-	-	444,183
Total Liabilities	<u>-</u>	<u>187,604</u>	<u>613,429</u>
NET POSITION (DEFICIT)			
Restricted	<u>\$ 1,267,573</u>	<u>\$ (84,832)</u>	<u>\$ -</u>

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

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2013

	Health Care Trust	Private- purpose Trust
ADDITIONS		
Interest	\$ 26,773	\$ -
Gain on sale of investments	91,377	-
TOTAL ADDITIONS	118,150	-
DEDUCTIONS		
Operating expenses	3,061	56,305
TOTAL DEDUCTIONS	3,061	56,305
CHANGE IN NET POSITION	115,089	(56,305)
NET POSITION (DEFICIT), BEGINNING OF YEAR	1,152,484	(28,527)
NET POSITION (DEFICIT), END OF YEAR	\$ 1,267,573	\$ (84,832)

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

DRAFT - FOR DISCUSSION PURPOSES ONLY

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 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.

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

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 and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

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

PROPRIETARY FUNDS

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

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.

NOTES TO FINANCIAL STATEMENTS

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

FIDUCIARY FUNDS

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

Measurement Focus

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

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

Like the entity-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of 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.

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND NOTES TO FINANCIAL STATEMENTS

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets 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.

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND NOTES TO FINANCIAL STATEMENTS

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

Property Taxes

Property taxes attach as an enforceable lien as of July 1. Taxes are levied on July 1 and are recognized when levied. Taxes are due and payable on or before September 30 and all unpaid taxes become delinquent October 1. 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 revenue. An allowance is established for delinquent personal property taxes to the extent that their collectibility is improbable. At June 30, 2013, 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 fixed 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.

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:

	Useful Lives	
	Governmental Activities	Business-type Activities
Land improvements	10 - 40 years	10 - 40 years
Buildings and improvements	10 - 40 years	10 - 40 years
Improvements, nonbuildings	10 - 20 years	10 - 20 years
Machinery and equipment	5 - 15 years	5 - 15 years

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Compensated Absences

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

Accrued Liabilities and Long-term Obligations

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

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

Net Position

Net position represents the difference between assets and liabilities. 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.

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

Fund Balance Reserves and Deficit

Fund balance will be displaced in the following classification (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 Council is the highest level of decision-making authority for the City of Salisbury. Commitments may be established, modified or rescinded only through resolutions approved by the City Council.

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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. Council has designated the Director of Internal Services the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

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

The deficit in the Mitchell Landing Fund (major enterprise fund) as of June 30, 2013 was \$412,974. This deficit is due to depreciation which cannot be recaptured through user charges.

Early Implementation of GASB Statements

During the current year, the City elected to early implement the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). See the restatement footnote disclosure for the restatement effects to these financial statements.

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. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues not meeting these definitions are reported as nonoperating.

Estimates in the Preparation of Financial Statements

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

NOTE 3 CASH AND INVESTMENTS

The City maintains a cash account and an investment pool that is available for use by all funds. Each fund reports its portion of this account and pool. Additional cash and investment accounts are also held separately by several of the City's funds.

The City follows the State of Maryland laws related to types of deposits and investments, selection of depositories and collateral requirements.

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CITY OF SALISBURY, MARYLAND NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

Cash and deposits

At June 30, 2013, the carrying amount of the City's deposits was \$8,653,640 and the bank balance was \$7,741,507. Of the bank balance, \$932,066 was covered by federal depository insurance, and \$6,809,441 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 institutional investments. A 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.

As of June 30, 2013, the City's investment pool consisted of MLGIP investments which, due to their nature, have no credit or custodial risk associated with them. The carrying value of the investment pool at June 30, 2013 was \$36,611,030.

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 70 percent equities, and 30 percent cash and equivalents and government and corporate bonds. The investments are held at State Street Bank in the City's name. The funds are invested as follows:

Cash and equivalents	\$ 124,833
Government and agency bonds	57,417
Corporate bonds	227,192
Common stock	728,737
Mutual funds	129,394
Total	<u>\$1,267,573</u>

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

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CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

Investments in corporate bonds held at June 30, 2013 are as follows:

Quantity	Company	Interest Rate	Due Date
10,000	Berkshire Hathaway	1.60%	05/15/17
10,000	Berkshire Hathaway	3.20%	02/11/15
10,000	Deere Capital Corp.	2.00%	01/13/17
10,000	JPMorgan Chase & Co.	4.65%	06/01/14
10,000	Merrill Lynch & Co., Inc.	6.875%	04/25/18
10,000	PNC Funding Corp.	3.625%	02/08/15
10,000	GTE Corporation	6.84%	04/15/18
10,000	The Walt Disney Company	1.35%	08/16/16
10,000	Costco Wholesale	1.125%	12/15/17
10,000	Anheuser-Busch	4.125%	01/15/15
10,000	The Coca-Cola Company	1.50%	11/15/15
10,000	Colgate-Palmolive	3.15%	08/05/15
10,000	PepsiCo Inc.	7.90%	11/01/18
10,000	Pfizer Inc.	5.35%	03/15/15
10,000	Becton Dickinson	1.75%	11/08/16
10,000	Texas Instruments Inc.	2.375%	05/16/16
10,000	General Electric Company	5.25%	12/06/17
10,000	BP Capital Markets	3.125%	10/01/15
10,000	Occidental Petroleum	1.75%	02/15/17
15,000	Shell Int'l Finance BV	4.00%	03/21/14
10,000	Intel Corporation	1.95%	10/01/16

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, 2013, appropriate due from/to other funds have been established. The General fund has the following amounts due from other funds:

Parking Fund	\$ 146,304
Marina Fund	47,238

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2013</u>
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land and art	\$ 7,883,810	\$ -	\$ -	\$ -	\$ 7,883,810
Construction-in-progress	6,882,000	360,325	-	(4,564,406)	2,677,919
Total Capital Assets Not Being Depreciated	<u>14,765,810</u>	<u>360,325</u>	<u>-</u>	<u>(4,564,406)</u>	<u>10,561,729</u>

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

(cont'd)	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2013</u>
Capital assets being depreciated:					
Land improvements	767,410	-	-	-	767,410
Buildings and improvements	19,667,003	-	-	-	19,667,003
Improvements, non-buildings	8,239,831	-	-	4,564,406	12,804,237
Machinery and equipment	17,463,826	867,589	(76,933)	-	18,254,482
Zoo animals	36,000	-	-	-	36,000
Total Capital Assets Being					
Depreciated	46,174,070	867,589	(76,933)	4,564,406	51,529,132
Accumulated depreciation	(18,970,615)	(1,838,932)	76,933	-	(20,732,614)
Total Capital Assets Being					
Depreciated, Net	27,203,455	(971,343)	-	4,564,406	30,796,518
Governmental Activities					
Capital Assets, Net	<u>\$ 41,969,265</u>	<u>\$ (611,018)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,358,247</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 59,460
Public safety	1,139,762
Public works	464,922
Recreation and culture	174,788
	<u>\$ 1,838,932</u>
Total depreciation expense	

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2013</u>
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land	\$ 149,953	\$ -	\$ -	\$ -	\$ 149,953
Construction-in-progress	86,756,297	4,907,711	-	(5,294,493)	86,369,515
Total Capital Assets Not Being Depreciated	<u>86,906,250</u>	<u>4,907,711</u>	<u>-</u>	<u>(5,294,493)</u>	<u>86,519,468</u>
Capital assets being depreciated:					
Land improvements	430,636	-	-	-	430,636
Buildings and improvements	14,434,718	-	-	-	14,434,718
Improvements, non-buildings	25,550,215	-	-	5,294,493	30,844,708
Machinery and equipment	11,227,971	343,061	-	-	11,571,032
Total Capital Assets Being					
Depreciated	51,643,540	343,061	-	5,294,493	57,281,094
Accumulated depreciation	(35,626,651)	(1,344,011)	-	-	(36,970,662)
Total Capital Assets Being Depreciated, Net	<u>16,016,889</u>	<u>(1,000,950)</u>	<u>-</u>	<u>5,294,493</u>	<u>20,310,432</u>
Water and Sewer Fund					
Capital Assets, Net	<u>\$102,923,139</u>	<u>\$ 3,905,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$106,829,900</u>

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2013</u>
Parking Authority Fund					
Capital assets not being depreciated:					
Land	\$ 467,790	\$ -	\$ -	\$ -	\$ 467,790
Construction-in-progress	-	66,000	-	-	66,000
Total Capital Assets Not Being Depreciated	<u>467,790</u>	<u>66,000</u>	<u>-</u>	<u>-</u>	<u>533,790</u>
Capital assets being depreciated:					
Land improvements	156,704	-	-	-	156,704
Buildings and improvements	3,742,091	-	-	-	3,742,091
Improvements, non-buildings	64,800	-	-	-	64,800
Machinery and equipment	181,148	-	-	-	181,148
Total Capital Assets Being Depreciated	<u>4,144,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,144,743</u>
Accumulated depreciation	<u>(2,160,518)</u>	<u>(112,810)</u>	<u>-</u>	<u>-</u>	<u>(2,273,328)</u>
Total Capital Assets Being Depreciated, Net	<u>1,984,225</u>	<u>(112,810)</u>	<u>-</u>	<u>-</u>	<u>1,871,415</u>
Parking Authority Fund Capital Assets, Net	<u>\$ 2,452,015</u>	<u>\$ (46,810)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,405,205</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2013</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>-</u>	<u>-</u>	<u>-</u>	<u>1,315,000</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	<u>1,755,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,755,970</u>
Accumulated depreciation	<u>(1,371,045)</u>	<u>(19,307)</u>	<u>-</u>	<u>-</u>	<u>(1,390,352)</u>
Total Capital Assets Being Depreciated, Net	<u>384,925</u>	<u>(19,307)</u>	<u>-</u>	<u>-</u>	<u>365,618</u>
City Marina Fund Capital Assets, Net	<u>\$ 1,699,925</u>	<u>\$ (19,307)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,680,618</u>

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	July 1, 2012	Additions	Deletions	Transfers	June 30, 2013
Mitchell Landing Fund					
Capital assets not being depreciated:					
Land	\$ 114,010	\$ -	\$ -	\$ -	\$ 114,010
Total Capital Assets Not Being Depreciated	114,010	-	-	-	114,010
Capital assets being depreciated:					
Land improvements	7,862	-	-	-	7,862
Buildings and improvements	1,357,052	-	-	-	1,357,052
Machinery and equipment	89,405	-	-	-	89,405
Total Capital Assets Being Depreciated	1,454,319	-	-	-	1,454,319
Accumulated depreciation	(702,443)	(36,623)	-	-	(739,066)
Total Capital Assets Being Depreciated, Net	751,876	(36,623)	-	-	715,253
Mitchell Landing Fund Capital Assets, Net	\$ 865,886	\$ (36,623)	\$ -	\$ -	\$ 829,263

The majority of the construction-in-progress relates to the completion of the Waverly Storm Drain improvements for the governmental activities, and the expansion of the wastewater treatment plant and construction of Milford Street Water Tower for the business-type activities.

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 four percent of the assessed valuation of all real property and 10 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, 2013 totaled \$105,009,452. After considering general obligations including mortgages and notes outstanding of \$73,775,876, the available additional debt margin was \$31,233,576.

Long-term debt activity for the year ended June 30, 2013, was as follows:

	July 1, 2012	Additions	Retirements	June 30, 2013
Governmental Activities:				
General Obligation Bonds	\$ 16,537,322	\$ -	\$ 1,782,598	\$ 14,754,724
Mortgage and Notes Payable:				
State Erosion Note	5,552	-	5,552	-
Lawton Loan	229,991	-	28,749	201,242
Capital Lease Obligations	2,715,587	335,664	726,373	2,324,878
Compensated absences	1,275,009	46,378	-	1,321,387
Governmental Activities Long-term Debt	\$ 20,763,461	\$ 382,042	\$ 2,543,272	\$ 18,602,231

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

(cont'd)	<u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Business-type Activities:				
General Obligation Bonds	\$ 52,778,677	\$ 8,914,614	\$ 4,255,387	\$ 57,437,904
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	132,871	288,455	134,298	287,028
Compensated absences	224,959	-	23,394	201,565
Business-type Activities				
Long-term Debt	<u>\$ 54,518,314</u>	<u>\$ 9,203,069</u>	<u>\$ 4,413,079</u>	<u>\$ 59,308,304</u>

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

In the year ended June 30, 1998, the City obligated itself to pay to the DNR the amount of \$83,280. The loan is repayable in 15 annual installments of \$5,552. There is no interest on this obligation, which is accounted for in the general fund. This obligation was settled in full during the fiscal year ended June 30, 2013.

In the year ended June 30, 2003, the City obligated itself to pay to 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. The outstanding balance at year end was \$1,771,058.

In the year ended June 30, 2004, the City issued \$5,318,000 of Public Improvement Bonds at interest rates from 2.0 percent to 4.625 percent. Interest is payable semi-annually beginning November 1, 2004. The bonds mature in varying amounts beginning May 1, 2005 and continuing through May 1, 2024. This obligation is accounted for in the general fund. The outstanding balance at year end was \$2,991,200.

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. 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. As of June 30, 2013, total principal of \$41,721,225 has been drawn on this facility, and the principal amount outstanding totaled \$31,531,209. Future maturity requirements below are based on the full obligation.

In the year ended June 30, 2007, the City issued \$4,950,000 of Public Improvement Bonds at an interest rate of 4.03 percent. Interest is payable semi-annually beginning October 1, 2007. The bonds mature beginning April 1, 2008 and continuing through April 1, 2027. The amount of \$1,002,700 of the balance of the obligation is accounted for in the general fund, and the balance of \$2,462,300 is reflected in the water and sewer enterprise fund.

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CITY OF SALISBURY, MARYLAND NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

In the year ended June 30, 2008, the City issued \$3,605,000 of Public Improvement Bonds at an interest rate of 4.09 percent. Interest is payable semi-annually beginning August 1, 2008. The bonds mature beginning February 1, 2009 and continuing through February 1, 2028. The amount of \$390,883 of the balance of the obligation is carried in the water and sewer enterprise fund, and the balance of \$2,414,117 is accounted for in the general fund.

In the year ended June 30, 2010, the City issued \$2,600,000 of Public Improvement Bonds at an interest rate of 3.78 percent. Interest is payable semi-annually beginning May 1, 2010. The bonds mature beginning November 1, 2010 and continuing through November 1, 2024. The amount of \$1,676,626 of the balance of the obligation is carried in the water and sewer enterprise fund, and the balance of \$403,374 is accounted for in the general fund.

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, 2013 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. The outstanding balance at year end was \$1,765,208.

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. The outstanding balance at year end was \$201,242.

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. The outstanding balance at year end was \$109,070.

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. The outstanding balance at year end was \$4,554,449.

In the year ended June 30, 2012, the City issued \$2,588,000 of Public Improvement Refunding Bonds at an interest rate of 1.31 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, 2014. The amount of \$205,659 of the balance of the obligation is carried in the water and sewer enterprise fund, and the balance of \$576,341 is accounted for in the general fund.

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CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 **LONG-TERM DEBT** (cont'd)

In the year ended June 30, 2012, the City issued \$4,828,000 of Public Improvement Refunding Bonds at an interest rate of 2.39 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. The amount of \$1,129,642 of the balance of the obligation is carried in the water and sewer enterprise fund, \$640,677 is carried in the nonmajor enterprise fund and the balance of \$2,337,681 is accounted for in the general fund.

In the year ended June 30, 2012, the City issued \$7,693,000 of Public Improvement Bonds at an interest rate of 2.52 percent. Interest is payable semi-annually beginning May 1, 2012. The bonds mature in varying amounts beginning May 1, 2013 and continuing through May 1, 2027. The amount of \$6,789,138 of the balance of the obligation is carried in the water and sewer enterprise fund, and the balance of \$474,862 is accounted for in the capital improvements fund.

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. The outstanding balance at year end was \$1,631,000.

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. The outstanding balance at year end was \$1,294,434.

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 bond is accounted for in the water and sewer enterprise fund. The outstanding balance at year end was \$6,041,000.

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2014	\$ 1,667,555	\$ 514,727	\$ 2,182,282
2015	1,031,306	466,198	1,497,504
2016	1,057,726	431,494	1,489,220
2017	1,084,319	395,238	1,479,557
2018	1,119,721	358,097	1,477,818
2019-2023	6,026,430	1,179,082	7,205,512
2024-2028	2,968,909	234,915	3,203,824
	<u>\$ 14,955,966</u>	<u>\$ 3,579,751</u>	<u>\$ 18,535,717</u>

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CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

Year Ending June 30,	Business-type Activities		
	Principal Maturities	Interest Maturities	Total Maturities
2014	\$ 3,846,673	\$ 844,021	\$ 4,690,694
2015	3,687,334	780,879	4,468,213
2016	3,723,076	733,585	4,456,661
2017	3,757,796	685,283	4,443,079
2018	3,780,737	636,368	4,417,105
2019-2023	20,621,004	2,429,564	23,050,568
2024-2028	16,681,068	1,155,878	17,836,946
2029-2033	747,179	64,571	811,750
2034-2038	289,879	34,411	324,290
2039-2043	1,684,965	17,590	1,702,514
	<u>\$ 58,819,711</u>	<u>\$ 7,382,150</u>	<u>\$ 66,201,861</u>

Conduit Debt

In the year ended June 30, 2007, the City issued Special Obligation Bonds (Villages at Aydelotte Farm Project), Series 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. These bonds 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 2007, in the amount of \$15,000,000, payable solely from and secured by a pledge of certain tax increment revenues and special tax revenues. These bonds are secured in the first instance by the proceeds of tax collections attributable to the increase in the assessed value of real property located in a prescribed development district over the original taxable value of such property, as determined in accordance with the Maryland Tax Increment Financing Act. To the extent such tax increment revenues are insufficient, proceeds of special taxes levied on and collected from the taxable parcels within a prescribed special taxing district will be used to pay debt service. The full faith and credit and unlimited taxing power of the City have not been pledged to pay these bonds. These bonds are payable over 30 years, with semi-annual interest payments on July 1 and January 1, starting July 1, 2012 (or such earlier date as the bonds are converted and remarketed); and principal payments on July 1 in the years 2013 to 2036, inclusive, with a final principal and interest payment on January 1, 2037. These bonds

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CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

initially bear interest at the rate of 7.9 percent per annum. These bonds 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 \$5,155,471 with accumulated depreciation of \$1,572,565; for the water and sewer fund, the original cost is \$341,320 with accumulated depreciation of \$164,264 at June 30, 2013.

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>
2014	\$ 940,966	\$ 86,797
2015	784,636	43,271
2016	323,069	43,271
2017	280,087	43,271
2018	210,955	43,271
2019	-	43,271
Less amount representing interest	<u>(214,835)</u>	<u>(16,124)</u>
Present value of future minimum lease payments	<u>\$ 2,324,878</u>	<u>\$ 287,028</u>

NOTE 7 PENSION PLANS

Plan Description

Generally, all regular employees of the City participate in the State of Maryland Employees Retirement and Pension Systems ("Employees' Systems"). Law enforcement officers employed by the City generally participate in the State of Maryland Law Enforcement Officers Pension Systems ("LEOPS"). Starting in fiscal year 2005, the City's fire department was enabled to participate in 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. The Maryland State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the systems. That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201.

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CITY OF SALISBURY, MARYLAND NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLANS (cont'd)

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.

Funding Policy

During fiscal year 2013, the State Personnel and Pensions Article required active members to contribute to the Systems at the rate of six percent for LEOPS and seven percent for Non-LEOPS of their covered salary.

Employer's Payroll and Contributions Under the Plan

The employer's current year payroll for the years ended June 30, 2013, 2012 and 2011, payroll covered under the various state plans and contributions paid are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total payroll	\$ 14,814,161	\$ 14,257,540	\$ 14,575,751
Payroll covered under the plans	14,764,781	15,059,008	15,760,463
Contributions paid:			
City payments	2,821,683	2,966,133	3,020,738

NOTE 8 POST-RETIREMENT HEALTH CARE BENEFITS

In addition to the pension benefits described above, the City provides limited post-retirement health care benefits as approved by the City Council to all retirees (and their dependents) who are eligible to retire under the State Retirement System and, as of July 1, 2007, those who have worked for the City for a minimum of 10 years.

Subject to the above, the employee may retire and retain health insurance coverage until the retiree reaches the age of 65. During this period, the City will pay 30 percent and 50 percent, respectively, of the retiree's health insurance premium for employees who retired prior to and after July 1, 2002.

For the year ended June 30, 2013, there were 60 participants eligible and receiving post-retirement health care benefits at a pay-as-you-go annual cost to the City of \$256,005.

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CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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 of Salisbury 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").

The City contracted for an actuarial study which determined that the ARC for fiscal year 2013 was \$4,373,000. The City funded the Trust with a health care rebate of \$900,000 in fiscal 2009. In fiscal year 2013, the City did not fund the Trust but recorded the associated liability.

Annual OPEB Cost and Net OPEB Obligation

The City's OPEB cost (expense) is the ARC, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation.

Net OPEB obligation at beginning of year	\$ 10,571,363
Annual Required Contribution	4,373,000
Interest on net OPEB obligation	423,000
Amortization of net OPEB obligation	(476,000)
Contributions	<u>(410,000)</u>
Total Net OPEB Obligation at End of Year	<u>\$ 14,481,363</u>

The annual OPEB cost and the net OPEB obligation are determined on the basis of annual contributions.

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Schedule of Funding

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2011	\$1,169,000	\$35,004,000	\$33,835,000	3.34%	\$14,574,751	189.84%
7/1/2009	\$ 900,000	\$25,765,000	\$24,865,000	3.49%	\$15,562,921	159.77%
7/1/2008	\$ -	\$20,513,000	\$20,513,000	0.00%	\$15,213,210	134.84%

Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information but included in the notes to financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Summary of Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on a substantive plan as understood by the employer and the plan members; and include the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point, and any known changes in the plan going forward.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement, was used. The actuarial assumptions included an investment return for discounted liabilities of 6.0 percent. Mortality calculations were done using the RP 2000 Combined Healthy Table and the RP 2000 Combined Disabled Table.

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.

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CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFERRED COMPENSATION PLAN (cont'd)

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 assets of \$102,772 as of June 30, 2013.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2013, the City had infrastructure projects yet to be completed. The commitments and amounts completed are as follows:

Governmental Activities:	Project Amount	Completed as of 06/30/2013	Commitments
Beaverdam Creek Stabilization	\$ 845,192	\$ 841,548	\$ 3,644

In addition, the City has incurred costs totaling \$1,836,371 for governmental activities project costs that were not under a formal contract as of June 30, 2013.

Business-type Activities:	Project Amount	Completed as of 06/30/2013	Commitments
Waverly Drive Water Quality Inlet	\$ 98,600	\$ 29,115	\$ 69,485
Water Storage – Milford Street	177,350	148,636	28,714
Milford Street Elevated Water Tank	3,482,000	3,273,000	209,000
WWTP Upgrade	84,933,644	81,597,562	3,336,082
Park Water Treatment Plant Improvement	949,420	41,840	907,580
Caustic Chemical Storage Feed Building	1,324,400	22,538	1,301,862
Parking Garage Traffic Membrane	68,055	66,000	2,055
Totals	\$ 95,779,739	\$ 85,178,691	\$ 10,601,048

In addition, the City has incurred costs totaling \$1,256,824 for business-type activities project costs that were not under a formal contract as of June 30, 2013.

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CITY OF SALISBURY, MARYLAND NOTES TO FINANCIAL STATEMENTS

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

As of June 30, 2013, the City has settled a number of lawsuits with engineers and other defendants totaling \$2,531,515, of which \$1,318,051 was paid to attorneys representing the City and \$1,213,464 was recorded as other Nonoperating revenue in the water and sewer fund.

NOTE 12 RISK MANAGEMENT

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

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

NOTE 13 FUND BALANCES

As of June 30, 2013, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventory	\$ 708,383	\$ -	\$ -	\$ 708,383
Restricted				
Capital improvements	-	3,961,685	-	3,961,685
Committed:				
Health care	663,030	-	-	663,030
General impact	10,034	-	-	10,034
Curb, gutter and sidewalk	-	-	90,311	90,311
Trash container sales and demolition	-	-	214,215	214,215
Assigned:				
Grants	-	-	743,067	743,067
Encumbrances	1,569,809	-	-	1,569,809
Community development	-	-	69,841	69,841
Unassigned	9,029,628	-	-	9,029,628
 Total Fund Balances	 <u>\$11,980,884</u>	 <u>\$ 3,961,685</u>	 <u>\$ 1,117,434</u>	 <u>\$ 17,060,003</u>

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CITY OF SALISBURY, MARYLAND NOTES TO FINANCIAL STATEMENTS

NOTE 14 RESTATEMENT

The City has decreased its July 1, 2012 net position by \$261,589 due to the effects of implementing GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," which requires bond issuance costs to be expensed when incurred. Net position in the Governmental Activities was reduced by \$170,155 while net position in the Business-type Activities was reduced by \$91,434.

NOTE 15 PRIOR PERIOD ADJUSTMENT

During the current year, the City discovered an error in recording the balances of its construction-in-progress escrow in the water and sewer fund. The escrow account was overstated by \$1,924,993. In addition, the City discovered an error while reconciling its accounts payable balance in the water and sewer fund. The accounts payable balance was overstated by \$52,008. These errors resulted in a decrease to the beginning net position of the water and sewer fund of \$1,872,985.

The City also discovered an error in recording grant receivables in the grant fund and the community development fund. Receivables were understated by \$345,620 and \$8,536, respectively. These errors resulted in an increase to the beginning fund balance of the nonmajor fund of \$354,156.

NOTE 16 SUBSEQUENT EVENTS

The City has evaluated all subsequent events through December 2, 2013, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SALISBURY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS):				
Tax revenue	\$22,971,592	\$22,459,642	\$21,996,832	\$ (462,810)
Other revenue	2,430,646	2,579,185	3,548,372	969,187
Charges for services	2,646,981	2,761,750	2,791,096	29,346
Other sources - fund balance appropriated	1,892,887	2,471,694	-	(2,471,694)
Intergovernmental revenues	1,635,192	1,441,812	1,438,344	(3,468)
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>31,577,298</u>	<u>31,714,083</u>	<u>29,774,644</u>	<u>(1,939,439)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government				
City council	79,725	79,725	75,838	3,887
City clerk	137,699	138,317	128,139	10,178
Mayor's office	611,845	719,965	652,257	67,708
Finance	439,065	491,883	451,140	40,743
Purchasing	211,412	217,977	200,884	17,093
City attorney	215,000	261,000	237,207	23,793
Information services	238,639	239,170	198,184	40,986
Human resources	122,440	135,774	129,106	6,668
Planning and zoning	164,803	167,033	164,803	2,230
Municipal buildings	154,135	167,628	132,195	35,433
Poplar Hill	15,550	15,735	12,880	2,855
Public safety				
Police and traffic control	10,193,292	11,059,355	10,407,790	651,565
Fire	6,109,593	6,248,464	6,173,770	74,694
Buildings, permits and inspections	348,692	348,885	339,759	9,126
Neighborhood services and code compliance	581,305	608,104	601,423	6,681
Public works				
Supervision and engineering	1,637,628	2,401,464	1,330,200	1,071,264
Roadways	752,373	830,939	684,001	146,938
Highway lighting	864,304	880,287	879,481	806
Street cleaning	95,596	99,194	89,032	10,162
Waste collection and disposal	1,454,355	1,479,894	1,148,473	331,421
Recycling	162,766	168,409	162,518	5,891
Fleet maintenance	481,526	483,415	422,986	60,429
Carpenter shop	123,346	123,346	117,719	5,627
Recreation and culture				
Municipal zoo	1,322,481	1,330,658	1,188,902	141,756
Park maintenance	394,330	458,019	395,609	62,410
Nondepartmental	614,645	1,032,802	1,022,520	10,282
TOTAL CHARGES TO APPROPRIATION	<u>27,585,453</u>	<u>30,246,350</u>	<u>27,403,802</u>	<u>2,842,548</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,991,845</u>	<u>1,467,733</u>	<u>2,370,842</u>	<u>903,109</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(223,219)	(223,219)	(222,128)	1,091
Proceeds from extended term financing	-	400,000	335,664	(64,336)
Debt payments	(3,244,628)	(3,190,724)	(3,190,435)	289
TOTAL OTHER FINANCING USES	<u>(3,467,847)</u>	<u>(3,013,943)</u>	<u>(3,076,899)</u>	<u>(62,956)</u>
NET CHANGE IN FUND BALANCE	523,998	(1,546,210)	(706,057)	840,153
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>12,686,941</u>	<u>12,686,941</u>	<u>12,686,941</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$13,210,939</u>	<u>\$11,140,731</u>	<u>\$11,980,884</u>	<u>\$ 840,153</u>

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OTHER SUPPLEMENTARY INFORMATION

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General Fund

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CITY OF SALISBURY, MARYLAND SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Taxes			
Real property	\$ 14,980,734	\$ 14,497,306	\$ (483,428)
Personal property	39,633	32,778	(6,855)
Ordinary business corporations and utilities	5,137,534	5,129,244	(8,290)
Payments in lieu of tax	371,589	377,272	5,683
Admissions and amusement	290,000	393,131	103,131
State shared income tax	1,484,576	1,439,078	(45,498)
Total taxes	<u>22,304,066</u>	<u>21,868,809</u>	<u>(435,257)</u>
Interest and penalties on delinquent taxes	155,576	128,023	(27,553)
Total Taxes, Interest and Penalties	<u>22,459,642</u>	<u>21,996,832</u>	<u>(462,810)</u>
Other revenue			
Amusement licenses	4,500	4,595	95
Billboard licenses	21,000	20,970	(30)
Building and inspection permits	147,500	364,641	217,141
Business licenses	150,250	161,883	11,633
Franchise fees	493,600	385,955	(107,645)
Landlord licenses	425,000	392,487	(32,513)
Parking fines and meter collections	85,200	63,049	(22,151)
Plumbing licenses and permits	20,000	53,776	33,776
Street-breaking permits	1,875	725	(1,150)
Towing companies	1,500	3,450	1,950
Other miscellaneous permits	17,000	31,317	14,317
School zone camera fines	184,000	703,114	519,114
Municipal infraction violations	38,000	45,153	7,153
Interest on investment of idle funds	9,000	29,284	20,284
Insurance proceeds	-	32,627	32,627
Donations	300,000	242,964	(57,036)
Zoo commission	321,013	609,013	288,000
Zoo reimbursements	191,785	179,218	(12,567)
Sale of maps, codes and documents	1,600	3,783	2,183
Bad debt collections	12,000	19,627	7,627
Other miscellaneous receipts	154,362	200,741	46,379
Total Other Revenue	<u>2,579,185</u>	<u>3,548,372</u>	<u>969,187</u>

Continued on next page.

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Charges for services			
Administrative fees	242,541	242,041	(500)
Ambulance call fees	1,568,000	1,711,020	143,020
Advertising	50	1,819	1,769
Filing fees	-	140	140
Garbage disposal fees	703,959	679,527	(24,432)
Inspection fees	38,100	46,246	8,146
Plan review fees	20,000	18,747	(1,253)
Police alarm systems	70,000	48,213	(21,787)
Fire motor vehicles calls	22,500	-	(22,500)
Weed removal	95,500	43,193	(52,307)
Zoning appeal and housing board appeal fees	1,100	150	(950)
Total Charges for Services	2,761,750	2,791,096	29,346
Other sources			
Current surplus available	2,471,694	-	(2,471,694)
Intergovernmental			
State of Maryland			
Police protection	318,000	317,385	(615)
Enterprise zone	80,000	82,535	2,535
Highway user	225,310	232,626	7,316
Wicomico County			
Financial corporations	18,302	18,302	-
Fire department	600,200	581,000	(19,200)
Room tax	200,000	206,496	6,496
Total Intergovernmental	1,441,812	1,438,344	(3,468)
Total Revenues	31,714,083	29,774,644	(1,939,439)
Other Financing Sources			
Capital lease proceeds	400,000	335,664	(64,336)
Total Other Financing Sources	400,000	335,664	(64,336)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 32,114,083	\$ 30,110,308	\$ (2,003,775)

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
City council				
Salaries	\$ 52,000	\$ 52,417	\$ 52,417	\$ -
Personnel benefits	20,003	19,586	17,833	1,753
Other operating expenses	7,722	7,722	5,588	2,134
	<u>79,725</u>	<u>79,725</u>	<u>75,838</u>	<u>3,887</u>
City clerk				
Salaries	83,798	83,798	83,749	49
Personnel benefits	35,477	35,477	29,206	6,271
Other operating expenses	18,424	17,501	15,184	2,317
Capital outlays	-	1,541	-	1,541
	<u>137,699</u>	<u>138,317</u>	<u>128,139</u>	<u>10,178</u>
Mayor's office				
Salaries	241,116	244,116	243,127	989
Personnel benefits	76,505	76,505	74,112	2,393
Other operating expenses	77,040	182,160	155,505	26,655
Community promotion	217,184	217,184	179,513	37,671
	<u>611,845</u>	<u>719,965</u>	<u>652,257</u>	<u>67,708</u>
Elections				
Other operating expenses	58,908	58,908	56,986	1,922
	<u>58,908</u>	<u>58,908</u>	<u>56,986</u>	<u>1,922</u>
City attorney				
Professional services	215,000	261,000	237,207	23,793
	<u>215,000</u>	<u>261,000</u>	<u>237,207</u>	<u>23,793</u>
Internal services - finance				
Salaries	236,111	239,111	222,900	16,211
Personnel benefits	101,578	101,578	91,871	9,707
Other operating expenses	65,655	108,981	94,158	14,823
Independent audit	35,721	42,213	42,211	2
	<u>439,065</u>	<u>491,883</u>	<u>451,140</u>	<u>40,743</u>
Internal services - purchasing				
Salaries	127,440	127,440	127,340	100
Personnel benefits	47,956	47,956	47,774	182
Other operating expenses	34,516	41,081	24,270	16,811
Capital outlays	1,500	1,500	1,500	-
	<u>211,412</u>	<u>217,977</u>	<u>200,884</u>	<u>17,093</u>
Internal services - human resources				
Salaries	55,371	55,271	55,271	-
Personnel benefits	56,319	60,577	57,546	3,031
Other operating expenses	10,750	19,926	16,289	3,637
	<u>122,440</u>	<u>135,774</u>	<u>129,106</u>	<u>6,668</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (cont'd)				
Information services				
Salaries	98,477	98,477	90,999	7,478
Personnel benefits	36,710	36,710	31,835	4,875
Other operating expenses	77,952	97,976	75,350	22,626
Capital outlays	25,500	6,007	-	6,007
	<u>238,639</u>	<u>239,170</u>	<u>198,184</u>	<u>40,986</u>
City and county - joint activities				
Planning and zoning	164,803	167,033	164,803	2,230
	<u>164,803</u>	<u>167,033</u>	<u>164,803</u>	<u>2,230</u>
Municipal buildings				
Other operating expenses	154,135	167,628	132,195	35,433
	<u>154,135</u>	<u>167,628</u>	<u>132,195</u>	<u>35,433</u>
Poplar Hill Mansion	15,550	15,735	12,880	2,855
	<u>15,550</u>	<u>15,735</u>	<u>12,880</u>	<u>2,855</u>
Total General Government	<u>2,449,221</u>	<u>2,693,115</u>	<u>2,439,619</u>	<u>253,496</u>
Public Safety				
Police services				
Salaries	4,928,162	5,534,166	5,444,570	89,596
Personnel benefits	3,035,141	2,938,561	2,661,007	277,554
Other operating expenses	1,009,667	1,056,488	929,571	126,917
Capital outlays	194,500	310,327	267,221	43,106
	<u>9,167,470</u>	<u>9,839,542</u>	<u>9,302,369</u>	<u>537,173</u>
Police communications				
Salaries	253,021	290,571	275,776	14,795
Personnel benefits	90,345	96,718	89,472	7,246
Other operating expenses	61,075	72,789	46,666	26,123
Capital outlays	-	37,904	-	37,904
	<u>404,441</u>	<u>497,982</u>	<u>411,914</u>	<u>86,068</u>
Animal control				
Salaries	72,048	72,048	69,400	2,648
Personnel benefits	37,293	36,843	35,239	1,604
Other operating expenses	86,728	87,178	83,335	3,843
Capital outlays	-	-	-	-
	<u>196,069</u>	<u>196,069</u>	<u>187,974</u>	<u>8,095</u>
Total Police Department	<u>9,767,980</u>	<u>10,533,593</u>	<u>9,902,257</u>	<u>631,336</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety (cont'd)				
Traffic control				
Salaries	211,281	211,031	206,749	4,282
Personnel benefits	98,186	99,666	96,375	3,291
Other operating expenses	101,845	120,929	108,646	12,283
Capital outlays	14,000	94,136	93,763	373
	<u>425,312</u>	<u>525,762</u>	<u>505,533</u>	<u>20,229</u>
Fire department				
Firefighting				
Salaries	3,117,997	3,064,649	3,042,238	22,411
Personnel benefits	1,676,922	1,691,637	1,665,379	26,258
Other operating expenses	821,511	988,509	988,432	77
Capital outlays	340,000	349,091	335,663	13,428
	<u>5,956,430</u>	<u>6,093,886</u>	<u>6,031,712</u>	<u>62,174</u>
Volunteer firemen				
Personnel benefits	150,025	144,975	132,687	12,288
Other operating expenses	3,138	9,603	9,371	232
	<u>153,163</u>	<u>154,578</u>	<u>142,058</u>	<u>12,520</u>
Total Fire Department	<u>6,109,593</u>	<u>6,248,464</u>	<u>6,173,770</u>	<u>74,694</u>
Buildings, permits and inspections				
Salaries	239,410	240,084	240,028	56
Personnel benefits	87,776	87,476	78,774	8,702
Other operating expenses	21,506	21,325	20,957	368
	<u>348,692</u>	<u>348,885</u>	<u>339,759</u>	<u>9,126</u>
Neighborhood services and code compliance				
Salaries	349,502	350,714	347,546	3,168
Personnel benefits	120,452	120,852	120,796	56
Other operating expenses	111,351	136,538	133,081	3,457
	<u>581,305</u>	<u>608,104</u>	<u>601,423</u>	<u>6,681</u>
Total Public Safety	<u>17,232,882</u>	<u>18,264,808</u>	<u>17,522,742</u>	<u>742,066</u>
Department of Public Works				
Supervision and engineering				
Salaries	604,682	637,864	568,503	69,361
Personnel benefits	233,096	233,155	219,902	13,253
Other operating expenses	799,850	1,530,445	518,599	1,011,846
Capital outlays	-	-	23,196	(23,196)
	<u>1,637,628</u>	<u>2,401,464</u>	<u>1,330,200</u>	<u>1,071,264</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Department of Public Works (cont'd)				
Roadways				
Salaries	333,743	349,743	284,168	65,575
Personnel benefits	148,810	148,810	130,400	18,410
Other operating expenses	219,820	282,386	252,624	29,762
Capital outlays	50,000	50,000	16,809	33,191
	<u>752,373</u>	<u>830,939</u>	<u>684,001</u>	<u>146,938</u>
Highway lighting				
Other operating expenses	864,304	880,287	879,481	806
	<u>864,304</u>	<u>880,287</u>	<u>879,481</u>	<u>806</u>
Sanitation				
Street cleaning				
Salaries	53,060	46,060	43,350	2,710
Personnel benefits	26,556	24,306	20,253	4,053
Other operating expenses	15,980	28,828	25,429	3,399
Capital outlays	-	-	-	-
	<u>95,596</u>	<u>99,194</u>	<u>89,032</u>	<u>10,162</u>
Waste collection and disposal				
Salaries	296,195	305,972	269,947	36,025
Personnel benefits	133,960	131,026	124,291	6,735
Other operating expenses	739,200	757,896	727,500	30,396
Capital outlays	285,000	285,000	26,735	258,265
	<u>1,454,355</u>	<u>1,479,894</u>	<u>1,148,473</u>	<u>331,421</u>
Recycling				
Salaries	89,215	89,252	88,850	402
Personnel benefits	46,936	46,936	45,969	967
Other operating expenses	26,615	32,221	27,699	4,522
	<u>162,766</u>	<u>168,409</u>	<u>162,518</u>	<u>5,891</u>
Total Sanitation	<u>1,712,717</u>	<u>1,747,497</u>	<u>1,400,023</u>	<u>347,474</u>
Fleet maintenance				
Salaries	205,768	205,768	198,387	7,381
Personnel benefits	91,766	91,766	82,515	9,251
Other operating expenses	183,992	185,881	142,084	43,797
	<u>481,526</u>	<u>483,415</u>	<u>422,986</u>	<u>60,429</u>
Carpenter shop				
Salaries	67,206	68,506	68,328	178
Personnel benefits	30,940	31,347	30,438	909
Other operating expenses	25,200	23,493	18,953	4,540
Capital outlays	-	-	-	-
	<u>123,346</u>	<u>123,346</u>	<u>117,719</u>	<u>5,627</u>
Total Department of Public Works	<u>5,571,894</u>	<u>6,466,948</u>	<u>4,834,410</u>	<u>1,632,538</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation and Culture				
Municipal zoo				
Salaries	746,361	731,861	677,558	54,303
Personnel benefits	208,791	208,791	184,757	24,034
Other operating expenses	367,329	390,006	326,587	63,419
	<u>1,322,481</u>	<u>1,330,658</u>	<u>1,188,902</u>	<u>141,756</u>
Park maintenance				
Salaries	178,462	178,090	175,071	3,019
Personnel benefits	88,384	88,755	85,850	2,905
Other operating expenses	127,484	191,174	134,688	56,486
Capital outlays	-	-	-	-
	<u>394,330</u>	<u>458,019</u>	<u>395,609</u>	<u>62,410</u>
Total Recreation and Culture	<u>1,716,811</u>	<u>1,788,677</u>	<u>1,584,511</u>	<u>204,166</u>
Nondepartmental				
Insurance				
Health care claims	-	518,000	517,849	151
Insurance	609,694	473,484	470,495	2,989
	<u>609,694</u>	<u>991,484</u>	<u>988,344</u>	<u>3,140</u>
Miscellaneous				
Personnel benefits	-	36,045	31,015	5,030
Other operating expenses	4,951	4,951	3,161	1,790
Mayor's contingency	-	322	-	322
	<u>4,951</u>	<u>41,318</u>	<u>34,176</u>	<u>7,142</u>
Total Nondepartmental	<u>614,645</u>	<u>1,032,802</u>	<u>1,022,520</u>	<u>10,282</u>
Debt Payments				
Principal redemption	2,362,873	2,341,690	2,543,272	(201,582)
Interest	881,755	849,034	647,163	201,871
Total Debt Payments	<u>3,244,628</u>	<u>3,190,724</u>	<u>3,190,435</u>	<u>289</u>
TOTAL EXPENDITURES	<u>30,830,081</u>	<u>33,437,074</u>	<u>30,594,237</u>	<u>2,842,837</u>
Other Financing Uses				
Transfer to other funds	223,219	223,219	222,128	1,091
Total Other Financing Uses	<u>223,219</u>	<u>223,219</u>	<u>222,128</u>	<u>1,091</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$31,053,300</u>	<u>\$33,660,293</u>	<u>\$30,816,365</u>	<u>\$ 2,843,928</u>

DRAFT - FOR DISCUSSION PURPOSES ONLY

Nonmajor Governmental Funds

**CITY OF SALISBURY, MARYLAND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds				
	Curb, Gutter and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total
ASSETS					
Cash	\$ 36,579	-	\$ 137,020	\$ 60,501	\$ 234,100
Investment pool	31,202	2,665	2,835	233	36,935
Accounts receivable	22,530	1,477,756	74,679	13,954	1,588,919
TOTAL ASSETS	\$ 90,311	\$ 1,480,421	\$ 214,534	\$ 74,688	\$ 1,859,954
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Cash overdraft	-	\$ 671,405	-	-	\$ 671,405
Accounts payable	-	65,069	319	3,635	69,023
Compensated absences	-	-	-	1,212	1,212
Total Liabilities	-	736,474	319	4,847	741,640
Deferred Inflows of Resources:					
Unavailable revenue - grants	-	880	-	-	880
Fund Balances:					
Committed	90,311	-	214,215	-	304,526
Assigned	-	743,067	-	69,841	812,908
Total Fund Balances	90,311	743,067	214,215	69,841	1,117,434
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 90,311	\$ 1,480,421	\$ 214,534	\$ 74,688	\$ 1,859,954

**CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds				Total
	Curb, Gutter and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	
REVENUES					
Fees	\$ -	\$ -	\$ 86,782	\$ -	\$ 86,782
Earnings on investments	61	-	13	30	104
Grant revenues	-	2,201,339	-	273,923	2,475,262
TOTAL REVENUES	61	2,201,339	86,795	273,953	2,562,148
EXPENDITURES					
Salaries	-	511,134	-	108,255	619,389
Personnel benefits	-	226,408	-	33,828	260,236
Professional and skilled services	-	-	-	35,837	35,837
Supplies	-	-	-	4,572	4,572
Other operating expenses	540	726,496	-	205,929	932,965
Capital outlays	-	270,691	-	-	270,691
TOTAL EXPENDITURES	540	1,734,729	-	388,421	2,123,690
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(479)	466,610	86,795	(114,468)	438,458
OTHER FINANCING SOURCES					
Operating transfers in	-	87,460	-	91,202	178,662
TOTAL OTHER FINANCING SOURCES	-	87,460	-	91,202	178,662
NET CHANGE IN FUND BALANCES	(479)	554,070	86,795	(23,266)	617,120
FUND BALANCES, BEGINNING OF YEAR, RESTATED	90,790	188,997	127,420	93,107	500,314
FUND BALANCES, END OF YEAR	\$ 90,311	\$ 743,067	\$ 214,215	\$ 69,841	\$ 1,117,434

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	
Federal	\$ 886,882
State	1,285,360
Others	29,097
TOTAL REVENUES	<u>2,201,339</u>
EXPENDITURES	
Federal	
Salaries	86,647
Personnel benefits	44,576
Operating expenses	94,554
Capital outlays	199,229
State	
Salaries	408,033
Personnel benefits	173,726
Operating expenses	605,319
Capital outlays	71,462
Other	
Salaries	16,454
Personnel benefits	8,106
Operating expenses	26,623
TOTAL EXPENDITURES	<u>1,734,729</u>
EXCESS OF REVENUES UNDER EXPENDITURES	466,610
OTHER FINANCING SOURCES	
Operating transfers in	87,460
TOTAL OTHER FINANCING SOURCES	<u>87,460</u>
NET CHANGE IN FUND BALANCE	554,070
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>188,997</u>
FUND BALANCE, END OF YEAR	<u>\$ 743,067</u>

Nonmajor Proprietary Funds

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS JUNE 30, 2013

	Enterprise Funds		Total
	City Marina Fund	Parking Authority Fund	
ASSETS			
Current assets:			
Cash	\$ 202	\$ -	\$ 202
Investment pool	2,183	375,068	377,251
Accounts receivable	26,510	6,440	32,950
Total Current Assets	<u>28,895</u>	<u>381,508</u>	<u>410,403</u>
Noncurrent assets:			
Capital assets			
Construction-in-progress	-	66,000	66,000
Land	1,315,000	467,790	1,782,790
Buildings, equipment and improvements	1,755,970	4,144,743	5,900,713
Less accumulated depreciation	(1,390,352)	(2,273,328)	(3,663,680)
Total Noncurrent Assets	<u>1,680,618</u>	<u>2,405,205</u>	<u>4,085,823</u>
TOTAL ASSETS	<u><u>\$ 1,709,513</u></u>	<u><u>\$ 2,786,713</u></u>	<u><u>\$ 4,496,226</u></u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Due in one year:			
Accounts payable	\$ 1,269	\$ 4,725	\$ 5,994
Accrued payroll	1,483	7,510	8,993
Accrued interest payable	-	2,138	2,138
Due to General Fund	47,238	146,304	193,542
Bonds, notes and capital leases payable	-	83,409	83,409
Total Current Liabilities	<u>49,990</u>	<u>244,086</u>	<u>294,076</u>
Due in more than one year:			
Bonds, notes and capital leases payable	-	666,338	666,338
Total Noncurrent Liabilities	<u>-</u>	<u>666,338</u>	<u>666,338</u>
Total Liabilities	<u>49,990</u>	<u>910,424</u>	<u>960,414</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	1,680,618	1,655,458	3,336,076
Unrestricted (Deficit)	(21,095)	220,831	199,736
Total Net Position	<u>1,659,523</u>	<u>1,876,289</u>	<u>3,535,812</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,709,513</u></u>	<u><u>\$ 2,786,713</u></u>	<u><u>\$ 4,496,226</u></u>

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - NONMAJOR PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		Total
	City Marina Fund	Parking Authority Fund	
OPERATING REVENUES			
Charges for services	\$ 61,910	\$ 574,057	\$ 635,967
TOTAL OPERATING REVENUES	<u>61,910</u>	<u>574,057</u>	<u>635,967</u>
OPERATING EXPENSES			
Salaries	20,540	184,608	205,148
Personnel benefits	4,585	73,249	77,834
Professional and skilled services	818	129,029	129,847
Supplies	12,390	2,795	15,185
Other expenses	40,896	137,590	178,486
TOTAL OPERATING EXPENSES	<u>79,229</u>	<u>527,271</u>	<u>606,500</u>
OPERATING INCOME BEFORE DEPRECIATION	(17,319)	46,786	29,467
Depreciation	<u>19,307</u>	<u>112,810</u>	<u>132,117</u>
NET OPERATING LOSS	<u>(36,626)</u>	<u>(66,024)</u>	<u>(102,650)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers in	23,466	20,000	43,466
Interest income	-	326	326
Interest expense	-	(19,562)	(19,562)
TOTAL NONOPERATING REVENUES	<u>23,466</u>	<u>764</u>	<u>24,230</u>
CHANGE IN NET POSITION	(13,160)	(65,260)	(78,420)
NET POSITION, BEGINNING OF YEAR	<u>1,672,683</u>	<u>1,941,549</u>	<u>3,614,232</u>
NET POSITION, END OF YEAR	<u>\$ 1,659,523</u>	<u>\$ 1,876,289</u>	<u>\$ 3,535,812</u>

Enterprise Funds

DRAFT - FOR DISCUSSION PURPOSES ONLY

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, 2013

	Water Department	Sewer Department	Total
OPERATING REVENUES			
Charges for services	\$ 4,145,562	\$ 10,586,504	\$ 14,732,066
Penalties	22,163	60,906	83,069
Tapping charges and connection fees	10,923	7,470	18,393
Sundry income	323,444	163,580	487,024
Pretreatment monitoring fee	-	184,997	184,997
Impact fees	208,159	213,287	421,446
TOTAL OPERATING REVENUES	4,710,251	11,216,744	15,926,995
OPERATING EXPENSES			
Salaries	1,307,388	2,066,722	3,374,110
Personnel benefits	825,139	1,475,881	2,301,020
Professional and skilled services	361,314	1,190,766	1,552,080
Supplies	576,367	595,071	1,171,438
Other operating expenses	535,543	1,330,853	1,866,396
Equipment	2,949	4,323	7,272
TOTAL OPERATING EXPENSES	3,608,700	6,663,616	10,272,316
OPERATING INCOME BEFORE DEPRECIATION	1,101,551	4,553,128	5,654,679
Depreciation	501,232	842,779	1,344,011
NET OPERATING INCOME	600,319	3,710,349	4,310,668
NONOPERATING REVENUES (EXPENSES)			
Lawsuit settlement proceeds	-	1,213,464	1,213,464
Interest income	17,037	17,350	34,387
Interest expense	(93,412)	(614,453)	(707,865)
TOTAL NONOPERATING REVENUES (EXPENSES)	(76,375)	616,361	539,986
CHANGE IN NET POSITION	\$ 523,944	\$ 4,326,710	4,850,654
NET POSITION, BEGINNING OF YEAR			75,286,634
NET POSITION, END OF YEAR			\$ 80,137,288

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL ENTERPRISE FUND - WATER DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Inspection fees	\$ 10,000	\$ 10,000	\$ 20,322	\$ 10,322
Water sales	4,368,509	4,368,509	4,125,240	(243,269)
Penalties	20,000	20,000	22,163	2,163
Tapping charges and connection fees	-	-	10,923	10,923
Interest earned	2,000	2,000	17,037	15,037
Water income - sundry	141,330	295,306	323,444	28,138
Impact fees	700,000	700,000	208,159	(491,841)
Current surplus available	-	42,249	-	(42,249)
TOTAL REVENUES	5,241,839	5,438,064	4,727,288	(710,776)
EXPENSES				
Engineering				
Salaries	276,874	276,874	237,573	39,301
Personnel benefits	115,696	122,108	112,087	10,021
Professional and skilled services	288,320	471,808	33,132	438,676
Supplies	36,455	36,521	30,959	5,562
Other operating expenses	32,100	32,100	27,940	4,160
Equipment	40,000	40,000	-	40,000
Total Engineering	789,445	979,411	441,691	537,720
Billing and collection				
Salaries	84,613	84,613	79,503	5,110
Personnel benefits	31,775	33,833	30,875	2,958
Professional and skilled services	47,125	46,511	38,811	7,700
Supplies	25,100	26,814	26,650	164
Other operating expenses	19,620	18,520	13,800	4,720
Total Billing and Collection	208,233	210,291	189,639	20,652
Water treatment				
Salaries	461,352	470,531	459,948	10,583
Personnel benefits	225,205	232,111	339,065	(106,954)
Professional and skilled services	225,159	317,217	172,565	144,652
Supplies	450,481	1,002,993	352,386	650,607
Other operating expenses	365,950	366,489	304,139	62,350
Equipment	585,000	622,771	-	622,771
Total Water Treatment	2,313,147	3,012,112	1,628,103	1,384,009

Continued on next page.

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND
 SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 ENTERPRISE FUND - WATER DEPARTMENT
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Distribution and storage				
Salaries	516,424	518,269	432,353	85,916
Personnel benefits	205,208	216,397	301,608	(85,211)
Professional and skilled services	46,959	74,276	40,419	33,857
Supplies	161,703	157,673	166,372	(8,699)
Other operating expenses	41,928	41,928	71,570	(29,642)
Total Distribution and Storage	<u>972,222</u>	<u>1,008,543</u>	<u>1,012,322</u>	<u>(3,779)</u>
Administration				
Salaries	95,900	98,032	98,011	21
Personnel benefits	37,317	44,560	41,504	3,056
Professional and skilled services	84,224	87,064	76,387	10,677
Other operating expenses	151,411	151,411	118,094	33,317
Equipment	12,750	12,750	2,949	9,801
Total Administration	<u>381,602</u>	<u>393,817</u>	<u>336,945</u>	<u>56,872</u>
Debt payments				
Principal redemption	302,974	317,314	-	317,314
Interest	274,216	261,316	93,412	167,904
Total Debt Payments	<u>577,190</u>	<u>578,630</u>	<u>93,412</u>	<u>485,218</u>
TOTAL EXPENSES	<u>5,241,839</u>	<u>6,182,804</u>	<u>3,702,112</u>	<u>2,480,692</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	-	(744,740)	1,025,176	1,769,916
Depreciation	-	-	501,232	(501,232)
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (744,740)</u>	<u>\$ 523,944</u>	<u>\$ 1,268,684</u>

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL ENTERPRISE FUND - SEWER DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sewer charges	\$ 10,848,259	\$ 10,848,259	\$ 10,145,658	\$ (702,601)
Sewer charges - urban services	466,000	466,000	440,846	(25,154)
Penalties	60,000	60,000	60,906	906
Tapping charges and connection fees	-	-	7,470	7,470
Pretreatment monitoring fees	190,500	190,500	184,997	(5,503)
Interest earned	2,000	2,000	17,350	15,350
Sewer income - sundry	13,688	167,664	163,580	(4,084)
Impact fees	217,426	217,426	213,287	(4,139)
Lawsuit settlement proceeds	-	-	1,213,464	1,213,464
Debt proceeds	625,000	625,000	-	(625,000)
Current surplus available	1,366,020	1,431,972	-	(1,431,972)
TOTAL REVENUES	13,788,893	14,008,821	12,447,558	(1,561,263)
EXPENSES				
Engineering				
Salaries	420,944	420,969	382,865	38,104
Personnel benefits	169,843	179,728	203,177	(23,449)
Professional and skilled services	12,250	289,988	52,528	237,460
Supplies	37,661	45,965	30,575	15,390
Other operating expenses	38,805	38,805	35,463	3,342
Equipment	300,000	691,249	-	691,249
Total Engineering	979,503	1,666,704	704,608	962,096
Billing and collection				
Salaries	135,510	135,910	135,826	84
Personnel benefits	52,136	55,253	100,322	(45,069)
Professional and skilled services	10,135	10,135	635	9,500
Supplies	1,000	1,000	921	79
Other operating expenses	25,100	25,194	25,130	64
Total Billing and Collection	223,881	227,492	262,834	(35,342)
Wastewater treatment				
Salaries	1,087,183	1,089,418	971,935	117,483
Personnel benefits	481,406	506,562	761,329	(254,767)
Professional and skilled services	937,847	1,393,433	809,075	584,358
Supplies	1,035,756	2,127,174	508,147	1,619,027
Other operating expenses	1,133,866	1,241,485	1,035,707	205,778
Equipment	325,000	357,522	4,323	353,199
Total Wastewater Treatment	5,001,058	6,715,594	4,090,516	2,625,078

Continued on next page.

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL ENTERPRISE FUND - SEWER DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Maintenance and repair				
Salaries	394,015	397,069	384,035	13,034
Personnel benefits	193,438	203,278	303,717	(100,439)
Professional and skilled services	174,893	227,145	122,558	104,587
Supplies	58,700	56,017	45,124	10,893
Other operating expenses	67,680	67,680	60,243	7,437
Equipment	290,000	290,000	-	290,000
Total Maintenance and Repair	<u>1,178,726</u>	<u>1,241,189</u>	<u>915,677</u>	<u>325,512</u>
Pretreatment monitoring				
Salaries	98,019	98,019	75,858	22,161
Personnel benefits	34,019	35,707	59,538	(23,831)
Professional and skilled services	16,750	16,500	16,404	96
Supplies	9,950	10,837	10,304	533
Other operating expenses	5,577	5,215	3,698	1,517
Total Pretreatment Monitoring	<u>164,315</u>	<u>166,278</u>	<u>165,802</u>	<u>476</u>
Administration				
Salaries	120,713	123,769	116,203	7,566
Personnel benefits	26,571	41,310	47,798	(6,488)
Professional and skilled services	1,751,882	1,850,083	189,566	1,660,517
Other operating expenses	209,383	209,383	170,612	38,771
Equipment	12,750	12,750	-	12,750
Total Administration	<u>2,121,299</u>	<u>2,237,295</u>	<u>524,179</u>	<u>1,713,116</u>
Debt payments				
Principal redemption	3,236,752	3,373,242	-	3,373,242
Interest	883,359	745,429	614,453	130,976
Total Debt Payments	<u>4,120,111</u>	<u>4,118,671</u>	<u>614,453</u>	<u>3,504,218</u>
 TOTAL EXPENSES	 <u>13,788,893</u>	 <u>16,373,223</u>	 <u>7,278,069</u>	 <u>9,095,154</u>
 OPERATING INCOME (LOSS) BEFORE DEPRECIATION	 -	 (2,364,402)	 5,169,489	 7,533,891
Depreciation	<u>-</u>	<u>-</u>	<u>842,779</u>	<u>(842,779)</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (2,364,402)</u>	<u>\$ 4,326,710</u>	<u>\$ 6,691,112</u>

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL ENTERPRISE FUND - CITY MARINA FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Slip rentals	\$ 45,000	\$ 45,000	\$ 36,588	\$ (8,412)
Electric fees	10,000	10,000	4,604	(5,396)
Gas sales	22,000	22,000	20,234	(1,766)
Miscellaneous	400	400	484	84
TOTAL OPERATING REVENUES	<u>77,400</u>	<u>77,400</u>	<u>61,910</u>	<u>(15,490)</u>
OPERATING EXPENSES				
Salaries	31,420	31,420	20,540	10,880
Personnel benefits	8,071	8,071	4,585	3,486
Professional and skilled services	1,500	3,272	818	2,454
Supplies	11,125	14,794	12,390	2,404
Other services and charges	48,750	48,750	40,896	7,854
TOTAL OPERATING EXPENSES	<u>100,866</u>	<u>106,307</u>	<u>79,229</u>	<u>27,078</u>
OPERATING LOSS BEFORE DEPRECIATION				
	(23,466)	(28,907)	(17,319)	11,588
Depreciation	-	-	19,307	(19,307)
NET OPERATING LOSS	(23,466)	(28,907)	(36,626)	(7,719)
NONOPERATING REVENUES				
Operating transfer in	23,466	23,466	23,466	-
TOTAL NONOPERATING REVENUES	<u>23,466</u>	<u>23,466</u>	<u>23,466</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (5,441)</u>	<u>\$ (13,160)</u>	<u>\$ (7,719)</u>

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY, MARYLAND
 SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 ENTERPRISE FUND - PARKING AUTHORITY
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Parking permits, fines, state grants, meters and Park 'n Shop	\$ 697,000	\$ 697,000	\$ 567,019	\$ (129,981)
Rent and other	6,500	6,500	7,038	538
Current surplus available	21,684	35,178	-	(35,178)
TOTAL OPERATING REVENUES	<u>725,184</u>	<u>738,678</u>	<u>574,057</u>	<u>(164,621)</u>
OPERATING EXPENSES				
Salaries	188,604	188,604	184,608	3,996
Personnel benefits	62,246	75,740	73,249	2,491
Professional and skilled services	150,863	168,475	129,029	39,446
Supplies	8,200	8,049	2,795	5,254
Other services and charges	165,904	166,484	137,590	28,894
Capital outlays	66,000	66,000	-	66,000
TOTAL OPERATING EXPENSES	<u>641,817</u>	<u>673,352</u>	<u>527,271</u>	<u>146,081</u>
OPERATING INCOME BEFORE DEPRECIATION				
	83,367	65,326	46,786	(18,540)
Depreciation	-	-	112,810	(112,810)
NET OPERATING INCOME (LOSS)	<u>83,367</u>	<u>65,326</u>	<u>(66,024)</u>	<u>(131,350)</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfer in	20,000	20,000	20,000	-
Interest income	250	250	326	76
Interest expense	(103,617)	(103,617)	(19,562)	84,055
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(83,367)</u>	<u>(83,367)</u>	<u>764</u>	<u>84,131</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (18,041)</u>	<u>\$ (65,260)</u>	<u>\$ (47,219)</u>

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STATISTICAL INFORMATION

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CITY OF SALISBURY, MARYLAND

SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED) JUNE 30, 2013

Levy Year	Total	General Fund		
		Real Property	Personal Property	Corporations
2013	\$ 604,354	\$ 268,625	\$ 1,929	\$ 333,800
2012	284,047	43,757	711	239,579
2011	295,541	44,273	2,998	248,270
2010	289,105	50,146	3,347	235,612
2009 and prior	<u>1,059,581</u>	<u>375,242</u>	<u>36,031</u>	<u>648,308</u>
	2,532,628	782,043	45,016	1,705,569
Less allowance for uncollectibles	<u>(1,362,604)</u>	<u>-</u>	<u>(43,118)</u>	<u>(1,319,486)</u>
	<u>\$ 1,170,025</u>	<u>\$ 782,043</u>	<u>\$ 1,899</u>	<u>\$ 386,083</u>

NOTE: Included in the above are deferred taxes of \$490,833.

CITY OF SALISBURY, MARYLAND
STATEMENT OF BONDED INDEBTEDNESS (UNAUDITED)
JUNE 30, 2013

Description of Bonds and Purpose of Issue	Interest		Bond Maturities	Date Issued	Authorized Total Issue	Outstanding June 30, 2013	Requirements to June 30, 2014		Payable At
	Rate (Percent)	Dates Payable					Principal	Interest	
General Obligation Bonds									
Water Quality Bond of 2003	0.40	F & A1	8/1/03-8/1/24	4/17/2003	3,163,361	\$ 1,771,058	\$ 157,811	\$ 14,919	MD Dept. Environment
Public Improvement Bond of 2004	2.0-4.6	M & N1	5/1/05-5/1/24	4/22/2004	5,318,000	2,991,200	301,200	132,696	M & T Bank
Water Quality Bond of 2005	0.40	F & A1	2/1/09-2/1/28	9/29/2005	41,721,225	31,531,209	2,062,525	225,237	MD Water Quality Fin.
Public Improvement Bonds of 2007	4.03	A & O1	4/1/08-4/1/27	4/12/2007	4,950,000	3,465,000	247,500	139,640	Suntrust Leasing Corp.
Public Improvement Bonds of 2008	4.09	F & A1	2/1/09-2/1/28	1/22/2008	3,605,000	2,805,000	175,000	114,725	Suntrust Equip. & Leasing Corp.
Public Improvement Bonds of 2009	3.78	M & N1	5/1/10-5/1/25	11/6/2009	2,600,000	2,080,000	173,333	76,422	Hebron Savings Bank
Maryland Water Quality Bond (ARRA)	0	A & F1	8/1/11-2/1/30	12/4/2009	2,056,250	1,765,208	145,021	-	MD Water Quality Fin.
Maryland Energy Administration	0	S & M1	9/1/11-3/1/13	12/4/2009	258,740	201,242	28,749	-	MD Water Quality Fin.
Maryland Energy Administration	2.50	J & J1	1/1/11-7/1/16	8/23/2010	142,800	109,070	23,195	2,583	MD Water Quality Fin.
Refinance Public Improvement Bond	3.35	A & O1	10/1/11-10/1/26	10/4/2010	5,050,000	4,554,449	260,295	148,214	Bank of America
Public Improvements Refunding Bond, Series 2011A	1.31	J & DA1	12/13/11-6/1/14	12/13/2011	2,588,000	782,000	782,000	10,244	Suntrust Bank
Public Improvements Refunding Bond, Series 2011B	2.39	J & DA1	12/13/11-6/1/23	12/13/2011	4,828,000	4,108,000	385,000	98,181	Suntrust Bank
2012 Public Improvement Bond	2.52	M & N1	5/3/12-6/30/27	5/3/2012	7,693,000	7,264,000	439,000	183,053	Suntrust Bank
Series 2012A Maryland Water Quality Financing Administration Drinking Water Bond	0.90	A & F1	5/22/12-2/1/43	5/22/2012	1,631,000	1,631,000	47,600	18,474	MD Water Quality Fin.
Series 2012B Maryland Water Quality Financing Administration Drinking Water Bond	0	A & F1	5/22/12-2/1/43	5/22/2012	1,500,000	1,294,434	-	-	MD Water Quality Fin.
Public Improvement Bonds of 2013	3.01	J & J1	12/5/12-6/30/29	12/5/2012	6,041,000	6,041,000	286,000	190,662	Suntrust Bank
						<u>\$ 72,393,870</u>	<u>\$ 5,514,228</u>	<u>\$ 1,355,050</u>	

CITY OF SALISBURY, MARYLAND
GENERAL FUND REVENUE BY SOURCE (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2013

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	
2013	\$ 20,164,623	67.72%	\$ 1,439,078	4.83%	\$ 1,094,247	3.68%	\$ 1,033,844	3.47%	\$ 811,316	2.72%	\$ 29,284	0.10%	\$ 1,911,414	6.42%	\$ 3,290,838	11.05%	\$ 29,774,644	100.00%	\$ 1,007,473	
2012	20,956,426	70.37%	1,280,775	4.30%	1,106,407	3.72%	846,415	2.84%	275,650	0.93%	26,868	0.09%	1,605,123	5.39%	3,681,914	12.36%	29,779,578	100.00%	160,087	
2011	20,780,382	72.27%	1,378,956	4.80%	765,918	2.66%	715,197	2.49%	139,420	0.48%	37,142	0.13%	1,533,721	5.33%	3,404,221	11.84%	28,754,957	100.00%	294,894	
2010	21,546,160	71.60%	1,537,197	5.11%	856,110	2.84%	663,585	2.21%	109,267	0.36%	37,697	0.13%	1,640,400	5.45%	3,703,987	12.31%	30,094,403	100.00%	225,520	
2009	20,256,196	66.98%	1,673,627	5.53%	2,004,180	6.63%	862,143	2.85%	105,234	0.35%	169,970	0.56%	1,776,385	5.87%	3,392,935	11.22%	30,240,670	100.00%	1,622,353	

CITY OF SALISBURY, MARYLAND
GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2013

Fiscal Year Ended June 30	General Government	Police	Fire	Other Safety	Department of Public Works				Recreation	Miscellaneous & Transfers	Total
					Supervision & Engineering	Highways	Sanitation				
2013	\$ 2,439,617 7.92%	\$ 9,902,257 32.13%	\$ 6,173,771 20.03%	\$ 941,182 3.05%	\$ 1,835,733 5.96%	\$ 1,563,482 5.07%	\$ 1,940,728 6.30%	\$ 1,584,513 5.14%	\$ 4,435,082 14.39%	\$30,816,365 100.00%	
2012	2,460,975 7.11%	9,841,247 28.42%	6,601,761 19.06%	913,953 2.64%	1,050,069 3.03%	1,552,701 4.48%	2,133,439 6.16%	1,713,690 4.95%	8,365,908 24.16%	34,633,743 100.00%	
2011	2,464,686 7.31%	9,207,336 27.32%	5,935,498 17.61%	1,261,180 3.74%	1,139,470 3.38%	1,529,516 4.54%	2,101,673 6.24%	1,712,040 5.08%	8,344,885 24.77%	33,696,284 100.00%	
2010	2,254,947 7.24%	9,368,939 30.08%	7,364,032 23.65%	1,384,845 4.45%	2,053,826 6.59%	1,596,292 5.13%	1,421,251 4.56%	1,790,812 5.75%	3,907,620 12.55%	31,142,564 100.00%	
2009	2,455,685 7.87%	9,567,265 30.67%	7,168,672 22.98%	1,437,948 4.61%	1,926,123 6.17%	1,437,823 4.61%	1,733,812 5.56%	1,732,924 5.55%	3,735,856 11.98%	31,196,108 100.00%	

CITY OF SALISBURY, MARYLAND
 WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)
 FIVE YEARS ENDED JUNE 30, 2013

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
2013	\$ 4,125,240	\$ 602,048	\$10,586,504	\$ 1,861,054	\$17,174,846	\$ 1,851,757	\$10,225,483	\$ 46,877	\$ 707,821	\$ 1,344,011	\$12,324,192
2012	4,177,374	271,215	10,513,959	240,570	15,203,118	1,366,020	10,780,997	72,357	631,367	1,343,542	12,828,263
2011	4,233,585	331,592	9,069,181	409,182	14,043,540	-	11,548,409	2,732	748,161	1,581,080	13,880,382
2010	4,223,870	175,918	7,935,888	220,396	12,556,072	1,287,628	10,409,485	52,340	670,243	1,574,494	12,706,582
2009	3,821,506	292,905	7,075,001	287,400	11,476,812	2,868,598	10,070,820	89,809	622,396	1,553,952	12,336,977

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, 2013

Fiscal Year Ended June 30	Assessable Basis	Total General Sinking Tax Levy	Current Tax Collections	Percent of Levy Collected in Year 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
2013	\$ 2,228,304,647	\$ 23,207,089	\$ 19,411,466	83.64%	\$ 380,515	\$ 19,791,981	85.28%	\$ 2,045,252	8.91%
2012	2,254,938,618	21,721,757	20,246,098	93.21%	169,030	20,415,128	93.98%	2,179,002	10.03%
2011	2,330,729,348	22,506,548	20,373,256	90.52%	45,267	20,418,523	90.72%	2,088,025	9.28%
2010	2,501,327,556	23,929,701	19,529,112	81.61%	1,770,553	21,299,665	89.01%	1,731,542	7.24%
2009	2,300,114,378	22,307,156	19,672,764	88.19%	342,121	20,014,885	89.72%	804,170	3.60%

CITY OF SALISBURY, MARYLAND

GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS (UNAUDITED)
 FIVE YEARS ENDED JUNE 30, 2013

Fiscal Year Ended June 30	Real Property		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
	Full and Partial Year	Personal Property	Ordinary Corporations	Railroads and Utilities	Total							
2013	\$1,963,683,547	\$2,029,930	\$206,407,060	\$ 56,184,110	\$2,228,304,647	\$73,775,676	0.0331	\$105,009,452	\$31,233,776	\$ 6,869,278	\$ 42,296,670	0.162
2012	1,988,451,318	2,513,100	216,668,130	47,306,070	2,254,938,618	69,545,990	0.0308	106,186,783	36,640,793	6,627,172	42,037,310	0.156
2011	2,050,805,168	2,058,140	229,964,250	47,881,790	2,330,729,348	69,159,538	0.0297	110,024,625	40,865,087	6,298,863	42,085,103	0.150
2010	2,219,277,746	2,697,220	230,973,950	48,378,640	2,501,327,556	67,471,893	0.0274	116,976,091	49,504,198	5,719,527	43,243,226	0.132
2009	2,015,985,078	2,966,990	228,511,610	52,650,700	2,300,114,378	66,092,298	0.0264	109,052,333	42,960,035	5,462,516	42,729,346	0.128

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CITY OF SALISBURY, MARYLAND

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2013

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 2, 2013

Members of City Council
City of Salisbury
Salisbury, Maryland

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements 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 and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Salisbury (the "City"), and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Salisbury's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item #13-1 to be a material weakness.

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Members of City Council
City of Salisbury

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and recommendations as item #08-4 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Salisbury's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The City of Salisbury's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The City of Salisbury's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

BARBACANE, THORNTON & COMPANY LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 2, 2013

Members of City Council
City of Salisbury
Salisbury, Maryland

Report on Compliance for Each Major Federal Program

We have audited the City of Salisbury's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City of Salisbury's major federal programs for the year ended June 30, 2013. The City of Salisbury's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Salisbury's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Salisbury's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the City's major federal programs. However, our audit does not provide a legal determination of the City of Salisbury's compliance.

DRAFT - FOR DISCUSSION PURPOSES ONLY

Members of City Council
City of Salisbury

Opinion on Each Major Federal Program

In our opinion, the City of Salisbury, Maryland, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Salisbury's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Salisbury's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards

We have audited the financial statements 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 and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Salisbury's basic financial statements. We issued

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Members of City Council
City of Salisbury

our report thereon dated December 2, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the members of City Council, management and federal awarding agencies and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.

BARBACANE, THORNTON & COMPANY LLP

CITY OF SALISBURY, MARYLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

Grantor/Program	Source Code	Federal CFDA Number	Grant/Loan Number	Expenditures
U.S. Department of Justice				
Passed through Maryland Bureau of Justice Assistance				
ARRA-COPS Hiring Recovery Program	I	16.710	2009RKWX0410	124,064
Capital City Regional Task Force	I	16.111	JLEO-13-0347	4,981
Capital City Regional Task Force	I	16.111	JLEO-14-0347	11,425
Total CFDA #16.111				16,406
Justice Assistance Grant	I	16.738	BJAG 2009-DJ-DX-1432	8,063
Justice Assistance Grant	I	16.738	BJAG-2009-SB-B9-3327	20,954
Edward Bryne Memorial Justice Assistant Grant	I	16.738	2010-DJ-BX-0709	30,106
Edward Bryne Memorial Justice Assistant Grant	I	16.738	2011-DJ-BX-3198	723
Justice Assistance Grant - ATF OCIDEF	I	16.738	DEA-GC-12-0158	5,573
Total CFDA #16.738				65,419
Total U.S. Department of Justice				
U.S. Department of Homeland Security				
Salisbury Fire Department Fire Resure Rapid Response Vessel	D	97.116	2009-PU-RI-0375	50,253
Assistance to Firefighters Grant	D	97.044	EMW-2011-FH-00621	377,996
DHS/FEMA 2011 Port Security Grant - Foam Trailer	D	97.056	EMW-2011-PU-K00002-S01	131,763
Total U.S. Department of Homeland Security				
TOTAL EXPENDITURES OF FEDERAL AWARDS				
				\$ 1,260,970

Source Code:

- D = Direct Federal Funding
- I = Indirect Federal Funding

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CITY OF SALISBURY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A **SINGLE AUDIT REPORTING ENTITY**

The City of Salisbury's single audit reporting entity is consistent with the reporting entity used for the City of Salisbury's financial statements.

NOTE B **BASIS OF ACCOUNTING**

All expenditures included in the schedule of expenditures of federal awards are presented on the basis that expenditures are reported to the respective federal grantor agencies. Accordingly, certain expenditures are recorded when paid, and certain other expenditures are recorded when the federal obligation is determined.

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**SCHEDULE OF
FINDINGS AND RECOMMENDATIONS**

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CITY OF SALISBURY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [unmodified, qualified, adverse or disclaimer]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs [unmodified, qualified, adverse or disclaimer]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

 Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

14.218

CDBG/Entitlement Grants Cluster

97.044

Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 Yes X No

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CITY OF SALISBURY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

FUND DEFICIT

08-4 Finding

As of June 30, 2008, the City's Grant Fund, Community Development Fund and Septage Treatment Fund had a deficit fund balance. The deficit was attributed to the use of monies from the City's pooled bank accounts that were not allocated to the appropriate fund. The City is responsible for demonstrating fiscal responsibility for all funds and fund types.

We recommended that the City implement procedures to ensure that, on a regular basis, someone is reviewing the activity in all City funds to ensure that they are being properly administered and funded. In addition, the City needed to implement a plan to fund the existing deficit and prevent future deficits from occurring.

Status

Subsequent to our original finding, we noted that the City's Mitchell Landing Fund has incurred a fund deficit. In the fiscal year ended June 30, 2012, the City closed out the Septage Treatment Fund, thereby eliminating its fund deficit. In the current year, the City corrected an error in relation to its grant accounting for receivables, thereby eliminating the fund deficit in Grant Fund and the Community Development Fund. Thus, this recommendation is still applicable for the current year.

Corrective Action Plan

The City will continue to explore avenues to resolve fund deficits.

12-1 Collateralization of Cash

Finding

As part of our confirmation process for auditing cash and collateralization of cash, it was reported to us that at June 30, 2012, the City had funds which were not collateralized in the amount of \$302,528. Upon further inquiry with the client and the third party custodian, there appeared to be a breakdown in communication of the collateral and there was no internal formal procedure to ensure that any reporting from custodians of collateral be reviewed and reported to appropriate banking officials.

Recommendation

We recommended that the City document a procedure for obtaining, reviewing and appropriating follow up for any funds on deposit which require collateralization. This procedure should incorporate monthly review of collateral in the City's name, at a minimum, to ensure that public funds on deposit are protected from loss at all times.

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CITY OF SALISBURY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

Status

During our current year audit, we noted that the City's deposits which were not insured by the Federal Deposit Insurance Corporation were appropriately collateralized as of June 30, 2013. Therefore, this recommendation is no longer applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

13-1 GRANT MANAGEMENT

Condition

During our current year audit, we noted that the City does not have an individual assigned to manage the City's grant programs. Many of the responsibilities are decentralized and in the hands of staff at the department level.

Criteria

Effective grant management is a process of adequate oversight and monitoring of federal and state awards that includes project resources, activities and results.

Effect

For reimbursement grants, the City is fronting the cost and the grantor funds the expenditures upon the City submitting the proper reports.

Cause

Grant administration tasks need to be clearly assigned. Additional checks and balances are required to ensure assigned tasks are completed timely.

Recommendation

We recommend the City designate individuals responsible for the following grant administration tasks:

- Review of the grant budget and related expenditures;
- Reconcile grant expenditures and receipts to the schedule of expenditures of federal awards;
- Provide updates to the finance department including the project status, reimbursements requested and open items; and
- Timely preparation and submission of required reports and reimbursement requests.

Corrective Action Plan

The City plans to review grant administration tasks, document assignments, and add checks and balances to ensure accurate and timely reimbursement submissions and grant reporting.

DRAFT - FOR DISCUSSION PURPOSES ONLY

CITY OF SALISBURY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

11-1 FORM SF-425 REPORTING

Condition

During our prior year audit of the CDBG Entitlement Grant Cluster, we noted that Form SF-425 is applicable for the City but was not filed as required.

Criteria

According to OMB Circular A-133 Part III, Form SF-425 is required to be filed quarterly.

Effect

By not filing the proper forms, there is no way of ensuring that federal funds are not drawn prematurely; that no funds are being kept on hand in excess of three days' needs and that the City is taking steps to reduce excess cash balances.

Cause

The City was unaware of its requirement to file Form SF-425.

Recommendation

We recommended that the City review the OMB Circular A-133 for CFDA #14.218 yearly and understand all of its reporting requirements.

Status

During our current year audit, we noted that the City filed Form SF-425 for each of the four quarters during the fiscal year ended June 30, 2013. Standard Form 272 was also filed for each of the four quarters. Therefore, this finding is no longer applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

City of Salisbury



MARYLAND



125 NORTH DIVISION STREET
SALISBURY, MARYLAND 21801
Tel: 410-334-3028
Fax: 410-548-3192

JAMES IRETON, JR.
MAYOR

TOM STEVENSON
INTERIM CITY ADMINISTRATOR

KEITH A. CORDREY
DIRECTOR OF INTERNAL SERVICES

To: Tom Stevenson, Interim City Administrator
From: Keith Cordrey, Director of Internal Services
Date: 11/14/2013
Re: Comcast Rate Filing

The City of Salisbury received from Comcast, Forms 1240 and 1205 which calculate the maximum permitted rate for Limited Basic Service and maximum permitted rates for equipment and installation of service, based on FCC regulations. The Department of Internal Services staff has discussed these documents with Joseph Lance, Senior Director Regulatory/Compliance, and is satisfied that the calculations of the regulated rates are reasonable and consistent with FCC regulations.

As calculated in Form 1240, the Maximum Permitted Rate for Limited Basic Service for this term period is calculated at \$ 19.96. This is an increase of \$ 2.82 from the prior year maximum permitted rate of \$17.14. It should be noted that the current rate for Limited Basic Service is \$16.95. Comcast will notify us 30 days prior to when any rate increases for Limited Basic Service will take place.

As calculated in Form 1205, the attached 2013 Installation and Equipment Rates have been established for the current term period. The noted rate decreases identified in the Operator Selected Rate column will go into effect January 1, 2014. Comcast will notify us 30 days prior to when any rate increases will take place.

If you have any questions, please let me know. Thank you.

1 RESOLUTION NO. 2352

2 A RESOLUTION OF THE CITY OF SALISBURY TO APPROVE THE CALCULATION OF
3 MAXIMUM PERMITTED RATES FOR LIMITED BASIC SERVICE AND REGULATED EQUIPMENT
4 RATES AND INSTALLATION CHARGES AS SET FORTH IN COMCAST'S RATE FILING DATED
5 SEPTEMBER 30, 2013.

6
7 WHEREAS, pursuant to the regulations of the Federal Communications Commission, the City of
8 Salisbury filed Form 328 with the FCC and adopted Ordinance No. 1582 establishing procedures and standards
9 for the regulation of rates for cable service and equipment; and

10
11 WHEREAS, on October 1, 2013, Comcast submitted FCC Form 1240 and FCC Form 1205, notifying the
12 City of Salisbury of the calculation of Maximum Permitted Rates for limited basic service and regulated
13 equipment rates and installation charges to be effective January 1, 2014; and

14
15 WHEREAS, upon receiving the filing, the City of Salisbury, pursuant to the current ordinance in effect
16 for Cable Television Franchisees, investigated the rate request and gave public notice of the filing; and

17
18 WHEREAS, the staff of the City's Internal Services Department has met with representatives of Comcast,
19 reviewed the rate filing, and is satisfied that the calculation of regulated rates for limited basic service and
20 equipment and installation charges, as set forth in Comcast's rate filing dated October 1, 2013, is reasonable and
21 is based upon a methodology consistent with FCC's regulations; and

22
23 WHEREAS, at a public hearing held on the ___ day of December, 2013, the City of Salisbury had an
24 opportunity to hear public input.

25
26 NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Salisbury, in regular session
27 on the ___ day of December, 2013, pursuant to proper authority granted it, that:

- 28
29 1. The City of Salisbury finds that the calculation of Maximum Permitted
30 Rates for limited basic service, as set forth in Comcast's rate filing
31 dated October 1, 2013, is reasonable and is based upon a methodology
32 consistent with FCC regulations; and
33 2. The City of Salisbury finds that the calculation of regulated rates for
34 equipment and installation charges, as set forth in Comcast's rate filing
35 dated October 1, 2013, is reasonable and is based upon a methodology
36 consistent with FCC regulations; and
37 3. The City of Salisbury finds that the contents of this Resolution are supported by the record
38 before it, including comments received.
39

40 THE ABOVE RESOLUTION was introduced, read, and passed at the regular meeting of the City
41 Council of the City of Salisbury held on this ___ day of December, 2013.

42
43
44 **ATTEST:**

45
46 _____
47 Kimberly R. Nichols, City Clerk

48 _____
49 Jacob R. Day, President
50 Salisbury City Council

51 APPROVED BY ME THIS ___ day of _____, 2013.

52
53 _____
54 James Ireton, Jr., Mayor
55
56

Memo

To: Tom Stevenson, Acting City Administrator

From: Jennifer Miller, Assistant Director of Internal Services-Procurement

Date: November 25, 2012

Re: Lease Agreement with Tri-County Council for a Shore Transit Bus Stop on Calvert Street

The Procurement Division is seeking to authorize the renewal of a lease agreement between the City of Salisbury and the Tri-County Council for a bus stop adjacent to Lot # 10. This lease would allow the continued use of a grass strip and the sidewalk on Calvert Street for a one-year period.

Attached is the aforementioned Lease Agreement for the period of January 01, 2014-December 31, 2014.

1
2
3
4 **LEASE**

5 THIS AGREEMENT, made this 1st day of January, 2014, between the CITY OF SALISBURY,
6 (“Landlord”) and TRI-COUNTY COUNCIL FOR THE LOWER SHORE OF MARYLAND
7 (“Tenant”).

8 1. Landlord hereby leases to the said Tenant the grass strip lying between Calvert
9 Street and the sidewalk running perpendicular thereto from Route 13 to the
10 driveway leading from Calvert Street to Parking Lot #10. In consideration
11 thereof, the Tenant agrees to pay the Landlord the sum of One Dollar (\$1.00) per
12 year due on the date of execution of this Agreement. The purpose of this Lease
13 Agreement is to provide space for one bus stop for the convenience of the
14 customers of Shore Transit. The term of this Lease Agreement will be one year.

15 2. And the said Tenant hereby covenants with the said Landlord as follows:

16 A) To remove any debris or litter on an as needed basis from the area on which
17 the bus stop is located, as well as the following areas:

18 a. The sidewalk fronting on Calvert Street, from U.S. Route 13 to the
19 driveway leading from Calvert Street to Parking Lot #10.

20 B) To maintain landscaping along Calvert Street;

21 C) To maintain and replace, as necessary:

- 22 a. Bike rack
- 23 b. Permanent trash receptacles
- 24 c. Identification signage
- 25 d. Patron benches

26 D) To keep premises in good order and to surrender the peaceful and quiet
27 possession of the same at the end of the said term in as good condition as
28 when received, and further, Tenant will not do, suffer, or permit anything to
29 be done in or about the premises which will contravene any policy of
30 insurance of the Landlord, nor use, nor permit their use for the purposes other
31 than those of the public transportation system. Tenant further covenants that
32 it will not at any time assign this Agreement, or sublet the property thus let, or
any portion thereof, without the consent in writing of the said Landlord, or its

33 representatives. Tenant further covenants that no alterations or repairs will be
34 made to the leased premises without prior consent of the Landlord, and that,
35 whatever alterations or repairs the said Tenant shall be permitted to make
36 shall be done at Tenant's own expense unless otherwise agreed upon by
37 Landlord.

- 38 E) To provide the City a Certificate of Insurance naming the Landlord as an
39 additional insured. Such certificate will evidence that the Tenant has
40 insurance in the following amounts: General Commercial Liability (General
41 Aggregate \$2,000,000; each occurrence \$1,000,000; Fire Damage \$300,000;
42 and Medical Expense \$10,000).
- 43 F) To permit access to property by authorized Landlord employees.
- 44 G) To comply with all Landlord Ordinances.
- 45 H) To cooperate fully with routine or emergency activities of Landlord agencies.
- 46 I) To ensure that no lewd or indecent actions, conduct, language, pictures or
47 portrayals be included in the activities or events presented by Tenant on the
48 premises, and nothing is to be presented, used, sold or solicited that is against
49 the law, or contrary to, or forbidden by, the Ordinances of the Landlord and
50 the laws of the State of Maryland. Tenant agrees to abide by and to be bound
51 by the decisions of the Landlord should any questions of propriety arise under
52 this paragraph.
- 53 J) To have all facades, signs, etc. approved by the Department of Building,
54 Permitting and Inspections.

- 55 3. All improvements, as needed, will be at the expense of the Tenant.
- 56 4. Tenant knows, understands and acknowledges the risks and hazards associated
57 with using the property and hereby assumes any and all risks and hazards
58 associated therewith. Tenant hereby irrevocably waives any and all claims
59 against the City or any of its officials, employees or agents for any bodily injury
60 (including death), loss or property damage incurred by the Tenant as a result of
61 using the property and hereby irrevocably releases and discharges the City and
62 any of its officials, employees or agents from any and all claims of liability
63 arising out of or associated with the use of the property.

- 64 5. Indemnification. Tenant shall indemnify and hold Landlord harmless from and
65 against all claims, liabilities, judgments, fines, assessments, penalties, awards, or
66 other expenses, of any kind or nature whatsoever, including, without limitations,
67 attorneys' fees, expert witness fees, and costs of investigation, litigation or dispute
68 resolution, relating to or arising out of any breach or alleged breach of this
69 Agreement, or any Breach, by Tenant or subcontractors or agents or Tenant.
70 6. Tenant will pay the Landlord for any and all physical loss or damage of the
71 property (including the cost to repair or replace the property) caused by, arising
72 out of, relating to or associated with the use of the property by the Tenant or by
73 Tenant's members, employees, agents, or invitees.
74 7. IT IS FURTHER AGREED that if the Tenant violates any of the foregoing
75 covenants on its part herein made, the Landlord shall have the right without
76 formal notice to reenter and take possession of said land associated with this
77 Lease Agreement and to cause the shelter to be removed at the sole expense of
78 Tenant or to remain the property of the Landlord, at the option of the Landlord.
79

80 IN WITNESS WHEREOF, the said parties have hereunto subscribed their names and
81 affixed their seals the day and year first before written.
82

83 ATTEST:

CITY OF SALISBURY

84

85 _____
86 Kimberly R. Nichols
87 City Clerk
88

James Ireton, Jr.
Mayor

89 ATTEST:

Tri-County Council for the Lower
Shore of Maryland

90

91

92

93 _____
94 Transit Director

BY _____ (SEAL)
Michael P. Pennington
Executive Director

95

Memo

To: Tom Stevenson, Acting City Administrator

From: Jennifer Miller, Assistant Director of Internal Services-Procurement

Date: November 25, 2013

Re: Lease Agreement with Tri-County Council for a Shore Transit Bus Stop on Circle Avenue

The Procurement Division is seeking to authorize the renewal of a lease agreement between the City of Salisbury and the Tri-County Council for a bus stop adjacent to Lot # 1. This lease would allow the continued use of a grass strip and the sidewalk on Circle Avenue for a one-year period.

Attached is the aforementioned Lease Agreement for the period of January 01, 2014-December 31, 2014.

1
2
3 **RESOLUTION NO. 2354**

4 A RESOLUTION OF THE CITY OF SALISBURY TO AUTHORIZE THE MAYOR
5 TO SIGN A RENEWAL LEASE WITH THE TRI-COUNTY COUNCIL FOR THE
6 LOWER SHORE OF MARYLAND FOR THE USE OF A GRASS STRIP AND THE
7 SIDEWALK PARALLEL THERETO ON CIRCLE AVENUE BETWEEN THE
8 CORNER OF DIVISION STREET AND THE ENTRANCE TO PARKING LOT #1 AS
9 A SHORE TRANSIT BUS STOP.

10 WHEREAS the Tri-County Council for the Lower Shore of Maryland-Shore
11 Transit Division, a regional transit system serving the three Lower-Shore Counties, has
12 been leasing from the City a grass strip and the sidewalk parallel thereto on Circle
13 Avenue, between the corner of Division Street and Parking Lot #1 entrance as a bus stop;
14 and

15
16 WHEREAS the City finds that it is in the best interest of the City to permit the
17 Shore Transit Division to continue to operate a bus stop at the aforementioned location as
18 a convenience to the public.

19
20 NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of
21 Salisbury, Maryland that the Mayor be authorized to sign the attached renewal Lease
22 Agreement between the City of Salisbury and the Tri-County Council for the Lower
23 Shore of Maryland to provide a bus stop on Circle Avenue for a one year term subject to
24 the terms and conditions of the Lease Agreement.

25
26 THE ABOVE RESOLUTION was introduced and read and passed at the regular
27 meeting of the Council of the City of Salisbury held on this ____ day of _____, 2013
28 and is to become effective immediately upon adoption.

29
30
31 ATTEST:

32
33 _____
34 Kimberly R. Nichols, City Clerk

Jacob R. Day, President
Salisbury City Council

35
36
37
38 APPROVED by me this ____ day of _____, 2013.

39
40
41 _____
42 James Ireton, Jr., Mayor
43 City of Salisbury
44

1
2
3
4 **LEASE**

5 THIS AGREEMENT, made this 1st day of January, 2014, between the CITY OF SALISBURY,
6 (“Landlord”) and TRI-COUNTY COUNCIL FOR THE LOWER SHORE OF MARYLAND
7 (“Tenant”).

8 1. Landlord hereby leases to the said Tenant a space for a concrete pad with bench
9 behind the sidewalk running parallel thereto on Circle Avenue, between the
10 corner of Division and Parking Lot #1 entrance as a bus stop. In consideration
11 thereof, the Tenant agrees to pay the Landlord the sum of One Dollar (\$1.00) per
12 year due on the date of execution of this Lease Agreement. The term of this
13 Lease shall be one year.

14 2. Tenant hereby covenants with the Landlord as follows:

15 A) To clean and maintain the space in a satisfactory condition;

16 B) To remove any debris or litter on an “as needed” basis from the area on which
17 the bench is located, as well as the following areas:

18 a. The sidewalk fronting on Circle Avenue, between the corner with
19 Division and Parking Lot #1 entrance.

20 C) To maintain landscaping along Circle Avenue around the bus stop area;

21 D) To maintain and/or replace, as necessary:

22 a. Permanent trash receptacles

23 b. Identification signage

24 c. Bench

25 d. Concrete Pad

26 E) To keep premises in good order and to surrender the peaceful and quiet
27 possession of the same at the end of the said term in as good condition as
28 when received, and further the Tenant will not do, suffer or permit anything to
29 be done in or about the premises which will contravene any policy of
30 insurance of the Landlord, nor use, nor permit their use for the purposes other
31 than those of the public transportation system. Tenant further covenants that
32 it will not at any time assign this agreement, or sublet the property or any
portion thereof, without the written consent of the Landlord, or its

33 representatives. Tenant further covenants that no alterations or repairs will be
34 made to the leased premises without prior consent of the Landlord, and that,
35 whatever alterations or repairs the Tenant will be permitted to make will be
36 completed at Tenant's own expense unless otherwise agreed upon by
37 Landlord.

38 F) To provide the Landlord a Certificate of Insurance naming the Landlord as an
39 additional insured. Such certificate will evidence that the Tenant has
40 insurance in the following amounts: General Commercial Liability (General
41 Aggregate \$2,000,000; each occurrence \$1,000,000; Fire Damage \$300,000;
42 and Medical Expense \$10,000).

43 G) To permit access to property by authorized Landlord employees.

44 H) To comply with all Landlord ordinances.

45 I) To cooperate fully with routine or emergency activities of Landlord's
46 agencies.

47 J) To ensure that no lewd or indecent actions, conduct, language, pictures or
48 portrayals be included in the activities or events presented by Tenant on the
49 premises, and nothing is to be presented, used, sold or solicited that is against
50 the law, or contrary to, or forbidden by, the ordinances of the Landlord and
51 the laws of the State of Maryland. Tenant agrees to abide by and to be bound
52 by the decisions of the Landlord should any questions of propriety arise under
53 this paragraph.

54 K) To have all facades, signs, etc. approved by the Department of Building,
55 Permitting & Inspections.

56 3. All improvements, as needed, will be at the expense of the Tenant.

57 4. Tenant knows, understands, and acknowledges the risks and hazards associated
58 with using the property and hereby assumes any and all risks and hazards
59 associated therewith. Tenant hereby irrevocably waives any and all claims
60 against the City or any of its officials, employees, or agents for any bodily injury
61 (including death), loss or property damage incurred by the Tenant as a result of
62 using the property and hereby irrevocably releases and discharges the City and

63 any of its officials, employees or agents from any and all claims of liability
64 arising out of or associated with the use of the property.

65 5. Indemnification. Tenant shall indemnify and hold Landlord harmless from and
66 against all claims, liabilities, judgments, fines, assessments, penalties, awards, or
67 other expenses, of any kind or nature whatsoever, including, without limitations,
68 attorneys' fees, expert witness fees, and costs of investigation, litigation or dispute
69 resolution, relating to or arising out of any breach or alleged breach of this
70 Agreement, or any Breach, by Tenant or subcontractors or agents or Tenant.

71 6. Tenant will pay the Landlord for any and all physical loss or damage of the
72 property (including the cost to repair or replace the property) caused by, arising
73 out of, relating to or associated with the use of the property by the Tenant or by
74 Tenant's members, employees, agents, or invitees.

75 7. IT IS FURTHER AGREED that if the Tenant violates any of the foregoing
76 covenants on its part herein made, the Landlord will have the right without formal
77 notice to reenter and take possession of said land associated with this Lease
78 Agreement and to cause the bench to be removed at the sole expense of Tenant or
79 to remain on the property of the Landlord, at the option of the Landlord.

80
81 IN WITNESS WHEREOF, the said parties have hereunto subscribed their names
82 and affixed their seals the day and year first before written.

83

84 ATTEST:

CITY OF SALISBURY

85

86 _____
87 Kimberly R. Nichols
88 City Clerk

James Ireton, Jr.
Mayor

89

90

91 ATTEST:

Tri-County Council for the Lower
Shore of Maryland

92

93

94

95

96

Transit Director

97

BY _____(SEAL)

Michael P. Pennington

Executive Director

City of Salisbury



MARYLAND



JAMES IRETON, JR.
MAYOR

TOM STEVENSON
ACTING CITY ADMINISTRATOR

125 NORTH DIVISION STREET
SALISBURY, MARYLAND 21801
Tel: 410-548-3170
Fax: 410-548-3107

MICHAEL S. MOULDS, P.E.
DIRECTOR OF PUBLIC WORKS

To: Tom Stevenson, Acting City Administrator
From: Michael Moulds, Director of Public Works
Date: November 22, 2013
Re: Zoo Donations

The Delmarva Zoological Society (DZS) has raised funds and received grants to be able to make continued donations to the Salisbury Zoo. DZS is pleased to donate \$619.00 in the form of computer per the attached letter dated November 22, 2013. The donation includes the following items:

Donated items	Approximate Value
Computer & Services (Software, Delivery, Installation)	619.00
Total Donation	\$619.00

Attached is a Resolution for consideration to accept the donations from the Delmarva Zoological Society.

Unless you or the Mayor has further questions, please forward a copy of this memo to the City Council.



Working to Renew the Zoo

November 22, 2013

Dear Michael,

The Delmarva Zoological Society is pleased to be able to gift the City of Salisbury with a new computer system!

In July of 2013, the Delmarva Zoological Society was granted \$1,000 from the Community Foundation of the Eastern Shore through a Technical Mini Grant. With those funds, we purchased a Dell OptiPlex Desktop for the Salisbury Zoo's Veterinary Technician, Debbie Graham. The purchase was made on August 6th from Mader Systems Consulting.

In addition to the PC, the Delmarva Zoological Society paid for the delivery, set-up, and configuration, and software installation for the PC. The total for product and services was \$619 (The left-over funds were used for computers at the Delmarva Zoological Society office, as approved by the Community Foundation).

Please let me know if you have any questions regarding this gift. We thank you and the Department of Public Works for your help to "Renew the Zoo!"

Warmest Regards,

Taylor

Taylor Whitehair
Technical Writer
(443) 480 - 9045

RESOLUTION NO. 2355

A RESOLUTION OF THE CITY OF SALISBURY, MARYLAND ACCEPTING A DONATION FROM THE DELMARVA ZOOLOGICAL SOCIETY FOR THE SALISBURY ZOOLOGICAL PARK.

WHEREAS, the Council of the City of Salisbury supports the acceptance of donations at the Salisbury Zoo; and

WHEREAS, the Delmarva Zoological Society would like to donate to the City a desktop computer; and

WHEREAS, the Delmarva Zoological Society will secure and donate the computer, materials and labor necessary to fully utilize the computer to benefit the Veterinary Technician and staff of the Salisbury Zoo.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Salisbury, Maryland does hereby accept the donation of a computer and services valued at a maximum of approximately \$619.

THIS RESOLUTION was introduced and duly passed at a meeting of the Council of the City of Salisbury, Maryland held on _____, 2013 and is to become effective immediately upon adoption.

ATTEST:

Kimberly R. Nichols
CITY CLERK

Jacob R. Day
PRESIDENT, City Council

APPROVED by me this _____ day of _____, 2013

James Ireton, Jr.
MAYOR, City of Salisbury

INTER

OFFICE

MEMO

Office of the Mayor

To: City Council Members
From: Tom Stevenson
Subject: Merritt Mill Road – Smith Annexation
Date: December 4, 2013

Attached are the documents associated with two Resolutions for the Merritt Mill Road – Smith Annexation. This Memo includes the following documents:

- Resolution to establish Public Hearing Date;
- Exhibit A – Meets and Bounds Property Description;
- City Meets and Bounds Certification Letter;
- Exhibit B w/attachments – Annexation Plan;
- Exhibit C – Annexation Agreement;
- Zoning Decision Letters (P&Z Commission and County Council);
- Fiscal Impact Memo;
- Annexation Petitions (2);
- Letter of Intent; and
- Resolution for adoption of the Annexation Plan (Attach Annexation Plan to the Resolution).

Please feel free to contact Keith Hall with any questions related to this agenda item for the Council's review and action.

Cc: City Department Heads, Chris Jakubiak, Keith Hall

RESOLUTION NO. 2356

A RESOLUTION of the Council of the City of Salisbury proposing the annexation to the City of Salisbury of a certain area of land situate contiguous to and binding upon the easterly corporate limit of the City of Salisbury, to be known as the "Merritt Mill Road / Smith Annexation," being an area located on the southerly side of and binding upon Merritt Mill Road, east of the intersection of Merritt Mill Road and Philip Morris Drive.

WHEREAS the City of Salisbury has received a petition to annex, signed by at least twenty-five percent (25%) of the persons who are resident registered voters and of the persons who are owners of at least twenty-five percent (25%) of the assessed valuation of the real property in the area sought to be annexed, and being located on the southerly side of and binding upon Merritt Mill, east of the intersection of Merritt Mill Road and Philip Morris Drive, an improved County road; said parcel being contiguous to and binding upon the easterly corporate limit of the City of Salisbury;

WHEREAS the City of Salisbury has caused to be made a certification of the signatures on said petition for annexation and has verified that the persons signing the petition represent at least twenty-five percent (25%) of the persons who are eligible voters and property owners owning twenty-five percent (25%) of the assessed valuation of real property in the area to be annexed, all as of March 13, 2007 as will more particularly appear by the certification of W. Clay Hall, Surveyor, of the City of Salisbury, attached hereto; and

WHEREAS it appears that the petition meets all the requirements of the law.

WHEREAS the public hearing is scheduled for January 13, 2014 at 6:00 p.m.

SECTION 1. NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SALISBURY THAT it is hereby proposed and recommended that the boundaries of the City of Salisbury be changed so as to annex to and include within said City all that parcel of

land together with the persons residing therein and their property, contiguous to and binding upon the southerly side of and binding upon Merritt Mill Road, and being more particularly described on Exhibit "A" attached hereto and made a part hereof.

SECTION 2. AND BE IT FURTHER RESOLVED BY THE CITY OF SALISBURY, THAT the annexation of the said area be made subject to the terms, conditions and agreements in Exhibits A-C attached hereto and made a part hereof.

SECTION 3. AND BE IT FURTHER RESOLVED BY THE CITY OF SALISBURY, that the Council hold a public hearing on the annexation hereby proposed on **January 13, 2013, at 6:00 o'clock p.m.** in the Council Chambers at the City-County Office Building and the City Administrator shall cause a public notice of time and place of said hearing to be published not fewer than two (2) times at not less than weekly intervals, in a newspaper of general circulation in the City of Salisbury, which said notice shall specify a time and place at which the Council of the City of Salisbury will hold a public hearing on the Resolution.

SECTION 4. AND BE IT FURTHER RESOLVED BY THE COUNCIL OF THE CITY OF SALISBURY, THAT this resolution shall take effect upon the expiration of forty-five (45) days following its final passage, subject, however, to the right of referendum as contained in the Local Government Article of the Maryland Code.

The above Resolution was introduced and read and passed at the regular meeting of the **Council of the City of Salisbury held on the ___ day of _____, 2013, having been duly published as required by law in the meantime a public hearing was held on the 13th day of January, 2014, and was finally passed by the Council at its regular meeting held on the ___ day of January, 2014.**

Kimberly R. Nichols,
City Clerk

Jacob R. Day,
Council President

APPROVED BY ME this _____ day of _____, 2013.

James Ireton, Jr.,
Mayor of the City of Salisbury

EXHIBIT "A"
MERRITT MILL ROAD – SMITH PROPERTY ANNEXATION

A CERTAIN AREA OF LAND contiguous to and binding upon the easterly Corporate Limit of the City of Salisbury to be known as "Merritt Mill Road – Smith Property Annexation" beginning for the same at a point on the Corporate Limit, said point being near the northeast corner of the property belonging to the estate of Marian H. Smith X 1,215,361.11 Y 199,496.60; thence running North four degrees thirty-six minutes forty seconds East (N 04° 36' 40" E) one decimal two, zero (1.20) feet to a point on the southerly right-of-way line of Merritt Mill Road at the northeast corner of the said Smith estate property X 1,215,361.21 Y 199,497.80; thence running with the southerly right-of-way line of said road North sixty-three degrees forty minutes fourteen seconds West (N 63° 40' 14" W) three hundred and two decimal nine, zero (302.90) feet to a cement post at the northwest corner of the said Smith estate property X 1,215,089.74 Y 199,632.14; thence running by and with said property the following three courses: (1) South zero degrees twenty-eight minutes forty-four seconds East (S 00° 28' 44" E) one hundred and thirty decimal eight, six (130.86) feet to a point X 1,215,090.83 Y 199,501.28; (2) South eighty-nine degrees forty-one minutes eleven seconds West (S 89° 41' 11" W) one hundred and fifty-five decimal five, zero (155.50) feet to a cement post X 1,214,935.33 Y 199,500.43; (3) South one degree one minute thirty-five seconds East (S 01° 01' 35" E) one thousand two hundred and forty decimal six, nine (1,240.69) feet to an iron rod on the Corporate Limit at the southwest corner of the said Smith estate property X 1,214,957.56 Y 198,259.94; thence continuing by and with the Smith estate property and the Corporate Limit the following two courses: (1) South eighty degrees twenty-two minutes two seconds East (S 80° 22' 02" E) three hundred and four decimal zero, zero (304.00) feet to a cement post X 1,215,257.27 Y 198,209.07; (2) North four degrees thirty-six minutes forty seconds East (N 04° 36' 40" E) one thousand two hundred and ninety-one decimal seven, one (1,291.71) feet to the point of beginning and containing 10.972 acres, all of which being lands conveyed to John Wesley Smith and Marian Hastings Smith. All bearings and coordinates are referenced to the Maryland State Coordinate System, 1927 datum.

City of Salisbury



MARYLAND



125 NORTH DIVISION STREET
SALISBURY, MARYLAND 21801
Tel: 410-548-3170
Fax: 410-548-3107

JAMES IRETON, JR.
MAYOR

TOM STEVENSON
ACTING CITY ADMINISTRATOR

MICHAEL S. MOULDS, P.E.
DIRECTOR OF PUBLIC WORKS

CERTIFICATION

MERRITT MILL ROAD – SMITH PROPERTY ANNEXATION

This is to certify that I have verified the petitions for the annexation and that to the best of my knowledge the persons having signed the petition represent at least 25% of the registered voters residing in the area to be annexed and are the owners of at least 25% of the assessed valuation of real property located in the area to be annexed.


W. Clay Hall
Surveyor

Date: 10/21/13

Merritt Mill Road - Smith Certif.

REPORT OF ANNEXATION PLAN
for the
MERRITT MILL ROAD / SMITH ANNEXATION
TO THE CITY OF SALISBURY

November 21, 2013

This Annexation Plan was prepared pursuant to the year 2006 changes to State law governing municipal annexation and planning (House Bill 1141)¹. It is consistent with the Municipal Growth Element of the City of Salisbury comprehensive plan. The following are milestones in the public review and consideration of the proposed Annexation.

- At a work session in August 2013 the Salisbury City Council reviewed the proposed annexation, and draft annexation agreement.
- In September 2013 the City of Salisbury / Wicomico County Planning Commission reviewed the proposed annexation and forwarded a favorable recommendation to the Salisbury City Council for zoning of the Property upon annexation.
- At a Salisbury City Council meeting on December 9, 2013, the City Council formally reviewed the annexation resolution, annexation agreement, and this Annexation Plan and directed that a public hearing date be established. The Council directed that the Annexation Plan be forwarded to the Maryland Department of Planning and the Wicomico County Council for comment within 30 days of the public hearing as provided for by State law.

¹ HB 1141, passed by the 2006 General Assembly and made into law, revised sections of Articles 66B and 23A of the Annotated Code of Maryland.

1.0

GENERAL INFORMATION AND DESCRIPTION

1.1 Petitioners

Thomas F. Johnson, Jr. Esq. Personal Representative of the Estate of Marian H. Smith, at 128 Main Street, Salisbury, Maryland.

1.2 Location

The Property is located on Merritt Mill Road (Tax Map #39, Parcels #33 and #542; Grid #7).

1.3 Property Description

Attachment 1 shows the survey of the Property. The Annexation Property consists 11.21 acres of land located in the area between U.S. Route 50, Merritt Mill Road and Philip Morris Drive. It is bordered on the south by a shopping center, on the east by a townhouse and multifamily development constructed in 2006 and on the west by open land which has partially developed in the separated office and institutional use site plans along Philip Morris Drive. The image shows the neighborhood, with an arrow pointing to the Property.

1.4 Existing Zoning

A portion of the Property is zoned LB-1, Light Business and Institutional and a portion is zoned R-8, Residential. The existing zoning is shown in Attachment 2.



2.0

LAND USE PATTERN PROPOSED FOR THE AREA TO BE ANNEXED

2.1 Comprehensive Plan

The City of Salisbury adopted its current Comprehensive Plan in July 2010 as required by Article 66B of the Annotated Code of Maryland. The Property is located within the designated municipal growth area for the City of Salisbury, which designates the subject property as Medium Density Residential Use (five to eight dwelling units per acre). The proposed use and density are consistent with both the City's Comprehensive Plan and the proposed zoning of R-8A Residential. The annexation is conditioned on a conceptual plan that limits development density to 6.5 dwelling units per acre.

The Comprehensive Plan's goal as it pertains to annexations is as follows: "To encourage the orderly growth and expansion of the City of Salisbury by annexing selected areas and by providing public services to newly developing areas without overburdening these facilities while continuing to maintain a high level of services to existing developments and residents of the City".

2.2 Proposed Zoning

Upon annexation, the Property is proposed to be zoned as R-8A Residential. This City Zoning district permits townhouse units at a maximum density of eight housing units per acre. The proposed density is 6.5 units per acre.

2.3 Proposed Land Use

The Property's concept development plan features 56 townhouse units and 16 duplex units. Attachment 3 shows the concept development plan for the Property. The plan is part of a negotiated annexation agreement between the City and the petitioners. The annexation agreement provides that, upon annexation, the Property would be developed in substantial conformance with the concept development plan.

3.0

THE PUBLIC FACILITIES AND SERVICES NEEDED BY THE DEVELOPMENT AND THE METHODS TO PROVIDE SUCH FACILITIES AND SERVICES TO THE ANNEXED PARCEL

3.1 Roads

The Property will be served by a new public street, which will connect directly to Merritt Mill Road and terminate at a proposed roundabout in the center of the development site. A private street will provide access to a portion of the development south of the roundabout. It also contains a reservation of public right-of-way so that a public street connecting the Property to the adjoining parcel on the west side can be constructed when needed.

The annexation agreement requires the developer to install and construct curb, sidewalks, streetlights, and street trees along the property's frontage with Merritt Mill Road.

3.2 Water and Wastewater Treatment

The proposed development would generate a municipal water demand and a wastewater treatment capacity demand of approximately 17,300 gallons per day. The Developer of the Property would connect to the existing water and sewerage facilities and may be required by the City to oversize sewerage pipes to accommodate future development in the area. Prior to connecting to the City sewerage system, the Developer will be required to pay a pro-rata share of the costs of upgrading the Parkside Sewage Pump Station. The developer would design and construct water distribution facilities consisting of a loop connection of a proposed water main to the existing water main in the Merritt Mill Road right-of-way.

There is adequate facility capacity to serve the proposed development. The City's allocation of water and sewer taps will be dictated by the City's allocation plan.

3.3 Schools

The proposed development would generate about 42 public school pupils. Pupil enrollment and State Rated Capacity of each of the pertinent public schools is shown below.

School	Enrollment	SRC
East Salisbury Elem.	391	447
Wicomico Middle	660	914
Wicomico High	1,034	1,215

Beaver Run Elementary may also serve this area with a SRC of 574 with enrollment.

3.4 Parks and Rec.

The concept development plan provides 3.3 acres of open space including the dedication of an 8-ft wide bike path/walkway through the project connecting the development (and the adjoining existing housing development) to the commercial shopping center on the southern property line. The Developer will pay a fee to the City of Salisbury in the amount of \$1,800 per residential unit to be used for municipal park, police, and fire facilities.

3.5 Fire, E.M., and Rescue Services

The Salisbury Fire Department provides fire suppression, technical rescue, special operations, and advanced life support (ALS-EMS) emergency medical treatment and transport services to residents of the Salisbury Fire District. It would provide services to the Property.

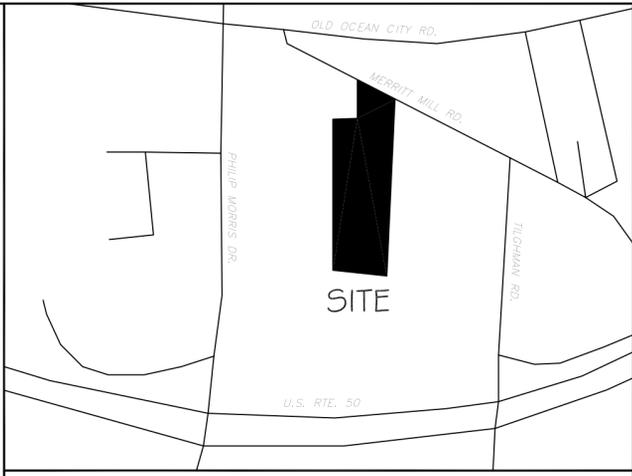
3.6 Police The City of Salisbury Police Department would provide services to the Property.

3.7 Stormwater Management: The concept development plan provides for stormwater management through best management practices including bio-retention in all landscaped medians. The Property's entire stormwater management system will be designed in collaboration with a Maryland Registered and LEED certified design professional with consideration given to the following: substantial limitations on impervious surfaces, stormwater infiltration, bio-retention, open channel conveyance, and other best management practices. At time of development, the Developer will plant at least two shade trees on the Property for each residential dwelling unit proposed for the Property. Stormwater management will ultimately be governed by Maryland Stormwater Management regulations administered locally. Detailed plans and calculations will therefore be required for review and approval by the Salisbury Public Works Department.

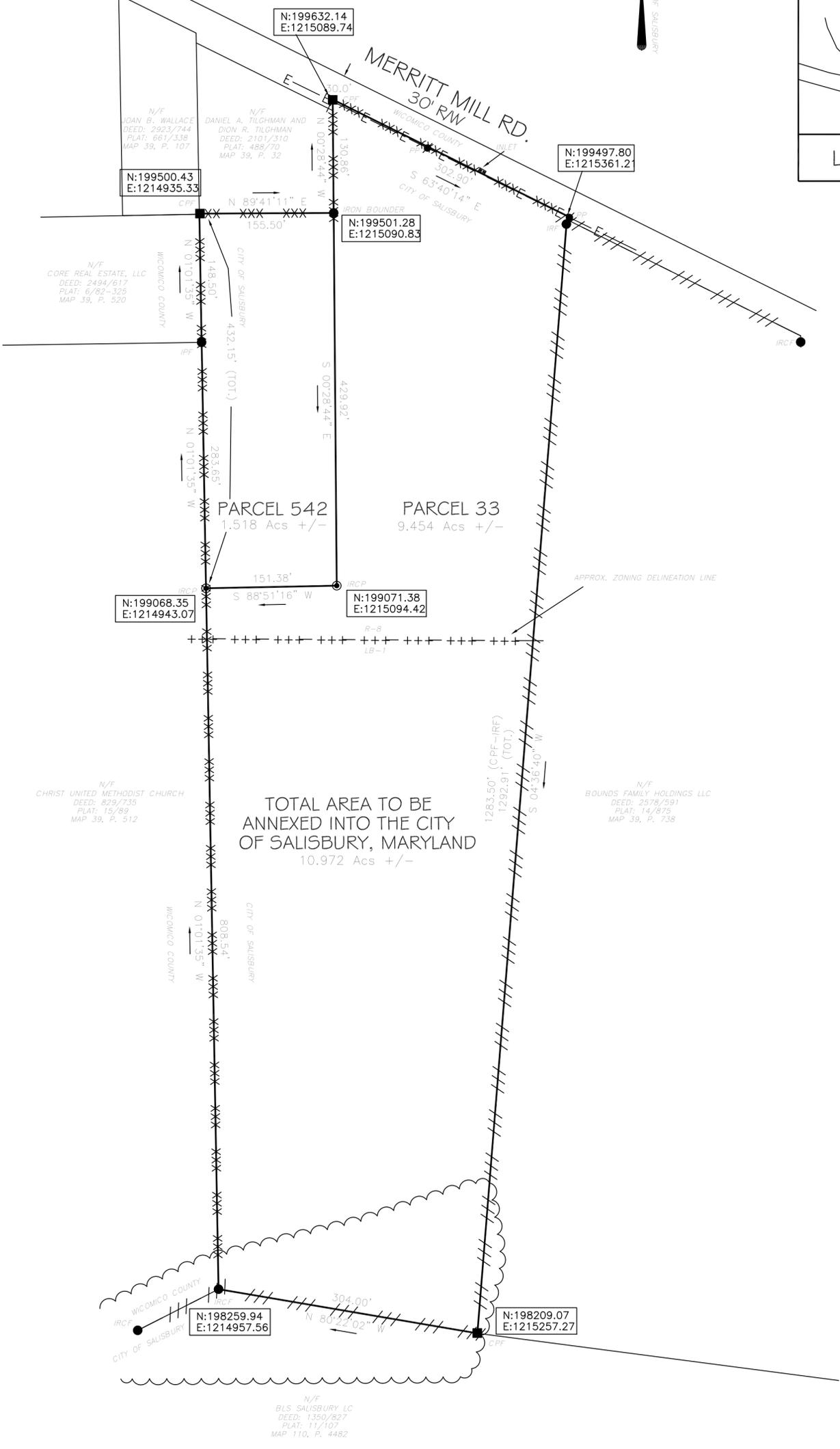
3.8 Waste Collection The City would provide for solid waste pick-up. The development of the Property as contemplated may be expected to generate roughly 500 pounds of solid waste per day.

4.0 HOW DEVELOPMENT OF THE ANNEXED PARCEL WOULD RELATE TO EXISTING/PLANNED LAND USE DEVELOPMENT, STREETS, PUBLIC FACILITIES AND SERVICES, OPEN SPACES AND NATURAL AREAS.

The Property is mapped and located in an area identified in the Comprehensive Plan as being eligible for annexation. The proposed use of the annexation area is consistent with the Comprehensive Plan. The annexation would provide a housing development within walking distance to an existing neighborhood shopping center and grocery store. The project will contain inter-parcel street, pedestrian, and bicycle connections. The project would partially impact an existing wooded area located between the development site and the shopping center with a wooded buffer between adjoin remaining on all sides.



LOCATION MAP • NOT TO SCALE



GENERAL NOTES

1. WICOMICO COUNTY TAX MAP NO. 39, P. 33 and 542
2. ZONED: R-8, RESIDENTIAL AND LB-1, LIGHT BUSINESS
3. DEED REF: P. 33 - 324/262, P. 542 - 488/68
4. PLAT REF: 324/264, 488/70, AND AS SHOWN
5. FIFTH ELECTION DISTRICT
6. FLOOD ZONE C

LEGEND

- IRCF IRON ROD W/ CAP FOUND
- CPF CONCRETE POST FOUND
- IRF IRON ROD FOUND
- IRP IRON PIPE FOUND
- ⊙ IRCP IRON ROD W/ CAP PLACED
- UP UTILITY POLE
- E — OVERHEAD UTILITY LINE
- + + + - APPROX. EX. ZONING LINE
- / / / - APPROX. EX. CORPORATE LIMIT LINE
- ~~~~~ WOODS LINE
- XXX - PROP. CORPORATE LIMIT LINE



THE PROPOSED CORPORATE LIMITS LINES SHOWN HEREON ARE INTENDED TO BE COINCIDENT TO THE EXISTING CORPORATE LIMITS LINE OF SALISBURY, MARYLAND AS NEAR AS POSSIBLE. IT IS THE INTENT OF THIS PLAT TO ANNEX INTO THE CITY OF SALISBURY CORPORATE LIMITS THE ENTIRETY OF PARCELS 33 AND 542 AS SHOWN ON WICOMICO COUNTY TAX MAP 39.

This plat is based on a current field survey.
No Title Report Furnished.

Except as specifically stated or shown on this plat, this survey does not purport to reflect any of the following which may be applicable to the subject real estate: easements; building setback lines; restrictive covenants; subdivision restrictions; zoning or other land use regulations, and any other facts that an accurate and current title search may disclose.

DAVID ANDREW WILKINS, LIC. #21186, EXPIRATION DATE OF 01-04-2014, EITHER PERSONALLY PREPARED THIS ANNEXATION PLAT/BOUNDARY SURVEY OR WAS IN RESPONSIBLE CHARGE OVER ITS PREPARATION AND THE SURVEYING WORK REFLECTED IN IT, ALL IN COMPLIANCE WITH REQUIREMENTS SET FORTH IN REGULATION 12 OF COMAR TITLE 9, SUBTITLE 13, CHAPTER 09.13.06.

LANDS OF
JOHN WESLEY and MARIAN H. SMITH

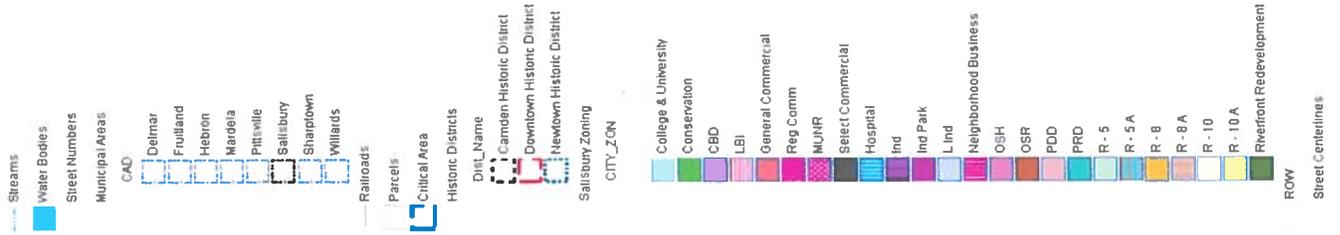
ANNEXATION PLAT / BOUNDARY SURVEY

SCALE 1" = 100'	SURVEYED DAW	JOB NO. MARIAN SMITH
DATE 10/1/13	DRAWN DAW	FIELD BOOK X PAGE X
REVISED	CAD FILE MARIAN	SHEET 1 OF 1

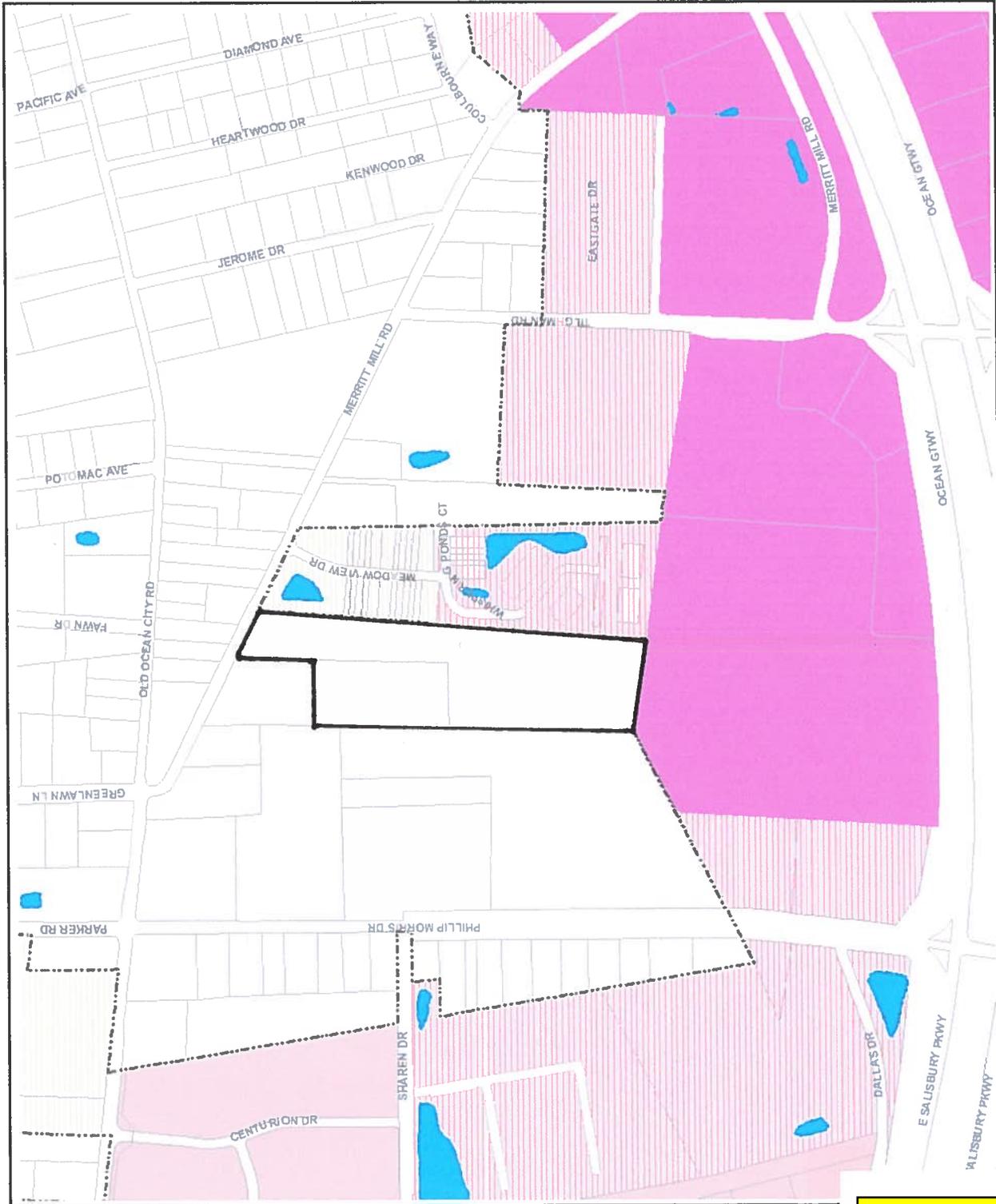
WILKINS-NOBLE LLC
LAND SURVEYING and CIVIL ENGINEERING

11755 SOMERSET AVE. 410-621-0321
PRINCESS ANNE, MD 21853 410-621-0320 (FAX)

Salisbury Zoning



CITY OF SALISBURY



Smith Annexation - Merritt Mill Road - City Zoning

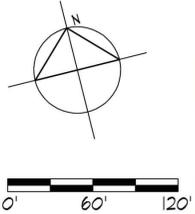
150 ft



PROPOSED SWM
BIO-RETENTION AT ALL
LANDSCAPE MEDIANS
8' DEDICATED
PEDESTRIAN/BIKE TRAIL

PROPOSED DEVELOPMENT
 ZONING: R-8A
 11.21 ACRES
 OPEN SPACE: 3.34 ACRES
 OPEN SPACE %: 30
 DUPLEXES: 8 (16 UNITS)
 FEE SIMPLE TOWNHOUSES: 16
 TOWNHOUSE APARTMENTS: 40
 UNITS
 TOTAL UNITS: 72
 DENSITY: 6.5 UNITS PER ACRE

OFF STREET PARKING FOR
 TOWNHOUSE APARTMENTS: 2.75
 SPACES PER UNIT



ZONE R10 A
 ZONE LB#1

SMITH ESTATE ANNEXATION CONCEPT PLAN

SALISBURY, MARYLAND

DBF# 1954A001.001
 August 5, 2013

dbf DAVIS
 BOWEN &
 FRIEDEL, INC.

ARCHITECTS, ENGINEERS & SURVEYORS
 SALISBURY, MARYLAND ■ MILFORD, DELAWARE
 410.543.9091 302.424.1441

ANNEXATION AGREEMENT

Merritt Mill Road / Smith Annexation

THIS AGREEMENT is made this ___ day of _____, 2013, by and between the City of Salisbury, a municipal corporation of the State of Maryland (hereinafter, “the City”), the Estate of Marian H. Smith (hereinafter, “the Owner”) represented by Thomas F. Johnson, Jr. Personal Representative of the Estate of Marian H. Smith at 128 E. Main Street, Salisbury, Maryland 21801.

RECITALS

WHEREAS, the Owner is the record owner of certain real property located in Wicomico County, Maryland, (hereinafter, “the Property”), and more particularly described in Attachment A attached hereto and made a part hereof; and

WHEREAS, the Owner/Assignee desires to construct upon the Property a residential development project;

WHEREAS, the Property is not presently within the corporate boundaries of the City and is therefore ineligible to receive certain municipal services, including municipal water and wastewater service, that the Owner desires to obtain for the Property; and

WHEREAS, the Owner desires that the City annex the Property and the City desires to annex the Property, provided that certain conditions are satisfied; and

WHEREAS, pursuant to the authority contained in Article 23A of the Annotated Code of Maryland, Sections 19(b) and (n), the Owner and the City have agreed that the following conditions and circumstances will apply to the annexation proceedings and to the Property.

WITNESSETH:

1. WARRANTIES AND REPRESENTATIONS OF CITY:

- A. The City of Salisbury, the Salisbury-Wicomico County Planning Commission and staff will be guided by this Agreement throughout the review of any development plans submitted for the Property to ensure that the provisions of this Agreement are specifically implemented and the Property is developed in substantial conformance with the concept development plan which is made part of this Agreement. Any approval granted to a development plan by any commission, board, body, or agent of the City shall be in substantial conformance with the terms and conditions of this Agreement and the appurtenant concept development plan.
- B. The parties understand and agree that the City's herein provided covenant of support is not intended, nor could it be construed, to legally prohibit the City from enacting such future ordinances or charter provisions or engineering standards or amendments deemed necessary to protect the public health, safety and welfare of the residents of the City, nor from applying such ordinances or charter provisions to the development of the Property, provided such application does not operate to divest prior approvals, nor interfere with the Owner/Assignee's vested rights to any greater extent than the impact of such ordinances and charter resolutions upon other similarly-situated properties within the City's boundaries.

2. WARRANTIES AND REPRESENTATIONS OF THE OWNER:

A. This Agreement constitutes the formal written consent to annexation by the Owner as required by Article 23A, Section 19(b). The Owner acknowledges that it will receive a benefit from annexation and agrees, as a bargained-for condition and circumstances applicable to the annexation, that it waives and completely relinquishes any right to withdraw its consent to annexation from the date of execution of this Agreement by all parties. The Owner further agrees that it will not petition the Annexation Resolution to referendum and that, in the event of a referendum in which it is permitted to vote, that it shall vote in favor of the Annexation Resolution.

B. The Owner warrants and represents that it has full authority to sign this Agreement and that it is in fact the sole owner of the real property encompassed in the Property and more particularly described in Attachment A, and that there is no action pending against it or involving it that would in any way affect its right and authority to execute this Agreement.

C. The Owner warrants and represents that it has the full power and authority to sign this Agreement and is, in fact, the sole owner of not less than Twenty-five Percent (25%) of the assessed valuation of the real property within the Property.

3. **APPLICATION OF CITY CODE AND CHARTER**

From and after the effective date of the Annexation Resolution implementing this Agreement, all provisions of the Charter and Code of the City shall have full force and effect within the Property except as otherwise specifically provided herein.

4. **MUNICIPAL ZONING**

Upon the effective date of the Annexation Resolution implementing this Agreement, the Property will be zoned "R-8A" and the density of housing units on the Property shall not exceed 6.5 units per acre.

5. **MUNICIPAL SERVICES**

Upon the effective date of the Annexation Resolution implementing this Agreement, the City will make the Property eligible to receive all applicable municipal services to the extent that the necessary public facilities exist to provide such services. Any allocation of capacity and/or services will be made by the City according to adopted allocation plans which may be in effect at the time the Owner/Assignee makes request for such capacity and/or services.

6. **STANDARDS AND CRITERIA**

Should any environmental, engineering, or other similar standard or criteria specifically noted in this Agreement be exceeded by any local, State, or Federal standard, criteria, or regulation, which may be adopted subsequent to the execution of this Agreement, the newer stricter standard, criteria or regulation shall apply.

7. **CITY BOUNDARY MARKERS**

The Owner/Assignee will fund and install City of Salisbury survey boundary markers at the boundary lines to the newly enlarged City boundaries and will provide receipt of such work completed to the City within one year of the expiration of the 45-day referendum period. The Owner/Assignee agrees that failure to comply with this provision will subject the Owner/Assignee to payment of a fee to the City of Salisbury made payable prior to any development plan approval of \$10,000.00 plus the cost for the City's surveyor to complete the work.

8. **DEVELOPMENT CONSIDERATIONS:**

A. Costs and Fees: The Owner agrees that it will pay costs of annexation to the City, including but not limited to the City's costs for legal fees, planning, and other consulting fees in connection with the preparation of this Agreement and/or the necessary annexation resolution and related documents, for publication of any required notices, and for any other cost or expense reasonably related, in the City's sole judgment, to the annexation.

B. The Owner and City agree that the Property will be developed consistent with the regulations of the zoning district classification referenced in the Annexation Resolution and in substantial conformance with the concept development plan, shown as Attachment B.

C. Contribution to Area Improvement: The parties acknowledge that the proposed development of the Property will need to be reviewed and approved by the Salisbury-Wicomico County Planning Commission which will assess the development's impacts on area facilities and services prior to granting final approval(s) and may therefore place additional specific requirements on the project to address its impacts. Notwithstanding this and as a condition of annexation, the Owner/Assignee agrees to:

- i. Pay an assessment to the City in the amount of \$1,800.00 per dwelling unit prior to the issuance of a building permit as a contribution to municipal park, police, and fire facilities. This development assessment is understood by the parties to be in addition to and independent of the City's water and sewer comprehensive connection charges, any impact fees imposed by Wicomico County or the City, and any assessments or construction requirements that may be required to be paid or made under paragraphs D and E of this section or elsewhere.
- ii. To design, construct and install at the Owner's/Assignee's sole expense curbs, gutters, sidewalks, street lights, and street trees along the Property's frontage with Merritt Mill Road to City standards and specifications as part of the development of the Property and under the terms and conditions of a Public Works Agreement to be made between the Owner/Assignee and the City and/or County Department of Public Works.
- iii. To design and construct public sanitary sewer facilities as needed to serve the development on the Property. The parties acknowledge that connection to the existing public sewer system will need to be approved by the Department of Public Works. The parties acknowledge that the City Department of Public Works may require the Owner/Assignee to install at Owner/Assignee expense oversized pipes to accommodate future development. Owner/Assignee will be reimbursed these costs upon future development which utilizes this system.
- iv. Design and construct a public water distribution main as needed to serve development on the Property. Connection to the existing public water system will need to be approved by the Department of Public Works. A loop connection of the proposed water main to the existing water main in Merritt Mill Road will be required to be provided by the Owner/Assignee.

- v. Prior to making any connection to the sanitary sewer system, pay a pro-rata share of the cost of upgrading the Parkside Sewage Pump Station as to be determined by the Department of Public Works and consistent with other developments tying into this pump station.
- vi. As part of the development of the property, design and construct all offsite storm drainage facilities needed by the development. The parties acknowledge that the City Department of Public Works may require the Owner/Assignee to install at Owner/Assignee expense oversized pipes to accommodate future development. City shall reimburse the Owner/Assignee the additional costs as others tie-in.
- vii. When developed, dedicate right-of-way for all public streets, including acceleration and deceleration lanes on Merritt Mill Road, and a separate pedestrian/bicycle lane along the full length of the Property's frontage with Merritt Mill Road. Provide a 10-foot City of Salisbury utility easement adjoining all public streets on the Property and along the Property's frontage with Merritt Mill Road, for City utility locations.

D. Re-investment in Existing Neighborhoods: The Owner/Assignee agrees to pay a development assessment to the City in the amount of \$3,090.00 for each dwelling unit to be constructed prior to the issuance of a building permit. This development assessment is understood by the parties to be intended for use by the City in its sole discretion for beautification, restoration, and revitalization improvements to existing neighborhoods in the City and which development assessment is understood by the parties to be in addition to and independent of the City's water and sewer comprehensive connection charges, any impact fees imposed by the County or the City, and any assessments that may be required to be paid under paragraphs C and E of this section or elsewhere.

E. Contribution to Housing Affordability-Workforce/Affordable Housing: The Owner/Assignee agrees to pay a development assessment of \$2,000.00 per residential dwelling unit to the City of Salisbury prior to the issuance of a building permit. This development assessment is understood by the parties to be intended for use by the City in promoting the implementation of workforce or affordable housing programs to help close the gap between the market rate price of dwelling units in the City and the actual price that a prospective purchaser could afford, as determined by the City.

F. Escalation of Development Assessments: The per unit assessments set forth in paragraphs Ci, D, and E are subject to adjustment to reflect inflation. Beginning on January 1, 2014, the per unit assessments shall be subject to adjustment for inflation and this adjustment shall take place annually on the first day of January and continue until all assessments are paid. The assessments shall be adjusted by the percent change in the CPI during the previous 12-month period. The CPI to be used is the Consumer Price Index-U, All City Average, Unadjusted, published by the Bureau of Labor Statistics.

G. Community / Environmental Design:

- i. At time of development, the Owner/Assignee agrees to accommodate pedestrian and bicycle access from Merritt Mill Road through the Property to the southernmost property line. Pursuant to this agreement and as contemplated on the concept development plan, the Owner/Assignee agrees to install, improve, and dedicate an 8-foot wide pedestrian/bicycle trail through the Property at time of development approval and to provide a 15-foot wide perpetual public use easement over the trail to the City of Salisbury.
- ii. The Owner/Assignee agrees to submit for Salisbury-Wicomico County Planning Commission approval, architectural and landscaping design standards that will guide and promote a unified appearance to the development on the Property.
- iii. The Owner/Assignee agrees to arrange the layout of walkways so as to connect these walkways to existing walkways or mutually agreed proposed walkways of the east side; and to arrange the layout of internal streets and walkways as indicated on the concept development plan for possible future connection to the undeveloped parcel adjoining the west side.
- iv. The Owner/Assignee agrees to achieve LEED credit points in collaboration with the Planning Commission for the project using the rating system established by the United States Green Building Council's 2009 LEED for Neighborhood Development Rating System (as Updated in 2011). The City and Owner/Assignee acknowledge that certain points under the rating system are unattainable because of the project's location, its context, existing available services and established City criteria. Understanding this, and in order to establish a baseline, the City and Owner/Assignee will first agree to the total sum of LEED points unattainable due to these factors that are beyond the control of the Owner/Assignee. The sum of these points will then be deducted from the total points possible; the difference then divided by the total points possible to arrive at a baseline quotient. Prior to development approval, the Owner/Assignee shall submit specific findings, accepted by the Director of Planning, to demonstrate to the satisfaction of the Salisbury/Wicomico Planning Commission that the project has achieved, or would achieve upon development, the credit points needed for LEED Silver Certification when multiplied by the baseline quotient. In keeping with this provision, the Owner/Assignee agrees specifically to adhere to the following energy and environmental performance standards:
 - Site lighting fixtures shall be energy efficient and, where possible, shall utilize LED lamps for energy efficiency and long lamp life. Any streetlights shall also be selected for highest efficiency but recognizing that they will ultimately be owned and maintained by the City of Salisbury, the selection of streetlights shall be made in conjunction with the City of Salisbury Department of Public Works.

- The Property's entire stormwater management system will be designed in collaboration with a Maryland Registered and LEED certified design professional with utmost and demonstrated consideration given to the following: substantial limitations on impervious surfaces, stormwater infiltration, bio-retention, open channel conveyance, and other best management practices. At time of development, the Owner/Assignee agrees to plant at least two shade trees on the Property for each residential dwelling unit proposed for the Property.
- Roadway and parking lot construction shall be accomplished using recycled aggregates and base material where available from local sources.
- The HVAC systems in all building(s) on the Property shall be high-efficiency units. Air conditioning compressors for all dwelling units on the Property will be 17 SEER, minimum unless and until higher federal, state, or local standards are required.
- No HOA covenants or declaration shall prevent the use of solar panels for individual residences.
- Water-saving plumbing fixtures shall be used in all buildings on the Property.
- Building roofing materials on the Property shall be selected for energy efficiency and to minimize the heat island effect of dark roof coverings.

H. Prior to development, the Owner/Assignee agrees to undertake a traffic study of the impact of development of the Property to area roadways and intersections and to design and construct improvements found by the Department of Public Works to be needed to mitigate negative impacts of the development which is to be set forth in a Public Works Agreement with the City and/or County to effectuate those improvements.

I. The Owner/Assignee represents that it will establish and incorporate a Homeowners' Association (HOA) covering all dwelling units on the Property and such Association shall take ownership, control, and responsibility of and for the maintenance and upkeep of any common areas and public amenities to be provided within the proposed development, other than streets and/or other facilities to be accepted and maintained by the City.

J. The parties acknowledge and agree that the obligations set forth herein on the part of both parties pertain to the Property, unless otherwise expressly stated herein.

8. **RECORD PLAT:**

When the property is developed, the Owner/Assignee will provide the City with a copy of the final record plat for the development.

9. **MISCELLANEOUS:**

A. The obligations of the parties hereto set forth herein are contingent upon the adoption of an Annexation Resolution effecting the annexation of the Property by the Mayor and City Council of the City of Salisbury and shall be void in the event the City fails to effect such annexation or such annexation is invalidated by referendum or otherwise.

B. The use of singular verb, noun and pronoun forms in this Agreement shall also include the plural forms where such usage is appropriate; the use of the pronoun "it" shall also include, where appropriate "he" or "she" and the possessive pronoun "its" shall also include, where appropriate, "his" "hers" and "theirs."

C. From time to time after the date of this Annexation Agreement, the parties, without charge to each other, will perform such other acts, and will execute, acknowledge and will furnish to the other such instruments, documents, materials and information which either party reasonably may request, in order to effect the consummation of the transactions provided for in this Agreement.

D. Upon annexation, this Agreement, which includes all exhibits, schedules and addenda hereto, each of which is incorporated in this Agreement by this reference, shall be recorded among the Land Records of Wicomico County and shall run with the land and be binding upon and inure to the benefit of the parties, their heirs, successors and assigns, and embodies and constitutes the entire understanding, representations, and statements, whether oral or written, are merged in this Annexation Agreement. The parties may renegotiate the terms hereof by mutual agreement, subsequent to the effective date of any Annexation Resolution adopted by the City pursuant hereto, provided that neither this Agreement nor any provisions hereof may be waived, modified or amended unless such modification is in writing and is signed by the party against whom the enforcement of such waiver, modification or amendment is sought, and then only to the extent set forth in such instrument.

E. The parties hereto acknowledge that, in entering into this Agreement, neither party has been induced by, nor has relied upon, nor included as part of the basis of the bargain herein, any representations or statement, whether express or implied, made by any agent, representative or employee, which representation or statement is not expressly set forth in this Agreement.

F. This Agreement shall be construed according to its plain meaning without giving regard to any inference or implication arising from the fact that it may have been drafted in whole or in part by or for any one of the parties hereto.

G. This Agreement, its benefit and burden, shall be assignable, in whole or in part, by the Owner without the consent of the City or of its elected officials, employees or agents, to any purchasers or contract purchasers of the property or any party thereof. However, the Owner will not transfer or pledge as security for any debt or obligation, any interest in all or part of the Annexation Area, without first obtaining the written consent and acknowledgement of the transferee or pledgee to the Annexation Agreement and to the complete observance hereof. The Owner shall provide the City with copies of all documents of transfer or assignment, including exhibits when the documents are fully executed, regardless of recordation.

H. The captions in any Agreement are inserted for convenience only, and in no way define, describe or limit the scope of intent of this Agreement or any of the provisions hereof.

I. The laws of the State of Maryland shall govern the interpretation, validity, and construction of the terms and provisions of this Agreement. If any term or provision of this Agreement is declared illegal or invalid for any reason by a court of competent jurisdiction, the remaining terms and provisions of this Agreement shall, nevertheless, remain in full force and effect. Any suit to enforce the terms hereof or for damages or other remedy for the breach or alleged breach hereof shall be brought exclusively in the Courts of the State of Maryland in Wicomico County and the parties expressly consent to the jurisdiction thereof and waive any right that they might otherwise have to bring such action in or transfer or remove such action to the courts of any other jurisdiction.

J. All notices and other communications under this Agreement shall be in writing. Such notice shall be deemed to have been given when personally delivered to the party or parties or when enclosed in an envelope having the proper postage, addressed to the party or parties to receive such and deposited, as certified mail, return receipt requested, at a United States Post Office. The date at which such notice shall be deemed to have been given shall be the date of such deposit in the mail.

IF TO THE CITY: Thomas Stevenson, City Administrator
125 North Division Street
Salisbury, Maryland 21801

WITH A COPY TO: S. Mark Tilghman, City Attorney
1185 Broad Street
P.O. Box 910
Salisbury, Maryland 21803

IF TO THE OWNER: Thomas F. Johnson, Jr., Pers. Representative
128 East Main Street
Salisbury, Maryland 21801

The parties hereto shall be responsible for notifying each other of any change of address.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

WITNESS: **THE CITY OF _____, MARYLAND**

_____ By: _____

WITNESS/ATTEST: **OWNER: Estate of Marian H. Smith**

_____ By: _____
Thomas F. Johnson Jr., Personal Representative

APPROVED AS TO FORM:

_____, City Attorney

STATE OF MARYLAND
COUNTY OF _____, to wit:

I HEREBY CERTIFY, that on this _____ day of _____, _____, before me, a Notary Public in and for the State aforesaid, personally appeared _____, who has been satisfactorily proven to be the person whose name is subscribed to the within instrument, who acknowledged himself to be a duly elected official of the **City of Salisbury**, a municipal corporation of the State of Maryland, and that said official, being duly authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the municipal corporation as such official.

WITNESS my hand and notarial seal.

_____(SEAL)
Notary Public

My Commission Expires: _____

I HEREBY CERTIFY, that on this _____ day of _____, _____, before me, a Notary Public in and for the State aforesaid, personally appeared **Thomas F. Johnson, Jr.**, who has been satisfactorily proven to be the person whose name is subscribed to the within instrument, who acknowledged himself to **the Personal Representative of the Estate of Marian H. Smith**, and that, being duly authorized so to do, he executed the foregoing instrument for the purposes therein contained, by signing his name.

WITNESS my hand and notarial seal.

_____(SEAL)
Notary Public

My Commission Expires: _____

I HEREBY CERTIFY that the foregoing instrument was prepared by or under the supervision of an attorney duly admitted to practice before the Court of Appeals of Maryland.

_____, City Attorney



City of Salisbury – Wicomico County
DEPARTMENT OF PLANNING, ZONING AND COMMUNITY DEVELOPMENT
P.O. BOX 870
125 NORTH DIVISION STREET, ROOMS 203 & 201
SALISBURY, MARYLAND 21803-4860
410-548-4860
FAX: 410-548-4955



JAMES IRETON, JR
MAYOR

TOM STEVENSON
ACTING CITY ADMINISTRATOR

RICHARD M. POLITT, JR
COUNTY EXECUTIVE

R. WAYNE STRAUSBURG
DIRECTOR OF ADMINISTRATION

September 20, 2013

Mr. Thomas F. Johnson, Jr.
128 E. Main Street
Salisbury, MD 21801

RE: ANNEXATION ZONING – Smith-Merritt Mill Road – M-39; G-7; P-33 & 542.

Dear Mr. Johnson:

The Salisbury Planning Commission at its September 19, 2013 meeting, forwarded a **FAVORABLE** recommendation to the City Council and the Wicomico County Council for **R-8A Residential** zoning of the annexation area upon the effective date of annexation to the City of Salisbury. This zoning is substantially consistent in density with the density permitted by the existing R-8 zoning district but differs from the uses permitted in the LB-1 zoning district. The Commission has also recommended that a Comprehensive Development Plan be submitted for Commission approval prior to development of this property.

This decision and recommendation will now be forwarded to the respective Councils for further action.

If you have any questions concerning this matter, please don't hesitate to contact Gloria Smith or myself at 410-548-4860.

Sincerely,

John F. Lenox, AICP
Director
Salisbury/Wicomico Planning & Zoning

JFL:brt

cc: Michael Moulds, Director of City Public Works Department
Bill Holland, Director of Building, Permits and Inspections
Assessments

COUNTY COUNCIL OF WICOMICO COUNTY, MARYLAND

2013 Legislative Session

Legislative Day No. 23

Resolution No. 141-2013

A RESOLUTION APPROVING A ZONING CLASSIFICATION OF R-8A RESIDENTIAL UPON ANNEXATION BY THE CITY OF SALISBURY, OF PROPERTY LOCATED ON THE SOUTHERLY SIDE OF MERRITT MILL ROAD, TAX MAP 39, PARCELS 33 AND 542.

Introduced by: The President of the Council at the request of the County Executive

WHEREAS, The City Administrator referred the Smith-Merritt Mill Road Annexation located on the easterly side of Salisbury to the Planning Commission for review and recommendation of an appropriate zoning designation. The property is located on the southerly side of Merritt Mill Road and consists of 11.21 acres of land. The property is currently zoned LB-1 Light Business and Institutional and R-8 Residential; and

WHEREAS, the Wicomico County Planning and Zoning Commission, on September 19, 2013, reviewed the proposed annexation and recommended R-8A Residential zoning for the 11.21 acres of property upon annexation to the City of Salisbury; and

WHEREAS, the Local Government Article of the Annotated Code of Maryland, Section 4-416 (b) provides that no municipality annexing land may for a period of five years following an annexation, permit development of the annexed land for land uses substantially different than the use authorized, or at a substantially higher, not to exceed 50%, density than could be granted for the proposed development, in accordance with the zoning classification of the County applicable at the time of the annexation without the express approval of the County Council; and

WHEREAS, The Department of Planning Zoning and Community Development and the Wicomico County Planning and Zoning Commission recommend a finding that the proposed zoning classification is substantially consistent in density, with density permitted by the existing R-8 zoning district but differs from the uses permitted in the LB-1 zoning district, and that upon annexation to the City of Salisbury the property be zoned R-8A.

NOW, THEREFORE, BE IT RESOLVED, by the County Council of Wicomico County, Maryland that:

1. The proposed zoning classification is substantially different from the County's zoning classification as the uses differ from those permitted by the LB-1 zoning district.
2. The requested zoning classification of R-8A Residential may be applied to the property described above, upon annexation by the City of Salisbury without regard to the provisions of Section 4-204 of the Land Use Article as permitted by the Local Government Article, Section 4-416 (c) of the Annotated Code of Maryland.

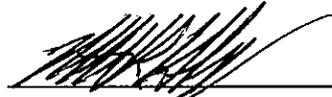
Done at Salisbury, Maryland, this 19th day of November, 2013.

COUNTY COUNCIL OF
WICOMICO COUNTY, MARYLAND

ATTEST:



Matthew E. Creamer
Council Administrator

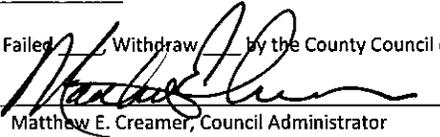


Matt Holloway
Council President

CERTIFICATION

This Resolution was Adopted , Adopted with Amendments , Failed , Withdraw by the County Council on N

Certified by


Matthew E. Creamer, Council Administrator

November
19th 2013



JAKUBIAK ASSOCIATES
INCORPORATED

To: Tom Stevenson, City Administrator
From: Jakubiak Associates, Inc.
Date: November 20, 2013
Re: Fiscal Impact, Merritt Mill / Smith Annexation

The Merritt Mill Road / Smith Annexation would provide 72 total dwelling units, including 16 duplex units and 56 townhouse units. The annexation is expected to have an overall net positive fiscal impact to the City estimated to be \$5,300 annually. This memorandum summarizes the costs and revenues associated with the Merritt Mill Road / Smith Annexation.

Cost

Cost projections are based on a snapshot marginal cost approach. The current level of service (derived from the approved FY 2014 Budget) is used to project new costs, using demand unit multipliers, which reflect how responsive a cost is to demand—that is, how much the City's cost of providing a service is likely to vary with each additional household or job. Some portion of all City services is fixed and therefore will remain constant in light of new households; this portion of the cost therefore is not assigned to new households¹.

It should be noted that this cost estimating approach assumes that the Annexation does not receive a more or less expensive level of service than the existing level of service provided to the average household for any City service. The annual cost of the proposed 72 new households to the City is \$52,230.

222 Courthouse Ct. Ste. 1C
Towson, Maryland 21204

tel: 442-895-4240

info@jakubiak.net
www.jakubiak.net

¹ It is worth noting however that for the purposes erring on the side of a conservative estimate of net impact for this Annexation, the full per residential unit cost of the following services: police, fire, permits and inspections, and neighborhood services, are assigned to each proposed unit of the development which has the effect of overstating the per unit cost and therefore understating the size of the positive fiscal impact.

Revenues

When land is annexed into Salisbury it is subject to the municipal real property tax². The property tax rate is applied to the value of land and improvements (structures) thereon. The rate is \$0.884 per \$100 of assessed value. Since the assessed value of the proposed units is unknown, this study estimates assessed values by computing the average assessed value of at least three comparable properties in the City of Salisbury. For this project the 10-year old townhouse project immediately adjacent to the Merritt Mill Road / Smith annexation property was used to derive a comparable assessed value. The assessed value of these units, averaging nearly \$90,000 is low relative to other townhouse development projects in Salisbury where current values may fall within a range of \$129,000 to \$179,000. The source for the assessed values is the Maryland Department of Assessments and Taxation³.

The Annexation would include 56 townhouse units and 16 duplex units at an assumed assessed value of \$90,000 each. The total expected revenue from full development on the annexation parcel is \$57,280.

It is important to note that upon annexation of a property, the City of Salisbury would begin receiving some property tax revenues from the parcel. These revenues, which typically would occur prior to actual development (and hence, the provision of standard municipal services, i.e. costs) are not included.

The City also imposes or collects user fees, license fees, and permitting fees. These are charged to applicants for permits and/or users of certain city services. These revenues are small relative to the property tax revenue and are not included in this study.

Conclusion

The Merritt Mill Road / Smith Annexation with its proposed development in place will have a positive fiscal impact to the City of \$5,050 per year in constant 2013 dollars⁴.

² The City also imposes a personal property tax to commercial properties on the value of inventory, furniture, equipment, etc.

³ As assigned for the time period of July 1, 2013.

⁴ This study takes into account only “direct” costs and revenues that can be tied directly to each household. “Indirect” costs and revenues, which arise from increased demand for local commercial and industrial uses, are not considered in this model.

CITY OF SALISBURY
PETITION FOR ANNEXATION

To the Mayor and Council of the City of Salisbury

I/We request annexation of my/our land to the City of Salisbury.

Parcel 542 & 33

Map 39

Conditions:

1. Petitioner shall pay the advertising costs and associated annexation costs as required by City policy.
2. Petitioner shall sign an Annexation Agreement and/or submit Development Plans, which provide for compliance with City Code requirements and policies, including, but not limited to, the following:
 - A. A development assessment of \$3,000.00 per dwelling unit for beautification, restoration and revitalization improvements to existing neighborhoods;
 - B. A development assessment of \$2,000.00 per residential dwelling unit for implementation of a workforce housing program; and
 - C. A development assessment of \$1,800.00 per dwelling unit to pay for capital improvements to parks, fire, police, and other municipal facilities.

Signature of Petitioner/Property Owner:

Thomas F. Johnson, Jr.

Thomas F. Johnson, Jr., P.R. of
Marian Smith Estate # 16,425

3-13-07

Date

CITY OF SALISBURY
PETITION FOR ANNEXATION

To the Mayor and Council of the City of Salisbury:

I/We request annexation of my/our land to the City of Salisbury:

Parcel : 33 and 542

Map: 39

Conditions:

1. Petitioners shall be granted an exemption from City Real Property Tax until the property is sold, transferred, or requests water and / or sewer service.
-

SIGNATURES:

Marian H. Smith
MARIAN H. SMITH

4/27/06
DATE

DATE

LETTER OF INTENT

August 2, 2013

Mr. Thomas Stevenson, City Administrator
City of Salisbury Government Office Building
P.O. Box 870
Salisbury, Maryland 21803-0870

RE: Merritt Mill Road/Smith Annexation

Dear Mr. Stevenson:

I am the owner of Wicomico County property shown on Tax Map 39, Parcels 542 & 33 located on Merritt Mill Road. Salisbury MD. This letter indicates my intent to move forward with annexation of the aforementioned property based on the draft annexation agreement attached hereto.

Sincerely,



Thomas F. Johnson Jr. Personal Representative
Estate of Marian H. Smith
Applicant/Petitioner/Property Owner
128 East Main
Salisbury MD 21811
Phone: 410-749-3791
E-Mail: tjohn24142@aol.com

28 circulation in the City of Salisbury, which said notice shall specify a time and place at which the
29 Council of the City of Salisbury will hold a public hearing on the Resolution.

30 The above Resolution was introduced and read and passed at the regular meeting of the
31 Council of the City of Salisbury held on the 9th day of December 2013, having been duly
32 published as required by law in the meantime a public hearing was held on January 13, 2014, and
33 was finally passed by the Council at its regular meeting held on the ____ day of _____.

34

35 _____

36 Kimberly R. Nichols,

Jacob Day,

37 City Clerk

Council President

38

39

40

41 APPROVED BY ME this ____ day of _____, 2013.

42

43

44 _____

45 James Ireton, Jr.,

46 Mayor of the City of Salisbury

47

1 **AS AMENDED ON NOVEMBER 25, 2013**

2 **ORDINANCE NO. 2271**

3 AN ORDINANCE OF THE CITY OF SALISBURY TO ESTABLISH A MECHANICAL PERMIT FEE.

4 WHEREAS, Section 110.3.7 of the International Building Code requires that heating,
5 ventilation, air conditioning units, and equipment are to be inspected to determine compliance
6 with Chapter 13, Energy Efficiency, of the International Energy Conservation Code; and

7 WHEREAS, the City Council has determined that it is in the best interest of the citizens of
8 Salisbury to develop a permit and inspection program to better ensure the quality of work
9 performed by the trades when installing and replacing mechanical systems; and

10 WHEREAS, in order to verify compliance with the International Energy Conservation
11 Code, the International Mechanical Code, and the laws of the State of Maryland, the City
12 Council desires to establish a mechanical permit fee for the installation of heating, ventilation,
13 and air conditioning systems in new structures, and the replacement of heating, ventilation,
14 and air conditioning systems in existing structures.

15 NOW, THEREFORE, BE IT ENACTED AND ORDAINED by the City Council of the City of
16 Salisbury, Maryland, in regular session, that the permit fee for the installation and replacement
17 of heating, ventilation, and air conditioning systems be twenty-five dollars (\$25.00), and shall
18 be collected by the Department of Building, Permitting & Inspections;

19 AND BE IT FURTHER ENACTED AND ORDAINED by the City Council of the City of
20 Salisbury, Maryland, that the permit application shall be completed by the applicant, ~~and~~
21 ~~processed by _____~~, and permit fees shall be paid with the submission of the permit
22 application;

23 AND BE IT FURTHER ENACTED AND ORDAINED by the City Council of the City of
24 Salisbury, Maryland, that these fees shall take effect as of January 1, 2014.

25 THIS ORDINANCE was introduced and read at a meeting of the Council of the City of
26 Salisbury held on the 25th day of November, 2013, and having been published as required by
27 law, in the meantime, was finally passed by the Council on the ___ day of _____, 2013.

28 ATTEST

29
30 _____
31 Kimberly R. Nichols
32 City Clerk

30 _____
31 Jacob R. Day
32 City Council President

33

34

35 Approved by me this _____ day of _____

36

37 _____

38 James Ireton, Jr.

39 Mayor



City of Salisbury – Wicomico County

DEPARTMENT OF PLANNING, ZONING AND COMMUNITY DEVELOPMENT
P.O. BOX 870
125 NORTH DIVISION STREET, ROOMS 203 & 201
SALISBURY, MARYLAND 21803-4860
410-548-4860
FAX: 410-548-4955



JAMES IRETON, JR
MAYOR

RICHARD M. POLITT, JR
COUNTY EXECUTIVE

TOM STEVENSON
ACTING CITY ADMINISTRATOR

R. WAYNE STRAUSBURG
DIRECTOR OF ADMINISTRATION

To: Tom Stevenson, Acting City Administrator
From: John F. Lenox, AICP, Director *JFL*
Re: Rezoning – Linens of the Week – Anne Street
Date: October 18, 2013

At the work session of October 7, 2013, the City Council reviewed the attached Planning Commission memo, dated September 6, 2013, regarding the former Linens of the Week property. As part of that discussion, the Council considered the Mayor's recommendation for R-5A zoning of the site.

There was unanimous consensus at that time to support the R-5A Zoning Classification for the former Linens of the Week parcels. It was agreed that legislation would be prepared for First Reading.

1
2
3 **CITY OF SALISBURY**
4 **ORDINANCE NO. 2272**
5

6 **AN ORDINANCE OF THE CITY OF SALISBURY,**
7 **MARYLAND TO REZONE PROPERTY LOCATED**
8 **ON THE NORTHERLY SIDE OF ANNE STREET**
9 **AND ON BOTH SIDES OF SHORT STREET FROM**
10 **GENERAL COMMERCIAL TO R-5A**
11 **RESIDENTIAL.**

12
13 **WHEREAS**, the Mayor and City Council have the authority to amend
14 Title 17, Zoning, of the Salisbury Municipal Code, pursuant to the authority granted by
15 Article 66B of the Annotated Code of Maryland and in accordance with the specific
16 provisions of Chapter 17.228, Amendments and Rezoning of Title 17, Zoning; and
17

18 **WHEREAS**, the Mayor and City Council have initiated action, in
19 accordance with the provisions of Chapter 17.228 of Title 17, Zoning, of the Salisbury
20 Municipal Code, to rezone property owned by the City of Salisbury; and
21

22 **WHEREAS**, the Salisbury Planning and Zoning Commission held a
23 Public Hearing on June 20, 2013, continued to July 18 and August 22, 2013, and
24 reviewed all information, and recommended that additional regulatory flexibility is
25 needed in order to support redevelopment; and
26

27 **WHEREAS**, the City Council, after a Public Hearing did, in a public
28 meeting, adopt Findings of Fact as required by Chapter 17.228.030A of Title 17, Zoning,
29 of the Salisbury Municipal Code, as to the following matters:
30

- 31 (a) The neighborhood in which the subject properties are located;
32 (b) Population change in the neighborhood;
33 (c) Availability of public facilities to serve the type of uses allowed;
34 (d) Present and future transportation patterns to serve this site;
35 (e) Compatibility of uses allowed if the zoning is changed with existing
36 and proposed development of the area.
37 (f) The relationship of such proposed amendment to the adopted Salisbury
38 Comprehensive Plan; and,
39 (g) The recommendation of the Salisbury Planning and Zoning
40 Commission.
41

42 **WHEREAS**, said Findings have been duly set forth, shall be found in the
43 minutes of the meeting or meetings at which these matters were discussed; and
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WHEREAS, the City Council has found that there has been a change in the character of the area surrounding the City of Salisbury site, and there is a need to reclassify the zoning to better reflect this change.

NOW, THEREFORE, BE IT ENACTED AND ORDAINED BY THE CITY OF SALISBURY MARYLAND, that the existing zoning of these properties as shown in Exhibit A attached hereto and made a part hereof, shall be reclassified from General Commercial to R-5A Residential.

AND BE IT FURTHER ENACTED AND ORDAINED BY THE COUNCIL OF THE CITY OF SALISBURY, MARYLAND, that this Ordinance shall take effect from and after the date of its final passage but in no event until ten (10) days after the date of the Council’s Public Hearing.

THIS ORDINANCE was introduced at a meeting of the Council on the ___ day of _____, 2013, and having been published as required by law, in the meantime, was finally passed at its meeting on the ___ day of _____, 2013.

ATTEST:

Kimberly R. Nichols
City Clerk

Jacob R. Day
President of the Council of
the City of Salisbury

Approved by me this _____
day of _____, 2013.

James Ireton, Jr.
Mayor of the City of Salisbury

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5 **RESOLUTION OF DECISION AND**
6 **FINDINGS OF FACT**
7

8 **MAYOR AND CITY COUNCIL – ANNE STREET**
9 **REZONING**

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11 **RECLASSIFICATION OF ZONE FROM GENERAL COMMERCIAL**
12 **TO R-5A RESIDENTIAL**
13

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15 The Mayor and City Council reviewed and considered all testimony and
16 written evidence presented a public hearing held at the request of the Mayor and City
17 Council to rezone approximately 38,551 sq. ft. of land. The rezoning site is located on the
18 northerly side of Anne Street, and on both sides of Short Street. The request is to change
19 the zoning of the subject property from General Commercial to R-5A Residential zoning.
20

21 The Council does hereby make the following Findings of Fact in
22 accordance with the provisions of Section 17.228 Amendments and Rezoning, of Title
23 17, Zoning, of the Salisbury Municipal Code.
24

25 **A. SPECIFIC FINDINGS OF FACT:**
26

27 **1. Neighborhood.**

28 The neighborhood is bounded by Naylor Street on the north, East Church
29 Street on the east, Elizabeth Street on the south, and the Railroad right-of-
30 way on the west.
31

32 **2. Population Change.**

33 There has been little population change in the designated neighborhood.
34 Staff could document only five (5) new single-family units in the
35 neighborhood since 1983 generating a population of approximately 13
36 new residents.
37

38 **3. Availability of Public Facilities.**

39 The subject properties are served or can be served from a 6 inch water line
40 and an 8 inch sewer line in Anne Street. There is also an 8 inch sewer line
41 in Short Street. The existing water line in Short Street will likely have to
42 be replaced as it is a 1 ½ inch galvanized pipe.
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44 **4. Present and Future Transportation Patterns.**

45 The proposed rezoning area fronts on existing City streets that are shown
46 with a right-of-way width of 30 feet on the City property maps. However,

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City Public Works Staff took measurements and found that the Anne Street pavement width varies from 23-33 ft. curb-to-curb; and Short Street has a pavement width of 23 ft. (in the rezoning area). No new streets or further street widening is proposed. The existing streets are adequate for residential traffic. However, with the on-street parking that is often found there, access for trucks over two axles would be difficult for many of these properties.

5. Compatibility with Existing and Proposed Development.

The proposed area to be rezoned adjoins other lands zoned and developed residentially.

The proposed rezoning is from City General Commercial to City R-5A Residential. The proposed change should not conflict with the zoning and development of nearby properties that are already residentially zoned and developed.

6. Relationship to the Comprehensive Plan.

The Salisbury Comprehensive Plan, adopted in 2010, recommends that this area be designated for medium density residential development (5-8 dwelling units per acre). The proposed development is at a density of one unit per 5.6 acres and is within the density proposed by the Comprehensive Plan.

7. Change in the Character of the Area.

In the case of the proposed area to be rezoned, the last comprehensive rezoning in the City occurred on May 23, 1983.

Staff found that the City properties as well as the Christian Shelter property at 326 Barclay Street were likely still in manufacturing or industrial type uses in 1983. The shirt factory and the laundry uses no longer exist on 1.45 acres of the proposed area to be rezoned.

8. Mistake in Existing Zoning.

The Commission found that there is no evidence to support a rezoning based on “mistake” in the existing zoning. In 1983, the laundry and shirt factory uses were likely still existing or it was reasonable to expect that these structures might be re-used for a similar use.

87 **B. DECISION:**

88

89 **THEREFORE**, after review and consideration of all written evidence and
90 testimony during the public hearing, thereon, the Council, for the reasons stated, hereby
91 finds that there has been a Change in the Character of the Area sufficient to warrant the
92 requested rezoning from General Commercial to R-5A Residential zoning.

93

94 **NOW, THEREFORE**, upon a motion by _____,
95 seconded by _____ and duly carried, the Council hereby adopts
96 these Findings of Fact and directs that one copy of these signed and certified Findings be
97 attached to and made a part of the minutes of this meeting.

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100 ATTEST:

101

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103 _____
104 Kimberly R. Nichols
105 City Clerk

Jacob R. Day
President of the Council of
the City of Salisbury

106

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108 Approved by me this _____
109 day of _____, 2013.

110

111

112

113 _____
114 James Ireton, Jr.
115 Mayor of the City of Salisbury



City of Salisbury – Wicomico County

DEPARTMENT OF PLANNING, ZONING AND COMMUNITY DEVELOPMENT
P.O. BOX 870
125 NORTH DIVISION STREET, ROOMS 203 & 201
SALISBURY, MARYLAND 21803-4860
410-548-4860
FAX: 410-548-4955



JAMES IRETON, JR
MAYOR

TOM STEVENSON
ACTING CITY ADMINISTRATOR

RICHARD M. POLITT, JR
COUNTY EXECUTIVE

R. WAYNE STRAUSBURG
DIRECTOR OF ADMINISTRATION

September 6, 2013

TO: Tom Stevenson, Acting City Administrator
FROM: John F. Lenox, AICP, Director
SUBJECT: PUBLIC HEARING – Rezoning – Linens of the Week – Anne Street -
Planning Commission Recommendation

On June 20, 2013, the Salisbury Planning Commission opened a Public Hearing on the City's request to rezone certain properties on Anne Street from General Commercial to R-5 Residential. The Public Hearing was continued to July 18, and subsequently to August 22.

Over the course of three meetings, the Commission considered the following:

- Changes that have occurred in the former Linens of the Week site and the surrounding neighborhood.
- Testimony and correspondence from area property owners.
- An indication from the City Council following a work session (August 19, 2013) for support of reconsidering the single-family approach.
- Testimony from City Administration in support of single-family use.

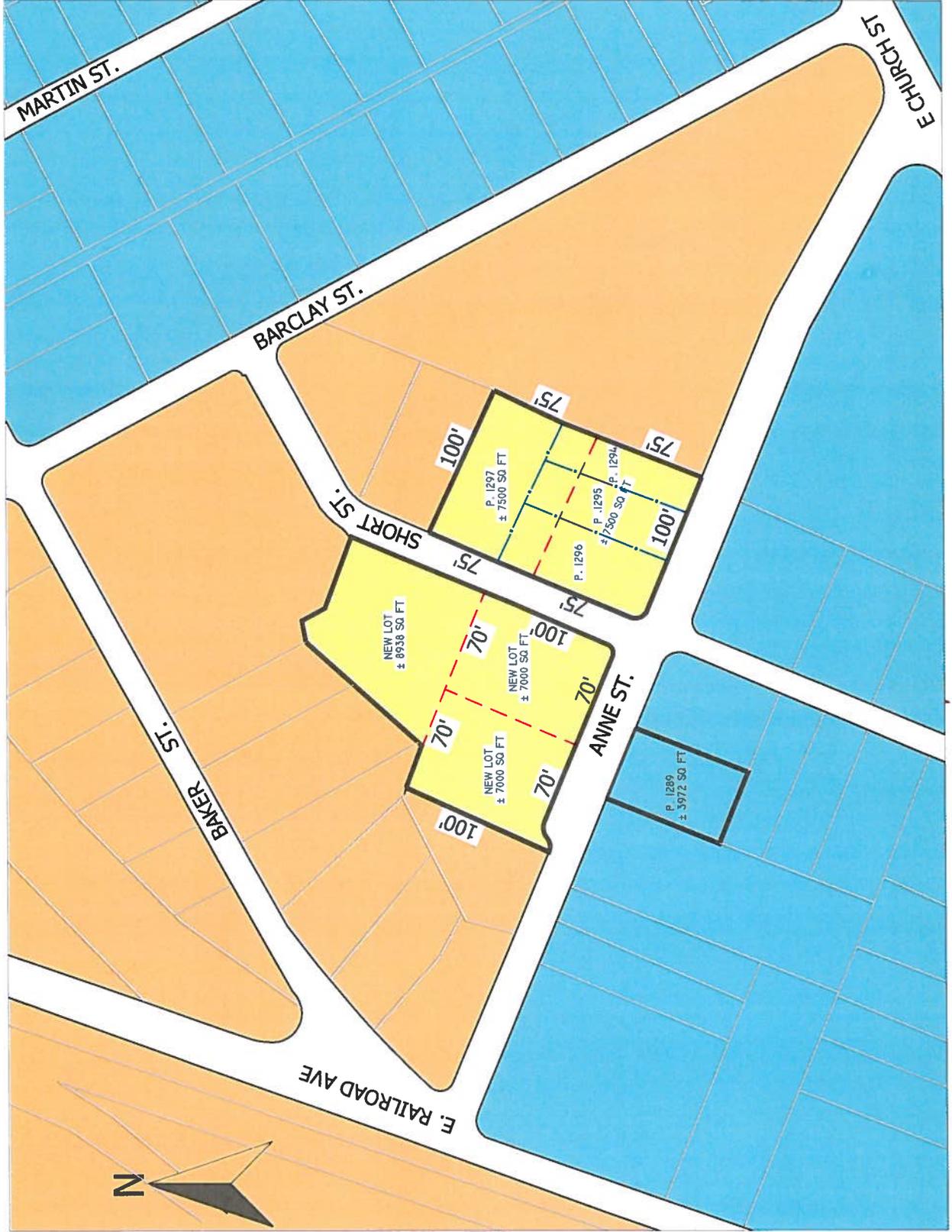
At the meeting of August 22, 2013, there was agreement among the Commission members that the focus of any action should be on the redevelopment of the former Linens of the Week property; regulatory flexibility is needed in order to support redevelopment; and that the proposed R-5 Zoning District would be too restrictive.

The Commission voted to recommend that the matter be referred to the City for further consideration.

Attachments

cc: Mayor James Ireton
William Holland, Director, Building, Housing and Zoning Dept.
Mark Tilghman, City Solicitor

FORMER LINENS OF THE WEEK PROPERTY POTENTIAL LOT LINES & ZONING RECLASSIFICATION



City of Salisbury



MARYLAND



125 NORTH DIVISION STREET
SALISBURY, MARYLAND 21801
Tel: 410-334-3028
Fax: 410-548-3192

KEITH A. CORDREY
DIRECTOR OF INTERNAL SERVICES

JAMES IRETON, JR.
MAYOR

TOM STEVENSON
INTERIM CITY ADMINISTRATOR

To: Tom Stevenson, Interim City Administrator
From: Keith Cordrey, Director of Internal Services
Date: December 3, 2013 *KAC*
Re: Bond Ordinance

The FY 2014 budget included the issuance of \$3,178,000 in bonds to fund capital projects as follows:

- Riverwalk
- MainStreet Masterplan
- Coty Cox Drainage Improvements
- Germania Circle

Attached please find Bond Ordinance, prepared by the City's bond counsel Lindsey Rader, Esquire, required to authorize the issuance. We have scheduled the first reading to occur December 9, 2013 and the second reading to occur on December 23rd so that can award and close on the issuance in calendar year 2013. A public hearing is required as well. I am uncertain as to whether the hearing should occur during the first or second reading but will check with legal if you like.

Should the meeting scheduled for December 23rd be canceled, I would recommend we look for an opportunity to schedule a special meeting to complete the second reading so that the issuance can be finalized in calendar year 2013. We have been alerted that developer of the Aydellote TIFF project may issue refunding bonds over 9M which will has the potential to absorb the \$10,000,000 Tax Exempt financing available to the city in calendar year 2014. The city has incentive to close in calendar year 2013 to avoid this conflict and to capture rates while they remain low.

Ordinance No. 2273

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3 AN ORDINANCE OF THE CITY OF SALISBURY TO AUTHORIZE AND EMPOWER CITY
4 OF SALISBURY (THE "CITY") TO ISSUE AND SELL FROM TIME TO TIME, UPON ITS
5 FULL FAITH AND CREDIT, GENERAL OBLIGATION BONDS IN ONE OR MORE SERIES
6 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED THREE MILLION ONE
7 HUNDRED SEVENTY-EIGHT THOUSAND DOLLARS (\$3,178,000.00), THE PROCEEDS OF
8 THE SALE THEREOF TO BE USED AND APPLIED FOR THE PUBLIC PURPOSE OF
9 FINANCING, REIMBURSING OR REFINANCING COSTS (AS DEFINED HEREIN, WHICH
10 INCLUDE ISSUANCE COSTS AND CAPITALIZED INTEREST) OF THE PUBLIC PURPOSE
11 PROJECTS IDENTIFIED HEREIN AS: RIVERWALK, MAINSTREET MASTER PLAN, COTY
12 COX DRAINAGE IMPROVEMENTS, AND GERMANIA CIRCLE; SPECIFYING THE
13 MAXIMUM PRINCIPAL AMOUNT OF THE BONDS OR BOND ANTICIPATION NOTES
14 PROVIDED FOR HEREIN TO BE ALLOCATED TO EACH SUCH PROJECT, SUBJECT TO
15 REALLOCATION BY THE CITY IN ACCORDANCE WITH APPLICABLE BUDGETARY
16 PROCEDURES OR LAW; PROVIDING FOR THE ADOPTION OF A RESOLUTION OR
17 RESOLUTIONS OF THE COUNCIL TO DETERMINE, APPROVE OR PROVIDE FOR
18 VARIOUS MATTERS RELATING TO THE AUTHORIZATION, SALE, SECURITY,
19 ISSUANCE, DELIVERY, PAYMENT AND REDEMPTION OF AND FOR EACH SERIES OF
20 THE BONDS; AUTHORIZING AND EMPOWERING THE COUNCIL TO PROVIDE BY
21 RESOLUTION FOR THE ISSUANCE AND SALE FROM TIME TO TIME OF ONE OR MORE
22 SERIES OF GENERAL OBLIGATION BOND ANTICIPATION NOTES IN AN AGGREGATE
23 PRINCIPAL AMOUNT NOT TO EXCEED THREE MILLION ONE HUNDRED SEVENTY-
24 EIGHT THOUSAND DOLLARS (\$3,178,000.00), PRIOR TO AND IN ANTICIPATION OF
25 THE ISSUANCE OF ANY OF THE BONDS AUTHORIZED HEREBY, IN ORDER TO
26 FINANCE OR REIMBURSE PROJECT COSTS ON AN INTERIM BASIS; AUTHORIZING
27 AND EMPOWERING THE COUNCIL TO PROVIDE BY RESOLUTION FOR THE
28 ISSUANCE AND SALE FROM TIME TO TIME OF ONE OR MORE SERIES OF GENERAL
29 OBLIGATION BONDS IN ORDER TO REFUND ANY OF THE BONDS ISSUED PURSUANT
30 TO THE AUTHORITY OF THIS ORDINANCE (INCLUDING PAYING ISSUANCE COSTS
31 AND INTEREST ON SUCH REFUNDING BONDS), PROVIDED THAT, THE AGGREGATE
32 PRINCIPAL AMOUNT OF ANY SUCH ISSUE OF REFUNDING BONDS SHALL NOT
33 EXCEED ONE HUNDRED THIRTY PERCENT (130%) OF THE AGGREGATE PRINCIPAL
34 AMOUNT OF THE BONDS REFUNDED THEREFROM; PROVIDING FOR THE LEVY AND
35 COLLECTION OF AD VALOREM TAXES SUFFICIENT FOR, AND PLEDGING THE FULL
36 FAITH AND CREDIT AND UNLIMITED TAXING POWER OF THE CITY TO, THE PROMPT
37 PAYMENT OF THE PRINCIPAL OF AND INTEREST ON EACH SERIES OF THE BONDS,
38 THE BOND ANTICIPATION NOTES AND THE REFUNDING BONDS AUTHORIZED
39 HEREBY (THE "OBLIGATIONS"); PROVIDING THAT THE PRINCIPAL OF AND
40 INTEREST ON EACH SERIES OF SUCH OBLIGATIONS ALSO MAY BE PAID FROM ANY
41 OTHER SOURCES OF REVENUE LAWFULLY AVAILABLE TO THE CITY FOR SUCH

Underlining : Indicates material added by amendment after introduction
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42 PURPOSE; PROVIDING THAT CERTAIN ACTIONS MAY BE TAKEN OR PROVIDED FOR
43 BY RESOLUTION IN CONNECTION WITH THE REISSUANCE OF ANY OBLIGATION;
44 PROVIDING THAT ANY OF THE OBLIGATIONS AUTHORIZED HEREBY MAY BE
45 CONSOLIDATED WITH ANY BONDS, BOND ANTICIPATION NOTES AND/OR
46 REFUNDING BONDS AUTHORIZED BY THE COUNCIL AND ISSUED AS A SINGLE
47 SERIES OF BONDS, BOND ANTICIPATION NOTES AND/OR REFUNDING BONDS;
48 AUTHORIZING AND DIRECTING OFFICIALS AND EMPLOYEES OF THE CITY TO TAKE
49 ANY AND ALL ACTION NECESSARY TO COMPLETE AND CLOSE THE SALE AND
50 DELIVERY OF THE OBLIGATIONS; PROVIDING THAT THIS TITLE SHALL BE DEEMED
51 A STATEMENT OF THE SUBSTANCE OF THIS ORDINANCE FOR ALL PURPOSES; AND
52 OTHERWISE GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND
53 PAYMENT OF THE OBLIGATIONS.

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RECITALS

57 WHEREAS, City of Salisbury, a municipal corporation of the State of Maryland (the
58 “City”), is authorized and empowered by Sections 19-301 through 19-309, inclusive, of the Local
59 Government Article of the Annotated Code of Maryland (previously codified as Sections 31 to 37,
60 inclusive, of Article 23A of the Annotated Code of Maryland), as replaced, supplemented or
61 amended (the “Enabling Act”), and Sections SC7-45 and SC7-46 of the Charter of the City of
62 Salisbury, as published in Municipal Charters of Maryland, Volume 7, 2008 Replacement Edition,
63 as replaced, supplemented or amended (the “Charter”), to borrow money for any proper public
64 purpose and to evidence such borrowing by the issuance and sale of its general obligation bonds;
65 and

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WHEREAS, the City has determined to undertake the public purpose projects identified in
Section 3 of this Ordinance; and

70 WHEREAS, the City has determined to authorize the issuance from time to time of one or
71 more series of its general obligation bonds in order to finance, reimburse or refinance all or a
72 portion of the costs of any of the public purpose projects identified in Section 3 of this Ordinance;
73 and

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WHEREAS, prior to issuing one or more series of the bonds authorized hereby, the City
may need to obtain interim financing in order to finance or reimburse applicable project costs on a
timely basis through the issuance from time to time of general obligation bond anticipation notes in
one or more series pursuant to the authority of Sections 19-211 through 19-223, inclusive, of the
Local Government Article of the Annotated Code of Maryland (previously codified as Section 12 of
Article 31 of the Annotated Code of Maryland), as replaced, supplemented or amended (the “Bond
Anticipation Note Enabling Act”); and

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~~Strike-through~~ : Indicates material deleted by amendment after introduction

83 WHEREAS, subsequent to the issuance of any bonds provided for herein, the City may
84 desire to refund or advance refund all or a portion of such bonds through the issuance from time to
85 time of one or more series of its general obligation refunding bonds pursuant to the authority of
86 Section 19-207 of the Local Government Article of the Annotated Code of Maryland (previously
87 codified as Section 24 of Article 31 of the Annotated Code of Maryland), as replaced, supplemented
88 or amended (the “Refunding Act”); and
89

90 WHEREAS, the City has determined to pledge its full faith and credit and unlimited taxing
91 power to the prompt payment of debt service on any bonds, bond anticipation notes or refunding
92 bonds authorized hereby and
93

94 WHEREAS, although Section SC7-46.E of the Charter provides that the City shall
95 determine the manner of selling any bonds, notes or other evidences of indebtedness by resolution,
96 it is the expectation of the Council of the City (the “Council”) that, as authorized by such Section of
97 the Charter, the Bond Anticipation Note Enabling Act and the Refunding Act, as applicable, each
98 series of the bonds, the bond anticipation notes and the refunding bonds authorized hereby shall be
99 sold by private (negotiated) sale unless the Council determines otherwise by resolution; and
100

101 WHEREAS, the City shall issue any bonds, bond anticipation notes or refunding bonds
102 authorized hereby in accordance with the terms and conditions provided for in a resolution or
103 resolutions to be adopted by the Council pursuant to the authority of the Charter, this Ordinance and
104 other applicable law.
105

106 SECTION 1. NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF
107 THE CITY OF SALISBURY, MARYLAND that (a) the Recitals to this Ordinance are deemed a
108 substantive part of this Ordinance and incorporated by reference herein. Capitalized terms used in
109 the Sections of this Ordinance and not defined herein shall have the meanings given to such terms in
110 the Recitals.
111

112 (b) References in this Ordinance to any official by title shall be deemed to refer (i) to
113 any official authorized under the Charter or other applicable law to act in such titled official’s stead
114 during the absence or disability of such titled official, (ii) to any person who has been elected,
115 appointed or designated to fill such position in an acting capacity under the Charter or other
116 applicable law, (iii) to any person who serves in a “Deputy” or “Assistant” capacity as such an
117 official, provided that the applicable responsibilities, rights or duties referred to herein have been
118 delegated to such deputy or assistant in accordance with applicable law or authority, and/or (iv) to
119 the extent an identified official commonly uses another title not provided for in the Charter or the
120 code of ordinances of the City (the “City Code”), the official, however known, who is charged
121 under the Charter, the City Code or other applicable law or authority with the applicable
122 responsibilities, rights or duties referred to herein.
123

Underlining : Indicates material added by amendment after introduction
~~Strike-through~~ : Indicates material deleted by amendment after introduction

124 SECTION 2. BE IT FURTHER ORDAINED that pursuant to the authority of the
 125 Enabling Act and the Charter, the City hereby determines to borrow money and incur indebtedness
 126 from time to time for the public purpose of financing, reimbursing or refinancing the costs (as
 127 defined in Section 3(b) hereof) of any of the Projects identified in Section 3(b) hereof.
 128

129 SECTION 3. BE IT FURTHER ORDAINED that (a) to evidence the borrowing and
 130 indebtedness authorized in Section 2 of this Ordinance, the City, acting pursuant to the authority of
 131 the Enabling Act and the Charter, hereby determines to issue and sell from time to time, in one or
 132 more series, upon its full faith and credit, its general obligation bonds in an aggregate principal
 133 amount not to exceed Three Million One Hundred Seventy-eight Thousand Dollars (\$3,178,000.00)
 134 (collectively, the “Bonds”). Any series of the Bonds may be issued as one or more bonds and any
 135 such bond may be issued in installment form and/or draw-down form.
 136

137 (b) With respect to the projects listed below, the word “costs” as used in Section 2
 138 hereof shall include, as applicable, land and right-of-way acquisition and development; site and
 139 utility improvements; acquisition, construction, expansion, demolition, reconstruction, replacement,
 140 renovation, rehabilitation, improvement, installation, furnishing and equipping activities and
 141 expenses, and related or similar costs; planning, design, engineering, architectural, feasibility,
 142 inspection, construction management, surveying, permitting, financial and legal expenses, and
 143 related or similar costs; costs of issuance (which may include costs of bond insurance or other credit
 144 or liquidity enhancement); interest during construction and for a reasonable period thereafter
 145 (whether or not expressly so stated); and any such costs that may represent the City’s share or
 146 contribution to the financing, reimbursement or refinancing of any such project. The total Bond (or
 147 BANs, as identified in Section 6 hereof) funds to be appropriated or applied to the costs of such
 148 projects (exclusive of any premium realized upon sale or investment earnings that may be applied
 149 for such purposes) shall be allocated among the following public purpose projects in the maximum
 150 principal amount set forth opposite each, except as otherwise herein provided:
 151

	<u>Project Name</u>	<u>Maximum Principal Amount</u>
1.	Riverwalk	\$1,600,000.00
2.	Mainstreet Master Plan	268,000.00
3.	Coty Cox Drainage Improvements	1,200,000.00
4.	Germania Circle	110,000.00
	TOTAL	<u>\$3,178,000.00</u>

152 The projects and costs of issuance identified in items 1-4 above are collectively referred to herein as
 153 the “Projects”. The City, without notice to or the consent of any registered owners of the Bonds (or
 154 the registered owners of any of the BANs, as applicable), may reallocate the maximum principal
 155 amount of the Bonds (and of any of the BANs, as applicable) to be spent among any of the Projects
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Underlining : Indicates material added by amendment after introduction
~~Strike-through~~ : Indicates material deleted by amendment after introduction

157 identified herein in compliance with applicable budgetary procedures or applicable law, including,
158 to the extent applicable, by resolution. Further, it is the intention of the Council that proceeds of the
159 Bonds (or of any of the BANs, as applicable) may be spent on any applicable costs (as defined
160 above) relating to the Projects identified in items 1-4 above.

161
162 (c) In the event the City issues any series of the BANs pursuant to Section 6 of this
163 Ordinance, proceeds of the Bonds of any series in anticipation of which such BANs were issued
164 may also be applied to prepay or pay principal, premium and/or interest on such series of the BANs
165 in accordance with the Bond Anticipation Note Enabling Act, and such application shall be deemed
166 the payment of “costs” for purposes of this Ordinance.

167
168 SECTION 4. BE IT FURTHER ORDAINED that the proceeds of the Bonds shall be used
169 and applied by the City exclusively and solely for the public purposes described in Section 3 of this
170 Ordinance, unless a supplemental ordinance is enacted by the Council to provide for the use and
171 application of such proceeds for some other proper public purpose authorized by the Enabling Act,
172 the Charter or other applicable law.

173
174 SECTION 5. BE IT FURTHER ORDAINED that pursuant to the authority of the Enabling
175 Act, the Charter and this Ordinance, the Council, prior to the issuance, sale and delivery of each
176 series of the Bonds, shall adopt a resolution or resolutions (in each such case and, collectively, the
177 “Resolution”) specifying, prescribing, determining, providing for or approving such matters, details,
178 forms (including, without limitation, the complete forms of the Bonds of such series), documents or
179 procedures as may be required by the Enabling Act, the Charter or this Ordinance or as the Council
180 may deem appropriate for the authorization, sale, security, issuance, delivery, payment, prepayment
181 or redemption of or for such series of the Bonds. The Resolution shall set forth, determine or
182 provide for the determination of, provide for, or approve or provide for the approval of, among
183 other matters, as applicable, the designation of such series of the Bonds; the date of issue of such
184 series of the Bonds; the aggregate principal amount of such series of the Bonds; the denominations
185 of such series of the Bonds; the maturity or maturities of such series of the Bonds; the principal
186 installment or installments payable on such series of the Bonds; the rate or rates of interest, or the
187 method of determining the rate or rates of interest, payable on such series of the Bonds, which may
188 be fixed or variable; provisions for the payment of late fees and/or additional interest or penalties
189 payable on the Bonds of such series or adjustments to interest rates in appropriate circumstances;
190 the purchase price for such series of the Bonds or the method of determining the purchase price;
191 provisions relating to the prepayment or redemption of such series of the Bonds at the City’s option
192 or by mandatory sinking fund payments; provisions allowing the registered owners of such series of
193 the Bonds to put or cause the prepayment or redemption of the same at their option; the manner of
194 selling such series of the Bonds, which may be by private (negotiated) sale without advertisement or
195 solicitation of competitive bids or at public sale after publication or dissemination of the notice of
196 sale, and all matters in connection therewith; the specific Projects the costs of which are to be
197 financed, reimbursed or refinanced from proceeds of such series of the Bonds; provisions for the
198 appropriation, disposal and investment of proceeds of such series of the Bonds; provisions for the

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~~Strike-through~~ : Indicates material deleted by amendment after introduction

199 application of unexpended proceeds, any premium paid upon sale or investment earnings on
200 proceeds of such series of the Bonds, which may include, without limitation, on costs of the Projects
201 or on debt service payable on such series of the Bonds; certifications, representations,
202 determinations, designations or elections relating to the tax-exempt or taxable status of interest
203 payable on such series of the Bonds; and all other terms and conditions pursuant to which such
204 series of the Bonds will be issued, sold and delivered, including, without limitation, any
205 determinations to be made by resolution as required by Charter Section SC7-46.A. Among other
206 matters, the Council, pursuant to the Resolution, may authorize, approve or otherwise provide for (i)
207 any commitment fee or similar fee and any other costs payable in connection with any series of the
208 Bonds, (ii) the obtaining of credit enhancement or liquidity enhancement for any series of the Bonds
209 (and the execution and delivery of any agreements or documents relating thereto), and (iii) any other
210 agreements necessary to enhance the marketability of or as security for any series of the Bonds,
211 including (without limitation) any continuing disclosure undertaking required to satisfy the
212 requirements of Securities and Exchange Commission Rule 15c2-12. Any Resolution may
213 determine the matters identified in this Section 5 for more than one series of the Bonds.
214

215 SECTION 6. BE IT FURTHER ORDAINED that (a) pursuant to the authority of the
216 Bond Anticipation Note Enabling Act and the Charter, the City is hereby authorized and
217 empowered to issue and sell, upon its full faith and credit, its general obligation bond anticipation
218 notes in one or more series from time to time in an aggregate principal amount not to exceed
219 Three Million One Hundred Seventy-eight Thousand Dollars (\$3,178,000.00) (collectively, the
220 “BANs”), prior to and in anticipation of the sale of any series of the Bonds, for the public purpose
221 of financing or reimbursing costs of the Projects on an interim basis. Any such series of the BANs
222 may consist of one or more notes and any note may be issued in installment form and/or draw-down
223 form. Prior to the issuance, sale and delivery of each series of the BANs, the Council shall adopt a
224 resolution or resolutions pursuant to the authority of the Bond Anticipation Note Enabling Act, the
225 Charter and this Ordinance authorizing such series of the BANs and specifying, prescribing,
226 determining or providing for the determination of, providing for, or approving or providing for the
227 approval of, with respect to such series of the BANs, the same types of matters, details, forms,
228 documents or procedures and determinations specified to be made or addressed in Section 5 hereof
229 with respect to each series of the Bonds, to the extent applicable with respect to such series of the
230 BANs, and as otherwise may be authorized or required by applicable law.
231

232 (b) As authorized by the Bond Anticipation Note Enabling Act, by resolution the
233 Council may provide for the renewal of any series of the BANs at maturity with or without resale,
234 together with any amendments or modifications to such series of the BANs and any related
235 documentation.
236

237 SECTION 7. BE IT FURTHER ORDAINED that pursuant to the authority of the
238 Refunding Act and the Charter, the City is hereby authorized and empowered to issue and sell,
239 upon its full faith and credit, its general obligation refunding bonds in one or more series from
240 time to time (collectively, the “Refunding Bonds”), for the purpose of refunding or advance

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241 refunding any of the Bonds authorized hereby, including the payment of any prepayment or
242 redemption premium and any interest accrued or to accrue to the date of prepayment,
243 redemption, purchase or maturity of the Bonds to be refunded, paying costs and expenses in
244 connection with the issuance, sale and delivery of such series of the Refunding Bonds, and, to
245 the extent determined by the Council by resolution, paying interest on such series of the
246 Refunding Bonds, for the public purpose of realizing savings to the City in the aggregate cost of
247 debt service on either a direct comparison or present value basis or in order to accomplish any
248 debt restructuring or other purpose that is permitted by applicable law; provided that, the
249 aggregate principal amount of any series of the Refunding Bonds shall not exceed one hundred
250 thirty percent (130%) of the aggregate principal amount of the Bonds refunded therefrom. Any
251 such series of the Refunding Bonds may consist of one or more bonds and any bond may be issued
252 in installment form and/or draw-down form. Prior to the issuance, sale and delivery of each series
253 of the Refunding Bonds, the Council shall adopt a resolution or resolutions authorizing such
254 series of the Refunding Bonds and specifying, describing, determining or providing for the
255 determination of, providing for, or approving or providing for the approval of, with respect to
256 such series of the Refunding Bonds, the same types of matters, details, forms, documents,
257 procedures and determinations specified to be made or addressed in Section 5 hereof with respect
258 to each series of the Bonds, to the extent applicable to such series of the Refunding Bonds, and
259 as otherwise may be authorized or required by applicable law, including the purposes of the
260 Refunding Act to be achieved by the issuance of such series of the Refunding Bonds.

261
262 SECTION 8. BE IT FURTHER ORDAINED that (a) for the purpose of paying the
263 principal of and interest on the Bonds, the BANs and the Refunding Bonds (individually or
264 collectively, the “Obligations”) when due, the City shall levy or cause to be levied, for each and
265 every fiscal year during which any series of the Obligations may be outstanding, ad valorem taxes
266 upon all real and tangible personal property within its corporate limits subject to assessment for
267 unlimited municipal taxation in rate and amount sufficient to provide for the prompt payment, when
268 due, of the principal of and interest on such series of the Obligations in each such fiscal year. If the
269 proceeds from the taxes so levied in any such fiscal year are inadequate for such payment,
270 additional taxes shall be levied in the succeeding fiscal year to make up such deficiency.

271
272 (b) The full faith and credit and unlimited taxing power of the City are hereby
273 irrevocably pledged to the prompt payment of the principal of and interest on each series of the
274 Obligations as and when they become due and payable and to the levy and collection of the taxes
275 hereinabove described as and when such taxes may become necessary in order to provide sufficient
276 funds to meet the debt service requirements of such series of the Obligations. The City hereby
277 covenants and agrees with the registered owners, from time to time, of each series of the
278 Obligations to levy and collect the taxes hereinabove described and to take any further action that
279 may be lawfully appropriate from time to time during the period that such series of the Obligations
280 remains outstanding and unpaid to provide the funds necessary to pay promptly the principal thereof
281 and the interest due thereon.

282

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283 (c) The foregoing provisions shall not be construed so as to prohibit the City from
284 paying the principal of and interest on any series of the Obligations from the proceeds of the sale of
285 any other obligations of the City or from any other funds legally available for that purpose
286 (including, without limitation, (i) with respect to the BANs, from the proceeds of the Bonds and (ii)
287 with respect to the Bonds, from the proceeds of the Refunding Bonds). Within any applicable
288 limitations of Maryland or federal law (including without limitation, the Internal Revenue Code of
289 1986, as amended, and the U.S. Treasury Regulations promulgated thereunder), the City may apply
290 to the payment of the principal of or interest on any series of the Obligations any funds received by
291 it from the State of Maryland or the United States of America, or any governmental agency or
292 instrumentality, or from any other source, if such funds are granted or paid to the City for the
293 purpose of assisting the City in the types of projects which the Obligations of such series are issued
294 to finance, reimburse or refinance or are otherwise available for such purpose, and to the extent of
295 any such funds received or receivable in any fiscal year, the taxes hereby required to be levied may
296 be reduced proportionately.

297
298 SECTION 9. BE IT FURTHER ORDAINED that by resolution, the Council may make any
299 appropriate arrangements (including, without limitation, by authorizing one or more appropriate
300 officials to make any elections, designations, determinations or filings on the City's behalf) in the
301 event any right of the registered owner of an Obligation to put or cause the prepayment or
302 redemption of such Obligation at its option, or any change in the interest rate of an Obligation, or
303 any other modification to an Obligation could lead to a reissuance of such Obligation for purposes
304 of the Internal Revenue Code of 1986, as amended, and the U.S. Treasury Regulations promulgated
305 thereunder.

306
307 SECTION 10. BE IT FURTHER ORDAINED that by resolution, the Council may
308 determine that any of the Bonds, the BANs or the Refunding Bonds authorized hereby may be
309 consolidated with any bonds, bond anticipation notes and/or refunding bonds authorized by the
310 Council and issued as a single series of bonds, bond anticipation notes and/or refunding bonds.

311
312 SECTION 11. BE IT FURTHER ORDAINED that the Mayor, the City Administrator, the
313 Director of Internal Services, the City Clerk and all other appropriate officials and employees of the
314 City are hereby authorized and directed to take any and all action necessary to complete and close
315 the sale and delivery of the Bonds, the BANs or the Refunding Bonds and to approve, execute and
316 deliver all documents, certificates and instruments necessary or appropriate in connection therewith.

317
318 SECTION 12. BE IT FURTHER ORDAINED that the title of this Ordinance shall be
319 deemed to be, and is, a statement of the substance of this Ordinance for publication and all other
320 purposes.

321
322 SECTION 13. BE IT FURTHER ORDAINED that this Ordinance shall become effective
323 following approval by the Mayor or subsequent passage by the Council in accordance with the

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