

**TOWNSHIP OF SALISBURY**  
LEHIGH COUNTY, PENNSYLVANIA



**FINANCIAL STATEMENTS AND  
AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED  
**DECEMBER 31, 2014**





# **TOWNSHIP OF SALISBURY**

## **CONTENTS**

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### **AUDITORS' REPORTS**

<b>INDEPENDENT AUDITORS' REPORT</b>	1-3
-------------------------------------	-----

<b>REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	4-5
---	-----

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	6-15
---	------

### **GOVERNMENT WIDE FINANCIAL STATEMENTS**

Statement of Net Position	16
Statement of Activities	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Reconciliation of the Statement of Revenue, Expenditure and Changes in Fund Balance to the Statement of Activities	19

### **FUND FINANCIAL STATEMENTS**

Combined Balance Sheets - All Governmental Fund Types	22
Combined Statements of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	21
Combined Statement of Net Assets - All Proprietary Fund Types	22
Combined Statement of Changes in Net Assets - All Proprietary Fund Types	23
Combined Statements of Cash Flows - All Proprietary Fund Types	24
Statement of Net Assets – All Fiduciary Fund Types	25
Statements Changes in Net Assets – All Fiduciary Fund Types	26

<b>NOTES TO FINANCIAL STATEMENTS</b>	27-41
--------------------------------------	-------

<b>BUDGETARY STATEMENTS</b>	42-43
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<b>COMBINING STATEMENTS</b>	44-45
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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, 2014, 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 2013 financial statements and in our report dated March 31, 2014, 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, 2014, 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, 2015, 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, 2015**



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, 2014, 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, 2015.

**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, 2015**



## MANAGEMENT'S DISCUSSION AND ANALYSIS



# TOWNSHIP OF SALISBURY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2014

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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, 2014. 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 2014 are as follows:*

- In total, net position was \$18,021,688.
- General revenues accounted for \$5,612,639 in revenue or 4% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6,437,349 or 53% of total revenues of \$12,049,988.
- Total assets of governmental activities were \$14,579,831 of which \$3,233,687 represents unrestricted cash and investments, though certain tentative management plans do assign \$1,177,300 of those dollars. Fixed assets, net of accumulated depreciation were \$12,554,488.
- The Township had \$12,278,299 in expenses; only \$6,437,349 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$5,601,666 were adequate to provide for these programs. The tax levy was the same as the prior year at 1.61103 aggregate mills for the year.
- Expenses, after program revenue was \$5,840,950.

# TOWNSHIP OF SALISBURY

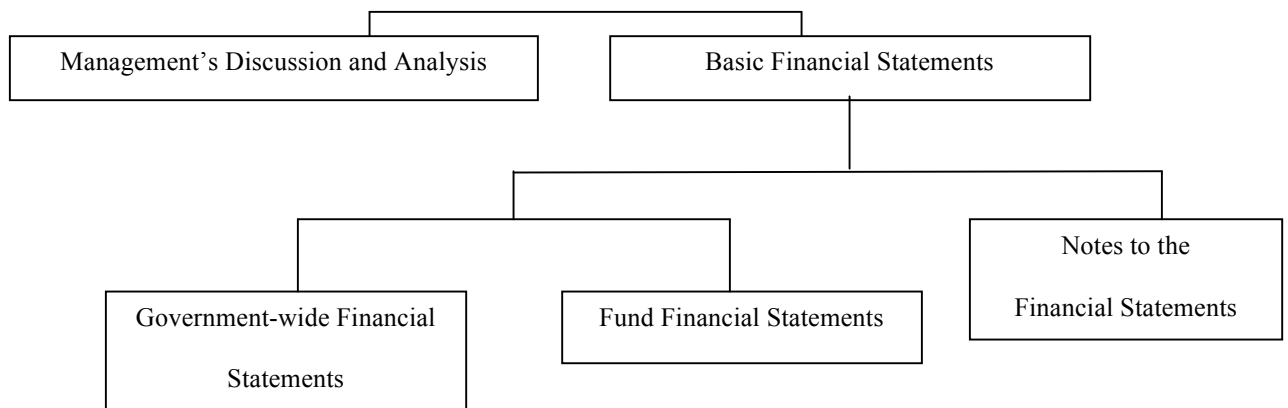
## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2014

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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 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, 2014

### *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:***

	2014	2013	2012	2011	2010
<b>Assets</b>					
Current and Other Assets	\$ 5,868,928	\$ 9,716,842	\$ 9,538,007	\$ 10,718,641	\$ 12,212,242
Capital Assets	<u>12,554,488</u>	<u>12,699,296</u>	<u>13,223,287</u>	<u>13,190,615</u>	<u>12,988,153</u>
	<u>21,943,490</u>	<u>22,416,138</u>	<u>22,761,294</u>	<u>23,909,256</u>	<u>25,200,395</u>
<b>Liabilities</b>					
Current Liabilities	1,360,010	1,522,961	1,185,493	2,027,535	1,831,575
Long-Term Liabilities	<u>2,561,792</u>	<u>2,643,178</u>	<u>2,831,572</u>	<u>3,040,917</u>	<u>3,325,060</u>
	<u>3,921,802</u>	<u>4,166,139</u>	<u>4,017,065</u>	<u>5,068,452</u>	<u>5,156,635</u>
<b>Net position</b>					
Invested in Capital Assets,					
Net of related Debt	10,389,488	10,419,296	10,703,287	10,310,615	9,753,153
Restricted	1,535,983	1,630,235	1,596,582	1,177,303	2,079,872
Unrestricted	<u>6,096,217</u>	<u>6,200,468</u>	<u>6,444,360</u>	<u>7,352,886</u>	<u>8,210,735</u>
	<u>\$ 18,021,688</u>	<u>\$ 18,249,999</u>	<u>\$ 18,744,229</u>	<u>\$ 18,840,804</u>	<u>\$ 20,043,760</u>

# TOWNSHIP OF SALISBURY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2014

### 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.*

	2014	2013	2012	2011	2010
<b><i>Program Revenues</i></b>					
Charges for Services	\$ 5,338,038	\$ 6,029,219	\$ 5,812,965	\$ 5,531,866	\$ 5,324,131
Operating Grants and Contributions	1,008,711	851,294	831,983	1,248,628	766,886
Capital Grants and Contributions	90,600	95,984	99,815	9,000	16,600
<b><i>General Revenues</i></b>					
Taxes	5,601,666	4,956,983	4,528,276	4,223,846	4,064,224
Investment Earnings	<u>10,973</u>	<u>15,276</u>	<u>16,479</u>	<u>25,657</u>	<u>67,367</u>
<i>Total Revenues</i>	<u>12,049,988</u>	<u>11,948,756</u>	<u>11,289,518</u>	<u>11,038,997</u>	<u>10,239,208</u>
<b><i>Program Expenses</i></b>					
General Government	924,575	1,005,527	836,252	993,841	919,576
Public Safety	2,473,465	2,796,135	2,236,735	2,418,986	2,070,415
Public Works	2,990,188	2,954,085	2,597,099	3,667,988	2,992,969
Cultural and Recreation	194,873	158,344	177,982	127,865	106,212
Other	1,691,050	1,575,235	1,615,112	1,567,867	1,563,345
Interest on Long-Term Debt	64,694	64,340	62,940	62,477	53,089
Unallocated Depreciation	249,298	249,298	249,298	232,149	259,050
Public Water	1,497,294	1,563,558	1,597,232	1,411,638	1,450,492
Public Sewer	<u>2,192,862</u>	<u>2,076,464</u>	<u>2,013,443</u>	<u>1,759,142</u>	<u>1,586,860</u>
<i>Total Expenses</i>	<u>12,278,299</u>	<u>12,442,986</u>	<u>11,386,093</u>	<u>12,241,953</u>	<u>11,002,008</u>
<i>Increase in Net position</i>	<u>\$ (228,311)</u>	<u>\$ (494,230)</u>	<u>\$ (96,575)</u>	<u>\$ (1,202,956)</u>	<u>\$ (762,800)</u>

# TOWNSHIP OF SALISBURY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2014

***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.***

	2014	2013	2012	2011	2010
General Government	\$ (327,148)	\$ (252,555)	\$ 127,341	\$ (114)	\$ (297,624)
Public Safety	(1,973,146)	(2,473,662)	(1,962,657)	(2,075,067)	(1,773,753)
Public Works	(980,093)	(961,256)	(565,807)	(1,620,471)	(1,008,895)
Cultural and Recreation	(194,873)	(158,344)	(177,982)	(127,865)	(106,212)
Other	(1,167,400)	(1,012,148)	(1,085,374)	(973,253)	(1,215,517)
Interest on Long-Term Debt	(64,694)	(64,340)	(62,940)	(62,477)	(53,089)
Unallocated Depreciation	(249,298)	(249,298)	(249,298)	(232,149)	(259,050)
Public Water	(175,561)	(155,795)	(67,395)	19,279	29,366
Public Sewer	<u>(698,293)</u>	<u>(124,071)</u>	<u>(597,218)</u>	<u>(380,342)</u>	<u>(209,617)</u>
	<u>\$ (5,840,950)</u>	<u>\$ (4,641,330)</u>	<u>\$ (4,641,330)</u>	<u>\$ (5,452,459)</u>	<u>\$ (4,894,391)</u>

The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 47%. 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 1.34155, 0.20861, and 0.06087 for general government, fire protection, and library services, respectively totaling \$1.61103.

### ***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, 2014

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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 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, 2014

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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 \$9,198,365 and expenditures of \$9,310,147. Other financing sources and uses include transfers between the funds of \$360,000.

### **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, 2014

### 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	8,405,990			8,405,990
Infrastructure	1,529,844			1,529,844
Vehicles	2,102,486	195,425		2,297,911
Equipment	704,653	194,384		899,037
	<u>\$ 13,411,614</u>	<u>389,809</u>	<u>0</u>	<u>\$ 13,801,423</u>
<b>ACCUMULATED DEPRECIATION</b>				
Building and Building Improvements	\$ 3,146,593	\$ 127,538	\$	\$ 3,274,131
Vehicles	1,470,635	105,458		1,576,093
Equipment	223,994	16,302		240,296
	<u>\$ 4,841,222</u>	<u>\$ 249,298</u>	<u>\$ 0</u>	<u>\$ 5,090,520</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	\$ 3,234,969	\$	\$ 3,234,969
Sewer System	9,104,751		9,104,751
Computers and Equipment	489,601	62,938	552,539
	<u>\$ 12,829,321</u>	<u>\$ 62,938</u>	<u>\$ 12,892,259</u>
<b>ACCUMULATED DEPRECIATION</b>			
Water System	\$ 1,830,754	\$ 62,113	\$ 1,892,867
Sewer System	6,869,663	286,144	7,155,807
	<u>\$ 8,700,417</u>	<u>\$ 348,257</u>	<u>\$ 9,048,674</u>

#### *Description of the year's Capital Asset Activity:*

- Overall capital assets increased \$389,809 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, 2014

### DEBT SERVICE

*These Bonds have been issued:*

#### 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,	\$ 1,863,000	\$ 302,000	\$ 0

#### 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 assigned fund balances are as follows:

2015 Assignments:	
Pension MMO	\$ 622,200
Debt Service, 2010 G.O. Bonds	166,100
Debt Service, Lease Purchase financing	12,100
Debt Services, Volunteer Fire Companies	38,600
Police Dept/Emergency Mgmt Equipment	34,900
QRS Equipment & Supplies	15,700
Public Works' Equipment	63,000
Lindberg Park Improvements	202,400
ESFD Truck Repair & Facilities Upgrade	22,300
	<u>\$1,177,300</u>

# **TOWNSHIP OF SALISBURY**

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

DECEMBER 31, 2014

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

The Township of Salisbury continues to be financially sound. The Township of Salisbury Board of Commissioners and appointed staff have committed themselves to being fiscally responsible over the years and to appropriately addressing the Township's ongoing, growing needs. Despite the Township experiencing a leveling off of revenues from all primary sources (real estate tax, earned income tax and permit fees) over the last several years, we have been able to continue to provide a high-level of service to the residents, businesses and visitors of our community. In order to sustain this level of service, however, the potential exists for the occasional increase to the Township's real estate tax millage and/or utility service fees as deemed necessary and fiscally responsible.

In conclusion, the Township of Salisbury has committed itself to being fiscally responsible while appropriately addressing Township needs. It's system of financial planning, budgeting and internal financial controls are well managed, as official audits have demonstrated. The Township plans to continue its sound financial management to meet challenges of the future.

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township of Salisbury's finances and to demonstrate our accountability of resources received and expended. If you have any questions about this report, or need additional financial information, contact the Township offices at Salisbury Township, 2900 S. Pike Avenue, Allentown, PA 18103, 610-797-4000, or email Cathy Bonaskiewich, Assistant Manager/Finance Director, at [cbonaskiewich@salisburytownship.pa.gov](mailto:cbonaskiewich@salisburytownship.pa.gov) or Randy Soriano, Township Manager, at [rsoriano@salisburytownship.pa.gov](mailto:rsoriano@salisburytownship.pa.gov).



**GOVERNMENT WIDE FINANCIAL  
STATEMENTS**



**TOWNSHIP OF SALISBURY**  
**STATEMENT NET POSITION**  
DECEMBER 31, 2014

	2014			2013
	Governmental Activities	Business-Type Activities	Total	Memorandum Total
<i>ASSETS</i>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 571,794	\$ 235,539	\$ 807,333	\$ 914,536
Accounts Receivable	467,426	667,867	1,135,293	1,074,524
Taxes Receivable	130,500		130,500	202,483
Investments	2,661,893	735,638	3,397,531	3,302,644
	<u>3,831,613</u>	<u>1,639,044</u>	<u>5,470,657</u>	<u>5,494,187</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	2,297,911		2,297,911	2,102,486
Equipment	899,037	552,539	1,451,576	1,194,254
Water System		3,234,969	3,234,969	3,234,969
Sewer System		9,104,751	9,104,751	9,104,751
	<u>13,801,423</u>	<u>12,892,259</u>	<u>26,693,682</u>	<u>26,240,935</u>
Accumulated Depreciation	<u>(5,090,520)</u>	<u>(9,048,674)</u>	<u>(14,139,194)</u>	<u>(13,541,639)</u>
Net General Fixed Assets	8,710,903	3,843,585	12,554,488	12,699,296
Restricted Investments	2,037,315	1,881,030	3,918,345	4,222,655
	<u>10,748,218</u>	<u>5,724,615</u>	<u>16,472,833</u>	<u>16,921,951</u>
<i>Deferred outflows of resources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>14,579,831</u>	<u>7,363,659</u>	<u>21,943,490</u>	<u>22,416,138</u>
<i>LIABILITIES</i>				
<i>Current Liabilities</i>				
Accounts payable and accrued expenses	431,217	285,724	716,941	723,192
Accrued payroll and payroll taxes	88,346	18,308	106,654	89,662
Deposits	536,415		536,415	470,610
Current Portion of LT Debt - Bonds Payable	165,479	26,444	191,923	239,497
	<u>1,221,457</u>	<u>330,476</u>	<u>1,551,933</u>	<u>1,522,961</u>
<i>Non-current Liabilities</i>				
Compensated Absences Provision	396,792		396,792	602,675
Bonds Payable - Long term	1,697,521	275,556	1,973,077	2,040,503
	<u>3,315,770</u>	<u>606,032</u>	<u>3,921,802</u>	<u>4,166,139</u>
<i>Deferred inflows of resources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>NET POSITION</i>				
Investment in Capital Assets, Net of Related Debt	6,847,903	3,541,585	10,389,488	10,419,296
Restricted for:				
Specified Projects	1,177,300		1,177,300	1,345,250
Specified use	358,683		358,683	284,985
Unrestricted	2,880,175	3,216,042	6,096,217	6,200,468
	<u>\$ 11,264,061</u>	<u>\$ 6,757,627</u>	<u>\$ 18,021,688</u>	<u>\$ 18,249,999</u>

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

**TOWNSHIP OF SALISBURY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	2014						2013 Memorandum Total	
	Program Revenues			Net (Expense) Revenue and 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	\$ 924,575	\$ 343,383	\$ 254,044	\$	\$ (327,148)	\$	\$ (252,555)	
Public safety	2,473,465	381,140	119,179		(1,973,146)		(2,473,622)	
Public works	2,990,188	1,630,203	379,892		(980,093)		(961,256)	
Recreation	194,873				(194,873)		(158,344)	
Other	1,691,050	177,454	255,596	90,600	(1,167,400)		(1,012,148)	
Interest on Long-Term debt	64,694				(64,694)		(64,340)	
Unallocated Depreciation	249,298				(249,298)		(249,298)	
	8,588,143	2,532,180	1,008,711	90,600	(4,956,652)	0	(5,171,563)	
<b>Business-Type Activities :</b>								
Enterprise Funds	3,690,156	2,805,858			(884,298)		(294,926)	
	\$ 12,278,299	\$ 5,338,038	\$ 1,008,711	\$ 90,600	\$ (4,956,652)	\$ (884,298)	\$ (5,466,489)	
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes, net					2,456,479		1,902,277	
Taxes levied for specific purposes					351,731		352,193	
Local Services Tax					480,768		470,279	
Earned Income Taxes					2,312,688		2,232,234	
					5,601,666		4,956,983	
Interest Income					9,159	1,814	15,276	
<i>Total general revenues, special items, and transfers</i>					5,610,825	1,814	4,972,259	
<b>Change in Net Position</b>					654,173	(882,484)	(494,230)	
<i>Net Position—beginning</i>					10,609,888	7,640,111	18,744,229	
<i>Net Position—ending</i>					\$ 11,264,061	\$ 6,757,627	\$ 18,249,999	

# TOWNSHIP OF SALISBURY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2014

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***Total Fund Balances - Governmental Funds*** **\$ 4,740,939**

*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* 72,011

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

*General Fixed Assets* 13,801,423  
*Accumulated Depreciation* (5,090,520)

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* (396,792)  
*Bonds Payable* (1,863,000)

***Total Net Position - Governmental Activities*** **\$ 11,264,061**

# 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, 2014

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***Total net change in fund balances - governmental funds*** **\$ 248,218**

*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* (39,439)

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* 389,809

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

205,883

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

99,000

***Change in net assets of governmental activities***

**\$ 654,173**



**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, 2014**

	Major Fund		Non-Major Funds		2013 Memorandum Total
	General	Special Revenue	Totals		
ASSETS					
Cash and cash equivalents	\$ 571,794	\$	\$ 571,794	\$	569,421
Investments	2,290,501	371,392	2,661,893		1,968,658
Taxes receivable, net of allowance	76,916	9,633	86,549		91,033
Accounts receivable	467,426		467,426		404,983
Due from other funds			0		13,902
Restricted Investments	2,037,315		2,037,315		2,169,906
	<u>\$ 5,443,952</u>	<u>\$ 381,025</u>	<u>\$ 5,824,977</u>		<u>\$ 5,217,903</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 408,875	\$ 22,342	\$ 431,217	\$	162,038
Accrued payroll and payroll taxes	88,346		88,346		78,632
Due to other funds	28,060		28,060		13,902
Deposits	536,415		536,415		470,610
Deferred Revenue			0		0
	<u>1,061,696</u>	<u>22,342</u>	<u>1,084,038</u>		<u>725,182</u>
FUND BALANCE					
Committed			0		0
Assigned	1,177,300		1,177,300		1,345,250
Unassigned	3,204,956	358,683	3,563,639		3,147,471
	<u>4,382,256</u>	<u>358,683</u>	<u>4,740,939</u>		<u>4,492,721</u>
	<u>\$ 5,443,952</u>	<u>\$ 381,025</u>	<u>\$ 5,824,977</u>	\$	<u>\$ 5,217,903</u>

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

**TOWNSHIP OF SALISBURY**  
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Major Fund</u>	<u>Non-Major Funds</u>			2013
	General	Special Revenue	Debt Service	Total	Memorandum Total
<b>REVENUES</b>					
Taxes	\$ 5,205,984	\$ 351,731	\$	\$ 5,557,715	\$ 4,958,444
Licenses and permits	233,766			233,766	497,481
Fines, forfeits and costs	107,936			107,936	74,132
Interest and rents	63,839	100		63,939	66,008
Charges for services	1,975,747			1,975,747	1,845,596
Miscellaneous revenues	250,551	9,000		259,551	350,269
Intergovernmental revenues	660,431	339,280		999,711	809,744
	<u>8,498,254</u>	<u>700,111</u>	<u>0</u>	<u>9,198,365</u>	<u>8,601,674</u>
<b>EXPENDITURES</b>					
Current					
General government	924,575			924,575	1,005,027
Public safety	2,447,829	268,071		2,715,900	2,787,666
Public works	3,258,577	361,478		3,620,055	3,324,051
Culture and recreation	113,134	81,739		194,873	158,344
Insurance and employee benefits	1,625,995			1,625,995	1,573,087
Miscellaneous	65,055			65,055	2,148
Debt service					
Principal retirement			99,000	99,000	99,503
Interest			64,694	64,694	64,340
Fiscal charges					500
	<u>8,435,165</u>	<u>711,288</u>	<u>163,694</u>	<u>9,310,147</u>	<u>9,014,666</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</i>	<u>63,089</u>	<u>(11,177)</u>	<u>(163,694)</u>	<u>(111,782)</u>	<u>(412,992)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from issuing debt				0	0
Operating transfers in	360,000	84,875	163,694	608,569	726,870
Operating transfers out	(248,569)			(248,569)	(314,270)
	<u>111,431</u>	<u>84,875</u>	<u>163,694</u>	<u>360,000</u>	<u>412,600</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	<u>174,520</u>	<u>73,698</u>	<u>0</u>	<u>248,218</u>	<u>(392)</u>
<b>FUND BALANCES, JANUARY 1</b>	<u>4,207,736</u>	<u>284,985</u>	<u>0</u>	<u>4,492,721</u>	<u>4,493,113</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 4,382,256</u>	<u>\$ 358,683</u>	<u>\$ 0</u>	<u>\$ 4,740,939</u>	<u>\$ 4,492,721</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, 2014**

	<b>Enterprise Funds</b>			2013 Memorandum
	Water	Sewer	Total	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 234,724	\$ 815	\$ 235,539	\$ 345,115
Investments	661,749	73,889	735,638	1,333,986
Accounts receivable	284,238	383,629	667,867	669,541
Restricted Investments	769,893	1,111,137	1,881,030	2,052,749
Water and sewer systems	3,234,969	9,104,751	12,339,720	12,339,720
Vehicles and computer equipment	263,143	289,396	552,539	489,601
Accumulated depreciation	(1,892,867)	(7,155,807)	(9,048,674)	(8,700,417)
	<u>\$ 3,555,849</u>	<u>\$ 3,807,810</u>	<u>\$ 7,363,659</u>	<u>\$ 8,530,295</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 77,090	\$ 208,634	\$ 285,724	\$ 561,154
Accrued payroll and payroll taxes	9,154	9,154	18,308	11,030
Bonds Payable	302,000	0	302,000	318,000
	<u>388,244</u>	<u>217,788</u>	<u>606,032</u>	<u>890,184</u>
<b>NET ASSETS</b>				
Net Assets	<u>3,167,605</u>	<u>3,590,022</u>	<u>6,757,627</u>	<u>\$ 7,640,111</u>
	<u>\$ 3,555,849</u>	<u>\$ 3,807,810</u>	<u>\$ 7,363,659</u>	<u>\$ 8,530,295</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, 2014**

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	Enterprise Funds			2013 Memorandum
	Water	Sewer	Total	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,311,289	\$ 1,494,569	\$ 2,805,858	\$ 3,345,096
<b>OPERATING EXPENSES</b>				
Personnel	232,041	232,040	464,081	403,820
Purchased services	50,248	50,537	100,785	85,969
Supplies and maintenance	124,144	470,508	594,652	118,550
Contractual payments	710,074	845,404	1,555,478	2,387,313
Insurance	11,438	11,438	22,876	21,610
Depreciation	62,113	286,144	348,257	348,257
Administrative expenses	180,000	180,000	360,000	29,473
Employee benefits	116,792	116,791	233,583	229,970
	<u>1,486,850</u>	<u>2,192,862</u>	<u>3,679,712</u>	<u>3,624,962</u>
<i>OPERATING NET INCOME</i>	<u>(175,561)</u>	<u>(698,293)</u>	<u>(873,854)</u>	<u>(279,866)</u>
<b>NON-OPERATING REVENUES</b>				
<b>(EXPENDITURES)</b>				
Interest revenue	932	882	1,814	3,447
Interest expense	(10,444)	0	(10,444)	(15,060)
	<u>(9,512)</u>	<u>882</u>	<u>(8,630)</u>	<u>(11,613)</u>
<i>CHANGE IN NET ASSETS</i>	<u>(185,073)</u>	<u>(697,411)</u>	<u>(882,484)</u>	<u>(291,479)</u>
<b>NET ASSETS,</b>				
<b>JANUARY 1</b>	<u>3,352,678</u>	<u>4,287,433</u>	<u>7,640,111</u>	<u>7,931,590</u>
<b>NET ASSETS,</b>				
<b>DECEMBER 31</b>	<u>\$ 3,167,605</u>	<u>\$ 3,590,022</u>	<u>\$ 6,757,627</u>	<u>\$ 7,640,111</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, 2014**

	Enterprise Funds	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from users	\$ 2,807,532	\$ 3,343,506
Cash paid to employees	(1,258,818)	(997,772)
Cash paid to suppliers and contractors	(2,348,067)	(2,081,761)
<i>Net Cash Provided by Operating Activities</i>	<u>(799,353)</u>	<u>263,973</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Repayment of debt	(16,000)	(140,497)
Interest and fiscal charges paid	(10,444)	(15,060)
Purchase of system equipment and improvements	<u>(55,660)</u>	<u>(73,564)</u>
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(82,104)</u>	<u>(229,121)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	770,067	65,152
Interest received	<u>1,814</u>	<u>3,447</u>
<i>Net Cash Used by Investing Activities</i>	<u>771,881</u>	<u>68,599</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(109,576)	103,451
CASH AND CASH EQUIVALENTS, JANUARY 1st	<u>345,115</u>	<u>241,664</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31st	<u><u>\$ 235,539</u></u>	<u><u>\$ 345,115</u></u>
<b>RECONCILIATION OF OPERATING NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income	\$ (873,854)	\$ (279,866)
<i>Adjustment to reconcile net operating income to net cash provided by operating activities:</i>		
Depreciation	348,257	348,257
Increase in accounts receivable	1,674	(1,590)
(Decrease) increase in accounts payable and accrued expenses	<u>(275,430)</u>	<u>196,250</u>
Net Cash Provided by Operating Activities	<u><u>\$ (799,353)</u></u>	<u><u>\$ 263,973</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, 2014**

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	Police Pension Trust	
	2014	2013
<b>ASSETS</b>		
Investments - restricted	<u>\$ 4,260,012</u>	<u>\$ 4,067,089</u>
<b>LIABILITIES</b>	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET ASSETS</b>		
Reserved for retirement benefits	<u>4,260,012</u>	<u>4,067,089</u>
	<u>\$ 4,260,012</u>	<u>\$ 4,067,089</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, 2014**

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	Police Pension Trust	
	2014	2013
<b>ADDITIONS</b>		
Contributions	\$ 316,723	\$ 288,043
Interest, dividends, and net unrealized gains/losses	172,309	211,875
	<u>489,032</u>	<u>499,918</u>
<b>DEDUCTIONS</b>		
Administrative expenses	27,037	24,690
Pension benefits	269,072	273,047
	<u>296,109</u>	<u>297,737</u>
<b>CHANGE IN NET ASSETS</b>	192,923	202,181
<b>NET ASSETS, JANUARY 1</b>	<u>4,067,089</u>	<u>3,864,908</u>
<b>NET ASSETS, DECEMBER 31</b>	<u><u>\$ 4,260,012</u></u>	<u><u>\$ 4,067,089</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, 2014

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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, 2014

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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, 2014

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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, 2014

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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, 2014

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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**

The real estate taxes are collected from township residents. Assessed tax millage is 1.34155, 0.20861, and 0.06087 for general government, fire protection, and library services, respectively totaling \$1.61103. 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, 2014

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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 2013 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, 2014

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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, 2014

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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, 2014

### 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	\$ 76,916	\$ 6,480	\$ 3,153

### 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
<b>CAPITAL ASSETS</b>				
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	195,425		2,297,911
Equipment	704,653	194,384		899,037
	<u>\$ 13,411,614</u>	<u>389,809</u>	<u>0</u>	<u>\$ 13,801,423</u>
<b>ACCUMULATED DEPRECIATION</b>				
Building and Building Improvements	\$ 3,146,593	\$ 127,538	\$	\$ 3,274,131
Vehicles	1,470,635	105,458		1,576,093
Equipment	223,994	16,302		240,296
	<u>\$ 4,841,222</u>	<u>\$ 249,298</u>	<u>\$ 0</u>	<u>\$ 5,090,520</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	\$ 3,234,969	\$	\$ 3,234,969
Sewer System	9,104,751		9,104,751
Computers and Equipment	489,601	62,938	552,539
	<u>\$ 12,829,321</u>	<u>\$ 62,938</u>	<u>\$ 12,892,259</u>
<b>ACCUMULATED DEPRECIATION</b>			
Water System	\$ 1,830,754	\$ 62,113	\$ 1,892,867
Sewer System	6,869,663	286,144	7,155,807
	<u>\$ 8,700,417</u>	<u>\$ 348,257</u>	<u>\$ 9,048,674</u>

# TOWNSHIP OF SALISBURY

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2014

### 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>\$ 1,863,000</u>	<u>\$ 302,000</u>	<u>\$ 0</u>

#### Debt Service to Maturity :

	<b>Governmental</b>	<b>Proprietary</b>	<b>Total</b>
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>	2,445,299	396,797	2,842,096
<b>Interest</b>	<u>(582,299)</u>	<u>(94,7997)</u>	<u>(677,096)</u>
<b>Principal</b>	<u>\$ 1,863,000</u>	<u>\$ 302,000</u>	<u>\$ 2,165,000</u>

# **TOWNSHIP OF SALISBURY**

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

DECEMBER 31, 2014

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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, 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, 2014

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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, 2014

### 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 (UAAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAAL As a % of Payroll [(2) - (1)] / 5
01/01/1999	\$3,265,711	\$1,991,075	\$(1,274,636)	161.02%	\$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	53.0%
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%

12

### 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, 2014

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### 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, 2014

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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 assigned fund balances are as follows:

2015 Assignments:	
Pension MMO	\$ 622,200
Debt Service, 2010 G.O. Bonds	166,100
Debt Service, Lease Purchase financing	12,100
Debt Services, Volunteer Fire Companies	38,600
Police Dept/Emergency Mgmt Equipment	34,900
QRS Equipment & Supplies	15,700
Public Works' Equipment	63,000
Lindberg Park Improvements	202,400
ESFD Truck Repair & Facilities Upgrade	<u>22,300</u>
	\$ 1,177,300



**DETAIL SCHEDULES OF REVENUE  
AND EXPENDITURES**



**TOWNSHIP OF SALISBURY**  
**GENERAL FUND**  
**DETAIL SCHEDULE OF REVENUES AND EXPENDITURES**  
**YEAR ENDED DECEMBER 31, 2014**

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
<b>REVENUES</b>			
<i>TAXES</i>			
Real Estate Tax	\$ 1,742,000	\$ 1,746,543	\$ 4,543
Realty Transfer	320,000	665,985	345,985
Local Services Tax	440,000	480,768	40,768
Earned Income Tax	2,000,000	2,312,688	312,688
	<u>4,502,000</u>	<u>5,205,984</u>	<u>703,984</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	210,000	228,807	18,807
Permits	2,900	4,959	2,059
	<u>212,900</u>	<u>233,766</u>	<u>20,866</u>
<i>FINES, FORFEITS AND COSTS</i>			
Vehicle Code Violations	50,000	83,108	33,108
Violations of Ordinances	23,000	24,828	1,828
	<u>73,000</u>	<u>107,936</u>	<u>34,936</u>
<i>INTEREST AND RENTS</i>			
Interest Income	9,500	9,059	(441)
Rents	54,400	54,780	380
	<u>63,900</u>	<u>63,839</u>	<u>(61)</u>
<i>SHARED REVENUES</i>			
Federal grants	5,000	3,788	(1,212)
State grants	175,000	213,979	38,979
Local grants			0
Recycling grant	43,000	40,612	(2,388)
Beverage Licenses	1,800	1,800	0
Public Utility Tax	5,800	6,277	477
Payments in lieu of tax	28,200	28,200	0
Foreign Casualty Insurance	250,000	255,596	5,596
Foreign Fire Insurance Tax	100,000	110,179	10,179
	<u>608,800</u>	<u>660,431</u>	<u>51,631</u>
<i>CHARGES FOR SERVICES</i>			
Solid Waste Collection Fees		1,630,203	1,630,203
General government	2,000	1,849	(151)
Public works			0
Subdivision filing			0
Engineering Review	95,500	52,988	(42,512)
Zoning variance			0
Legal Review			0
Public Safety	319,500	273,204	(46,296)
Other Charges for Service	25,200	17,503	(7,697)
	<u>442,200</u>	<u>1,975,747</u>	<u>1,533,547</u>
<i>MISCELLANEOUS REVENUES</i>			
Refund of prior years expenditure - Insurance	118,200	147,495	29,295
Contributions	89,800	90,600	800
Sale of Fixed Assets	0	12,456	12,456
	<u>208,000</u>	<u>250,551</u>	<u>42,551</u>
<b>TOTAL REVENUES</b>	<b>\$ 6,110,800</b>	<b>\$ 8,498,254</b>	<b>\$ 2,387,454</b>

**TOWNSHIP OF SALISBURY**  
**GENERAL FUND**  
**DETAIL SCHEDULE OF REVENUES AND EXPENDITURES**  
**YEAR ENDED DECEMBER 31, 2014**

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
<b><i>EXPENDITURES</i></b>			
<i>GENERAL GOVERNMENT</i>			
Legislative	\$ 19,200	\$ 17,787	\$ 1,413
Executive	297,401	310,352	(12,951)
Finance	163,301	163,080	221
Tax Collection	60,101	59,530	571
Law	73,000	62,315	10,685
Other general government	68,300	56,340	11,960
Engineering	121,000	85,072	35,928
Building and Plant	166,702	170,099	(3,397)
	<u>969,005</u>	<u>924,575</u>	<u>44,430</u>
<i>PUBLIC SAFETY</i>			
Police	1,841,400	1,999,678	(158,278)
Fire	117,601	127,212	(9,611)
Code Enforcement	241,301	169,229	72,072
Planning and Zoning	145,151	136,482	8,669
Emergency Management	25,800	15,228	10,572
	<u>2,371,253</u>	<u>2,447,829</u>	<u>(76,576)</u>
<i>PUBLIC WORKS</i>			
Sanitation		1,578,154	(1,578,154)
General Services	1,013,601	944,923	68,678
Leaf Collection and Composting	12,000	11,275	725
Traffic Control	15,000	13,718	1,282
Tools and Machinery	40,500	42,512	(2,012)
Capital Construction and Equipment	282,250	275,843	6,407
Streets and Bridges	120,000	48,086	71,914
Storm Water Management	333,000	344,066	(11,066)
	<u>1,816,351</u>	<u>3,258,577</u>	<u>(1,442,226)</u>
<i>CULTURE AND RECREATION</i>			
	<u>192,901</u>	<u>113,134</u>	<u>79,767</u>
<i>MISCELLANEOUS</i>			
Contributions	58,300	60,948	(2,648)
Refund of prior years revenue	250	2,929	(2,679)
Other	800	1,178	(378)
	<u>59,350</u>	<u>65,055</u>	<u>(5,705)</u>
<i>INSURANCE AND EMPLOYEE BENEFITS</i>			
Insurance	130,500	134,569	(4,069)
Social security	152,600	150,040	2,560
Unemployment comp	1,000	126	874
Pension	512,300	512,317	(17)
Workers Compensation	76,800	59,654	17,146
Employee Benefits	809,400	769,289	40,111
	<u>1,682,600</u>	<u>1,625,995</u>	<u>56,605</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 7,091,460</b>	<b>\$ 8,435,165</b>	<b>\$ (1,343,705)</b>

## COMBINING SCHEDULES



**TOWNSHIP OF SALISBURY**  
**COMBINING BALANCE SHEETS**  
**SPECIAL REVENUE FUNDS**  
**AS OF DECEMBER 31, 2014**

	Library	Fire	Highway Aid	Total
<b>ASSETS</b>				
Investments	\$ 139,669	\$ 131,403	\$ 100,320	\$ 371,392
Taxes receivable, net of allowance	3,153	6,480		9,633
Due from other funds				0
	<u>\$ 142,822</u>	<u>\$ 137,883</u>	<u>\$ 100,320</u>	<u>\$ 381,025</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$	\$ 9,505	\$ 12,837	\$ 22,342
Due to other funds				0
	<u>\$ 0</u>	<u>\$ 9,505</u>	<u>\$ 12,837</u>	<u>\$ 22,342</u>
<b>FUND BALANCE</b>				
Unassigned	142,822	128,378	87,483	358,683
	<u>142,822</u>	<u>128,378</u>	<u>87,483</u>	<u>358,683</u>
	<u>\$ 142,822</u>	<u>\$ 137,883</u>	<u>\$ 100,320</u>	<u>\$ 381,025</u>

**TOWNSHIP OF SALISBURY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**YEAR ENDED DECEMBER 31, 2014**

	Library	Fire	Highway Aid	Total
<b>REVENUES</b>				
Taxes	\$ 79,519	\$ 272,212	\$	\$ 351,731
Interest and rents	30	28	42	100
Miscellaneous revenues		9,000		9,000
Intergovernmental revenues			339,280	339,280
	<u>79,549</u>	<u>281,240</u>	<u>339,322</u>	<u>700,111</u>
<b>EXPENDITURES</b>				
Public safety		268,071		268,071
Public works			361,478	361,478
Culture and recreation	81,739			81,739
	<u>81,739</u>	<u>268,071</u>	<u>361,478</u>	<u>711,288</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,190)</u>	<u>13,169</u>	<u>(22,156)</u>	<u>(11,177)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in		84,875		84,875
Operating transfers out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>84,875</u>	<u>0</u>	<u>84,875</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	(2,190)	98,044	(22,156)	73,698
<b>FUND BALANCES, JANUARY 1</b>	<u>145,012</u>	<u>30,334</u>	<u>109,639</u>	<u>284,985</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 142,822</u>	<u>\$ 128,378</u>	<u>\$ 87,483</u>	<u>\$ 358,683</u>