

TOWNSHIP OF SALISBURY
LEHIGH COUNTY, PENNSYLVANIA



**FINANCIAL STATEMENTS AND
AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013



TOWNSHIP OF SALISBURY

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TODD J. BUSHTA, CPA

C E R T I F I E D P U B L I C A C C O U N T A N T

INDEPENDENT AUDITORS' REPORT

TOWNSHIP OF SALISBURY, LEHIGH COUNTY

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Salisbury, Lehigh County, Pennsylvania**, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the Township's 2012 financial statements and in our report dated March 31, 2013, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

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

OTHER INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township'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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2014, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control over financial reporting and compliance.

Bushta & Company

BETHLEHEM, PENNSYLVANIA

MARCH 31, 2014



TODD J. BUSHTA, CPA

C E R T I F I E D P U B L I C A C C O U N T A N T

INDEPENDENT AUDITORS' REPORT on INTERNAL CONTROL over FINANCIAL REPORTING and on COMPLIANCE and OTHER MATTERS BASED on an AUDIT of FINANCIAL STATEMENTS PERFORMED in ACCORDANCE with GOVERNMENT AUDITING STANDARDS

TOWNSHIP OF SALISBURY, LEHIGH COUNTY

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Township of Salisbury, Lehigh County, Pennsylvania** as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Township's basic financial statements and have issued our report thereon dated March 31, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Township'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.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bushta & Company

BETHLEHEM, PENNSYLVANIA

MARCH 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



TOWNSHIP OF SALISBURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013

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, 2013. 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 2013 are as follows:

- In total, net position were \$18,249,999.
- General revenues accounted for \$4,972,259 in revenue or 42% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6,976,497 or 58% of total revenues of \$11,948,756.
- Total assets of governmental activities were \$13,885,843 of which \$2,538,079 represents unrestricted cash and investments, though certain tentative management plans do assign \$1,345,250 of those dollars. Fixed assets, net of accumulated depreciation were \$8,570,392.
- The Township had \$12,442,986 in expenses; only \$6,976,497 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$4,972,259 were adequate to provide for these programs. The tax levy was the same as the prior year at 1.421 aggregate mills for the year.
- Expenses, after program revenue was \$5,466,489.

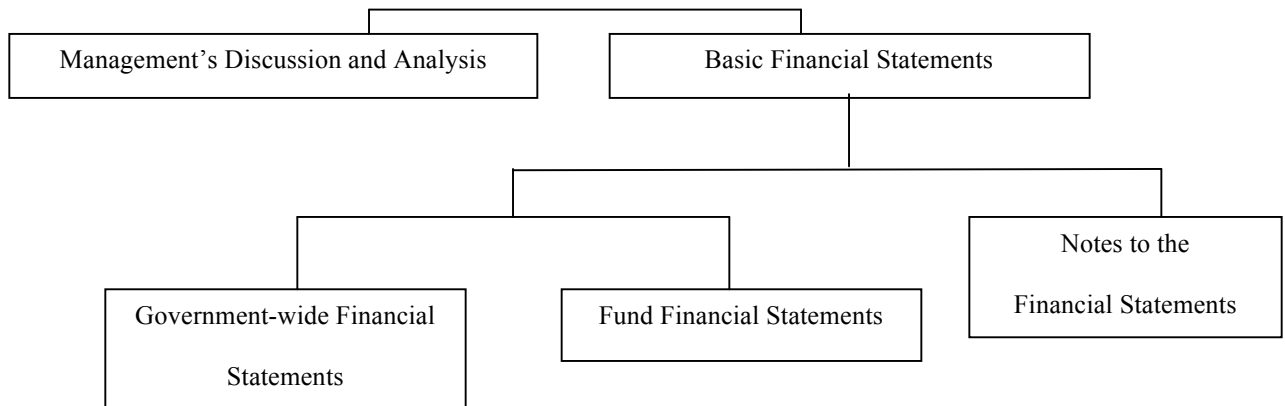
TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2013

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 position 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 position 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 position and the Statement of Activities answer this question.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2013

Statement of Net position 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 position and changes in those assets. This change in net position 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 position 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 position:

	2013	2012	2011	2010	2009
Assets					
Current and Other Assets	\$ 9,716,842	\$ 9,538,007	\$ 10,718,641	\$ 12,212,242	\$ 12,806,345
Capital Assets	<u>12,699,296</u>	<u>13,223,287</u>	<u>13,190,615</u>	<u>12,988,153</u>	<u>10,438,715</u>
	<u>22,416,138</u>	<u>22,761,294</u>	<u>23,909,256</u>	<u>25,200,395</u>	<u>23,245,060</u>
Liabilities					
Current Liabilities	1,522,961	1,185,493	2,027,535	1,831,575	1,204,702
Long-Term Liabilities	<u>2,643,178</u>	<u>2,831,572</u>	<u>3,040,917</u>	<u>3,325,060</u>	<u>1,233,798</u>
	<u>4,166,139</u>	<u>4,017,065</u>	<u>5,068,452</u>	<u>5,156,635</u>	<u>2,438,500</u>
Net position					
Invested in Capital Assets,					
Net of related Debt	10,419,296	10,703,287	10,310,615	9,753,153	9,288,715
Restricted	1,630,235	1,596,582	1,177,303	2,079,872	3,205,990
Unrestricted	<u>6,200,468</u>	<u>6,444,360</u>	<u>7,352,886</u>	<u>8,210,735</u>	<u>8,311,855</u>
	<u>\$ 18,249,999</u>	<u>\$ 18,744,229</u>	<u>\$ 18,840,804</u>	<u>\$ 20,043,760</u>	<u>\$ 20,806,560</u>

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2013

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net position 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.

	2013	2012	2011	2010	2009
<i>Program Revenues</i>					
Charges for Services	\$ 6,029,219	\$ 5,812,965	\$ 5,531,866	\$ 5,324,131	\$ 5,183,789
Operating Grants and Contributions	851,294	831,983	1,248,628	766,886	724,752
Capital Grants and Contributions	95,984	99,815	9,000	16,600	18,600
<i>General Revenues</i>					
Taxes	4,956,983	4,528,276	4,223,846	4,064,224	4,074,585
Investment Earnings	<u>15,276</u>	<u>16,479</u>	<u>25,657</u>	<u>67,367</u>	<u>152,450</u>
<i>Total Revenues</i>	<u>11,948,756</u>	<u>11,289,518</u>	<u>11,038,997</u>	<u>10,239,208</u>	<u>10,154,176</u>
<i>Program Expenses</i>					
General Government	1,005,527	836,252	993,841	919,576	884,263
Public Safety	2,796,135	2,236,735	2,418,986	2,070,415	2,022,896
Public Works	2,954,085	2,597,099	3,667,988	2,992,969	2,752,178
Cultural and Recreation	158,344	177,982	127,865	106,212	131,506
Other	1,575,235	1,615,112	1,567,867	1,563,345	1,405,375
Interest on Long-Term Debt	64,340	62,940	62,477	53,089	57,283
Unallocated Depreciation	249,298	249,298	232,149	259,050	259,050
Public Water	1,563,558	1,597,232	1,411,638	1,450,492	1,267,858
Public Sewer	<u>2,076,464</u>	<u>2,013,443</u>	<u>1,759,142</u>	<u>1,586,860</u>	<u>1,537,379</u>
<i>Total Expenses</i>	<u>12,442,986</u>	<u>11,386,093</u>	<u>12,241,953</u>	<u>11,002,008</u>	<u>10,317,788</u>
<i>Increase in Net position</i>	<u>\$ (494,230)</u>	<u>\$ (96,575)</u>	<u>\$ (1,202,956)</u>	<u>\$ (762,800)</u>	<u>\$ (163,612)</u>

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2013

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.

	2013	2012	2011	2010	2009
General Government	\$ (252,555)	\$ 127,341	\$ (114)	\$ (297,624)	\$ (227,377)
Public Safety	(2,473,662)	(1,962,657)	(2,075,067)	(1,773,753)	(1,815,763)
Public Works	(961,256)	(565,807)	(1,620,471)	(1,008,895)	(799,508)
Cultural and Recreation	(158,344)	(177,982)	(127,865)	(106,212)	(131,506)
Other	(1,012,148)	(1,085,374)	(973,253)	(1,215,517)	(1,041,734)
Interest on Long-Term Debt	(64,340)	(62,940)	(62,477)	(53,089)	(57,283)
Unallocated Depreciation	(249,298)	(249,298)	(232,149)	(259,050)	(259,050)
Public Water	(155,795)	(67,395)	19,279	29,366	139,791
Public Sewer	<u>(124,071)</u>	<u>(597,218)</u>	<u>(380,342)</u>	<u>(209,617)</u>	<u>(117,365)</u>
	<u>\$ (4,641,330)</u>	<u>\$ (4,641,330)</u>	<u>\$ (5,452,459)</u>	<u>\$ (4,894,391)</u>	<u>\$ (4,309,795)</u>

The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 42%. The community, as a whole, is the primary support for the Township of Salisbury. The real estate taxes for the Township are collected from township residents. Assessed tax millage is 1.1515, 0.20861, and 0.06087 for general government, fire protection, and library services, respectively totaling \$13.42. The taxable assessed valuation for 2013 was \$1,326,645,300.

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, 2013

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 position 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, 2013

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 \$8,601,674 and expenditures of \$9,014,666. Other financing sources and uses include transfers between the funds of \$412,600.

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, 2013

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	8,405,990			8,405,990
Infrastructure	1,529,844			1,529,844
Vehicles	2,102,486			2,102,486
Equipment	704,653			704,653
	<u>\$ 13,411,614</u>	<u>0</u>	<u>0</u>	<u>\$ 13,411,614</u>
ACCUMULATED DEPRECIATION				
Building and Building Improvements	\$ 3,019,055	\$ 127,538	\$	\$ 3,146,593
Vehicles	1,365,177	105,458		1,470,635
Equipment	422,692	16,302		438,994
	<u>\$ 4,806,924</u>	<u>\$ 249,298</u>	<u>\$ 0</u>	<u>\$ 4,806,924</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	\$ 3,161,405	\$ 73,564	\$ 3,234,969
Sewer System	9,104,751		9,104,751
Computers and Equipment	489,601		489,601
	<u>\$ 12,755,757</u>	<u>\$ 73,564</u>	<u>\$ 12,829,321</u>
ACCUMULATED DEPRECIATION			
Water System	\$ 1,768,641	\$ 62,113	\$ 1,768,641
Sewer System	6,583,519	286,144	6,583,519
	<u>\$ 8,352,160</u>	<u>\$ 348,257</u>	<u>\$ 8,352,160</u>

Description of the year's Capital Asset Activity:

- Overall capital assets increased \$73,564 for governmental activities.
- Depreciation for the year was \$249,298 and \$348,257 for governmental and business type activities, respectively.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2013

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.

	Governmental Fund Types	Proprietary Fund Types (Enterprise Funds)	
	General Fund	Water Fund	Sewer Fund
Outstanding, December 31,	\$ 1,962,000	\$ 318,000	\$ 0

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2013

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	\$ 512,300
Debt Service, 2010 G.O. Bonds	163,700
Debt Service, Lease Purchase financing	59,250
Admin Building Security Upgrade	30,000
Police Dept. / Emerg. Mgt.Equipment	34,200
Public Works' Dept Equipment	118,000
ESFD Truck Repair and Facilities upgrade	31,000
Maumee Avenue stormwater project	215,000
Parks Improvements	181,800
Total	<u>\$ 1,345,250</u>

CURRENT FINANCIAL ISSUES AND CONCERNS

With the passage of the 2013 Budget which included a tax increase of 10% for the General Fund bringing the total millage to 1.421(GF 1.1515), the Board of Commissioners made some progress in bridging the gap between the Expenses and Revenues, and reduced the overall “structural” deficit to a manageable margin to sustain the hiring of employees in the Public Works Department and past police officers positions that were created under COPS HIRING grant and retained past the three year period. Because of the reassessment conducted by the County of Lehigh which went into effect in 2013, the Board set a new millage based on the revised market value set at \$1,326,645,300 for the Township by the County. Based on this assessment value, the Board was constricted to levy only 10% more of Revenues from prior years and therefore the new millage rate was set at 1.1515 mills and amounted to an additional \$136,400 for the General Fund. Again, in 2014 another increase of the General Fund Real Estate Tax will be required to erase the “structural” deficit that has been eating up the Fund Balance for over the past six (6) years. It is foreseeable that unless other sources of revenue remain constant and we are not faced with another economic downturn that will impact other revenue streams mainly the EIT and Real Estate Transfers tax, future General Fund millage should be adjusted to remain in par with the yearly rate of inflation. Any additional hiring will need to be supported long term and the Real Estate Tax millage will be revised again and be in the forefront to having to balance the budget to sustain additional personnel.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2013

CURRENT FINANCIAL ISSUES AND CONCERNS

Of concern still are rising Pension costs for both the uniformed and non-uniformed pension plans. The Township however is not listed as financially distressed, but the Board should monitor expenses estimated in the respective MMO's. Actuarial assumptions have lagged behind actual market investment performances and the economic downturn that began in 2008 is slowly showing signs of recovery. Investment earnings have shown a moderate comeback and investment portfolios should be revisited to assess the best mix strategy for portfolios that will be in line with the current and future markets index. The Township Pension Committee should play more of an active role by engaging in more frequent meetings with the respective pension investment firms to strategize the best mix of the pension assets.

For the past 6 years the Township used its unreserved fund balance to bridge the gap between Revenues shortfall and Expenses. With sound 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 in the future to sustain the current spending trend. The Township should rethink the way their budgets are prepared, which has utilized basically an incremental approach. Perhaps a new approach to budgeting should be explored such as Zero Base budgeting.

Again we repeat our prior concern with regards to Utility rates for both Water and Sewer and the need to be scrutinized to be certain that they are aligned with existing costs associated with system operations, treatment and transmission to City of Allentown and Bethlehem. The Sewer and Water Fund rates will need to be monitored accordingly. Refuse collection and recycling services should be analyzed to ascertain what other options the Township could develop to better serve its residents. Automated collections systems have shown to derive the best savings for the residents. Because of the geographical mix of the various neighborhoods, a one system approach, may not work for the Township, but perhaps a combination of systems may be viable.

With the Board decision to increase taxes to meet the "structural" deficit, The Township has taken steps to ameliorate its financial position and utilization of prior year reserves to balance shortfalls. The Township continues to be fiscally responsible and has developed a comprehensive budgetary approach in order to maintain the current level of essential services. The Township continues to show strong position if we utilize the financial ratio analysis and common-size financial statements utilizing the Liquidity Ratio (Liquidity is the ability of an organization to pay its current liabilities using its current assets. Information about liquidity of an organization is relevant to its creditors, employees, banks, etc., current ratio, cash and cash conversion cycle are key measures of liquidity). The Current Ratio is calculated as Current Assets/Current Liabilities. In 2011, the current ratio for the Township was 2.74. In 2012, the current ratio increased to 5.0. In 2013, the Township ratio decreased to 3.61. The cash ratio is calculated as Cash plus Cash Equivalent/Current Liabilities. In 2011, the Cash Ratio was 0.83. In 2012, the cash ratio increased to 1.11. In 2013 the cash ratio decreased to 0.60.

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2013

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.org, or the Township Manager Randy Soriano at rsoriano@salisburytownship.org.



**GOVERNMENT WIDE FINANCIAL
STATEMENTS**



TOWNSHIP OF SALISBURY
STATEMENT NET ASSETS
DECEMBER 31, 2013

	2013			2012
	Governmental Activities	Business-Type Activities	Total	Memorandum Total
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 569,421	\$ 345,115	\$ 914,536	\$ 1,324,481
Accounts Receivable	404,983	669,541	1,074,524	1,111,932
Taxes Receivable	202,483		202,483	118,155
Investments	1,968,658	1,333,986	3,302,644	3,459,710
	<u>3,145,545</u>	<u>2,348,642</u>	<u>5,494,187</u>	<u>6,014,278</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	8,405,990
Infrastructure	1,529,844		1,529,844	1,529,844
Vehicles	2,102,486		2,102,486	2,102,486
Equipment	704,653	489,601	1,194,254	1,194,254
Water System		3,234,969	3,234,969	3,161,405
Sewer System		9,104,751	9,104,751	9,104,751
	<u>13,411,614</u>	<u>12,829,321</u>	<u>26,240,935</u>	<u>26,167,371</u>
Accumulated Depreciation	<u>(4,841,222)</u>	<u>(8,700,417)</u>	<u>(13,541,639)</u>	<u>(12,944,084)</u>
Net General Fixed Assets	8,570,392	4,128,904	12,699,296	13,223,287
Restricted Investments	2,169,906	2,052,749	4,222,655	3,523,729
	<u>10,740,298</u>	<u>6,181,653</u>	<u>16,921,951</u>	<u>16,747,016</u>
<i>Deferred outflows of resources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>13,885,843</u>	<u>8,530,295</u>	<u>22,416,138</u>	<u>22,761,294</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable and accrued expenses	162,038	561,154	723,192	471,470
Accrued payroll and payroll taxes	78,632	11,030	89,662	80,568
Deposits	470,610		470,610	393,455
Current Portion of LT Debt - Bonds Payable	99,000	140,497	239,497	240,000
	<u>810,280</u>	<u>712,681</u>	<u>1,522,961</u>	<u>1,185,493</u>
<i>Non-current Liabilities</i>				
Compensated Absences Provision	602,675		602,675	551,572
Bonds Payable - Long term	1,863,000	177,503	2,040,503	2,280,000
	<u>3,275,955</u>	<u>890,184</u>	<u>4,166,139</u>	<u>4,017,065</u>
<i>Deferred inflows of resources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	6,608,392	3,810,904	10,419,296	10,703,287
Restricted for:				
Specified Projects	1,345,250		1,345,250	1,321,400
Specified use	284,985		284,985	275,182
Unrestricted	2,371,261	3,829,207	6,200,468	6,444,360
	<u>\$ 10,609,888</u>	<u>\$ 7,640,111</u>	<u>\$ 18,249,999</u>	<u>\$ 18,744,229</u>

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

TOWNSHIP OF SALISBURY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

2013								
Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			2012 Memorandum Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,005,527	\$ 658,226	\$ 94,746	\$	\$ (252,555)	\$	\$ (252,555)	\$ 127,341
Public safety	2,796,135	164,301	158,212		(2,473,622)		(2,473,622)	(1,962,657)
Public works	2,954,085	1,646,976	345,853		(961,256)		(961,256)	(565,807)
Recreation	158,344				(158,344)		(158,344)	(177,982)
Other	1,575,235	214,620	252,483	95,984	(1,012,148)		(1,012,148)	(1,085,374)
Interest on Long-Term debt	64,340				(64,340)		(64,340)	(62,940)
Unallocated Depreciation	249,298				(249,298)		(249,298)	(249,298)
	8,802,964	2,684,123	851,294	95,984	(5,171,563)	0	(5,171,563)	(3,976,717)
Business-Type Activities :								
Enterprise Funds	3,640,022	3,345,096				(294,926)	(294,926)	(664,613)
	\$ 12,442,986	\$ 6,029,219	\$ 851,294	\$ 95,984	\$ (5,171,563)	\$ (294,926)	\$ (5,466,489)	\$ (4,641,330)
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net					1,902,277		1,902,277	1,718,902
Taxes levied for specific purposes					352,193		352,193	320,896
Local Services Tax					470,279		470,279	440,220
Earned Income Taxes					2,232,234		2,232,234	2,048,258
					4,956,983		4,956,983	4,528,276
Interest Income					11,829	3,447	15,276	16,479
Total general revenues, special items, and transfers					4,968,812	3,447	4,972,259	4,544,755
Change in Net Assets					(202,751)	(291,479)	(494,230)	(96,575)
Net Assets—beginning					10,812,639	7,931,590	18,744,229	18,840,804
Net Assets—ending					\$ 10,609,888	\$ 7,640,111	\$ 18,249,999	\$ 18,744,229

TOWNSHIP OF SALISBURY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2013

Total Fund Balances - Governmental Funds **\$ 4,492,721**

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 111,450

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

General Fixed Assets 13,411,614
Accumulated Depreciation (4,841,222)

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 (602,675)
Bonds Payable (1,962,000)

Total Net Assets - Governmental Activities **\$ 10,609,888**

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, 2013

Total net change in fund balances - governmental funds \$ (392)

*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 (1,461)

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 (249,298)
Capital Outlay

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

(51,103)

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

99,503

Change in net assets of governmental activities

\$ (202,751)

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, 2013

	Major Fund	Non-Major Funds		2012 Memorandum
	General	Special Revenue	Totals	Total
ASSETS				
Cash and cash equivalents	\$ 569,421	\$	\$ 569,421	\$ 1,082,817
Investments	1,659,529	309,129	1,968,658	1,458,013
Taxes receivable, net of allowance	79,909	11,124	91,033	86,211
Accounts receivable	404,983		404,983	443,981
Due from other funds		13,902	13,902	10,161
Restricted Investments	2,169,906		2,169,906	2,073,539
	<u>\$ 4,883,748</u>	<u>\$ 334,155</u>	<u>\$ 5,217,903</u>	<u>\$ 5,154,722</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 112,868	\$ 49,170	\$ 162,038	\$ 106,566
Accrued payroll and payroll taxes	78,632		78,632	70,460
Due to other funds	13,902	-	13,902	10,161
Deposits	470,610		470,610	393,455
Deferred Revenue			0	0
	<u>676,012</u>	<u>49,170</u>	<u>725,182</u>	<u>580,642</u>
FUND BALANCE				
Committed			0	0
Assigned	1,345,250		1,345,250	1,321,400
Unassigned	2,862,486	284,985	3,147,471	3,252,680
	<u>4,207,736</u>	<u>284,985</u>	<u>4,492,721</u>	<u>4,574,080</u>
	<u>\$ 4,883,748</u>	<u>\$ 334,155</u>	<u>\$ 5,217,903</u>	<u>\$ 5,154,722</u>

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2013

	<u>Major Fund</u>	<u>Non-Major Funds</u>			2012
	General	Special Revenue	Debt Service	Total	Memorandum Total
REVENUES					
Taxes	\$ 4,606,251	\$ 352,193	\$	\$ 4,958,444	\$ 4,523,175
Licenses and permits	497,481			497,481	341,143
Fines, forfeits and costs	74,132			74,132	71,232
Interest and rents	65,861	147		66,008	66,163
Charges for services	1,845,596			1,845,596	1,836,920
Miscellaneous revenues	308,719	41,550		350,269	264,690
Intergovernmental revenues	495,273	314,471		809,744	831,983
	<u>7,893,313</u>	<u>708,361</u>	<u>0</u>	<u>8,601,674</u>	<u>7,935,306</u>
EXPENDITURES					
Current					
General government	1,005,027			1,005,027	836,537
Public safety	2,325,558	462,108		2,787,666	2,213,483
Public works	3,043,746	280,305		3,324,051	3,219,138
Culture and recreation	117,372	40,972		158,344	177,982
Insurance and employee benefits	1,573,087			1,573,087	1,556,689
Miscellaneous	2,148			2,148	58,423
Debt service					
Principal retirement			99,503	99,503	107,900
Interest			64,340	64,340	62,940
Fiscal charges			500	500	500
	<u>8,066,938</u>	<u>783,385</u>	<u>164,343</u>	<u>9,014,666</u>	<u>8,233,592</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</i>	<u>(173,625)</u>	<u>(75,024)</u>	<u>(164,343)</u>	<u>(412,992)</u>	<u>(298,286)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuing debt				0	0
Operating transfers in	445,150	117,377	164,343	726,870	608,872
Operating transfers out	(281,720)	(32,550)		(314,270)	(210,240)
	<u>163,430</u>	<u>84,827</u>	<u>164,343</u>	<u>412,600</u>	<u>398,632</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	<u>(10,195)</u>	<u>9,803</u>	<u>0</u>	<u>(392)</u>	<u>100,346</u>
FUND BALANCES, JANUARY 1	<u>4,217,931</u>	<u>275,182</u>	<u>0</u>	<u>4,493,113</u>	<u>4,473,734</u>
FUND BALANCES, DECEMBER 31	<u>\$ 4,207,736</u>	<u>\$ 284,985</u>	<u>\$ 0</u>	<u>\$ 4,492,721</u>	<u>\$ 4,574,080</u>

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

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2013

	Enterprise Funds			2012 Memorandum
	Water	Sewer	Total	Total
ASSETS				
Cash and cash equivalents	\$ 341,993	\$ 3,122	\$ 345,115	\$ 241,664
Investments	900,566	433,420	1,333,986	2,001,697
Accounts receivable	296,273	373,268	669,541	667,951
Restricted Investments	835,193	1,217,556	2,052,749	1,450,190
Water and sewer systems	3,234,969	9,104,751	12,339,720	12,266,156
Vehicles and computer equipment	213,274	276,327	489,601	489,601
Accumulated depreciation	(1,830,754)	(6,869,663)	(8,700,417)	(8,352,160)
	<u>\$ 3,991,514</u>	<u>\$ 4,538,781</u>	<u>\$ 8,530,295</u>	<u>\$ 8,765,099</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 315,321	\$ 245,833	\$ 561,154	\$ 364,904
Accrued payroll and payroll taxes	5,515	5,515	11,030	10,108
Bonds Payable	318,000	0	318,000	458,497
	<u>638,836</u>	<u>251,348</u>	<u>890,184</u>	<u>833,509</u>
NET ASSETS				
Net Assets	<u>3,352,678</u>	<u>4,287,433</u>	<u>7,640,111</u>	<u>\$ 7,931,590</u>
	<u>\$ 3,991,514</u>	<u>\$ 4,538,781</u>	<u>\$ 8,530,295</u>	<u>\$ 8,765,099</u>

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

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Enterprise Funds			2012 Memorandum
	Water	Sewer	Total	Total
OPERATING REVENUES				
Charges for services	\$ 1,397,259	\$ 1,947,837	\$ 3,345,096	\$ 2,946,062
OPERATING EXPENSES				
Personnel	202,964	200,856	403,820	376,425
Purchased services	32,178	53,791	85,969	75,683
Supplies and maintenance	55,031	63,519	118,550	112,062
Contractual payments	1,057,889	1,329,424	2,387,313	2,408,297
Insurance	10,805	10,805	21,610	21,760
Depreciation	62,113	286,144	348,257	348,257
Administrative expenses	17,008	12,465	29,473	18,584
Employee benefits	115,066	114,904	229,970	225,622
	<u>1,553,054</u>	<u>2,071,908</u>	<u>3,624,962</u>	<u>3,586,690</u>
<i>OPERATING NET INCOME</i>	<u>(155,795)</u>	<u>(124,071)</u>	<u>(279,866)</u>	<u>(640,628)</u>
NON-OPERATING REVENUES				
(EXPENDITURES)				
Interest revenue	1,789	1,658	3,447	4,417
Interest expense	(10,504)	(4,556)	(15,060)	(23,985)
	<u>(8,715)</u>	<u>(2,898)</u>	<u>(11,613)</u>	<u>(19,568)</u>
<i>CHANGE IN NET ASSETS</i>	<u>(164,510)</u>	<u>(126,969)</u>	<u>(291,479)</u>	<u>(660,196)</u>
NET ASSETS,				
JANUARY 1	<u>3,517,188</u>	<u>4,414,402</u>	<u>7,931,590</u>	<u>8,591,786</u>
NET ASSETS,				
DECEMBER 31	<u>\$ 3,352,678</u>	<u>\$ 4,287,433</u>	<u>\$ 7,640,111</u>	<u>\$ 7,931,590</u>

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

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Enterprise Funds	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from users	\$ 3,343,506	\$ 2,907,158
Cash paid to employees	(997,772)	(599,009)
Cash paid to suppliers and contractors	(2,081,761)	(3,264,030)
<i>Net Cash Provided by Operating Activities</i>	<u>263,973</u>	<u>(955,881)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of debt	(140,497)	(252,100)
Interest and fiscal charges paid	(15,060)	(23,985)
Purchase of system equipment and improvements	(73,564)	0
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(229,121)</u>	<u>(276,085)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	65,152	797,871
Interest received	3,447	4,417
<i>Net Cash Used by Investing Activities</i>	<u>68,599</u>	<u>802,288</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	103,451	(429,678)
CASH AND CASH EQUIVALENTS, JANUARY 1st	<u>241,664</u>	<u>671,342</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31st	<u><u>\$ 345,115</u></u>	<u><u>\$ 241,664</u></u>
RECONCILIATION OF OPERATING NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ (279,866)	\$ (640,628)
<i>Adjustment to reconcile net operating income to net cash provided by operating activities:</i>		
Depreciation	348,257	348,257
Increase in accounts receivable	(1,590)	(38,904)
(Decrease) increase in accounts payable and accrued expenses	196,250	(624,606)
Net Cash Provided by Operating Activities	<u><u>\$ 263,973</u></u>	<u><u>\$ (955,881)</u></u>

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

TOWNSHIP OF SALISBURY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2013

	Police Pension Trust	
	2013	2012
ASSETS		
Investments - restricted	<u>\$ 4,067,089</u>	<u>\$ 3,864,908</u>
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>
NET ASSETS		
Reserved for retirement benefits	<u>4,067,089</u>	<u>3,864,908</u>
	<u>\$ 4,067,089</u>	<u>\$ 3,864,908</u>

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

TOWNSHIP OF SALISBURY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2013

	Police Pension Trust	
	2013	2012
ADDITIONS		
Contributions	\$ 288,043	\$ 277,487
Interest, dividends, and net unrealized gains/losses	211,875	244,507
	<u>499,918</u>	<u>521,994</u>
DEDUCTIONS		
Administrative expenses	24,690	25,071
Pension benefits	<u>273,047</u>	<u>265,529</u>
	<u>297,737</u>	<u>290,600</u>
CHANGE IN NET ASSETS	202,181	231,394
NET ASSETS, JANUARY 1	<u>3,864,908</u>	<u>3,633,514</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 4,067,089</u></u>	<u><u>\$ 3,864,908</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS



TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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

The real estate taxes are collected from township residents. Assessed tax millage is 1.1515, 0.20861, and 0.06087 for general government, fire protection, and library services, respectively totaling \$13.42. The taxable assessed valuation for 2013 was \$1,326,645,300. 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, 2013

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 2012 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, 2013

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, 2013

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, 2013

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	\$ 79,909	\$ 7,634	\$ 3,490

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	8,405,990			8,405,990
Infrastructure	1,529,844			1,529,844
Vehicles	2,102,486			2,102,486
Equipment	704,653			704,653
	<u>\$ 13,411,614</u>	<u>0</u>	<u>0</u>	<u>\$ 13,411,614</u>
ACCUMULATED DEPRECIATION				
Building and Building Improvements	\$ 3,019,055	\$ 127,538	\$	\$ 3,146,593
Vehicles	1,365,177	105,458		1,470,635
Equipment	422,692	16,302		438,994
	<u>\$ 4,806,924</u>	<u>\$ 249,298</u>	<u>\$ 0</u>	<u>\$ 4,806,924</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	\$ 3,161,405	\$ 73,564	\$ 3,234,969
Sewer System	9,104,751		9,104,751
Computers and Equipment	489,601		489,601
	<u>\$ 12,755,757</u>	<u>\$ 73,564</u>	<u>\$ 12,829,321</u>
ACCUMULATED DEPRECIATION			
Water System	\$ 1,768,641	\$ 62,113	\$ 1,768,641
Sewer System	6,583,519	286,144	6,583,519
	<u>\$ 8,352,160</u>	<u>\$ 348,257</u>	<u>\$ 8,352,160</u>

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2013

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,	<u>\$ 1,962,000</u>	<u>\$ 318,000</u>	<u>\$ 0</u>

Debt Service to Maturity :

	Governmental	Proprietary	Total
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	2,608,455	423,241	3,031,696
Interest	<u>(646,455)</u>	<u>(105,241)</u>	<u>(751,696)</u>
Principal	<u>\$ 1,962,000</u>	<u>\$ 318,000</u>	<u>\$ 2,280,000</u>

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2013

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, 2013).

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.

UNIFORMED POLICE PENSION PLAN

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, 2013

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, 2013

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Salisbury Township Police Pension Plan Required Supplementary Information (Unaudited)

Schedule of Funding Progress

The historical trend information about the plan is presented herewith as required supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting. The historical information required to be disclosed is as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL As a % of Payroll [(2) - (1)] / 5
01/01/1999	\$3,265,711	\$1,991,073	\$(1,274,636)	164.02%	\$479,874	-265.6%
01/01/2001	3,514,713	2,417,521	(1,097,192)	145.39%	534,420	-205.3%
01/01/2003	3,578,134	3,077,006	(501,128)	116.29%	612,423	-81.8%
01/01/2005	3,417,049	3,177,547	(239,502)	107.54%	633,787	-37.8%
01/01/2007	3,598,584	3,558,919	(39,665)	101.11%	766,383	-5.2%
01/01/2009	3,424,996	3,961,520	536,524	86.46%	995,467	53.9%
01/01/2011	3,510,408	4,255,533	745,125	82.5%	1,146,061	65.0%

Schedule of Contributions from the Employer

Plan Year End	Annual Required Contribution	Actual Contribution	Percentage Contributed
12/31/2005	\$ 56,491	\$ 56,491	100%
12/31/2006	88,418	88,418	100%
12/31/2007	97,960	97,960	100%
12/31/2008	108,413	108,413	100%
12/31/2009	129,610	129,610	100%
12/31/2010	219,168	219,168	100%
12/31/2011	222,285	222,285	100%
12/31/2012	258,273	258,273	100%

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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, 2011
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%

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 7 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, 2013

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	\$ 512,300
Debt Service, 2010 G.O. Bonds	163,700
Debt Service, Lease Purchase financing	59,250
Admin Building Security Upgrade	30,000
Police Dept. / Emerg. Mgt. Equipment	34,200
Public Works' Dept Equipment	118,000
ESFD Truck Repair and Facilities upgrade	31,000
Maumee Avenue stormwater project	215,000
Parks Improvements	181,800
Total	<u>\$ 1,345,250</u>

**DETAIL SCHEDULES OF REVENUE
AND EXPENDITURES**



TOWNSHIP OF SALISBURY
GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2013

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
REVENUES			
<i>TAXES</i>			
Real Estate Tax	\$ 1,510,000	\$ 1,508,866	\$ (1,134)
Realty Transfer	320,000	394,872	74,872
Local Services Tax	440,000	470,279	30,279
Earned Income Tax	1,900,000	2,232,234	332,234
	<u>4,170,000</u>	<u>4,606,251</u>	<u>436,251</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	205,000	211,304	6,304
Permits	74,700	286,177	211,477
	<u>279,700</u>	<u>497,481</u>	<u>217,781</u>
<i>FINES, FORFEITS AND COSTS</i>			
Vehicle Code Violations	42,000	54,556	12,556
Violations of Ordinances	25,000	19,576	(5,424)
	<u>67,000</u>	<u>74,132</u>	<u>7,132</u>
<i>INTEREST AND RENTS</i>			
Interest Income	10,000	11,682	1,682
Rents	54,400	54,179	(221)
	<u>64,400</u>	<u>65,861</u>	<u>1,461</u>
<i>SHARED REVENUES</i>			
Federal grants			0
State grants	64,000	57,762	(6,238)
Local grants			0
Recycling grant		31,382	31,382
Beverage Licenses	1,800	3,000	1,200
Public Utility Tax	5,800	5,749	(51)
Payments in lieu of tax	28,200	28,235	35
Foreign Casualty Insurance	227,500	252,483	24,983
Foreign Fire Insurance Tax	100,000	116,662	16,662
	<u>427,300</u>	<u>495,273</u>	<u>67,973</u>
<i>CHARGES FOR SERVICES</i>			
Solid Waste Collection Fees	1,643,600	1,646,976	3,376
General government	2,000	37,501	35,501
Public works	2,700		(2,700)
Subdivision filing			0
Engineering Review	70,000	45,893	(24,107)
Zoning variance	12,000	13,689	1,689
Legal Review	12,000	9,483	(2,517)
Public Safety	74,700	90,169	15,469
Other Charges for Service	20,500	1,885	(18,615)
	<u>1,837,500</u>	<u>1,845,596</u>	<u>8,096</u>
<i>MISCELLANEOUS REVENUES</i>			
Refund of prior years expenditure - Insurance	100,000	209,638	109,638
Contributions	89,800	95,984	6,184
Sale of Fixed Assets		3,097	3,097
	<u>100,000</u>	<u>308,719</u>	<u>118,919</u>
TOTAL REVENUES	\$ 6,945,900	\$ 7,893,313	\$ 857,613

TOWNSHIP OF SALISBURY
GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2013

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
<i>EXPENDITURES</i>			
<i>GENERAL GOVERNMENT</i>			
Legislative	\$ 18,700	\$ 17,517	\$ 1,183
Executive	280,101	281,548	(1,447)
Finance	158,401	159,170	(769)
Tax Collection	58,001	62,588	(4,587)
Law	77,000	72,491	4,509
Other general government	55,200	47,634	7,566
Engineering	121,000	91,080	29,920
Building and Plant	228,900	272,999	(44,099)
	<u>997,303</u>	<u>1,005,027</u>	<u>(7,724)</u>
<i>PUBLIC SAFETY</i>			
Police	1,702,401	1,831,409	(129,008)
Fire	100,000	116,662	(16,662)
Code Enforcement	115,701	222,157	(106,456)
Planning and Zoning	142,201	137,971	4,230
Emergency Management	20,300	17,359	2,941
	<u>2,080,603</u>	<u>2,325,558</u>	<u>(244,955)</u>
<i>PUBLIC WORKS</i>			
Sanitation	1,570,200	1,572,668	(2,468)
General Services	950,901	919,789	31,112
Leaf Collection and Composting	15,000	6,428	8,572
Traffic Control	24,000	15,980	8,020
Tools and Machinery	42,500	88,373	(45,873)
Capital Construction and Equipment	124,800	85,923	38,877
Streets and Bridges	324,000	307,812	16,188
Storm Water Management	163,000	46,773	116,227
	<u>3,214,401</u>	<u>3,043,746</u>	<u>170,655</u>
<i>CULTURE AND RECREATION</i>			
	<u>212,500</u>	<u>117,372</u>	<u>95,128</u>
<i>MISCELLANEOUS</i>			
Contributions			0
Refund of prior years revenue		1,632	(1,632)
Other	2,400	516	1,884
	<u>2,400</u>	<u>2,148</u>	<u>252</u>
<i>INSURANCE AND EMPLOYEE BENEFITS</i>			
Insurance	120,400	126,218	(5,818)
Social security	140,000	146,745	(6,745)
Unemployment comp	1,000	6	994
Pension	476,700	476,691	9
Workers Compensation	76,800	55,661	21,139
Employee Benefits	823,000	767,766	55,234
	<u>1,637,900</u>	<u>1,573,087</u>	<u>64,813</u>
TOTAL EXPENDITURES	\$ 8,145,107	\$ 8,066,938	\$ 78,169

COMBINING SCHEDULES



TOWNSHIP OF SALISBURY
COMBINING BALANCE SHEETS
SPECIAL REVENUE FUNDS
AS OF DECEMBER 31, 2013

	Library	Fire	Highway Aid	Total
ASSETS				
Investments	\$ 141,547	\$ 21,830	\$ 145,752	\$ 309,129
Taxes receivable, net of allowance	3,490	7,634		11,124
Due from other funds		13,902		13,902
	<u>\$ 145,037</u>	<u>\$ 43,366</u>	<u>\$ 145,752</u>	<u>\$ 334,155</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 25	\$ 13,032	\$ 36,113	\$ 49,170
Due to other funds				-
	<u>\$ 25</u>	<u>\$ 13,032</u>	<u>\$ 36,113</u>	<u>\$ 49,170</u>
FUND BALANCE				
Unassigned	<u>145,012</u>	<u>30,334</u>	<u>109,639</u>	<u>284,985</u>
	<u>145,012</u>	<u>30,334</u>	<u>109,639</u>	<u>284,985</u>
	<u>\$ 145,037</u>	<u>\$ 43,366</u>	<u>\$ 145,752</u>	<u>\$ 334,155</u>

TOWNSHIP OF SALISBURY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2013

	Library	Fire	Highway Aid	Total
REVENUES				
Taxes	\$ 79,886	\$ 272,307	\$	\$ 352,193
Interest and rents	39	48	60	147
Miscellaneous revenues		41,550		41,550
Intergovernmental revenues			314,471	314,471
	<u>79,925</u>	<u>313,905</u>	<u>314,531</u>	<u>708,361</u>
EXPENDITURES				
Public safety		462,108		462,108
Public works			280,305	280,305
Culture and recreation	40,972			40,972
	<u>40,972</u>	<u>462,108</u>	<u>280,305</u>	<u>783,385</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>38,953</u>	<u>(148,203)</u>	<u>34,226</u>	<u>(75,024)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in		117,377		117,377
Operating transfers out		(32,550)		(32,550)
Total Other Financing Sources (Uses)	<u>0</u>	<u>84,827</u>	<u>0</u>	<u>84,827</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	38,953	(63,376)	34,226	9,803
FUND BALANCES, JANUARY 1	<u>106,059</u>	<u>93,710</u>	<u>75,413</u>	<u>275,182</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 145,012</u></u>	<u><u>\$ 30,334</u></u>	<u><u>\$ 109,639</u></u>	<u><u>\$ 284,985</u></u>