

TOWNSHIP OF SALISBURY
LEHIGH COUNTY, PENNSYLVANIA

**FINANCIAL STATEMENTS AND
AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2009

TOWNSHIP OF SALISBURY

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INDEPENDENT AUDITORS' REPORT

TOWNSHIP OF SALISBURY, LEHIGH COUNTY

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 Township of Salisbury as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Salisbury's, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with *U.S. generally accepted auditing standards* and *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, and the respective changes in financial position and cash flows, as of and for the year then ended December 31, 2009, in conformity with *U.S. generally accepted accounting principals*.

The management's discussion and analysis and budgetary comparison information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2010 on our consideration of Township of Salisbury's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Salisbury's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gneiting, De Santis, Blizard, & Company, LLP

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TOWNSHIP OF SALISBURY

We have audited the financial statements of the Township of Salisbury, as of and for the year ended December 31, 2009, and have issued our report thereon dated March 31, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Salisbury's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Salisbury's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Salisbury's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Salisbury's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Salisbury's financial statements that is more than inconsequential will not be prevented or detected by the Township of Salisbury's internal control. A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Township of Salisbury's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Auditor Reporting and Other Communication Considerations

Township of Salisbury's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Township of Salisbury's response and, accordingly, we express no opinion on it. As no findings were indicated, no response is necessary and has not been provided. This report is intended solely for the information and use of management and that of government oversight bodies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "G. Neilson, De Antonio, Blizard, & Company, LLP". The signature is written in a cursive, flowing style.

STROUDSBURG, PENNSYLVANIA
MARCH 31, 2010

M A N A G E M E N T ' S D I S C U S S I O N A N D A N A L Y S I S

The discussion and analysis of Township of Salisbury's financial performance provides an overall review of the Township's financial activities for the fiscal year ended December 31, 2009. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance. The Township of Salisbury was founded in 1753, and is a First Class Township of the State of Pennsylvania. The Township operates under an elected Board of Commissioners, and provides the following services to its residents: public safety (police and fire), highways and streets, sanitation, culture-recreation, planning and zoning, and general administrative services.

FINANCIAL HIGHLIGHTS

Key government-wide financial highlights for 2009 are as follows:

- In total, net assets were \$20,806,560.
- General revenues accounted for \$4,227,034 in revenue or 42% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$5,927,141 or 58% of total revenues of \$10,154,176.
- Total assets of governmental activities were \$12,906,964 of which \$8,997,874 represents unrestricted cash and investments, though certain tentative management plans do designate \$2,523,300 of those dollars. Fixed assets, net of accumulated depreciation were \$5,416,687.
- The Township had \$10,317,788 in expenses; only \$5,927,141 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$4,074,585 were adequate to provide for these programs.
- Expenses, after program revenue was \$4,390,647.
- Federal and state intergovernmental revenues this year were \$724,752.
- The tax levy was the same as the prior year at 3.51 aggregate mills for the year.

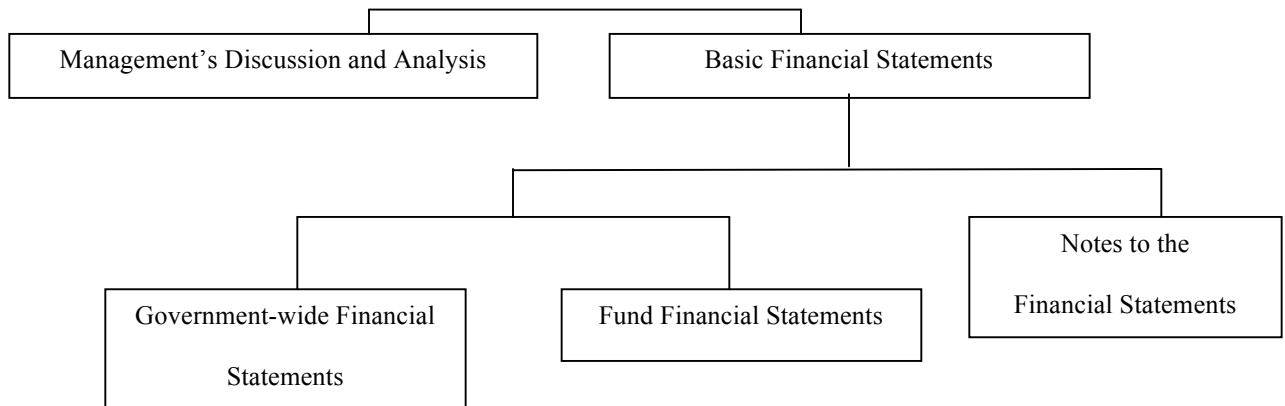
TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPALS REPORT (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Township of Salisbury as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.



The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Township's most significant funds with all other non-major funds. In the case of Township of Salisbury, the General Fund is by far the most significant fund.

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Township to provide programs and activities, the view of the Township as a whole looks at all financial transactions and asks the question, "How did we do financially during the year?" The Statement of Net Assets and the Statement of Activities answer this question.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

Statement of Net Assets and the Statement of Activities (continued)

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Township's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Township as a whole, the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Township's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility condition, required public works and public safety activities, and other factors. In the Statement of Net Assets and the Statement of Activities, the Township reports governmental activities. Governmental activities are the activities where most of the Township's programs and services are reported including, but not limited to, general government, public works, public safety, and recreation. The Township also engages in business-like activities, which includes the sewer and water funds.

Table 1 provides a summary of the Township's net assets:

	2009	2008	2007	2006	2005
Assets					
Current and Other Assets	\$ 12,806,345	\$ 14,081,125	\$ 15,220,263	\$ 14,341,987	\$ 13,080,515
Capital Assets	<u>10,438,715</u>	<u>9,640,864</u>	<u>9,566,076</u>	<u>9,663,811</u>	<u>10,095,268</u>
		<u>23,721,989</u>	<u>24,786,339</u>	<u>24,005,798</u>	<u>23,175,783</u>
Liabilities					
Current Liabilities	1,204,702	1,292,698	1,602,844	1,412,989	1,658,421
Long-Term Liabilities	<u>1,233,798</u>	<u>1,459,119</u>	<u>1,847,382</u>	<u>2,744,440</u>	<u>3,547,521</u>
	<u>2,438,500</u>	<u>2,751,817</u>	<u>3,450,226</u>	<u>4,157,429</u>	<u>5,205,942</u>
Net Assets					
Invested in Capital Assets,					
Net of related Debt	9,288,715	8,065,864	7,146,076	6,348,811	5,910,268
Restricted	3,205,990	3,579,679	2,481,362	2,481,791	2,220,517
Unrestricted	<u>8,311,855</u>	<u>9,324,629</u>	<u>11,227,239</u>	<u>11,017,768</u>	<u>9,839,056</u>
	<u>\$ 20,806,560</u>	<u>\$ 20,970,172</u>	<u>\$ 21,336,113</u>	<u>\$ 19,848,369</u>	<u>\$ 17,969,841</u>

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Assets and the Statement of Activities (continued)

Table 2 provides a summary of the Township's statement of activities:

	2009	2008	2007	2006	2005
Program Revenues					
Charges for Services	\$ 5,183,789	\$ 4,866,493	\$ 4,866,159	\$ 5,017,579	\$ 5,161,842
Operating Grants and Contributions	724,752	722,474	714,872	708,044	612,546
Capital Grants and Contributions	18,600	29,450	9,550	95,942	26,258
General Revenues					
Taxes	4,074,585	4,715,132	4,442,681	4,296,748	4,095,067
Investment Earnings	<u>152,450</u>	<u>409,442</u>	<u>711,396</u>	<u>623,320</u>	<u>352,509</u>
<i>Total Revenues</i>	<u>10,154,176</u>	<u>10,742,991</u>	<u>10,744,658</u>	<u>10,741,633</u>	<u>10,248,222</u>
Program Expenses					
General Government	884,263	968,468	746,457	810,984	838,583
Public Safety	2,022,896	2,063,428	1,465,980	1,544,673	1,646,119
Public Works	2,752,178	3,061,509	2,652,021	2,355,679	2,340,138
Cultural and Recreation	131,506	158,616	120,249	125,899	149,327
Other	1,405,375	1,285,462	1,160,785	1,042,956	981,396
Interest on Long-Term Debt	57,283	33,385	49,374	62,928	74,566
Unallocated Depreciation	259,050	259,050	259,050	259,050	213,296
Public Water	1,267,858	1,244,834	1,261,998	1,219,961	1,442,688
Public Sewer	<u>1,537,379</u>	<u>1,825,904</u>	<u>1,541,000</u>	<u>1,440,976</u>	<u>1,296,501</u>
<i>Total Expenses</i>	<u>10,317,788</u>	<u>10,900,656</u>	<u>9,256,914</u>	<u>8,863,105</u>	<u>8,982,614</u>
<i>Increase in Net Assets</i>	<u>\$ (17,828)</u>	<u>\$ (157,665)</u>	<u>\$ 1,487,744</u>	<u>\$ 1,878,528</u>	<u>\$ 1,265,608</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue.

	2009	2008	2007	2006	2005
General Government	\$ (227,377)	\$ (367,152)	\$ (142,890)	\$ (217)	\$ (64,904)
Public Safety	(1,815,763)	(1,836,742)	(1,190,765)	(1,369,947)	(1,677,010)
Public Works	(799,508)	(1,297,828)	(1,043,280)	(664,912)	(675,315)
Cultural and Recreation	(131,506)	(158,616)	(120,249)	(125,899)	(149,327)
Other	(1,041,734)	(985,923)	(809,364)	(736,069)	(576,017)
Interest on Long-Term Debt	(57,283)	(33,385)	(49,374)	(62,928)	(74,566)
Unallocated Depreciation	(259,050)	(259,050)	(259,050)	(259,050)	(213,296)
Public Water	139,791	199,698	253,719	327,214	135,167
Public Sewer	(117,365)	(355,107)	(12,221)	114,211	113,300
	<u>\$(4,390,647)</u>	<u>\$(5,282,239)</u>	<u>\$(3,666,333)</u>	<u>\$(3,041,540)</u>	<u>\$(3,181,968)</u>

The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 42%. The community, as a whole, is the primary support for the Township of Salisbury. The real estate taxes for the Township are collected from township residents. Assessed tax millage is 3.09, 0.24, and 0.18 for general government, fire protection, and library services, respectively totaling \$3.51. The taxable assessed valuation for 2009 was \$450,182,900.

Defining the Classifications of Expenditure:

- General Government activities includes the activities of the legislative board of Commissioners, the Township manager's office, financial administration, legal counsel, insurance, and physical plant.
- Public safety activities includes police protection, code enforcement, fire protection, and planning.
- Public Works includes general services, servicing of streets and storm sewers, and snow and ice removal.
- Cultural and recreation includes the community center, library, and parks.
- Other activities include insurance and employee benefits.
- Interest on long-term debt and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the Township.
- Enterprise fund involves the activities in the public Water and sewer operations.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the Township's major funds. The Township uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Township's most significant funds.

Governmental Activities

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The following are the Township's governmental funds:

General Fund (Major Fund)

The general fund is the operating fund of the Township and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of The Commonwealth.

Special Revenue Fund (Non-major Fund)

The Special Revenue Fund accounts for specific revenue sources which are legally restricted to expenditures for specified purposes. The Township accounts for the Highway Aid program in this fund.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

The following are the Township's other funds: (continued)

Debt Service Fund (Non-major Fund)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

Enterprise Funds (Business Activities Fund) are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing sewer and water services to the general public on a continuing basis are financed through user charges.

Trust Funds are used to account for assets held by the Township in a trustee capacity. This includes the Pension Trust Fund. The Pension Trust Fund is used to account for the four retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

THE TOWNSHIP'S FUNDS

As indicated above, these funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,149,952 and expenditures of \$8,567,219. Other financing sources and uses include transfers between the funds of \$177,400. The net change in fund balance for the year was an decrease of \$1,239,867, due primarily to the capital asset purchases and construction.

GENERAL FUND BUDGETING HIGHLIGHTS

The Township's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

CAPITAL ASSETS

Table 4
Capital Assets

The following is a summary of changes in the capital assets for *governmental activities*

	Balance January 1	Additions	Deletions	Balance December 31
CAPITAL ASSETS				
Land and Land Improvements	\$ 668,641	\$	\$	\$ 668,641
Building and Building Improvements	6,073,862	148,548		6,073,862
Infrastructure	168,574	495,073		168,574
Vehicles	1,610,019	482,521		1,610,019
Equipment	430,179	134,759		430,179
	<u>\$ 8,951,275</u>	<u>\$ 1,260,901</u>	<u>\$ 0</u>	<u>\$ 8,951,275</u>
ACCUMULATED DEPRECIATION				
Building and Building Improvements	\$ 2,477,651	\$ 143,164	\$	\$ 2,620,815
Vehicles	972,586	99,412		1,071,988
Equipment	357,140	16,474		373,614
	<u>\$ 3,807,377</u>	<u>\$ 259,050</u>	<u>\$ 0</u>	<u>\$ 4,066,427</u>

The following is a summary of changes in the capital assets for *Business Type Activities*

	Balance January 1	Additions	Balance December 31
CAPITAL ASSETS			
Water System	\$ 2,390,109	\$ 132,059	\$ 2,522,168
Sewer System	8,844,566	8,036	8,852,601
Computers and Equipment	187,531	21,108	208,639
	<u>\$ 11,422,208</u>	<u>\$ 161,203</u>	<u>\$ 11,583,411</u>
ACCUMULATED DEPRECIATION			
Water System	\$ 1,508,563	\$ 67,926	\$ 1,576,489
Sewer System	5,416,677	297,277	5,713,954
	<u>\$ 6,925,240</u>	<u>\$ 365,203</u>	<u>\$ 7,290,443</u>

Description of the years Capital Asset Activity:

- Overall capital assets increased \$1,260,901 for governmental activities and \$161,203 for business type activities.
- Depreciation for the year was \$624,253 of which \$259,050 related to governmental activities.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

DEBT SERVICE

2002 General Obligation Bonds

The \$6,445,350 Bond was issued to provide funds for the advanced refunding of the Township's General Obligation Notes, Series of 1997, 1998, and 1999. The bonds mature annually with interest due semiannually at interest rates ranging from 1.45% to 4.05%, maturing in December 2013.

	<u>Governmental Fund Types</u>	<u>Proprietary Fund Types (Enterprise Funds)</u>		
	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Outstanding, December 31,	\$ <u>326,000</u>	\$ <u>56,700</u>	\$ <u>767,300</u>	\$ <u>1,150,000</u>

DESIGNATION OF UNRESERVED FUND BALANCES – GENERAL FUND

Designations indicate tentative management plans for future use of certain financial resources that may or may not be ultimately approved or result in expenditure. Generally, designations are supported by definitive plans approved by the Township. The nature and purpose of designations of unreserved fund balances are as follows:

Appropriations to the 2010 budget	\$ 61,600
Pension MMO	433,700
Flexer Avenue Construction	40,000
Public works garage debt reduction	144,000
Comprehensive plan Advisor	50,000
DPW Equipment	20,000
Parks equipment and improvements	174,000
Police Station renovations	<u>1,600,000</u>
	<u>\$2,523,300</u>

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

CURRENT FINANCIAL ISSUES AND CONCERNS

The Township General Fund Revenue growth in 2009 lagged by \$796,691 or decreased by 10.4% from 2008 levels. In comparison, the 2008 Revenue increase was only \$46,313, less than 1% from the 2007 year. The Township over-reliance on Taxes is evident. Approximately 61% of the derived Revenue came from taxes. The Earned Income Tax, which in 2009 brought in \$1,770,288 million in revenue, decreased by \$171,594 or 8.8% from 2008. The Real Estate Tax however generated \$20,981 or 1.56% more than 2008 levels. Real Estate Transfers, due to the current housing slump, felt the impact the most of all of the taxes with a decrease of \$575,864 or 65% from 2008 levels. We do anticipate this trend to continue and to possibly decrease in 2010 as well. In 2009 the number of new housing units in Salisbury decreased by 18 units from 2008 levels. The Local Service Tax (LST), formerly EMST, showed a modest increase in the collection by \$81,062 or 22%. Total Taxes derived revenue decreased by approximately \$645,415 or 14.2% from 2008 levels.

Interest earnings decreased by \$140,000, reflective of the depressed banking interest rate market. The Township's investment policy remains very conservative and most of its accounts are held in the Pennsylvania Local Government Investment Trust. Building Permits decreased only \$227 over previous year. Shared Revenues increased by \$3,982 underlying the fact that the State and Federal Aid will not be enough to keep up with rising costs such as pension. Total sanitation fees increased \$270,556 reflective of the rate increases instituted in 2009 to cover contractual increases in the collection of garbage and recycling. Other miscellaneous revenue decreased by \$33,244. Total Operating Revenue was \$6,834,153.

On the Expense side of the General Fund Operating Fund, the increase from prior 2008 levels was approximately \$391,000 or 6%. General Government decreased by \$11,661 or 1.24% from 2008 levels. Police costs increased \$125,290, mostly attributable to rise in personnel costs and unexpected vehicle breakdown necessitating purchase of new vehicles. Fire related costs decreased by \$8,882, while Code Enforcement and Planning/Zoning increased by \$7,343. Overall, Public Safety showed a \$123,721 or 7.85% increase over the previous year. Sanitation costs associated with the second year of the 3 year contract for collection of refuse and recycling increased by \$116,926 or 8.8%. General Service Personnel costs associated with Public Works increased \$62,448 or 6.7%. However, other operating expenses such as fuel and equipment repairs decreased by \$66,800. Repairs to Traffic control equipment increased by \$9,988. Material for road maintenance increased by \$45,450 over previous year. Overall the Public Works department realized an increase of \$49,825 or 4% over 2008 levels. Recreation realized a decrease of approximately \$9,500 from 2008 activities.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2009

CURRENT FINANCIAL ISSUES AND CONCERNS (CONTINUED)

Insurance costs increased modestly by \$2,500 or 2.2%, however, costs associated with Employee Benefits increased by \$113,016 or 10%. Leading the way was Health Insurance cost which increased by \$77,486 or 13.6% over 2008, and Pension costs for the Police and Non-Uniformed employees which increased by \$18,700. Of concern is the rapidly increases in the Minimum Municipal Obligation for both the Non-uniformed and Police Pension Plan. Collectively the Township subsidized the respective Plans by \$127,843. Given the static stream of State Aid to offset the future increases in costs, future contributions to the pension plans will likely be greater in order to maintain these plans actuarially sound. One can only hope that realized gains and dividends derived from investments of the assets of these plans will be a positive factor in offsetting the costs.

Overall, the 2009 Operating Expenditure Budget of \$6,861,878 showed a deficit of \$27,725 over expenditures. Total spending including Capital Expenses and Debt Service amounted to \$1,278,632, an increase of \$9,000 from 2008, thus combined with operating losses and transfers reduced the Fund Balance at the end of the year by \$1,366,265 from a beginning balance of \$6,917,265 to an ending fund balance of \$5,551,479.

The financial position of the Township, with the additional spending and utilization of prior year reserves, still remains relatively strong with healthy fund balances accumulated and carried forward from years to years. The Township budgetary philosophy has been to budget based on more realistic assumptions and develop a long term Capital Plan in order to plan for long term capital needs. In 2010 the Township will need to analyze the uses of unrestricted reserves and address new borrowing for major capital renovations associated with the Police Administration Building and other capital projects. Technological upgrades and communication upgrades have been planned along with the renovations. Policies on specific uses of Fund Balances, whether restricted or unrestricted, are being developed to ensure better management of the long term capital needs and assets. Although the Township over the years has practiced sound fiscal management, the over-accumulation of unrestricted fund balances leaves the door open for a spending "as you go" approach without a clear vision on planning for future challenges that the Township will encounter.

This Township's financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability of the resources it receives and expends. If you have questions about this report, or need additional financial information, contact the Assistant Manager/Finance Director, Cathy Bonaskiewich at Salisbury Township, 2900 S. Pike Avenue, Allentown, PA 18103. or e-mail cbonaskiewich@salisburytownship.org. or the Township Manager Randy Soriano at rsoriano@salisburytownship.org.

**G O V E R N M E N T W I D E F I N A N C I A L
S T A T E M E N T S**

TOWNSHIP OF SALISBURY
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Business-Type			2008
	Activities	Activities	Total	Memorandum
				Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 4,234,083	\$ 1,548,781	\$ 5,782,864	\$ 6,324,902
Accounts Receivable	271,371	602,439	873,810	803,009
Taxes Receivable	102,935		102,935	114,256
Investments	1,674,063	1,540,947	3,215,010	4,043,931
	6,282,452	3,692,167	9,974,619	11,286,098
Non-current Assets				
General Fixed Assets				
Land	668,641		668,641	668,641
Building & Building Improvements	6,222,410		6,222,410	6,073,862
Infrastructure	663,647		663,647	168,574
Vehicles	2,092,540	43,645	2,136,185	1,653,664
Equipment	564,938	164,994	729,932	574,065
Water System		2,522,168	2,522,168	2,390,109
Sewer System		8,852,602	8,852,602	8,844,566
	10,212,176	11,583,409	21,795,585	20,373,481
Accumulated Depreciation	(4,066,427)	(7,290,443)	(11,356,870)	(10,732,617)
Net General Fixed Assets	6,145,749	4,292,966	10,438,715	9,640,864
Restricted Investments	478,763	2,352,963	2,831,726	2,795,027
	6,624,512	6,645,929	13,270,441	12,435,891
	12,906,964	10,338,096	23,245,060	23,721,989
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	220,967	420,403	641,370	499,051
Accrued payroll and payroll taxes	39,881	5,203	45,084	151,937
Deposits	203,248		203,248	183,960
Current Portion of LT Debt - Bonds Payable	89,200	225,800	315,000	457,750
	553,296	651,406	1,204,702	1,292,698
Non-current Liabilities				
Compensated Absences Provision	398,798		398,798	341,869
Bonds Payable - Long term	236,800	598,200	835,000	1,117,250
	1,188,894	1,249,606	2,438,500	2,751,817
NET ASSETS				
Investment in Capital Assets,				
Net of Related Debt	5,819,749	3,468,966	9,288,715	8,065,864
Restricted for:				
Specified Projects	2,523,300		2,523,300	2,989,800
Specified use	682,690		682,690	589,879
Unrestricted	2,692,331	5,619,524	8,311,855	9,324,629
	\$ 11,718,070	\$ 9,088,490	\$ 20,806,560	\$ 20,970,172

TOWNSHIP OF SALISBURY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			2008 Memorandum Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 884,263	\$ 552,771	\$ 104,115	\$	\$ (227,377)	\$	\$ (227,377)	\$ (367,152)
Public safety	2,022,896	104,723	102,410		(1,815,763)		(1,815,763)	(1,836,742)
Public works	2,752,178	1,631,508	321,162		(799,508)		(799,508)	(1,297,828)
Recreation	131,506				(131,506)		(131,506)	(158,616)
Other	1,405,375	147,976	197,065	18,600	(1,041,734)		(1,041,734)	(985,923)
Interest on Long-Term debt	17,029				(17,029)		(17,029)	(33,385)
Unallocated Depreciation	259,050				(259,050)		(259,050)	(259,050)
	<u>7,472,297</u>	<u>2,436,978</u>	<u>724,752</u>	<u>18,600</u>	<u>(4,291,967)</u>	<u>0</u>	<u>(4,291,967)</u>	<u>(4,938,696)</u>
Business-Type Activities :								
Enterprise Funds	2,845,491	2,746,811				(98,680)	(98,680)	(343,543)
	<u>\$ 10,317,788</u>	<u>\$ 5,183,789</u>	<u>\$ 724,752</u>	<u>\$ 18,600</u>	<u>\$ (4,291,967)</u>	<u>\$ (98,680)</u>	<u>\$ (4,390,647)</u>	<u>\$ (5,282,239)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net					1,680,588		1,680,588	2,233,564
Taxes levied for specific purposes					184,882		184,882	181,920
Local Services Tax					438,828		438,828	357,766
Earned Income Taxes					<u>1,770,287</u>		<u>1,770,287</u>	<u>1,941,882</u>
					4,074,585		4,074,585	4,715,132
Interest Income					<u>71,598</u>	<u>80,852</u>	<u>152,450</u>	<u>409,442</u>
Total general revenues, special items, and transfers					<u>4,146,183</u>	<u>80,852</u>	<u>4,227,035</u>	<u>5,124,574</u>
					(145,784)	(17,828)	(163,612)	(157,665)
					<u>11,863,854</u>	<u>9,106,318</u>	<u>20,970,172</u>	<u>21,127,837</u>
					<u>\$ 11,718,070</u>	<u>\$ 9,088,490</u>	<u>\$ 20,806,560</u>	<u>\$ 20,970,172</u>

TOWNSHIP OF SALISBURY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2009

Total Fund Balances - Governmental Funds **\$ 6,267,756**

*Amounts reported for governmental activities in the statement of
net assets are different because:*

Revenues in the statement of activities that do not provide for current financial resources are not reported as revenue in the funds statements, rather it is reported as deferred revenue and netted through the related receivable.

Taxes Receivable 29,363

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in funds.

General Fixed Assets 10,212,176
Accumulated Depreciation (4,066,427)

Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Compensated Absences Provision (398,798)

Bonds Payable (326,000)

Total Net Assets - Governmental Activities **\$ 11,718,070**

TOWNSHIP OF SALISBURY

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2009

Total net change in fund balances - governmental funds \$(1,239,867)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Revenues in the statement of activities that do not provide for current financial resources are not reported as revenue in the funds statements, rather it is reported as deferred revenue and netted through the related receivable.

Taxes Receivable (839)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation (259,050)
Capital Outlay 1,260,901

The current change in the provision for compensated absences is not recorded in the in the governmental funds, but is an expense and a change in the liability provision in the statement of net assets

(56,929)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

150,000

Change in net assets of governmental activities

\$ (145,784)

F U N D S F I N A N C I A L S T A T E M E N T S

TOWNSHIP OF SALISBURY
COMBINED BALANCE SHEETS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2009

	Major Fund	Non-Major Funds		2008 Memorandum
	General	Special Revenue	Totals	Total
ASSETS				
Cash and cash equivalents	\$ 4,234,083	\$	\$ 4,234,083	\$ 4,139,665
Investments	980,935	693,128	1,674,063	3,050,520
Taxes receivable, net of allowance	66,853	6,719	73,572	84,054
Accounts receivable	271,371		271,371	191,820
Restricted Investments	478,763		478,763	481,928
	<u>\$ 6,032,005</u>	<u>\$ 699,847</u>	<u>\$ 6,731,852</u>	<u>\$ 7,947,987</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 203,810	\$ 17,157	\$ 220,967	\$ 108,989
Accrued payroll and payroll taxes	39,881		39,881	147,415
Deposits	203,248		203,248	183,960
Deferred Revenue			0	0
	<u>446,939</u>	<u>17,157</u>	<u>464,096</u>	<u>440,364</u>
FUND BALANCE				
Reserve for encumbrance			0	0
Unreserved and designated	2,523,300		2,523,300	2,989,800
Unreserved and undesignated	3,061,766	682,690	3,744,456	4,517,823
	<u>5,585,066</u>	<u>682,690</u>	<u>6,267,756</u>	<u>7,507,623</u>
	<u>\$ 6,032,005</u>	<u>\$ 699,847</u>	<u>\$ 6,731,852</u>	<u>\$ 7,947,987</u>

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2009

	<u>Major Fund</u>	<u>Non-Major Funds</u>			2008
	General	Special Revenue	Debt Service	Total	Memorandum Total
REVENUES					
Taxes	\$ 3,890,542	\$ 184,882	\$	\$ 4,075,424	\$ 4,717,880
Licenses and permits	189,637			189,637	179,498
Fines, forfeits and costs	78,085			78,085	98,897
Interest and rents	114,501	4,498		118,999	270,366
Charges for services	1,812,267			1,812,267	1,570,315
Miscellaneous revenues	132,288	18,500		150,788	103,380
Intergovernmental revenues	403,590	321,162		724,752	722,474
	<u>6,620,910</u>	<u>529,042</u>	<u>0</u>	<u>7,149,952</u>	<u>7,662,810</u>
EXPENDITURES					
Current					
General government	1,074,993			1,074,993	967,390
Public safety	1,700,683	837,946		2,538,629	2,098,158
Public works	3,244,409			3,244,409	3,387,533
Culture and recreation	54,060	81,646		135,706	158,616
Insurance and employee benefits	1,339,886			1,339,886	1,224,291
Miscellaneous	65,489			65,489	61,171
Debt service					
Principal retirement			150,000	150,000	537,250
Interest			17,029	17,029	33,385
Fiscal charges			1,078	1,078	1,078
	<u>7,479,520</u>	<u>919,592</u>	<u>168,107</u>	<u>8,567,219</u>	<u>8,468,872</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</i>	<u>(858,610)</u>	<u>(390,550)</u>	<u>(168,107)</u>	<u>(1,417,267)</u>	<u>(806,062)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	186,900	492,861	168,107	847,868	1,113,850
Operating transfers out	(660,968)	(9,500)		(670,468)	(946,250)
	<u>(474,068)</u>	<u>483,361</u>	<u>168,107</u>	<u>177,400</u>	<u>167,600</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	<u>(1,332,678)</u>	<u>92,811</u>	<u>0</u>	<u>(1,239,867)</u>	<u>(638,462)</u>
FUND BALANCES, JANUARY 1	<u>6,917,744</u>	<u>589,879</u>	<u>0</u>	<u>7,507,623</u>	<u>8,146,085</u>
FUND BALANCES, DECEMBER 31	<u>\$ 5,585,066</u>	<u>\$ 682,690</u>	<u>\$ 0</u>	<u>\$ 6,267,756</u>	<u>\$ 7,507,623</u>

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2009

	Enterprise Funds			2008 Memorandum
	Water	Sewer	Total	Total
ASSETS				
Cash and cash equivalents	\$ 841,571	\$ 707,210	\$ 1,548,781	\$ 2,185,237
Investments	423,107	1,117,840	1,540,947	993,411
Accounts receivable	266,059	336,380	602,439	611,189
Restricted Investments	1,176,305	1,176,658	2,352,963	2,313,099
Water and sewer systems	2,522,168	8,852,602	11,374,770	11,234,675
Vehicles and computer equipment	104,320	104,319	208,639	187,531
Accumulated depreciation	(1,576,489)	(5,713,954)	(7,290,443)	(6,925,240)
	<u>\$ 3,757,041</u>	<u>\$ 6,581,055</u>	<u>\$ 10,338,096</u>	<u>\$ 10,599,902</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 188,690	\$ 231,713	\$ 420,403	\$ 390,062
Accrued payroll and payroll taxes	2,606	2,597	5,203	4,522
Bonds Payable	56,700	767,300	824,000	1,099,000
	<u>247,996</u>	<u>1,001,610</u>	<u>1,249,606</u>	<u>1,493,584</u>
NET ASSETS				
Net Assets	<u>3,509,045</u>	<u>5,579,445</u>	<u>9,088,490</u>	<u>9,106,318</u>
	<u>\$ 3,757,041</u>	<u>\$ 6,581,055</u>	<u>\$ 10,338,096</u>	<u>\$ 10,599,902</u>

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2009

	Enterprise Funds			2008 Memorandum
	Water	Sewer	Total	Total
OPERATING REVENUES				
Charges for services	\$ 1,375,987	\$ 1,370,824	\$ 2,746,811	\$ 2,727,195
OPERATING EXPENSES				
Personnel	175,288	173,226	348,514	351,435
Purchased services	10,325	24,745	35,070	64,810
Supplies and maintenance	51,950	24,910	76,860	55,055
Contractual payments	766,272	820,810	1,587,082	1,814,617
Insurance	8,013	8,500	16,513	19,588
Depreciation	67,926	297,277	365,203	365,203
Administrative expenses	88,700	88,700	177,400	167,600
Employee benefits	99,384	99,211	198,595	182,758
	<u>1,267,858</u>	<u>1,537,379</u>	<u>2,805,237</u>	<u>3,021,066</u>
<i>OPERATING NET INCOME</i>	<u>108,129</u>	<u>(166,555)</u>	<u>(58,426)</u>	<u>(293,871)</u>
NON-OPERATING REVENUES				
(EXPENDITURES)				
Interest revenue	31,662	49,190	80,852	188,134
Interest expense	(3,735)	(36,519)	(40,254)	(49,672)
	<u>27,927</u>	<u>12,671</u>	<u>40,598</u>	<u>138,462</u>
<i>CHANGE IN NET ASSETS</i>	136,056	(153,884)	(17,828)	(155,409)
NET ASSETS,				
JANUARY 1	<u>3,372,989</u>	<u>5,733,329</u>	<u>9,106,318</u>	<u>9,261,727</u>
NET ASSETS,				
DECEMBER 31	<u>\$ 3,509,045</u>	<u>\$ 5,579,445</u>	<u>\$ 9,088,490</u>	<u>\$ 9,106,318</u>

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2009

	Enterprise Funds	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from users	\$ 2,755,561	\$ 2,732,591
Cash paid to employees	(546,428)	(531,196)
Cash paid to suppliers and contractors	(1,862,584)	(2,041,329)
<i>Net Cash Provided by Operating Activities</i>	<u>346,549</u>	<u>160,066</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of debt	(275,000)	(307,750)
Interest and fiscal charges paid	(40,254)	(49,671)
Purchase of system equipment and improvements	(161,203)	(268,800)
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(476,457)</u>	<u>(626,221)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(587,400)	79,570
Interest received	80,852	188,133
<i>Net Cash Used by Investing Activities</i>	<u>(506,548)</u>	<u>267,703</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(636,456)	(198,452)
CASH AND CASH EQUIVALENTS, JANUARY 1st	<u>2,185,237</u>	<u>2,383,689</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31st	<u>\$ 1,548,781</u>	<u>\$ 2,185,237</u>
RECONCILIATION OF OPERATING NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ (58,426)	\$ (293,871)
<i>Adjustment to reconcile net operating income to net cash provided by operating activities:</i>		
Depreciation	365,203	365,203
Increase in accounts receivable	8,750	5,396
(Decrease) increase in accounts payable and accrued expenses	<u>31,022</u>	<u>83,338</u>
Net Cash Provided by Operating Activities	<u>\$ 346,549</u>	<u>\$ 160,066</u>

TOWNSHIP OF SALISBURY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

	Police Pension Trust	
	2009	2008
ASSETS		
Investments - restricted	<u>\$ 3,194,856</u>	<u>\$ 2,854,164</u>
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>
NET ASSETS		
Reserved for retirement benefits	<u>3,194,856</u>	<u>2,854,164</u>
	<u>\$ 3,194,856</u>	<u>\$ 2,854,164</u>

TOWNSHIP OF SALISBURY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2009

	Police Pension Trust	
	2009	2008
ADDITIONS		
Township Contributions	\$ 129,610	\$ 108,413
Interest, dividends, and net unrealized gains/losses	468,640	(543,341)
	<u>598,250</u>	<u>(434,928)</u>
DEDUCTIONS		
Administrative expenses	24,691	22,705
Pension benefits	232,867	245,978
	<u>257,558</u>	<u>268,683</u>
CHANGE IN NET ASSETS	340,692	(703,611)
NET ASSETS, JANUARY 1	<u>2,854,164</u>	<u>3,557,775</u>
NET ASSETS, DECEMBER 31	<u>\$ 3,194,856</u>	<u>\$ 2,854,164</u>

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and accompanying general purpose financial statements of The Township of Salisbury conform to U.S. generally accepted accounting principles as applicable to governmental units.

Principles Determining Scope of Reporting Entity

The general purpose financial statements of the Township consist only of the funds and account groups of the Township. The Township has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Township. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

BASIS OF PRESENTATION

The Township's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the Primary government, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental activities of the Township at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. 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 Township. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND FINANCIAL STATEMENTS:

During the year, the Township segregates transactions related to certain Township 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 Township at this more detailed level. The focus of governmental 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. The fiduciary fund is reported by type.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. 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 deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange 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 Township, available means expected to be received within sixty days of fiscal year-end. Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations 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 fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement 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 to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, grants, and fees.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, but which were levied to finance the fiscal year's operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures :

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

MEASUREMENT FOCUS:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Township are included on the Statement of Net Assets.

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 government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is reported using the economic resources measurement focus.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES

General Fund (Major Fund)

The General Fund is the general operating fund of the Township. Substantially all tax revenues, Federal and State aid (except aid restricted for use in the Special Revenue Funds) and other operating revenues are accounted for in the General Fund. This Fund also accounts for expenditures and transfers as appropriated in the budget which provides for the Township's day-to-day operations, including transfers to the Debt Service Fund for payment of long-term obligations.

Debt Service Fund (Non-Major Fund)

The Debt Service Fund accounts for the accumulation of resources for and payment of, interest and principal on long-term obligations.

Special Revenue Funds (Non-Major Fund)

The Liquid Fuels/Highway Aid Fund, the Fire Protection Fund, and the Library Tax Fund are Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND TYPES

Enterprise (Business Type Fund)

The Sewer Fund and Water Fund are Enterprise Funds. Enterprise Funds account for the provision of sewer and water services to the residents of the Township. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

FIDUCIARY FUND TYPES

Trust and Agency Funds

Trust and Agency Funds account for assets held by the Township in a fiduciary capacity for others. The Police Pension Plan Fund is the only trust fund of the Township.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Township considers the funds held in the Pennsylvania Local Government Investment Trust (PLGIT) as cash equivalents. The trust acts as a money market mutual fund investing in obligations of the United States of America, federal government agencies, and the Commonwealth of Pennsylvania.

Interfund Receivables, Payables, and Transfers

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances (reported in "due from" asset accounts) are considered "available spendable resources". Interfund activity between governmental funds is eliminated in the government wide financial statements.

Investments

All investments are stated at market value. The First Class Township Code authorizes the Township to invest its funds in savings accounts and certificates of deposit or time deposits provided that these deposits are insured or collateralized by a pledge or assignment of assets of the depository. In addition, the Township may invest its funds in obligations of the United States of America or the Commonwealth of Pennsylvania, including their agencies or instrumentalities or political subdivisions of the Commonwealth of Pennsylvania. Investment of monies in the Police Pension Fund is restricted by the Fiduciaries Investment Act. The Act allows the trustee to invest in securities which a prudent person would purchase.

Property Taxes and Accounts Receivable

Assessed tax millage is 3.09, 0.24, and 0.18 for general government, fire protection, and library services, respectively. The taxable assessed valuation for 2009 was \$450,182,900. Property taxes attach as an enforceable lien on property as of April 1 of the year following levy. Taxes levied on April 1 are due and payable at that time. All unpaid taxes levied April 1 become delinquent August 1.

Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction costs are reflected as expenditures in governmental funds. In the government wide financial statements, these assets are capitalized and depreciated using the straight-line method over the estimated useful life. Fixed assets in the Enterprise Fund are stated at cost. Depreciation of equipment in the Enterprise Fund is computed using the straight-line method over the estimated useful life of the equipment.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences Provision

Vested or accumulated sick and vacation leave that is expected to be liquidated with expendable available financial resources is reported as a expenditure and a fund liability of the fund that will pay it. Amounts of vested or accumulated sick and vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government wide financial statements. No expenditure or liability provision is reported for these amounts in the funds statements.

Long-Term Liabilities

Long-term obligations are reported in the government wide statement of activities as a governmental activity. Long-term liabilities expected to be financed from operations of proprietary fund types are accounted for in those funds and as a business type activity.

Fund Balance Reserves

Specific fund balance reserves represent resources restricted for specific purposes such as capital projects. Standard fund balance reserve is used to segregate a portion of the fund balance to indicate that assets equal to the amount of the reserve are tied up in prepaid expenses and are, therefore, not available for appropriation.

Reclassifications

Certain amounts in 2008, may have been restated to conform to current year presentation. Any such changes had no effect on previously reported changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Financial Plans

The Township uses traditional, program and performance budgeting methods to develop the operating budget, which includes proposed expenditures and the means to finance them. The Township utilizes substantially the same basis of accounting for both budgetary purposes and actual results. The budget is adopted by ordinance and subject to change only by ordinance.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Water and Sewer Systems in Service

The water and sewer systems are stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful lives of the systems ranging from 15 to 50 years. Water Fund and Sewer Fund equipment is being depreciated over estimated useful lives ranging from five to seven years. The Township contracts with the City of Allentown for substantially all of its water utilities and wastewater treatment needs.

Pension Plans

The Township has two defined benefit pension plans. One plan covers all police officers employed on a full-time basis. The other plan covers all permanent nonuniformed salaried employees of the Township. Pension costs for both plans include current service costs, which are accrued and funded on a current basis, and prior costs which are amortized over 30 years.

Litigation

From time to time, the Township may be named as defendant in lawsuits concerning various matters. In the opinion of Township's legal counsel, there are no legal matters involving the Township which would require disclosure in the financial statements.

NOTE 2 INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The Township, under the Pennsylvania First Class Township Code Act, as amended, is authorized to invest in direct obligations of the United States government, obligations guaranteed by the United States government, obligations of the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth of Pennsylvania, savings or time deposits and time certificates of deposit.

The deposit and investment policy of the Township adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township.

To the extent the Township's deposits with financial institutions are not insured by the Federal Deposit Insurance Corporation, assets have been pledged by the financial institutions. The fair market value of pledged assets exceeded the carrying amount of deposits in the pools at year end.

Credit risk The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of the Township's investments are in U.S. Government Obligations and are therefore not exposed to this type of risk. Investments in PLGIT have received an AAAM rating from Standards & Poors.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Custodial credit risk –deposits In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The remaining balances was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. The total amount of investments not secured by federal depository insurance was collateralized by securities pledged by the financial institution for such funds, but not in the Township's name.

Custodial credit risk investments For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pennsylvania Local Government Investment Trust were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities.

The Township's deposits in these pooled funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet. The fair value of the Township's position in the external investment pools is the same as the value of the pool shares.

All investments in an external investment pools that are not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

External Investment Pool (PLGIT)

The Trust is authorized to invest in full faith and credit obligations of the Commonwealth of Pennsylvania and its agencies, instrumentalities and political subdivisions. The Trust is also authorized to invest in certificates of deposit which are insured by the Federal Deposit Insurance Corporation or which are collateralized as provided by law. For a more complete description of the Trust's operations and investments, please refer to its Annual Audit Report or Information Statement.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 4 PROPERTY TAXES RECEIVABLE

The Township records all real estate taxes levied and uncollected in the current year as receivable.

	<u>General Fund</u>	<u>Special Revenue Funds</u>	
		<u>Fire Protection Fund</u>	<u>Library Tax Fund</u>
Outstanding real estate taxes	\$ 66,853	\$ 3,850	\$ 2,869

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in the capital assets for *governmental activities*

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
CAPITAL ASSETS				
Land and Land Improvements	\$ 668,641	\$	\$	\$ 668,641
Building and Building Improvements	6,073,862	148,548		6,073,862
Infrastructure	168,574	495,073		168,574
Vehicles	1,610,019	482,521		1,610,019
Equipment	430,179	134,759		430,179
	<u>\$ 8,951,275</u>	<u>\$ 1,260,901</u>	<u>\$ 0</u>	<u>\$ 8,951,275</u>
ACCUMULATED DEPRECIATION				
Building and Building Improvements	\$ 2,477,651	\$ 143,164	\$	\$ 2,620,815
Vehicles	972,586	99,412		1,071,988
Equipment	357,140	16,474		373,614
	<u>\$ 3,807,377</u>	<u>\$ 259,050</u>	<u>\$ 0</u>	<u>\$ 4,066,427</u>

The following is a summary of changes in the capital assets for *Business Type Activities*

	<u>Balance January 1</u>	<u>Additions</u>	<u>Balance December 31</u>
CAPITAL ASSETS			
Water System	\$ 2,390,109	\$ 132,059	\$ 2,522,168
Sewer System	8,844,566	8,036	8,852,601
Computers and Equipment	187,531	21,108	208,639
	<u>\$ 11,422,208</u>	<u>\$ 161,203</u>	<u>\$ 11,583,411</u>
ACCUMULATED DEPRECIATION			
Water System	\$ 1,508,563	\$ 67,926	\$ 1,576,489
Sewer System	5,416,677	297,277	5,713,954
	<u>\$ 6,925,240</u>	<u>\$ 365,203</u>	<u>\$ 7,290,443</u>

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 5 DEBT AND DEBT SERVICE

2002 General Obligation Bonds

The \$6,445,350 Bond was issued to provide funds for the advanced refunding of the Township's General Obligation Notes, Series of 1997, 1998, and 1999. The bonds mature annually with interest due semiannually at interest rates ranging from 1.45% to 4.05%, maturing in December 2013.

	Governmental Fund Types	Proprietary Fund Types (Enterprise Funds)		
	General Fund	Water Fund	Sewer Fund	Total
Outstanding, December 31,	<u>\$ 326,000</u>	<u>\$ 56,700</u>	<u>\$767,300</u>	<u>\$1,150,000</u>

Years Ending December 31,	Governmental Fund Types	Proprietary (Enterprise Funds)
2010	\$ 101,312	\$ 256,946
2011	100,980	256,092
2012	101,768	258,120
2013	50,504	126,296
Debt service to maturity	354,564	897,454
Interest portion	28,564	73,454
Outstanding principal	<u>\$ 326,000</u>	<u>\$ 824,000</u>

NOTE 6 DESIGNATION OF UNRESERVED FUND BALANCES – GENERAL FUND

Designations indicate tentative management plans for future use of certain financial resources that may or may not be ultimately approved or result in expenditure. Generally, designations are supported by definitive plans approved by the Township. The nature and purpose of designations of unreserved fund balances are as follows:

Appropriations to the 2010 budget	\$ 61,600
Pension MMO	433,700
Flexer Avenue Construction	40,000
Public works garage debt reduction	144,000
Comprehensive plan Advisor	50,000
DPW Equipment	20,000
Parks equipment and improvements	174,000
Police Station renovations	<u>1,600,000</u>
	<u>\$2,523,300</u>

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 7 DEFINED BENEFIT PENSION PLANS

NONUNIFORMED EMPLOYEES PENSION PLAN

Plan Description

The Township contributes to the Pennsylvania Municipal Retirement System, an agent multiple-employer public retirement system that acts as a common investment and administrative agent for municipalities in Pennsylvania. The Salisbury Township Nonuniformed Employees Pension Plan is a single-employer defined benefit pension plan. The plan participates in the Pennsylvania Municipal Retirement System (PMRS) which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

All permanent non-uniform employees are eligible to participate in the Plan. Benefits vest after five years of service. Benefits equal 0.03 times years of credited service times average salary of last three years of service. Benefits paid shall not exceed 70% of an employee's average annual salary during the last three years of employment. The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the Pennsylvania Municipal Retirement System.

Funding Policy

Act 205 requires that annual contributions be based upon the Plan's minimum municipal obligation (MMO). The MMO is based upon the Plan's biennial actuarial valuation (the last available which is January 1, 2009).

In accordance with the Plan's governing Ordinance, members are not required to contribute to the Plan. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the Plan and funded through investment earnings. The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Plan Description

The Township contributes to The Salisbury Township Police Pension Plan, a single employer Public Employee Retirement System.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

UNIFORMED POLICE PENSION PLAN

All full-time uniform employees are eligible to participate in the Plan. Benefits vest after 12 years of service. Township employees who retire at age 50 or later and have 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their average annual salary during their last three years of employment. The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by Salisbury Township.

Funding Policy

The amounts shown as the "Actuarial Accrued Liability" (AAL) are a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plans on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Plans.

Funding Policy (continued)

The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

REQUIRED SUPPLEMENTARY INFORMATION ANALYSIS OF FUNDING PROGRESS DEFINED BENEFIT PENSION PLANS

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Township's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Township's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Public Employee Retirement System.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Year	Annual Pension Cost (APC)	Employer Contribution Made	State Aid	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 129,610*	\$ 129,610*	\$ 0	100%	\$ 0
2007	\$ 97,960	\$ 97,960	\$ 0	100%	\$ 0
2005	\$ 88,418	\$ 88,418	\$ 0	100%	\$ 0

*Amounts previously reported corrected during 2010 Audit review.

Supplementary Information

January 1 Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) + (2)	(4) Unfunded (UAAL) (2) - (1)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (4) + (5)
2009	\$3,424,996	\$3,558,919	96%	\$ (536,524)	\$ 995,467	(16.9)%
2007	\$3,598,584	\$3,558,919	101%	\$ (39,665)	\$ 766,383	(5.2)%
2005	\$3,417,049	\$3,177,547	107%	\$ (239,502)	\$ 633,787	(37.8)%

UNIFORMED POLICE PENSION PLAN

Notes to Supplementary Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2009
Actuarial cost method	Entry age normal cost
Amortization method	N/A – 10% of excess assets over the accrued liability is used to reduce the required contribution
Remaining amortization period	N/A
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7%
Projected salary increases	5%

NOTE 8 EMERGING ACCOUNTING PRONOUNCEMENTS

GASB 51, Accounting and Financial Reporting for Intangible Assets

Governments possess many different types of assets that may be considered intangible assets, including right-of-way easements, water rights, land or property use rights, and computer software (purchased, licensed, or internally generated). Although GASB Statement 34 included intangible assets within the scope of the term capital assets, such reference had created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. As a result, divergences in practice have arisen.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 8 EMERGING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

GASB 51 clarifies the accounting and financial reporting requirements for intangible assets in order to reduce these inconsistencies. When implementing GASB 51, ask yourself whether your government has made any significant expenditures to purchase something that will provide value to your citizens over an extended period of time. Even if the underlying asset is not owned by the government (roads, for example, which may be partially paid for by a township), if the answer to this question is “yes,” you probably have an intangible asset under GASB 51. As a result of this new pronouncement, governments will not only need to ensure capitalization of intangible assets going forward, but in some cases, will need to determine the amounts to be capitalized retroactively. Exceptions to the retroactive capitalization requirement are governments classified as phase 3 implementers under GASB 34, any internally generated computer software, and intangibles with indefinite useful lives.

This pronouncement is effective beginning with June 30, 2010 fiscal year-ends. Because of the requirement to implement GASB 51 retroactively.

GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. It moves us from the current standard of reporting three main classifications of fund balance (reserved, designated, and unreserved/undesignated) to five new fund balance classifications (nonspendable, restricted, committed, assigned, and unassigned). It’s going to take all of us a while to get used to these new definitions, and you can plan on us updating you more in the future as the implementation date gets closer. The statement also modifies the definition of existing governmental fund types. The changes to the general fund, debt service fund, and capital project fund definitions are minor and, in most cases, will not result in any changes to the fund types utilized. On the contrary, the changes to the special revenue fund definition included additional guidance on when resources should be reported in this fund type. It is expected in some cases to result in existing special revenue funds no longer meeting the criteria and therefore, resulting in fund reclassifications. Specifically, any fund that does not have an external revenue source as its foundation will likely no longer meet the definition of a special revenue fund. For some of these funds (such as a township improvement revolving fund), there will be a need to reclassify to a capital projects fund. For other types (such as a budget stabilization fund) the activity may need to be reported within the general fund (although consideration should be given to continuing to budget separately, if the governing body finds that useful).

GASB 54 is required to be implemented for financial statements for periods beginning after June 15, 2010. Retroactive restatement are required for all periods presented, although there is an exception for the statistical section in a CAFR. At a minimum, governments will need to apply this change at the beginning of the year of implementation so that the MD&A disclosures are comparative.

**DETAIL SCHEDULES OF REVENUE
AND EXPENDITURES**

TOWNSHIP OF SALISBURY
GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2009

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
REVENUES			
<i>TAXES</i>			
Real Estate Tax	\$ 1,325,000	\$ 1,369,664	\$ 44,664
Realty Transfer	500,000	311,763	(188,237)
Local Services Tax	450,000	438,828	(11,172)
Earned Income Tax	1,670,000	1,770,287	100,287
	<u>3,945,000</u>	<u>3,890,542</u>	<u>(54,458)</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	85,000	106,327	21,327
Permits	70,600	83,310	12,710
	<u>155,600</u>	<u>189,637</u>	<u>34,037</u>
<i>FINES, FORFEITS AND COSTS</i>			
Vehicle Code Violations	40,000	49,579	9,579
Violations of Ordinances	10,000	28,506	18,506
	<u>50,000</u>	<u>78,085</u>	<u>28,085</u>
<i>INTEREST AND RENTS</i>			
Interest Income	220,000	67,100	(152,900)
Rents	46,300	47,401	1,101
	<u>266,300</u>	<u>114,501</u>	<u>(151,799)</u>
<i>SHARED REVENUES</i>			
Federal grants		33,665	33,665
State grants	52,000	36,841	(15,159)
Recycling grant			0
Beverage Licenses		6,596	6,596
Public Utility Tax		1,800	1,800
Payments in lieu of tax	25,200	25,213	13
Foreign Casualty Insurance	180,000	197,065	17,065
Foreign Fire Insurance Tax	110,000	102,410	(7,590)
	<u>367,200</u>	<u>403,590</u>	<u>36,390</u>
<i>CHARGES FOR SERVICES</i>			
Solid Waste Collection Fees	1,531,300	1,631,508	100,208
General government	3,000	5,596	2,596
Public works			0
Subdivision filing			0
Engineering Review	50,000	101,198	51,198
Zoning variance	7,000	18,075	11,075
Legal Review	10,000	13,464	3,464
Public Safety	6,000	26,638	20,638
Other Charges for Service	9,000	15,788	6,788
	<u>1,616,300</u>	<u>1,812,267</u>	<u>195,967</u>
<i>MISCELLANEOUS REVENUES</i>			
Refund of prior years expenditure	0	121,836	121,836
Developer Contributions	0		0
Contributions	0	100	100
Sale of Fixed Assets	0	10,352	10,352
	<u>0</u>	<u>132,288</u>	<u>132,288</u>
TOTAL REVENUES	\$ 6,400,400	\$ 6,620,910	\$ 220,510

TOWNSHIP OF SALISBURY
GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2009

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
<i>EXPENDITURES</i>			
<i>GENERAL GOVERNMENT</i>			
Legislative	\$ 15,000	\$ 13,856	\$ 1,144
Executive	300,600	283,764	16,836
Finance	147,000	140,016	6,984
Tax Collection	52,000	54,310	(2,310)
Law	52,000	91,801	(39,801)
Other general government	37,200	48,029	(10,829)
Engineering	87,000	157,247	(70,247)
Building and Plant	1,727,500	285,970	1,441,530
	<u>2,418,300</u>	<u>1,074,993</u>	<u>1,343,307</u>
<i>PUBLIC SAFETY</i>			
Police	1,277,700	1,400,112	(122,412)
Fire	111,600	102,926	8,674
Code Enforcement	99,000	111,671	(12,671)
Planning and Zoning	96,100	83,674	12,426
Emergency Management	2,800	2,300	500
	<u>1,587,200</u>	<u>1,700,683</u>	<u>(113,483)</u>
<i>PUBLIC WORKS</i>			
Sanitation	1,464,700	1,444,099	20,601
General Services	1,055,400	1,045,268	10,132
Leaf Collection	10,000	9,021	979
Traffic Control	30,000	23,588	6,412
Tools and Machinery	42,500	43,603	(1,103)
Capital Equipment	32,000	10,554	21,446
Streets and Bridges	160,000	172,071	(12,071)
Storm Water Management	457,500	496,205	(38,705)
	<u>3,252,100</u>	<u>3,244,409</u>	<u>7,691</u>
<i>CULTURE AND RECREATION</i>			
	<u>214,700</u>	<u>54,060</u>	<u>160,640</u>
<i>MISCELLANEOUS</i>			
Contributions	63,800	58,430	5,370
Refund of prior years revenue		1,648	(1,648)
Other	3,000	5,411	(2,411)
	<u>66,800</u>	<u>65,489</u>	<u>1,311</u>
<i>INSURANCE AND EMPLOYEE BENEFITS</i>			
Insurance	112,000	115,215	(3,215)
Social security and unemployment comp	145,400	156,486	(11,086)
Pension	324,900	324,908	(8)
Workers Compensation	65,000	66,924	(1,924)
Employee Benefits	674,200	676,353	(2,153)
	<u>1,321,500</u>	<u>1,339,886</u>	<u>(18,386)</u>
TOTAL EXPENDITURES	\$ 8,860,600	\$ 7,479,520	\$ 1,381,080

C O M B I N I N G S C H E D U L E S

TOWNSHIP OF SALISBURY
COMBINING BALANCE SHEETS
SPECIAL REVENUE FUNDS
AS OF DECEMBER 31, 2009

	Library	Fire	Highway Aid	Total
ASSETS				
Investments	\$ 110,460	\$ 24,197	\$ 558,471	\$ 693,128
Taxes receivable, net of allowance	2,869	3,850		6,719
Due from other funds				0
	<u>\$ 113,329</u>	<u>\$ 28,047</u>	<u>\$ 558,471</u>	<u>\$ 699,847</u>
LIABILITIES				
Accounts payable and accrued expenses	<u>\$ 0</u>	<u>\$ 16,890</u>	<u>\$ 267</u>	<u>\$ 17,157</u>
FUND BALANCE				
Unreserved and undesignated	<u>113,329</u>	<u>11,157</u>	<u>558,204</u>	<u>682,690</u>
	<u>113,329</u>	<u>11,157</u>	<u>558,204</u>	<u>682,690</u>
	<u>\$ 113,329</u>	<u>\$ 28,047</u>	<u>\$ 558,471</u>	<u>\$ 699,847</u>

TOWNSHIP OF SALISBURY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2009

	Library	Fire	Highway Aid	Total
REVENUES				
Taxes	\$ 79,235	\$ 105,647		\$ 184,882
Interest and rents	699	339	3,460	4,498
Miscellaneous revenues		18,500		18,500
Intergovernmental revenues			321,162	321,162
	<u>79,934</u>	<u>124,486</u>	<u>324,622</u>	<u>529,042</u>
EXPENDITURES				
Public safety		639,352	198,594	837,946
Public works				0
Culture and recreation	81,646			81,646
	<u>81,646</u>	<u>639,352</u>	<u>198,594</u>	<u>919,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,712)</u>	<u>(514,866)</u>	<u>126,028</u>	<u>(390,550)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in		492,861		492,861
Operating transfers out		(9,500)		(9,500)
Total Other Financing Sources (Uses)	<u>0</u>	<u>483,361</u>	<u>0</u>	<u>483,361</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	<u>(1,712)</u>	<u>(31,505)</u>	<u>126,028</u>	<u>92,811</u>
FUND BALANCES, JANUARY 1	<u>115,041</u>	<u>42,662</u>	<u>432,176</u>	<u>589,879</u>
FUND BALANCES, DECEMBER 31	<u>\$ 113,329</u>	<u>\$ 11,157</u>	<u>\$ 558,204</u>	<u>\$ 682,690</u>