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**CITY OF SALISBURY, MARYLAND**

**AUDIT REPORT**

**JUNE 30, 2015**

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CITY OF SALISBURY

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**CITY OF SALISBURY, MARYLAND**  
**ORGANIZATION**  
**SERVING AS OF JUNE 30, 2015**

**OFFICIALS - ELECTED**

Mayor	James Ireton, Jr.
President of Council	Jacob Day
Vice President of Council	Laura Mitchell
Council Members	Jack R. Heath Eugenie Shields Tim Spies

**OFFICIALS - STAFF**

City Administrator	Tom Stevenson
Assistant City Administrator	Julia Glanz
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
Director of Information Technology	Bill Garrett
Director of Neighborhood Services and Code Compliance	Susan Phillips
Director of Community Development	Deborah J. Stam
Chief of Police	Barbara Duncan
Chief of Fire Department	Rick Hoppes
Incorporated	1854

INDEPENDENT AUDITOR'S REPORT

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December 7, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain 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.

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, 2015, and the respective changes in its financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Notes 2 and 14 to the financial statements, the City has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." These statements modify the accounting for the City's pension. Our opinion is not modified with respect to this matter.

As discussed in Note 14 to the financial statements, the fiscal year 2014 statements have been restated to correct errors. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, budgetary comparison information on page 54, schedules of the City's proportionate share of the net pension liability on pages 55 and 57, and schedules of City contributions on pages 56 and 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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 basic financial statements.

Members of City Council  
City of Salisbury

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

The statistical 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 7, 2015 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Salisbury'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, 2015. 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, 2015 was \$54,304,028. Net position of our governmental activities declined by \$795,657 (or 11.2 percent) while net position of our business-type activities declined by \$37,384,917 (or 43.8 percent).
- The General Fund reported revenues over expenditures resulting in a \$404,157 increase in fund balance, bringing its fund balance this year to \$12,293,852.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

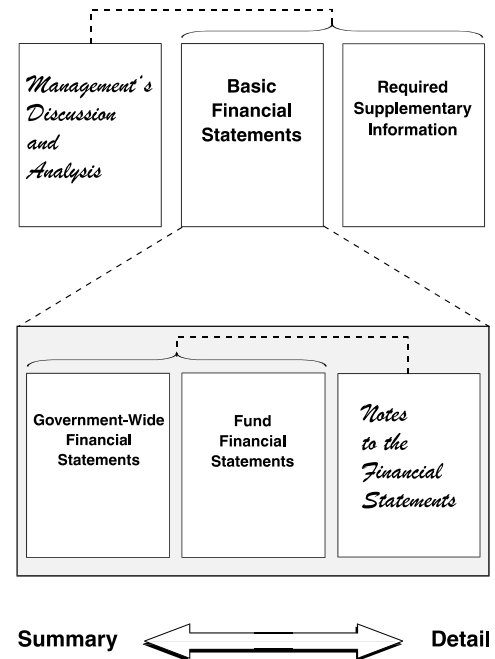


Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

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

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

### Entity-wide Statements

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

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

- *Proprietary funds*—Proprietary funds generally are used to account for services for which the City charges customers – either outside customers, or internal units or departments of the City. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for customer services include: 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 \$54,304,028.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 11,693	\$ 11,077	\$ 8,318	\$ 8,603	\$ 20,011	\$ 19,680
Accounts receivable, net	3,388	3,227	2,858	2,156	6,246	5,383
Due from other governmental units	318	694	94	505	412	1,199
Internal balances	201	201	(201)	(201)	-	-
Other	221	5	401	-	622	5
Inventories	803	819	494	544	1,297	1,363
<b>TOTAL CURRENT ASSETS</b>	<b>16,624</b>	<b>16,023</b>	<b>11,964</b>	<b>11,607</b>	<b>28,588</b>	<b>27,630</b>
<b>NONCURRENT ASSETS:</b>						
Restricted cash	8,703	6,232	15,583	18,903	24,286	25,135
Capital assets at cost	65,550	63,992	109,739	158,226	175,289	222,218
Less accumulated depreciation	(23,425)	(21,512)	(32,130)	(42,537)	(55,555)	(64,049)
<b>TOTAL NONCURRENT ASSETS</b>	<b>50,828</b>	<b>48,712</b>	<b>93,192</b>	<b>134,592</b>	<b>144,020</b>	<b>183,304</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred pension contributions	2,764	2,624	180	160	2,944	2,784
Deferred outflow – pensions	318	-	20	-	338	-
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>3,082</b>	<b>2,624</b>	<b>200</b>	<b>160</b>	<b>3,282</b>	<b>2,784</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>70,534</b>	<b>67,359</b>	<b>105,356</b>	<b>146,359</b>	<b>175,890</b>	<b>213,718</b>
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses	1,819	1,917	722	507	2,541	2,424
Bonds, notes and capital leases payable	1,862	1,999	3,770	3,676	5,632	5,675
Other	756	789	47	48	803	837
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,437</b>	<b>4,705</b>	<b>4,539</b>	<b>4,231</b>	<b>8,976</b>	<b>8,936</b>

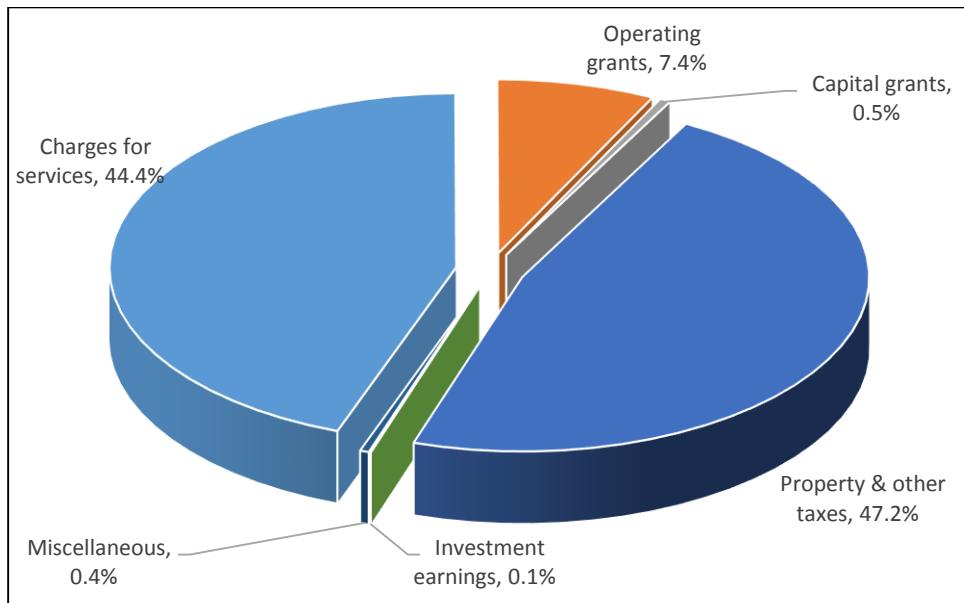
**Table A-1**  
**CITY'S NET POSITION**  
 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>NONCURRENT LIABILITIES:</b>						
Compensated absences	1,292	1,353	195	198	1,487	1,551
Post-employment benefits	15,487	14,083	3,872	3,521	19,359	17,604
Net pension liability	21,988	23,979	1,410	1,529	23,398	25,508
Bonds, notes and capital leases payable	18,402	16,132	47,173	51,503	65,575	67,635
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>57,169</b>	<b>55,547</b>	<b>52,650</b>	<b>56,751</b>	<b>109,819</b>	<b>112,298</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - pensions	2,617	-	174	-	2,791	-
<b>TOTAL DEFERRED INFLOWS</b>	<b>2,617</b>	<b>-</b>	<b>174</b>	<b>-</b>	<b>2,791</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>64,223</b>	<b>60,252</b>	<b>57,363</b>	<b>60,982</b>	<b>121,586</b>	<b>121,234</b>
<b>NET POSITION:</b>						
Net investment in capital assets	28,513	24,349	26,665	60,510	55,178	84,859
Restricted	8,703	6,603	15,584	18,903	24,287	25,506
Unrestricted (Deficit)	(30,905)	(23,845)	5,744	5,964	(25,161)	(17,881)
<b>TOTAL NET POSITION</b>	<b>\$ 6,311</b>	<b>\$ 7,107</b>	<b>\$ 47,993</b>	<b>\$ 85,377</b>	<b>\$ 54,304</b>	<b>\$ 92,484</b>

Net position of the City's governmental activities declined 11.2 percent to 6.3 million due to increases in noncurrent liabilities. Net position of the City's business-type activities declined 44.2 percent to \$48 million due mainly to a decrease in assets and from an impairment loss.

The City's total revenues were \$50.8 million. A significant portion, 47.2 percent, of the City's revenue comes from property and other taxes. (See Figure A-3). A portion, 44.4 percent comes from charges for services, and 7.4 percent comes from operating grants. The remaining 1.0 percent comes from miscellaneous, capital grants, and investment earnings. The total cost of all programs and services was \$49.3 million.

**Figure A-3**  
**CITY'S SOURCES OF REVENUES**  
 Fiscal Year 2015



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

	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2015	2014	2015	2014	2015	2014	2015-2014
Program Revenues:							
Charges for services	\$ 6,557	\$ 5,966	\$ 15,984	\$ 15,999	\$ 22,541	\$ 21,965	2%
Operating grants	3,741	4,030	-	-	3,741	4,030	-7%
Capital grants	255	1,280	-	854	255	2,134	-88%
General revenues:							
Property and other taxes	23,976	23,449	-	-	23,976	23,449	2%
Investment earnings	24	34	14	18	38	52	-27%
Operating transfers	(23)	(43)	23	43	-	-	0%
Miscellaneous	192	405	21	(53)	213	352	-39%
<b>Total Revenues</b>	<b>\$ 34,722</b>	<b>\$ 35,121</b>	<b>\$ 16,042</b>	<b>\$ 16,861</b>	<b>\$ 50,764</b>	<b>\$ 51,982</b>	<b>-3%</b>

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

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	% Change	2015	2014	% Change
<b>Governmental Activities:</b>						
General government	\$ 3,585	\$ 3,495	2.6%	\$ 1,353	\$ 1,231	9.9%
Public safety	21,773	21,804	-0.01%	15,681	15,327	2.3%
Public works	6,814	7,200	-5.4%	5,241	6,468	-19.0%
Recreation and culture	2,038	2,485	-18.0%	1,382	682	102.6%
Miscellaneous	618	603	2.3%	618	603	2.5%
Interest on long-term debt	690	579	19.2%	690	579	19.2%
<b>Total Governmental Activities</b>	<b>35,518</b>	<b>36,166</b>		<b>24,965</b>	<b>24,890</b>	
<b>Business-type Activities:</b>						
Water and sewer	12,862	11,904	8.0%	(2,244)	(4,148)	-45.9%
Mitchel Landing	172	151	-	(5)	(26)	-81.3%
Other	718	715	0.4%	17	91	-81.3%
Extraordinary loss	39,675	-		39,675	-	
<b>Total Business-type Activities</b>	<b>53,427</b>	<b>12,770</b>		<b>37,443</b>	<b>(4,083)</b>	
<b>Total</b>	<b>\$ 88,945</b>	<b>\$ 48,936</b>		<b>\$ 62,408</b>	<b>\$ 20,807</b>	

**CHANGE IN NET POSITION**  
 (in thousands of dollars)

Governmental Activities		Business-type Activities		Totals	
2015	2014	2015	2014	2015	2014
\$ (796)	\$ (1,044)	\$ (37,385)	\$ 4,091	\$ (38,181)	\$ (5,135)

**Governmental Activities**

Property and other tax revenues were up \$.5 million due to improvements in economic conditions. The cost of all governmental activities this year was \$35.5 million. However, the amount that the City's taxpayers paid for these activities through taxes was only \$24 million. Some of the cost was paid by those who directly benefited from the programs, \$6.6 million, or by grants and contributions, \$4.0 million. The total cost of governmental activities declined \$.6 million, which can be attributed largely to decreases in public safety, public works, and recreation/culture.

**Business-type Activities**

Revenues of the City's business-type activities were \$ 16.0 million in FY 2015 vs. \$16.9 million in FY 2014 (refer to Table A-2), while expenses were \$53.4 million in FY 2015 versus \$12.8 million in FY 2014. The revenue decline is partly due to grant funds received by the City in FY 2014 exceeding the amount received in FY 2015. The increase in expense is attributable to an increase in overall expenses in the water and sewer fund. In addition, the water and sewer fund recorded a \$39.7 million impairment loss related to a sewer system infrastructure improvements project that was found to be partially unusable during the year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As of the end of FY 2015, the City's governmental funds reported a combined fund balance of \$21.7 million, a \$3 million increase over the previous year. At year end, the general fund had a fund balance of \$12.3 million and the capital improvements fund had a fund balance of \$8.5 million. The fund balance for other governmental funds reported an ending in fund balance of \$.9 million. Revenue collections were less than expenditures by \$3.7 million for the year.

**General Fund Budgetary Highlights**

Over the course of the year, the City processed budget amendments which are used to update the revised budget. The ending revised budget for expenditures in the general fund was \$38.4 million versus an original budget of \$33.9 million. The majority of the variance is due a carry forward of encumbrances from FY 2014. Actual expenditures were \$3 million below final budget amounts. All departments were under budget during the year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2015, the City had invested \$175.3 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
	2015	2014	2015	2014	2015	2014	
Land and art	\$ 8,160	\$ 7,884	\$ 2,164	\$ 2,047	\$ 10,324	\$ 9,931	4%
Land improvements	767	767	2,014	2,014	2,781	2,781	0%
Buildings and improvements	21,283	19,047	49,345	19,878	70,628	41,706	81%
Improvements, non-buildings	15,385	13,131	35,770	35,201	51,155	48,332	6%
Machinery and equipment	18,834	18,448	11,633	11,926	30,467	30,374	0%
Zoo animals	36	36	-	-	36	36	0%
Construction-in-progress	1,085	4,678	8,813	87,160	9,898	91,838	-89%
Totals at historical cost	65,550	63,991	109,740	158,226	175,289	222,217	-21%
Total accumulated depreciation	23,425	21,512	32,130	42,537	55,555	64,049	-13%
<b>Net Capital Assets</b>	<b>\$ 42,125</b>	<b>\$ 42,479</b>	<b>\$ 77,609</b>	<b>\$ 115,689</b>	<b>\$ 119,734</b>	<b>\$ 158,168</b>	<b>-24%</b>

The City's governmental capital purchases for fiscal year 2015 included the purchase of 14 police vehicles, along with the completion of the Animal Health Building. Infrastructure improvements included the Main Street Master Plan, Market Street Shoreline, and Riverwalk. The new Fire Station 2 began construction this fiscal year. The business-type activities additions to fixed assets include the purchase of two used dump trucks and the completion of the Caustic Chemical Building. Continuing projects include the Park and Fitzwater Lift Stations and the Wastewater Treatment Plant. 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 \$71.2 million in bonds, notes, and leases outstanding, a decrease of \$2.1 million over the previous year. The City issued \$4.0 million for Public Improvement bonds to finance construction of Fire Station 2. The City also issued Public Improvement Refunding Bonds for \$2.8 million to refinance the 2004 Bond in order to achieve lower interest rates and economic gain. On June 30, 2015, the City entered into an agreement with the Maryland Water Quality Financing Administration for \$36 million including \$1.5 million of forgiveness for the Wastewater Treatment Plant. The City is limited to a maximum general obligation bond limit of \$48 million. Debt in Enterprise funds are not subject to the maximum bond limit. 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
	2015	2014	2015	2014	2015	2014	
Leases payable	\$ 934	\$ 1,664	\$ 166	\$ 206	\$ 1,100	\$ 1,870	-41%
Bonds payable	19,186	16,294	49,396	53,591	68,582	69,885	-2%
Mortgages and notes payable	144	172	1,382	1,382	1,526	1,554	-2%
<b>Total Bonds and Notes Payable</b>	<b>\$ 20,264</b>	<b>\$ 18,130</b>	<b>\$ 50,944</b>	<b>\$ 55,179</b>	<b>\$ 71,208</b>	<b>\$ 73,309</b>	<b>-3%</b>

**ECONOMIC FACTORS**

- There is continuing construction activity in the City, with a mixture of residential and commercial. The City collected \$199,710 in building permit revenues for FY 2015 vs. \$372,407 for FY 2014.
- The City received \$959,306 more in real estate tax revenue in FY 2015. The total of other tax revenues were \$623,992 less in FY 2015 than FY 2014.
- The City's three-year reassessment cycle started in January 2014. There no significant change in real property assessments billed for FY 2015 compared to FY 2014.
- The local (Wicomico County) unemployment rate as of July 2015 was 6.3 percent, down 12.5 percent from a year ago. The State of Maryland had a 5.4 percent rate, and the nation as a whole has a 5.3 percent unemployment rate.

**WATER SEWER FUND**

The water and sewer fund final budget decreased from \$19.3 million in the FY 2014 to \$18.8 million in FY 2015. The City is in the process of upgrading the Wastewater Treatment Plant ("WWTP"). After the last upgrade in 2008, the WWTP has not produced effluent at the level required by the State. As a result, the City completed a Corrective Action Plan for the WWTP upgrade, which was approved by the State of Maryland Department of the Environment. The City is under an Amended Consent Order from the State of Maryland, which dictates that the upgrade must be complete and the WWTP meeting effluent limits by December 31, 2017. The design of the upgrades outlined in the Corrective Action Plan is complete, and the project is under construction. The total construction cost is \$50.1M and is funded with Biological Nutrient Removal and Enhanced Nutrient Removal (BNR/ENR) grants and a 0% interest State Revolving Fund loan. The construction Notice to Proceed was on June 10, 2015. The contract is for 30 months, and the completion shall occur by December 2017.

**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](http://www.ci.salisbury.md.us).

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets:			
Cash and investment pool	\$ 11,692,718	\$ 8,318,433	\$ 20,011,151
Taxes receivable, net	1,118,472	-	1,118,472
Accounts receivable, net	2,269,209	2,858,046	5,127,255
Due from other governmental units	317,985	94,015	412,000
Internal balances	200,906	(200,906)	-
Prepaid expenses	-	399,977	399,977
Inventories	803,194	494,000	1,297,194
Other assets	221,863	-	221,863
Total Current Assets	16,624,347	11,963,565	28,587,912
Noncurrent assets:			
Restricted cash and investments	8,703,502	15,583,464	24,286,966
Construction-in-progress	1,084,710	8,812,974	9,897,684
Land and art	8,159,743	2,163,503	10,323,246
Capital assets at cost	56,305,332	98,762,031	155,067,363
Less accumulated depreciation	(23,425,101)	(32,129,943)	(55,555,044)
Total Noncurrent Assets	50,828,186	93,192,029	144,020,215
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension contributions	2,763,973	180,220	2,944,193
Deferred pension	318,081	20,392	338,473
Total Deferred Outflows of Resources	3,082,054	200,612	3,282,666
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	\$ 70,534,587	\$ 105,356,206	\$ 175,890,793
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,709,289	\$ 593,832	\$ 2,303,121
Unearned revenue	2,819	-	2,819
Due to other governmental units	3,150	-	3,150
Deposits and advance payments of taxes	608,968	25,488	634,456
Compensated absences	143,527	21,684	165,211
Accrued interest payable	107,350	128,446	235,796
Bonds, notes, and capital leases payable	1,862,067	3,769,736	5,631,803
Total Current Liabilities	4,437,170	4,539,186	8,976,356
Noncurrent liabilities:			
Compensated absences	1,291,749	195,160	1,486,909
Post-employment benefits	15,486,691	3,871,673	19,358,364
Net pension liability	21,988,569	1,409,658	23,398,227
Bonds, notes, and capital leases payable	18,401,723	47,173,920	65,575,643
Total Noncurrent Liabilities	57,168,732	52,650,411	109,819,143
Total Liabilities	61,605,902	57,189,597	118,795,499
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension	2,617,302	173,964	2,791,266
<b>NET POSITION</b>			
Net investment in capital assets	28,513,337	26,664,909	55,178,246
Restricted	8,703,502	15,583,464	24,286,966
Unrestricted (Deficit)	(30,905,456)	5,744,272	(25,161,184)
Total Net Position	6,311,383	47,992,645	54,304,028
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
	\$ 70,534,587	\$ 105,356,206	\$ 175,890,793

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



**CITY OF SALISBURY, MARYLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	\$ 3,584,633	\$ 1,727,408	\$ -	\$ (1,353,442)	-	\$ (1,353,442)
Public safety	21,772,928	3,110,135	-	(15,680,385)	-	(15,680,385)
Public works	6,814,347	1,083,689	254,825	(5,241,093)	-	(5,241,093)
Recreation and culture	2,038,288	635,900	-	(1,382,388)	-	(1,382,388)
Nondepartmental	617,711	-	-	(617,711)	-	(617,711)
Interest on long-term debt	690,230	-	-	(690,230)	-	(690,230)
Total Governmental Activities	<u>35,518,137</u>	<u>3,740,931</u>	<u>254,825</u>	<u>(24,965,249)</u>	<u>-</u>	<u>(24,965,249)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water and sewer	12,861,975	15,105,349	-	-	2,243,374	2,243,374
Mitchell Landing	172,071	176,795	-	-	4,724	4,724
Other	718,434	702,168	-	-	(16,266)	(16,266)
Total Business-type Activities	<u>13,752,480</u>	<u>15,984,312</u>	<u>-</u>	<u>-</u>	<u>2,231,832</u>	<u>2,231,832</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 49,270,617</u>	<u>\$ 3,740,931</u>	<u>\$ 254,825</u>	<u>(24,965,249)</u>	<u>2,231,832</u>	<u>(22,733,417)</u>
<b>GENERAL REVENUES AND TRANSFERS</b>						
Taxes						
Real and personal property taxes, levied for general purposes				16,743,520	-	16,743,520
Ordinary business corporations and utilities				5,273,540	-	5,273,540
State shared income tax				1,631,437	-	1,631,437
Other taxes				327,644	-	327,644
Investment earnings				24,098	13,737	37,835
Lawsuit settlement				-	3,098	3,098
Gain on sale of capital assets				2,028	18,033	20,061
Miscellaneous				190,239	-	190,239
Operating transfers				(22,914)	22,914	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<u>24,169,592</u>	<u>57,782</u>	<u>24,227,374</u>
<b>CHANGE IN NET POSITION BEFORE EXTRAORDINARY ITEM</b>				(795,657)	2,289,614	1,493,957
<b>EXTRAORDINARY ITEM</b>						
Impairment loss				-	(39,674,531)	(39,674,531)
<b>CHANGE IN NET POSITION</b>				(795,657)	(37,384,917)	(38,180,574)
<b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>				7,107,040	85,377,562	92,484,602
<b>NET POSITION, END OF YEAR</b>				<u>\$ 6,311,383</u>	<u>\$ 47,992,645</u>	<u>\$ 54,304,028</u>

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

**CITY OF SALISBURY, MARYLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
<b>ASSETS</b>				
Cash	\$ 5,451,093	\$ -	\$ 717,662	\$ 6,168,755
Investment pool	5,486,832	-	37,131	5,523,963
Taxes receivable	2,025,252	-	-	2,025,252
Less allowance for uncollectibles	(906,780)	-	-	(906,780)
Due from other governmental units	250,962	-	67,023	317,985
Due from other funds	276,868	-	-	276,868
Sundry accounts receivable	4,179,764	-	252,659	4,432,423
Less allowance for uncollectibles	(2,163,214)	-	-	(2,163,214)
Inventory	803,194	-	-	803,194
Other assets	221,863	-	-	221,863
Restricted cash	195,483	515,274	-	710,757
Restricted investment pool	-	7,992,745	-	7,992,745
<b>TOTAL ASSETS</b>	<b><u>\$15,821,317</u></b>	<b><u>\$ 8,508,019</u></b>	<b><u>\$ 1,074,475</u></b>	<b><u>\$25,403,811</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 1,620,464	\$ 33,764	\$ 55,061	\$ 1,709,289
Due to other funds	-	-	75,962	75,962
Due to other governmental units	3,150	-	-	3,150
Unearned revenue	-	-	2,819	2,819
Deposits and advance payment of taxes	608,968	-	-	608,968
Compensated absences	142,228	-	1,299	143,527
<b>Total Liabilities</b>	<b><u>2,374,810</u></b>	<b><u>33,764</u></b>	<b><u>135,141</u></b>	<b><u>2,543,715</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	1,152,655	-	-	1,152,655
<b>Total Deferred Inflows of Resources</b>	<b><u>1,152,655</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,152,655</u></b>
<b>Fund Balances:</b>				
Nonspendable	1,025,057	-	-	1,025,057
Restricted	-	8,474,255	-	8,474,255
Committed	1,220,692	-	298,502	1,519,194
Assigned	960,432	-	640,832	1,601,264
Unassigned	9,087,671	-	-	9,087,671
<b>Total Fund Balances</b>	<b><u>12,293,852</u></b>	<b><u>8,474,255</u></b>	<b><u>939,334</u></b>	<b><u>21,707,441</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$15,821,317</u></b>	<b><u>\$ 8,508,019</u></b>	<b><u>\$ 1,074,475</u></b>	<b><u>\$25,403,811</u></b>

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

**CITY OF SALISBURY, MARYLAND  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
JUNE 30, 2015**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 21,707,441

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. 42,124,684

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. 1,152,655

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	\$ (20,263,790)	
Compensated absences	(1,291,749)	
Post-employment benefits	(15,486,691)	
Accrued interest on bonds	(107,350)	
Net pension liability	<u>(21,988,569)</u>	(59,138,149)

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

Deferred pension contributions	2,763,973	
Deferred outflows of resources - pensions	318,081	
Deferred inflows of resources - pensions	<u>(2,617,302)</u>	<u>464,752</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,311,383

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

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
<b>REVENUES</b>				
Taxes	\$23,789,800	\$ -	\$ -	\$23,789,800
Other revenue	3,745,962	3,156	25	3,749,143
Intergovernmental revenues	2,234,549	-	1,472,726	3,707,275
Charges for services	3,305,577	-	9,180	3,314,757
<b>TOTAL REVENUES</b>	<u>33,075,888</u>	<u>3,156</u>	<u>1,481,931</u>	<u>34,560,975</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,834,524	-	525,270	3,359,794
Public safety	18,661,055	-	803,599	19,464,654
Public works	5,356,958	9,372	64,411	5,430,741
Recreation and culture	1,766,395	-	-	1,766,395
Nondepartmental	617,711	-	-	617,711
Capital outlays	797,378	1,195,987	332,693	2,326,058
Debt service:				
Principal	4,630,439	-	-	4,630,439
Interest	666,267	-	-	666,267
<b>TOTAL EXPENDITURES</b>	<u>35,330,727</u>	<u>1,205,359</u>	<u>1,725,973</u>	<u>38,262,059</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(2,254,839)</u>	<u>(1,202,203)</u>	<u>(244,042)</u>	<u>(3,701,084)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	(97,397)	-	74,483	(22,914)
Proceeds from bond issuance	2,754,365	4,009,000	-	6,763,365
Proceeds from sale of capital assets	2,028	-	-	2,028
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,658,996</u>	<u>4,009,000</u>	<u>74,483</u>	<u>6,742,479</u>
<b>NET CHANGE IN FUND BALANCES</b>	404,157	2,806,797	(169,559)	3,041,395
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>11,889,695</u>	<u>5,667,458</u>	<u>1,108,893</u>	<u>18,666,046</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$12,293,852</u>	<u>\$ 8,474,255</u>	<u>\$ 939,334</u>	<u>\$21,707,441</u>

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

**CITY OF SALISBURY, MARYLAND**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 3,041,395

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	\$ 1,898,955	
Loss on disposal	(216,163)	
Depreciation expense	<u>(2,037,630)</u>	(354,838)

Bond and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, bond and capital leases of this amount were issued. (6,763,365)

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 decreased by this amount this year. 186,341

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. 4,630,433

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	61,014	
Increase in post-employment benefits	(1,404,000)	
Decrease in accrued interest payable	(23,957)	
Increase in deferred pension contributions	139,744	
Increase in deferred outflow - pension	318,081	
Increase in net pension liability	1,990,797	
Increase in deferred inflow - pension	<u>(2,617,302)</u>	<u>(1,535,623)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (795,657)

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

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Current assets:				
Cash	\$ 5,483,104	\$ 60,276	\$ 90,163	\$ 5,633,543
Investment pool	2,482,412	-	202,478	2,684,890
Accounts receivable	2,806,850	2,087	49,109	2,858,046
Due from other governmental units	94,015	-	-	94,015
Other assets	399,977	-	-	399,977
Inventories	494,000	-	-	494,000
Total Current Assets	<u>11,760,358</u>	<u>62,363</u>	<u>341,750</u>	<u>12,164,471</u>
Noncurrent assets:				
Investment pool	29,838	-	-	29,838
Restricted cash	168,519	220,663	-	389,182
Restricted investment pool	15,164,444	-	-	15,164,444
Capital assets:				
Construction-in-progress	8,743,373	-	69,601	8,812,974
Land	266,703	114,010	1,782,790	2,163,503
Buildings, equipment, and improvements	91,271,599	1,454,319	6,036,113	98,762,031
Less accumulated depreciation	(27,385,555)	(811,711)	(3,932,677)	(32,129,943)
Total Noncurrent Assets	<u>88,258,921</u>	<u>977,281</u>	<u>3,955,827</u>	<u>93,192,029</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension contributions	173,132	-	7,088	180,220
Deferred pension	19,590	-	802	20,392
Total Deferred Outflows of Resources	<u>192,722</u>	<u>-</u>	<u>7,890</u>	<u>200,612</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 100,212,001</u></u>	<u><u>\$ 1,039,644</u></u>	<u><u>\$ 4,305,467</u></u>	<u><u>\$ 105,557,112</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>LIABILITIES</b>				
Due in one year:				
Accounts payable	\$ 314,442	\$ 24,849	\$ 6,845	\$ 346,136
Accrued payroll	233,471	988	13,237	247,696
Accrued interest payable	126,917	-	1,529	128,446
Due to other funds	-	-	200,906	200,906
Compensated absences	21,684	-	-	21,684
Bonds, notes, and capital leases payable	3,683,536	-	86,200	3,769,736
Deposits	12,302	12,458	728	25,488
Total Current Liabilities	<u>4,392,352</u>	<u>38,295</u>	<u>309,445</u>	<u>4,740,092</u>
Due in more than one year:				
Bonds, notes, and capital leases payable	45,299,892	1,381,807	492,221	47,173,920
Post-employment benefits	3,871,673	-	-	3,871,673
Provision for compensated absences	195,160	-	-	195,160
Net pension liability	1,354,217	-	55,441	1,409,658
Total Noncurrent Liabilities	<u>50,720,942</u>	<u>1,381,807</u>	<u>547,662</u>	<u>52,650,411</u>
Total Liabilities	<u>55,113,294</u>	<u>1,420,102</u>	<u>857,107</u>	<u>57,390,503</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension	167,122	-	6,842	173,964
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	23,912,692	(625,189)	3,377,406	26,664,909
Restricted	15,362,801	220,663	-	15,583,464
Unrestricted	5,656,092	24,068	64,112	5,744,272
Total Net Position (Deficit)	<u>44,931,585</u>	<u>(380,458)</u>	<u>3,441,518</u>	<u>47,992,645</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 100,212,001</u></u>	<u><u>\$ 1,039,644</u></u>	<u><u>\$ 4,305,467</u></u>	<u><u>\$ 105,557,112</u></u>

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

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 14,162,738	\$ 176,795	\$ 702,169	\$ 15,041,702
Penalties	76,250	-	-	76,250
Tapping charges and connection fees	305,943	-	-	305,943
Sundry income	210,526	-	-	210,526
Pretreatment monitoring fee	173,949	-	-	173,949
Impact fees	193,976	-	-	193,976
<b>TOTAL OPERATING REVENUES</b>	<u>15,123,382</u>	<u>176,795</u>	<u>702,169</u>	<u>16,002,346</u>
<b>OPERATING EXPENSES</b>				
Salaries	3,787,544	-	220,149	4,007,693
Personnel benefits	1,979,196	9,183	61,952	2,050,331
Professional and skilled services	422,540	57,880	90,379	570,799
Supplies	-	24,679	10,174	34,853
Other operating expenses	4,644,231	39,252	188,867	4,872,350
Equipment	40,547	-	-	40,547
Bad debt expense	-	5,056	-	5,056
<b>TOTAL OPERATING EXPENSES</b>	<u>10,874,058</u>	<u>136,050</u>	<u>571,521</u>	<u>11,581,629</u>
Operating income before depreciation	4,249,324	40,745	130,648	4,420,717
Depreciation	1,237,918	36,020	137,852	1,411,790
<b>NET OPERATING INCOME (LOSS)</b>	<u>3,011,406</u>	<u>4,725</u>	<u>(7,204)</u>	<u>3,008,927</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Operating transfers in	-	-	22,914	22,914
Lawsuit settlement	3,098	-	-	3,098
Interest income	12,176	1,495	63	13,734
Interest expense	(749,998)	-	(9,061)	(759,059)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(734,724)</u>	<u>1,495</u>	<u>13,916</u>	<u>(719,313)</u>
<b>EXTRAORDINARY ITEM</b>				
Impairment loss	39,674,531	-	-	39,674,531
<b>CHANGE IN NET POSITION</b>	<u>(37,397,849)</u>	<u>6,220</u>	<u>6,712</u>	<u>(37,384,917)</u>
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR, RESTATED</b>	<u>82,329,434</u>	<u>(386,678)</u>	<u>3,434,806</u>	<u>85,377,562</u>
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<u>\$ 44,931,585</u>	<u>\$ (380,458)</u>	<u>\$ 3,441,518</u>	<u>\$ 47,992,645</u>

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

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$14,846,208	\$ 177,932	\$ 686,402	\$15,710,542
Payments to suppliers	(5,199,701)	(122,672)	(286,184)	(5,608,557)
Payments to employees	(5,337,212)	-	(278,492)	(5,615,704)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>4,309,295</u>	<u>55,260</u>	<u>121,726</u>	<u>4,486,281</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Litigation settlement	3,098	-	-	3,098
Internal activity - payments from other funds	-	-	22,914	22,914
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>3,098</u>	<u>-</u>	<u>22,914</u>	<u>26,012</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on bonds, notes, and capital leases	(4,147,448)	-	(87,917)	(4,235,365)
Interest paid on bonds, notes, and mortgages	(764,084)	-	(9,357)	(773,441)
Payments for capital acquisitions	(3,052,073)	-	(69,601)	(3,121,674)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(7,963,605)</u>	<u>-</u>	<u>(166,875)</u>	<u>(8,130,480)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	12,176	1,495	63	13,734
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>12,176</u>	<u>1,495</u>	<u>63</u>	<u>13,734</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(3,639,036)	56,755	(22,172)	(3,604,453)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>26,967,353</u>	<u>224,184</u>	<u>314,813</u>	<u>27,506,350</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$23,328,317</u>	<u>\$ 280,939</u>	<u>\$ 292,641</u>	<u>\$23,901,897</u>
Cash	\$ 5,483,104	\$ 60,276	\$ 90,163	\$ 5,633,543
Investment pool	2,512,250	-	202,478	2,714,728
Restricted cash	168,519	220,663	-	389,182
Restricted investment pool	15,164,444	-	-	15,164,444
	<u>\$23,328,317</u>	<u>\$ 280,939</u>	<u>\$ 292,641</u>	<u>\$23,901,897</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 3,011,406	\$ 4,725	\$ (7,204)	\$ 3,008,927
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,237,918	36,020	137,852	1,411,790
Loss on disposal of asset	115,575	-	-	115,575
(Increase) Decrease in:				
Accounts receivable	(688,529)	1,937	(15,766)	(702,358)
Due from other governments	411,355	-	-	411,355
Prepaid expenses	(399,977)	-	-	(399,977)
Inventories	50,087	-	-	50,087
Deferred pension contributions	(18,924)	-	(775)	(19,699)
Deferred outflow - pension	(19,590)	-	(802)	(20,392)
Increase (Decrease) in:				
Accounts payable	141,932	13,378	3,235	158,545
Accrued expenses	68,182	-	3,060	71,242
Compensated absences	(3,064)	-	-	(3,064)
Post-employment benefits	351,000	-	-	351,000
Net pension liability	(115,198)	-	(4,716)	(119,914)
Deferred inflow - pension	167,122	-	6,842	173,964
Deposits	-	(800)	-	(800)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 4,309,295</u>	<u>\$ 55,260</u>	<u>\$ 121,726</u>	<u>\$ 4,486,281</u>

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



**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	Health Care Trust	Agency Funds
<b>ASSETS</b>		
Cash	\$ -	\$ 391,895
Investment pool	-	63,263
Investments	1,447,729	-
Accounts receivable	-	209,264
	<u>1,447,729</u>	<u>664,422</u>
Total Assets		
<b>LIABILITIES</b>		
Accounts payable	-	298,039
Deposits	-	209,264
Due to other governmental units	-	157,119
	<u>-</u>	<u>664,422</u>
Total Liabilities		
<b>NET POSITION</b>		
Restricted	<u>\$ 1,447,729</u>	<u>\$ -</u>

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

**CITY OF SALISBURY, MARYLAND  
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Health Care Trust</u>
<b>ADDITIONS</b>	
Interest	\$ 28,409
Net depreciation in fair value of investments	<u>(31,714)</u>
<b>TOTAL ADDITIONS</b>	<u>(3,305)</u>
<b>DEDUCTIONS</b>	
Operating expenses	<u>4,625</u>
<b>TOTAL DEDUCTIONS</b>	<u>4,625</u>
<b>CHANGE IN NET POSITION</b>	(7,930)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,455,659</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 1,447,729</u></u>

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE CITY OF SALISBURY

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation

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

ENTITY-WIDE FINANCIAL STATEMENTS

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions.

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

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

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

**FIDUCIARY FUNDS**

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 revenues, expenses, and changes in net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Basis of Accounting

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

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

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

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

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

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

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

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

Budgetary Data

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

Cash Equivalents

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

Allowance for Uncollectible Accounts

The City estimates an allowance for uncollectible accounts based upon an aging of the receivables, and the City's historical collection rates experienced in prior years for each type of receivable. Real estate taxes that can be liened with Wicomico County for lack of payment are deemed to be fully collectible; other taxes, such as local personal taxes and ordinary business corporation taxes which cannot be liened, are not considered fully collectible and are recorded net of an allowance.

Property Taxes

Property taxes attach as an enforceable lien as of July 1. Taxes are levied on July 1 and are recognized when levied. Taxes are due and payable on or before September 30, and all unpaid taxes become delinquent October 1. Wicomico County, Maryland bills and collects property taxes for the City. Real property taxes uncollected as of 60 days after fiscal year end are considered unavailable to pay liabilities that are owed at the balance sheet date and, therefore, are included in deferred inflows of resources in the balance sheet – governmental funds. An allowance is established for delinquent personal property taxes to the extent that their collectibility is improbable. At June 30, 2015, 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.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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:

Land improvements	10 - 40 years
Buildings and improvements	10 - 40 years
Improvements, nonbuildings	10 - 20 years
Machinery and equipment	5 - 15 years

Compensated Absences

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

Accrued Liabilities and Long-term Obligations

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

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



CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

Net Position

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

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

Fund Balance (Deficit)

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

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

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

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

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

*Unassigned* – all other spendable amounts.

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

The deficit in the Mitchell Landing Fund (major enterprise fund) as of June 30, 2015 was \$380,458. This deficit is due to depreciation which cannot be recaptured through user charges.

Operating Revenues and Expenses

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

Estimates in the Preparation of Financial Statements

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

Implementation of GASB Statements

During the year ended June 30, 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability, or, for multi-employer cost sharing plans, the entity's share of the net pension liability, in the entity's financial statements.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

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.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

Cash and deposits

At June 30, 2015, the carrying amount of the City's deposits was \$13,294,132, and the bank balance was \$13,078,119. Of the bank balance, \$811,040 was covered by federal depository insurance, and \$12,267,079 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, 2015, the City's investment pool consisted of MLGIP investments which are rated AAAM by a nationally recognized statistical rating organization. The carrying value of the investment pool at June 30, 2015 was \$31,459,143.

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	\$ 116,540
Government and agency bonds	114,887
Corporate bonds	252,796
Common stock	135,204
Mutual funds	<u>828,302</u>
Total	<u>\$ 1,447,729</u>

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

Investments in corporate bonds held at June 30, 2015 are as follows:

Quantity	Company	Interest Rate	Due Date
\$ 10,000	Berkshire Hathaway	1.60%	05/15/17
15,000	Franklin Resources, Inc.	4.625%	05/20/20
10,000	Deere Capital Corp.	2.00%	01/13/17
10,000	Merrill Lynch & Co., Inc.	6.875%	04/25/18
15,000	Charles Schwab Corp.	4.45%	07/22/20
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
15,000	Qualcomm Inc.	3.00%	05/20/20
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	Becton Dickinson	1.75%	11/08/16
15,000	Johnson and Johnson	5.15%	07/15/18
15,000	Cisco Systems	2.125%	03/01/19
10,000	Intel Corp	1.95%	10/01/16
10,000	Texas Instruments Inc.	2.375%	05/16/16
15,000	Caterpillar Financial Services	5.45%	04/15/18
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

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, 2015, appropriate due from/to other funds have been established. The general fund has the following amounts due from other funds:

Parking Fund	\$ 153,668
Marina Fund	47,238
Community Development Fund	<u>75,962</u>
Total	<u>\$ 276,868</u>

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

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES (cont'd)

Interfund transfers for the year ended June 30, 2015 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 97,397
Community development fund	74,483	-
City marina fund	<u>22,914</u>	<u>-</u>
<b>TOTAL</b>	<u><u>\$ 97,397</u></u>	<u><u>\$ 97,397</u></u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2015</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated:					
Land and art	\$ 7,883,810	\$ 201,400	\$ -	\$ 74,533	\$ 8,159,743
Construction-in-progress	<u>4,678,117</u>	<u>1,186,645</u>	<u>(216,163)</u>	<u>(4,563,889)</u>	<u>1,084,710</u>
Total Capital Assets Not Being Depreciated	<u>12,561,927</u>	<u>1,388,045</u>	<u>(216,163)</u>	<u>(4,489,356)</u>	<u>9,244,453</u>
Capital assets being depreciated:					
Land improvements	767,410	-	-	-	767,410
Buildings and improvements	19,046,999	-	-	2,236,042	21,283,041
Improvements, non-buildings	13,131,237	-	-	2,253,314	15,384,551
Machinery and equipment	18,447,995	510,910	(124,575)	-	18,834,330
Zoo animals	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
Total Capital Assets Being Depreciated	51,429,641	510,910	(124,575)	4,489,356	56,305,332
Accumulated depreciation	<u>(21,512,046)</u>	<u>(2,037,630)</u>	<u>124,575</u>	<u>-</u>	<u>(23,425,101)</u>
Total Capital Assets Being Depreciated, Net	<u>29,917,595</u>	<u>(1,526,720)</u>	<u>-</u>	<u>4,489,356</u>	<u>32,880,231</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 42,479,522</u></u>	<u><u>\$ (138,675)</u></u>	<u><u>\$ 216,163</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 42,124,684</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 63,347
Public safety	1,227,542
Public works	571,456
Recreation and culture	<u>175,285</u>
<b>Total depreciation expense</b>	<u><u>\$2,037,630</u></u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2015</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>Water and Sewer Fund</b>					
Capital assets not being depreciated:					
Land	\$ 149,953	\$ -	\$ -	\$ 116,750	\$ 266,703
Construction-in-progress	<u>87,160,045</u>	<u>2,843,964</u>	<u>(98,726)</u>	<u>(81,161,910)</u>	<u>8,743,373</u>
Total Capital Assets Not Being Depreciated	<u>87,309,998</u>	<u>2,843,964</u>	<u>(98,726)</u>	<u>(81,045,160)</u>	<u>9,010,076</u>
Capital assets being depreciated:					
Land improvements	430,636	-	-	-	430,636
Buildings and improvements	14,434,718	-	(51,172,906)	80,640,475	43,902,287
Improvements, non-buildings	35,300,109	-	-	404,685	35,704,794
Machinery and equipment	<u>11,362,691</u>	<u>208,109</u>	<u>(336,918)</u>	<u>-</u>	<u>11,233,882</u>
Total Capital Assets Being Depreciated	61,528,154	208,109	(51,509,824)	81,045,160	91,271,599
Accumulated depreciation	<u>(37,966,081)</u>	<u>(1,237,918)</u>	<u>11,818,444</u>	<u>-</u>	<u>(27,385,555)</u>
Total Capital Assets Being Depreciated, Net	<u>23,562,073</u>	<u>(1,029,809)</u>	<u>(39,691,380)</u>	<u>81,045,160</u>	<u>63,886,043</u>
Water and Sewer Fund Capital Assets, Net	<u>\$ 110,872,071</u>	<u>\$ 1,814,155</u>	<u>\$(39,790,106)</u>	<u>\$ -</u>	<u>\$ 72,896,119</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2015</u>
<b>Parking Authority Fund</b>					
Capital assets not being depreciated:					
Land	\$ 467,790	\$ -	\$ -	\$ -	\$ 467,790
Construction-in-progress	<u>-</u>	<u>64,208</u>	<u>-</u>	<u>-</u>	<u>64,208</u>
Total Capital Assets Not Being Depreciated	<u>467,790</u>	<u>64,208</u>	<u>-</u>	<u>-</u>	<u>531,998</u>
Capital assets being depreciated:					
Land improvements	156,704	-	-	-	156,704
Buildings and improvements	3,877,491	-	-	-	3,877,491
Improvements, non-buildings	64,800	-	-	-	64,800
Machinery and equipment	<u>181,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,148</u>
Total Capital Assets Being Depreciated	4,280,143	-	-	-	4,280,143
Accumulated depreciation	<u>(2,385,166)</u>	<u>(118,545)</u>	<u>-</u>	<u>-</u>	<u>(2,503,711)</u>
Total Capital Assets Being Depreciated, Net	<u>1,894,977</u>	<u>(118,545)</u>	<u>-</u>	<u>-</u>	<u>1,766,432</u>
Parking Authority Fund Capital Assets, Net	<u>\$ 2,362,767</u>	<u>\$ (54,337)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,308,430</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2015</u>
<b>City Marina Fund</b>					
Capital assets not being depreciated:					
Land	\$ 1,315,000	\$ -	\$ -	\$ -	\$ 1,315,000
Construction-in-progress	-	5,393	-	-	5,393
Total Capital Assets Not Being Depreciated	<u>1,315,000</u>	<u>5,393</u>	<u>-</u>	<u>-</u>	<u>1,320,393</u>
Capital assets being depreciated:					
Land improvements	1,418,255	-	-	-	1,418,255
Buildings and improvements	209,494	-	-	-	209,494
Other fixed assets	<u>128,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,221</u>
Total Capital Assets Being Depreciated	1,755,970	-	-	-	1,755,970
Accumulated depreciation	<u>(1,409,659)</u>	<u>(19,307)</u>	<u>-</u>	<u>-</u>	<u>(1,428,966)</u>
Total Capital Assets Being Depreciated, Net	<u>346,311</u>	<u>(19,307)</u>	<u>-</u>	<u>-</u>	<u>327,004</u>
City Marina Fund Capital Assets, Net	<u>\$ 1,661,311</u>	<u>\$ (13,914)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,647,397</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2015</u>
<b>Mitchell Landing Fund</b>					
Capital assets not being depreciated:					
Land	\$ 114,010	\$ -	\$ -	\$ -	\$ 114,010
Total Capital Assets Not Being Depreciated	<u>114,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,010</u>
Capital assets being depreciated:					
Land improvements	7,862	-	-	-	7,862
Buildings and improvements	1,357,052	-	-	-	1,357,052
Machinery and equipment	<u>89,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,405</u>
Total Capital Assets Being Depreciated	1,454,319	-	-	-	1,454,319
Accumulated depreciation	<u>(775,691)</u>	<u>(36,020)</u>	<u>-</u>	<u>-</u>	<u>(811,711)</u>
Total Capital Assets Being Depreciated, Net	<u>678,628</u>	<u>(36,020)</u>	<u>-</u>	<u>-</u>	<u>642,608</u>
Mitchell Landing Fund Capital Assets, Net	<u>\$ 792,638</u>	<u>\$ (36,020)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,618</u>

The majority of the construction-in-progress relates to the New Fire Station, Main Street Master Plan, Market Street Shoreline, and River walk Repairs for the governmental activities. Business-type projects included the expansion of the wastewater treatment plant, final construction of the Caustic Chemical Storage Feed Building, Fitzwater Lift Station, Parkside Lift Station, Park Water Treatment Plant improvements, and the East Main Street Sewer.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT

The City's charter provides that total bonded or other indebtedness of the City payable from its general tax revenues shall at no time exceed the total of two percent of the assessed valuation of all real property and five percent of the assessed valuation of all personal and corporate property subject to taxation by the City. The legal debt limit permitted at June 30, 2015 totaled \$48,366,772. After considering general obligations including mortgages and notes outstanding of \$19,329,970, the available additional debt margin was \$29,036,802.

Long-term debt activity for the year ended June 30, 2015, was as follows:

	July 1, 2014	Additions	Retirements	June 30, 2015
<b>Governmental Activities:</b>				
General Obligation Bonds	\$ 16,293,924	\$ 6,763,365	\$(3,871,064)	\$ 19,186,225
Mortgage and Notes Payable:				
Lawton Loan	172,493	-	(28,748)	143,745
Capital Lease Obligations	1,664,441	-	(730,621)	933,820
Compensated absences	1,503,070	-	(67,794)	1,435,276
Governmental Activities Long-term Debt	<u>\$ 19,633,928</u>	<u>\$ 6,763,365</u>	<u>\$(4,698,227)</u>	<u>\$ 21,699,066</u>
<b>Business-type Activities:</b>				
General Obligation Bonds	\$ 53,591,230	\$ -	\$(4,195,514)	\$ 49,395,716
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	205,984	-	(39,851)	166,133
Compensated absences	219,908	-	(3,064)	216,844
Business-type Activities Long-term Debt	<u>\$ 55,398,929</u>	<u>\$ -</u>	<u>\$(4,238,429)</u>	<u>\$ 51,160,500</u>

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

	Balance Outstanding	
	Governmental Activities	Business-type Activities
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.	\$ -	\$ 1,454,805



CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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

	Balance Outstanding	
	Governmental Activities	Business-type Activities
<p>In the year ended June 30, 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, 2015, total principal of \$41,721,225 has been drawn on this facility, and the principal amount outstanding totaled \$27,397,910.</p>	-	27,397,910
<p>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. This obligation is accounted for in the general fund and water and sewer fund.</p>	864,100	2,105,900
<p>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. This obligation is accounted for in the general fund and water and sewer fund.</p>	2,108,568	341,432
<p>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. This obligation is accounted for in the general fund and water and sewer fund.</p>	336,675	891,152

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6     LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
<p>In the year ended June 30, 2010, the City obligated itself to pay to MDE the amount of \$2,756,400. The final amount advanced as of June 30, 2015 is \$2,056,250. The loan is repayable in annual installments of \$145,021. There was an initial payment of \$1,000 due on August 1, 2011. Due to the reduction in principal drawn, the bonds now mature through February 1, 2026 with a reduced final payment of \$24,955. There is no interest on this obligation, which is accounted for in the water and sewer enterprise fund.</p>	-	1,475,166
<p>In the year ended June 30, 2010, the City entered into a loan agreement with the Maryland Energy Administration ("MEA") for its Jane E. Lawton Conservation Loan Program ("JELLP") for the amount of \$258,740. There is no interest on this loan. The first principal payment was due 13 months after the first draw on the loan, and the loan matures September 2019. The loan is accounted for in the general fund.</p>	143,745	-
<p>In the year ended June 30, 2011, the City entered into a loan agreement with MEA for JELLP for the amount of \$142,800 at an interest rate of 2.5 percent. Interest is payable semi-annually beginning March 1, 2012. The bonds mature in varying amounts beginning March 1, 2012 and continuing through July 15, 2017. This obligation is accounted for in the nonmajor enterprise fund.</p>	-	59,423
<p>In the year ended June 30, 2011, the City issued \$5,050,000 of Public Facilities Refunding Bonds at an interest rate of 3.35 percent. Interest is payable semi-annually beginning October 1, 2011. The bonds mature in varying amounts beginning October 1, 2011 and continuing through October 1, 2026. This obligation is accounted for in the general fund.</p>	4,025,140	-

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6     LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
<p>In the year ended June 30, 2012, the City issued \$4,828,000 of Public Improvement Refunding Bonds at an interest rate of 2.39 percent. Interest was payable semi-annually beginning June 1, 2012. The bonds matured in varying amounts beginning June 1, 2012 and continuing through June 1, 2023. This obligation is carried in the water and sewer enterprise fund, the nonmajor enterprise fund, and the general fund.</p>	1,895,155	1,434,845
<p>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. This obligation is carried in the water and sewer enterprise fund, and the capital improvements fund.</p>	416,722	5,958,278
<p>In the year ended June 30, 2012, the City entered into a tax-exempt loan agreement with MDE in the amount of \$1,631,000 at a rate of .90 percent for 30 years. The interest payments are due semi-annually beginning August 1, 2012. Annual principal payments are due February 1, beginning February 1, 2014. The obligation is accounted for in the water and sewer enterprise fund.</p>	-	1,417,532
<p>In the year ended June 30, 2013, the City entered into a loan agreement with the Maryland Water Quality Financing Administration (the "Administration") in the amount of \$1,500,000. The loan is due on demand, with interest accruing at the default rate (3.74 percent) from the date of demand. The Administration shall forgive repayment of the principal amount if the City performs all of its obligations under the loan agreement. If the Administration has not demanded repayment of the principal prior to May 22, 2022, then the loan shall be deemed forgiven. This obligation is accounted for in the water and sewer enterprise fund.</p>	-	1,412,273

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	Balance Outstanding	
	Governmental Activities	Business-type Activities
In the year ended June 30, 2013, the City issued \$6,041,000 of Public Improvement Bonds at an interest rate of 3.01 percent. Interest is payable semi-annually beginning July 1, 2013. The bonds mature in varying amounts beginning July 1, 2013 and continuing through July 1, 2028. The bonds are accounted for in the water and sewer enterprise fund.	-	5,447,000
In the year ended June 30, 2014, the City issued \$3,178,000 of Public Improvement Bonds at an interest rate of 2.96 percent. Interest is payable semi-annually beginning July 1, 2014. The bonds mature in varying amounts beginning July 1, 2014 and continuing through July 1, 2028. The bonds are accounted for in the general fund.	3,009,000	-
In the year ended June 30, 2014, the City entered into a tax-exempt loan agreement with the Maryland Water Quality Financing Administration (the "Administration") in the amount of \$66,375. The loan is due on demand, with interest accruing at the default rate (1.00 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 September 2014, then the loan shall be deemed forgiven. This obligation is accounted for in the water and sewer enterprise fund. No funds have been drawn down from the loan as of June 30, 2015, therefore, there was no outstanding balance.	-	-
In the year ended June 30, 2014, the City entered into a loan agreement with the Maryland Water Quality Financing Administration (the "Administration") in the amount of \$464,625. The loan is due on demand and bears no interest. 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 September 2014, then the loan shall be deemed forgiven. This obligation is accounted for in the water and sewer enterprise fund. No funds have been drawn down from the loan as of June 30, 2015; therefore, there was no outstanding balance.	-	-

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	<u>Balance Outstanding</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<p>In the year ended June 30, 2015, the City issued \$4,009,000 of Public Improvement Bonds at an interest rate of 2.85 percent. Interest is payable semi-annually beginning April 1, 2015. The bonds mature in varying amounts beginning April 1, 2015 and continuing through June 30, 2029. The bonds are accounted for in the capital projects fund.</p>	3,813,000	-
<p>In the year ended June 30, 2015, the City issued \$2,754,365 of Public Improvement Refunding Bonds at an interest rate of 2.53 percent in order to refund the General Obligation Bond Series of 2004. Interest is payable semi-annually beginning April 1, 2015. The bonds mature in varying amounts beginning April 1, 2015 and continuing through June 30, 2024. The cash savings and economic benefit of the refunding was \$256,294. The bonds are accounted for in the capital projects fund.</p>	2,717,865	-
<p>In the year ended June 30, 2015, the City obligated itself to pay the Maryland Water Quality Administration the amount of \$34,545,000 for wastewater treatment plant upgrades and expansion. Principal is payable annually beginning February 1, 2018 continuing through February 1, 2037 and bears no interest. This obligation is accounted for in the water and sewer fund. No funds have been drawn down from the loan as of June 30, 2015; therefore, there was no outstanding balance.</p>	-	-
<p>In the year ended June 30, 2015, the City entered into a tax-exempt loan agreement with the Maryland Water Quality Financing Administration in the amount of \$1,500,000. The Administration shall forgive repayment of the principal amount if the City performs all of its obligations under the loan agreement. The loan shall be deemed forgiven if the Administration has not demanded repayment of principal prior to February 1, 2037. This obligation is accounted for in the water and sewer fund. No funds have been drawn down from the loan as of June 30, 2015; therefore, there was no outstanding balance.</p>	-	-
	<u>\$ 19,329,970</u>	<u>\$ 49,395,716</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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>
2016	\$ 1,501,658	\$ 577,919	\$ 2,079,577
2017	1,537,379	533,029	2,070,408
2018	1,582,732	487,058	2,069,790
2019	1,620,028	439,761	2,059,789
2020	1,686,999	391,328	2,078,327
2021-2025	7,798,631	1,211,280	9,009,911
2026-2030	3,602,543	217,542	3,820,085
	<u>\$ 19,329,970</u>	<u>\$ 3,857,917</u>	<u>\$ 23,187,887</u>

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2016	\$ 3,722,024	\$ 718,055	\$ 4,440,079
2017	3,756,720	669,713	4,426,433
2018	3,780,640	622,446	4,403,086
2019	3,805,581	571,442	4,377,023
2020	3,845,300	521,548	4,366,848
2021-2025	19,986,097	1,909,509	21,895,606
2026-2030	9,856,357	575,840	10,432,197
2031-2035	282,191	38,230	320,421
2036-2040	295,120	25,300	320,420
2041-2044	65,686	6,368	72,054
	<u>\$ 49,395,716</u>	<u>\$ 5,658,451</u>	<u>\$ 55,054,167</u>

Conduit Debt

In the year ended June 30, 2007, the City issued Special Obligation Bonds (Villages at Aydelotte Farm Project), Series of 2007, in the amount of \$9,775,000, payable solely from and secured by a pledge of certain tax increment revenues and special tax revenues. These bonds are secured in the first instance by the proceeds of tax collections attributable to the increase in the assessed value of real property located in a prescribed development district over the original taxable value of such real property, as determined in accordance with the Maryland Tax Increment Financing Act. To the extent such tax increment revenues are insufficient, proceeds of special taxes levied on and collected from the taxable parcels within a prescribed special taxing district will be used to pay debt service. The full faith and credit and unlimited taxing power of the City

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

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 of 2007, in the amount of \$15,000,000, payable solely from and secured by a pledge of certain tax increment revenues and special tax revenues. These bonds are secured in the first instance by the proceeds of tax collections attributable to the increase in the assessed value of real property located in a prescribed development district over the original taxable value of such property, as determined in accordance with the Maryland Tax Increment Financing Act. To the extent such tax increment revenues are insufficient, proceeds of special taxes levied on and collected from the taxable parcels within a prescribed special taxing district will be used to pay debt service. The full faith and credit and unlimited taxing power of the City have not been pledged to pay these bonds. These bonds are payable over 30 years, with semi-annual interest payments on July 1 and January 1, starting July 1, 2012 (or such earlier date as the bonds are converted and remarketed); and principal payments on July 1 in the years 2013 to 2036, inclusive, with a final principal and interest payment on January 1, 2037. These bonds initially bear interest at the rate of 7.9 percent per annum. 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 \$4,775,257 with accumulated depreciation of \$2,214,428; for the water and sewer fund, the original cost is \$288,455 with accumulated depreciation of \$76,921 at June 30, 2015.

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

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

<u>Year Ending June 30,</u>	<u>General</u>	<u>Water and Sewer</u>
2016	\$ 360,409	\$ 43,271
2017	317,427	43,271
2018	248,294	43,271
2019	37,340	43,271
2020	37,340	-
2021 - 2025	-	-
Less amount representing interest	<u>(66,990)</u>	<u>(6,951)</u>
Present value of future minimum lease payments	<u>\$ 933,820</u>	<u>\$ 166,133</u>

NOTE 7 PENSION PLAN

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

Benefits Provided

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

Member Contributions

During fiscal year 2015, the State Personnel and Pensions Article required active members to contribute to the Systems at a rate of seven percent for LEOPS and six percent for non-LEOPS personnel of each employee's covered salary.

Employer Contributions

The City's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any



CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

unfunded accrued liability. For the year ended June 30, 2015, the rate of the employer contribution varied depending on each pension plans' requirements. The City's contribution to the Systems for the years ended June 30, 2015, 2014, and 2013 was \$2,958,153, \$2,943,026, and \$2,821,683, respectively.

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

At June 30, 2015, the City reported a liability of \$23,398,227 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The City's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the City's proportion for the Employee plan was 0.03618 percent, and the LEOPS plan was 0.09566 percent.

For the year ended June 30, 2015, the City recognized pension expense of \$3,126,834. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Employees Plan		LEOPS Plan		Total	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Changes in assumptions	\$ 92,981	\$ -	\$ 245,582	\$ -	\$ 338,473	\$ -
Differences between actual required contributions	-	89,592	-	140,585	-	230,177
Contributions subsequent to the measurement date	820,957	-	2,123,236	-	2,944,193	-
Differences between actual and expected returns	-	702,869	-	1,858,220	-	2,561,089
Total	<u>\$ 913,848</u>	<u>\$ 792,461</u>	<u>\$2,368,818</u>	<u>\$1,988,805</u>	<u>\$3,282,666</u>	<u>\$2,791,266</u>

An amount of \$2,944,193 is reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ended June 30,

2016	\$ 613,198
2017	613,198
2018	613,198
2019	613,199
	<u>\$ 2,452,793</u>

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the system's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.65 percent.
- Salary increases – 3.4 to 11.9 percent, allowing for inflation.
- Inflation – 2.9 percent for general inflation, and 3.4 percent for wages.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) projected to the year 2025.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The assumptions derived from the experience study were adopted by the Board of Trustees for first use in the actuarial valuation as of June 30, 2012.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equity	35%	4.7%
Fixed income	10%	2.0%
Credit opportunity	10%	3.0%
Real return	14%	2.8%
Absolute return	10%	5.0%
Private equity	10%	6.3%
Real estate	10%	4.5%
Cash	1%	1.4%
	<u>100.00%</u>	

The above is the Board of Trustees adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Discount Rate

The discount used to measure the total pension liability was 7.65 percent. The discount rate was based on the expected rate of return on the pension plan investments of 7.65 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65 percent), or one percentage point higher (8.65 percent) than the current rate.

	1% Decrease 6.65%	Current Rate Discount Rate 7.65%	1% Increase 8.65%
City's proportionate share:			
Employee plan	\$ 9,254,104	\$ 6,421,441	\$ 4,048,727
LEOPS plan	24,465,687	16,976,786	10,703,887
	<u>\$ 33,719,791</u>	<u>\$ 23,398,227</u>	<u>\$ 14,752,614</u>

Pension Plan Fiduciary Net Position

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

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.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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, 2015, there were 58 participants eligible and receiving post-retirement health care benefits at a pay-as-you-go annual cost to the City of \$260,519.

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 2015 was \$2,333,000. The City has recorded the associated liability as of June 30, 2015 in the statement of net position.

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.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

Net OPEB obligation at beginning of year	\$ 17,603,364
Annual Required Contribution	2,333,000
Interest on net OPEB obligation	704,000
Amortization of net OPEB obligation	(851,000)
Contributions	<u>(431,000)</u>
 Total Net OPEB Obligation at End of Year	 <u><u>\$ 19,358,364</u></u>

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

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]
7/1/2014	\$1,356,000	\$23,032,000	\$21,676,000	5.98%	\$15,378,119	141.00%
7/1/2013	\$1,267,000	\$31,051,000	\$29,783,991	4.08%	\$14,814,161	201.00%
7/1/2012	\$1,251,000	\$38,627,000	\$37,376,000	3.24%	\$14,257,540	262.00%
7/1/2011	\$1,169,000	\$35,004,000	\$33,835,000	3.34%	\$14,574,751	232.00%

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 health care 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, not 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.

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

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

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. Medical trends are based on Society of Actuaries Long-term Medical Trend Model. The initial rate is 8.5 percent in 2011, decreasing gradually. The rate in 2050 is 5.4 percent. The ultimate rate is 4.6 percent and is achieved in 2099. The actuarial assumptions included an investment return for discounted liabilities of 7.0 percent. Mortality calculations were done using the RP 2000 Combined Healthy Table and the RP 2000 Combined Disabled Table. The Participation Rate assumed in the computation was changed in FY 2015 from 90 percent to 50 percent based on historical data.

NOTE 9 DEFERRED COMPENSATION PLAN

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

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

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

NOTE 10 SERVICE AWARD TRUST

The City has a Volunteer Firemen Service Award Trust, which was established to accumulate funds for the City Volunteer Firemen's Retirement. The maximum monthly benefit per individual is \$500 upon retirement, and the retirement age is 60. The transactions of the Service Award Trust have been reported as an expendable trust fund in the fiduciary fund types. The trust has no assets as of June 30, 2015.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2015, the City had infrastructure projects yet to be completed. The commitments and amounts completed are as follows:

CITY OF SALISBURY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

	Project Amount	Completed as of 06/30/2015	Commitments
<b>Governmental Activities:</b>			
Riverwalk	\$ 218,336	\$ 189,962	\$ 28,374
Fire Station Renovation #2	3,661,200	228,703	3,432,497
Main Street Master Plan	453,890	253,890	200,000
	<u>\$ 4,333,426</u>	<u>\$ 672,555</u>	<u>\$ 3,660,871</u>

In addition, the City has incurred costs totaling \$412,155 for governmental activities project costs that were not under a formal contract as of June 30, 2015.

	Project Amount	Completed as of 06/30/2015	Commitments
<b>Business-type Activities:</b>			
Scenic Dr. Water Main Replacement	\$ 74,720	\$ 36,720	\$ 38,000
Paleo Well 3	248,100	134,550	113,550
Park Well Rehabilitation	171,811	170,913	898
Park WTP Meter and Piping Replacement	673,903	633,136	40,767
Parks Well Upgrade	204,279	75,311	128,968
Parkside HS Lift Station and Mill Street	1,721,692	134,586	1,587,106
Waverly Drive Water Quality Inlet	110,600	49,550	61,050
WWTP Upgrade	4,213,500	4,061,218	152,282
Totals	<u>\$ 7,418,605</u>	<u>\$ 5,295,984</u>	<u>\$ 2,122,621</u>

In addition, the City has incurred costs totaling \$3,516,990 for business-type activities project costs that were not under a formal contract as of June 30, 2015.

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

CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 12 RISK MANAGEMENT (cont'd)

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, 2015, fund balances are composed of the following:

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 803,194	\$ -	\$ -	\$ 803,194
Prepaid expenditures	221,863	-	-	221,863
Restricted				
Capital improvements	-	8,474,255	-	8,474,254
Committed:				
Health care	1,210,652	-	-	1,210,651
General impact	10,040	-	-	10,040
Curb, gutter, and sidewalk	-	-	86,699	86,699
Trash container sales and demolition	-	-	211,803	211,803
Assigned:				
Grants	-	-	616,893	616,893
Encumbrances	960,432	-	-	960,432
Community development	-	-	23,939	23,939
Unassigned	9,087,671	-	-	9,087,671
Total Fund Balances	<u>\$12,293,852</u>	<u>\$ 8,474,255</u>	<u>\$ 939,334</u>	<u>\$ 21,707,441</u>

NOTE 14 PRIOR PERIOD RESTATEMENTS

As described in Note 2, the City implemented the requirements of GASB Statement No. 68 and No. 71. In accordance with the adoption of these principles, the City has decreased its July 1, 2014 net position to record the net pension liability and deferred outflows of resources at June 30, 2014. This resulted in a decrease in net position of \$21,355,137 and \$1,369,050 for governmental activities and business-type activities, respectively.

During the year ended June 30, 2015, the City discovered that bond requisitions receivable in the Water and Sewer Fund were overstated by \$394,195. In addition, the City discovered inventory valuations were overstated by \$210,000. As a result of the entries made to correct these items, beginning net position in the Water and Sewer Fund decreased by \$604,195.



CITY OF SALISBURY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 15 IMPAIRMENT LOSS

During the year ended June 30, 2015, the City discovered that a significant portion of a large sewer system infrastructure project that had been under construction for several years was unserviceable and would not be usable once the project was placed in service. This was determined to be due to contractor errors and inefficiencies. Based on estimates provided by the City's engineers of the specific infrastructure upgrades that would remain serviceable once in use, 50 percent of the total project cost was determined to be impaired. The City has recorded an impairment loss in the amount of \$39,674,531 in the Water and Sewer Fund for this impairment.

NOTE 16 SUBSEQUENT EVENTS

On October 12, 2015, the Council of the City of Salisbury approved the issuance of a general obligation installment bond in the principal amount of \$4,726,200 to be designated to the City of Salisbury Public Improvements Bond of 2015 for the purpose of financing or reimbursing costs of public improvement projects.

The City has evaluated all subsequent events through December 7, 2015, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SALISBURY, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RESOURCES (INFLOWS):</b>				
Tax revenue	\$23,932,158	\$23,932,158	\$23,789,800	\$ (142,358)
Other revenue	3,239,722	2,895,292	3,745,962	850,670
Charges for services	2,809,700	3,159,700	3,305,577	145,877
Intergovernmental revenues	2,248,694	2,248,694	2,234,549	(14,145)
<b>AMOUNTS AVAILABLE FOR APPROPRIATION</b>	<u>32,230,274</u>	<u>32,235,844</u>	<u>33,075,888</u>	<u>840,044</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
<b>General government</b>				
City council	69,799	71,199	69,574	1,625
City clerk	148,264	146,864	142,593	4,271
Mayor's office	743,066	792,129	776,590	15,539
Development services	81,693	78,092	74,028	4,064
City attorney	263,000	288,762	286,436	2,326
Finance	503,005	506,280	476,757	29,523
Purchasing	217,363	221,928	213,447	8,481
Human resources	254,067	250,883	224,479	26,404
Information services	257,991	268,683	252,232	16,451
Planning and zoning	171,532	171,532	167,544	3,988
Municipal buildings	198,000	207,087	156,810	50,277
Poplar Hill	29,434	37,970	21,301	16,669
<b>Public safety</b>				
Police and traffic control	12,343,399	12,912,386	11,754,236	1,158,150
Fire	6,527,802	6,791,098	6,681,922	109,176
Buildings, permits, and inspections	367,708	369,797	360,329	9,468
Neighborhood services and code compliance	669,268	669,779	626,866	42,913
<b>Public works</b>				
Supervision and engineering	1,741,217	2,452,581	1,800,878	651,703
Roadways	731,018	761,980	627,815	134,165
Highway lighting	818,075	841,391	841,386	5
Street cleaning	117,965	117,965	107,919	10,046
Waste collection and disposal	1,265,173	1,277,522	1,221,575	55,947
Recycling	185,640	173,778	163,661	10,117
Fleet maintenance	512,058	513,572	472,920	40,652
Carpenter shop	136,451	136,451	128,617	7,834
<b>Recreation and culture</b>				
Municipal zoo	1,343,432	1,347,811	1,329,849	17,962
Park maintenance	482,594	527,591	436,546	91,045
Nondepartmental	639,264	720,373	617,711	102,662
Debt payments	2,949,627	5,639,638	5,296,706	342,932
<b>TOTAL CHARGES TO APPROPRIATION</b>	<u>33,767,905</u>	<u>38,295,122</u>	<u>35,330,727</u>	<u>2,964,395</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(1,537,631)</u>	<u>(6,059,278)</u>	<u>(2,254,839)</u>	<u>3,804,439</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(97,397)	(97,397)	(97,397)	-
Proceeds from sale of capital assets	-	-	2,028	2,028
Proceeds from bond issuance	-	2,690,000	2,754,365	64,365
<b>TOTAL OTHER FINANCING USES</b>	<u>(97,397)</u>	<u>2,592,603</u>	<u>2,658,996</u>	<u>66,393</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,635,028)	(3,466,675)	404,157	3,870,832
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>11,889,695</u>	<u>11,889,695</u>	<u>11,889,695</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$10,254,667</u>	<u>\$ 8,423,020</u>	<u>\$12,293,852</u>	<u>\$ 3,870,832</u>

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

	<u>JUNE 30, 2014</u>
City's proportion of the net pension liability	0.03618%
City's proportion of the net pension liability - dollar value	\$ 6,421,441
City's covered employee payroll	\$ 8,210,528
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	78.21%
Plan fiduciary net position as a percentage of the total pension liability	71.87%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**CITY OF SALISBURY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CITY CONTRIBUTIONS -  
 EMPLOYEE PLAN**

	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 820,957
Contributions in relation to the contractually required contribution	<u>820,957</u>
Contribution excess	<u>\$ -</u>
City's covered employee payroll	\$ 8,921,251
Contributions as a percentage of covered-employee payroll	9%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

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

	<u>JUNE 30, 2014</u>
City's proportion of the net pension liability	0.09566%
City's proportion of the net pension liability - dollar value	\$ 16,976,786
City's covered employee payroll	\$ 7,710,443
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	220.18%
Plan fiduciary net position as a percentage of the total pension liability	71.87%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**CITY OF SALISBURY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY CONTRIBUTIONS -  
LEOPS**

	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 2,123,236
Contributions in relation to the contractually required contribution	<u>2,123,236</u>
Contribution excess	<u>\$ -</u>
City's covered employee payroll	\$ 8,115,718
Contributions as a percentage of covered-employee payroll	26%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**OTHER SUPPLEMENTARY INFORMATION**



## **General Fund**

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
<b>Taxes</b>			
Real property	\$15,947,991	\$15,961,902	\$ 13,911
Personal property	51,046	53,693	2,647
Ordinary business corporations and utilities	5,623,533	5,273,540	(349,993)
Payments in lieu of tax	401,220	409,869	8,649
Admissions and amusement	394,000	327,644	(66,356)
State shared income tax	1,354,368	1,631,437	277,069
Total taxes	<u>23,772,158</u>	<u>23,658,085</u>	<u>(114,073)</u>
Interest and penalties on delinquent taxes	160,000	131,715	(28,285)
Total Taxes, Interest, and Penalties	<u>23,932,158</u>	<u>23,789,800</u>	<u>(142,358)</u>
<b>Other revenue</b>			
Amusement licenses	4,000	3,785	(215)
Billboard licenses	21,000	20,970	(30)
Building and inspection permits	335,000	199,710	(135,290)
Business licenses	152,800	158,533	5,733
Franchise fees	377,600	387,568	9,968
Landlord licenses	410,475	419,257	8,782
Parking fines and meter collections	-	-	-
Plumbing licenses and permits	47,000	41,413	(5,587)
Street-breaking permits	1,750	2,775	1,025
Towing companies	3,500	3,300	(200)
Other miscellaneous permits	29,925	28,140	(1,785)
Municipal infraction violations	64,000	33,150	(30,850)
Interest on investment of idle funds	14,500	20,850	6,350
Insurance proceeds	-	29,157	29,157
Health insurance rebate	-	481,179	481,179
Donations	100,000	288,548	188,548
Damages to City property	-	1,545	1,545
Zoo reimbursements	208,000	188,031	(19,969)
Zoo Commission	268,072	447,869	179,797
Sale of maps, codes, and documents	1,800	1,875	75
Bad debt collections	2,000	10,947	8,947
School zone camera fines	740,000	846,353	106,353
Other miscellaneous receipts	113,870	131,007	17,137
Total Other Revenue	<u>2,895,292</u>	<u>3,745,962</u>	<u>850,670</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND  
SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Charges for services			
Administrative fees	304,000	304,000	-
Ambulance call fees	1,610,000	1,727,805	117,805
Advertising	100	55	(45)
Filing fees	200	45	(155)
Garbage disposal fees	683,000	686,586	3,586
Inspection fees	36,800	23,905	(12,895)
Plan review fees	20,000	23,377	3,377
Police alarm systems	65,000	58,160	(6,840)
Weed removal	90,000	91,614	1,614
Zoning appeal and housing board appeal fees	600	30	(570)
Rental fees	350,000	390,000	40,000
Total Charges for Services	<u>3,159,700</u>	<u>3,305,577</u>	<u>145,877</u>
Intergovernmental			
State of Maryland			
Police protection	543,397	505,216	(38,181)
Enterprise zone	59,500	59,475	(25)
Highway user	827,495	831,544	4,049
Wicomico County			
Financial corporations	18,302	18,302	-
Fire department	600,000	590,000	(10,000)
Room tax	200,000	230,012	30,012
Total Intergovernmental	<u>2,248,694</u>	<u>2,234,549</u>	<u>(14,145)</u>
Total Revenues	<u>32,235,844</u>	<u>33,075,888</u>	<u>840,044</u>
Other Financing Sources			
Proceeds from bond issuance	2,690,000	2,754,365	64,365
Proceeds from sale of capital assets	-	2,028	2,028
Total Other Financing Sources	<u>2,690,000</u>	<u>2,756,393</u>	<u>66,393</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$34,925,844</u>	<u>\$35,832,281</u>	<u>\$ 906,437</u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>General Government</b>				
City council				
Salaries	\$ 52,000	\$ 52,000	\$ 51,517	\$ 483
Personnel benefits	9,192	9,192	8,758	434
Other operating expenses	7,607	9,007	8,547	460
Community promotion	1,000	1,000	752	248
	<u>69,799</u>	<u>71,199</u>	<u>69,574</u>	<u>1,625</u>
City clerk				
Salaries	95,615	95,301	94,813	488
Personnel benefits	35,552	35,867	34,744	1,123
Other operating expenses	17,097	15,696	13,036	2,660
	<u>148,264</u>	<u>146,864</u>	<u>142,593</u>	<u>4,271</u>
Mayor's office				
Salaries	289,615	282,796	280,483	2,313
Personnel benefits	93,537	97,517	93,749	3,768
Professional services	1,800	11,879	11,192	687
Other operating expenses	73,514	83,837	76,673	7,164
Capital outlay	28,000	27,500	27,266	234
Community promotion	256,600	288,600	287,227	1,373
	<u>743,066</u>	<u>792,129</u>	<u>776,590</u>	<u>15,539</u>
Developmental services				
Salaries	45,574	45,629	45,629	-
Personnel benefits	13,992	13,936	13,779	157
Other operating expenses	22,127	18,527	14,620	3,907
	<u>81,693</u>	<u>78,092</u>	<u>74,028</u>	<u>4,064</u>
City attorney				
Professional services	263,000	288,762	286,436	2,326
	<u>263,000</u>	<u>288,762</u>	<u>286,436</u>	<u>2,326</u>
Internal services - finance				
Salaries	276,757	276,784	276,677	107
Personnel benefits	110,972	110,945	108,463	2,482
Other operating expenses	43,951	38,627	33,860	4,767
Independent audit	71,325	79,924	57,757	22,167
	<u>503,005</u>	<u>506,280</u>	<u>476,757</u>	<u>29,523</u>
Internal services - purchasing				
Salaries	135,853	135,323	134,219	1,104
Personnel benefits	47,720	48,825	47,503	1,322
Professional services	14,000	15,202	15,115	87
Other operating expenses	19,790	21,703	15,806	5,897
Capital outlay	-	875	804	71
	<u>217,363</u>	<u>221,928</u>	<u>213,447</u>	<u>8,481</u>
Internal services - human resources				
Salaries	97,800	96,837	96,834	3
Personnel benefits	122,710	107,891	89,622	18,269
Professional services	17,000	16,191	16,191	-
Other operating expenses	16,557	29,964	21,832	8,132
	<u>254,067</u>	<u>250,883</u>	<u>224,479</u>	<u>26,404</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>General Government (cont'd)</b>				
Information services				
Salaries	148,592	145,829	143,041	2,788
Personnel benefits	48,195	50,487	49,243	1,244
Other operating expenses	61,204	72,367	59,948	12,419
	<u>257,991</u>	<u>268,683</u>	<u>252,232</u>	<u>16,451</u>
City and county - joint activities				
Planning and zoning	171,532	171,532	167,544	3,988
	<u>171,532</u>	<u>171,532</u>	<u>167,544</u>	<u>3,988</u>
Municipal buildings				
Other operating expenses	198,000	207,087	156,810	50,277
	<u>198,000</u>	<u>207,087</u>	<u>156,810</u>	<u>50,277</u>
Poplar Hill Mansion	29,434	37,970	21,301	16,669
	<u>29,434</u>	<u>37,970</u>	<u>21,301</u>	<u>16,669</u>
<b>Total General Government</b>	<u>2,937,214</u>	<u>3,041,409</u>	<u>2,861,791</u>	<u>179,618</u>
<b>Public Safety</b>				
Police services				
Salaries	6,213,098	6,105,692	5,883,830	221,862
Personnel benefits	3,380,893	3,403,829	3,006,382	397,447
Professional services	24,151	49,366	48,426	940
Other operating expenses	932,228	1,207,762	993,441	214,321
Community promotions	35,000	35,000	27,126	7,874
Capital outlays	283,335	624,506	560,899	63,607
	<u>10,868,705</u>	<u>11,426,155</u>	<u>10,520,104</u>	<u>906,051</u>
Police communications				
Salaries	525,297	523,763	387,057	136,706
Personnel benefits	232,806	225,918	148,309	77,609
Professional services	5,755	3,755	3,573	182
Other operating expenses	58,821	77,011	64,136	12,875
	<u>822,679</u>	<u>830,447</u>	<u>603,075</u>	<u>227,372</u>
Animal control				
Salaries	74,756	72,111	68,463	3,648
Personnel benefits	49,427	47,571	39,992	7,579
Other operating expenses	5,000	3,500	3,500	-
Professional services	88,173	86,173	83,838	2,335
	<u>217,356</u>	<u>209,355</u>	<u>195,793</u>	<u>13,562</u>
<b>Total Police Department</b>	<u>11,908,740</u>	<u>12,465,957</u>	<u>11,318,972</u>	<u>1,146,985</u>
Traffic control				
Salaries	227,182	226,043	224,239	1,804
Personnel benefits	110,882	107,981	106,291	1,690
Other operating expenses	96,595	112,405	104,734	7,671
Capital outlays	-	-	-	-
	<u>434,659</u>	<u>446,429</u>	<u>435,264</u>	<u>11,165</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Public Safety (cont'd)</b>				
Fire department				
Firefighting				
Salaries	3,315,281	3,475,093	3,365,927	109,166
Personnel benefits	2,043,908	1,944,790	1,851,398	93,392
Professional services	141,600	150,646	138,076	12,570
Other operating expenses	780,396	974,101	889,455	84,646
Capital outlays	-	-	201,400	(201,400)
	<u>6,281,185</u>	<u>6,544,630</u>	<u>6,446,256</u>	<u>98,374</u>
Volunteer firemen				
Personnel benefits	210,680	206,489	199,413	7,076
Professional services	27,075	31,127	27,402	3,725
Other operating expenses	8,862	8,852	8,851	1
	<u>246,617</u>	<u>246,468</u>	<u>235,666</u>	<u>10,802</u>
Total Fire Department	<u>6,527,802</u>	<u>6,791,098</u>	<u>6,681,922</u>	<u>109,176</u>
Buildings, permits, and inspections				
Salaries	255,894	252,562	251,306	1,256
Personnel benefits	88,413	93,067	89,893	3,174
Professional services	-	337	336	1
Other operating expenses	23,401	23,831	18,794	5,037
	<u>367,708</u>	<u>369,797</u>	<u>360,329</u>	<u>9,468</u>
Neighborhood services and code compliance				
Salaries	372,506	363,130	357,581	5,549
Personnel benefits	148,555	154,842	147,550	7,292
Professional services	538	538	281	257
Other operating expenses	147,669	151,269	121,454	29,815
	<u>669,268</u>	<u>669,779</u>	<u>626,866</u>	<u>42,913</u>
<b>Total Public Safety</b>	<u>19,908,177</u>	<u>20,743,060</u>	<u>19,423,353</u>	<u>1,319,707</u>
<b>Department of Public Works</b>				
Supervision and engineering				
Salaries	688,482	681,154	586,173	94,981
Personnel benefits	262,724	270,315	234,821	35,494
Professional services	59,550	132,564	112,096	20,468
Other operating expenses	730,461	1,363,653	862,893	500,760
Capital outlays	-	4,895	4,895	-
	<u>1,741,217</u>	<u>2,452,581</u>	<u>1,800,878</u>	<u>651,703</u>
Roadways				
Salaries	334,268	332,608	302,120	30,488
Personnel benefits	159,405	161,065	131,638	29,427
Other operating expenses	237,345	268,307	194,057	74,250
Capital outlays	-	-	-	-
	<u>731,018</u>	<u>761,980</u>	<u>627,815</u>	<u>134,165</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Department of Public Works (cont'd)</b>				
Highway lighting				
Other operating expenses	818,075	841,391	841,386	5
	<u>818,075</u>	<u>841,391</u>	<u>841,386</u>	<u>5</u>
Sanitation				
Street cleaning				
Salaries	64,772	64,176	60,756	3,420
Personnel benefits	28,111	28,707	27,077	1,630
Other operating expenses	25,082	25,082	20,086	4,996
	<u>117,965</u>	<u>117,965</u>	<u>107,919</u>	<u>10,046</u>
Waste collection and disposal				
Salaries	349,006	352,328	341,665	10,663
Personnel benefits	161,967	170,686	170,159	527
Other operating expenses	754,200	754,508	709,751	44,757
	<u>1,265,173</u>	<u>1,277,522</u>	<u>1,221,575</u>	<u>55,947</u>
Recycling				
Salaries	100,718	93,881	91,471	2,410
Personnel benefits	56,307	47,287	46,198	1,089
Other operating expenses	28,615	32,610	25,992	6,618
	<u>185,640</u>	<u>173,778</u>	<u>163,661</u>	<u>10,117</u>
Total Sanitation	<u>1,568,778</u>	<u>1,569,265</u>	<u>1,493,155</u>	<u>76,110</u>
Fleet maintenance				
Salaries	220,127	219,036	217,432	1,604
Personnel benefits	103,734	104,825	98,034	6,791
Other operating expenses	188,197	189,711	157,454	32,257
	<u>512,058</u>	<u>513,572</u>	<u>472,920</u>	<u>40,652</u>
Carpenter shop				
Salaries	71,506	71,142	70,285	857
Personnel benefits	35,952	36,316	34,838	1,478
Other operating expenses	28,993	28,993	23,494	5,499
Capital outlays	-	-	-	-
	<u>136,451</u>	<u>136,451</u>	<u>128,617</u>	<u>7,834</u>
<b>Total Department of Public Works</b>	<u>5,507,597</u>	<u>6,275,240</u>	<u>5,364,771</u>	<u>910,469</u>
<b>Recreation and Culture</b>				
Municipal zoo				
Salaries	786,687	776,156	768,889	7,267
Personnel benefits	245,893	239,632	236,045	3,587
Professional services	10,200	14,290	13,246	1,044
Other operating expenses	300,652	317,733	311,669	6,064
	<u>1,343,432</u>	<u>1,347,811</u>	<u>1,329,849</u>	<u>17,962</u>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Recreation and Culture (cont'd)</b>				
Park maintenance				
Salaries	218,838	216,869	196,800	20,069
Personnel benefits	108,264	109,259	92,737	16,522
Other operating expenses	155,492	201,463	147,009	54,454
	<u>482,594</u>	<u>527,591</u>	<u>436,546</u>	<u>91,045</u>
<b>Total Recreation and Culture</b>	<u>1,826,026</u>	<u>1,875,402</u>	<u>1,766,395</u>	<u>109,007</u>
<b>Nondepartmental</b>				
Insurance				
Health care claims	256,982	293,700	293,700	-
Insurance	331,082	325,796	266,538	59,258
	<u>588,064</u>	<u>619,496</u>	<u>560,238</u>	<u>59,258</u>
Miscellaneous				
Personnel benefits	48,000	48,000	45,511	2,489
Other operating expenses	3,200	15,350	11,962	3,388
Capital outlay	-	37,527	-	37,527
	<u>51,200</u>	<u>100,877</u>	<u>57,473</u>	<u>43,404</u>
<b>Total Nondepartmental</b>	<u>639,264</u>	<u>720,373</u>	<u>617,711</u>	<u>102,662</u>
<b>Debt Payments</b>				
Principal redemption	1,200,306	4,972,818	4,630,439	342,379
Interest	1,749,321	666,820	666,267	553
<b>Total Debt Payments</b>	<u>2,949,627</u>	<u>5,639,638</u>	<u>5,296,706</u>	<u>342,932</u>
<b>TOTAL EXPENDITURES</b>	<u>33,767,905</u>	<u>38,295,122</u>	<u>35,330,727</u>	<u>2,964,395</u>
<b>Other Financing Uses</b>				
Transfer to other funds	97,397	97,397	97,397	-
<b>Total Other Financing Uses</b>	<u>97,397</u>	<u>97,397</u>	<u>97,397</u>	<u>-</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$33,865,302</u>	<u>\$38,392,519</u>	<u>\$35,428,124</u>	<u>\$ 2,964,395</u>



## **Nonmajor Governmental Funds**

**CITY OF SALISBURY, MARYLAND**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	Special Revenue Funds					
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total	
<b>ASSETS</b>						
Cash	\$ 36,876	\$ 439,391	\$ 144,429	\$ 96,966	\$ 717,662	
Investment pool	31,245	2,787	2,845	254	37,131	
Accounts receivable	18,578	169,276	64,805	-	252,659	
Due from other governmental units	-	52,931	-	14,092	67,023	
<b>TOTAL ASSETS</b>	<b>\$ 86,699</b>	<b>\$ 664,385</b>	<b>\$ 212,079</b>	<b>\$ 111,312</b>	<b>\$ 1,074,475</b>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 47,492	\$ 276	\$ 7,293	\$ 55,061	
Due to other funds	-	-	-	75,962	75,962	
Unearned revenue - grants	-	-	-	2,819	2,819	
Compensated absences	-	-	-	1,299	1,299	
<b>Total Liabilities</b>	<b>-</b>	<b>47,492</b>	<b>276</b>	<b>87,373</b>	<b>135,141</b>	
<b>Fund Balances:</b>						
Committed	86,699	-	211,803	-	298,502	
Assigned	-	616,893	-	23,939	640,832	
<b>Total Fund Balances</b>	<b>86,699</b>	<b>616,893</b>	<b>211,803</b>	<b>23,939</b>	<b>939,334</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 86,699</b>	<b>\$ 664,385</b>	<b>\$ 212,079</b>	<b>\$ 111,312</b>	<b>\$ 1,074,475</b>	

**CITY OF SALISBURY, MARYLAND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds					Total
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total	
<b>REVENUES</b>						
Curb, gutter and sidewalk assessments	-	-	-	-	-	-
Fees	-	-	9,180	-	9,180	9,180
Earnings on investments	13	-	3	9	25	25
Grant revenues	-	1,131,831	-	340,895	1,472,726	1,472,726
<b>TOTAL REVENUES</b>	<b>13</b>	<b>1,131,831</b>	<b>9,183</b>	<b>340,904</b>	<b>1,481,931</b>	<b>1,481,931</b>
<b>EXPENDITURES</b>						
General government	-	88,182	-	437,088	525,270	525,270
Public safety	-	803,599	-	-	803,599	803,599
Public works	3,952	48,386	12,073	-	64,411	64,411
Capital outlays	-	332,693	-	-	332,693	332,693
<b>TOTAL EXPENDITURES</b>	<b>3,952</b>	<b>1,272,860</b>	<b>12,073</b>	<b>437,088</b>	<b>1,725,973</b>	<b>1,725,973</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,939)</b>	<b>(141,029)</b>	<b>(2,890)</b>	<b>(96,184)</b>	<b>(244,042)</b>	<b>(244,042)</b>
<b>OTHER FINANCING SOURCES</b>						
Operating transfers in	-	-	-	74,483	74,483	74,483
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,483</b>	<b>74,483</b>	<b>74,483</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,939)</b>	<b>(141,029)</b>	<b>(2,890)</b>	<b>(21,701)</b>	<b>(169,559)</b>	<b>(169,559)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>90,638</b>	<b>757,922</b>	<b>214,693</b>	<b>45,640</b>	<b>1,108,893</b>	<b>1,108,893</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 86,699</b>	<b>\$ 616,893</b>	<b>\$ 211,803</b>	<b>\$ 23,939</b>	<b>\$ 939,334</b>	<b>\$ 939,334</b>

**CITY OF SALISBURY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GRANT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

REVENUES	
Federal	\$ 483,628
State	615,057
Others	<u>33,146</u>
TOTAL REVENUES	<u>1,131,831</u>
EXPENDITURES	
General government	
Operating expenses	88,182
Public safety	
Salaries	386,523
Personnel benefits	176,888
Operating expenses	234,889
Capital outlay	5,299
Public works	
Operating expenses	48,386
Capital outlay	<u>332,693</u>
TOTAL EXPENDITURES	<u>1,272,860</u>
NET CHANGE IN FUND BALANCE	(141,029)
FUND BALANCE, BEGINNING OF YEAR	<u>757,922</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 616,893</u></u>

## **Nonmajor Proprietary Funds**

**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Enterprise Funds		Total
	City Marina Fund	Parking Authority Fund	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets:			
Cash and investment pool	\$ 32,812	\$ 57,351	\$ 90,163
Investment pool	2,190	200,288	202,478
Accounts receivable	2,930	46,179	49,109
Total Current Assets	<u>37,932</u>	<u>303,818</u>	<u>341,750</u>
Noncurrent assets:			
Capital assets			
Land	1,315,000	467,790	1,782,790
Construction-in-progress	5,393	64,208	69,601
Buildings, equipment, and improvements	1,755,970	4,280,143	6,036,113
Less accumulated depreciation	(1,428,966)	(2,503,711)	(3,932,677)
Total Noncurrent Assets	<u>1,647,397</u>	<u>2,308,430</u>	<u>3,955,827</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension contributions	-	7,088	7,088
Deferred pension	-	802	802
Total Deferred Outflows of Resources	<u>-</u>	<u>7,890</u>	<u>7,890</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>\$ 1,685,329</b></u>	<u><b>\$ 2,620,138</b></u>	<u><b>\$ 4,305,467</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>LIABILITIES</b>			
Due in one year:			
Accounts payable	\$ 3,126	\$ 3,719	\$ 6,845
Accrued payroll	1,657	11,580	13,237
Accrued interest payable	-	1,529	1,529
Deposits	728	-	728
Due to general fund	47,238	153,668	200,906
Bonds, notes, and capital leases payable	-	86,200	86,200
Total Current Liabilities	<u>52,749</u>	<u>256,696</u>	<u>309,445</u>
Due in more than one year:			
Bonds, notes, and capital leases payable	-	492,221	492,221
Net pension liability	-	55,441	55,441
Total Noncurrent Liabilities	<u>-</u>	<u>547,662</u>	<u>547,662</u>
Total Liabilities	<u>52,749</u>	<u>804,358</u>	<u>857,107</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension	-	6,842	6,842
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	1,647,397	1,730,009	3,377,406
Unrestricted (Deficit)	(14,817)	78,929	64,112
Total Net Position	<u>1,632,580</u>	<u>1,808,938</u>	<u>3,441,518</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><b>\$ 1,685,329</b></u>	<u><b>\$ 2,620,138</b></u>	<u><b>\$ 4,305,467</b></u>

**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Funds		Total
	City Marina Fund	Parking Authority Fund	
OPERATING REVENUES			
Charges for services	\$ 41,075	\$ 661,094	\$ 702,169
TOTAL OPERATING REVENUES	<u>41,075</u>	<u>661,094</u>	<u>702,169</u>
OPERATING EXPENSES			
Salaries	29,495	190,654	220,149
Personnel benefits	2,660	59,292	61,952
Professional and skilled services	-	90,379	90,379
Supplies	5,514	4,660	10,174
Other expenses	31,761	157,106	188,867
TOTAL OPERATING EXPENSES	<u>69,430</u>	<u>502,091</u>	<u>571,521</u>
OPERATING (LOSS) INCOME BEFORE DEPRECIATION	(28,355)	159,003	130,648
Depreciation	<u>19,307</u>	<u>118,545</u>	<u>137,852</u>
NET OPERATING LOSS	<u>(47,662)</u>	<u>40,458</u>	<u>(7,204)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers in	22,914	-	22,914
Interest income	6	57	63
Interest expense	-	(9,061)	(9,061)
TOTAL NONOPERATING REVENUES	<u>22,920</u>	<u>(9,004)</u>	<u>13,916</u>
CHANGE IN NET POSITION	(24,742)	31,454	6,712
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>1,657,322</u>	<u>1,777,484</u>	<u>3,434,806</u>
NET POSITION, END OF YEAR	<u>\$ 1,632,580</u>	<u>\$ 1,808,938</u>	<u>\$ 3,441,518</u>

## **Enterprise Funds**



**CITY OF SALISBURY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**ENTERPRISE FUND - WATER AND SEWER FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Water Department	Sewer Department	Total
OPERATING REVENUES			
Charges for services	\$ 4,006,105	\$ 10,156,633	\$ 14,162,738
Penalties	20,655	55,595	76,250
Tapping charges and connection fees	15,020	290,923	305,943
Sundry income	183,251	27,275	210,526
Pretreatment monitoring fee	-	173,949	173,949
Impact fees	193,976	-	193,976
TOTAL OPERATING REVENUES	<u>4,419,007</u>	<u>10,704,375</u>	<u>15,123,382</u>
OPERATING EXPENSES			
Salaries	1,476,571	2,310,973	3,787,544
Personnel benefits	742,717	1,236,479	1,979,196
Professional and skilled services	173,982	248,558	422,540
Other operating expenses	1,562,234	3,081,997	4,644,231
Equipment	7,180	33,367	40,547
TOTAL OPERATING EXPENSES	<u>3,962,684</u>	<u>6,911,374</u>	<u>10,874,058</u>
OPERATING INCOME BEFORE DEPRECIATION	456,323	3,793,001	4,249,324
Depreciation	<u>635,678</u>	<u>602,240</u>	<u>1,237,918</u>
NET OPERATING INCOME	<u>(179,355)</u>	<u>3,190,761</u>	<u>3,011,406</u>
NONOPERATING REVENUES (EXPENSES)			
Lawsuit settlement	-	3,098	3,098
Interest income	6,042	6,134	12,176
Interest expense	<u>(121,889)</u>	<u>(628,109)</u>	<u>(749,998)</u>
TOTAL NONOPERATING EXPENSES	<u>(115,847)</u>	<u>(618,877)</u>	<u>(734,724)</u>
EXTRAORDINARY ITEM			
Impairment loss	<u>-</u>	<u>39,674,531</u>	<u>39,674,531</u>
CHANGE IN NET POSITION	<u>\$ (295,202)</u>	<u>\$ (37,102,647)</u>	<u>(37,397,849)</u>
NET POSITION, BEGINNING OF YEAR, RESTATED			<u>82,329,434</u>
NET POSITION, END OF YEAR			<u>\$ 44,931,585</u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - WATER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Inspection fees	\$ 35,000	\$ 35,000	\$ 27,270	\$ (7,730)
Water sales	3,858,585	3,858,585	3,978,835	120,250
Penalties	22,500	22,500	20,655	(1,845)
Tapping charges and connection fees	-	-	15,020	15,020
Interest earned	-	-	6,042	6,042
Water income - sundry	173,200	173,200	183,251	10,051
Impact fees	-	-	193,976	193,976
Current surplus available	132,971	913,079	-	(913,079)
<b>TOTAL REVENUES</b>	<b>4,222,256</b>	<b>5,002,364</b>	<b>4,425,049</b>	<b>(577,315)</b>
<b>EXPENSES</b>				
<b>Engineering</b>				
Salaries	330,355	314,091	312,826	1,265
Personnel benefits	157,538	143,618	142,208	1,410
Professional and skilled services	9,500	32,262	72,361	(40,099)
Other operating expenses	84,179	85,479	71,267	14,212
Equipment	30,000	30,000	-	30,000
<b>Total Engineering</b>	<b>611,572</b>	<b>605,450</b>	<b>598,662</b>	<b>6,788</b>
<b>Billing and collection</b>				
Salaries	87,736	90,136	90,069	67
Personnel benefits	33,326	33,326	33,128	198
Professional and skilled services	5,100	2,700	1,479	1,221
Other operating expenses	89,745	90,345	81,980	8,365
<b>Total Billing and Collection</b>	<b>215,907</b>	<b>216,507</b>	<b>206,656</b>	<b>9,851</b>
<b>Water treatment</b>				
Salaries	516,778	495,459	492,846	2,613
Personnel benefits	229,694	232,013	279,349	(47,336)
Other operating expenses	881,566	1,434,395	933,612	500,783
Equipment	-	106,441	7,180	99,261
<b>Total Water Treatment</b>	<b>1,628,038</b>	<b>2,268,308</b>	<b>1,712,987</b>	<b>555,321</b>

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - WATER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Distribution and storage				
Salaries	513,496	511,362	479,656	31,706
Personnel benefits	200,382	202,516	246,148	(43,632)
Other operating expenses	248,122	374,552	324,012	50,540
Total Distribution and Storage	<u>962,000</u>	<u>1,088,430</u>	<u>1,049,816</u>	<u>38,614</u>
Administration				
Salaries	100,109	101,851	101,174	677
Personnel benefits	45,114	43,372	41,884	1,488
Professional and skilled services	101,103	107,103	100,142	6,961
Other operating expenses	153,910	166,176	151,363	14,813
Total Administration	<u>400,236</u>	<u>418,502</u>	<u>394,563</u>	<u>23,939</u>
Debt payments				
Principal redemption	283,093	283,093	-	283,093
Interest	121,410	122,074	121,889	185
Total Debt Payments	<u>404,503</u>	<u>405,167</u>	<u>121,889</u>	<u>283,278</u>
 TOTAL EXPENSES	 <u>4,222,256</u>	 <u>5,002,364</u>	 <u>4,084,573</u>	 <u>917,791</u>
OPERATING INCOME BEFORE DEPRECIATION	-	-	340,476	340,476
Depreciation	-	-	635,678	(635,678)
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (295,202)</u>	<u>\$ (295,202)</u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - SEWER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Sewer charges	\$ 9,664,571	\$ 9,664,571	\$ 9,748,212	\$ 83,641
Sewer charges - urban services	440,000	440,000	408,421	(31,579)
Penalties	60,000	60,000	55,595	(4,405)
Tapping charges and connection fees	-	-	290,923	290,923
Pretreatment monitoring fees	185,000	185,000	173,949	(11,051)
Interest earned	-	-	6,134	6,134
Sewer income - sundry	5,800	5,800	27,275	21,475
Lawsuit settlement	-	-	3,098	3,098
Current surplus available	1,113,336	3,420,457	-	(3,420,457)
<b>TOTAL REVENUES</b>	<b>11,468,707</b>	<b>13,775,828</b>	<b>10,713,607</b>	<b>(3,062,221)</b>
<b>EXPENSES</b>				
<b>Engineering</b>				
Salaries	359,165	358,939	349,760	9,179
Personnel benefits	151,735	152,210	147,748	4,462
Professional and skilled services	166,500	283,306	7,493	275,813
Other operating expenses	82,216	97,597	79,661	17,936
Capital outlay	40,000	40,000	-	40,000
Total Engineering	799,616	932,052	584,662	347,390
<b>Billing and collection</b>				
Salaries	151,818	151,104	151,002	102
Personnel benefits	55,674	56,388	79,091	(22,703)
Professional and skilled services	12,850	12,850	12,091	759
Other operating expenses	23,385	24,933	15,869	9,064
Total Billing and Collection	243,727	245,275	258,053	(12,778)
<b>Wastewater treatment</b>				
Salaries	1,242,955	1,279,250	1,182,790	96,460
Personnel benefits	531,038	562,635	671,091	(108,456)
Professional and skilled services	50,000	127,350	-	127,350
Other operating expenses	2,793,619	4,199,213	2,530,815	1,668,398
Equipment	78,000	256,279	29,947	226,332
Total Wastewater Treatment	4,695,612	6,424,727	4,414,643	2,010,084

Continued on next page.

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - SEWER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Maintenance and repair				
Salaries	449,186	446,798	402,168	44,630
Personnel benefits	186,920	189,308	221,481	(32,173)
Other operating expenses	299,849	390,329	221,763	168,566
Equipment	43,271	43,271	3,420	39,851
Total Maintenance and Repair	<u>979,226</u>	<u>1,069,706</u>	<u>848,832</u>	<u>181,023</u>
Pretreatment monitoring				
Salaries	108,322	105,142	104,969	173
Personnel benefits	44,605	50,125	64,260	(14,135)
Other operating expenses	34,430	32,720	24,726	7,994
Total Pretreatment Monitoring	<u>187,357</u>	<u>187,987</u>	<u>193,955</u>	<u>(5,968)</u>
Administration				
Salaries	118,687	120,584	120,284	300
Personnel benefits	56,847	54,950	52,808	2,142
Professional and skilled services	209,639	549,801	228,974	320,827
Other operating expenses	213,363	226,113	209,163	16,950
Total Administration	<u>598,536</u>	<u>951,448</u>	<u>611,229</u>	<u>340,219</u>
Debt payments				
Principal redemption	3,318,998	3,318,998	-	3,318,998
Interest	645,635	645,635	628,109	17,526
Total Debt Payments	<u>3,964,633</u>	<u>3,964,633</u>	<u>628,109</u>	<u>3,336,524</u>
<b>TOTAL EXPENSES</b>	<u>11,468,707</u>	<u>13,775,828</u>	<u>7,539,483</u>	<u>6,196,494</u>
<b>OPERATING INCOME (LOSS) BEFORE EXTRAORDINARY ITEM AND DEPRECIATION</b>	-	-	3,174,124	(3,174,124)
<b>EXTRAORDINARY ITEM</b>				
Impairment loss	-	-	39,674,531	(39,674,531)
Depreciation	-	-	602,240	(602,240)
<b>CHANGE IN NET POSITION</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(37,102,647)</u>	<u>\$ 37,102,647</u>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - CITY MARINA**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Slip rentals	\$ 35,000	\$ 35,000	\$ 8,523	\$ (26,477)
Electric fees	5,000	5,000	2,825	(2,175)
Gas sales	21,000	21,000	27,504	6,504
Miscellaneous	200	200	2,223	2,023
<b>TOTAL OPERATING REVENUES</b>	<b>61,200</b>	<b>61,200</b>	<b>41,075</b>	<b>(20,125)</b>
<b>OPERATING EXPENSES</b>				
Salaries	31,420	31,420	29,495	1,925
Personnel benefits	2,819	2,819	2,660	159
Supplies	11,125	8,525	5,514	3,011
Other services and charges	38,750	41,410	31,761	9,649
<b>TOTAL OPERATING EXPENSES</b>	<b>84,114</b>	<b>84,174</b>	<b>69,430</b>	<b>14,744</b>
<b>OPERATING LOSS BEFORE DEPRECIATION</b>				
DEPRECIATION	(22,914)	(22,974)	(28,355)	(5,381)
Depreciation	-	-	19,307	(19,307)
<b>NET OPERATING LOSS</b>	<b>(22,914)</b>	<b>(22,974)</b>	<b>(47,662)</b>	<b>(24,688)</b>
<b>NONOPERATING REVENUES</b>				
Operating transfer in	22,914	22,914	22,914	-
Interest income	-	-	6	6
<b>TOTAL NONOPERATING REVENUES</b>	<b>22,914</b>	<b>22,914</b>	<b>22,920</b>	<b>6</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ -</b>	<b>\$ (60)</b>	<b>\$ (24,742)</b>	<b>\$ (24,682)</b>

**CITY OF SALISBURY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - PARKING AUTHORITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Parking permits, fines, state grants, meters, and Park 'n Shop	\$ 534,202	\$ 534,202	\$ 654,793	\$ 120,591
Rent and other	6,080	6,080	6,301	221
Current surplus available	91,298	91,298	-	(91,298)
<b>TOTAL OPERATING REVENUES</b>	<b>631,580</b>	<b>631,580</b>	<b>661,094</b>	<b>29,514</b>
<b>OPERATING EXPENSES</b>				
Salaries	201,633	200,976	190,654	10,322
Personnel benefits	54,730	59,841	59,292	549
Professional and skilled services	118,650	122,005	90,379	31,626
Supplies	6,100	5,650	4,660	990
Other expenses	168,856	172,383	157,106	15,277
Capital outlays	72,000	72,000	-	72,000
<b>TOTAL OPERATING EXPENSES</b>	<b>621,969</b>	<b>632,855</b>	<b>502,091</b>	<b>130,764</b>
<b>OPERATING INCOME BEFORE DEPRECIATION</b>				
	9,611	(1,275)	159,003	160,278
Depreciation	-	-	118,545	(118,545)
<b>NET OPERATING INCOME (LOSS)</b>	<b>9,611</b>	<b>(1,275)</b>	<b>40,458</b>	<b>41,733</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Other sources	91,298	91,298	-	(91,298)
Interest income	250	250	57	(193)
Principal payment	(85,244)	(85,244)	-	85,244
Interest expense	(15,915)	(15,915)	(9,061)	6,854
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b>(9,611)</b>	<b>(9,611)</b>	<b>(9,004)</b>	<b>607</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ -</b>	<b>\$ (10,886)</b>	<b>\$ 31,454</b>	<b>\$ 42,340</b>

**STATISTICAL INFORMATION**



**CITY OF SALISBURY, MARYLAND**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)  
JUNE 30, 2015**

Levy Year	Total	General Fund		
		Real Property	Personal Property	Corporations
2015	\$ 475,814	\$ 211,394	\$ 2,169	\$ 262,251
2014	98,481	46,309	(925)	53,097
2013	133,797	31,511	772	101,514
2012	126,761	36,304	341	90,116
2011 and prior	1,190,399	407,018	42,201	741,180
	<u>2,025,252</u>	<u>732,536</u>	<u>44,558</u>	<u>1,248,158</u>
Less allowance for uncollectibles	<u>(906,780)</u>	<u>-</u>	<u>(43,285)</u>	<u>(863,495)</u>
	<u>\$ 1,118,472</u>	<u>\$ 732,536</u>	<u>\$ 1,273</u>	<u>\$ 384,663</u>

NOTE: Included in the above are deferred taxes of \$450,193.



CITY OF SALISBURY, MARYLAND

GENERAL FUND REVENUE BY SOURCE (UNAUDITED)  
FIVE YEARS ENDED JUNE 30, 2015

Fiscal Year Ended June 30	Property Taxes	Local Income Taxes	State Shared Taxes	Licenses and Permits	Fines and Forfeitures	Revenues			Service Charges and Other	Total	Surplus Appropriated
						from Use of Money and Property	Revenue from Other Agencies				
2015	\$ 21,830,718 66.00%	\$ 1,631,437 4.93%	\$ 1,606,230 4.86%	\$ 877,882 2.65%	\$ 861,953 2.61%	\$ 20,850 0.06%	\$ 1,979,429 5.98%	\$ 4,267,389 12.90%	\$ 33,075,888 100.00%	\$ 387,604	
2014	21,648,544 67.26%	1,554,622 4.83%	1,637,787 5.09%	1,043,834 3.24%	855,103 2.66%	32,167 0.10%	2,046,793 6.36%	3,367,048 10.46%	32,185,898 100.00%	825,564	
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	

**CITY OF SALISBURY, MARYLAND**

**GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)  
FIVE YEARS ENDED JUNE 30, 2015**

Fiscal Year Ended June 30	General Government	Department of Public Works						Miscellaneous & Transfers	Total	
		Police	Fire	Other Safety	Supervision & Engineering	Highways	Sanitation			Recreation
2015	\$2,861,790 8.08%	\$11,318,972 31.95%	\$6,681,923 18.86%	\$1,422,459 4.02%	\$1,800,877 5.08%	\$1,469,201 4.15%	\$2,094,694 5.91%	\$1,766,395 4.99%	\$6,011,813 16.97%	\$35,428,124 100.00%
2014	2,633,985 8.14%	10,447,024 32.28%	5,878,921 18.16%	1,304,210 4.03%	2,020,376 6.24%	1,557,077 4.81%	2,494,192 7.71%	2,267,820 7.01%	3,761,796 11.62%	32,365,401 100.00%
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%

**CITY OF SALISBURY, MARYLAND**  
**WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)**  
**FIVE YEARS ENDED JUNE 30, 2015**

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
2015	\$ 4,006,105	\$ 412,902	\$10,156,633	\$ 563,016	\$15,138,656	\$ 1,601,869	\$10,833,511	\$ 40,547	\$ 749,998	\$ 1,237,918	\$12,861,974
2014	4,005,568	460,748	10,245,075	1,385,555	16,096,946	1,246,307	9,758,723	48,391	818,788	1,278,563	11,904,465
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

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, 2015

Fiscal Year Ended June 30	Assessable Basis	Total General Sinking Tax Levy	Current Tax Collections	Percent of		Delinquent Tax Collections	Total Tax Collections	Total		Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
				Levy Collected in Year of Levy	Levy			Collections as a Percent of Current Levy	Collections as a Percent of Current Levy		
2015	\$ 2,016,397,463	\$ 22,304,785	\$ 20,959,871	93.97%	\$ 467,826	\$ 21,427,697	\$ 1,575,057	96.07%	\$ 1,575,057	7.06%	
2014	2,046,442,133	21,685,798	20,949,666	96.61%	340,539	21,290,205	1,907,296	98.18%	1,907,296	8.80%	
2013	2,228,304,647	23,207,089	19,411,466	83.64%	380,515	19,791,981	2,045,252	85.28%	2,045,252	8.81%	
2012	2,254,938,618	21,721,757	20,246,098	93.21%	169,030	20,415,128	2,179,002	93.98%	2,179,002	10.03%	
2011	2,330,729,384	22,506,548	20,373,256	90.52%	45,267	20,418,523	2,088,025	90.72%	2,088,025	9.28%	

CITY OF SALISBURY, MARYLAND

GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS (UNAUDITED)  
FIVE YEARS ENDED JUNE 30, 2015

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							
2015	\$1,748,436,713	\$2,467,580	\$205,701,610	\$59,791,560	\$2,016,397,463	\$68,725,686	0.0341	\$48,366,772	\$29,036,814	\$6,207,124	\$48,290,098	0.129
2014	1,775,307,203	2,397,520	211,985,160	56,752,250	2,046,442,133	70,057,647	0.0342	98,125,781	28,068,134	6,225,744	44,269,866	0.141
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	43,140,557	0.159
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	47,462,006	0.140
2011	2,050,805,168	2,058,140	229,984,250	47,881,790	2,330,729,348	69,159,538	0.0297	110,024,625	40,865,087	6,298,863	47,576,666	0.132