



CITY OF SALISBURY, MARYLAND

AUDIT REPORT

JUNE 30, 2014

CITY OF SALISBURY
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CITY OF SALISBURY, MARYLAND
ORGANIZATION
SERVING AS OF JUNE 30, 2014

OFFICIALS - ELECTED

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

OFFICIALS - STAFF

City Administrator	Tom Stevenson
Assistant City Administrator	Terence Arrington
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

Barbacane, Thornton & Company LLP
200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

T 302.478.8940
F 302.468.4001
www.btcpa.com

December 1, 2014

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, 2014, 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, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 47 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.

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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the 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.

Members of City Council
City of Salisbury

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 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

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, 2014. 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, 2014 was \$115,812,984. Net position of our governmental activities declined by \$1,044,468 (or 3.5 percent) while net position of our business-type activities increased by \$4,090,681 (or 4.9 percent).
- The general fund reported revenues under expenditures resulting in a \$91,189 decrease in fund balance, bringing its fund balance this year to \$11,889,695.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

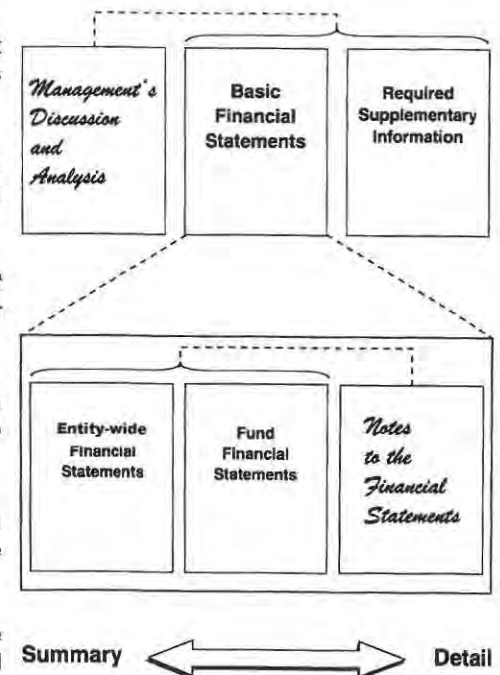


Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary	Activities the City operate similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	* Statement of net position	* Balance sheet	* Statement of net position	* Statement of fiduciary net position
	* Statement of activities	* Statement of revenues, expenditures and changes in fund balances	* Statement of revenues, expenses and changes in fund net position * Statement of cash flows	* Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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 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 \$115.8 million.

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
CURRENT ASSETS:						
Cash and investment pool	\$ 11,077	\$ 10,081	\$ 8,603	\$ 17,462	\$ 19,680	\$ 27,543
Receivables, net	3,227	3,339	2,550	2,786	5,777	6,125
Due from other governmental units	694	1,848	506	742	1,200	2,590
Internal balances	201	194	(201)	(194)	-	-
Other	5	2	-	-	5	2
Inventories	819	708	754	488	1,573	1,196
TOTAL CURRENT ASSETS	16,023	16,172	12,212	21,284	28,235	37,456
NONCURRENT ASSETS:						
Restricted cash and investment pool	6,232	4,120	18,903	13,067	25,135	17,187
Capital assets at cost	63,992	62,091	158,226	153,118	222,218	215,209
Less accumulated depreciation	(21,512)	(20,733)	(42,537)	(41,373)	(64,049)	(62,106)
TOTAL NONCURRENT ASSETS	48,712	45,478	134,592	124,812	183,304	170,290
TOTAL ASSETS	64,735	61,650	146,804	146,096	211,539	207,746
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	1,917	1,569	507	461	2,424	2,030
Bonds, notes, and capital leases payable	1,999	2,609	3,676	3,929	5,675	6,538
Other	789	664	48	46	837	710
TOTAL CURRENT LIABILITIES	4,705	4,842	4,231	4,436	8,936	9,278
NONCURRENT LIABILITIES:						
Compensated absences	1,353	1,189	198	181	1,551	1,370
Post-employment benefits	14,083	11,440	3,521	3,041	17,604	14,481
Bonds, notes, and capital leases payable	16,132	14,672	51,503	55,178	67,635	69,850
TOTAL NONCURRENT LIABILITIES	31,568	27,301	55,222	58,400	86,790	85,701
TOTAL LIABILITIES	36,273	32,143	59,453	62,836	95,726	94,979
NET POSITION:						
Net investment in capital assets	24,349	24,078	60,510	52,638	84,859	76,716
Restricted	6,603	4,120	18,903	13,067	25,506	17,187
Unrestricted (deficit)	(2,490)	1,309	7,938	17,555	5,448	18,864
TOTAL NET POSITION	\$ 28,462	\$ 29,507	\$ 87,351	\$ 83,260	\$ 115,813	\$ 112,767

Net position of the City's governmental activities declined 3.5 percent to 28.5 million due to decreases in current assets and increases in noncurrent liabilities. Net position of the City's business-type activities increased by 4.9 percent to \$87.4 million due to increases in noncurrent assets.

The City's total revenues were \$52 million. A significant portion, 45.1 percent, of the City's revenue comes from property and other taxes. (See Figure A-3). A portion, 42.2 percent comes from charges for services, and 7.8 percent comes from operating grants. The remaining 4.9 percent comes from miscellaneous, capital grants, and investment earnings. The total cost of all programs and services was \$48.9 million.

Figure A-3
 City of Salisbury
 Sources of Revenue for Fiscal Year 2014

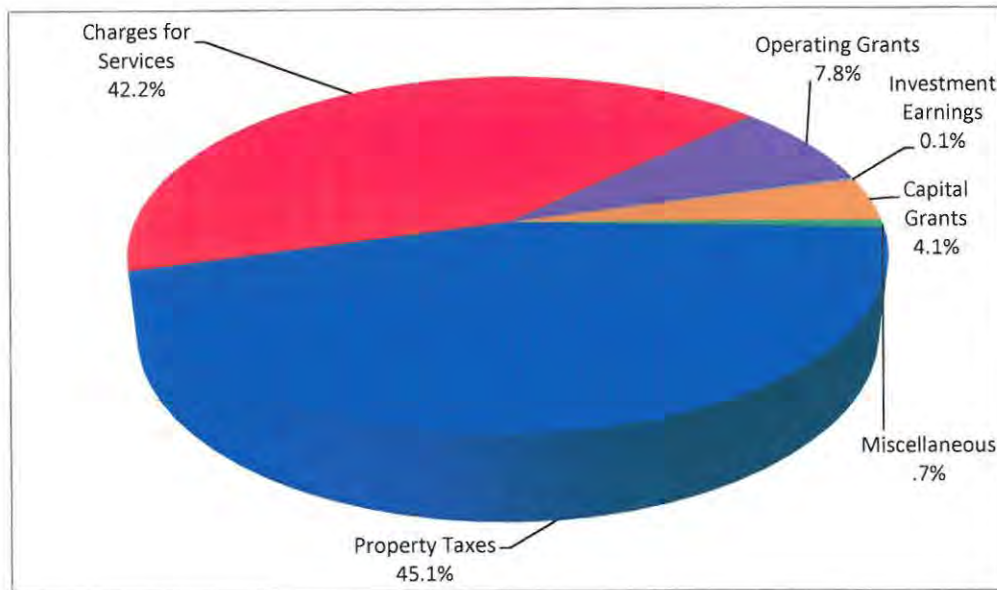


Table A-2
 SOURCES OF REVENUES
 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2013
	2014	2013	2014	2013	2014	2013	
Program Revenues:							
Charges for services	\$ 5,966	\$ 5,897	\$ 15,999	\$ 16,734	\$ 21,965	\$ 22,631	-3%
Operating grants	4,030	3,914	-	-	4,030	3,914	3%
Capital grants	1,280	149	854	-	2,134	149	1332%
General Revenues:							
Property and other taxes	23,465	21,416	-	-	23,465	21,416	10%
Investment earnings	34	29	18	36	52	65	-20%
Operating transfers	(43)	(43)	43	43	-	-	0%
Miscellaneous	405	504	(53)	1,213	352	1,717	-79%
Total Revenues	\$ 35,137	\$ 31,866	\$ 16,861	\$ 18,026	\$ 51,998	\$ 49,892	4%

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

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	% Change	2014	2013	% Change
Governmental Activities:						
General government	\$ 3,495	\$ 3,223	8.4%	\$ 1,231	\$ 582	111.5%
Public safety	21,804	20,011	9.0%	15,327	15,019	2.1%
Public works	7,200	7,839	-8.2%	6,468	6,335	2.1%
Recreation and culture	2,485	1,969	26.2%	682	1,147	-40.5%
Miscellaneous	603	1,023	-41.1%	603	1,023	-41.1%
Interest on long-term debt	579	642	-9.8%	579	642	-9.8%
Total Governmental Activities	36,166	34,707		24,890	24,748	
Business-type Activities:						
Water and sewer	11,904	12,324	-3.4%	(4,148)	(3,603)	15.1%
Mitchell Landing	151	198	-23.7%	(26)	27	-196.3%
Other	715	758	-5.7%	91	122	-25.4%
Total Business-type Activities	12,770	13,280		(4,083)	(3,454)	
Total	\$ 48,936	\$ 47,987		\$ 20,807	\$ 21,294	

CHANGE IN NET POSITION
 (in thousands of dollars)

Governmental Activities		Business-type Activities		Totals	
2014	2013	2014	2013	2014	2013
\$ (1,044)	\$ (2,842)	\$ 4,091	\$ 4,747	\$ 3,046	\$ 1,905

Governmental Activities

Property and other tax revenues were up 2.0 million due to improvements in economic conditions. The cost of all governmental activities this year was \$36.2 million. However, the amount that the City's taxpayers paid for these activities through taxes was only \$23.5 million. Some of the cost was paid by those who directly benefited from the programs, \$6.0 million, or by grants and contributions, \$5.2 million. The total cost of governmental activities increased by 4.0 percent, which can be attributed largely to increases in public safety and recreation and culture.

Business-type Activities

Revenues of the City's business-type activities were \$16.9 million in FY 2014 versus \$18.0 million in FY 2013 (refer to Table A-2) while expenses were \$12.8 million in FY 2014 versus \$13.3 million in FY 2013. The revenue decline is partly due to the City receiving lawsuit settlement proceeds for the Wastewater Treatment plant in FY 2013 and partly due to a decline in charges for services. Overall costs decreased by \$.5 million, or 3.8 percent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of the end of FY 2014, the City's governmental funds reported a combined fund balance of \$18.7 million, a \$1.6 million increase over the previous year. At year end, the general fund had a fund balance of \$11.9 million, and the capital improvements fund had a fund balance of \$5.7 million. The fund balance for other governmental funds reported an ending fund balance of \$1.1 million. Revenue collections were less than expenditures \$1.7 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 \$35.4 million versus an original budget of \$36.3 million. The majority of the variance is due to a carry forward of encumbrances from FY 2013. Actual expenditures were \$3.1 million below final budget amounts. All departments were under budget during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City had invested \$222.2 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 Percentage Change 2014-2013
	2014	2013	2014	2013	2014	2013	
Land and art	\$ 7,884	\$ 7,884	\$ 2,047	\$ 2,047	\$ 9,931	\$ 9,931	0%
Buildings and improvements	19,814	20,435	21,892	21,758	41,706	42,193	-1%
Improvements, non-buildings	13,131	12,804	35,201	30,909	48,332	43,713	11%
Machinery and equipment	18,448	18,254	11,926	11,969	30,374	30,223	0%
Zoo animals	36	36	-	-	36	36	0%
Construction-in-progress	4,678	2,678	87,160	86,435	91,838	89,113	3%
Totals at historical cost	63,991	62,091	158,226	153,118	222,217	215,209	3%
Total accumulated depreciation	21,512	20,733	42,537	41,373	64,049	62,106	3%
Net Capital Assets	\$ 42,479	\$ 41,358	\$ 115,689	\$ 111,745	\$ 158,168	\$ 153,103	3%

The City's governmental capital purchases for fiscal year 2014 included fireman's radios, two sanitation trucks, and five police vehicles. Infrastructure improvements were made to the Mill Street Bridge, Market Street Shoreline, and Riverwalk. The Animal Health Building is nearing completion. The business-type activities additions to capital assets include the purchase of a backhoe and the completion of the Milford Street Water Tower and the Wastewater Treatment Plant Drain Pump Station. Continuing projects include the Wastewater Treatment Plant, Paleo Well, Park Water Treatment Plant improvements, and the construction of the Caustic Chemical Storage Building. 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 \$73.3 million in bonds, notes, and leases outstanding, a decrease of \$3.1 million over the previous year. The City issued \$3.2 million for public improvement bonds to finance Riverwalk repairs, Germania Circle Storm Drain improvements, and the Main Street Master Plan. The City used lease financing to purchase a sanitation truck in FY 2014. The City is limited to a maximum general obligation bond limit of \$98 million. The City has recently issued its debt through private placement or use of loan programs with the State of Maryland; thus, it does not go to the credit rating agencies. More detailed information about the City's long-term liabilities is presented in Note 6 to the financial statements.

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

	Governmental Activities		Business-type Activities		Totals		Total Percentage Change 2014-2013
	2014	2013	2014	2013	2014	2013	
Leases payable	\$ 1,664	\$ 2,325	\$ 206	\$ 287	\$ 1,870	\$ 2,612	-28%
Bonds payable	16,294	14,755	53,591	57,438	69,885	72,193	-3%
Mortgages and notes payable	172	201	1,382	1,382	1,554	1,583	-2%
Total Bonds and Notes Payable	\$ 18,130	\$ 17,281	\$ 55,179	\$ 59,107	\$ 73,309	\$ 76,388	-4%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Construction activity in the City is slowly increasing, corresponding to the overall housing market. There is still some continuing construction activity in the City, with a mixture of residential and commercial. The City collected \$372,407 in building permit revenues for FY 2014 versus \$364,641 for FY 2013.
- The City received \$ 1,759 less in real estate tax revenue in FY 2014. The total of other tax revenues were \$48,171 more in FY 2014 than FY 2013.
- The City's next three year reassessment cycle started in January 2014.
- The State of Maryland substantially increased Highway User Taxes for FY 2014 to \$799,848 from \$232,626 in FY 2013.
- The local (Wicomico County) unemployment rate as of July 2014 was 7.7 percent, down .7 percent from a year ago. The State of Maryland had a 6.1 percent rate, and the nation as a whole has a 6.2 percent unemployment rate.

As for the City's business-type activities, the water and sewer fund final budget decreased from \$22.6 million in the FY 2013 to \$19.3 million in FY 2014. Sewer rates were decreased 6.5 percent in FY 2014. The City is in the process of upgrading the Wastewater Treatment Plant. After the last upgrade, the Wastewater Treatment Plant is not producing effluent at the level required by the State. As a result, the City has completed a Corrective Action Plan and Preliminary Engineering Report for the Wastewater Treatment Plant upgrades. Both documents have been approved by the State of Maryland Department of the Environment. The design of the improvements recommended in the Corrective Action Plan is underway. The City is under an Amended Consent Order from the State of Maryland, which dictates that the upgrade must be complete and the Wastewater Treatment Plant meeting effluent limits by December 31, 2017. The Amended Consent Order outlined the financing options for the Wastewater Treatment Plant, including providing Biological Nutrient Removal and Enhanced Nutrient Removal (BNR/ENR) grants and a zero percent interest State Revolving Fund loan.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investment pool	\$ 11,076,510	\$ 8,603,167	\$ 19,679,677
Taxes receivable, net	1,130,098	-	1,130,098
Accounts receivable, net	2,096,626	2,549,883	4,646,509
Due from other governmental units	694,276	505,370	1,199,646
Internal balances	200,906	(200,906)	-
Inventories	818,758	754,087	1,572,845
Other assets	5,070	-	5,070
Total Current Assets	16,022,244	12,211,601	28,233,845
Noncurrent assets:			
Restricted cash and investments	6,232,768	18,903,183	25,135,951
Construction-in-progress	4,678,117	87,160,045	91,838,162
Land and art	7,883,810	2,046,753	9,930,563
Capital assets at cost	51,429,641	69,018,586	120,448,227
Less accumulated depreciation	(21,512,046)	(42,536,595)	(64,048,641)
Total Noncurrent Assets	48,712,290	134,591,972	183,304,262
TOTAL ASSETS	\$ 64,734,534	\$ 146,803,573	\$ 211,538,107
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,830,250	\$ 364,047	\$ 2,194,297
Unearned revenue	15,880	-	15,880
Due to other governmental units	3,150	-	3,150
Deposits and advance payments of taxes	623,065	26,289	649,354
Compensated absences	150,307	21,991	172,298
Accrued interest payable	83,393	142,828	226,221
Bonds, notes, and capital leases payable	1,998,752	3,675,934	5,674,686
Total Current Liabilities	4,704,797	4,231,089	8,935,886
Noncurrent liabilities:			
Compensated absences	1,352,763	197,917	1,550,680
Post-employment benefits	14,082,691	3,520,673	17,603,364
Bonds, notes, and capital leases payable	16,132,106	51,503,087	67,635,193
Total Noncurrent Liabilities	31,567,560	55,221,677	86,789,237
Total Liabilities	36,272,357	59,452,766	95,725,123
NET POSITION			
Net investment in capital assets	24,348,664	60,509,768	84,858,432
Restricted	6,603,771	18,903,183	25,506,954
Unrestricted (deficit)	(2,490,258)	7,937,856	5,447,598
Total Net Position	28,462,177	87,350,807	115,812,984
TOTAL LIABILITIES AND NET POSITION	\$ 64,734,534	\$ 146,803,573	\$ 211,538,107

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 3,495,371	\$ 1,472,709	\$ 776,274	\$ 15,880	\$ (1,230,508)	-	\$ (1,230,508)
Public safety	21,803,544	3,079,441	3,209,878	187,389	(15,326,836)	-	(15,326,836)
Public works	7,199,767	689,829	41,986	-	(6,467,952)	-	(6,467,952)
Recreation and culture	2,485,146	724,118	1,700	1,077,000	(682,328)	-	(682,328)
Nondepartmental	602,549	-	-	-	(602,549)	-	(602,549)
Interest on long-term debt	579,267	-	-	-	(579,267)	-	(579,267)
Total Governmental Activities	<u>36,165,644</u>	<u>5,966,097</u>	<u>4,029,838</u>	<u>1,280,269</u>	<u>(24,889,440)</u>	<u>-</u>	<u>(24,889,440)</u>
BUSINESS-TYPE ACTIVITIES							
Water and sewer	11,904,465	15,197,812	-	854,472	-	4,147,819	4,147,819
Mitchell Landing	150,925	176,645	-	-	-	25,720	25,720
Other	714,994	624,202	-	-	-	(90,792)	(90,792)
Total Business-type Activities	<u>12,770,384</u>	<u>15,998,659</u>	<u>-</u>	<u>854,472</u>	<u>-</u>	<u>4,082,747</u>	<u>4,082,747</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 48,936,028</u>	<u>\$ 21,964,756</u>	<u>\$ 4,029,838</u>	<u>\$ 2,134,741</u>	<u>(24,889,440)</u>	<u>4,082,747</u>	<u>(20,806,693)</u>
GENERAL REVENUES							
Taxes							
Real and personal property taxes, levied for general purposes					15,548,012	-	15,548,012
Ordinary business corporations and utilities					5,961,736	-	5,961,736
State shared income tax					1,554,622	-	1,554,622
Other taxes					384,940	-	384,940
Investment earnings					34,021	18,131	52,152
Lawsuit settlement					-	(80,934)	(80,934)
Gain on sale of capital assets					115,162	27,271	142,433
Miscellaneous					289,945	-	289,945
Operating transfers					(43,466)	43,466	-
TOTAL GENERAL REVENUES AND TRANSFERS					<u>23,844,972</u>	<u>7,934</u>	<u>23,852,906</u>
CHANGE IN NET POSITION					(1,044,468)	4,090,681	3,046,213
NET POSITION, BEGINNING OF YEAR					29,506,645	83,260,126	112,766,771
NET POSITION, END OF YEAR					<u>\$ 28,462,177</u>	<u>\$ 87,350,807</u>	<u>\$ 115,812,984</u>

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

CITY OF SALISBURY, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
ASSETS				
Cash	\$ 5,452,693	\$ -	\$ 573,540	\$ 6,026,233
Investment pool	5,013,238	-	37,039	5,050,277
Taxes receivable	2,066,415	-	-	2,066,415
Less allowance for uncollectibles	(936,317)	-	-	(936,317)
Due from other governmental units	332,752	-	361,524	694,276
Due from other funds	276,868	-	-	276,868
Sundry accounts receivable	3,396,605	-	324,959	3,721,564
Less allowance for uncollectibles	(1,624,938)	-	-	(1,624,938)
Inventory	818,758	-	-	818,758
Other assets	5,070	-	-	5,070
Restricted cash	195,390	1,380,606	-	1,575,996
Restricted investment pool	-	4,656,772	-	4,656,772
TOTAL ASSETS	<u>\$14,996,534</u>	<u>\$ 6,037,378</u>	<u>\$ 1,297,062</u>	<u>\$22,330,974</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,365,488	\$ 369,920	\$ 94,842	\$ 1,830,250
Due to other funds	-	-	75,962	75,962
Due to other governmental units	3,150	-	-	3,150
Unearned revenue	-	-	15,880	15,880
Deposits and advance payment of taxes	623,065	-	-	623,065
Compensated absences	148,822	-	1,485	150,307
Total Liabilities	<u>2,140,525</u>	<u>369,920</u>	<u>188,169</u>	<u>2,698,614</u>
Deferred Inflows of Resources				
Unavailable revenue	966,314	-	-	966,314
Total Deferred Inflows of Resources	<u>966,314</u>	<u>-</u>	<u>-</u>	<u>966,314</u>
Fund Balances:				
Nonspendable	823,828	-	-	823,828
Restricted	-	5,667,458	-	5,667,458
Committed	748,456	-	305,331	1,053,787
Assigned	1,529,927	-	803,562	2,333,489
Unassigned	8,787,484	-	-	8,787,484
Total Fund Balances	<u>11,889,695</u>	<u>5,667,458</u>	<u>1,108,893</u>	<u>18,666,046</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$14,996,534</u>	<u>\$ 6,037,378</u>	<u>\$ 1,297,062</u>	<u>\$22,330,974</u>

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, 2014**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 18,666,046

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. 42,479,522

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. 966,314

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	\$ (18,130,858)	
Compensated absences	(1,352,763)	
Post-employment benefits	(14,082,691)	
Accrued interest on bonds	<u>(83,393)</u>	<u>(33,649,705)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 28,462,177

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, 2014

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total
REVENUES				
Taxes	\$23,588,107	\$ -	\$ -	\$23,588,107
Other revenue	3,400,894	601,751	48	4,002,693
Intergovernmental revenues	2,195,070	-	2,430,320	4,625,390
Charges for services	2,875,024	-	12,294	2,887,318
TOTAL REVENUES	<u>32,059,095</u>	<u>601,751</u>	<u>2,442,662</u>	<u>35,103,508</u>
EXPENDITURES				
Current:				
General government	2,633,985	-	515,217	3,149,202
Public safety	17,442,749	-	1,103,970	18,546,719
Public works	5,519,857	640	192,948	5,713,445
Recreation and culture	2,267,820	-	-	2,267,820
Nondepartmental	563,713	-	-	563,713
Capital outlays	739,194	2,116,078	709,466	3,564,738
Debt service:				
Principal	2,416,299	-	-	2,416,299
Interest	625,180	-	-	625,180
TOTAL EXPENDITURES	<u>32,208,797</u>	<u>2,116,718</u>	<u>2,521,601</u>	<u>36,847,116</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(149,702)</u>	<u>(1,514,967)</u>	<u>(78,939)</u>	<u>(1,743,608)</u>
OTHER FINANCING SOURCES				
Operating transfers in (out)	(156,604)	42,740	70,398	(43,466)
Proceeds from sale of capital assets	126,804	-	-	126,804
Proceeds from extended term financing	88,313	3,178,000	-	3,266,313
TOTAL OTHER FINANCING SOURCES	<u>58,513</u>	<u>3,220,740</u>	<u>70,398</u>	<u>3,349,651</u>
NET CHANGE IN FUND BALANCES	(91,189)	1,705,773	(8,541)	1,606,043
FUND BALANCES, BEGINNING OF YEAR	<u>11,980,884</u>	<u>3,961,685</u>	<u>1,117,434</u>	<u>17,060,003</u>
FUND BALANCES, END OF YEAR	<u>\$11,889,695</u>	<u>\$ 5,667,458</u>	<u>\$ 1,108,893</u>	<u>\$18,666,046</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, 2014

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,606,043

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	\$ 3,179,755	
Loss on disposal	(11,642)	
Depreciation expense	<u>(2,046,838)</u>	1,121,275

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. (3,266,313)

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. (122,916)

Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of net position treats such repayments as a reduction in long-term liabilities. 2,416,299

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	(163,514)	
Increase in post-employment benefits	(2,642,414)	
Decrease in accrued interest payable	<u>7,072</u>	<u>(2,798,856)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,044,468)

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
ASSETS				
Current assets:				
Cash	\$ 5,732,223	\$ 75,375	\$ 12,399	\$ 5,819,997
Investment pool	2,480,756	-	302,414	2,783,170
Accounts receivable	2,512,516	4,024	33,343	2,549,883
Due from other governmental units	505,370	-	-	505,370
Inventories	754,087	-	-	754,087
Total Current Assets	<u>11,984,952</u>	<u>79,399</u>	<u>348,156</u>	<u>12,412,507</u>
Noncurrent assets:				
Restricted cash	167,709	148,809	-	316,518
Restricted investment pool	18,586,665	-	-	18,586,665
Capital assets:				
Construction-in-progress	87,160,045	-	-	87,160,045
Land	149,953	114,010	1,782,790	2,046,753
Buildings, equipment, and improvements	61,528,154	1,454,319	6,036,113	69,018,586
Less accumulated depreciation	(37,966,081)	(775,689)	(3,794,825)	(42,536,595)
Total Noncurrent Assets	<u>129,626,445</u>	<u>941,449</u>	<u>4,024,078</u>	<u>134,591,972</u>
TOTAL ASSETS	<u><u>\$141,611,397</u></u>	<u><u>\$ 1,020,848</u></u>	<u><u>\$ 4,372,234</u></u>	<u><u>\$147,004,479</u></u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Due in one year:				
Accounts payable	\$ 172,511	\$ 11,472	\$ 3,610	\$ 187,593
Accrued payroll	165,289	988	10,177	176,454
Accrued interest payable	141,003	-	1,825	142,828
Due to other funds	-	-	200,906	200,906
Compensated absences	21,991	-	-	21,991
Bonds, notes, and capital leases payable	3,594,165	-	81,769	3,675,934
Deposits	12,302	13,259	728	26,289
Total Current Liabilities	<u>4,107,261</u>	<u>25,719</u>	<u>299,015</u>	<u>4,431,995</u>
Due in more than one year:				
Bonds, notes, and capital leases payable	49,536,711	1,381,807	584,569	51,503,087
Post-employment benefits	3,520,673	-	-	3,520,673
Provision for compensated absences	197,917	-	-	197,917
Total Noncurrent Liabilities	<u>53,255,301</u>	<u>1,381,807</u>	<u>584,569</u>	<u>55,221,677</u>
Total Liabilities	<u>57,362,562</u>	<u>1,407,526</u>	<u>883,584</u>	<u>59,653,672</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	57,741,195	(589,167)	3,357,740	60,509,768
Restricted	18,754,374	148,809	-	18,903,183
Unrestricted	7,753,266	53,680	130,910	7,937,856
Total Net Position (Deficit)	<u>84,248,835</u>	<u>(386,678)</u>	<u>3,488,650</u>	<u>87,350,807</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$141,611,397</u></u>	<u><u>\$ 1,020,848</u></u>	<u><u>\$ 4,372,234</u></u>	<u><u>\$147,004,479</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, 2014

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
OPERATING REVENUES				
Charges for services	\$ 14,294,808	\$ 176,645	\$ 624,202	\$ 15,095,655
Penalties	82,775	-	-	82,775
Tapping charges and connection fees	251,285	-	-	251,285
Sundry income	214,203	-	-	214,203
Pretreatment monitoring fee	177,880	-	-	177,880
Grants	854,472	-	-	854,472
Impact fees	176,861	-	-	176,861
TOTAL OPERATING REVENUES	<u>16,052,284</u>	<u>176,645</u>	<u>624,202</u>	<u>16,853,131</u>
OPERATING EXPENSES				
Salaries	3,509,073	-	218,808	3,727,881
Personnel benefits	1,963,438	7,635	60,915	2,031,988
Professional and skilled services	300,030	49,663	104,865	454,558
Supplies	-	20,950	12,985	33,935
Other operating expenses	3,986,182	35,494	168,651	4,190,327
Equipment	48,391	-	-	48,391
Bad debt expense	-	560	-	560
TOTAL OPERATING EXPENSES	<u>9,807,114</u>	<u>114,302</u>	<u>566,224</u>	<u>10,487,640</u>
Operating income before depreciation	6,245,170	62,343	57,978	6,365,491
Depreciation	1,278,563	36,623	131,145	1,446,331
NET OPERATING INCOME (LOSS)	<u>4,966,607</u>	<u>25,720</u>	<u>(73,167)</u>	<u>4,919,160</u>
NONOPERATING REVENUES (EXPENSES)				
Operating transfers in	-	-	43,466	43,466
Gain on sale of capital assets	27,271	-	-	27,271
Lawsuit settlement	(80,934)	-	-	(80,934)
Interest income	17,391	576	164	18,131
Interest expense	(818,788)	-	(17,625)	(836,413)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(855,060)</u>	<u>576</u>	<u>26,005</u>	<u>(828,479)</u>
CHANGE IN NET POSITION	4,111,547	26,296	(47,162)	4,090,681
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>80,137,288</u>	<u>(412,974)</u>	<u>3,535,812</u>	<u>83,260,126</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 84,248,835</u>	<u>\$ (386,678)</u>	<u>\$ 3,488,650</u>	<u>\$ 87,350,807</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, 2014

	Enterprise Funds			Total
	Water and Sewer Fund	Mitchell Landing Fund	Nonmajor Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$16,525,764	\$ 175,986	\$ 624,537	\$17,326,287
Payments to suppliers	(6,062,047)	(112,441)	(342,436)	(6,516,924)
Payments to employees	(3,457,540)	-	(217,624)	(3,675,164)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,006,177</u>	<u>63,545</u>	<u>64,477</u>	<u>7,134,199</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Litigation settlement	(80,934)	-	-	(80,934)
Internal activity - payments (to) from other funds	-	-	43,466	43,466
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(80,934)</u>	<u>-</u>	<u>43,466</u>	<u>(37,468)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	63,834	-	-	63,834
Principal paid on bonds, notes, and capital leases	(3,844,309)	-	(83,409)	(3,927,718)
Interest paid on bonds, notes, and mortgages	(829,593)	-	(17,938)	(847,531)
Payments for capital acquisitions	(5,357,297)	-	(69,400)	(5,426,697)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(9,967,365)</u>	<u>-</u>	<u>(170,747)</u>	<u>(10,138,112)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	17,391	576	164	18,131
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>17,391</u>	<u>576</u>	<u>164</u>	<u>18,131</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,024,731)	64,121	(62,640)	(3,023,250)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>29,992,084</u>	<u>160,063</u>	<u>377,453</u>	<u>30,529,600</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$26,967,353</u>	<u>\$ 224,184</u>	<u>\$ 314,813</u>	<u>\$27,506,350</u>
Cash	\$ 5,732,223	\$ 75,375	\$ 12,399	\$ 5,819,997
Investment pool	2,480,756	-	302,414	2,783,170
Restricted cash	167,709	148,809	-	316,518
Restricted investment pool	18,586,665	-	-	18,586,665
	<u>\$26,967,353</u>	<u>\$ 224,184</u>	<u>\$ 314,813</u>	<u>\$27,506,350</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 4,966,607	\$ 25,720	\$ (73,167)	\$ 4,919,160
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,278,563	36,623	131,145	1,446,331
(Increase) Decrease in:				
Accounts receivable	236,413	(473)	(393)	235,547
Due from other governments	237,067	-	-	237,067
Inventories	(266,724)	-	-	(266,724)
Increase (Decrease) in:				
Accounts payable	23,131	1,861	(2,384)	22,608
Accrued expenses	33,190	-	1,184	34,374
Due to other governments	-	-	7,364	7,364
Compensated absences	18,343	-	-	18,343
Post-employment benefits	479,587	-	-	479,587
Deposits	-	(186)	728	542
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 7,006,177</u>	<u>\$ 63,545</u>	<u>\$ 64,477</u>	<u>\$ 7,134,199</u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Health Care Trust</u>	<u>Private- purpose Trust</u>	<u>Agency Funds</u>
ASSETS			
Cash	\$ -	\$ -	\$ 385,569
Investment pool	-	-	63,231
Investments	1,455,659	-	-
Accounts receivable	<u>-</u>	<u>-</u>	<u>178,803</u>
Total Assets	<u>1,455,659</u>	<u>-</u>	<u>627,603</u>
LIABILITIES			
Accounts payable	-	-	296,414
Deposits	-	-	152,417
Due to other governmental units	<u>-</u>	<u>-</u>	<u>178,772</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>627,603</u>
NET POSITION			
Restricted	<u>\$ 1,455,659</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF SALISBURY, MARYLAND
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Health Care Trust	Private- purpose Trust
	<u> </u>	<u> </u>
ADDITIONS		
Interest	\$ 27,530	\$ -
Contributions	-	84,832
Gain on sale of investments	<u>165,777</u>	<u>-</u>
TOTAL ADDITIONS	<u>193,307</u>	<u>84,832</u>
DEDUCTIONS		
Operating expenses	<u>5,221</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>5,221</u>	<u>-</u>
CHANGE IN NET POSITION	188,086	84,832
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>1,267,573</u>	<u>(84,832)</u>
NET POSITION, END OF YEAR	<u>\$ 1,455,659</u>	<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.

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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

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

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

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

FIDUCIARY FUNDS

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

On 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.

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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

Property Taxes

Property taxes attach as an enforceable lien as of July 1. Taxes are levied on July 1 and are recognized when levied. Taxes are due and payable on or before September 30, and all unpaid taxes become delinquent October 1. Wicomico County, Maryland bills and collects property taxes for the City. Real property taxes uncollected as of 60 days after fiscal year end are considered unavailable to pay liabilities that are owed at the balance sheet date and, therefore, are included in deferred 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, 2014, all property taxes were deemed collectible, and there was no allowance.

Inventories

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

Capital Assets

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

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

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

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

Compensated Absences

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

Accrued Liabilities and Long-term Obligations

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

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by grantors, creditors, or laws or regulations of other governments.

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

Fund Balance (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 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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

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

Unassigned - all other spendable amounts.

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

The deficit in the Mitchell Landing Fund (major enterprise fund) as of June 30, 2014 was \$386,678. 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.

NOTE 3 CASH AND INVESTMENTS

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

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

Cash and deposits

At June 30, 2014, the carrying amount of the City's deposits was \$13,733,533, and the bank balance was \$8,567,041. Of the bank balance, \$882,655 was covered by federal depository insurance, and \$7,684,386 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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

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, 2014, the City's investment pool consisted of MLGIP investments which, due to their nature, have no credit or custodial risk associated with them. The carrying value of the investment pool at June 30, 2014 was \$31,530,895.

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	\$ 88,146
Government and agency bonds	66,666
Municipal bonds	30,855
Corporate bonds	249,793
Common stock	133,666
Mutual funds	<u>886,533</u>
Total	<u>\$ 1,455,659</u>

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

Investments in corporate bonds held at June 30, 2014 are as follows:

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH AND INVESTMENTS (cont'd)

Quantity	Company	Interest Rate	Due Date
\$ 10,000	Berkshire Hathaway	1.60%	05/15/17
10,000	Berkshire Hathaway	3.20%	02/11/15
10,000	Deere Capital Corp.	2.00%	01/13/17
10,000	Merrill Lynch & Co., Inc.	6.875%	04/25/18
10,000	PNC Funding Corp.	3.625%	02/08/15
10,000	GTE Corporation	6.84%	04/15/18
10,000	The Walt Disney Company	1.35%	08/16/16
10,000	Costco Wholesale	1.125%	12/15/17
10,000	Anheuser-Busch	4.125%	01/15/15
10,000	The Coca-Cola Company	1.50%	11/15/15
10,000	Colgate-Palmolive	3.15%	08/05/15
10,000	PepsiCo Inc.	7.90%	11/01/18
10,000	Pfizer Inc.	5.35%	03/15/15
10,000	Becton Dickinson	1.75%	11/08/16
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, 2014, 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	75,962

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

Interfund transfers for the year ended June 30, 2014 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 156,604
Capital improvements fund	42,740	
Community development fund	70,398	-
City marina fund	23,466	-
Parking authority fund	20,000	-
TOTAL	<u>\$ 156,604</u>	<u>\$ 156,604</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land and art	\$ 7,883,810	\$ -	\$ -	\$ -	\$ 7,883,810
Construction-in-progress	2,677,919	2,327,198	-	(327,000)	4,678,117
Total Capital Assets Not Being Depreciated	<u>10,561,729</u>	<u>2,327,198</u>	<u>-</u>	<u>(327,000)</u>	<u>12,561,927</u>
Capital assets being depreciated:					
Land improvements	767,410	-	-	-	767,410
Buildings and improvements	19,667,003	-	(620,004)	-	19,046,999
Improvements, non-buildings	12,804,237	-	-	327,000	13,131,237
Machinery and equipment	18,254,482	852,557	(659,044)	-	18,447,995
Zoo animals	36,000	-	-	-	36,000
Total Capital Assets Being Depreciated	51,529,132	852,557	(1,279,048)	327,000	51,429,641
Accumulated depreciation	(20,732,614)	(2,046,838)	1,267,406	-	(21,512,046)
Total Capital Assets Being Depreciated, Net	<u>30,796,518</u>	<u>(1,194,281)</u>	<u>11,642</u>	<u>327,000</u>	<u>29,917,595</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,358,247</u>	<u>\$ 1,132,917</u>	<u>\$ 11,642</u>	<u>\$ -</u>	<u>\$ 42,479,522</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 64,142
Public safety	1,203,128
Public works	577,784
Recreation and culture	201,784
Total depreciation expense	<u>\$ 2,046,838</u>

	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
BUSINESS-TYPE ACTIVITIES					
Water and Sewer Fund					
Capital assets not being depreciated:					
Land	\$ 149,953	\$ -	\$ -	\$ -	\$ 149,953
Construction-in-progress	86,369,515	5,245,931	-	(4,455,401)	87,160,045
Total Capital Assets Not Being Depreciated	<u>86,519,468</u>	<u>5,245,931</u>	<u>-</u>	<u>(4,455,401)</u>	<u>87,309,998</u>
Capital assets being depreciated:					
Land improvements	430,636	-	-	-	430,636
Buildings and improvements	14,434,718	-	-	-	14,434,718
Improvements, non-buildings	30,844,708	-	-	4,455,401	35,300,109
Machinery and equipment	11,571,032	111,366	(319,707)	-	11,362,691
Total Capital Assets Being Depreciated	57,281,094	111,366	(319,707)	4,455,401	61,528,154
Accumulated depreciation	(36,970,662)	(1,278,563)	283,144	-	(37,966,081)
Total Capital Assets Being Depreciated, Net	<u>20,310,432</u>	<u>(1,167,197)</u>	<u>36,563</u>	<u>4,455,401</u>	<u>23,562,073</u>
Water and Sewer Fund Capital Assets, Net	<u>\$106,829,900</u>	<u>\$ 4,078,734</u>	<u>\$ 36,563</u>	<u>\$ -</u>	<u>\$110,872,071</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
Parking Authority Fund					
Capital assets not being depreciated:					
Land	\$ 467,790	\$ -	\$ -	\$ -	\$ 467,790
Construction-in-progress	66,000	69,400	-	(135,400)	-
Total Capital Assets Not Being Depreciated	<u>533,790</u>	<u>66,000</u>	<u>-</u>	<u>(135,400)</u>	<u>467,790</u>
Capital assets being depreciated:					
Land improvements	156,704	-	-	-	156,704
Buildings and improvements	3,742,091	-	-	135,400	3,877,491
Improvements, non-buildings	64,800	-	-	-	64,800
Machinery and equipment	181,148	-	-	-	181,148
Total Capital Assets Being Depreciated	4,144,743	-	-	135,400	4,280,143
Accumulated depreciation	(2,273,328)	(111,838)	-	-	(2,385,166)
Total Capital Assets Being Depreciated, Net	<u>1,871,415</u>	<u>(111,838)</u>	<u>-</u>	<u>135,400</u>	<u>1,894,977</u>
Parking Authority Fund Capital Assets, Net	<u>\$ 2,405,205</u>	<u>\$ (42,438)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,362,767</u>
	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
City Marina Fund					
Capital assets not being depreciated:					
Land	\$ 1,315,000	\$ -	\$ -	\$ -	\$ 1,315,000
Total Capital Assets Not Being Depreciated	<u>1,315,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315,000</u>
Capital assets being depreciated:					
Land improvements	1,418,255	-	-	-	1,418,255
Buildings and improvements	209,494	-	-	-	209,494
Other fixed assets	128,221	-	-	-	128,221
Total Capital Assets Being Depreciated	1,755,970	-	-	-	1,755,970
Accumulated depreciation	(1,390,352)	(19,307)	-	-	(1,409,659)
Total Capital Assets Being Depreciated, Net	<u>365,618</u>	<u>(19,307)</u>	<u>-</u>	<u>-</u>	<u>346,311</u>
City Marina Fund Capital Assets, Net	<u>\$ 1,680,618</u>	<u>\$ (19,307)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,661,311</u>

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
Mitchell Landing Fund					
Capital assets not being depreciated:					
Land	\$ 114,010	\$ -	\$ -	\$ -	\$ 114,010
Total Capital Assets Not Being Depreciated	114,010	-	-	-	114,010
Capital assets being depreciated:					
Land improvements	7,862	-	-	-	7,862
Buildings and improvements	1,357,052	-	-	-	1,357,052
Machinery and equipment	89,405	-	-	-	89,405
Total Capital Assets Being Depreciated	1,454,319	-	-	-	1,454,319
Accumulated depreciation	(739,066)	(36,623)	-	-	(775,689)
Total Capital Assets Being Depreciated, Net	715,253	(36,623)	-	-	678,630
Mitchell Landing Fund Capital Assets, Net	\$ 829,263	\$ (36,623)	\$ -	\$ -	\$ 792,640

The majority of the construction-in-progress relates to the completion of the animal health building at the zoo, Mill Street bridge, and Market Street shoreline for the governmental activities; and the expansion of the wastewater treatment plant, construction of the Caustic Chemical Storage Feed Building, and Paleo Well 3 improvements for the business-type activities.

NOTE 6 LONG-TERM DEBT

The City's charter provides that total bonded or other indebtedness of the City payable from its general tax revenues shall at no time exceed the total of four percent of the assessed valuation of all real property and 10 percent of the assessed valuation of all personal and corporate property subject to taxation by the City. The legal debt limit permitted at June 30, 2014 totaled \$98,125,781. After considering general obligations including mortgages and notes outstanding of \$70,057,647, the available additional debt margin was \$28,068,134.

Long-term debt activity for the year ended June 30, 2014, was as follows:

	July 1, 2013	Additions	Retirements	June 30, 2014
Governmental Activities:				
General Obligation Bonds	\$ 14,754,724	\$ 3,178,000	\$ 1,638,800	\$ 16,293,924
Mortgage and Notes Payable:				
Lawton Loan	201,242	-	28,749	172,493
Capital Lease Obligations	2,324,878	88,313	748,750	1,664,441
Compensated absences	1,321,387	181,683	-	1,503,070
Governmental Activities Long-term Debt	\$ 18,602,231	\$ 3,447,996	\$ 2,416,299	\$ 19,633,928

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

(cont'd)	July 1, 2013	Additions	Retirements	June 30, 2014
Business-type Activities:				
General Obligation Bonds	\$ 57,437,904	\$ -	\$ 3,846,674	\$ 53,591,230
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	287,028	-	81,044	205,984
Compensated absences	201,565	18,343	-	219,908
Business-type Activities				
Long-term Debt	<u>\$ 59,308,304</u>	<u>\$ 18,343</u>	<u>\$ 3,927,718</u>	<u>\$ 55,398,929</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.	\$ -	\$ 1,613,247
In the year ended June 30, 2004, the City issued \$5,318,000 of Public Improvement Bonds at interest rates from 2.0 percent to 4.625 percent. Interest is payable semi-annually beginning November 1, 2004. The bonds mature in varying amounts beginning May 1, 2005 and continuing through May 1, 2024. This obligation is accounted for in the general fund.	2,690,000	-
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, 2014, total principal of \$41,721,225 has been drawn on this facility, and the principal amount outstanding totaled \$29,468,685. Future maturity requirements below are based on the full obligation.	-	29,468,685

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, 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>	933,400	2,284,100
<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>	2,263,500	366,506
<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>	370,025	1,536,642
<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, 2014 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>	-	1,620,187
<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>	172,493	-

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>
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.	-	85,875
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.	4,294,154	-
In the year ended June 30, 2012, the City issued \$2,588,000 of Public Improvement Refunding Bonds at an interest rate of 1.31 percent. Interest is payable semi-annually beginning June 1, 2012. The bonds mature in varying amounts beginning June 1, 2012 and continuing through June 1, 2014. This obligation was settled in full during the fiscal year ended June 30, 2014.	-	-
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.	2,118,693	1,604,306
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.	446,152	6,378,848
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.	-	1,465,560

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, 2013, the City entered into a loan agreement with the Maryland Water Quality Financing Administration (the "Administration") in the amount of \$1,500,000. The loan is due on demand, with interest accruing at the default rate (3.74 percent) from the date of demand. The Administration shall forgive repayment of the principal amount if the City performs all of its obligations under the loan agreement. If the Administration has not demanded repayment of the principal prior to May 22, 2022, then the loan shall be deemed forgiven. This obligation is accounted for in the water and sewer enterprise fund.</p>	-	1,412,274
<p>In the year ended June 30, 2013, the City issued \$6,041,000 of Public Improvement Bonds at an interest rate of 3.01 percent. Interest is payable semi-annually beginning July 1, 2013. The bonds mature in varying amounts beginning July 1, 2013 and continuing through July 1, 2028. The bonds are accounted for in the water and sewer enterprise fund.</p>	-	5,755,000
<p>In the year ended June 30, 2014, the City issued \$3,178,000 of Public Improvement Bonds at an interest rate of 2.96 percent. Interest is payable semi-annually beginning July 1, 2014. The bonds mature in varying amounts beginning July 1, 2014 and continuing through July 1, 2028. The bonds are accounted for in the general fund.</p>	3,178,000	-
<p>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 \$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 were drawn down from the loan during the year ended June 30, 2014, therefore, there was no outstanding balance.</p>	-	-

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, 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 were drawn down from the loan during the year ended June 30, 2014, therefore, there was no outstanding balance.

-	-
\$16,466,417	\$53,591,230

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

Year Ending June 30,	Governmental Activities		
	Principal Maturities	Interest Maturities	Total Maturities
2015	\$ 1,200,307	\$ 558,003	\$ 1,758,310
2016	1,233,726	516,034	1,749,760
2017	1,265,320	474,656	1,739,976
2018	1,306,722	432,229	1,738,951
2019	1,341,716	388,029	1,729,745
2020-2024	6,906,738	1,218,344	8,125,082
2025-2029	3,211,888	224,073	3,435,961
	\$ 16,466,417	\$ 3,811,368	\$ 20,227,785

Year Ending June 30,	Business-type Activities		
	Principal Maturities	Interest Maturities	Total Maturities
2015	\$ 3,687,335	\$ 783,445	\$ 4,470,780
2016	3,723,074	734,290	4,457,364
2017	3,757,796	685,803	4,443,599
2018	3,781,188	636,728	4,417,916
2019	3,805,581	587,351	4,392,932
2020-2024	20,691,750	2,171,593	22,863,343
2025-2029	13,446,575	840,480	14,287,055
2030-2034	279,674	40,747	320,421
2035-2039	292,488	27,933	320,421
2040-2043	125,769	10,366	136,135
	\$ 53,591,230	\$ 6,518,736	\$ 60,109,966

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

Conduit Debt

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

The original cost of assets acquired under these capital leases for the general fund is \$4,949,813 with accumulated depreciation of \$1,863,337; for the water and sewer fund, the original cost is \$559,999 with accumulated depreciation of \$211,002 at June 30, 2014.

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

<u>Year Ending June 30,</u>	<u>General</u>	<u>Water and Sewer</u>
2015	\$ 798,515	\$ 43,271
2016	360,409	43,271
2017	317,247	43,271
2018	248,294	43,271
2019	37,340	43,271
2020 - 2024	37,340	-
Less amount representing interest	<u>(134,704)</u>	<u>(10,371)</u>
Present value of future minimum lease payments	<u>\$ 1,664,441</u>	<u>\$ 205,984</u>

NOTE 7 PENSION PLANS

Plan Description

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

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

Funding Policy

During fiscal year 2014, the State Personnel and Pensions Article required active members to contribute to the Systems at the rate of six percent for LEOPS and seven percent for Non-LEOPS of their covered salary.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLANS (cont'd)

Employer's Payroll and Contributions Under the Plan

The employer's current year payroll for the years ended June 30, 2014, 2013, and 2012, payroll covered under the various state plans and contributions paid are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total payroll	\$ 15,378,119	\$ 14,814,161	\$ 14,257,540
Payroll covered under the plans	15,565,737	14,764,781	15,059,008
Contributions paid:			
City payments	2,943,026	2,821,683	2,966,133

NOTE 8 POST-RETIREMENT HEALTH CARE BENEFITS

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

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

For the year ended June 30, 2014, there were 60 participants eligible and receiving post-retirement health care benefits at a pay-as-you-go annual cost to the City of \$296,397.

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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

The assets of the Trust are managed by an investment manager, 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 2014 was \$3,607,000. The City funded the Trust with a health care rebate of \$900,000 in fiscal year 2009. In fiscal year 2014, the City did not fund the Trust but recorded the associated liability.

Annual OPEB Cost and Net OPEB Obligation

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

Net OPEB obligation at beginning of year	\$ 14,481,364
Annual Required Contribution	3,607,000
Interest on net OPEB obligation	579,000
Amortization of net OPEB obligation	(675,000)
Contributions	<u>(389,000)</u>
Total Net OPEB Obligation at End of Year	<u>\$ 17,603,364</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	\$34,107,000	\$32,751,000	3.98%	\$15,378,119	212.97%
7/1/2011	\$1,169,000	\$35,004,000	\$33,835,000	3.34%	\$14,574,751	189.84%
7/1/2009	\$ 900,000	\$25,765,000	\$24,865,000	3.49%	\$15,562,921	159.77%
7/1/2008	\$ -	\$20,513,000	\$20,513,000	0.00%	\$15,213,210	134.84%

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

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

Summary of Actuarial Methods and Assumptions

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

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

In the actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement, was used. 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 6.0 percent. Mortality calculations were done using the RP 2000 Combined Healthy Table and the RP 2000 Combined Disabled Table.

NOTE 9 DEFERRED COMPENSATION PLAN

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

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.

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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, 2014.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2014, the City had infrastructure projects yet to be completed. The commitments and amounts completed are as follows:

	<u>Project Amount</u>	<u>Completed as of 06/30/2014</u>	<u>Commitments</u>
Governmental Activities:			
Beaverdam Creek Stabilization	\$ 878,230	\$ 845,700	\$ 32,530
Zoo Animal Health Building	2,032,316	1,974,910	57,406
	<u>\$ 2,910,546</u>	<u>\$ 2,820,610</u>	<u>\$ 89,936</u>

In addition, the City has incurred costs totaling \$1,857,507 for governmental activities project costs that were not under a formal contract as of June 30, 2014.

	<u>Project Amount</u>	<u>Completed as of 06/30/2014</u>	<u>Commitments</u>
Business-type Activities:			
Scenic Dr. Water Main Replacement	\$ 74,720	\$ 33,720	\$ 41,000
Paleo Well 3	248,100	101,660	146,440
Paleo WTP Filter Replacement	404,685	371,324	33,361
Park Well Rehabilitation	171,966	160,731	11,235
Caustic Chemical Storage Feed Bldg	1,231,842	1,079,735	152,107
Park WTP Meter and Piping Replacement	673,903	625,508	48,395
WWTP Upgrades	84,167,223	82,635,982	1,531,241
Waverly Drive Water Quality Inlet	110,600	49,950	60,650
Totals	<u>\$ 87,083,039</u>	<u>\$ 85,058,610</u>	<u>\$ 2,024,429</u>

In addition, the City has incurred costs totaling \$2,101,435 for business-type activities project costs that were not under a formal contract as of June 30, 2014.

NOTE 12 RISK MANAGEMENT

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

CITY OF SALISBURY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 12 RISK MANAGEMENT (cont'd)

("LGIT"), a public entity risk pool currently operating as a common risk management and insurance program for member municipalities. The City pays an annual premium to LGIT for its building and contents, commercial general liability, environmental liability, business automobile, and excess liability coverage. The agreement for formation of the LGIT provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for liability claims. The City continues to carry separate commercial insurance for its workers' compensation and health insurance coverage. Settled claims resulting from the above risks have not exceeded coverage in any of the past three fiscal years.

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

NOTE 13 FUND BALANCES

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Capital Improvements Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 818,758	\$ -	\$ -	\$ 818,758
Prepaid expenditures	5,070	-	-	5,070
Restricted				
Capital improvements	-	5,667,458	-	5,667,458
Committed:				
Health care	738,417	-	-	738,417
General impact	10,039	-	-	10,039
Curb, gutter, and sidewalk	-	-	90,638	90,638
Trash container sales and demolition	-	-	214,693	214,693
Assigned:				
Grants	-	-	757,922	757,922
Encumbrances	1,529,927	-	-	1,529,927
Community development	-	-	45,640	45,640
Unassigned	8,787,484	-	-	8,787,484
Total Fund Balances	<u>\$11,889,695</u>	<u>\$ 5,667,458</u>	<u>\$ 1,108,893</u>	<u>\$ 18,666,046</u>

NOTE 14 SUBSEQUENT EVENTS

On September 22, 2014, the City passed Resolution No. 2448 authorizing the issuance of two separate General Obligation Bonds for up to \$4,009,000 to fund the Facility Renovation - Fire Station #2 Project and up to \$2,800,000 to refund the 2008 bonds.

The City has evaluated all subsequent events through December 1, 2014, 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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS):				
Tax revenue	\$22,971,592	\$22,811,579	\$23,588,107	\$ 776,528
Other revenue	2,430,646	3,276,525	3,400,894	124,369
Charges for services	2,646,981	2,871,600	2,875,024	3,424
Other sources - fund balance appropriated	1,892,887	2,084,577	-	(2,084,577)
Intergovernmental revenues	1,635,192	2,217,314	2,195,070	(22,244)
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>31,577,298</u>	<u>33,261,595</u>	<u>32,059,095</u>	<u>(1,202,500)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government				
City council	76,566	78,566	76,537	2,029
City clerk	135,830	141,030	138,622	2,408
Mayor's office	635,654	705,937	671,145	34,792
Development services	73,509	73,509	49,100	24,409
City attorney	215,000	281,088	267,826	13,262
Finance	451,666	465,408	436,234	29,174
Purchasing	222,927	234,433	202,814	31,619
Human resources	143,391	152,542	149,149	3,393
Information services	197,386	264,216	250,184	14,032
Planning and zoning	161,532	161,532	160,646	886
Municipal buildings	168,635	247,818	212,638	35,180
Poplar Hill	29,267	30,034	19,090	10,944
Public safety				
Police and traffic control	11,404,175	11,709,858	10,831,622	878,236
Fire	6,113,665	6,269,505	5,878,921	390,584
Buildings, permits, and inspections	364,290	368,843	339,281	29,562
Neighborhood services and code compliance	640,384	650,126	580,331	69,795
Public works				
Supervision and engineering	5,100,094	3,094,699	2,020,376	1,074,323
Roadways	722,042	725,679	635,434	90,245
Highway lighting	854,643	923,438	921,643	1,795
Street cleaning	110,736	116,573	103,607	12,966
Waste collection and disposal	1,478,082	1,739,132	1,637,307	101,825
Recycling	169,643	177,013	169,368	7,645
Fleet maintenance	482,164	495,173	459,534	35,639
Carpenter shop	134,428	135,519	124,376	11,143
Recreation and culture				
Municipal zoo	1,920,073	1,942,544	1,905,312	37,232
Park maintenance	425,368	460,974	362,508	98,466
Nondepartmental	718,627	633,795	563,713	70,082
TOTAL CHARGES TO APPROPRIATION	<u>33,149,777</u>	<u>32,278,984</u>	<u>29,167,318</u>	<u>3,111,666</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(1,572,479)</u>	<u>982,611</u>	<u>2,891,777</u>	<u>1,909,166</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(112,122)	(241,437)	(156,604)	84,833
Proceeds from extended term financing	-	275,000	88,313	(186,687)
Gain on sale of fixed assets	-	-	126,804	126,804
Debt payments	(3,110,743)	(3,110,743)	(3,041,479)	69,264
TOTAL OTHER FINANCING USES	<u>(3,222,865)</u>	<u>(3,077,180)</u>	<u>(2,982,966)</u>	<u>94,214</u>
NET CHANGE IN FUND BALANCE	(4,795,344)	(2,094,569)	(91,189)	2,003,380
FUND BALANCE, BEGINNING OF YEAR	<u>11,980,884</u>	<u>11,980,884</u>	<u>11,980,884</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,185,540</u>	<u>\$ 9,886,315</u>	<u>\$11,889,695</u>	<u>\$ 2,003,380</u>

OTHER SUPPLEMENTARY INFORMATION

General Fund

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Taxes			
Real property	\$ 15,004,354	\$ 15,002,596	\$ (1,758)
Personal property	49,051	55,888	6,837
Ordinary business corporations and utilities	5,525,931	5,961,736	435,805
Payments in lieu of tax	374,715	362,989	(11,726)
Admissions and amusement	355,381	384,940	29,559
State shared income tax	1,384,122	1,554,622	170,500
Total taxes	<u>22,693,554</u>	<u>23,322,771</u>	<u>629,217</u>
Interest and penalties on delinquent taxes	118,025	265,336	147,311
Total Taxes, Interest, and Penalties	<u>22,811,579</u>	<u>23,588,107</u>	<u>776,528</u>
Other revenue			
Amusement licenses	4,000	4,065	65
Billboard licenses	21,000	20,970	(30)
Building and inspection permits	250,000	372,407	122,407
Business licenses	151,250	152,495	1,245
Franchise fees	385,600	380,452	(5,148)
Landlord licenses	425,000	395,473	(29,527)
Parking fines and meter collections	85,000	29,498	(55,502)
Plumbing licenses and permits	30,000	65,644	35,644
Street-breaking permits	1,000	2,425	1,425
Towing companies	3,500	2,700	(800)
Other miscellaneous permits	28,200	27,655	(545)
Municipal infraction violations	38,000	47,550	9,550
Interest on investment of idle funds	6,000	32,167	26,167
Insurance proceeds	20,575	118,488	97,913
Donations	190,000	1,000	(189,000)
Zoo reimbursements	201,628	179,027	(22,601)
Zoo commission	872,272	545,091	(327,181)
Sale of maps, codes, and documents	1,100	2,070	970
Bad debt collections	12,000	19,569	7,569
School zone camera fines	450,000	778,055	328,055
Other miscellaneous receipts	100,400	224,093	123,693
Total Other Revenue	<u>3,276,525</u>	<u>3,400,894</u>	<u>124,369</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUE - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Charges for services			
Administrative fees	250,000	279,425	29,425
Ambulance call fees	1,722,500	1,704,514	(17,986)
Advertising	100	155	55
Filing fees	200	-	(200)
Garbage disposal fees	683,000	675,420	(7,580)
Inspection fees	36,600	26,635	(9,965)
Plan review fees	20,000	19,240	(760)
Police alarm systems	65,000	62,300	(2,700)
Weed removal	93,600	107,335	13,735
Zoning appeal and housing board appeal fees	600	-	(600)
Total Charges for Services	<u>2,871,600</u>	<u>2,875,024</u>	<u>3,424</u>
Other sources			
Current surplus available	<u>2,084,577</u>	<u>-</u>	<u>(2,084,577)</u>
Intergovernmental			
State of Maryland			
Police protection	509,286	500,593	(8,693)
Enterprise zone	80,000	72,547	(7,453)
Transportation	-	-	-
Highway user	809,726	799,848	(9,878)
Wicomico County			
Financial corporations	18,302	18,302	-
Fire department	600,000	590,000	(10,000)
Room tax	200,000	213,780	13,780
Total Intergovernmental	<u>2,217,314</u>	<u>2,195,070</u>	<u>(22,244)</u>
Total Revenues	<u>33,261,595</u>	<u>32,059,095</u>	<u>(1,202,500)</u>
Other Financing Sources			
Transfers in	269,686	-	(269,686)
Proceeds from sale of capital assets	-	126,804	126,804
Capital lease proceeds	275,000	88,313	(186,687)
Total Other Financing Sources	<u>544,686</u>	<u>215,117</u>	<u>(329,569)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$ 33,806,281</u></u>	<u><u>\$ 32,274,212</u></u>	<u><u>\$ (1,532,069)</u></u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
City council				
Salaries	\$ 52,000	\$ 52,000	\$ 52,000	\$ -
Personnel benefits	8,959	8,959	8,776	183
Other operating expenses	14,607	16,607	15,616	991
Community promotion	1,000	1,000	145	855
	<u>76,566</u>	<u>78,566</u>	<u>76,537</u>	<u>2,029</u>
City clerk				
Salaries	85,169	87,071	87,062	9
Personnel benefits	33,482	33,412	32,761	651
Other operating expenses	17,179	20,547	18,799	1,748
	<u>135,830</u>	<u>141,030</u>	<u>138,622</u>	<u>2,408</u>
Mayor's office				
Salaries	260,149	240,590	237,367	3,223
Personnel benefits	78,671	79,515	63,761	15,754
Professional services	1,800	63,804	55,231	8,573
Other operating expenses	73,514	90,508	84,810	5,698
Community promotion	221,520	231,520	229,976	1,544
	<u>635,654</u>	<u>705,937</u>	<u>671,145</u>	<u>34,792</u>
Developmental services				
Salaries	38,333	38,333	30,667	7,666
Personnel benefits	18,049	18,049	9,123	8,926
Other operating expenses	17,127	17,127	9,310	7,817
	<u>73,509</u>	<u>73,509</u>	<u>49,100</u>	<u>24,409</u>
City attorney				
Professional services	215,000	281,088	267,826	13,262
	<u>215,000</u>	<u>281,088</u>	<u>267,826</u>	<u>13,262</u>
Internal services - finance				
Salaries	242,121	240,517	231,174	9,343
Personnel benefits	110,269	110,989	100,496	10,493
Other operating expenses	43,951	47,166	47,153	13
Independent audit	55,325	66,736	57,411	9,325
	<u>451,666</u>	<u>465,408</u>	<u>436,234</u>	<u>29,174</u>
Internal services - purchasing				
Salaries	133,129	136,009	124,042	11,967
Personnel benefits	56,008	56,657	45,145	11,512
Professional services	14,000	21,935	20,733	1,202
Other operating expenses	19,790	18,957	12,894	6,063
Capital outlay	-	875	-	875
	<u>222,927</u>	<u>234,433</u>	<u>202,814</u>	<u>31,619</u>
Internal services - human resources				
Salaries	64,859	68,842	68,295	547
Personnel benefits	67,595	59,612	59,608	4
Other operating expenses	10,937	24,088	21,246	2,842
	<u>143,391</u>	<u>152,542</u>	<u>149,149</u>	<u>3,393</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government (cont'd)				
Information services				
Salaries	96,061	130,859	130,792	67
Personnel benefits	39,121	45,095	43,549	1,546
Other operating expenses	62,204	88,262	75,843	12,419
	<u>197,386</u>	<u>264,216</u>	<u>250,184</u>	<u>14,032</u>
City and county - joint activities				
Planning and zoning	161,532	161,532	160,646	886
	<u>161,532</u>	<u>161,532</u>	<u>160,646</u>	<u>886</u>
Municipal buildings				
Other operating expenses	168,635	247,818	212,638	35,180
	<u>168,635</u>	<u>247,818</u>	<u>212,638</u>	<u>35,180</u>
Poplar Hill Mansion	29,267	30,034	19,090	10,944
	<u>29,267</u>	<u>30,034</u>	<u>19,090</u>	<u>10,944</u>
Total General Government	<u>2,511,363</u>	<u>2,836,113</u>	<u>2,633,985</u>	<u>202,128</u>
Public Safety				
Police services				
Salaries	5,737,907	5,879,955	5,834,195	45,760
Personnel benefits	3,223,745	2,975,499	2,860,502	114,997
Professional services	27,099	24,599	20,760	3,839
Other operating expenses	1,005,224	1,172,702	897,277	275,425
Capital outlays	218,575	455,018	137,870	317,148
	<u>10,212,550</u>	<u>10,507,773</u>	<u>9,750,604</u>	<u>757,169</u>
Police communications				
Salaries	362,988	344,490	322,740	21,750
Personnel benefits	149,203	148,451	122,157	26,294
Professional services	1,862	1,862	1,853	9
Other operating expenses	59,213	62,928	48,557	14,371
Capital outlays	-	36,149	36,149	-
	<u>573,266</u>	<u>593,880</u>	<u>531,456</u>	<u>62,424</u>
Animal control				
Salaries	72,677	74,166	58,583	15,583
Personnel benefits	50,759	32,965	29,753	3,212
Other operating expenses	7,595	7,595	3,387	4,208
Professional services	79,133	74,133	73,241	892
	<u>210,164</u>	<u>188,859</u>	<u>164,964</u>	<u>23,895</u>
Total Police Department	<u>10,995,980</u>	<u>11,290,512</u>	<u>10,447,024</u>	<u>843,488</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety (cont'd)				
Traffic control				
Salaries	213,797	210,984	210,936	48
Personnel benefits	95,403	103,150	101,000	2,150
Other operating expenses	98,995	104,888	72,338	32,550
Capital outlays	-	324	324	-
	<u>408,195</u>	<u>419,346</u>	<u>384,598</u>	<u>34,748</u>
Fire department				
Firefighting				
Salaries	3,162,160	3,169,667	3,078,602	91,065
Personnel benefits	1,887,559	1,871,745	1,735,244	136,501
Professional services	140,954	157,328	144,658	12,670
Other operating expenses	697,674	801,077	669,993	131,084
Capital outlays	15,000	28,063	13,063	15,000
	<u>5,903,347</u>	<u>6,027,880</u>	<u>5,641,560</u>	<u>386,320</u>
Volunteer firemen				
Personnel benefits	180,105	199,124	199,124	-
Professional services	27,075	37,363	33,220	4,143
Other operating expenses	3,138	5,138	5,017	121
	<u>210,318</u>	<u>241,625</u>	<u>237,361</u>	<u>4,264</u>
Total Fire Department	<u>6,113,665</u>	<u>6,269,505</u>	<u>5,878,921</u>	<u>390,584</u>
Buildings, permits, and inspections				
Salaries	243,809	244,489	239,007	5,482
Personnel benefits	98,580	99,828	80,645	19,183
Professional services	-	445	443	2
Other operating expenses	21,901	24,081	19,186	4,895
	<u>364,290</u>	<u>368,843</u>	<u>339,281</u>	<u>29,562</u>
Neighborhood services and code compliance				
Salaries	371,492	344,587	316,722	27,865
Personnel benefits	139,658	141,512	120,481	21,031
Professional services	538	538	305	233
Other operating expenses	128,696	163,489	142,823	20,666
	<u>640,384</u>	<u>650,126</u>	<u>580,331</u>	<u>69,795</u>
Total Public Safety	<u>18,522,514</u>	<u>18,998,332</u>	<u>17,630,155</u>	<u>1,368,177</u>
Department of Public Works				
Supervision and engineering				
Salaries	597,810	562,087	549,971	12,116
Personnel benefits	257,482	250,815	222,195	28,620
Professional services	104,550	515,399	123,323	392,076
Other operating expenses	962,252	1,756,399	1,075,801	680,598
Capital outlays	3,178,000	9,999	49,086	(39,087)
	<u>5,100,094</u>	<u>3,094,699</u>	<u>2,020,376</u>	<u>1,074,323</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Department of Public Works (cont'd)				
Roadways				
Salaries	311,070	296,772	295,740	1,032
Personnel benefits	173,736	150,981	124,015	26,966
Other operating expenses	237,236	264,823	202,576	62,247
Capital outlays	-	13,103	13,103	-
	<u>722,042</u>	<u>725,679</u>	<u>635,434</u>	<u>90,245</u>
Highway lighting				
Other operating expenses	854,643	923,438	921,643	1,795
	<u>854,643</u>	<u>923,438</u>	<u>921,643</u>	<u>1,795</u>
Sanitation				
Street cleaning				
Salaries	52,432	57,077	54,755	2,322
Personnel benefits	33,222	34,414	25,456	8,958
Other operating expenses	25,082	25,082	23,396	1,686
	<u>110,736</u>	<u>116,573</u>	<u>103,607</u>	<u>12,966</u>
Waste collection and disposal				
Salaries	297,587	308,281	303,822	4,459
Personnel benefits	151,295	154,038	146,113	7,925
Other operating expenses	754,200	759,364	697,773	61,591
Capital outlays	275,000	517,449	489,599	27,850
	<u>1,478,082</u>	<u>1,739,132</u>	<u>1,637,307</u>	<u>101,825</u>
Recycling				
Salaries	90,047	92,753	92,746	7
Personnel benefits	52,981	53,650	51,000	2,650
Other operating expenses	26,615	30,610	25,622	4,988
	<u>169,643</u>	<u>177,013</u>	<u>169,368</u>	<u>7,645</u>
Total Sanitation	<u>1,758,461</u>	<u>2,032,718</u>	<u>1,910,282</u>	<u>122,436</u>
Fleet maintenance				
Salaries	208,841	211,985	199,613	12,372
Personnel benefits	98,356	99,123	90,642	8,481
Other operating expenses	174,967	184,065	169,279	14,786
	<u>482,164</u>	<u>495,173</u>	<u>459,534</u>	<u>35,639</u>
Carpenter shop				
Salaries	68,351	69,219	67,495	1,724
Personnel benefits	36,084	36,307	34,069	2,238
Other operating expenses	29,993	29,993	22,812	7,181
Capital outlays	-	-	-	-
	<u>134,428</u>	<u>135,519</u>	<u>124,376</u>	<u>11,143</u>
Total Department of Public Works	<u>9,051,832</u>	<u>7,407,226</u>	<u>6,071,645</u>	<u>1,335,581</u>

Continued on next page.

CITY OF SALISBURY, MARYLAND
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation and Culture				
Municipal zoo				
Salaries	746,155	741,306	737,756	3,550
Personnel benefits	248,022	248,360	233,163	15,197
Professional services	9,581	19,686	18,342	1,344
Other operating expenses	916,315	933,192	916,051	17,141
	<u>1,920,073</u>	<u>1,942,544</u>	<u>1,905,312</u>	<u>37,232</u>
Park maintenance				
Salaries	180,706	183,917	177,655	6,262
Personnel benefits	101,170	101,494	82,427	19,067
Other operating expenses	143,492	175,563	102,426	73,137
	<u>425,368</u>	<u>460,974</u>	<u>362,508</u>	<u>98,466</u>
Total Recreation and Culture	<u>2,345,441</u>	<u>2,403,518</u>	<u>2,267,820</u>	<u>135,698</u>
Nondepartmental				
Insurance				
Health care claims	244,748	244,748	244,228	520
Insurance	424,079	331,747	266,120	65,627
	<u>668,827</u>	<u>576,495</u>	<u>510,348</u>	<u>66,147</u>
Miscellaneous				
Personnel benefits	46,600	46,600	44,600	2,000
Other operating expenses	3,200	10,700	8,765	1,935
	<u>49,800</u>	<u>57,300</u>	<u>53,365</u>	<u>3,935</u>
Total Nondepartmental	<u>718,627</u>	<u>633,795</u>	<u>563,713</u>	<u>70,082</u>
Debt Payments				
Principal redemption	1,666,140	2,416,305	2,416,299	6
Interest	1,444,603	694,438	625,180	69,258
Total Debt Payments	<u>3,110,743</u>	<u>3,110,743</u>	<u>3,041,479</u>	<u>69,264</u>
TOTAL EXPENDITURES	<u>36,260,520</u>	<u>35,389,727</u>	<u>32,208,797</u>	<u>3,180,930</u>
Other Financing Uses				
Transfer to other funds	112,122	241,437	156,604	84,833
Total Other Financing Uses	<u>112,122</u>	<u>241,437</u>	<u>156,604</u>	<u>84,833</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$36,372,642</u>	<u>\$35,631,164</u>	<u>\$32,365,401</u>	<u>\$ 3,265,763</u>

Nonmajor Governmental Funds

CITY OF SALISBURY, MARYLAND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds				
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total
ASSETS					
Cash	\$ 36,876	\$ 399,077	\$ 137,587	\$ -	\$ 573,540
Investment pool	31,232	2,720	2,842	245	37,039
Accounts receivable	22,530	227,750	74,679	-	324,959
Due from other governmental units	-	226,875	-	134,649	361,524
TOTAL ASSETS	\$ 90,638	\$ 856,422	\$ 215,108	\$ 134,894	\$ 1,297,062

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND FUND BALANCES**

Liabilities:					
Accounts payable	\$ -	\$ 82,620	\$ 415	\$ 11,807	\$ 94,842
Due to other funds	-	-	-	75,962	75,962
Unearned revenue - grants	-	15,880	-	-	15,880
Compensated absences	-	-	-	1,485	1,485
Total Liabilities	-	98,500	415	89,254	188,169
Fund Balances:					
Committed	90,638	-	214,693	-	305,331
Assigned	-	757,922	-	45,640	803,562
Total Fund Balances	90,638	757,922	214,693	45,640	1,108,893
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 90,638	\$ 856,422	\$ 215,108	\$ 134,894	\$ 1,297,062

**CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds					Total
	Curb, Gutter, and Sidewalk Fund	Grant Fund	Reimbursement Fund	Community Development Fund	Total	
REVENUES						
Fees	\$ 2,818	-	\$ 9,476	-	\$ 12,294	
Earnings on investments	30	-	7	11	48	
Grant revenues	-	2,032,025	-	398,295	2,430,320	
TOTAL REVENUES	<u>2,848</u>	<u>2,032,025</u>	<u>9,483</u>	<u>398,306</u>	<u>2,442,662</u>	
EXPENDITURES						
General government	-	22,312	-	492,905	515,217	
Public safety	-	1,103,970	-	-	1,103,970	
Public works	2,521	181,422	9,005	-	192,948	
Capital outlays	-	709,466	-	-	709,466	
TOTAL EXPENDITURES	<u>2,521</u>	<u>2,017,170</u>	<u>9,005</u>	<u>492,905</u>	<u>2,521,601</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>327</u>	<u>14,855</u>	<u>478</u>	<u>(94,599)</u>	<u>(78,939)</u>	
OTHER FINANCING SOURCES						
Operating transfers in	-	-	-	70,398	70,398	
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,398</u>	<u>70,398</u>	
NET CHANGE IN FUND BALANCES	<u>327</u>	<u>14,855</u>	<u>478</u>	<u>(24,201)</u>	<u>(8,541)</u>	
FUND BALANCES, BEGINNING OF YEAR	<u>90,311</u>	<u>743,067</u>	<u>214,215</u>	<u>69,841</u>	<u>1,117,434</u>	
FUND BALANCES, END OF YEAR	<u>\$ 90,638</u>	<u>\$ 757,922</u>	<u>\$ 214,693</u>	<u>\$ 45,640</u>	<u>\$ 1,108,893</u>	

CITY OF SALISBURY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES	
Federal	\$ 1,093,554
State	882,766
Others	55,705
TOTAL REVENUES	<u>2,032,025</u>
EXPENDITURES	
General government	
Operating expenses	22,312
Public safety	
Salaries	595,590
Personnel benefits	335,327
Operating expenses	173,053
Public works	
Salaries	3,933
Personnel benefits	1,992
Operating expenses	175,497
Capital outlay	709,466
TOTAL EXPENDITURES	<u>2,017,170</u>
NET CHANGE IN FUND BALANCE	14,855
FUND BALANCE, BEGINNING OF YEAR	<u>743,067</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 757,922</u></u>

Nonmajor Proprietary Funds

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds		Total
	City Marina Fund	Parking Authority Fund	
ASSETS			
Current assets:			
Cash and investment pool	\$ 12,399	\$ -	\$ 12,399
Investment pool	2,185	300,229	302,414
Accounts receivable	31,623	1,720	33,343
Total Current Assets	<u>46,207</u>	<u>301,949</u>	<u>348,156</u>
Noncurrent assets:			
Capital assets			
Land	1,315,000	467,790	1,782,790
Buildings, equipment, and improvements	1,755,970	4,280,143	6,036,113
Less accumulated depreciation	(1,409,659)	(2,385,166)	(3,794,825)
Total Noncurrent Assets	<u>1,661,311</u>	<u>2,362,767</u>	<u>4,024,078</u>
TOTAL ASSETS	<u><u>\$ 1,707,518</u></u>	<u><u>\$ 2,664,716</u></u>	<u><u>\$ 4,372,234</u></u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Due in one year:			
Accounts payable	\$ 822	\$ 2,788	\$ 3,610
Accrued payroll	1,408	8,769	10,177
Accrued interest payable	-	1,825	1,825
Deposits	728	-	728
Due to general fund	47,238	153,668	200,906
Bonds, notes, and capital leases payable	-	81,769	81,769
Total Current Liabilities	<u>50,196</u>	<u>248,819</u>	<u>299,015</u>
Due in more than one year:			
Bonds, notes and capital leases payable	-	584,569	584,569
Total Noncurrent Liabilities	<u>-</u>	<u>584,569</u>	<u>584,569</u>
Total Liabilities	<u>50,196</u>	<u>833,388</u>	<u>883,584</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	1,661,311	1,696,429	3,357,740
Unrestricted (Deficit)	(3,989)	134,899	130,910
Total Net Position	<u>1,657,322</u>	<u>1,831,328</u>	<u>3,488,650</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,707,518</u></u>	<u><u>\$ 2,664,716</u></u>	<u><u>\$ 4,372,234</u></u>

CITY OF SALISBURY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds		Total
	City Marina Fund	Parking Authority Fund	
OPERATING REVENUES			
Charges for services	\$ 69,615	\$ 554,587	\$ 624,202
TOTAL OPERATING REVENUES	69,615	554,587	624,202
OPERATING EXPENSES			
Salaries	30,220	188,588	218,808
Personnel benefits	4,282	56,633	60,915
Professional and skilled services	-	104,865	104,865
Supplies	7,389	5,596	12,985
Other expenses	34,087	134,564	168,651
TOTAL OPERATING EXPENSES	75,978	490,246	566,224
OPERATING (LOSS) INCOME BEFORE DEPRECIATION	(6,363)	64,341	57,978
Depreciation	19,307	111,838	131,145
NET OPERATING LOSS	(25,670)	(47,497)	(73,167)
NONOPERATING REVENUES (EXPENSES)			
Transfers in	23,466	20,000	43,466
Interest income	3	161	164
Interest expense	-	(17,625)	(17,625)
TOTAL NONOPERATING REVENUES	23,469	2,536	26,005
CHANGE IN NET POSITION	(2,201)	(44,961)	(47,162)
NET POSITION, BEGINNING OF YEAR	1,659,523	1,876,289	3,535,812
NET POSITION, END OF YEAR	\$ 1,657,322	\$ 1,831,328	\$ 3,488,650

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, 2014

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 4,049,733	\$ 10,245,075	\$ 14,294,808
Penalties	22,395	60,380	82,775
Tapping charges and connection fees	4,160	247,125	251,285
Sundry income	177,325	36,878	214,203
Pretreatment monitoring fee	-	177,880	177,880
Grants		854,472	854,472
Impact fees	176,861	-	176,861
TOTAL OPERATING REVENUES	<u>4,430,474</u>	<u>11,621,810</u>	<u>16,052,284</u>
OPERATING EXPENSES			
Salaries	1,336,189	2,172,884	3,509,073
Personnel benefits	710,886	1,252,552	1,963,438
Professional and skilled services	97,941	202,089	300,030
Other operating expenses	1,146,811	2,839,371	3,986,182
Equipment	40,350	8,041	48,391
TOTAL OPERATING EXPENSES	<u>3,332,177</u>	<u>6,474,937</u>	<u>9,807,114</u>
OPERATING INCOME BEFORE DEPRECIATION	1,098,297	5,146,873	6,245,170
Depreciation	<u>567,598</u>	<u>710,965</u>	<u>1,278,563</u>
NET OPERATING INCOME	<u>530,699</u>	<u>4,435,908</u>	<u>4,966,607</u>
NONOPERATING REVENUES (EXPENSES)			
Gain of sale of capital assets	27,271	-	27,271
Lawsuit settlement	-	(80,934)	(80,934)
Interest income	8,611	8,780	17,391
Interest expense	(133,494)	(685,294)	(818,788)
TOTAL NONOPERATING EXPENSES	<u>(97,612)</u>	<u>(757,448)</u>	<u>(855,060)</u>
CHANGE IN NET POSITION	<u>\$ 433,087</u>	<u>\$ 3,678,460</u>	4,111,547
NET POSITION, BEGINNING OF YEAR			<u>80,137,288</u>
NET POSITION, END OF YEAR			<u>\$ 84,248,835</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Inspection fees	\$ 5,000	\$ 5,000	\$ 44,165	\$ 39,165
Water sales	3,984,342	3,984,342	4,005,568	21,226
Penalties	22,566	22,566	22,395	(171)
Tapping charges and connection fees	-	-	4,160	4,160
Interest earned	-	-	8,611	8,611
Water income - sundry	156,908	156,908	177,325	20,417
Gain on sale of capital assets	-	-	27,271	27,271
Impact fees	-	-	176,861	176,861
Current surplus available	<u>1,274,199</u>	<u>1,367,479</u>	<u>-</u>	<u>(1,367,479)</u>
TOTAL REVENUES	<u>5,443,015</u>	<u>5,536,295</u>	<u>4,466,356</u>	<u>(1,069,939)</u>
EXPENSES				
Engineering				
Salaries	279,158	279,593	247,708	31,885
Personnel benefits	130,317	130,929	121,989	8,940
Professional and skilled services	105,500	136,324	16,344	119,980
Other operating expenses	82,314	86,644	73,059	13,585
Equipment	325,000	39,950	39,950	-
Total Engineering	<u>922,289</u>	<u>673,440</u>	<u>499,050</u>	<u>174,390</u>
Billing and collection				
Salaries	82,761	80,761	83,480	(2,719)
Personnel benefits	32,957	32,040	30,005	2,035
Professional and skilled services	5,100	2,800	976	1,824
Other operating expenses	89,745	94,963	82,939	12,024
Total Billing and Collection	<u>210,563</u>	<u>210,564</u>	<u>197,400</u>	<u>13,164</u>
Water treatment				
Salaries	473,875	481,440	442,825	38,615
Personnel benefits	230,222	232,832	265,319	(32,487)
Other operating expenses	939,177	1,578,136	908,984	669,152
Equipment	280,000	473,574	400	473,174
Total Water Treatment	<u>1,923,274</u>	<u>2,765,982</u>	<u>1,617,528</u>	<u>1,148,454</u>

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CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Distribution and storage				
Salaries	495,320	502,819	464,791	38,028
Personnel benefits	225,724	228,964	252,013	(23,049)
Other operating expenses	248,190	274,050	(53,000)	327,050
Total Distribution and Storage	<u>969,234</u>	<u>1,005,833</u>	<u>663,804</u>	<u>342,029</u>
Administration				
Salaries	98,184	98,184	97,385	799
Personnel benefits	42,728	42,728	41,560	1,168
Professional and skilled services	90,911	91,621	80,621	11,000
Other operating expenses	149,161	149,161	134,829	14,332
Total Administration	<u>380,984</u>	<u>381,694</u>	<u>354,395</u>	<u>27,299</u>
Debt payments				
Principal redemption	744,721	365,118	-	365,118
Interest	291,950	133,664	133,494	170
Total Debt Payments	<u>1,036,671</u>	<u>498,782</u>	<u>133,494</u>	<u>365,288</u>
 TOTAL EXPENSES	 <u>5,443,015</u>	 <u>5,536,295</u>	 <u>3,465,671</u>	 <u>2,070,624</u>
OPERATING INCOME BEFORE DEPRECIATION	-	-	1,000,685	1,000,685
Depreciation	-	-	567,598	(567,598)
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 433,087</u>	<u>\$ 433,087</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SEWER DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sewer charges	\$ 10,376,367	\$ 10,376,367	\$ 9,821,810	\$ (554,557)
Sewer charges - urban services	460,000	460,000	423,265	(36,735)
Penalties	57,459	57,459	60,380	2,921
Tapping charges and connection fees	-	-	247,125	247,125
Pretreatment monitoring fees	190,000	190,000	177,880	(12,120)
Interest earned	-	-	8,780	8,780
Sewer income - sundry	4,700	4,700	36,878	32,178
Lawsuit settlement	-	-	(80,934)	(80,934)
Grants	-	-	854,472	854,472
Current surplus available	577,558	579,531	-	(579,531)
TOTAL REVENUES	11,666,084	11,668,057	11,549,656	(118,401)
EXPENSES				
Engineering				
Salaries	422,130	423,717	340,491	83,226
Personnel benefits	191,653	192,248	153,954	38,294
Professional and skilled services	6,500	170,450	4,468	165,982
Other operating expenses	82,416	137,163	101,245	35,918
Total Engineering	702,699	923,578	600,158	323,420
Billing and collection				
Salaries	140,540	147,004	140,442	6,562
Personnel benefits	55,503	56,113	82,504	(26,391)
Professional and skilled services	12,850	12,275	12,608	(333)
Other operating expenses	23,385	26,878	14,645	12,233
Total Billing and Collection	232,278	242,270	250,199	(7,929)
Wastewater treatment				
Salaries	1,100,204	1,154,336	1,068,332	86,004
Personnel benefits	525,820	542,204	661,872	(119,668)
Professional and skilled services	50,000	127,606	-	127,606
Other operating expenses	2,895,470	4,039,911	2,313,507	1,726,404
Equipment	555,000	200,789	6,098	194,691
Total Wastewater Treatment	5,126,494	6,064,846	4,049,809	2,015,037

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Maintenance and repair				
Salaries	402,016	425,639	408,892	16,747
Personnel benefits	191,583	195,909	241,562	(45,653)
Other operating expenses	301,249	386,592	193,058	193,534
Total Maintenance and Repair	<u>894,848</u>	<u>1,008,140</u>	<u>843,512</u>	<u>164,628</u>
Pretreatment monitoring				
Salaries	98,787	108,650	98,947	9,703
Personnel benefits	49,351	51,568	60,246	(8,678)
Other operating expenses	32,175	32,080	27,492	4,588
Total Pretreatment Monitoring	<u>180,313</u>	<u>192,298</u>	<u>186,685</u>	<u>5,613</u>
Administration				
Salaries	116,696	116,696	115,780	916
Personnel benefits	53,781	53,781	52,414	1,367
Professional and skilled services	552,256	765,988	185,013	580,975
Other operating expenses	207,133	207,133	189,424	17,709
Equipment	-	1,943	1,943	-
Total Administration	<u>929,866</u>	<u>1,145,541</u>	<u>544,574</u>	<u>600,967</u>
Debt payments				
Principal redemption	3,019,959	3,399,562	-	3,399,562
Interest	579,627	781,438	685,294	96,144
Total Debt Payments	<u>3,599,586</u>	<u>4,181,000</u>	<u>685,294</u>	<u>3,495,706</u>
TOTAL EXPENSES	<u>11,666,084</u>	<u>13,757,673</u>	<u>7,160,231</u>	<u>6,597,442</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	-	(2,089,616)	4,389,425	6,479,041
Depreciation	-	-	710,965	(710,965)
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (2,089,616)</u>	<u>\$ 3,678,460</u>	<u>\$ 5,768,076</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - CITY MARINA
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Slip rentals	\$ 45,000	\$ 45,000	\$ 39,773	\$ (5,227)
Electric fees	8,000	8,000	6,001	(1,999)
Gas sales	23,600	23,600	23,275	(325)
Miscellaneous	400	400	566	166
TOTAL OPERATING REVENUES	<u>77,000</u>	<u>77,000</u>	<u>69,615</u>	<u>(7,385)</u>
OPERATING EXPENSES				
Salaries	32,170	32,170	30,220	1,950
Personnel benefits	8,071	8,071	4,282	3,789
Professional and skilled services	-	13,300	-	13,300
Supplies	11,125	49,160	7,389	41,771
Other services and charges	49,100	-	34,087	(34,087)
TOTAL OPERATING EXPENSES	<u>100,466</u>	<u>102,701</u>	<u>75,978</u>	<u>26,723</u>
OPERATING LOSS BEFORE DEPRECIATION	(23,466)	(25,701)	(6,363)	19,338
Depreciation	-	-	19,307	(19,307)
NET OPERATING LOSS	(23,466)	(25,701)	(25,670)	31
NONOPERATING REVENUES				
Operating transfer in	23,466	23,466	23,466	-
Interest income	-	-	3	3
TOTAL NONOPERATING REVENUES	<u>23,466</u>	<u>23,466</u>	<u>23,469</u>	<u>3</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (2,235)</u>	<u>\$ (2,201)</u>	<u>\$ 34</u>

CITY OF SALISBURY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - PARKING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Parking permits, fines, state grants, meters, and Park 'n Shop	\$ 581,000	\$ 581,000	\$ 547,319	\$ (33,681)
Rent and other	12,080	12,080	7,268	(4,812)
Current surplus available	98,278	100,512	-	(100,512)
TOTAL OPERATING REVENUES	<u>691,358</u>	<u>693,592</u>	<u>554,587</u>	<u>(139,005)</u>
OPERATING EXPENSES				
Salaries	189,300	191,078	188,588	2,490
Personnel benefits	69,094	69,550	56,633	12,917
Professional and skilled services	127,452	146,952	104,865	42,087
Supplies	6,100	7,110	5,596	1,514
Other services and charges	149,456	151,916	134,564	17,352
Capital outlays	69,000	69,000	-	69,000
TOTAL OPERATING EXPENSES	<u>610,402</u>	<u>635,606</u>	<u>490,246</u>	<u>145,360</u>
OPERATING INCOME BEFORE DEPRECIATION	80,956	57,986	64,341	6,355
Depreciation	-	-	111,838	(111,838)
NET OPERATING INCOME (LOSS)	80,956	57,986	(47,497)	(105,483)
NONOPERATING REVENUES (EXPENSES)				
Operating transfer in	20,000	20,000	20,000	-
Interest income	392	392	161	(231)
Principal payment	(83,409)	(83,409)	-	83,409
Interest expense	(17,939)	(17,939)	(17,625)	314
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(80,956)</u>	<u>(80,956)</u>	<u>2,536</u>	<u>83,492</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (22,970)</u>	<u>\$ (44,961)</u>	<u>\$ (21,991)</u>

STATISTICAL INFORMATION

CITY OF SALISBURY, MARYLAND

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE (UNAUDITED)
JUNE 30, 2014**

<u>Levy Year</u>	<u>Total</u>	<u>General Fund</u>		
		<u>Real Property</u>	<u>Personal Property</u>	<u>Corporations</u>
2014	\$ 550,235	\$ 239,285	\$ 177	\$ 310,773
2013	154,104	38,347	1,423	114,334
2012	132,623	38,380	135	94,108
2011	209,824	43,697	919	165,208
2010 and prior	<u>1,019,629</u>	<u>375,067</u>	<u>41,153</u>	<u>603,409</u>
	2,066,415	734,776	43,807	1,287,832
Less allowance for uncollectibles	<u>(936,317)</u>	<u>-</u>	<u>(42,954)</u>	<u>(893,363)</u>
	<u>\$ 1,130,098</u>	<u>\$ 734,776</u>	<u>\$ 853</u>	<u>\$ 394,469</u>

NOTE: Included in the above are deferred taxes of \$487,793.

CITY OF SALISBURY, MARYLAND
STATEMENT OF BONDED INDEBTEDNESS (UNAUDITED)
JUNE 30, 2014

Description of Bonds and Purpose of Issue General Obligation Bonds	Interest		Bond Maturities	Date Issued	Authorized Total Issue	Outstanding June 30, 2014	Requirements to June 30, 2015		Payable At
	Rate (Percent)	Dates Payable					Principal	Interest	
Water Quality Bond of 2003	0.40	F & A1	8/1/03-8/1/24	04/17/03	3,163,361	\$ 1,613,247	\$ 158,442	\$ 14,288	MD Dept. Environment
Public Improvement Bond of 2004	2.0-4.6	M & N1	5/1/05-5/1/24	04/22/04	5,318,000	2,690,000	223,000	120,614	M & T Bank
Water Quality Bond of 2005	0.40	F & A1	2/1/09-2/1/28	09/29/05	41,721,225	29,488,685	2,070,775	216,986	MD Water Quality Fin.
Public Improvement Bonds of 2007	4.03	A & O1	4/1/08-4/1/27	04/12/07	4,950,000	3,217,500	247,500	129,665	Capital One
Public Improvement Bonds of 2008	4.09	F & A1	2/1/09-2/1/28	01/22/08	3,605,000	2,630,006	180,000	107,567	Suntrust Equip. & Leasing Corp.
Public Improvement Bonds of 2009	3.78	M & N1	5/1/10-5/1/25	11/06/09	2,600,000	1,906,667	173,333	69,779	Hebron Savings Bank
Maryland Water Quality Bond (ARRA)	0	A & F1	8/1/11-2/1/30	12/04/09	2,056,250	1,620,187	145,021	-	MD Water Quality Fin.
Maryland Energy Administration	0	S & M1	9/1/11-3/1/13	12/04/09	258,740	172,493	28,749	-	MD Water Quality Fin.
Maryland Energy Administration	2.50	J & J1	1/1/11-7/1/16	08/23/10	142,800	85,875	20,304	1,589	MD Water Quality Fin.
Refinance Public Improvement Bond	3.35	A & O1	10/1/11-10/1/26	10/04/10	5,050,000	4,294,154	269,014	139,348	Bank of America
Public Improvements Refunding Bond, Series 2011A	1.31	J & DA1	12/13/11-6/1/14	12/13/11	2,588,000	-	-	-	Suntrust Bank
Public Improvements Refunding Bond, Series 2011B	2.39	J & DA1	12/13/11-6/1/23	12/13/11	4,828,000	3,722,999	393,000	88,980	Suntrust Bank
2012 Public Improvement Bond	2.52	M & N1	5/3/12-6/30/27	05/03/12	7,693,000	6,825,000	450,000	171,990	Suntrust Bank
Series 2012A Maryland Water Quality Financing Administration Drinking Water Bond	0.90	A & F1	5/22/12-2/1/43	05/22/12	1,631,000	1,465,560	48,028	17,755	MD Water Quality Fin.
Series 2012B Maryland Water Quality Financing Administration Drinking Water Bond	0	A & F1	5/22/12-2/1/43	05/22/12	1,500,000	1,412,274	-	-	MD Water Quality Fin.
Public Improvement Bonds of 2013	3.01	J & J1	12/5/12-6/30/29	12/05/12	6,041,000	5,755,000	308,000	168,610	Suntrust Bank
Public Improvement Bonds of 2014	2.96	J & J1	07/01/14-07/01/28	12/23/13	3,178,000	3,178,000	169,000	93,867	Hebron Savings Bank
Series 2014A Maryland Water Quality Financing Administration Drinking Water Bond	1.00	On demand	02/01/16-02/01/29	03/20/14	66,375	-	-	539	MD Water Quality Fin.
Series 2014B Maryland Water Quality Financing Administration Drinking Water Bond	0	On demand	03/20/14-02/01/29	03/20/14	464,625	-	-	-	MD Water Quality Fin.
						<u>\$ 70,057,647</u>	<u>\$ 4,884,166</u>	<u>\$ 1,341,577</u>	

CITY OF SALISBURY, MARYLAND
GENERAL FUND REVENUE BY SOURCE (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2014

Fiscal Year Ended June 30	Property Taxes		Local Income Taxes		State Shared Taxes		Licenses and Permits		Fines and Forfeitures		Revenues from Use of Money and Property		Revenue from Other Agencies		Service Charges and Other		Total		Surplus Appropriated
2014	\$ 21,648,544	67.53%	\$ 1,554,622	4.85%	\$ 1,637,787	5.11%	\$ 1,043,834	3.26%	\$ 855,103	2.67%	\$ 32,167	0.10%	\$ 2,046,793	6.38%	\$ 3,240,245	10.11%	\$ 32,059,095	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
2010	21,546,160	71.60%	1,537,197	5.11%	856,110	2.84%	663,585	2.21%	109,267	0.36%	37,697	0.13%	1,640,400	5.45%	3,703,987	12.31%	30,094,403	100.00%	225,520

CITY OF SALISBURY, MARYLAND

GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2014

Fiscal Year Ended June 30	Department of Public Works										Total
	General Government	Police	Fire	Other Safety	Supervision & Engineering	Highways	Sanitation	Recreation	Miscellaneous & Transfers		
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%	
2010	2,254,947 7.24%	9,368,939 30.08%	7,364,032 23.65%	1,384,845 4.45%	2,053,826 6.59%	1,596,292 5.13%	1,421,251 4.56%	1,790,812 5.75%	3,907,620 12.55%	31,142,564 100.00%	

CITY OF SALISBURY, MARYLAND
WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)
FIVE YEARS ENDED JUNE 30, 2014

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
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
2010	4,223,870	175,918	7,935,888	220,396	12,556,072	1,287,628	10,409,485	52,340	670,243	1,574,494	12,706,562

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, 2014

Fiscal Year Ended June 30	Assessable Basis	Total General Sinking Tax Levy	Percent of Levy		Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percent of Current Levy		Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
			Collected in Year of Levy	Year of Levy			a	Current Levy		
2014	\$ 2,046,442,133	\$ 21,685,798	96.61%	Year of Levy	\$ 340,539	\$ 21,290,205	98.18%	\$ 1,907,296	8.80%	
2013	2,228,304,647	23,207,089	83.64%		380,515	19,791,981	85.28%	2,045,252	8.81%	
2012	2,254,938,618	21,721,757	93.21%		169,030	20,415,128	93.98%	2,179,002	10.03%	
2011	2,330,729,384	22,506,548	90.52%		45,267	20,418,523	90.72%	2,088,025	9.28%	
2010	2,501,327,556	23,929,701	81.61%		1,770,553	21,299,665	89.01%	1,731,542	7.24%	

CITY OF SALISBURY, MARYLAND

GENERAL AND SINKING FUND - ASSESSED VALUES AND DEBT RATIOS (UNAUDITED)
 FIVE YEARS ENDED JUNE 30, 2014

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							
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	\$ 43,294,475	0.144
2013	1,963,683,547	2,029,930	206,407,060	56,184,110	2,228,304,647	73,775,676	0.0331	105,009,452	31,233,776	6,869,278	42,296,670	0.162
2012	1,968,451,318	2,513,100	216,668,130	47,306,070	2,254,938,618	69,545,990	0.0308	106,186,783	36,640,793	6,627,172	42,037,310	0.158
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	42,085,103	0.150
2010	2,219,277,746	2,697,220	230,973,950	48,378,640	2,501,327,566	67,471,893	0.0274	116,976,091	49,504,198	5,719,527	43,243,226	0.132