

TOWNSHIP OF SALISBURY
LEHIGH COUNTY, PENNSYLVANIA



**FINANCIAL STATEMENTS AND
AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015





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, PENNSYLVANIA**

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** as of and for the year ended December 31, 2015, 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 2014 financial statements and in our report dated April 1, 2015, 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 of Salisbury**, as of December 31, 2015, 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 of Salisbury's** basic financial statements. The combining and individual non-major fund financial statements, and statistical section, 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.

EMPHASIS OF MATTER

As discussed in Note 1 to the financial statements, the Township adopted new accounting guidance from GASB Statement No. 68 for the 2015 year. Our opinion is not modified with respect to this pronouncement.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated April 1, 2015, on our consideration of the **Township of Salisbury'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 of Salisbury's** internal control over financial reporting and compliance.

Bushta & Company

BETHLEHEM, PENNSYLVANIA

APRIL 1, 2016



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

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, PENNSYLVANIA**

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** as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise **Township of Salisbury's** basic financial statements and have issued our report thereon dated April 1, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

APRIL 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS



TOWNSHIP OF SALISBURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

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, 2015. 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 2015 are as follows:

- In total, net position was \$16,011,219.
- General revenues accounted for \$5,299,962 in revenue or 47% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6,547,267 or 53% of total revenues of \$11,847,229.
- Total assets of governmental activities were \$15,381,819 of which \$4,604,238 represents unrestricted cash and investments, though certain tentative management plans do assign \$991,100 of those dollars. Fixed assets, net of accumulated depreciation were \$12,635,612.
- The Township had \$12,488,105 in expenses; only \$6,547,267 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$5,299,962 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 \$5,940,838.

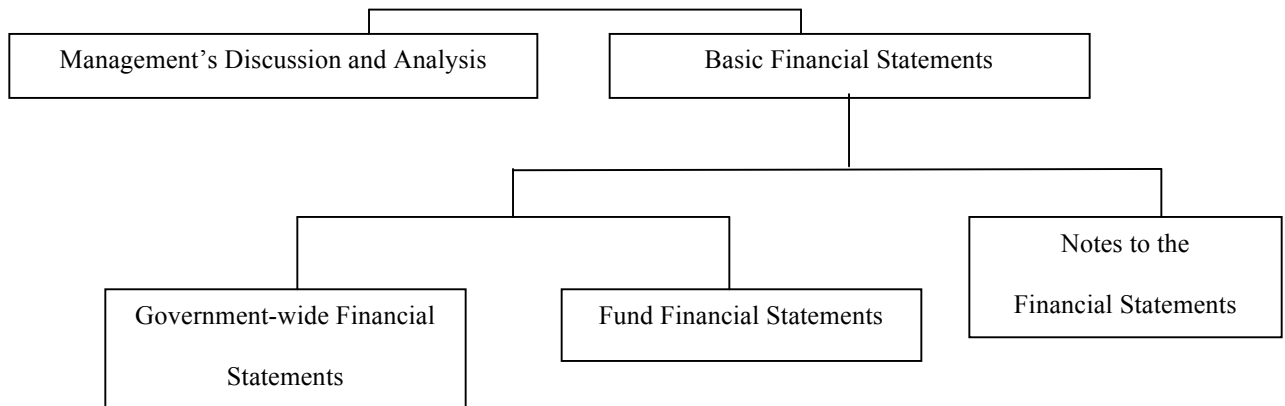
TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2015

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, 2015

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:

	2015	2014	2013	2012	2011
Assets					
Current and Other Assets	\$ 8,527,562	\$ 9,389,002	\$ 9,716,842	\$ 9,538,007	\$ 10,718,641
Capital Assets	<u>12,635,612</u>	<u>12,554,488</u>	<u>12,699,296</u>	<u>13,223,287</u>	<u>13,190,615</u>
	<u>21,769,930</u>	<u>21,943,490</u>	<u>22,416,138</u>	<u>22,761,294</u>	<u>23,909,256</u>
Liabilities					
Current Liabilities	1,277,255	1,360,010	1,522,961	1,185,493	2,027,535
Long-Term Liabilities	<u>5,983,281</u>	<u>2,561,792</u>	<u>2,643,178</u>	<u>2,831,572</u>	<u>3,040,917</u>
	<u>5,758,711</u>	<u>3,921,802</u>	<u>4,166,139</u>	<u>4,017,065</u>	<u>5,068,452</u>
Net position					
Invested in Capital Assets,					
Net of related Debt	10,590,612	10,389,488	10,419,296	10,703,287	10,310,615
Restricted	1,551,742	1,535,983	1,630,235	1,596,582	1,177,303
Unrestricted	<u>3,868,865</u>	<u>6,096,217</u>	<u>6,200,468</u>	<u>6,444,360</u>	<u>7,352,886</u>
	<u>\$ 21,769,930</u>	<u>\$ 18,021,688</u>	<u>\$ 18,249,999</u>	<u>\$ 18,744,229</u>	<u>\$ 18,840,804</u>

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2015

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.

	2015	2014	2013	2012	2011
<i>Program Revenues</i>					
Charges for Services	\$ 5,163,311	\$ 5,338,038	\$ 6,029,219	\$ 5,812,965	\$ 5,531,866
Operating Grants and Contributions	1,288,993	1,008,711	851,294	831,983	1,248,628
Capital Grants and Contributions	94,963	90,600	95,984	99,815	9,000
<i>General Revenues</i>					
Taxes	5,288,384	5,601,666	4,956,983	4,528,276	4,223,846
Investment Earnings	<u>11,578</u>	<u>10,973</u>	<u>15,276</u>	<u>16,479</u>	<u>25,657</u>
<i>Total Revenues</i>	<u>11,847,229</u>	<u>12,049,988</u>	<u>11,948,756</u>	<u>11,289,518</u>	<u>11,038,997</u>
<i>Program Expenses</i>					
General Government	1,096,112	924,575	1,005,527	836,252	993,841
Public Safety	2,467,702	2,473,465	2,796,135	2,236,735	2,418,986
Public Works	2,654,849	2,990,188	2,954,085	2,597,099	3,667,988
Cultural and Recreation	320,814	194,873	158,344	177,982	127,865
Other	1,805,960	1,691,050	1,575,235	1,615,112	1,567,867
Interest on Long-Term Debt	62,717	64,694	64,340	62,940	62,477
Unallocated Depreciation	249,298	249,298	249,298	249,298	232,149
Public Water	1,991,611	1,497,294	1,563,558	1,597,232	1,411,638
Public Sewer	<u>1,839,042</u>	<u>2,192,862</u>	<u>2,076,464</u>	<u>2,013,443</u>	<u>1,759,142</u>
<i>Total Expenses</i>	<u>12,488,105</u>	<u>12,278,299</u>	<u>12,442,986</u>	<u>11,386,093</u>	<u>12,241,953</u>
<i>Prior Period Pension Adjustment</i>	<u>(1,369,593)</u>				
<i>Increase in Net position</i>	<u>\$(2,010,469)</u>	<u>\$ (228,311)</u>	<u>\$ (494,230)</u>	<u>\$ (96,575)</u>	<u>\$(1,202,956)</u>

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2015

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.

	2015	2014	2013	2012	2011
General Government	\$ (180,182)	\$ (327,148)	\$ (252,555)	\$ 127,341	\$ (114)
Public Safety	(2,103,060)	(1,973,146)	(2,473,662)	(1,962,657)	(2,075,067)
Public Works	(818,797)	(980,093)	(961,256)	(565,807)	(1,620,471)
Cultural and Recreation	(320,814)	(194,873)	(158,344)	(177,982)	(127,865)
Other	(1,251,142)	(1,167,400)	(1,012,148)	(1,085,374)	(973,253)
Interest on Long-Term Debt	(62,717)	(64,694)	(64,340)	(62,940)	(62,477)
Unallocated Depreciation	(249,298)	(249,298)	(249,298)	(249,298)	(232,149)
Public Water	(594,136)	(175,561)	(155,795)	(67,395)	19,279
Public Sewer	<u>(359,124)</u>	<u>(698,293)</u>	<u>(124,071)</u>	<u>(597,218)</u>	<u>(380,342)</u>
	<u>\$ (5,940,838)</u>	<u>\$ (5,840,950)</u>	<u>\$ (4,641,330)</u>	<u>\$ (4,641,330)</u>	<u>\$ (5,452,459)</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, 2015

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, 2015

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, 2015

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	\$ 549,379	\$	\$ 1,218,020
Building and Building Improvements	8,405,990			8,405,990
Infrastructure	1,529,844			1,529,844
Vehicles	2,297,911	64,145		2,362,056
Equipment	899,037	65,155		964,192
	<u>\$ 13,801,423</u>	<u>678,679</u>	<u>0</u>	<u>\$ 14,480,102</u>
ACCUMULATED DEPRECIATION				
Building and Building Improvements	\$ 3,274,131	\$ 127,538	\$	\$ 3,274,131
Vehicles	1,576,093	105,458		1,576,093
Equipment	240,296	16,302		240,296
	<u>\$ 5,090,520</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
CAPITAL ASSETS			
Water System	\$ 3,234,969	\$	\$ 3,234,969
Sewer System	9,104,751		9,104,751
Computers and Equipment	552,539		552,539
	<u>\$ 12,892,259</u>	<u>\$ 0</u>	<u>\$ 12,892,259</u>
ACCUMULATED DEPRECIATION			
Water System	\$ 1,892,867	\$ 62,113	\$ 1,954,980
Sewer System	7,155,807	286,144	7,441,951
	<u>\$ 9,048,674</u>	<u>\$ 348,257</u>	<u>\$ 9,396,931</u>

Description of the year's Capital Asset Activity:

- Overall capital assets increased \$678,679 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, 2015

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.

	Governmental Fund Types	Proprietary Fund Types (Enterprise Funds)	
	General Fund	Water Fund	Sewer Fund
Outstanding, December 31,	\$ 1,759,700	\$ 285,300	\$ 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:

2016 Assignments:	
Pension MMO	\$ 398,500
Debt Service, 2010/2016 G.O. Bonds	177,400
Debt Service, Volunteer Fire Companies	38,600
Police Dept/Emergency Mgmt Equip	31,600
QRS & Fire Insp Equipment & Supplies	23,700
Public Works' Equipment	89,500
Facilities Improvements	30,000
Lindberg Park Improvements	201,800
	<u>\$ 991,100</u>

TOWNSHIP OF SALISBURY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2015

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 or Randy Soriano, Township Manager, at rsoriano@salisburytownship.pa.gov.



**GOVERNMENT WIDE FINANCIAL
STATEMENTS**



TOWNSHIP OF SALISBURY
STATEMENT NET POSITION
DECEMBER 31, 2015

	2015			2014
	Governmental Activities	Business-Type Activities	Total	Memorandum Total
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 417,687	\$ 178,141	\$ 595,828	\$ 807,333
Accounts Receivable	499,590	831,620	1,331,210	1,135,293
Taxes Receivable	171,932		171,932	130,500
Investments	3,116,289	892,121	4,008,410	3,397,531
	<u>4,205,498</u>	<u>1,901,882</u>	<u>6,107,380</u>	<u>5,470,657</u>
<i>Non-current Assets</i>				
General Fixed Assets				
Land and Land Improvements	1,218,020		1,218,020	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	2,362,056		2,362,056	2,297,911
Equipment	964,192	552,539	1,516,731	1,451,576
Water System		3,234,969	3,234,969	3,234,969
Sewer System		9,104,751	9,104,751	9,104,751
	<u>14,480,102</u>	<u>12,892,259</u>	<u>27,372,361</u>	<u>26,693,682</u>
Accumulated Depreciation	<u>(5,339,818)</u>	<u>(9,396,931)</u>	<u>(14,736,749)</u>	<u>(14,139,194)</u>
Net General Fixed Assets	9,140,284	3,495,328	12,635,612	12,554,488
Restricted Investments	1,429,281	990,901	2,420,182	3,918,345
	<u>10,569,565</u>	<u>4,486,229</u>	<u>15,055,794</u>	<u>16,472,833</u>
<i>Deferred outflows of resources</i>				
Change in Net Pension Liability	306,468	0	306,468	0
Pension Contributions Subsequent to Measurement Date	300,288	0	300,288	0
	<u>606,756</u>	<u>0</u>	<u>606,756</u>	<u>0</u>
	<u>15,381,819</u>	<u>6,388,111</u>	<u>21,769,930</u>	<u>21,943,490</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable and accrued expenses	378,332	282,664	660,996	716,941
Accrued payroll and payroll taxes	103,035	15,780	118,815	106,654
Deposits	377,444		377,444	536,415
Current Portion of LT Debt - Bonds Payable	103,300	16,700	120,000	191,923
	<u>962,111</u>	<u>315,144</u>	<u>1,277,255</u>	<u>1,551,933</u>
<i>Non-current Liabilities</i>				
Compensated Absences Provision	880,395		880,395	396,792
Net Pension Liability	1,676,061		1,676,061	0
Bonds Payable - Long term	1,656,400	268,600	1,925,000	1,973,077
	<u>5,174,967</u>	<u>583,744</u>	<u>5,758,711</u>	<u>3,921,802</u>
<i>Deferred inflows of resources</i>				
Difference of Projected & Actual Pension Investment Earnings	224,570	0	224,570	0
Change in Projected vs Actual Pension Contributions	0	0	0	0
	<u>224,570</u>	<u>0</u>	<u>224,570</u>	<u>0</u>
NET POSITION				
Investment in Capital Assets, Net of Related Debt	7,380,584	3,210,028	10,590,612	10,389,488
Restricted for:				
Specified Projects	991,100		991,100	1,177,300
Specified use	560,642		560,642	358,683
Unrestricted	1,274,526	2,594,339	3,868,865	6,096,217
	<u>\$ 10,206,852</u>	<u>\$ 5,804,367</u>	<u>\$ 16,011,219</u>	<u>\$ 18,021,688</u>

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

TOWNSHIP OF SALISBURY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

2015								
Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			2014 Memorandum Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,096,112	\$ 616,264	\$ 299,666	\$	\$ (180,182)	\$	\$ (180,182)	\$ (327,148)
Public safety	2,467,702	192,203	172,439		(2,103,060)		(2,103,060)	(1,973,146)
Public works	2,654,849	1,427,939	408,113		(818,797)		(818,797)	(980,093)
Recreation	320,814				(320,814)		(320,814)	(194,873)
Other	1,805,960	201,080	258,775	94,963	(1,251,142)		(1,251,142)	(1,167,400)
Interest on Long-Term debt	62,717				(62,717)		(62,717)	(64,694)
Unallocated Depreciation	249,298				(249,298)		(249,298)	(249,298)
	8,657,452	2,437,486	1,138,993	94,963	(4,986,010)	0	(4,986,010)	(4,956,652)
Business-Type Activities :								
Enterprise Funds	3,830,653	2,725,825	150,000			(954,828)	(954,828)	(884,298)
	<u>\$ 12,488,105</u>	<u>\$ 5,163,311</u>	<u>\$ 1,288,993</u>	<u>\$ 94,963</u>	<u>\$ (4,986,010)</u>	<u>\$ (954,828)</u>	<u>\$ (5,940,838)</u>	<u>\$ (5,840,950)</u>
General revenues:								
Taxes:								
					2,240,736		2,240,736	2,456,479
					354,802		354,802	351,731
					487,045		487,045	480,768
					2,205,801		2,205,801	2,312,688
					5,288,384		5,288,384	5,601,666
						</		

TOWNSHIP OF SALISBURY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2015

Total Fund Balances - Governmental Funds \$ 4,683,241

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

The net result of deferred inflow and outflow of resources and the
net pension liability

Deferred inflow and outflow of resources and net pension liability (1,069,305)

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 92,727

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

General Fixed Assets 14,480,102

Accumulated Depreciation (5,339,818)

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 (880,395)

Bonds Payable (1,759,700)

Total Net Position - Governmental Activities \$ 10,206,852

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, 2015

Total net change in fund balances - governmental funds **\$ (57,698)**

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

The net result of deferred inflow and outflow of resources and the
net pension liability as well as prior period adjustment resulting from
GASB 68 implementation for beginning net pension liability

<i>Beginning net pension Liability</i>	(1,369,593)
<i>adjustment to Pension Expense for the period</i>	300,288

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.

<i>Taxes Receivable</i>	20,716
-------------------------	--------

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.

<i>Depreciation</i>	(249,298)
<i>Capital Outlay</i>	678,679

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

(483,603)

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

103,300

Change in net assets of governmental activities

\$ (1,057,209)

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, 2015

	Major Fund	Non-Major Funds		2014 Memorandum
	General	Special Revenue	Totals	Total
ASSETS				
Cash and cash equivalents	\$ 417,687	\$	\$ 417,687	\$ 571,794
Investments	2,560,541	555,748	3,116,289	2,661,893
Taxes receivable, net of allowance	70,800	8,405	79,205	86,549
Accounts receivable	499,590		499,590	467,426
Due from other funds			0	0
Restricted Investments	1,429,281		1,429,281	2,037,315
	<u>\$ 4,977,899</u>	<u>\$ 564,153</u>	<u>\$ 5,542,052</u>	<u>\$ 5,824,977</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 374,821	\$ 3,511	\$ 378,332	\$ 431,217
Accrued payroll and payroll taxes	103,035		103,035	88,346
Due to other funds			0	28,060
Deposits	377,444		377,444	536,415
Deferred Revenue			0	0
	<u>855,300</u>	<u>3,511</u>	<u>858,811</u>	<u>1,084,038</u>
FUND BALANCE				
Committed			0	0
Assigned	991,100		991,100	1,177,300
Unassigned	3,131,499	560,642	3,692,141	3,563,639
	<u>4,122,599</u>	<u>560,642</u>	<u>4,683,241</u>	<u>4,740,939</u>
	<u>\$ 4,977,899</u>	<u>\$ 564,153</u>	<u>\$ 5,542,052</u>	<u>\$ 5,824,977</u>

TOWNSHIP OF SALISBURY
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2015

	<u>Major Fund</u>	<u>Non-Major Funds</u>			2014
	General	Special Revenue	Debt Service	Total	Memorandum Total
REVENUES					
Taxes	\$ 4,892,150	\$ 354,802	\$	\$ 5,246,952	\$ 5,557,715
Licenses and permits	476,870			476,870	233,766
Fines, forfeits and costs	101,635			101,635	107,936
Interest and rents	66,460	379		66,839	63,939
Charges for services	1,626,777			1,626,777	1,975,747
Miscellaneous revenues	270,338	10,975		281,313	259,551
Intergovernmental revenues	754,426	373,592		1,128,018	999,711
	<u>8,188,656</u>	<u>739,748</u>	<u>0</u>	<u>8,928,404</u>	<u>9,198,365</u>
EXPENDITURES					
Current					
General government	1,004,271			1,004,271	924,575
Public safety	2,487,898	195,349		2,683,247	2,715,900
Public works	2,519,741	296,673		2,816,414	3,620,055
Culture and recreation	747,543	122,650		870,193	194,873
Insurance and employee benefits	1,802,161			1,802,161	1,625,995
Miscellaneous	3,799			3,799	65,055
Debt service					
Principal retirement			103,300	103,300	99,000
Interest			62,178	62,178	64,694
Fiscal charges			539	539	0
	<u>8,565,413</u>	<u>614,672</u>	<u>166,017</u>	<u>9,346,102</u>	<u>9,310,147</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</i>	<u>(376,757)</u>	<u>125,076</u>	<u>(166,017)</u>	<u>(417,698)</u>	<u>(111,782)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuing debt				0	0
Operating transfers in	360,000	76,883	166,017	602,900	608,569
Operating transfers out	(242,900)			(242,900)	(248,569)
	<u>117,100</u>	<u>76,883</u>	<u>166,017</u>	<u>360,000</u>	<u>360,000</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	<u>(259,657)</u>	<u>201,959</u>	<u>0</u>	<u>(57,698)</u>	<u>248,218</u>
FUND BALANCES, JANUARY 1	<u>4,382,256</u>	<u>358,683</u>	<u>0</u>	<u>4,740,939</u>	<u>4,492,721</u>
FUND BALANCES, DECEMBER 31	<u>\$ 4,122,599</u>	<u>\$ 560,642</u>	<u>\$ 0</u>	<u>\$ 4,683,241</u>	<u>\$ 4,740,939</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, 2015

	Enterprise Funds			2014 Memorandum
	Water	Sewer	Total	Total
ASSETS				
Cash and cash equivalents	\$ 58,006	\$ 120,135	\$ 178,141	\$ 235,539
Investments	625,511	266,610	892,121	735,638
Accounts receivable	292,579	539,041	831,620	667,867
Restricted Investments	451,876	539,025	990,901	1,881,030
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	552,539
Accumulated depreciation	(1,954,980)	(7,441,951)	(9,396,931)	(9,048,674)
	<u>\$ 2,971,104</u>	<u>\$ 3,417,007</u>	<u>\$ 6,388,111</u>	<u>\$ 7,363,659</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 104,445	\$ 178,219	\$ 282,664	\$ 285,724
Accrued payroll and payroll taxes	7,890	7,890	15,780	18,308
Bonds Payable	285,300	0	285,300	302,000
	<u>397,635</u>	<u>186,109</u>	<u>583,744</u>	<u>606,032</u>
NET ASSETS				
Net Assets	<u>2,573,469</u>	<u>3,230,898</u>	<u>5,804,367</u>	<u>\$ 6,757,627</u>
	<u>\$ 2,971,104</u>	<u>\$ 3,417,007</u>	<u>\$ 6,388,111</u>	<u>\$ 7,363,659</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, 2015

	Enterprise Funds			2014 Memorandum
	Water	Sewer	Total	Total
OPERATING REVENUES				
Charges for services	\$ 1,396,645	\$ 1,329,180	\$ 2,725,825	\$ 2,805,858
OPERATING EXPENSES				
Personnel	219,071	219,069	438,140	464,081
Purchased services	55,658	70,136	125,794	100,785
Supplies and maintenance	322,917	565,986	888,903	594,652
Contractual payments	988,730	370,467	1,359,197	1,555,478
Insurance	18,188	12,428	30,616	22,876
Depreciation	62,113	286,144	348,257	348,257
Administrative expenses	180,000	180,000	360,000	360,000
Employee benefits	134,812	134,812	269,624	233,583
	<u>1,981,489</u>	<u>1,839,042</u>	<u>3,820,531</u>	<u>3,679,712</u>
<i>OPERATING NET INCOME</i>	<u>(584,844)</u>	<u>(509,862)</u>	<u>(1,094,706)</u>	<u>(873,854)</u>
NON-OPERATING REVENUES				
(EXPENDITURES)				
Intergovernmental revenues		150,000	150,000	0
Interest revenue	830	738	1,568	1,814
Interest expense	(10,122)	0	(10,122)	(10,444)
	<u>(9,292)</u>	<u>150,738</u>	<u>(8,554)</u>	<u>(8,630)</u>
<i>CHANGE IN NET ASSETS</i>	<u>(594,136)</u>	<u>(359,124)</u>	<u>(953,260)</u>	<u>(882,484)</u>
NET ASSETS, JANUARY 1	<u>3,167,605</u>	<u>3,590,022</u>	<u>6,757,627</u>	<u>7,640,111</u>
NET ASSETS, DECEMBER 31	<u>\$ 2,573,469</u>	<u>\$ 3,230,898</u>	<u>\$ 5,804,367</u>	<u>\$ 6,757,627</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, 2015

	Enterprise Funds	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from users	\$ 2,712,072	\$ 2,807,532
Cash paid to employees	(993,488)	(1,258,818)
Cash paid to suppliers and contractors	(2,484,374)	(2,348,067)
<i>Net Cash Provided by Operating Activities</i>	<u>(765,790)</u>	<u>(799,353)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of debt	(16,700)	(16,000)
Interest and fiscal charges paid	(10,122)	(10,444)
Purchase of system equipment and improvements	0	(55,660)
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(26,822)</u>	<u>(82,104)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	733,646	770,067
Interest received	1,568	1,814
<i>Net Cash Used by Investing Activities</i>	<u>735,214</u>	<u>771,881</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(57,398)	(109,576)
CASH AND CASH EQUIVALENTS, JANUARY 1st	<u>235,539</u>	<u>345,115</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31st	<u>\$ 178,141</u>	<u>\$ 235,539</u>
RECONCILIATION OF OPERATING NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ (1,094,706)	\$ (873,854)
<i>Adjustment to reconcile net operating income to net cash provided by operating activities:</i>		
Depreciation	348,257	348,257
Increase in accounts receivable	(13,753)	1,674
(Decrease) increase in accounts payable and accrued expenses	(5,588)	(275,430)
Net Cash Provided by Operating Activities	<u>\$ (765,790)</u>	<u>\$ (799,353)</u>

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

TOWNSHIP OF SALISBURY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2015

	Police Pension Trust	
	2015	2014
ASSETS		
Investments - restricted	<u>\$ 4,323,997</u>	<u>\$ 4,260,012</u>
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>
NET ASSETS		
Reserved for retirement benefits	<u>4,323,997</u>	<u>4,260,012</u>
	<u>\$ 4,323,997</u>	<u>\$ 4,260,012</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, 2015

	Police Pension Trust	
	2015	2014
ADDITIONS		
Contributions	\$ 331,806	\$ 316,723
Interest, dividends, and net unrealized gains/losses	40,882	172,309
	<u>372,688</u>	<u>489,032</u>
DEDUCTIONS		
Administrative expenses	26,897	27,037
Pension benefits	281,806	269,072
	<u>308,703</u>	<u>296,109</u>
CHANGE IN NET ASSETS	63,985	192,923
NET ASSETS, JANUARY 1	<u>4,260,012</u>	<u>4,067,089</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 4,323,997</u></u>	<u><u>\$ 4,260,012</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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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. Taxable assessed valuation for the year was \$1,322,110,200.

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, 2015

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, 2015

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.

Changes in Accounting Principle and Prior Period Adjustment

During the 2015 fiscal year the Township implemented the required GASB Statement No. 68 (Accounting and Financial Reporting for Pensions), which requires all governments to record the net pension liability on all defined benefit and defined contribution plans. In addition, GASB Statement No. 68 requires recording applicable deferred outflows of resources and deferred inflows of resources required under the guidance found in the accounting standard. This change in principle also necessitated a prior period adjustment to reflect the effect of implementation on the beginning of the year.

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.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 2 INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

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.

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, 2015

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	\$ 70,800	\$ 5,529	\$ 2,876

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	\$ 549,379	\$	\$ 1,218,020
Building and Building Improvements	8,405,990			8,405,990
Infrastructure	1,529,844			1,529,844
Vehicles	2,297,911	64,145		2,362,056
Equipment	899,037	65,155		964,192
	<u>\$ 13,801,423</u>	<u>678,679</u>	<u>0</u>	<u>\$ 14,480,102</u>
ACCUMULATED DEPRECIATION				
Building and Building Improvements	\$ 3,274,131	\$ 127,538	\$	\$ 3,274,131
Vehicles	1,576,093	105,458		1,576,093
Equipment	240,296	16,302		240,296
	<u>\$ 5,090,520</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
CAPITAL ASSETS			
Water System	\$ 3,234,969	\$	\$ 3,234,969
Sewer System	9,104,751		9,104,751
Computers and Equipment	552,539		552,539
	<u>\$ 12,892,259</u>	<u>\$ 0</u>	<u>\$ 12,892,259</u>
ACCUMULATED DEPRECIATION			
Water System	\$ 1,892,867	\$ 62,113	\$ 1,954,980
Sewer System	7,155,807	286,144	7,441,951
	<u>\$ 9,048,674</u>	<u>\$ 348,257</u>	<u>\$ 9,396,931</u>

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 6 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>\$ 1,759,700</u>	<u>\$ 285,300</u>	<u>\$ 0</u>

Debt Service to Maturity :

	Governmental	Proprietary	Total
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	2,279,751	369,975	2,649,796
Interest	<u>(520,051)</u>	<u>(84,675)</u>	<u>(604,796)</u>
Principal	<u>\$ 1,759,700</u>	<u>\$ 285,300</u>	<u>\$ 2,045,000</u>

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 7 FUND BALANCES

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, 2015

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:

2016 Assignments:	
Pension MMO	\$ 398,500
Debt Service, 2010/2016 G.O. Bonds	177,400
Debt Service, Volunteer Fire Companies	38,600
Police Dept/Emergency Mgmt Equip	31,600
QRS & Fire Insp Equipment & Supplies	23,700
Public Works' Equipment	89,500
Facilities Improvements	30,000
Lindberg Park Improvements	201,800
	<u>991,100</u>
	\$ 991,100

NOTE 9 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.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

NONUNIFORMED EMPLOYEES PENSION PLAN (Continued)

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, 2015).

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

General Information about the Pension Plan

A. Plan Description

The Salisbury Township Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 02-2014-585 adopted pursuant to Act 600. The plan is governed by the Salisbury Township which may amend plan provisions, and which is responsible for the management of plan assets. The Salisbury Township has delegated the authority to manage certain plan assets to PNC Institutional Asset Management.

The Salisbury Township filed actuarial valuation report Form 201C with the Public Employee Retirement Commission. The report dated January 1, 2015, was the most recently certified by the municipality's chief administrative officer. This report indicated the municipality maintains a pension plan to provide pension or retirement benefits for Uniform employees.

B. Employees Covered by the Plan

As of January 1, 2015 and 2016, the following employees were covered by the benefit terms:

	<u>2016</u>	<u>2015</u>
Active employees	16	17
Retirees and beneficiaries currently receiving benefits	10	10
Terminated employees entitled to benefits but not yet receiving them	0	0
Total	26	27

C. Benefit Provisions

As of January 1, 2016, the pension plan provides for retirement and other benefits as shown in Appendix I of this report.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Contributions

Act 205 requires that annual contributions to the plan be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, employees are required to contribute 3.04% of compensation to the plan. 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.

Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

Summary of Significant Accounting Policies

A. Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

B. Valuation of Investments

The pension plan's assets are valued at fair market value.

Investments

A. Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board. The investment policy of the Plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

The plan's investment policy establishes that the portfolio may be invested in the following asset classes with the following target asset allocation:

<u>Asset Class</u>	<u>Target</u>	<u>Asset Class</u>	<u>Target</u>
Domestic Equity		International Equity	3%
Large Cap	24%	Fixed Income	41%
Mid Cap	29%	Balanced/Blend	0%
Small Cap	0%	Cash	3%

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Deferred Retirement Option Program (DROP)

The plan does not provide a Deferred Retirement Option Program.

Pension Liability

A. Net Pension Liability

The components of the net pension liability of the municipality as of December 31, 2015 were as follows:

Total Pension Liability (TPL)	\$ 6,000,058
Plan Fiduciary Net Position	\$ 4,323,997
Net Pension Liability (NPL)	\$ 1,676,061
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.1%

B. Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2015. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2015. This report was based upon the plan's actuarial assumptions, asset valuation method, and cost method described in Appendix II.

C. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.25%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity		International Equity	7.59%
Large Cap	6.58%	Fixed Income	3.03%
Mid Cap	7.39%	Emerging Markets	10.25%
Small Cap	7.39%	Cash	0.75%

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

E. Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Net Pension Liability	\$2,469,768	\$1,676,061	\$1,011,015

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2014	\$ 5,629,605	\$ 4,260,012	\$1,369,593
Changes for the year:			
Service Cost	244,831	-	244,831
Interest	401,553	-	401,553
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	166,980	(166,980)
Contributions - State Aid	-	133,308	(133,308)
Contributions - Member	-	31,519	(31,519)
Net Investment Income	-	13,984	(13,984)
Benefit Payments	(275,931)	(275,931)	-
Administrative Expense	-	(5,875)	5,875
Other Changes	-	-	-
Net Changes			
Balances at 12/31/2015	\$ 6,000,058	\$ 4,323,997	\$1,676,061

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Expense for Fiscal Year Ended December 31, 2015

Service Cost	\$ 244,831
Interest on Total Pension Liability	401,553
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Employee Contributions	(31,519)
Projected Earnings on Pension Plan Investments	(294,696)
Differences Between Projected and Actual Earnings on Investments	56,142
Administrative Expense	5,875
Other Changes in Fiduciary Net Position	-
Total Pension Expense	\$ 382,186

Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2015, the municipality recognized a pension expense of \$382,186. At December 31, 2015, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>224,570</u>	<u>-</u>
Total	\$ 224,570	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended December 31:

2016	\$ 56,142
2017	56,142
2018	56,142
2019	56,144
2020	-
Thereafter	-

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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, 2015
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, 2015

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Salisbury Township Police Pension Plan Schedule of Changes in Municipality's Net Pension Liability and Related Ratios Last 10 Fiscal Years

	2015
Total Pension Liability	
Service Cost	\$ 244,831
Interest	401,553
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(275,931)
Benefit Payments, Including Refunds of Member Contributions	370,453
Net Change in Total Pension Liability	5,629,605
Total Pension Liability - Beginning	\$ 6,000,058
Total Pension Liability - Ending	\$ 11,629,663
Plan Fiduciary Net Position	
Contributions - Employer	\$ 166,980
Contributions - State Aid	133,308
Contributions - Member	31,519
Net Investment Income	13,984
Benefit Payments, Including Refunds of Member Contributions	(275,931)
Administrative Expense	(5,875)
Net Change in Plan Fiduciary Net Position	63,985
Plan Net Position - Beginning	\$ 4,260,012
Plan Net Position - Ending	\$ 4,323,997
Municipality's Net Pension Liability	\$ 1,676,061
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.1%
Covered Employee Payroll	\$ 1,418,760
Municipality's Net Pension Liability as a Percentage of Covered Employee Payroll	118.1%

Notes to schedules:

None.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

TOWNSHIP OF SALISBURY

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Salisbury Township Police Pension Plan Schedule of Employer Contributions Last 10 Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially Determined Contribution	\$ 88,418	\$ 97,960	\$ 108,413	\$ 129,610	\$ 219,168	\$ 222,285	\$ 258,273	\$ 262,000	\$ 295,572	\$ 300,288
Contributions in Relation to the Actuarially Determined Contribution	88,418	97,960	108,413	129,610	219,168	222,285	258,273	262,000	295,572	300,288
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 662,025	\$ 743,800	\$ 784,540	\$ 936,249	\$ 1,063,519	\$ 1,121,277	\$ 1,218,922	\$ 1,238,387	\$ 1,338,311	\$ 1,418,760
Contributions as a Percentage of Covered Employee Payroll	13.4%	13.2%	13.8%	13.8%	20.6%	19.8%	21.2%	21.2%	22.1%	21.2%

Notes to schedules:

None.

**DETAIL SCHEDULES OF REVENUE
AND EXPENDITURES**



TOWNSHIP OF SALISBURY
GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2015

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
REVENUES			
<i>TAXES</i>			
Real Estate Tax	\$ 1,741,500	\$ 1,764,694	\$ 23,194
Realty Transfer	340,000	434,610	94,610
Local Services Tax	430,000	487,045	57,045
Earned Income Tax	2,200,000	2,205,801	5,801
	<u>4,711,500</u>	<u>4,892,150</u>	<u>180,650</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	220,000	243,770	23,770
Permits	172,900	233,100	60,200
	<u>392,900</u>	<u>476,870</u>	<u>83,970</u>
<i>FINES, FORFEITS AND COSTS</i>			
Vehicle Code Violations	59,000	75,840	16,840
Violations of Ordinances	23,000	25,795	2,795
	<u>82,000</u>	<u>101,635</u>	<u>19,635</u>
<i>INTEREST AND RENTS</i>			
Interest Income	9,000	9,631	631
Rents	55,550	56,829	1,279
	<u>64,550</u>	<u>66,460</u>	<u>1,910</u>
<i>SHARED REVENUES</i>			
Federal grants	3,000	1,500	(1,500)
State grants	256,600	259,911	3,311
Local grants	10,900	58,407	47,507
Recycling grant	40,000	34,521	(5,479)
Beverage Licenses	1,800	3,588	1,788
Public Utility Tax	6,000	6,467	467
Payments in lieu of tax	28,200	28,200	0
Foreign Casualty Insurance	260,000	258,775	(1,225)
Foreign Fire Insurance Tax	110,000	103,057	(6,943)
	<u>716,500</u>	<u>754,426</u>	<u>37,926</u>
<i>CHARGES FOR SERVICES</i>			
Solid Waste Collection Fees	1,500,000	1,427,939	(72,061)
General government	1,500	2,361	861
Public works			0
Subdivision filing			0
Engineering Review			0
Zoning variance	61,000	80,204	19,204
Legal Review			0
Public Safety	93,400	90,568	(2,832)
Other Charges for Service	18,400	25,705	7,305
	<u>1,674,300</u>	<u>1,626,777</u>	<u>(47,523)</u>
<i>MISCELLANEOUS REVENUES</i>			
Refund of prior years expenditure - Insurance	50,000	175,375	125,375
Contributions	89,800	94,963	5,163
Sale of Fixed Assets			0
	<u>139,800</u>	<u>270,338</u>	<u>130,538</u>
TOTAL REVENUES	\$ 7,781,550	\$ 8,188,656	\$ 407,106

TOWNSHIP OF SALISBURY
GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2015

	Original and Ending Budget	Actual	Variance Favorable (unfavorable)
<i>EXPENDITURES</i>			
<i>GENERAL GOVERNMENT</i>			
Legislative	\$ 19,300	\$ 17,911	\$ 1,389
Executive	313,800	293,101	20,699
Finance	171,300	179,188	(7,888)
Tax Collection	57,550	58,846	(1,296)
Law	71,000	111,910	(40,910)
Other general government	66,500	78,220	(11,720)
Engineering	91,000	102,790	(11,790)
Building and Plant	182,800	162,305	20,495
	<u>973,250</u>	<u>1,004,271</u>	<u>(31,021)</u>
<i>PUBLIC SAFETY</i>			
Police	1,888,150	1,912,143	(23,993)
Fire	200,000	209,713	(9,713)
Code Enforcement	212,900	182,150	30,750
Planning and Zoning	148,150	142,304	5,846
Emergency Management	43,800	41,588	2,212
	<u>2,493,000</u>	<u>2,487,898</u>	<u>5,102</u>
<i>PUBLIC WORKS</i>			
Sanitation	1,152,000	1,151,782	218
General Services	1,076,600	1,045,496	31,104
Leaf Collection and Composting			0
Traffic Control	15,000	17,092	(2,092)
Tools and Machinery	40,500	60,311	(19,811)
Capital Construction and Equipment	65,370	58,271	7,099
Streets and Bridges	120,000	165,253	(45,253)
Storm Water Management	28,000	21,536	6,464
	<u>2,497,470</u>	<u>2,519,741</u>	<u>(22,271)</u>
<i>CULTURE AND RECREATION</i>			
	<u>674,300</u>	<u>747,543</u>	<u>(73,243)</u>
<i>MISCELLANEOUS</i>			
Contributions			0
Refund of prior years revenue		3,799	(3,799)
Other			0
	<u>0</u>	<u>3,799</u>	<u>(3,799)</u>
<i>INSURANCE AND EMPLOYEE BENEFITS</i>			
Insurance	134,800	137,912	(3,112)
Social security	160,000	163,001	(3,001)
Unemployment comp	1,000	0	1,000
Pension	622,200	622,184	16
Workers Compensation	79,400	67,239	12,161
Employee Benefits	849,700	811,825	37,875
	<u>1,847,100</u>	<u>1,802,161</u>	<u>44,939</u>
TOTAL EXPENDITURES	\$ 8,485,120	\$ 8,565,413	\$ (80,293)

COMBINING SCHEDULES



TOWNSHIP OF SALISBURY
COMBINING BALANCE SHEETS
SPECIAL REVENUE FUNDS
AS OF DECEMBER 31, 2015

	Library	Fire	Highway Aid	Total
ASSETS				
Investments	\$ 97,601	\$ 291,479	\$ 166,668	\$ 555,748
Taxes receivable, net of allowance	2,876	5,529		8,405
Due from other funds				0
	<u>\$ 100,477</u>	<u>\$ 297,008</u>	<u>\$ 166,668</u>	<u>\$ 564,153</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 59	\$ 3,283	\$ 169	\$ 3,511
Due to other funds				0
	<u>\$ 59</u>	<u>\$ 3,283</u>	<u>\$ 169</u>	<u>\$ 3,511</u>
FUND BALANCE				
Unassigned	100,418	293,725	166,499	560,642
	<u>100,418</u>	<u>293,725</u>	<u>166,499</u>	<u>560,642</u>
	<u>\$ 100,477</u>	<u>\$ 297,008</u>	<u>\$ 166,668</u>	<u>\$ 564,153</u>

TOWNSHIP OF SALISBURY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2015

	Library	Fire	Highway Aid	Total
REVENUES				
Taxes	\$ 80,155	\$ 274,647	\$	\$ 354,802
Interest and rents	91	166	122	379
Miscellaneous revenues		9,000	1,975	10,975
Intergovernmental revenues			373,592	373,592
	<u>80,246</u>	<u>283,813</u>	<u>375,689</u>	<u>739,748</u>
EXPENDITURES				
Public safety		195,349		195,349
Public works			296,673	296,673
Culture and recreation	122,650			122,650
	<u>122,650</u>	<u>195,349</u>	<u>296,673</u>	<u>614,672</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(42,404)</u>	<u>88,464</u>	<u>79,016</u>	<u>125,076</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in		76,883		76,883
Operating transfers out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>76,883</u>	<u>0</u>	<u>76,883</u>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</i>	(42,404)	165,347	79,016	201,959
FUND BALANCES, JANUARY 1	<u>142,822</u>	<u>128,378</u>	<u>87,483</u>	<u>358,683</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 100,418</u></u>	<u><u>\$ 293,725</u></u>	<u><u>\$ 166,499</u></u>	<u><u>\$ 560,642</u></u>