# CITY OF SALISBURY, MARYLAND

# AUDIT REPORT

# JUNE 30, 2013

CITY OF SALISBURY

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## CITY OF SALISBURY, MARYLAND

## ORGANIZATION

## SERVING AS OF JUNE 30, 2013

### OFFICIALS - ELECTED

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

### OFFICIALS - STAFF

| | |
|---|---|
| City Administrator | John Pick |
| Assistant City Administrator | Lore Chambers |
| City Clerk | Kimberly Nichols |
| Director of Internal Services | Keith Cordrey |
| City Solicitor | S. Mark Tilghman |
| Acting Director of Public Works | Amanda Pollack |
| Director of Department of Building, Permits and Inspections | William Holland |
| Director of Information Technology | Bill Garrett |
| Director of Neighborhood Services and Code Compliance | Tom Stevenson |
| Director of Community Development | Deborah J. Stam |
| Chief of Police | Barbara Duncan |
| Chief of Fire Department | Rick Hoppes |

| | |
|---|---|
| Incorporated | 1854 |

INDEPENDENT AUDITOR'S REPORT

December 2, 2013

Members of City Council
City of Salisbury
Salisbury, Maryland

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Salisbury, Salisbury, Maryland, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices 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, 2013, and the respective changes in its financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

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

## Emphasis of Matter

As discussed in Note 15 to the financial statements, the 2012 statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of the City of Salisbury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Salisbury's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

# CITY OF SALISBURY, MARYLAND

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

This section of the annual financial report of the City of Salisbury (the "City") presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2013. We encourage readers to consider the discussion and analysis along with the other information in this report, including the notes to the financial statements. In this section, we have provided an overview of the basic financial statements, selected condensed financial data and highlights, and analysis of the City's financial position and changes in financial position.

### FINANCIAL HIGHLIGHTS

- The City's total combined net position at June 30, 2013 was $112,766,771. Net position of our governmental activities decreased by $2,841,843 (or 8.8 percent) while net position of our business-type activities increased by $4,746,996 (or 6.0 percent).

- The General Fund reported expenditures in excess of revenues of $706,057, bringing its fund balance this year to $11,980,884.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are entity-*wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the entity-wide statements.

- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.

- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

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

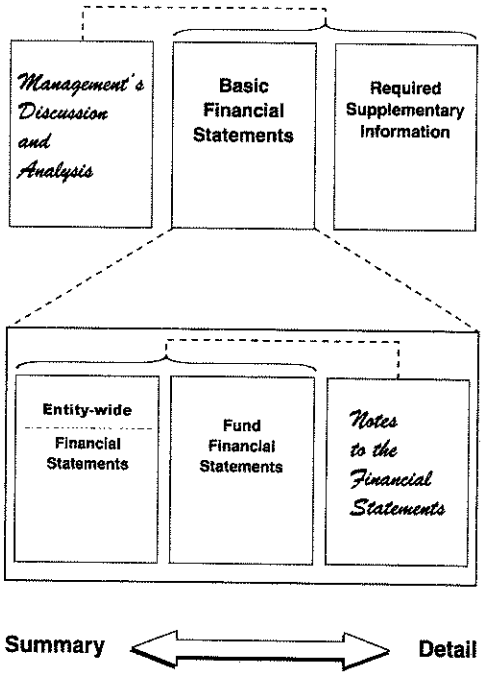


Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 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.

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

| | | Fund Statements | | |
|---|---|---|---|---|
| *Type of Statements* | Government-wide | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| *Scope* | Entire Agency's government (except fiduciary funds) and the Agency's component units | The activities of the City that are not proprietary or fiduciary | Activities the City operate similar to private businesses: self insurance | Instances in which the City is the trustee or agent for someone else's resources |
| *Required financial statements* | • Statement of net position<br>• Statement of activities | • Balance sheet<br>• Statement of revenues, expenditures and changes in fund balances | • Statement of net position<br>• Statement of revenues, expenses and changes in fund net position<br>• Statement of cash flows | • Statement of fiduciary net position<br>• 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 at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

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

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

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

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

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

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

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

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

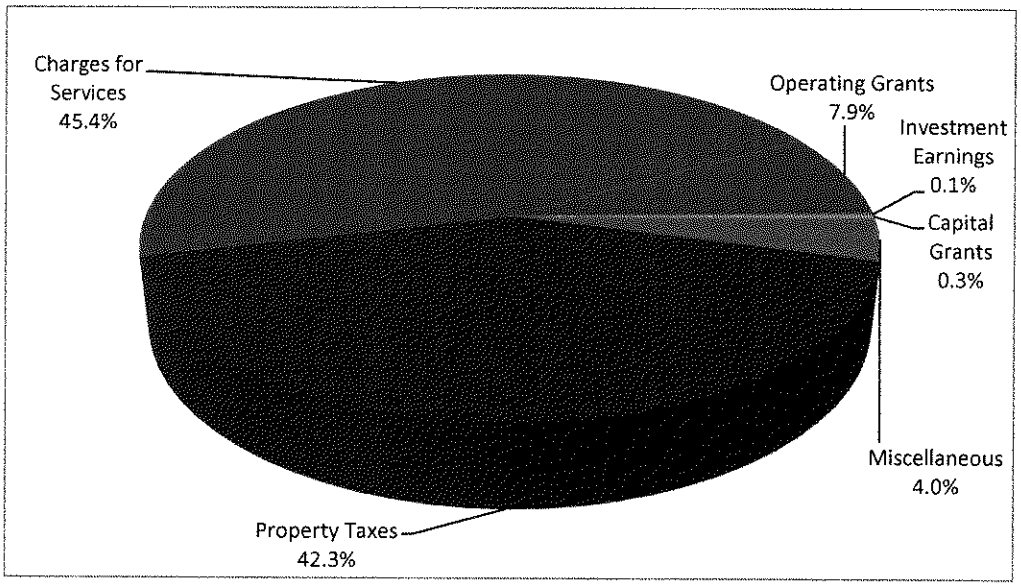


**Table A-2**
SOURCES OF REVENUES
(in thousands of dollars)

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

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

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

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

CHANGE IN NET POSITION
(in thousands of dollars)

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

**Governmental Activities**

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

**Business-type Activities**

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

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

As of the end of FY 2013, the City's governmental funds reported a combined fund balance of $17.1 million, $.7 million less than the previous year. At year end, the general fund had a fund balance of $12.0 million and the capital improvements fund had a fund balance of $4.0 million. The fund balance for other governmental funds reported an ending fund balance of $1.1 million. Revenue collections were less than expenditures for the year.

**General Fund Budgetary Highlights**

Over the course of the year, the City processed budget amendments which are used to update the revised budget. The ending revised budget for expenditures in the general fund was $33.7 million versus an Original Budget of $31.1 million. The majority of the variance is due to a carry forward of encumbrances from FY 2012. Actual expenditures were $2.8 million below final budget amounts. All departments were under budget during the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

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

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

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

The City's governmental capital purchases for fiscal year 2013 included a fireman's radios, foam trailer, ambulances, rescue/rapid response vessel and 11 police vehicles. Infrastructure improvements were made to the Waverly Street storm drains and the park pedestrian bridge. The business-type activities purchases included a sewer vac truck and upgrades to the wastewater treatment plant, construction of the Beaverdam Creek Stabilization, and improvements made for portable water storage. More information about the City's capital assets is presented in the notes to the financial statements.

### Long-term Debt

At year end, the City had $76.4 million in bonds, notes and leases outstanding, an increase of $2.6 million over the previous year. The City issued $6 million of Public Improvement bonds to finance the Waverly Drive Water Quality Inlet project, the Milford Street Water Tank and the continuing construction of the upgrade to the Wastewater treatment plant. The City used lease financing to purchase an ambulance, radios and a new sewer jet vac truck in FY 2013. The City is limited to a maximum general obligation bond limit of $105 million. The City has recently issued its debt through private placement or use of loan programs with the State of Maryland; thus, it does not go to the credit rating agencies. More detailed information about the City's long-term liabilities is presented in Note 6 to the financial statements.

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

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Construction activity in the City is slowly increasing, corresponding to the overall housing market. There is still some continuing construction activity in the City, with a mixture of residential and commercial. The City collected $364,641 in building permit revenues for FY 2013 vs. $185,570 for FY 2012, which reflects the growth in activity.

- The City received $483,428 less real estate tax revenue in FY 2013 due to a decline in real property assessments. The total of other tax revenues were $48,171 more in FY 2013 than FY 2012.

- The City's next three-year reassessment cycle started in January 2013.

- The State of Maryland continued the revenue cuts for Highway User Taxes for FY 2013 but budgeted substantial increases for FY 2014.

- The local (Wicomico County) unemployment rate as of August 2013 was 7.7 percent, down 1.0 percent from a year ago. The State of Maryland had a 7.0 percent rate and the nation as a whole has a 7.3 percent unemployment rate.

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

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

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**CITY OF SALISBURY, MARYLAND**
**STATEMENT OF NET POSITION**
**JUNE 30, 2013**

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

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

# CITY OF SALISBURY, MARYLAND
## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2013

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government | $ 3,223,000 | $ 1,268,343 | $ 1,373,110 | $ - | $ (581,547) | $ - | $ (581,547) |
| Public safety | 20,011,470 | 3,026,555 | 1,965,866 | - | (15,019,049) | - | (15,019,049) |
| Public works | 7,839,004 | 809,502 | 545,424 | 148,974 | (6,335,104) | - | (6,335,104) |
| Recreation and culture | 1,968,974 | 792,826 | 29,206 | - | (1,146,942) | - | (1,146,942) |
| Nondepartmental | 1,022,520 | - | - | - | (1,022,520) | - | (1,022,520) |
| Interest on long-term debt | 642,370 | - | - | - | (642,370) | - | (642,370) |
| Total Governmental Activities | 34,707,338 | 5,897,226 | 3,913,606 | 148,974 | (24,747,532) | - | (24,747,532) |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Water and sewer | 12,324,192 | 15,926,995 | - | - | - | 3,602,803 | 3,602,803 |
| Other | 955,780 | 806,951 | - | - | - | (148,829) | (148,829) |
| Total Business-type Activities | 13,279,972 | 16,733,946 | - | - | - | 3,453,974 | 3,453,974 |
| TOTAL PRIMARY GOVERNMENT | $ 47,987,310 | $ 22,631,172 | $ 3,913,606 | $ 148,974 | (24,747,532) | 3,453,974 | (21,293,558) |
| GENERAL REVENUES | | | | | | | |
| Taxes | | | | | | | |
| Real and personal property taxes, levied for general purposes | | | | | 14,454,670 | - | 14,454,670 |
| Ordinary business corporations and utilities | | | | | 5,129,244 | - | 5,129,244 |
| State shared income tax | | | | | 1,439,078 | - | 1,439,078 |
| Other taxes | | | | | 393,131 | - | 393,131 |
| Unrestricted investment earnings | | | | | 29,284 | 36,092 | 65,376 |
| Lawsuit settlement proceeds, net | | | | | - | 1,213,464 | 1,213,464 |
| Miscellaneous | | | | | 503,748 | - | 503,748 |
| Operating transfers | | | | | (43,466) | 43,466 | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | 21,905,689 | 1,293,022 | 23,198,711 |
| CHANGE IN NET POSITION | | | | | (2,841,843) | 4,746,996 | 1,905,153 |
| NET POSITION, BEGINNING OF YEAR * | | | | | 32,348,488 | 78,513,130 | 110,861,618 |
| NET POSITION, END OF YEAR | | | | | $ 29,506,645 | $ 83,260,126 | $ 112,766,771 |

* Restated. See Notes 14 and 15.

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

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

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

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, 2013

| | | |
|---|---|---|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS | | $ 17,060,003 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements but are reported in the governmental activities column of the statement of net position. | | 41,358,247 |
| Certain revenues that do not provide current financial resources are reported as unavailable revenue in the fund financial statements but are reported as revenue in the governmental activities column of the statement of activities. | | 1,089,230 |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements but are reported in the governmental activities column statement of net position. Those liabilities consist of: | | |
| Bonds, notes and capital leases payable | $ (17,280,844) | |
| Compensated absences | (1,189,249) | |
| Post-employment benefits | (11,440,277) | |
| Accrued interest on bonds | (90,465) | (30,000,835) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | | $ 29,506,645 |

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, 2013**

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

* Restated. See Note 15.

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

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

| | | |
|---|---|---|
| NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS | | $ (731,876) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are: | | |
| Capital outlays | $ 1,227,914 | |
| Depreciation expense | (1,838,932) | (611,018) |
| Bond and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, capital leases of this amount were issued. | | (335,664) |
| Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenues increased by this amount this year. | | (580,709) |
| Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of net position treats such repayments as a reduction in long-term liabilities. | | 2,543,272 |
| Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of: | | |
| Increase in compensated absences | (41,741) | |
| Increase in post-employment benefits | (3,088,900) | |
| Decrease in accrued interest payable | 4,793 | (3,125,848) |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | | $ (2,841,843) |

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

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

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

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

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

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

* Restated. See Notes 14 and 15.

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

## CITY OF SALISBURY, MARYLAND
## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
## FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

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

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, 2013**

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

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

## NOTE 1 DESCRIPTION OF THE CITY OF SALISBURY

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

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### Basis of Presentation

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

ENTITY-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

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

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

- Water and Sewer Fund - The water and sewer fund is used to account for all financial transactions, including the acquisition or construction of major capital facilities, related to the operations of the City's water and sewer services.

- Mitchell Landing Fund - The Mitchell Landing fund is used to account for all financial transactions related to the operations of the Mitchell Landing Apartments, a low-income housing project which operates under the guidelines of the Maryland Department of Housing and Community Development.

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

FIDUCIARY FUNDS

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

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

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

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

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

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

Budgetary Data

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

Cash Equivalents

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

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

Property Taxes

Property taxes attach as an enforceable lien as of July 1. Taxes are levied on July 1 and are recognized when levied. Taxes are due and payable on or before September 30 and all unpaid taxes become delinquent October 1. Wicomico County, Maryland bills and collects property taxes for the City. Real property taxes uncollected as of 60 days after fiscal year end are considered unavailable to pay liabilities that are owed at the balance sheet date and, therefore, are included in deferred revenue. An allowance is established for delinquent personal property taxes to the extent that their collectibility is improbable. At June 30, 2013, all property taxes were deemed collectible and there was no allowance.

Inventories

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

Accrued Liabilities and Long-term Obligations

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

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

Net Position

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

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

Fund Balance Reserves and Deficit

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

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

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

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

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

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

*Unassigned* - all other spendable amounts.

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

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

Early Implementation of GASB Statements

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

Operating Revenues and Expenses

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

Estimates in the Preparation of Financial Statements

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

NOTE 3 CASH AND INVESTMENTS

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

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

NOTE 3 CASH AND INVESTMENTS (cont'd)

Cash and deposits

At June 30, 2013, the carrying amount of the City's deposits was $8,653,640 and the bank balance was $7,741,507. Of the bank balance, $932,066 was covered by federal depository insurance, and $6,809,441 was exposed to custodial credit risk because, in accordance with Maryland State law, it was uninsured and the collateral held by the depository's agent was not in the City's name.

Investment Pool

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

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

Restricted Cash

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

Retiree Health Plan Trust

The investment policy of the City of Salisbury Health Care Trust requires that the funds be managed as a balanced account with approximately 70 percent equities, and 30 percent cash and equivalents and government and corporate bonds. The investments are held at State Street Bank in the City's name. The funds are invested as follows:

| | |
|---|---|
| Cash and equivalents | $ 124,833 |
| Government and agency bonds | 57,417 |
| Corporate bonds | 227,192 |
| Common stock | 728,737 |
| Mutual funds | 129,394 |
| Total | $1,267,573 |

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

NOTE 3 CASH AND INVESTMENTS (cont'd)

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

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

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES

As a result of its operations, the City effects a variety of transactions between funds to finance operations and service debt. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2013, appropriate due from/to other funds have been established. The General fund has the following amounts due from other funds:

| | |
|---|---|
| Parking Fund | $ 146,304 |
| Marina Fund | 47,238 |

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

Interfund transfers for the year ended June 30, 2013 are as follows:

| | Transfers In | Transfers Out |
|---|---|---|
| General fund | $ - | $ 222,128 |
| Grant fund | 87,460 | - |
| Community development fund | 91,202 | - |
| City marina fund | 23,466 | - |
| Parking authority fund | 20,000 | - |
| TOTAL | $ 222,128 | $ 222,128 |

## NOTE 5 CAPITAL ASSETS

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

| | July 1, 2012 | Additions | Deletions | Transfers | June 30, 2013 |
|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and art | $ 7,883,810 | $ - | $ - | $ - | $ 7,883,810 |
| Construction-in-progress | 6,882,000 | 360,325 | - | (4,564,406) | 2,677,919 |
| Total Capital Assets Not Being Depreciated | 14,765,810 | 360,325 | - | (4,564,406) | 10,561,729 |
| Capital assets being depreciated: | | | | | |
| Land improvements | 767,410 | - | - | - | 767,410 |
| Buildings and improvements | 19,667,003 | - | - | - | 19,667,003 |
| Improvements, non-buildings | 8,239,831 | - | - | 4,564,406 | 12,804,237 |
| Machinery and equipment | 17,463,826 | 867,589 | (76,933) | - | 18,254,482 |
| Zoo animals | 36,000 | - | - | - | 36,000 |
| Total Capital Assets Being Depreciated | 46,174,070 | 867,589 | (76,933) | 4,564,406 | 51,529,132 |
| Accumulated depreciation | (18,970,615) | (1,838,932) | 76,933 | - | (20,732,614) |
| Total Capital Assets Being Depreciated, Net | 27,203,455 | (971,343) | - | 4,564,406 | 30,796,518 |
| Governmental Activities Capital Assets, Net | $ 41,969,265 | $ (611,018) | $ - | $ - | $ 41,358,247 |

Depreciation was charged to governmental functions as follows:

| | |
|---|---|
| General government | $ 59,460 |
| Public safety | 1,139,762 |
| Public works | 464,922 |
| Recreation and culture | 174,788 |
| Total depreciation expense | $ 1,838,932 |

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

## NOTE 5 CAPITAL ASSETS (cont'd)

| | July 1, 2012 | Additions | Deletions | Transfers | June 30, 2013 |
|---|---|---|---|---|---|
| **Parking Authority Fund** | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | $ 467,790 | $ - | $ - | $ - | $ 467,790 |
| Construction-in-progress | - | 66,000 | - | - | 66,000 |
| Total Capital Assets Not Being Depreciated | 467,790 | 66,000 | - | - | 533,790 |
| Capital assets being depreciated: | | | | | |
| Land improvements | 156,704 | - | - | - | 156,704 |
| Buildings and improvements | 3,742,091 | - | - | - | 3,742,091 |
| Improvements, non-buildings | 64,800 | - | - | - | 64,800 |
| Machinery and equipment | 181,148 | - | - | - | 181,148 |
| Total Capital Assets Being Depreciated | 4,144,743 | - | - | - | 4,144,743 |
| Accumulated depreciation | (2,160,518) | (112,810) | - | - | (2,273,328) |
| Total Capital Assets Being Depreciated, Net | 1,984,225 | (112,810) | - | - | 1,871,415 |
| Parking Authority Fund Capital Assets, Net | $ 2,452,015 | $ (46,810) | $ - | $ - | $ 2,405,205 |

| | July 1, 2012 | Additions | Deletions | Transfers | June 30, 2013 |
|---|---|---|---|---|---|
| **City Marina Fund** | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | $ 1,315,000 | $ - | $ - | $ - | $ 1,315,000 |
| Total Capital Assets Not Being Depreciated | 1,315,000 | - | - | - | 1,315,000 |
| Capital assets being depreciated: | | | | | |
| Land improvements | 1,418,255 | - | - | - | 1,418,255 |
| Buildings and improvements | 209,494 | - | - | - | 209,494 |
| Other fixed assets | 128,221 | - | - | - | 128,221 |
| Total Capital Assets Being Depreciated | 1,755,970 | - | - | - | 1,755,970 |
| Accumulated depreciation | (1,371,045) | (19,307) | - | - | (1,390,352) |
| Total Capital Assets Being Depreciated, Net | 384,925 | (19,307) | - | - | 365,618 |
| City Marina Fund Capital Assets, Net | $ 1,699,925 | $ (19,307) | $ - | $ - | $ 1,680,618 |

## NOTE 5 CAPITAL ASSETS (cont'd)

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

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

## NOTE 6 LONG-TERM DEBT

The City's charter provides that total bonded or other indebtedness of the City payable from its general tax revenues shall at no time exceed the total of four percent of the assessed valuation of all real property and 10 percent of the assessed valuation of all personal and corporate property subject to taxation by the City. The legal debt limit permitted at June 30, 2013 totaled $105,009,452. After considering general obligations including mortgages and notes outstanding of $73,775,876, the available additional debt margin was $31,233,576.

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

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

NOTE 6 LONG-TERM DEBT (cont'd)

| (cont'd) | July 1, 2012 | Additions | Retirements | June 30, 2013 |
|---|---|---|---|---|
| **Business-type Activities:** | | | | |
| General Obligation Bonds | $ 52,778,677 | $ 8,914,614 | $ 4,255,387 | $ 57,437,904 |
| Mortgage and Notes Payable: | | | | |
| Department of Housing and Community Development - Mitchell Landing Project - No interest or principal due while project serves as low-income rental housing | 1,381,807 | - | - | 1,381,807 |
| Capital Lease Obligations | 132,871 | 288,455 | 134,298 | 287,028 |
| Compensated absences | 224,959 | - | 23,394 | 201,565 |
| Business-type Activities Long-term Debt | $ 54,518,314 | $ 9,203,069 | $ 4,413,079 | $ 59,308,304 |

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

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

In the year ended June 30, 2003, the City obligated itself to pay to MDE the amount of $3,163,361 at an annual interest rate of 0.4 percent for wastewater treatment plant upgrades and expansion. Interest is payable semi-annually beginning August 1, 2003, and principal is payable annually beginning February 1, 2005 until the principal amount of the bond has been paid. The general obligation bond is accounted for in the water and sewer enterprise fund. The outstanding balance at year end was $1,771,058.

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

In the year ended June 30, 2006, the City obligated itself to pay to MDE the amount of $42,009,341 at an annual interest rate of 0.4 percent for wastewater treatment plant upgrades and expansion. Interest is payable semi-annually beginning February 1, 2006, and principal is payable annually beginning February 1, 2009 until the principal amount of the bond has been paid. The general obligation bond is accounted for in the water and sewer enterprise fund. As of June 30, 2013, total principal of $41,721,225 has been drawn on this facility, and the principal amount outstanding totaled $31,531,209. Future maturity requirements below are based on the full obligation.

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

NOTE 6 LONG-TERM DEBT (cont'd)

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

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

In the year ended June 30, 2010, the City obligated itself to pay to MDE the amount of $2,756,400. The final amount advanced as of June 30, 2013 is $2,056,250. The loan is repayable in annual installments of $145,021. There was an initial payment of $1,000 due on August 1, 2011. Due to the reduction in principal drawn, the bonds now mature through February 1, 2026 with a reduced final payment of $24,955. There is no interest on this obligation, which is accounted for in the water and sewer enterprise fund. The outstanding balance at year end was $1,765,208.

In the year ended June 30, 2010, the City entered into a loan agreement with the Maryland Energy Administration ("MEA") for its Jane E. Lawton Conservation Loan Program ("JELLP") for the amount of $258,740. There is no interest on this loan. The first principal payment was due 13 months after the first draw on the loan, and the loan matures September 2019. The loan is accounted for in the general fund. The outstanding balance at year end was $201,242.

In the year ended June 30, 2011, the City entered into a loan agreement with MEA for JELLP for the amount of $142,800 at an interest rate of 2.5 percent. Interest is payable semi-annually beginning March 1, 2012. The bonds mature in varying amounts beginning March 1, 2012 and continuing through July 15, 2017. This obligation is accounted for in the nonmajor enterprise fund. The outstanding balance at year end was $109,070.

In the year ended June 30, 2011, the City issued $5,050,000 of Public Facilities Refunding Bonds at an interest rate of 3.35 percent. Interest is payable semi-annually beginning October 1, 2011. The bonds mature in varying amounts beginning October 1, 2011 and continuing through October 1, 2026. This obligation is accounted for in the general fund. The outstanding balance at year end was $4,554,449.

In the year ended June 30, 2012, the City issued $2,588,000 of Public Improvement Refunding Bonds at an interest rate of 1.31 percent. Interest is payable semi-annually beginning June 1, 2012. The bonds mature in varying amounts beginning June 1, 2012 and continuing through June 1, 2014. The amount of $205,659 of the balance of the obligation is carried in the water and sewer enterprise fund, and the balance of $576,341 is accounted for in the general fund.

NOTE 6 LONG-TERM DEBT (cont'd)

In the year ended June 30, 2012, the City issued $4,828,000 of Public Improvement Refunding Bonds at an interest rate of 2.39 percent. Interest is payable semi-annually beginning June 1, 2012. The bonds mature in varying amounts beginning June 1, 2012 and continuing through June 1, 2023. The amount of $1,129,642 of the balance of the obligation is carried in the water and sewer enterprise fund, $640,677 is carried in the nonmajor enterprise fund and the balance of $2,337,681 is accounted for in the general fund.

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

In the year ended June 30, 2012, the City entered into a tax-exempt loan agreement with MDE in the amount of $1,631,000 at a rate of .90 percent for 30 years. The interest payments are due semi-annually beginning August 1, 2012. Annual principal payments are due February 1, beginning February 1, 2014. The obligation is accounted for in the water and sewer enterprise fund. The outstanding balance at year end was $1,631,000.

In the year ended June 30, 2013, the City entered into a loan agreement with the Maryland Water Quality Financing Administration (the "Administration") in the amount of $1,500,000. The loan is due on demand, with interest accruing at the default rate (3.74 percent) from the date of demand. The Administration shall forgive repayment of the principal amount if the City performs all of its obligations under the loan agreement. If the Administration has not demanded repayment of the principal prior to May 22, 2022, then the loan shall be deemed forgiven. This obligation is accounted for in the water and sewer enterprise fund. The outstanding balance at year end was $1,294,434.

In the year ended June 30, 2013, the City issued $6,041,000 of Public Improvement Bonds at an interest rate of 3.01 percent. Interest is payable semi-annually beginning July 1, 2013. The bonds mature in varying amounts beginning July 1, 2013 and continuing through July 1, 2028. The bonds are accounted for in the water and sewer enterprise fund. The outstanding balance at year end was $6,041,000.

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

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

NOTE 6 LONG-TERM DEBT (cont'd)

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

Conduit Debt

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

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

NOTE 6 LONG-TERM DEBT (cont'd)

initially bear interest at the rate of 7.9 percent per annum. These bonds are not subject to the debt limit set forth in the City's Charter. These bonds were issued as drawdown bonds and sold to the then current owner of the property located in the prescribed development/special taxing district. These bonds are subject to conversion and reoffering if certain conditions set forth in the Indenture of Trust relating to such bonds are met. Until any such conversion and reoffering, the bond holder will advance proceeds of the bonds to pay project costs. Until any such conversion and reoffering (and, potentially, even thereafter), interest on such bonds will be includable in gross income of the holders thereof for federal income tax purposes.

Capital Leases

The City has entered into leases for the acquisition of various machinery and equipment, which are classified as capital leases. Accordingly, the present value of future minimum lease payments and the related assets have been recorded in the appropriate fund.

The original cost of assets acquired under these capital leases for the general fund is $5,155,471 with accumulated depreciation of $1,572,565; for the water and sewer fund, the original cost is $341,320 with accumulated depreciation of $164,264 at June 30, 2013.

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

| Year Ending June 30, | General | Water and Sewer |
|---|---|---|
| 2014 | $ 940,966 | $ 86,797 |
| 2015 | 784,636 | 43,271 |
| 2016 | 323,069 | 43,271 |
| 2017 | 280,087 | 43,271 |
| 2018 | 210,955 | 43,271 |
| 2019 | - | 43,271 |
| Less amount representing interest | (214,835) | (16,124) |
| Present value of future minimum lease payments | $ 2,324,878 | $ 287,028 |

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.

NOTE 7 PENSION PLANS (cont'd)

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

**Funding Policy**

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

**Employer's Payroll and Contributions Under the Plan**

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

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

NOTE 8 POST-RETIREMENT HEALTH CARE BENEFITS

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

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

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

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

Plan Description

During the year ended June 30, 2007, Wicomico County and the Board of Education jointly set up the "Retiree Health Insurance Plan Trust of the Board of Education of Wicomico County and Wicomico County." A Board of Trustees (the "Board") oversees the trust. In June 2009, the City of Salisbury joined the trust and the trust was renamed "Amended Retiree Health Plan Trust for the Wicomico County Board of Education and Wicomico County and the City of Salisbury" (the "Trust").

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

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

Funding Policy

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

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

Schedule of Funding

The schedule of funding progress of OPEB is as follows:

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

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

Summary of Actuarial Methods and Assumptions

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

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

In the actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement, was used. 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.

NOTE 9 DEFERRED COMPENSATION PLAN (cont'd)

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

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

NOTE 10 SERVICE AWARD TRUST

The City has a Volunteer Firemen Service Award Trust, which was established to accumulate funds for the City Volunteer Firemen's Retirement. The maximum monthly benefit per individual is $500 upon retirement, and the retirement age is 60. The transactions of the Service Award Trust have been reported as an expendable trust fund in the fiduciary fund types. The trust has assets of $102,772 as of June 30, 2013.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

| Business-type Activities: | Project Amount | Completed as of 06/30/2013 | Commitments |
|---|---|---|---|
| Waverly Drive Water Quality Inlet | $ 98,600 | $ 29,115 | $ 69,485 |
| Water Storage – Milford Street | 177,350 | 148,636 | 28,714 |
| Milford Street Elevated Water Tank | 3,482,000 | 3,273,000 | 209,000 |
| WWTP Upgrade | 84,933,644 | 81,597,562 | 3,336,082 |
| Park Water Treatment Plant Improvement | 949,420 | 41,840 | 907,580 |
| Caustic Chemical Storage Feed Building | 1,324,400 | 22,538 | 1,301,862 |
| Parking Garage Traffic Membrane | 68,055 | 66,000 | 2,055 |
| Totals | $ 91,033,469 | $ 85,178,691 | $ 5,854,778 |

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

## NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

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

## NOTE 12 RISK MANAGEMENT

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

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

## NOTE 13 FUND BALANCES

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

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

## NOTE 14 RESTATEMENT

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

## NOTE 15 PRIOR PERIOD ADJUSTMENT

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

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

## NOTE 16 SUBSEQUENT EVENTS

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

# REQUIRED SUPPLEMENTARY INFORMATION

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

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

# OTHER SUPPLEMENTARY INFORMATION

# General Fund

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

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

Continued on next page.

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

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

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

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

Continued on next page.

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

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

Continued on next page.

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

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

Continued on next page.

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

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

Continued on next page.

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

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

# Nonmajor Governmental Funds

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

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

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

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

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

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

# Nonmajor Proprietary Funds

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

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

# Enterprise Funds

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

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

**CITY OF SALISBURY, MARYLAND**
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUND - WATER AND SEWER FUND**
**FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

Continued on next page.

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

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

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

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

Continued on next page.

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

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

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

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

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

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

# STATISTICAL INFORMATION

## CITY OF SALISBURY, MARYLAND

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

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

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

## CITY OF SALISBURY, MARYLAND

## STATEMENT OF BONDED INDEBTEDNESS (UNAUDITED)
## JUNE 30, 2013

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

## CITY OF SALISBURY, MARYLAND

## GENERAL FUND REVENUE BY SOURCE (UNAUDITED)
## FIVE YEARS ENDED JUNE 30, 2013

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

## CITY OF SALISBURY, MARYLAND

## GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)
## FIVE YEARS ENDED JUNE 30, 2013

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

## CITY OF SALISBURY, MARYLAND

## WATER AND SEWER DEPARTMENT OPERATIONS (UNAUDITED)
## FIVE YEARS ENDED JUNE 30, 2013

| Fiscal Year Ended June 30 | Revenue | | | | | Expenses | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Water Charges | Other Water | Sewer Charges | Other Sewer | Total | Surplus Appropriated | Operations | Capital Outlay | Debt Service | Depreciation | Total |
| 2013 | $ 4,125,240 | $ 602,048 | $10,586,504 | $ 1,861,054 | $17,174,846 | $ 1,851,757 | $10,225,483 | $ 46,877 | $ 707,821 | $ 1,344,011 | $12,324,192 |
| 2012 | 4,177,374 | 271,215 | 10,513,959 | 240,570 | 15,203,118 | 1,366,020 | 10,780,997 | 72,357 | 631,367 | 1,343,542 | 12,828,263 |
| 2011 | 4,233,585 | 331,592 | 9,069,181 | 409,182 | 14,043,540 | - | 11,548,409 | 2,732 | 748,161 | 1,581,080 | 13,880,382 |
| 2010 | 4,223,870 | 175,918 | 7,935,888 | 220,396 | 12,556,072 | 1,287,628 | 10,409,485 | 52,340 | 670,243 | 1,574,494 | 12,706,562 |
| 2009 | 3,821,506 | 292,905 | 7,075,001 | 287,400 | 11,476,812 | 2,868,598 | 10,070,820 | 89,809 | 622,396 | 1,553,952 | 12,336,977 |

In addition, debt service only includes interest expense (no principal payments).

## CITY OF SALISBURY, MARYLAND

## GENERAL AND SINKING FUND - PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
## FIVE YEARS ENDED JUNE 30, 2013

| Fiscal Year Ended June 30 | Assessable Basis | Total General Sinking Tax Levy | Current Tax Collections | Percent of Levy Collected in Year of Levy | Delinquent Tax Collections | Total Tax Collections | Total Collections as a Percent of Current Levy | Outstanding Delinquent Taxes | Outstanding Delinquent Taxes as a Percent of Current Levy |
|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ 2,228,304,647 | $ 23,207,089 | $ 19,411,466 | 83.64% | $ 380,515 | $ 19,791,981 | 85.28% | $ 2,045,252 | 8.81% |
| 2012 | 2,254,938,618 | 21,721,757 | 20,246,098 | 93.21% | 169,030 | 20,415,128 | 93.98% | 2,179,002 | 10.03% |
| 2011 | 2,330,729,348 | 22,506,548 | 20,373,256 | 90.52% | 45,267 | 20,418,523 | 90.72% | 2,088,025 | 9.28% |
| 2010 | 2,501,327,556 | 23,929,701 | 19,529,112 | 81.61% | 1,770,553 | 21,299,665 | 89.01% | 1,731,542 | 7.24% |
| 2009 | 2,300,114,378 | 22,307,156 | 19,672,764 | 88.19% | 342,121 | 20,014,885 | 89.72% | 804,170 | 3.60% |

## CITY OF SALISBURY, MARYLAND

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

| Fiscal Year Ended June 30 | Assessed Values: Real Property: Full and Partial Year | Assessed Values: Real Property: Personal Property | Assessed Values: Corporations: Ordinary | Assessed Values: Corporations: Railroads and Utilities | Assessed Values: Total | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $1,963,683,547 | $2,029,930 | $206,407,060 | $ 56,184,110 | $2,228,304,647 | $73,775,676 | 0.0331 | $105,009,452 | $31,233,776 | $ 6,869,278 | $ 42,296,670 | 0.162 |
| 2012 | 1,988,451,318 | 2,513,100 | 216,668,130 | 47,306,070 | 2,254,938,618 | 69,545,990 | 0.0308 | 106,186,783 | 36,640,793 | 6,627,172 | 42,037,310 | 0.158 |
| 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 | 2,501,327,556 | 67,471,893 | 0.0274 | 116,976,091 | 49,504,198 | 5,719,527 | 43,243,226 | 0.132 |
| 2009 | 2,015,985,078 | 2,966,990 | 228,511,610 | 52,650,700 | 2,300,114,378 | 66,092,298 | 0.0264 | 109,052,333 | 42,960,035 | 5,462,516 | 42,729,346 | 0.128 |