

**TOWNSHIP OF SALISBURY**  
LEHIGH COUNTY, PENNSYLVANIA

**FINANCIAL STATEMENTS AND  
AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED  
**DECEMBER 31, 2011**





# **TOWNSHIP OF SALISBURY**

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# *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, 2011, 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, 2011, in conformity with *U.S. generally accepted accounting principals*.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2012 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.

*Gmeinley, De Santis, Blizard & Company, LLP*

# *Gneiding, DeSanctis, Blizzard & Company, LLP*

## Certified Public Accountants

Howard D. Gneiding, CPA

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Robert E. Blizzard, Jr., CPA

Todd J. Bushta, CPA

### **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, 2011, and have issued our report thereon dated March 31, 2012. 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 la Roche, Blizard, & Company, LLP*

ALLENTOWN, PENNSYLVANIA  
MARCH 31, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**





**TOWNSHIP OF SALISBURY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
DECEMBER 31, 2011

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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, 2011. 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 2011 are as follows:*

- In total, net assets were \$18,840,804.
- General revenues accounted for \$4,249,503 in revenue or 38% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6,789,494 or 62% of total revenues of \$11,038,997.
- Total assets of governmental activities were \$13,607,255 of which \$4,656,290 represents unrestricted cash and investments, though certain tentative management plans do assign \$921,500 of those dollars. Fixed assets, net of accumulated depreciation were \$8,438,761.
- The Township had \$12,241,953 in expenses; only \$6,789,494 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$4,223,846 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 \$5,452,459.

# TOWNSHIP OF SALISBURY

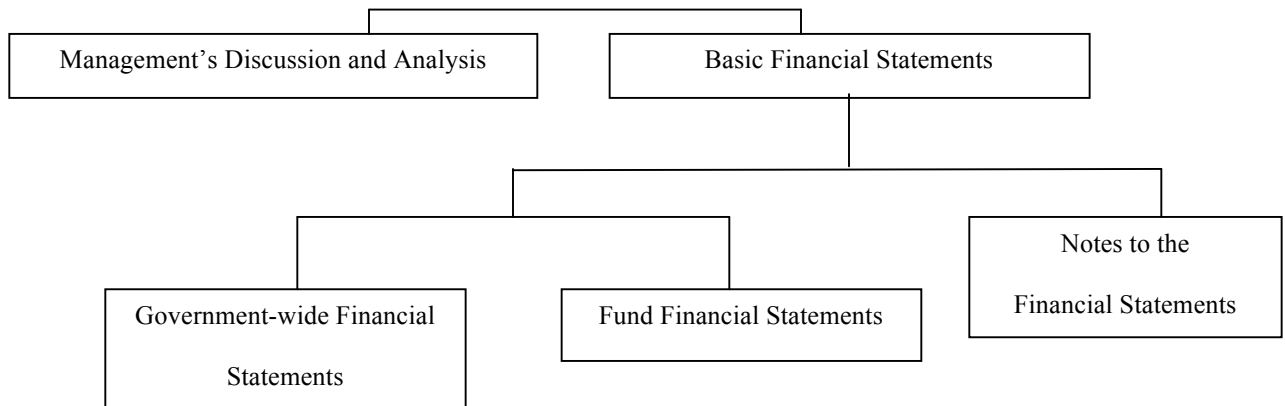
## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

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### 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, 2011

### *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:***

	2011	2010	2009	2008	2007
<b>Assets</b>					
Current and Other Assets	\$ 10,718,641	\$ 12,212,242	\$ 12,806,345	\$ 14,081,125	\$ 15,220,263
Capital Assets	<u>13,190,615</u>	<u>12,988,153</u>	<u>10,438,715</u>	<u>9,640,864</u>	<u>9,566,076</u>
	<u>23,909,256</u>	<u>25,200,395</u>	<u>23,245,060</u>	<u>23,721,989</u>	<u>24,786,339</u>
<b>Liabilities</b>					
Current Liabilities	2,027,535	1,831,575	1,204,702	1,292,698	1,602,844
Long-Term Liabilities	<u>3,040,917</u>	<u>3,325,060</u>	<u>1,233,798</u>	<u>1,459,119</u>	<u>1,847,382</u>
	<u>5,068,452</u>	<u>5,156,635</u>	<u>2,438,500</u>	<u>2,751,817</u>	<u>3,450,226</u>
<b>Net Assets</b>					
Invested in Capital Assets,					
Net of related Debt	10,310,615	9,753,153	9,288,715	8,065,864	7,146,076
Restricted	255,803	2,079,872	3,205,990	3,579,679	2,481,362
Unrestricted	<u>8,274,386</u>	<u>8,210,735</u>	<u>8,311,855</u>	<u>9,324,629</u>	<u>11,227,239</u>
	<u>\$ 18,840,804</u>	<u>\$ 20,043,760</u>	<u>\$ 20,806,560</u>	<u>\$ 20,970,172</u>	<u>\$ 20,854,677</u>

# TOWNSHIP OF SALISBURY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

### 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:**

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

	2011	2010	2009	2008	2007
<b>Program Revenues</b>					
Charges for Services	\$ 5,531,866	\$ 5,324,131	\$ 5,183,789	\$ 4,866,493	\$ 4,866,159
Operating Grants and Contributions	1,248,628	766,886	724,752	722,474	714,872
Capital Grants and Contributions	9,000	16,600	18,600	29,450	9,550
<b>General Revenues</b>					
Taxes	4,223,846	4,064,224	4,074,585	4,715,132	4,442,681
Investment Earnings	<u>25,657</u>	<u>67,367</u>	<u>152,450</u>	<u>409,442</u>	<u>711,396</u>
<i>Total Revenues</i>	<u>11,038,997</u>	<u>10,239,208</u>	<u>10,155,176</u>	<u>10,742,991</u>	<u>10,744,658</u>
<b>Program Expenses</b>					
General Government	993,841	919,576	884,263	968,468	746,457
Public Safety	2,418,986	2,070,415	2,022,896	2,063,428	1,465,980
Public Works	3,667,988	2,992,969	2,752,178	3,061,509	2,652,021
Cultural and Recreation	127,865	106,212	131,506	158,616	120,249
Other	1,567,867	1,563,345	1,405,375	1,285,462	1,160,785
Interest on Long-Term Debt	62,477	53,089	57,283	33,385	49,374
Unallocated Depreciation	232,149	259,050	259,050	259,050	259,050
Public Water	1,411,638	1,450,492	1,267,858	1,244,834	1,261,998
Public Sewer	<u>1,759,142</u>	<u>1,586,860</u>	<u>1,537,379</u>	<u>1,825,904</u>	<u>1,541,000</u>
<i>Total Expenses</i>	<u>12,241,953</u>	<u>11,002,008</u>	<u>10,317,788</u>	<u>10,900,656</u>	<u>9,256,914</u>
<i>Increase in Net Assets</i>	<u>\$(1,202,956)</u>	<u>\$ (762,800)</u>	<u>\$ (163,612)</u>	<u>\$ (157,665)</u>	<u>\$ 1,487,744</u>

# TOWNSHIP OF SALISBURY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

**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.*

	2011	2010	2009	2008	2007
General Government	\$ (114)	\$ (297,624)	\$ (227,377)	\$ (367,152)	\$ (142,890)
Public Safety	(2,075,067)	(1,773,753)	(1,815,763)	(1,836,742)	(1,190,765)
Public Works	(1,620,471)	(1,008,895)	(799,508)	(1,297,828)	(1,043,280)
Cultural and Recreation	(127,865)	(106,212)	(131,506)	(158,616)	(120,249)
Other	(973,253)	(1,215,517)	(1,041,734)	(985,923)	(809,364)
Interest on Long-Term Debt	(62,477)	(53,089)	(57,283)	(33,385)	(49,374)
Unallocated Depreciation	(232,149)	(259,050)	(259,050)	(259,050)	(259,050)
Public Water	19,279	29,366	139,791	199,698	253,719
Public Sewer	<u>(380,342)</u>	<u>(209,617)</u>	<u>(117,365)</u>	<u>(355,107)</u>	<u>(12,221)</u>
	<u>\$ (5,452,459)</u>	<u>\$ ( 4,894,391)</u>	<u>\$ ( 4,309,795)</u>	<u>\$ ( 5,094,105)</u>	<u>\$ ( 3,373,474)</u>

The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 38%. 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 2011 was \$447,849,100.

### ***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, 2011

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### **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, 2011

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### **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 \$8,014,934 and expenditures of \$9,135,055. Other financing sources and uses include transfers between the funds of \$195,000.

### **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, 2011

### 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
<b>CAPITAL ASSETS</b>				
Land and Land Improvements	\$ 668,641	\$	\$	\$ 668,641
Building and Building Improvements	8,306,951	99,039		8,405,990
Infrastructure	923,675	24,688		948,363
Vehicles	2,268,740			2,268,740
Equipment	678,104	26,549		704,653
	<u>\$ 12,846,111</u>	<u>\$ 150,276</u>	<u>\$ 0</u>	<u>\$ 12,996,387</u>
<b>ACCUMULATED DEPRECIATION</b>				
Building and Building Improvements	\$ 2,763,979	\$ 127,538	\$	\$ 2,891,517
Vehicles	1,171,410	88,309		1,259,719
Equipment	390,088	16,302		406,390
	<u>\$ 4,325,477</u>	<u>\$ 232,149</u>	<u>\$ 0</u>	<u>\$ 4,557,626</u>

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

	Balance January 1	Additions	Balance December 31
<b>CAPITAL ASSETS</b>			
Water System	\$ 2,908,564	\$ 252,841	\$ 3,161,405
Sewer System	8,877,363	227,388	9,104,751
Computers and Equipment	337,238	152,363	489,601
	<u>\$ 12,123,165</u>	<u>\$ 632,592</u>	<u>\$ 12,755,757</u>
<b>ACCUMULATED DEPRECIATION</b>			
Water System	\$ 1,644,415	\$ 62,113	\$ 1,706,528
Sewer System	6,011,231	286,144	6,297,375
	<u>\$ 7,655,646</u>	<u>\$ 348,257</u>	<u>\$ 8,003,903</u>

#### *Description of the years Capital Asset Activity:*

- Overall capital assets increased \$150,276 for governmental activities and \$632,592 for business type activities.
- Depreciation for the year was \$232,149 and \$348,257 for governmental and business type activities, respectively.



# TOWNSHIP OF SALISBURY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

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### 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.

	<b>Governmental Fund Types</b>	<b>Proprietary Fund Types (Enterprise Funds)</b>	
	<b>General Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>
Outstanding, December 31,	\$ 2,169,403	\$ 353,667	\$ 356,930

# TOWNSHIP OF SALISBURY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

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### ASSIGNMENT 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:

Pension MMO	\$ 476,600
Debt Service, 2010 G.O. Bonds	171,400
Debt Service, Lease Purchase financing	59,900
DPW Truck purchase	35,000
Flexer Avenue Road Reconstruction	3,600
Admin Building Security upgrade	25,000
ESFD Pumper Truck Purchase	<u>150,000</u>
TOTAL APPROPRIATIONS	<u>\$ 921,500</u>

### CURRENT FINANCIAL ISSUES AND CONCERNS

The Township brought in \$7,480,488 in **General Operating Revenues** in 2011 compared to \$6,641,783 in 2010. Some of the increases are attributable to one-time increases in certain revenue streams.

**General Operating Expenditures** were \$8,071,661 compared to \$9,397,156 in 2010, with a deficit of \$591,173. 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 \$4,217,931 as of December 31, 2011. Total Fund Balances decreased by \$925,121. Total spending in 2011 for Capital Expenses (\$542,423) and Debt Service(\$174,737) amounted to \$717,160 a decrease of \$2,026,730 from 2010, thus combined with operating losses and transfers reduced the Fund Balance at the end of the year by \$604,000.

# **TOWNSHIP OF SALISBURY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

DECEMBER 31, 2011

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### **CURRENT FINANCIAL ISSUES AND CONCERNS**

Debt Service will decrease starting in 2012. This is due to paying off outstanding water bonds. Starting in 2014 the Township will save approximately \$130,000 per year.

Fire Fund General Operating Fund will require closer scrutiny. Even though the Board raised the Fire Fund tax by a .25 mills in 2012, this was earmarked for future capital purchase of fire apparatus. The Operating budget continues to operate in the red and the shortfalls are made up from General Fund reserves.

Pension Costs continue to increase for both the uniformed and non-uniformed pension plans. State Aid remains constant and the Township subsidizes the plans by \$220,000 per year.

Although the past three years have shown a reduction of revenue sources impacted by the economic downturn in 2008, the Township continues to weather the "storm" by dipping into its healthy reserves, accumulated over the years. With sound fiscal management, the Township continues to be fiscally responsible in its allocation of resources. However, the Township must examine its current spending trends without the expectation that revenue streams impacted by economic downturn will bounce back to its past historical levels. The Township, if it continues to maintain its current services and spending patterns will need to raise property taxes to make up the shortfall.

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 8 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 3 years. The Township continues to be fiscally responsible and has developed a comprehensive budgetary approach in order to maintain the current level of essential services.

# **TOWNSHIP OF SALISBURY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

DECEMBER 31, 2011

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### **CURRENT FINANCIAL ISSUES AND CONCERNS**

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.pa.org](mailto:cbonaskiewich@salisburytownship.pa.org), or the Township Manager Randy Soriano at [rsoriano@salisburytownship.pa.org](mailto:rsoriano@salisburytownship.pa.org).



**GOVERNMENT WIDE FINANCIAL  
STATEMENTS**



**TOWNSHIP OF SALISBURY**  
**STATEMENT OF NET ASSETS**  
DECEMBER 31, 2011

	<b>2011</b>			2010
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Memorandum Total</b>
<i><b>ASSETS</b></i>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 3,779,002	\$ 671,342	\$ 4,450,344	\$ 4,583,519
Accounts Receivable	405,305	629,047	1,034,352	951,650
Taxes Receivable	106,899		106,899	112,720
Investments	877,288	1,860,800	2,738,088	3,161,449
	<u>5,168,494</u>	<u>3,161,189</u>	<u>8,329,683</u>	<u>8,809,338</u>
<i>Non-current Assets</i>				
General Fixed Assets				
Land	668,641		668,641	668,641
Building & Building Improvements	8,405,990		8,405,990	8,306,951
Infrastructure	948,363		948,363	923,675
Vehicles	2,268,740		2,268,740	2,312,385
Equipment	704,653	489,601	1,194,254	971,697
Water System		3,161,405	3,161,405	2,908,564
Sewer System		9,104,751	9,104,751	8,877,363
	<u>12,996,387</u>	<u>12,755,757</u>	<u>25,752,144</u>	<u>24,969,276</u>
Accumulated Depreciation	<u>(4,557,626)</u>	<u>(8,003,903)</u>	<u>(12,561,529)</u>	<u>(11,981,123)</u>
Net General Fixed Assets	8,438,761	4,751,854	13,190,615	12,988,153
Restricted Investments	0	2,388,958	2,388,958	3,402,904
	<u>8,438,761</u>	<u>7,140,812</u>	<u>15,579,573</u>	<u>16,391,057</u>
	<u>13,607,255</u>	<u>10,302,001</u>	<u>23,909,256</u>	<u>25,200,395</u>
<i><b>LIABILITIES</b></i>				
<i>Current Liabilities</i>				
Accounts payable and accrued expenses	261,914	992,548	1,254,462	958,576
Accrued payroll and payroll taxes	53,243	7,070	60,313	58,583
Deposits	352,760		352,760	459,416
Current Portion of LT Debt - Bonds Payable	<u>107,900</u>	<u>252,100</u>	<u>360,000</u>	<u>355,000</u>
	775,817	1,251,718	2,027,535	1,831,575
<i>Non-current Liabilities</i>				
Compensated Absences Provision	520,917		520,917	445,060
Bonds Payable - Long term	<u>2,061,503</u>	<u>458,497</u>	<u>2,520,000</u>	<u>2,880,000</u>
	<u>3,358,237</u>	<u>1,710,215</u>	<u>5,068,452</u>	<u>5,156,635</u>
<i><b>NET ASSETS</b></i>				
Investment in Capital Assets, Net of Related Debt	6,269,358	4,041,257	10,310,615	9,753,153
Restricted for:				
Specified Projects	921,500		921,500	1,450,700
Specified use	255,803		255,803	629,172
Unrestricted	<u>2,802,357</u>	<u>4,550,529</u>	<u>7,352,886</u>	<u>8,210,735</u>
	<u>\$ 10,249,018</u>	<u>\$ 8,591,786</u>	<u>\$ 18,840,804</u>	<u>\$ 20,043,760</u>

**TOWNSHIP OF SALISBURY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2011**

2011								
Functions/Programs	Net (Expense) Revenue and							2010 Memorandum Total
	Program Revenues				Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>								
General government	\$ 993,841	\$ 689,307	\$ 105,020	\$	\$ (199,514)	\$	\$ (199,514)	\$ (308,793)
Public safety	2,418,986	160,905	183,014		(2,075,067)		(2,075,067)	(1,773,753)
Public works	3,667,988	1,683,669	363,848	199,400	(1,421,071)		(1,421,071)	(1,008,895)
Recreation	127,865				(127,865)		(127,865)	(106,212)
Other	1,567,867	188,268	397,346	9,000	(973,253)		(973,253)	(1,215,517)
Interest on Long-Term debt	62,477				(62,477)		(62,477)	(38,756)
Unallocated Depreciation	232,149				(232,149)		(232,149)	(259,050)
	9,071,173	2,722,149	1,049,228	208,400	(5,091,396)	0	(5,091,396)	(4,710,976)
<b>Business-Type Activities :</b>								
Enterprise Funds	3,170,780	2,809,717				(361,063)	(361,063)	(183,415)
	<u>\$ 12,241,953</u>	<u>\$ 5,531,866</u>	<u>\$ 1,049,228</u>	<u>\$ 208,400</u>	<u>\$ (5,091,396)</u>	<u>\$ (361,063)</u>	<u>\$ (5,452,459)</u>	<u>\$ (4,894,391)</u>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes, net					1,669,426		1,669,426	1,620,052
Taxes levied for specific purposes					209,876		209,876	186,489
Local Services Tax					426,597		426,597	433,911
Earned Income Taxes					1,917,947		1,917,947	1,823,772
					4,223,846		4,223,846	4,064,224
Interest Income					9,701	15,956	25,657	67,367
Total general revenues, special items, and transfers					4,233,547	15,956	4,249,503	4,131,591
<b>Change in Net Assets</b>					(857,849)	(345,107)	(1,202,956)	(762,800)
Net Assets—beginning					11,106,867	8,936,893	20,043,760	20,806,560
Net Assets—ending					\$ 10,249,018	\$ 8,591,786	\$ 18,840,804	\$ 20,043,760

# TOWNSHIP OF SALISBURY

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

DECEMBER 31, 2011

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***Total Fund Balances - Governmental Funds*** **\$ 4,473,734**

*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* 26,843

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

*General Fixed Assets* 12,996,387  
*Accumulated Depreciation* (4,557,626)

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* (520,917)  
*Bonds Payable* (2,169,403)

***Total Net Assets - Governmental Activities*** **\$ 10,249,018**



# 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, 2011

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*Total net change in fund balances - governmental funds* \$ (925,121)

*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* 3,390

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* (232,149)

*Capital Outlay* 150,276

*Retainage on prior years construction in progress* 109,352

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

(75,857)

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

112,260

*Change in net assets of governmental activities* \$ (857,849)

# 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, 2011**

	<b>Major Fund</b>	<b>Non-Major Funds</b>		2010 Memorandum
	General	Special Revenue	Totals	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,779,002	\$	\$ 3,779,002	\$ 3,658,020
Investments	607,268	270,020	877,288	1,300,250
Taxes receivable, net of allowance	72,243	7,813	80,056	89,267
Accounts receivable	405,305		405,305	311,057
Due from other funds	15,100		15,100	0
Restricted Investments			-	1,025,001
	<u>\$ 4,878,918</u>	<u>\$ 277,833</u>	<u>\$ 5,156,751</u>	<u>\$ 6,383,595</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 254,984	\$ 6,930	\$ 261,914	\$ 474,257
Accrued payroll and payroll taxes	53,243		53,243	51,067
Due to other funds		15,100	15,100	0
Deposits	352,760		352,760	459,416
Deferred Revenue			0	0
	<u>660,987</u>	<u>22,030</u>	<u>683,017</u>	<u>984,740</u>
<b>FUND BALANCE</b>				
Committed	52,267		52,267	0
Assigned	921,500		921,500	1,450,700
Unassigned	<u>3,244,164</u>	<u>255,803</u>	<u>3,499,967</u>	<u>3,948,155</u>
	<u>4,217,931</u>	<u>255,803</u>	<u>4,473,734</u>	<u>5,398,855</u>
	<u>\$ 4,878,918</u>	<u>\$ 277,833</u>	<u>\$ 5,156,751</u>	<u>\$ 6,383,595</u>

**TOWNSHIP OF SALISBURY**  
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Major Fund</u>	<u>Non-Major Funds</u>			2010 Memorandum
	General	Special Revenue	Debt Service	Total	Total
<b>REVENUES</b>					
Taxes	\$ 4,010,580	\$ 209,876	\$	\$ 4,220,456	\$ 4,070,134
Licenses and permits	349,711			349,711	185,670
Fines, forfeits and costs	70,276			70,276	74,620
Interest and rents	61,785	388		62,173	81,696
Charges for services	1,885,888			1,885,888	1,865,512
Miscellaneous revenues	168,802	9,000		177,802	117,081
Intergovernmental revenues	933,446	315,182		1,248,628	766,886
	<u>7,480,488</u>	<u>534,446</u>	<u>0</u>	<u>8,014,934</u>	<u>7,161,599</u>
<b>EXPENDITURES</b>					
Current					
General government	1,147,738			1,147,738	2,742,966
Public safety	2,187,325	196,806		2,384,131	2,138,331
Public works	3,024,648	661,930		3,686,578	3,363,804
Culture and recreation	91,816	82,188		174,004	252,620
Insurance and employee benefits	1,533,251			1,533,251	1,505,039
Miscellaneous	34,616			34,616	58,306
Debt service					
Principal retirement			112,260	112,260	416,482
Interest			62,477	62,477	38,756
Fiscal charges				0	80,941
	<u>8,019,394</u>	<u>940,924</u>	<u>174,737</u>	<u>9,135,055</u>	<u>10,597,245</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</i>	<u>(538,906)</u>	<u>(406,478)</u>	<u>(174,737)</u>	<u>(1,120,121)</u>	<u>(3,435,646)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from issuing debt				0	2,372,145
Operating transfers in	215,547	53,656	174,737	443,940	740,414
Operating transfers out	(228,393)	(20,547)		(248,940)	(545,814)
	<u>(12,846)</u>	<u>33,109</u>	<u>174,737</u>	<u>195,000</u>	<u>2,566,745</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	<u>(551,752)</u>	<u>(373,369)</u>	<u>0</u>	<u>(925,121)</u>	<u>(868,901)</u>
<b>FUND BALANCES, JANUARY 1</b>	<u>4,769,683</u>	<u>629,172</u>	<u>0</u>	<u>5,398,855</u>	<u>6,267,756</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 4,217,931</u>	<u>\$ 255,803</u>	<u>\$ 0</u>	<u>\$ 4,473,734</u>	<u>\$ 5,398,855</u>

**TOWNSHIP OF SALISBURY**  
**COMBINED STATEMENTS OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**AS OF DECEMBER 31, 2011**

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	<b>Enterprise Funds</b>			2010 Memorandum
	Water	Sewer	Total	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 225,719	\$ 445,623	\$ 671,342	\$ 925,499
Investments	746,186	1,114,614	1,860,800	1,861,199
Accounts receivable	270,936	358,111	629,047	640,593
Restricted Investments	1,192,615	1,196,343	2,388,958	2,377,903
Water and sewer systems	3,161,405	9,104,751	12,266,156	11,785,927
Vehicles and computer equipment	213,274	276,327	489,601	337,238
Accumulated depreciation	(1,706,528)	(6,297,375)	(8,003,903)	(7,655,646)
	<u>\$ 4,103,607</u>	<u>\$ 6,198,394</u>	<u>\$ 10,302,001</u>	<u>\$ 10,272,713</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 164,483	\$ 828,065	\$ 992,548	\$ 374,967
Accrued payroll and payroll taxes	3,535	3,535	7,070	7,516
Bonds Payable	<u>353,667</u>	<u>356,930</u>	<u>710,597</u>	<u>953,337</u>
	<u>521,685</u>	<u>1,188,530</u>	<u>1,710,215</u>	<u>1,335,820</u>
<b>NET ASSETS</b>				
Net Assets	<u>3,581,922</u>	<u>5,009,864</u>	<u>8,591,786</u>	<u>8,936,893</u>
	<u>\$ 4,103,607</u>	<u>\$ 6,198,394</u>	<u>\$ 10,302,001</u>	<u>\$ 10,272,713</u>

**TOWNSHIP OF SALISBURY**  
**COMBINED STATEMENTS OF CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

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	Enterprise Funds			2010 Memorandum
	Water	Sewer	Total	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,430,917	\$ 1,378,800	\$ 2,809,717	\$ 2,857,101
<b>OPERATING EXPENSES</b>				
Personnel	191,909	189,932	381,841	362,428
Purchased services	32,088	37,666	69,754	147,071
Supplies and maintenance	37,742	42,936	80,678	53,689
Contractual payments	855,631	958,147	1,813,778	1,635,411
Insurance	4,381	5,434	9,815	27,821
Depreciation	62,113	286,144	348,257	359,070
Administrative expenses	97,500	97,500	195,000	194,600
Employee benefits	120,043	119,892	239,935	224,942
	<u>1,401,407</u>	<u>1,737,651</u>	<u>3,139,058</u>	<u>3,005,032</u>
<i>OPERATING NET INCOME</i>	<u>29,510</u>	<u>(358,851)</u>	<u>(329,341)</u>	<u>(147,931)</u>
<b>NON-OPERATING REVENUES</b>				
<b>(EXPENDITURES)</b>				
Interest revenue	7,163	8,793	15,956	31,818
Interest expense	(10,231)	(21,491)	(31,722)	(35,484)
	<u>(3,068)</u>	<u>(12,698)</u>	<u>(15,766)</u>	<u>(3,666)</u>
<i>CHANGE IN NET ASSETS</i>	<u>26,442</u>	<u>(371,549)</u>	<u>(345,107)</u>	<u>(151,597)</u>
<b>NET ASSETS,</b>				
<b>JANUARY 1</b>	<u>3,555,480</u>	<u>5,381,413</u>	<u>8,936,893</u>	<u>9,088,490</u>
<b>NET ASSETS,</b>				
<b>DECEMBER 31</b>	<u>\$ 3,581,922</u>	<u>\$ 5,009,864</u>	<u>\$ 8,591,786</u>	<u>\$ 8,936,893</u>

**TOWNSHIP OF SALISBURY**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	Enterprise Funds	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from users	\$ 2,821,263	\$ 2,818,947
Cash paid to employees	(622,222)	(585,057)
Cash paid to suppliers and contractors	(1,551,444)	(2,097,895)
<i>Net Cash Provided by Operating Activities</i>	<u>647,597</u>	<u>135,995</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Repayment of debt	(242,740)	129,337
Interest and fiscal charges paid	(31,722)	(35,484)
Purchase of system equipment and improvements	(632,592)	(539,756)
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(907,054)</u>	<u>(445,903)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(10,656)	(345,192)
Interest received	15,956	31,818
<i>Net Cash Used by Investing Activities</i>	<u>5,300</u>	<u>(313,374)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(254,157)	(623,282)
CASH AND CASH EQUIVALENTS, JANUARY 1st	<u>925,499</u>	<u>1,548,781</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31st	<u>\$ 671,342</u>	<u>\$ 925,499</u>
<b>RECONCILIATION OF OPERATING NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income	\$ (329,341)	\$ (147,931)
<i>Adjustment to reconcile net operating income to net cash provided by operating activities:</i>		
Depreciation	348,257	365,203
Increase in accounts receivable	11,546	(38,154)
(Decrease) increase in accounts payable and accrued expenses	<u>617,135</u>	<u>(43,123)</u>
Net Cash Provided by Operating Activities	<u>\$ 647,597</u>	<u>\$ 135,995</u>

**TOWNSHIP OF SALISBURY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2011**

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	Police Pension Trust	
	2011	2010
<b>ASSETS</b>		
Investments - restricted	<u>\$ 3,604,072</u>	<u>\$ 3,494,788</u>
<b>LIABILITIES</b>		
	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET ASSETS</b>		
Reserved for retirement benefits	<u>3,604,072</u>	<u>3,494,788</u>
	<u>\$ 3,604,072</u>	<u>\$ 3,494,788</u>



**TOWNSHIP OF SALISBURY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**YEAR ENDED DECEMBER 31, 2011**

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	Police Pension Trust	
	2011	2010
<b>ADDITIONS</b>		
Contributions	\$ 239,230	\$ 227,393
Interest, dividends, and net unrealized gains/losses	125,760	327,027
	<u>364,990</u>	<u>554,420</u>
<b>DEDUCTIONS</b>		
Administrative expenses	29,153	23,010
Pension benefits	226,553	231,478
	<u>255,706</u>	<u>254,488</u>
<b>CHANGE IN NET ASSETS</b>	109,284	299,932
<b>NET ASSETS, JANUARY 1</b>	<u>3,494,788</u>	<u>3,194,856</u>
<b>NET ASSETS, DECEMBER 31</b>	<u><u>\$ 3,604,072</u></u>	<u><u>\$ 3,494,788</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**



# TOWNSHIP OF SALISBURY

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2011

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### 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, 2011

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### 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, 2011

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### 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, 2011

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### **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, 2011

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### **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 2011 was \$447,849,100. 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, 2011

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### **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 2010, 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, 2011

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### 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, 2011

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### 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, 2011

### NOTE 4 PROPERTY TAXES RECEIVABLE

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	
		<b>Fire Protection Fund</b>	<b>Library Tax Fund</b>
Outstanding real estate taxes	\$ 72,243	\$ 4,635	\$ 3,178

### NOTE 5 CAPITAL ASSETS

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

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31</b>
<b>CAPITAL ASSETS</b>				
Land and Land Improvements	\$ 668,641	\$	\$	\$ 668,641
Building and Building Improvements	8,306,951	99,039		8,405,990
Infrastructure	923,675	24,688		948,363
Vehicles	2,268,740			2,268,740
Equipment	678,104	26,549		704,653
	<u>\$ 12,846,111</u>	<u>\$ 150,276</u>	<u>\$ 0</u>	<u>\$ 12,996,387</u>
<b>ACCUMULATED DEPRECIATION</b>				
Building and Building Improvements	\$ 2,763,979	\$ 127,538	\$	\$ 2,891,517
Vehicles	1,171,410	88,309		1,259,719
Equipment	390,088	16,302		406,390
	<u>\$ 4,325,477</u>	<u>\$ 232,149</u>	<u>\$ 0</u>	<u>\$ 4,557,626</u>

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

	<b>Balance January 1</b>	<b>Additions</b>	<b>Balance December 31</b>
<b>CAPITAL ASSETS</b>			
Water System	\$ 2,908,564	\$ 252,841	\$ 3,161,405
Sewer System	8,877,363	227,388	9,104,751
Computers and Equipment	337,238	152,363	489,601
	<u>\$ 12,123,165</u>	<u>\$ 632,592</u>	<u>\$ 12,755,757</u>
<b>ACCUMULATED DEPRECIATION</b>			
Water System	\$ 1,644,415	\$ 62,113	\$ 1,706,528
Sewer System	6,011,231	286,144	6,297,375
	<u>\$ 7,655,646</u>	<u>\$ 348,257</u>	<u>\$ 8,003,903</u>

# TOWNSHIP OF SALISBURY

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2011

### 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.

	<b>Governmental Fund Types</b>	<b>Proprietary Fund Types (Enterprise Funds)</b>	
	<b>General Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>
Outstanding, December 31,	<u>\$ 2,169,403</u>	<u>\$ 353,667</u>	<u>\$ 356,930</u>

#### Debt Service to Maturity :

	<b>Governmental</b>	<b>Proprietary</b>	<b>Total</b>
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>
<b>Total</b>	2,943,136	854,556	3,799,692
<b>Interest</b>	<u>(773,733)</u>	<u>(143,959)</u>	<u>(917,692)</u>
<b>Principal</b>	<u>\$ 2,169,403</u>	<u>\$ 710,597</u>	<u>\$ 2,880,000</u>

# **TOWNSHIP OF SALISBURY**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

DECEMBER 31, 2011

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### **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, 2011).

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, 2011

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### **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, 2011

### NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Year	Annual Pension Cost (APC)	Employer Contribution Made	State Aid	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 192,833	\$ 192,833	\$ 0	100%	\$ 0
2009	\$ 129,610	\$ 129,610	\$ 0	100%	\$ 0
2007	\$ 97,960	\$ 97,960	\$ 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)
2011	\$3,510,408	\$4,255,533	82%	\$ 745,125	\$1,146,061	65.0%
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)%

### 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 ENCUMBRANCES

The Township has encumbered open purchase orders for certain projects undertaken in 2011 in the amount of \$ 52,267.

# TOWNSHIP OF SALISBURY

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2011

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### **NOTE 8 NEWLY IMPLEMENTED ACCOUNTING STANDARDS (A CHANGE IN ACCOUNTING PRINCIPAL)**

#### **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 the Township 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*). The hierarchy of five possible classifications of fund balance is:

##### **Nonspendable Fund Balance**

- Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned.
- Amounts that must be maintained intact legally or contractually.

##### **Restricted Fund Balance**

- Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

##### **Committed Fund Balance**

- Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources.
- Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

##### **Assigned Fund Balance**

- For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed.
- For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance.

##### **Unassigned Fund Balance**

- For the general fund, amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.



# TOWNSHIP OF SALISBURY

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2011

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### NOTE 8 ASSIGNMENT OF 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:

Pension MMO	\$ 476,600
Debt Service, 2010 G.O. Bonds	171,400
Debt Service, Lease Purchase financing	59,900
DPW Truck purchase	35,000
Flexer Avenue Road Reconstruction	3,600
Admin Building Security upgrade	25,000
ESFD Pumper Truck Purchase	<u>150,000</u>
TOTAL APPROPRIATIONS	<u>\$ 921,500</u>

**DETAIL SCHEDULES OF REVENUE  
AND EXPENDITURES**



**TOWNSHIP OF SALISBURY**  
**GENERAL FUND**  
**DETAIL SCHEDULE OF REVENUES AND EXPENDITURES**  
**YEAR ENDED DECEMBER 31, 2011**

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
<b>REVENUES</b>			
<i>TAXES</i>			
Real Estate Tax	\$ 1,356,000	\$ 1,358,447	\$ 2,447
Realty Transfer	270,000	307,589	37,589
Local Services Tax	420,000	426,597	6,597
Earned Income Tax	1,700,000	1,917,947	217,947
	<u>3,746,000</u>	<u>4,010,580</u>	<u>264,580</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	200,000	269,011	69,011
Permits	75,300	80,700	5,400
	<u>275,300</u>	<u>349,711</u>	<u>74,411</u>
<i>FINES, FORFEITS AND COSTS</i>			
Vehicle Code Violations	42,000	45,917	3,917
Violations of Ordinances	30,000	24,359	(5,641)
	<u>72,000</u>	<u>70,276</u>	<u>(1,724)</u>
<i>INTEREST AND RENTS</i>			
Interest Income	10,000	9,313	(687)
Rents	47,600	52,472	4,872
	<u>57,600</u>	<u>61,785</u>	<u>4,185</u>
<i>SHARED REVENUES</i>			
Federal grants	2,600		(2,600)
State grants	268,400	271,124	2,724
Local grants			0
Recycling grant	30,000	48,666	18,666
Beverage Licenses	1,800	1,800	0
Public Utility Tax	5,800	5,698	(102)
Payments in lieu of tax	25,200	25,798	598
Foreign Casualty Insurance	220,000	397,346	177,346
Foreign Fire Insurance Tax	100,000	183,014	83,014
	<u>653,800</u>	<u>933,446</u>	<u>279,646</u>
<i>CHARGES FOR SERVICES</i>			
Solid Waste Collection Fees	1,703,200	1,681,343	(21,857)
General government	6,000	3,766	(2,234)
Public works	2,200	2,326	126
Subdivision filing	6,000	1,625	(4,375)
Engineering Review	100,000	67,956	(32,044)
Zoning variance	12,000	7,995	(4,005)
Legal Review	18,000	10,782	(7,218)
Public Safety	76,300	90,629	14,329
Other Charges for Service	20,000	19,466	(534)
	<u>1,943,700</u>	<u>1,885,888</u>	<u>(57,812)</u>
<i>MISCELLANEOUS REVENUES</i>			
Refund of prior years expenditure - Insurance	146,000	155,303	9,303
Contributions	0		0
Sale of Fixed Assets	0	13,499	13,499
	<u>146,000</u>	<u>168,802</u>	<u>22,802</u>
<b>TOTAL REVENUES</b>	<b>\$ 6,894,400</b>	<b>\$ 7,480,488</b>	<b>\$ 586,088</b>

**TOWNSHIP OF SALISBURY**  
**GENERAL FUND**  
**DETAIL SCHEDULE OF REVENUES AND EXPENDITURES**  
**YEAR ENDED DECEMBER 31, 2011**

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
<b><i>EXPENDITURES</i></b>			
<i>GENERAL GOVERNMENT</i>			
Legislative	\$ 15,800	\$ 17,936	\$ (2,136)
Executive	269,500	278,266	(8,766)
Finance	157,900	150,662	7,238
Tax Collection	62,200	67,179	(4,979)
Law	85,000	142,393	(57,393)
Other general government	55,200	56,389	(1,189)
Engineering	156,000	132,959	23,041
Building and Plant	325,200	301,954	23,246
	<u>1,126,800</u>	<u>1,147,738</u>	<u>(20,938)</u>
<i>PUBLIC SAFETY</i>			
Police	1,653,200	1,650,287	2,913
Fire	145,500	229,475	(83,975)
Code Enforcement	112,400	112,209	191
Planning and Zoning	197,000	186,660	10,340
Emergency Management	9,500	8,694	806
	<u>2,117,600</u>	<u>2,187,325</u>	<u>(69,725)</u>
<i>PUBLIC WORKS</i>			
Sanitation	1,571,500	1,507,315	64,185
General Services	1,116,000	1,093,918	22,082
Leaf Collection and Composting	8,000	5,277	2,723
Traffic Control	16,000	14,695	1,305
Tools and Machinery	42,500	44,677	(2,177)
Capital Construction and Equipment	54,000	33,637	20,363
Streets and Bridges	140,000	114,095	25,905
Storm Water Management	264,000	242,938	21,062
	<u>3,212,000</u>	<u>3,056,552</u>	<u>155,448</u>
<i>CULTURE AND RECREATION</i>			
	<u>130,300</u>	<u>112,179</u>	<u>18,121</u>
<i>MISCELLANEOUS</i>			
Contributions	29,800	28,640	1,160
Refund of prior years revenue	100	5,681	(5,581)
Other	300	295	5
	<u>30,200</u>	<u>34,616</u>	<u>(4,416)</u>
<i>INSURANCE AND EMPLOYEE BENEFITS</i>			
Insurance	109,000	117,203	(8,203)
Social security	149,400	149,195	205
Unemployment comp	10,000	505	9,495
Pension	439,700	433,646	6,054
Workers Compensation	67,100	55,881	11,219
Employee Benefits	837,900	776,821	61,079
	<u>1,613,100</u>	<u>1,533,251</u>	<u>79,849</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 8,230,000</b>	<b>\$ 8,071,661</b>	<b>\$ 158,339</b>

## COMBINING SCHEDULES



**TOWNSHIP OF SALISBURY**  
**COMBINING BALANCE SHEETS**  
**SPECIAL REVENUE FUNDS**  
**AS OF DECEMBER 31, 2011**

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	Library	Fire	Highway Aid	Total
<b>ASSETS</b>				
Investments	\$ 105,065	\$	\$ 164,955	\$ 270,020
Taxes receivable, net of allowance	3,178	4,635		7,813
Due from other funds				0
	<u>\$ 108,243</u>	<u>\$ 4,635</u>	<u>\$ 164,955</u>	<u>\$ 277,833</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 56	\$ 6,731	\$ 143	\$ 6,930
Due to other funds		15,100		15,100
	<u>\$ 56</u>	<u>\$ 21,831</u>	<u>\$ 143</u>	<u>\$ 22,030</u>
<b>FUND BALANCE</b>				
Unassigned	<u>108,187</u>	<u>(17,196)</u>	<u>164,812</u>	<u>255,803</u>
	<u>108,187</u>	<u>(17,196)</u>	<u>164,812</u>	<u>255,803</u>
	<u>\$ 108,243</u>	<u>\$ 4,635</u>	<u>\$ 164,955</u>	<u>\$ 277,833</u>

**TOWNSHIP OF SALISBURY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	Library	Fire	Highway Aid	Total
<b>REVENUES</b>				
Taxes	\$ 78,434	\$ 131,442		\$ 209,876
Interest and rents	72	10	306	388
Miscellaneous revenues		9,000		9,000
Intergovernmental revenues			315,182	315,182
	<u>78,506</u>	<u>140,452</u>	<u>315,488</u>	<u>534,446</u>
<b>EXPENDITURES</b>				
Public safety		196,806		196,806
Public works			661,930	661,930
Culture and recreation	82,188			82,188
	<u>82,188</u>	<u>196,806</u>	<u>661,930</u>	<u>940,924</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,682)</u>	<u>(56,354)</u>	<u>(346,442)</u>	<u>(406,478)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in		53,656		53,656
Operating transfers out		(20,547)		(20,547)
Total Other Financing Sources (Uses)	<u>0</u>	<u>33,109</u>	<u>0</u>	<u>33,109</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	<u>(3,682)</u>	<u>(23,245)</u>	<u>(346,442)</u>	<u>(373,369)</u>
<b>FUND BALANCES, JANUARY 1</b>	<u>111,869</u>	<u>6,049</u>	<u>511,254</u>	<u>629,172</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 108,187</u>	<u>\$ (17,196)</u>	<u>\$ 164,812</u>	<u>\$ 255,803</u>