

TOWNSHIP OF SALISBURY
LEHIGH COUNTY, PENNSYLVANIA

**FINANCIAL STATEMENTS AND
AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010



TOWNSHIP OF SALISBURY

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MANAGEMENT'S DISCUSSION AND ANALYSIS



**GOVERNMENT WIDE FINANCIAL
STATEMENTS**



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



NOTES TO THE FINANCIAL STATEMENTS



**DETAIL SCHEDULES OF REVENUE
AND EXPENDITURES**



COMBINING SCHEDULES



Gneiding, DeSanctis, Blizzard & Company, LLP

Certified Public Accountants

Howard D. Gneiding, CPA
Vincent H. DeSanctis, CPA, CVA

Robert E. Blizzard, Jr., CPA
Todd J. Bushta, CPA

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, 2010, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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 express no such opinion. 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, 2010, in conformity with *U.S. generally accepted accounting principals*.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2011 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. 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.

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.

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.

Smeiling, De Santis, Blizard & Company, LLP

Gneiding, DeSanctis, Blizzard & Company, LLP

Certified Public Accountants

Howard D. Gneiding, CPA

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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, 2010, and have issued our report thereon dated March 31, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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 Standards*.

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.

G. M. Smith, De Anza, Blizard, & Company, LLP

ALLENTOWN, PENNSYLVANIA
MARCH 31, 2011

TOWNSHIP OF SALISBURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

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, 2010. 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 2010 are as follows:

- In total, net assets were \$20,043,760.
- General revenues accounted for \$4,131,591 in revenue or 40% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6,107,617 or 60% of total revenues of \$10,239,208.
- Total assets of governmental activities were \$14,927,682 of which \$4,958,270 represents unrestricted cash and investments, though certain tentative management plans do designate \$1,450,700 of those dollars. Fixed assets, net of accumulated depreciation were \$8,520,634.
- The Township had \$11,002,008 in expenses; only \$6,107,617 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$4,131,591 were adequate to provide for these programs. The tax levy was the same as the prior year at 3.51 aggregate mills for the year.
- Expenses, after program revenue was \$4,894,391.
- Federal and state intergovernmental revenues this year were \$766,886.

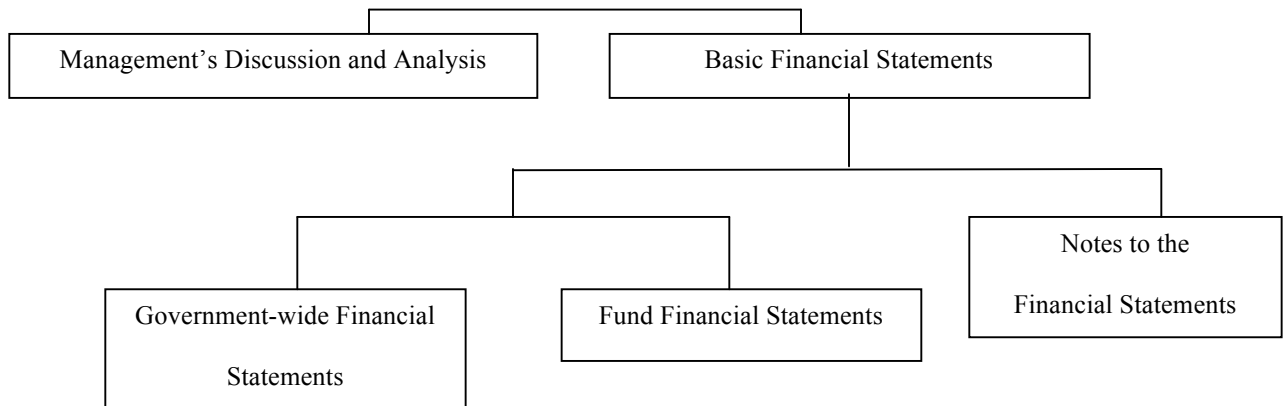
TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

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, 2010

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:

	2010	2009	2008	2007	2006
Assets					
Current and Other Assets	\$ 12,212,242	\$ 12,806,345	\$ 14,081,125	\$ 15,220,263	\$ 14,341,987
Capital Assets	<u>12,988,153</u>	<u>10,438,715</u>	<u>9,640,864</u>	<u>9,566,076</u>	<u>9,663,811</u>
	<u>25,200,395</u>	<u>23,245,060</u>	<u>23,721,989</u>	<u>24,786,339</u>	<u>24,005,798</u>
Liabilities					
Current Liabilities	1,831,575	1,204,702	1,292,698	1,602,844	1,412,989
Long-Term Liabilities	<u>3,325,060</u>	<u>1,233,798</u>	<u>1,459,119</u>	<u>1,847,382</u>	<u>2,744,440</u>
	<u>5,156,635</u>	<u>2,438,500</u>	<u>2,751,817</u>	<u>3,450,226</u>	<u>4,157,429</u>
Net Assets					
Invested in Capital Assets,					
Net of related Debt	9,753,153	9,288,715	8,065,864	7,146,076	6,348,811
Restricted	2,079,872	3,205,990	3,579,679	2,481,362	2,481,791
Unrestricted	<u>7,581,563</u>	<u>8,311,855</u>	<u>9,324,629</u>	<u>11,227,239</u>	<u>11,017,768</u>
	<u>\$ 20,043,760</u>	<u>\$ 20,806,560</u>	<u>\$ 20,970,172</u>	<u>\$ 20,854,677</u>	<u>\$ 19,848,370</u>

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

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:

	2010	2009	2008	2007	2006
Program Revenues					
Charges for Services	\$ 5,324,131	\$ 5,183,789	\$ 4,866,493	\$ 4,866,159	\$ 5,017,579
Operating Grants and Contributions	766,886	724,752	722,474	714,872	708,044
Capital Grants and Contributions	16,600	18,600	29,450	9,550	95,942
General Revenues					
Taxes	4,064,224	4,074,585	4,715,132	4,442,681	4,296,748
Investment Earnings	<u>67,367</u>	<u>152,450</u>	<u>409,442</u>	<u>711,396</u>	<u>623,320</u>
<i>Total Revenues</i>	<u>10,239,208</u>	<u>10,155,176</u>	<u>10,742,991</u>	<u>10,744,658</u>	<u>10,741,633</u>
Program Expenses					
General Government	919,576	884,263	968,468	746,457	810,984
Public Safety	2,070,415	2,022,896	2,063,428	1,465,980	1,544,673
Public Works	2,992,969	2,752,178	3,061,509	2,652,021	2,355,679
Cultural and Recreation	106,212	131,506	158,616	120,249	125,899
Other	1,563,345	1,405,375	1,285,462	1,160,785	1,042,956
Interest on Long-Term Debt	53,089	57,283	33,385	49,374	62,928
Unallocated Depreciation	259,050	259,050	259,050	259,050	259,050
Public Water	1,450,492	1,267,858	1,244,834	1,261,998	1,219,961
Public Sewer	<u>1,586,860</u>	<u>1,537,379</u>	<u>1,825,904</u>	<u>1,541,000</u>	<u>1,440,976</u>
<i>Total Expenses</i>	<u>11,002,008</u>	<u>10,317,788</u>	<u>10,900,656</u>	<u>9,256,914</u>	<u>8,863,106</u>
<i>Increase in Net Assets</i>	<u>\$ (762,800)</u>	<u>\$ (163,612)</u>	<u>\$ (157,665)</u>	<u>\$ 1,487,744</u>	<u>\$ 1,878,527</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, 2010

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.

	2010	2009	2008	2007	2006
General Government	\$ (297,624)	\$ (227,377)	\$ (367,152)	\$ (142,890)	\$ (217)
Public Safety	(1,773,753)	(1,815,763)	(1,836,742)	(1,190,765)	(1,369,947)
Public Works	(1,008,895)	(799,508)	(1,297,828)	(1,043,280)	(664,912)
Cultural and Recreation	(106,212)	(131,506)	(158,616)	(120,249)	(125,899)
Other	(1,215,517)	(1,041,734)	(985,923)	(809,364)	(736,069)
Interest on Long-Term Debt	(53,089)	(57,283)	(33,385)	(49,374)	(62,928)
Unallocated Depreciation	(259,050)	(259,050)	(259,050)	(259,050)	(259,050)
Public Water	29,366	139,791	199,698	253,719	327,214
Public Sewer	(209,617)	(117,365)	(355,107)	(12,221)	114,211
	<u>\$(4,894,391)</u>	<u>\$(4,309,795)</u>	<u>\$(5,094,105)</u>	<u>\$(3,373,474)</u>	<u>\$(2,777,597)</u>

The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 40%. 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 2010 was \$450,042,400.

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, 2010

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, 2010

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 \$7,161,599 and expenditures of \$10,597,245. Other financing sources and uses include transfers between the funds of \$2,566,745, which included bond proceeds of \$2,372,145.

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, 2010

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	6,222,410	2,084,541		8,306,951
Infrastructure	663,647	260,028		923,675
Vehicles	2,092,540	176,200		2,268,740
Equipment	564,938	113,166		678,104
	<u>\$ 10,212,176</u>	<u>\$ 2,633,935</u>	<u>\$ 0</u>	<u>\$ 12,846,111</u>
ACCUMULATED DEPRECIATION				
Building and Building Improvements	\$ 2,620,815	\$ 143,164	\$	\$ 2,763,979
Vehicles	1,071,998	99,412		1,171,410
Equipment	373,614	16,474		390,088
	<u>\$ 4,066,427</u>	<u>\$ 259,050</u>	<u>\$ 0</u>	<u>\$ 4,325,477</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	\$ 2,522,168	\$ 386,396	\$ 2,908,564
Sewer System	8,852,602	24,761	8,877,363
Computers and Equipment	208,639	128,599	337,238
	<u>\$ 11,583,409</u>	<u>\$ 539,756</u>	<u>\$ 12,123,165</u>
ACCUMULATED DEPRECIATION			
Water System	\$ 1,576,489	\$ 67,926	\$ 1,644,415
Sewer System	5,713,954	297,277	6,011,231
	<u>\$ 7,290,443</u>	<u>\$ 365,203</u>	<u>\$ 7,655,646</u>

Description of the years Capital Asset Activity:

- Overall capital assets increased \$2,633,935 for governmental activities and \$539,756 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, 2010

DEBT SERVICE

These Bonds have been issued during the current year:

2010 General Obligation Bonds

The \$3,555,000 Bond was issued to provide funds for the advanced refunding of the Township's General Obligation Bonds, Series of 2002 and to finance the renovation and construction of the police department building. The bonds mature annually with interest due semiannually at interest rates averaging 2.945%, maturing in December 2029.

These Bonds have been currently refunded by Series 2010 Bonds:

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.

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 2011 Budget	\$ 274,400
Pension MMO	439,700
Debt Service, 2010 G.O. Bonds	301,800
Police Station Renovations	230,000
Police Dept Radio Upgrade	23,000
DPW Wheel Loader (portion)	25,000
Flexer Avenue Road Reconstruction	45,000
Lindberg Park Basketball Courts	55,000
Park Surveillance Equipment	50,000
ADMIN Vehicle	<u>6,800</u>
TOTAL APPROPRIATIONS	<u>\$1,450,700</u>

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

CURRENT FINANCIAL ISSUES AND CONCERNS

The Township General Fund Revenue in 2010 increased slightly by \$20,873 or less than 1% from 2009 levels. In comparison, in 2009, Revenue decreased by \$480,822, from the 2008 year. The Township over-reliance on Taxes is very much evident. Approximately 59% of the derived Revenue comes from levy of various taxes. The **Earned Income Tax**, which in 2010 brought in \$1,823,772 million in revenue, increased by \$53,484 or 3% from 2009. The **Real Estate Tax** however generated only \$10,989 or .8% more than 2009 levels. **Real Estate Transfers**, which in 2009, due to the housing slump started in 2008, decreased \$575,864 or 65% from 2008 levels, and it further declined by \$66,456 in 2010, thus continuing the downward slide in the stream of lost revenue of approximately \$642,320 over the three year period. We do anticipate this downward trend to stabilize at some point, but it will be very hard to make up the loss of revenue in the foreseeable future or reach the level enjoyed in prior years. In 2010 the number of new housing units in Salisbury increased only by 3 units. Adding to the problem, was prior years reduction in the millage of Real Estate Tax rate, which if levels were maintained at 4.18 mills throughout the 10 yr period, the Township would have been in a better position to cushion the loss of revenue from Real Estate Transfer tax. It is estimated that approximately \$2,900,000 was lost or could have been collected and utilized for other means. **The Local Service Tax (LST)**, showed a slight decrease of \$4,900 in the collection, mainly attributable to some businesses relocating outside of the Township. Total Taxes derived revenue decreased by approximately \$6,897 or .8% from 2009 levels, but it decreased \$652,315 (Real Estate Tax and Interest on Investments) from 2008 levels. This is equivalent to approximately 2 mills in Real Estate Taxes needed to restore this loss of Revenue.

Interest earnings continue to be dismal further decreasing by \$41,820, reflective of the depressed banking interest rate market. The downward slide equates to a loss of interest income from 2008 of approximately \$179,000. 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 \$16,515 over previous year. **Shared Revenues** increased by a mere \$54,639 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 \$2,000. The garbage and recycling fees were adjusted in 2008 to cover the cost of the 3yrs contract with Waste Management. The Township will maintain the same fee structure to cover the renewal of the 3yrs contract extension with Waste Management that will go into effect in 2011. Other **charges for services** included engineering and legal charges attributable to SALDO reviews. These are paid by the developers and should be offsetting the costs shown on the expense side of the ledger for engineering and legal reviews. For 2010, engineering fees amounted to \$61,211 and legal fees were \$24,213. These were considerably less than in 2009, when combine the fees were \$114,662. Other **miscellaneous revenue** decreased by \$29,607. Total **Operating Revenue** was \$6,641,783 compared to \$6,620,910 from the 2009 year and \$7,101,732 in 2008 which was directly impacted by the economic slump started by the collapse of the housing market in 2008.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

CURRENT FINANCIAL ISSUES AND CONCERNS (CONTINUED)

General Fund **Operating Expenditures** increased \$1,917,636 or 26% from prior year. However, the predominant increases were due to capital expenses associated with the police station renovations charged through the general fund. **General Government** increased by \$1,667,973. The biggest increase was under the **Building and Plant** account totaling \$1,973,605, which reflected the undertaking of Police station renovations. If one factors out capital equipment from the totals, General Government spending decreased by \$26,105 from 2009 levels. **Police** costs, less capital equipment costs, increased \$102,912, mostly attributable to rise in personnel related costs. **Fire** related costs decreased by \$12,831, attributable to an increase in the Firemen's Relief Contribution, which is offset by the revenue received from State Aid., **Code Enforcement/Planning/Zoning** increased by \$57,590, due to a re-allocation of costs for a Clerical Full Time employee that was previously reflected in other accounts. Overall, **Public Safety** showed a \$211,996 or 12.5% increase over the previous year. **Sanitation** costs associated with the third year of the 3 year contract for collection of refuse and recycling increased by \$49,000 or .1%.

Public Works General Service Personnel costs increased \$5,200. However, other operating expenses such as fuel and equipment repairs decreased by \$64,414. Repairs to **Traffic control** equipment decreased by \$11,076. **Road material and maintenance** decreased by \$59,554 over the previous year. **Tools and machinery** increased by \$8,897. Overall, the Public Works department realized a decrease of \$286,663 from 2009 levels, if we include capital expenses. **Recreation** realized an increase of \$183,578 from 2009 levels. This is predominantly attributed to capital construction of the Lindberg Park Tennis court and capital equipment purchases which comprise a total of \$195,194. When we factor out capital costs the net decrease of running the recreation programs was approximately \$5,000 from 2009. **Insurance** costs decreased by \$15,254, however, costs associated with **Employee Benefits** increased by \$180,401 or 16%. Leading the way was **Health Insurance** costs, which increased by \$77,323 or 12% over 2009, and **Pension** costs for the Police and Non-Uniformed employees which increased by \$108,785. 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 \$216,959. This was an increase in comparison from the previous year in which the Township subsidized the Plans by only \$127,843. Given the small yearly increases in 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 improve and be a positive factor in offsetting the costs.

Overall, the 2010 Operating Expenditure Budget of \$7,096,464 showed a deficit of \$454,781. Unless substantial cuts are implemented in services, this trend will continue, since the Revenue stream loss from Real Estate Transfers and Interest Earnings is not likely to go back soon to 2008 levels. This will further impact on the depletion of the General Fund Balance, which in three years has decreased from \$7,638,699 from 2008 to \$4,769,683 as of December 31, 2010. Total spending in 2010 for Capital Expenses (\$2,390,866) and Debt Service(\$476,112) amounted to \$2,866,478 an increase of \$1,587,723 from 2009, thus combined with operating losses and transfers reduced the Fund Balance at the end of the year by \$815,383.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2010

CURRENT FINANCIAL ISSUES AND CONCERNS (CONTINUED)

The financial position of the Township, with the additional spending and utilization of prior year reserves, has reached a level that will need closer scrutiny. If the current spending trends continue without any other injection in the Revenue stream, the Township will deplete its reserves in 9 years. This is if the Township would only utilize the current reserves for operating expenses. It does not account for Capital needs of the Township. If we include the current capital spending trend we will run out of money in approximately 2 years. The Township should develop a comprehensive budgetary approach and look at other ways to maintain the current level of essential services. The development of a Capital Budget along with a Capital Plan will segregate the Operating Funds to better understand and analyze the revenue streams necessary to maintain to fund operating expenses. **Also, it is recommended that the Township segregate the Refuse and Recycling Fund currently in the General Fund, and create a separate Governmental Fund.** This fund is essentially for solid waste and recycling services and the cost of its operation is derived from the levy of garbage and recycling fees. The Township budgetary philosophy remains conservative and in the last few years the budget has been developed on more realistic assumptions. The goal will continue to develop a long term Capital Plan in order to plan for long term capital needs. In 2011 the Township will need to analyze the uses of unrestricted reserves and address new borrowing needed for major capital purchases, such as fire apparatus, and other minor capital upgrades for the Municipal Building to address security concerns, technological and communication deficiencies. Policies on specific uses of Fund Balances to comply with GASB 54 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 left the door open for a spending "as you go" approach without a clear vision on planning for future challenges that the Township will encounter. Other funds such as Water Funds and Sewer Funds should receive the same level of scrutiny as the General Fund.

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.

TOWNSHIP OF SALISBURY
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	2010			2009
	Governmental Activities	Business-Type Activities	Total	Memorandum Total
<i>ASSETS</i>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 3,658,020	\$ 925,499	\$ 4,583,519	\$ 5,782,864
Accounts Receivable	311,057	640,593	951,650	873,810
Taxes Receivable	112,720		112,720	102,935
Investments	1,300,250	1,861,199	3,161,449	3,215,010
	<u>5,382,047</u>	<u>3,427,291</u>	<u>8,809,338</u>	<u>9,974,619</u>
<i>Non-current Assets</i>				
General Fixed Assets				
Land	668,641		668,641	668,641
Building & Building Improvements	8,306,951		8,306,951	6,222,410
Infrastructure	923,675		923,675	663,647
Vehicles	2,268,740	43,645	2,312,385	2,136,185
Equipment	678,104	293,593	971,697	729,932
Water System		2,908,564	2,908,564	2,522,168
Sewer System		8,877,363	8,877,363	8,852,602
	<u>12,846,111</u>	<u>12,123,165</u>	<u>24,969,276</u>	<u>21,795,585</u>
Accumulated Depreciation	<u>(4,325,477)</u>	<u>(7,655,646)</u>	<u>(11,981,123)</u>	<u>(11,356,870)</u>
Net General Fixed Assets	8,520,634	4,467,519	12,988,153	10,438,715
Restricted Investments	1,025,001	2,377,903	3,402,904	2,831,726
	<u>9,545,635</u>	<u>6,845,422</u>	<u>16,391,057</u>	<u>13,270,441</u>
	<u>14,927,682</u>	<u>10,272,713</u>	<u>25,200,395</u>	<u>23,245,060</u>
<i>LIABILITIES</i>				
<i>Current Liabilities</i>				
Accounts payable and accrued expenses	583,609	374,967	958,576	641,370
Accrued payroll and payroll taxes	51,067	7,516	58,583	45,084
Deposits	459,416		459,416	203,248
Current Portion of LT Debt - Bonds Payable	112,260	242,740	355,000	315,000
	<u>1,206,352</u>	<u>625,223</u>	<u>1,831,575</u>	<u>1,204,702</u>
<i>Non-current Liabilities</i>				
Compensated Absences Provision	445,060		445,060	398,798
Bonds Payable - Long term	2,169,403	710,597	2,880,000	835,000
	<u>3,820,815</u>	<u>1,335,820</u>	<u>5,156,635</u>	<u>2,438,500</u>
<i>NET ASSETS</i>				
Investment in Capital Assets, Net of Related Debt	6,238,971	3,514,182	9,753,153	9,288,715
Restricted for:				
Specified Projects	1,450,700		1,450,700	2,523,300
Specified use	629,172		629,172	682,690
Unrestricted	2,788,024	5,422,711	8,210,735	8,311,855
	<u>\$ 11,106,867</u>	<u>\$ 8,936,893</u>	<u>\$ 20,043,760</u>	<u>\$ 20,806,560</u>

TOWNSHIP OF SALISBURY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

2010								
Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							2009 Memorandum Total
	Expenses	Program Revenues			Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 930,745	\$ 535,675	\$ 86,277	\$	\$ (308,793)	\$	\$ (308,793)	\$ (227,377)
Public safety	2,070,415	181,393	115,269		(1,773,753)		(1,773,753)	(1,815,763)
Public works	2,992,969	1,635,468	348,606		(1,008,895)		(1,008,895)	(799,508)
Recreation	106,212				(106,212)		(106,212)	(131,506)
Other	1,563,345	114,494	216,734	16,600	(1,215,517)		(1,215,517)	(1,041,734)
Interest on Long-Term debt	38,756				(38,756)		(38,756)	(17,029)
Unallocated Depreciation	259,050				(259,050)		(259,050)	(259,050)
	7,961,492	2,467,030	766,886	16,600	(4,710,976)	0	(4,710,976)	(4,291,967)
Business-Type Activities :								
Enterprise Funds	3,040,516	2,857,101				(183,415)	(183,415)	(98,680)
	<u>\$ 11,002,008</u>	<u>\$ 5,324,131</u>	<u>\$ 766,886</u>	<u>\$ 16,600</u>	<u>\$ (4,710,976)</u>	<u>\$ (183,415)</u>	<u>\$ (4,894,391)</u>	<u>\$ (4,390,647)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net					1,620,052		1,620,052	1,680,588
Taxes levied for specific purposes					186,489		186,489	184,882
Local Services Tax					433,911		433,911	438,828
Earned Income Taxes					<u>1,823,772</u>		<u>1,823,772</u>	<u>1,770,287</u>
					4,064,224		4,064,224	4,074,585
Interest Income					<u>35,549</u>	<u>31,818</u>	<u>67,367</u>	<u>152,450</u>
Total general revenues, special items, and transfers					<u>4,099,773</u>	<u>31,818</u>	<u>4,131,591</u>	<u>4,227,035</u>
Change in Net Assets					(611,203)	(151,597)	(762,800)	(163,612)
Net Assets—beginning					<u>11,718,070</u>	<u>9,088,490</u>	<u>20,806,560</u>	<u>20,970,172</u>
Net Assets—ending					<u>\$ 11,106,867</u>	<u>\$ 8,936,893</u>	<u>\$ 20,043,760</u>	<u>\$ 20,806,560</u>

TOWNSHIP OF SALISBURY

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

DECEMBER 31, 2010

Total Fund Balances - Governmental Funds **\$ 5,398,855**

*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 23,453

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

General Fixed Assets 12,846,111
Accumulated Depreciation (4,325,477)

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 (445,060)
Bonds Payable (2,281,663)
Retainage on construction on progress (109,352)

Total Net Assets - Governmental Activities **\$ 11,106,867**

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, 2010

Total net change in fund balances - governmental funds **\$ (868,901)**

*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 (5,910)

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 2,524,583

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

(46,262)

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

416,482

Proceeds from issuing debt, General Obligation Bonds Series 2010

(2,372,145)

Change in net assets of governmental activities

\$ (611,203)

TOWNSHIP OF SALISBURY
COMBINED BALANCE SHEETS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2010

	Major Fund	Non-Major Funds		2009 Memorandum
	General	Special Revenue	Totals	Total
ASSETS				
Cash and cash equivalents	\$ 3,658,020	\$	\$ 3,658,020	\$ 4,234,083
Investments	495,556	804,694	1,300,250	1,674,063
Taxes receivable, net of allowance	80,769	8,498	89,267	73,572
Accounts receivable	311,057		311,057	271,371
Restricted Investments	1,025,001		1,025,001	478,763
	<u>\$ 5,570,403</u>	<u>\$ 813,192</u>	<u>\$ 6,383,595</u>	<u>\$ 6,731,852</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 290,237	\$ 184,020	\$ 474,257	\$ 220,967
Accrued payroll and payroll taxes	51,067		51,067	39,881
Deposits	459,416		459,416	203,248
Deferred Revenue			0	0
	<u>800,720</u>	<u>184,020</u>	<u>984,740</u>	<u>464,096</u>
FUND BALANCE				
Reserve for encumbrance			0	0
Unreserved and designated	1,450,700		1,450,700	2,523,300
Unreserved and undesignated	3,318,983	629,172	3,948,155	3,744,456
	<u>4,769,683</u>	<u>629,172</u>	<u>5,398,855</u>	<u>6,267,756</u>
	<u>\$ 5,570,403</u>	<u>\$ 813,192</u>	<u>\$ 6,383,595</u>	<u>\$ 6,731,852</u>

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2010

	Major Fund	Non-Major Funds			2009
	General	Special Revenue	Debt Service	Total	Memorandum Total
REVENUES					
Taxes	\$ 3,883,645	\$ 186,489	\$	\$ 4,070,134	\$ 4,075,424
Licenses and permits	185,670			185,670	189,637
Fines, forfeits and costs	74,620			74,620	78,085
Interest and rents	71,426	10,270		81,696	118,999
Charges for services	1,865,512			1,865,512	1,812,267
Miscellaneous revenues	102,681	14,400		117,081	150,788
Intergovernmental revenues	458,229	308,657		766,886	724,752
	<u>6,641,783</u>	<u>519,816</u>	<u>0</u>	<u>7,161,599</u>	<u>7,149,952</u>
EXPENDITURES					
Current					
General government	2,742,966			2,742,966	1,074,993
Public safety	1,912,679	225,652		2,138,331	2,538,629
Public works	3,007,105	356,699		3,363,804	3,244,409
Culture and recreation	171,061	81,559		252,620	135,706
Insurance and employee benefits	1,505,039			1,505,039	1,339,886
Miscellaneous	58,306			58,306	65,489
Debt service					
Principal retirement			416,482	416,482	150,000
Interest			38,756	38,756	17,029
Fiscal charges	80,941			80,941	1,078
	<u>9,478,097</u>	<u>663,910</u>	<u>455,238</u>	<u>10,597,245</u>	<u>8,567,219</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</i>	<u>(2,836,314)</u>	<u>(144,094)</u>	<u>(455,238)</u>	<u>(3,435,646)</u>	<u>(1,417,267)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuing debt	2,372,145			2,372,145	0
Operating transfers in	194,600	90,576	455,238	740,414	847,868
Operating transfers out	(545,814)	0		(545,814)	(670,468)
	<u>2,020,931</u>	<u>90,576</u>	<u>455,238</u>	<u>2,566,745</u>	<u>177,400</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	<u>(815,383)</u>	<u>(53,518)</u>	<u>0</u>	<u>(868,901)</u>	<u>(1,239,867)</u>
FUND BALANCES, JANUARY 1	<u>5,585,066</u>	<u>682,690</u>	<u>0</u>	<u>6,267,756</u>	<u>7,507,623</u>
FUND BALANCES, DECEMBER 31	<u>\$ 4,769,683</u>	<u>\$ 629,172</u>	<u>\$ 0</u>	<u>\$ 5,398,855</u>	<u>\$ 6,267,756</u>

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2010

	Enterprise Funds			2009 Memorandum
	Water	Sewer	Total	Total
ASSETS				
Cash and cash equivalents	\$ 414,764	\$ 510,735	\$ 925,499	\$ 1,548,781
Investments	745,743	1,115,456	1,861,199	1,540,947
Accounts receivable	293,608	346,985	640,593	602,439
Restricted Investments	1,187,073	1,190,830	2,377,903	2,352,963
Water and sewer systems	2,908,564	8,877,363	11,785,927	11,374,770
Vehicles and computer equipment	183,274	153,964	337,238	208,639
Accumulated depreciation	(1,644,415)	(6,011,231)	(7,655,646)	(7,290,443)
	<u>\$ 4,088,611</u>	<u>\$ 6,184,102</u>	<u>\$ 10,272,713</u>	<u>\$ 10,338,096</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 156,366	\$ 218,601	\$ 374,967	\$ 420,403
Accrued payroll and payroll taxes	3,758	3,758	7,516	5,203
Bonds Payable	<u>373,007</u>	<u>580,330</u>	<u>953,337</u>	<u>824,000</u>
	<u>533,131</u>	<u>802,689</u>	<u>1,335,820</u>	<u>1,249,606</u>
NET ASSETS				
Net Assets	<u>3,555,480</u>	<u>5,381,413</u>	<u>8,936,893</u>	<u>9,088,490</u>
	<u>\$ 4,088,611</u>	<u>\$ 6,184,102</u>	<u>\$ 10,272,713</u>	<u>\$ 10,338,096</u>

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2010

	Enterprise Funds			2009 Memorandum
	Water	Sewer	Total	Total
OPERATING REVENUES				
Charges for services	\$ 1,479,858	\$ 1,377,243	\$ 2,857,101	\$ 2,746,811
OPERATING EXPENSES				
Personnel	182,151	180,277	362,428	348,514
Purchased services	62,773	84,298	147,071	35,070
Supplies and maintenance	35,284	18,405	53,689	76,860
Contractual payments	872,654	762,757	1,635,411	1,587,082
Insurance	10,844	10,844	21,688	16,513
Depreciation	67,926	297,277	365,203	365,203
Administrative expenses	97,300	97,300	194,600	177,400
Employee benefits	112,612	112,330	224,942	198,595
	<u>1,441,544</u>	<u>1,563,488</u>	<u>3,005,032</u>	<u>2,805,237</u>
<i>OPERATING NET INCOME</i>	<u>38,314</u>	<u>(186,245)</u>	<u>(147,931)</u>	<u>(58,426)</u>
NON-OPERATING REVENUES				
(EXPENDITURES)				
Interest revenue	14,621	17,197	31,818	80,852
Interest expense	(6,500)	(28,984)	(35,484)	(40,254)
	<u>8,121</u>	<u>(11,787)</u>	<u>(3,666)</u>	<u>40,598</u>
<i>CHANGE IN NET ASSETS</i>	<u>46,435</u>	<u>(198,032)</u>	<u>(151,597)</u>	<u>(17,828)</u>
NET ASSETS,				
JANUARY 1	<u>3,509,045</u>	<u>5,579,445</u>	<u>9,088,490</u>	<u>9,106,318</u>
NET ASSETS,				
DECEMBER 31	<u>\$ 3,555,480</u>	<u>\$ 5,381,413</u>	<u>\$ 8,936,893</u>	<u>\$ 9,088,490</u>

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2010

	Enterprise Funds	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from users	\$ 2,818,947	\$ 2,755,561
Cash paid to employees	(585,057)	(546,428)
Cash paid to suppliers and contractors	(2,097,895)	(1,862,584)
<i>Net Cash Provided by Operating Activities</i>	<u>135,995</u>	<u>346,549</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of debt	129,337	(275,000)
Interest and fiscal charges paid	(35,484)	(40,254)
Purchase of system equipment and improvements	(539,756)	(161,203)
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(445,903)</u>	<u>(476,457)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(345,192)	(587,400)
Interest received	31,818	80,852
<i>Net Cash Used by Investing Activities</i>	<u>(313,374)</u>	<u>(506,548)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(623,282)	(636,456)
CASH AND CASH EQUIVALENTS, JANUARY 1st	<u>1,548,781</u>	<u>2,185,237</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31st	<u>\$ 925,499</u>	<u>\$ 1,548,781</u>
RECONCILIATION OF OPERATING NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ (147,931)	\$ (58,426)
<i>Adjustment to reconcile net operating income to net cash provided by operating activities:</i>		
Depreciation	365,203	365,203
Increase in accounts receivable	(38,154)	8,750
(Decrease) increase in accounts payable and accrued expenses	(43,123)	31,022
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 135,995</u>	<u>\$ 346,549</u>

TOWNSHIP OF SALISBURY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	Police Pension Trust	
	2010	2009
ASSETS		
Investments - restricted	<u>\$ 3,494,788</u>	<u>\$ 3,194,856</u>
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>
NET ASSETS		
Reserved for retirement benefits	<u>3,494,788</u>	<u>3,194,856</u>
	<u>\$ 3,494,788</u>	<u>\$ 3,194,856</u>

TOWNSHIP OF SALISBURY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2010

	Police Pension Trust	
	2010	2009
ADDITIONS		
Contributions	\$ 227,393	\$ 129,610
Interest, dividends, and net unrealized gains/losses	327,027	468,640
	<u>554,420</u>	<u>598,250</u>
DEDUCTIONS		
Administrative expenses	23,010	24,691
Pension benefits	231,478	232,867
	<u>254,488</u>	<u>257,558</u>
CHANGE IN NET ASSETS	299,932	340,692
NET ASSETS, JANUARY 1	<u>3,194,856</u>	<u>2,854,164</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 3,494,788</u></u>	<u><u>\$ 3,194,856</u></u>

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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 2010 was \$450,042,400. 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, 2010

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 2009, 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, 2010

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 & Poor's.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2010

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 balance 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, 2010

NOTE 4 PROPERTY TAXES RECEIVABLE

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

	General Fund	Special Revenue Funds	
		Fire Protection Fund	Library Tax Fund
Outstanding real estate taxes	\$ 80,769	\$ 4,858	\$ 3,640

NOTE 5 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	6,222,410	2,084,541		8,306,951
Infrastructure	663,647	260,028		923,675
Vehicles	2,092,540	176,200		2,268,740
Equipment	564,938	113,166		678,104
	<u>\$ 10,212,176</u>	<u>\$ 2,633,935</u>	<u>\$ 0</u>	<u>\$ 12,846,111</u>
ACCUMULATED DEPRECIATION				
Building and Building Improvements	\$ 2,620,815	\$ 143,164	\$	\$ 2,763,979
Vehicles	1,071,998	99,412		1,171,410
Equipment	373,614	16,474		390,088
	<u>\$ 4,066,427</u>	<u>\$ 259,050</u>	<u>\$ 0</u>	<u>\$ 4,325,477</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	\$ 2,522,168	\$ 386,396	\$ 2,908,564
Sewer System	8,852,602	24,761	8,877,363
Computers and Equipment	208,639	128,599	337,238
	<u>\$ 11,583,409</u>	<u>\$ 539,756</u>	<u>\$ 12,123,165</u>
ACCUMULATED DEPRECIATION			
Water System	\$ 1,576,489	\$ 67,926	\$ 1,644,415
Sewer System	5,713,954	297,277	6,011,231
	<u>\$ 7,290,443</u>	<u>\$ 365,203</u>	<u>\$ 7,655,646</u>

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 5 DEBT AND DEBT SERVICE

2010 General Obligation Bonds

The \$3,555,000 Bond was issued to provide funds for the advanced refunding of the Township's General Obligation Bonds, Series of 2002 and to finance the renovation and construction of the police department building. The bonds mature annually with interest due semiannually at interest rates averaging 2.945%, maturing in December 2029.

	Governmental Fund Types	Proprietary Fund Types (Enterprise Funds)	
	General Fund	Water Fund	Sewer Fund
Outstanding, December 31,	\$ 2,167,450	\$ 355,850	\$ 711,700

Debt Service to Maturity :

	Governmental	Proprietary	Total
2011	\$174,236	\$274,460	\$448,696
2012	170,838	275,758	446,596
2013	163,843	155,557	319,400
2014	163,156	26,444	189,600
2015	165,478	26,822	192,300
2016	163,414	26,486	189,900
2017	165,392	26,808	192,200
2018	162,704	26,370	189,074
2019	164,048	26,588	190,636
2020	160,694	26,042	186,736
2021	161,500	26,174	187,674
2022	162,026	26,260	188,286
2023	162,232	26,292	188,524
2024	162,068	26,382	188,450
2025	161,792	26,222	188,014
2026	161,160	26,118	187,278
2027	164,432	26,768	191,200
2028	162,884	26,516	189,400
2029	<u>165,475</u>	<u>26,949</u>	<u>192,424</u>
Total	3,117,372	1,129,016	4,246,388
Interest	<u>(835,709)</u>	<u>(175,679)</u>	<u>(1,011,388)</u>
Principal	<u>\$2,281,663</u>	<u>\$953,337</u>	<u>\$3,235,000</u>

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 6 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, 2010

NOTE 6 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.

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, 2010

NOTE 6 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	\$ 56,491	\$ 56,491	\$ 0	100%	\$ 0

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	\$3,961,520	86%	\$ 536,524	\$ 995,467	53.9%
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 7 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 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.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 7 EMERGING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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. 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.

NOTE 8 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:

The nature and purpose of designations of unreserved fund balances are as follows:

Appropriations to the 2011 Budget	\$ 274,400
Pension MMO	439,700
Debt Service, 2010 G.O. Bonds	301,800
Police Station Renovations	230,000
Police Dept Radio Upgrade	23,000
DPW Wheel Loader (portion)	25,000
Flexer Avenue Road Reconstruction	45,000
Lindberg Park Basketball Courts	55,000
Park Surveillance Equipment	50,000
ADMIN Vehicle	<u>6,800</u>
TOTAL APPROPRIATIONS	<u>\$1,450,700</u>

TOWNSHIP OF SALISBURY
GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2010

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
REVENUES			
<i>TAXES</i>			
Real Estate Tax	\$ 1,329,000	\$ 1,380,654	\$ 51,654
Realty Transfer	250,000	245,308	(4,692)
Local Services Tax	430,000	433,911	3,911
Earned Income Tax	1,900,000	1,823,772	(76,228)
	<u>3,909,000</u>	<u>3,883,645</u>	<u>(25,355)</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	106,000	108,875	2,875
Permits	78,900	76,795	(2,105)
	<u>184,900</u>	<u>185,670</u>	<u>770</u>
<i>FINES, FORFEITS AND COSTS</i>			
Vehicle Code Violations	52,000	42,056	(9,944)
Violations of Ordinances	10,000	32,564	22,564
	<u>62,000</u>	<u>74,620</u>	<u>12,620</u>
<i>INTEREST AND RENTS</i>			
Interest Income	72,000	25,279	(46,721)
Rents	46,100	46,147	47
	<u>118,100</u>	<u>71,426</u>	<u>(46,674)</u>
<i>SHARED REVENUES</i>			
Federal grants	3,000		(3,000)
State grants	61,900	53,419	(8,481)
Recycling grant	40,000	39,949	(51)
Beverage Licenses	1,800	1,800	0
Public Utility Tax	6,000	5,845	(155)
Payments in lieu of tax	25,200	25,213	13
Foreign Casualty Insurance	190,000	216,734	26,734
Foreign Fire Insurance Tax	100,000	115,269	15,269
	<u>427,900</u>	<u>458,229</u>	<u>30,329</u>
<i>CHARGES FOR SERVICES</i>			
Solid Waste Collection Fees	1,607,700	1,633,793	26,093
General government	6,000	3,697	(2,303)
Public works	1,600	1,675	75
Subdivision filing	6,000	4,597	(1,403)
Engineering Review	100,000	61,211	(38,789)
Zoning variance	9,100	15,540	6,440
Legal Review	13,000	24,213	11,213
Public Safety	38,800	106,773	67,973
Other Charges for Service	13,600	14,013	413
	<u>1,795,800</u>	<u>1,865,512</u>	<u>69,712</u>
<i>MISCELLANEOUS REVENUES</i>			
Refund of prior years expenditure - Insurance	0	88,972	88,972
Developer Contributions	0	0	0
Contributions	0	2,200	2,200
Sale of Fixed Assets	0	11,509	11,509
	<u>0</u>	<u>102,681</u>	<u>102,681</u>
TOTAL REVENUES	\$ 6,497,700	\$ 6,641,783	\$ 144,083

TOWNSHIP OF SALISBURY
GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2010

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
<i>EXPENDITURES</i>			
<i>GENERAL GOVERNMENT</i>			
Legislative	\$ 15,000	\$ 14,406	\$ 594
Executive	275,400	303,055	(27,655)
Finance	146,700	147,625	(925)
Tax Collection	59,200	59,570	(370)
Law	60,000	102,799	(42,799)
Other general government	40,200	40,677	(477)
Engineering	146,000	101,229	44,771
Building and Plant	128,900	1,973,605	(1,844,705)
	<u>871,400</u>	<u>2,742,966</u>	<u>(1,871,566)</u>
<i>PUBLIC SAFETY</i>			
Police	1,474,700	1,535,685	(60,985)
Fire	101,600	115,758	(14,158)
Code Enforcement	123,200	110,808	12,392
Planning and Zoning	182,200	141,828	40,372
Emergency Management	5,300	8,600	(3,300)
	<u>1,887,000</u>	<u>1,912,679</u>	<u>(25,679)</u>
<i>PUBLIC WORKS</i>			
Sanitation	1,487,800	1,493,458	(5,658)
General Services	1,075,200	1,062,082	13,118
Leaf Collection	8,000	6,101	1,899
Traffic Control	21,000	12,513	8,487
Tools and Machinery	42,500	52,501	(10,001)
Capital Equipment	108,000	63,199	44,801
Streets and Bridges	205,000	228,037	(23,037)
Storm Water Management	5,000	89,214	(84,214)
	<u>2,952,500</u>	<u>3,007,105</u>	<u>(54,605)</u>
<i>CULTURE AND RECREATION</i>			
	<u>143,300</u>	<u>171,061</u>	<u>(27,761)</u>
<i>MISCELLANEOUS</i>			
Contributions	44,800	43,845	955
Refund of prior years revenue		65	(65)
Other	20,300	14,396	5,904
	<u>65,100</u>	<u>58,306</u>	<u>6,794</u>
<i>INSURANCE AND EMPLOYEE BENEFITS</i>			
Insurance	117,000	108,027	8,973
Social security	143,600	144,399	(799)
Unemployment comp	10,000	9,047	953
Pension	433,700	433,693	7
Workers Compensation	70,000	58,860	11,140
Employee Benefits	736,900	751,013	(14,113)
	<u>1,511,200</u>	<u>1,505,039</u>	<u>6,161</u>
TOTAL EXPENDITURES	\$ 7,430,500	\$ 9,397,156	\$ (1,966,656)

TOWNSHIP OF SALISBURY
COMBINING BALANCE SHEETS
SPECIAL REVENUE FUNDS
AS OF DECEMBER 31, 2010

	Library	Fire	Highway Aid	Total
ASSETS				
Investments	\$ 108,229	\$ 24,704	\$ 671,761	\$ 804,694
Taxes receivable, net of allowance	3,640	4,858		8,498
Due from other funds				0
	<u>\$ 111,869</u>	<u>\$ 29,562</u>	<u>\$ 671,761</u>	<u>\$ 813,192</u>
LIABILITIES				
Accounts payable and accrued expenses	<u>\$ 0</u>	<u>\$ 23,516</u>	<u>\$ 160,504</u>	<u>\$ 184,020</u>
FUND BALANCE				
Unreserved and undesignated	<u>111,869</u>	<u>6,046</u>	<u>511,257</u>	<u>629,172</u>
	<u>111,869</u>	<u>6,046</u>	<u>511,257</u>	<u>629,172</u>
	<u>\$ 111,869</u>	<u>\$ 29,562</u>	<u>\$ 671,761</u>	<u>\$ 813,192</u>

TOWNSHIP OF SALISBURY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2010

	Library	Fire	Highway Aid	Total
REVENUES				
Taxes	\$ 79,924	\$ 106,565	\$	\$ 186,489
Interest and rents	175	9,000	1,095	10,270
Miscellaneous revenues		14,400		14,400
Intergovernmental revenues			308,657	308,657
	<u>80,099</u>	<u>129,965</u>	<u>309,752</u>	<u>519,816</u>
EXPENDITURES				
Public safety		225,652		225,652
Public works			356,699	356,699
Culture and recreation	81,559			81,559
	<u>81,559</u>	<u>225,652</u>	<u>356,699</u>	<u>663,910</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,460)</u>	<u>(95,687)</u>	<u>(46,947)</u>	<u>(144,094)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in		90,576		90,576
Operating transfers out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>90,576</u>	<u>0</u>	<u>90,576</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	<u>(1,460)</u>	<u>(5,111)</u>	<u>(46,947)</u>	<u>(53,518)</u>
FUND BALANCES, JANUARY 1	<u>113,329</u>	<u>11,157</u>	<u>558,204</u>	<u>682,690</u>
FUND BALANCES, DECEMBER 31	<u>\$ 111,869</u>	<u>\$ 6,046</u>	<u>\$ 511,257</u>	<u>\$ 629,172</u>