

**SALISBURY TOWNSHIP,
LEHIGH COUNTY,
PENNSYLVANIA
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Salisbury Township
Lehigh County, Pennsylvania

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Salisbury Township as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements, as listed in the table of contents.

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.

Auditor's 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. 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.

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, business-type activities, each major fund, and the aggregate remaining fund information of Salisbury Township, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 9 to the financial statements, Salisbury Township has been negatively impacted by the outbreak of a novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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 or placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension information on pages 55 to 61 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 Salisbury Township's basic financial statements. The combining and individual nonmajor fund financial statements on pages 63 and 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Kirk, Summa & Co. LLP

December 1, 2020
East Stroudsburg, Pennsylvania

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 1,774,952	\$ 2,154,976	\$ 3,929,928
Investments	1,832,723	239,546	2,072,269
Taxes receivable	38,573	-	38,573
Accounts receivable, net	1,128,588	1,074,312	2,202,900
Prepaid expenses	5,681	-	5,681
Total Current Assets	4,780,517	3,468,834	8,249,351
Capital Assets:			
Land and land improvements	6,529,601	-	6,529,601
Construction in progress	-	-	-
Buildings and building improvements	9,003,109	-	9,003,109
Infrastructure	687,404	-	687,404
Traffic signals	244,011	-	244,011
Vehicles and transportation equipment	2,498,855	659,623	3,158,478
Office equipment	153,147	-	153,147
Operating equipment	1,308,135	-	1,308,135
Water collection system	-	6,441,664	6,441,664
Sewer collection system	-	10,541,638	10,541,638
	20,424,262	17,642,925	38,067,187
Less: accumulated depreciation	(11,008,226)	(10,142,974)	(21,151,200)
Total Capital Assets, net of Accumulated Depreciation	9,416,036	7,499,951	16,915,987
TOTAL ASSETS	14,196,553	10,968,785	25,165,338
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Contributions subsequent to the measurement date	484,821	-	484,821
Differences between expected and actual experience	1,053,429	-	1,053,429
Changes in assumptions	158,522	-	158,522
Net difference between projected and actual earnings on pension plan investments	161,037	-	161,037
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,857,809	-	1,857,809
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 16,054,362	\$ 10,968,785	\$ 27,023,147

The notes to financial statements are an integral part of these financial statements.

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
GOVERNMENT-WIDE STATEMENT OF NET POSITION - continued
DECEMBER 31, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 303,520	\$ 251,203	\$ 554,723
Accrued expenses	404,822	295,298	700,120
Payroll taxes payable	55,124	-	55,124
Other liabilities	13,536	-	13,536
Current portion of long-term debt	119,000	221,000	340,000
Total Current Liabilities	<u>896,002</u>	<u>767,501</u>	<u>1,663,503</u>
Long-Term Liabilities:			
Compensated absences	805,589	-	805,589
Net pension liability	5,335,046	-	5,335,046
Bonds payable, net of current portion of long-term debt and unamortized premiums and discounts	1,642,880	3,408,616	5,051,496
Refundable deposits	-	100	100
Total Long-Term Liabilities	<u>7,783,515</u>	<u>3,408,716</u>	<u>11,192,231</u>
TOTAL LIABILITIES	<u>8,679,517</u>	<u>4,176,217</u>	<u>12,855,734</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Differences between expected and actual experience	507,171	-	507,171
Net difference between projected and actual earnings on pension plan investments	22,994	-	22,994
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>530,165</u>	<u>-</u>	<u>530,165</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	7,654,156	3,870,335	11,524,491
Restricted	1,374,055	-	1,374,055
Unrestricted	<u>(2,183,531)</u>	<u>2,922,233</u>	<u>738,702</u>
TOTAL NET POSITION	<u>6,844,680</u>	<u>6,792,568</u>	<u>13,637,248</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 16,054,362</u>	<u>\$ 10,968,785</u>	<u>\$ 27,023,147</u>

The notes to financial statements are an integral part of these financial statements.

**SALISBURY TOWNSHIP, LEHIGH COUNTY, PENNSYLVANIA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Program Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
General government and administration	\$ 1,053,704	\$ 464,745	\$ 548,937	\$ 129,118	\$ 89,096	\$ -	\$ 89,096
Public safety	3,374,148	262,597	162,084	-	(2,949,467)	-	(2,949,467)
Public works - sanitation	-	-	252,092	-	252,092	-	252,092
Public works - highways and streets	1,815,790	-	491,239	-	(1,324,551)	-	(1,324,551)
Culture and recreation	162,388	2,125	-	35,000	(125,263)	-	(125,263)
Community development	63,635	-	-	-	(63,635)	-	(63,635)
Interest expense	45,003	-	-	-	(45,003)	-	(45,003)
Unallocated depreciation	376,802	-	-	-	(376,802)	-	(376,802)
Unallocated and other	3,115,548	-	-	-	(3,115,548)	-	(3,115,548)
Total governmental activities	10,007,018	729,467	1,454,352	164,118	(7,659,081)	-	(7,659,081)
Business-type activities:							
Proprietary funds	4,955,823	5,325,484	-	-	-	369,661	369,661
Total business-type activities	4,955,823	5,325,484	-	-	-	369,661	369,661
Total Government	\$ 14,962,841	\$ 6,054,951	\$ 1,454,352	\$ 164,118	(7,659,081)	369,661	(7,289,420)
General (Expenses) Revenues							
Real estate taxes					2,838,781	-	2,838,781
Earned income taxes					2,442,526	-	2,442,526
Local services taxes					492,957	-	492,957
Real estate transfer taxes					620,242	-	620,242
Interest income					73,475	46,980	120,455
Rental income					70,060	-	70,060
Gain on sale of capital assets					84,897	-	84,897
Transfers in (out)					128,536	(128,023)	513
Unallocated and other					187,013	-	187,013
Total General (Expenses) Revenues					6,938,487	(81,043)	6,857,444
Change in Net Position					(720,594)	288,618	(431,976)
Net Position at Beginning of Year					7,565,274	6,503,950	14,069,224
Net Position at End of Year					\$ 6,844,680	\$ 6,792,568	\$ 13,637,248

The notes to financial statements are an integral part of these financial statements.

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Highway Aid Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 239,297	\$ 889,933	\$ 645,722	\$ 1,774,952
Investments	1,832,723	-	-	1,832,723
Taxes receivable	33,839	-	4,734	38,573
Accounts receivable	839,966	-	288,622	1,128,588
Prepaid expenses	5,681	-	-	5,681
Total Assets	\$ 2,951,506	\$ 889,933	\$ 939,078	\$ 4,780,517
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 253,386	\$ 169,269	\$ 285,687	\$ 708,342
Payroll taxes payable	55,124	-	-	55,124
Other liabilities	13,536	-	-	13,536
Total Liabilities	322,046	169,269	285,687	777,002
<u>FUND BALANCES</u>				
Restricted	-	720,664	653,391	1,374,055
Unassigned	2,629,460	-	-	2,629,460
Total Fund Balances	2,629,460	720,664	653,391	4,003,515
Total Liabilities and Fund Balances	\$ 2,951,506	\$ 889,933	\$ 939,078	\$ 4,780,517

The notes to financial statements are an integral part of these financial statements.

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET-MODIFIED ACCRUAL BASIS -
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total fund balance - total governmental funds	\$ 4,003,515
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the government funds balance sheet.	20,424,262
Accumulated depreciation from capital assets used in governmental activities are not current financial resources and therefore is not reported in the governmental funds balance sheet.	(11,008,226)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in governmental-type fund:	
Contributions subsequent to the measurement date	484,821
Deferred outflow of differences between expected and actual experience	1,053,429
Deferred outflow of changes in assumptions	158,522
Deferred outflow of net difference between projected and actual earnings on pension plan investments	161,037
Accrued compensated absences are not accrued in governmental-type funds.	(805,589)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the government-type fund statements.	(5,335,046)
Long-term debt is not due and payable in the current period and, therefore, is not reported on the governmental-type fund's balance sheet:	
Bonds payable	(1,761,880)
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in governmental-type fund:	
Deferred inflow of differences between expected and actual experience	(507,171)
Deferred inflow of net difference between projected and actual earnings on pension plan investments	(22,994)
Total adjustments	<u>2,841,165</u>
Net position of governmental activities	<u><u>\$ 6,844,680</u></u>

The notes to financial statements are an integral part of these financial statements.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Highway Aid Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 6,045,890	\$ -	\$ 348,616	\$ 6,394,506
Licenses and permits	248,890	-	-	248,890
Fines and forfeits	61,080	-	-	61,080
Interest, rents and royalties	127,631	6,607	9,297	143,535
Intergovernmental	660,859	489,442	312,718	1,463,019
Charges for services	574,948	-	-	574,948
Miscellaneous	97,481	-	-	97,481
Total Revenues	7,816,779	496,049	670,631	8,983,459
Other Financing Sources				
Proceeds of general fixed asset disposition	-	-	84,897	84,897
Transfers in	348,351	-	1,102,074	1,450,425
Refunds of prior year expenditures	65,654	-	23,878	89,532
Total Revenues and Other Financing Sources	8,230,784	496,049	1,881,480	10,608,313
Expenditures				
General government	1,025,357	-	38,244	1,063,601
Public safety	2,832,555	-	465,557	3,298,112
Public works - highways and streets	1,616,438	430,848	196,780	2,244,066
Culture and recreation	80,829	-	330,084	410,913
Community development	63,635	-	-	63,635
Debt service - principal	-	-	137,000	137,000
Debt service - interest	-	-	46,032	46,032
Payroll taxes	181,028	-	-	181,028
Pension	874,293	-	-	874,293
Insurance and other benefits	1,339,587	-	-	1,339,587
Miscellaneous	56	-	1,093	1,149
Refund of prior year revenues	1,618	-	-	1,618
Transfers out	804,333	-	517,556	1,321,889
Total Expenditures	8,819,729	430,848	1,732,346	10,982,923
Excess (Deficit) of revenues and other financing sources over (under) expenditures	(588,945)	65,201	149,134	(374,610)
Fund Balances at Beginning of Year	3,218,405	655,463	504,257	4,378,125
Fund Balances at End of Year	\$ 2,629,460	\$ 720,664	\$ 653,391	\$ 4,003,515

The notes to financial statements are an integral part of these financial statements.

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-MODIFIED ACCRUAL BASIS OF GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds	\$ (374,610)
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	365,592
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(376,802)
Governmental-type funds do not accrue the changes in compensated absences on their statement of revenues, expenditures and changes in fund equity. However, this amount is accrued on the statement of activities.	245,069
Repayment of bonds payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	138,029
Adjustment for pension contributions subsequent to the measurement date and change in net pension liability.	<u>(717,872)</u>
Total adjustments	<u>(345,984)</u>
Change in net position of governmental activities	<u><u>\$ (720,594)</u></u>

The notes to financial statements are an integral part of these financial statements.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

	Water Fund	Sewer Fund	Refuse and Recycling Fund	Total Proprietary Funds
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 344,026	\$ 1,401,252	\$ 409,698	\$ 2,154,976
Investments	41,176	198,370	-	239,546
Accounts receivable, net	366,423	534,932	172,957	1,074,312
Total Current Assets	751,625	2,134,554	582,655	3,468,834
Capital Assets, Net of Accumulated Depreciation	4,548,348	2,951,603	-	7,499,951
Total Assets	<u>\$ 5,299,973</u>	<u>\$ 5,086,157</u>	<u>\$ 582,655</u>	<u>\$ 10,968,785</u>
<u>LIABILITIES AND NET POSITION</u>				
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 5,633	\$ 129,922	\$ 115,648	\$ 251,203
Accrued expenses	119,836	175,132	330	295,298
Current portion of long-term debt	166,600	54,400	-	221,000
Total Current Liabilities	292,069	359,454	115,978	767,501
Long-Term Liabilities				
Bonds payable, net of current portion of long-term debt and unamortized premiums and discounts	2,542,971	865,645	-	3,408,616
Refundable deposits	100	-	-	100
Total Long-Term Liabilities	2,543,071	865,645	-	3,408,716
Total Liabilities	2,835,140	1,225,099	115,978	4,176,217
<u>NET POSITION</u>				
Investment in capital assets, net of related debt	1,838,777	2,031,558	-	3,870,335
Unrestricted	626,056	1,829,500	466,677	2,922,233
Total Net Position	2,464,833	3,861,058	466,677	6,792,568
Total Liabilities and Net Position	<u>\$ 5,299,973</u>	<u>\$ 5,086,157</u>	<u>\$ 582,655</u>	<u>\$ 10,968,785</u>

The notes to financial statements are an integral part of these financial statements

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Water Fund	Sewer Fund	Refuse and Recycling Fund	Total Proprietary Funds
Operating Revenues				
Charges for services	\$ 1,852,799	\$ 2,034,296	\$ 1,416,950	\$ 5,304,045
Tapping fees	2,989	9,355	-	12,344
Miscellaneous	670	4,915	3,510	9,095
Total Operating Revenues	<u>1,856,458</u>	<u>2,048,566</u>	<u>1,420,460</u>	<u>5,325,484</u>
Operating Expenses				
Administrative	8,214	8,218	8,218	24,650
Audit fees	1,500	1,500	-	3,000
Computer expense	16,671	16,882	13,233	46,786
Contracted services	595	20,797	1,111,576	1,132,968
Contractual payments	10,000	160,825	-	170,825
Depreciation expense	114,309	136,964	-	251,273
Disposal costs	-	613,628	-	613,628
Engineering	1,029	32,960	-	33,989
Hydrant rental	15,353	-	-	15,353
Insurance	125,238	125,238	22,874	273,350
Legal services	-	21,052	-	21,052
Miscellaneous	4,295	1,337	605	6,237
Payroll taxes	25,159	25,158	4,177	54,494
Pension	95,087	95,087	19,393	209,567
Postage	3,729	4,306	4,221	12,256
Printing	2,590	2,101	2,115	6,806
Recycling costs	-	-	124,480	124,480
Repairs and maintenance	2,215	5,235	-	7,450
Small tools	4,333	2,695	-	7,028
Supplies	11,257	14,050	-	25,307
Telephone	1,703	447	-	2,150
Testing and calibration services	5,850	-	-	5,850
Transmission expense	-	29,724	-	29,724
Wages	326,429	326,426	54,104	706,959
Water purchases	1,044,536	-	-	1,044,536
Utilities	6,729	11,239	-	17,968
Vehicle expenses	8,709	8,709	-	17,418
Total Operating Expenses	<u>1,835,530</u>	<u>1,664,578</u>	<u>1,364,996</u>	<u>4,865,104</u>
Net Income From Operations	20,928	383,988	55,464	460,380
Non-Operating Revenues (Expenses)				
Interest income	10,602	27,560	8,818	46,980
Interest expense	(67,465)	(23,254)	-	(90,719)
Transfers in (out)	(112,674)	107,141	(122,490)	(128,023)
Total Non-Operating Revenues (Expenses)	<u>(169,537)</u>	<u>111,447</u>	<u>(113,672)</u>	<u>(171,762)</u>
Change in Net Position	(148,609)	495,435	(58,208)	288,618
Contributed Capital	906,400	2,201,036	-	3,107,436
Net Position Beginning of Year	<u>1,707,042</u>	<u>1,164,587</u>	<u>524,885</u>	<u>3,396,514</u>
Net Position End of Year	<u>\$ 2,464,833</u>	<u>\$ 3,861,058</u>	<u>\$ 466,677</u>	<u>\$ 6,792,568</u>

The notes to financial statements are an integral part of these financial statements.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water Fund	Sewer Fund	Refuse and Recycling Fund	Total Proprietary Funds
Cash flows from operating activities:				
Cash received from customers	\$ 1,842,366	\$ 2,007,563	\$ 1,444,567	\$ 5,294,496
Cash received from other sources	3,659	14,270	3,510	21,439
Cash payments for materials and services	(1,375,912)	(1,510,217)	(1,298,734)	(4,184,863)
Cash payments for employment	(351,588)	(351,584)	(58,281)	(761,453)
Net cash provided by operating activities	<u>118,525</u>	<u>160,032</u>	<u>91,062</u>	<u>369,619</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(334,524)	-	(334,524)
Principal payment of long-term debt - 2016 GOB	(142,400)	(45,600)	-	(188,000)
Net cash (used in) capital and related financing activities	<u>(142,400)</u>	<u>(380,124)</u>	<u>-</u>	<u>(522,524)</u>
Cash flows from investing activities:				
Proceeds of investments	-	200,939	-	200,939
Interest income	10,602	27,560	8,818	46,980
Interest expense	(67,465)	(23,254)	-	(90,719)
Transfers in (out)	(112,674)	107,141	(122,490)	(128,023)
Net cash provided by (used in) investing activities	<u>(169,537)</u>	<u>312,386</u>	<u>(113,672)</u>	<u>29,177</u>
Net increase (decrease) in cash and cash equivalents	(193,412)	92,294	(22,610)	(123,728)
Cash and cash equivalents at beginning of year	<u>537,438</u>	<u>1,308,958</u>	<u>432,308</u>	<u>2,278,704</u>
Cash and cash equivalents at end of year	<u>\$ 344,026</u>	<u>\$ 1,401,252</u>	<u>\$ 409,698</u>	<u>\$ 2,154,976</u>
Reconciliation of net income from operations to net cash provided by operating activities:				
Net income from operations	\$ 20,928	\$ 383,988	\$ 55,464	\$ 460,380
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation expense	114,309	136,964	-	251,273
(Increase) decrease in current assets:				
Accounts receivable	(10,443)	(26,733)	27,617	(9,559)
Increase (decrease) in current liabilities:				
Accounts payable	(2,133)	16,809	7,808	22,484
Accrued expenses	(4,136)	(350,996)	173	(354,959)
Total Adjustments	<u>97,597</u>	<u>(223,956)</u>	<u>35,598</u>	<u>(90,761)</u>
Net cash provided by operating activities	<u>\$ 118,525</u>	<u>\$ 160,032</u>	<u>\$ 91,062</u>	<u>\$ 369,619</u>

The notes to financial statements are an integral part of these financial statements.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2019**

	Police Pension Fund	Subdivison Escrow Fund	Total Fiduciary Funds
<u>ASSETS</u>			
Current Assets			
Cash	\$ 578,355	\$ 417,625	\$ 995,980
Investments	5,619,648	-	5,619,648
Total Current Assets	<u>6,198,003</u>	<u>417,625</u>	<u>6,615,628</u>
 Total Assets	 <u>\$ 6,198,003</u>	 <u>\$ 417,625</u>	 <u>\$ 6,615,628</u>
<u>LIABILITIES AND NET POSITION</u>			
<u>LIABILITIES</u>			
Current Liabilities			
Refundable escrow deposits	\$ -	\$ 133,591	\$ 133,591
Refundable escrow interest	-	7,827	7,827
Total Current Liabilities	-	141,418	141,418
<u>NET POSITION</u>			
Net position held in trust for pension benefits	6,198,003	276,207	6,474,210
Total Net Position	<u>6,198,003</u>	<u>276,207</u>	<u>6,474,210</u>
 Total Liabilities and Net Position	 <u>\$ 6,198,003</u>	 <u>\$ 417,625</u>	 <u>\$ 6,615,628</u>

The notes to financial statements are an integral part of these financial statements.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Police Pension Fund	Subdivision Escrow Fund	Total Fiduciary Funds
Revenues			
Contributions - state aid	\$ 184,338	\$ -	\$ 184,338
Contributions - members	40,181	-	40,181
Contributions - employer	200,184	-	200,184
Interest and dividends	213,245	2,722	215,967
Net increase in fair value of investments	667,419	-	667,419
Total Revenues	1,305,367	2,722	1,308,089
Expenses			
Benefit Payments	257,603	-	257,603
Investment expenses	33,217	-	33,217
Administrative expenses	6,025	-	6,025
Transfers out - General Fund	-	513	513
Total Expenses	296,845	513	297,358
Change in Net Position	1,008,522	2,209	1,010,731
Net Position at Beginning of Year	5,189,481	273,998	5,463,479
Net Position at End of Year	<u>\$ 6,198,003</u>	<u>\$ 276,207</u>	<u>\$ 6,474,210</u>

The notes to financial statements are an integral part of these financial statements.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 – NATURE OF ACTIVITY

Salisbury Township (the Township), Lehigh County, Pennsylvania, founded in 1753, has an approximate population of 13,505 based on a 2010 census report, living within an area of 11.1 square miles. The Township is in the southeastern portion of the Commonwealth of Pennsylvania and is located in Lehigh County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The Township has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011.

B. Financial Reporting Entity

The Township is a Pennsylvania First Class Township which operates under a Board of Commissioners form of government. Accounting principles generally accepted in the United States of America require that the reporting entity consist of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units, are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. There are no agencies or entities which should be presented with the Township.

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the reporting government as a whole. The statements include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods and services.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Presentation – continued

Fund Financial Statements

In the fund financial statements, financial transactions and accounts of the Township are organized on a basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

Total assets, liabilities, revenues or expenditures of that individual government or proprietary fund are at least 10% of the corresponding total for all funds of that category or type, and total assets, liabilities, revenues or expenditures of the individual governmental fund or proprietary fund are at least 5% of the corresponding total for all governmental and proprietary funds combined.

The Township may also report as a major fund any fund it believes to be of particular importance to the financial statement users.

The funds of the financial reporting entity are described below:

Governmental Funds:

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use and balances of the Township's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position rather than net income determination.

General Fund – is the primary operating fund of the Township and is always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds – are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The reporting entity includes the following special revenue funds which are reported as major funds:

Liquid Fuels Fund – is used to account for the proceeds from the State Motor License Fund. Under the Act of June 1, 1956, P.L. 1944, No. 145, this Fund must be kept separate from all other funds and no other funds shall be commingled with this Fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with the Department of Transportation regulations. County liquid fuels tax payments to the local government are not accounted for in this Fund.

Fire Protection Fund – accounts for taxes collected for specific purposes and expended for fire protection purposes.

Library Fund – accounts for taxes collected for specific purposes and expended for library operation purposes.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Presentation – continued

Fund Financial Statements – continued

Governmental Funds– continued:

Capital Projects Fund – is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets, including those financed by general obligation bond proceeds. Capital projects funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments. The reporting entity includes the following capital projects fund which is reported as a major fund:

Capital Projects Fund – is used to account for resources used to construct or acquire capital assets from resources derived from budgetary transfers, long-term debt proceeds and investment earnings.

Debt Service Fund – is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest (debt service). This Fund includes financial resources that are being accumulated for principal and interest maturing in future years and also includes financial resources that are legally mandated to be accounted for and reported in a debt service fund. The reporting entity includes the following debt service fund which is reported as a major fund:

Debt Service Fund – is used for the payment of debt related to the Township's General Obligation Bond, Series of 2016.

Proprietary Funds:

Enterprise Funds – are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private-sector. The reporting entity includes the following enterprise funds which are reported as major funds:

Water Fund – is used to account for the operation of the water system which is operated as a public utility. All activities necessary to provide such services are accounted for but not limited to; administration, operations and maintenance, financing and related debt service, billing and collection.

Sewer Fund – is used to account for the operation of the sewer system which is operated as a public utility. All activities necessary to provide such services are accounted for but not limited to; administration, operations and maintenance, financing and related debt service, billing and collection.

Refuse and Recycling Fund – is used to account for the operation of trash collection for Township residents. All activities necessary to provide such services are accounted for but not limited to; administration, billing and collection.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Presentation – continued

Fund Financial Statements – continued

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Township reports the following fiduciary fund types:

Police Pension Fund – is a single-employer defined benefit pension plan. This Fund accounts for fiduciary resources legally held in trust for the receipts and distributions of retirement benefits for police employees.

Non-Uniform Pension Fund – is a single-employer defined benefit pension plan. This Fund accounts for fiduciary resources legally held in trust for the receipts and distributions of retirement benefits for non-uniformed employees.

Agency Funds – are used to account for assets held in trust for the benefit of others, with the Township having no equity or ownership in the assets. The reporting entity includes the following agency funds:

Subdivision Escrow Fund – is used to record receipt of escrow deposits to be used as expense reimbursements for legal and engineering fees.

D. Measurement Focus and Basis of Accounting

The basic financial statements of the Township are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements
- Required supplementary information

Government-Wide Financial Statements

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statement. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (a) fees, fines and charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Measurement Focus and Basis of Accounting - continued

Fund Financial Statements

The governmental fund financial statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a difference measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities of the government-wide financial statements.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred except for unmatured interest on long-term, claims, judgments, compensated absences and pension expenditures which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, funds must be expended for the specific purpose or project before any amounts will be paid to the Township, therefore, revenues are recognized based upon the expenditures incurred. In the other type, funds are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirement. These resources are reported as revenues as the time of receipt or earlier, if the susceptible-to-accrual criteria are met.

Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recognized as earned.

The Township's Fiduciary Funds are presented in the fund financial statements by type (pension and agency). Since, by definition, these assets are being held for the benefit of a third party (other local governments, litigants, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Operating revenues in the Proprietary Funds, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

E. Assets, Liabilities and Deferred Outflows/Inflows of Resources

Cash

For the purpose of the statement of cash flows for proprietary funds, cash includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Assets, Liabilities and Deferred Outflows/Inflows of Resources - continued

Investments

The Board of Commissioners is authorized by statutes to invest its funds as defined in the Township Code. Authorized types of investments include the following:

- A. U.S. Treasury Bills.
- B. Short-term obligations of the U.S. Government or its agencies or instrumentalities.
- C. Insured savings and checking accounts and certificates of deposit in bank, savings and loan associations, and credit unions.
- D. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
- E. Shares of mutual funds, whose investments are restricted to the above categories.

Investments of pension trust funds are pursuant to the guidelines established by the Pension Board.

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Accounts Receivable

The Township's accounts receivables are reported at net realizable value. The Township's sewer, water and garbage operations experience very small losses from uncollectible accounts. Sewer, water and garbage fees constitute a lien against real property and usually can be collected in full when title transfers. Only balances after tax sales are written off each year. Accounts receivable are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on professional judgment and historical trend information.

Capital Assets

Capital outlays are recorded as expenditures in the General, Special Revenue and Capital Projects Funds and assets in the government-wide financial statements to the extent the Township's capitalization threshold is met. The Township has elected, under the provisions of GASB Statement No. 34, to capitalize infrastructure on a prospective basis beginning January 1, 2004, therefore, amounts expended for infrastructure prior to January 1, 2004 are not included in the financial statements.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date of donation. The Township maintains a capitalization threshold of \$5,000 for all capital assets.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Assets, Liabilities and Deferred Outflows/Inflows of Resources - continued

Capital Assets - continued

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	25 to 40 years
Infrastructure	25 years
Traffic signals	25 years
Vehicles and transportation equipment	5 years
Office equipment	7 years
Operating equipment	5 years
Water collection system	40 years
Sewer collection system	40 years

The cost of normal repairs and maintenance that does not add to the value of the asset or materially extend its useful life is not capitalized.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Debt issuance costs, except any portion related to prepaid insurance costs, are reported as debt service expenditures in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. In proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column in the statement of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Proprietary fund types recognize long-term debt and other long-term obligations as liabilities in the statement of net position.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Assets, Liabilities and Deferred Outflows/Inflows of Resources - continued

Compensated Absences

Township employees are allowed sick leave in varying amounts based on their length of employment. Employees covered under the respective collective bargaining agreements accumulate sick and vacation pay as defined in the agreement.

F. Equity

Government-Wide Statements

The Township classifies net position into the following three components:

Net Investment in Capital Assets – this component consists of all capital assets, net of accumulated depreciation, and is reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Debt related to unspent proceeds is excluded from this component.

Restricted – this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability related to restricted assets if the assets result from a resource flows that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. This component of net position includes constraints that are placed thereon by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments or (b) law through constitutional provisions or enabling litigation.

Unrestricted – this component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of "net investment in capital assets" or "restricted," as noted above.

The Township's policy is to first use restricted net position prior to the use of unrestricted net position when expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental Fund Financial Statements

The Township reports fund balances in the governmental funds into the following five components:

Nonspendable – this classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Restricted – this classification consists of amounts that are restricted to specific purposes either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments or (b) law through constitutional provisions or enabling legislation. The restriction is binding unless removed with the consent of the resource provider.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

F. Equity - continued

Governmental Fund Financial Statements - continued

Committed – this classification consists of amounts used for specific purposes imposed by formal action of the Township's highest level of decision-making authority. The commitment is binding unless removed in the same manner imposed. Formal action must occur prior to fiscal year-end; however, the amount may be determined subsequent to year-end.

Assigned – this classification consists of amounts constrained by the Township's intent to be used for specific purposes that are neither restricted nor committed.

Unassigned – this classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive, unassigned fund balance.

G. Revenues and Expenditures

Program Revenues

All revenues are recognized when received.

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are program revenues. Amounts reported as program revenues include (a) charges to customers or applicants for goods and services or privileges provided, (b) operating grants and contributions and (c) capital grants and contributions, including special assessments. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Proprietary funds distinguish operating revenues and expenditures from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are usage charges. The Township also recognizes as operating revenues in the Sewer Fund, allocation fees intended to recover the cost of connecting new customers to the system. Operating expenses of the proprietary funds include the cost of the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the Township's proprietary funds are interest income and capital contributions.

Intergovernmental Revenues

Intergovernmental revenues are received from the Commonwealth of Pennsylvania, federal agencies and local governmental units, generally to fund specific programs, and are recognized when received.

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

H. Internal and Interfund Balances and Activities

Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories, is reported as follows in the fund financial statements:

Interfund Services – sales or purchases of goods and services between funds are reported as revenues and expenditures.

Interfund Reimbursements – repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures in the respective funds.

Interfund Transfers – flow of assets from one fund to another where payment is not expected is reported as transfers in and out.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

J. Recent Statements Issued by GASB

The GASB has issued the following Statements which were to become effective in the current year. In May 2020, the GASB issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", which is effective immediately. These postponements are identified below.

Statement No.83 "*Certain Asset Retirement Obligations*" is effective for reporting periods beginning after June 15, 2018, postponed to 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations. The Township is evaluating the impact this Statement may have on the financial statements.

Statement No.84 "*Fiduciary Activities*" is effective for reporting periods beginning after December 15, 2018, postponed to 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Township will no longer report the subdivision escrow separately and will be consolidated with the general fund.

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

J. Recent Statements Issued by GASB – continued

Statement No.88 "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*" is effective for reporting periods beginning after June 15, 2018, postponed to 2019. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Township has implemented the following Statement. See Note 5.

Statement No.89 "*Accounting for Interest Cost Incurred before the End of a Construction Period*" is effective for reporting periods beginning after December 15, 2019, postponed to 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement has no impact on the Township's financial statements.

Statement No.90 "*Majority Equity Interests – An Amendment of GASB #14 and #61*" is effective for reporting periods beginning after December 15, 2018, postponed to 2019. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Township is evaluating the impact this Statement may have on the financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Township's available cash is invested in demand deposit accounts, money market accounts and the Pennsylvania Local Government Investment Trust. Pension fund assets are invested in mutual funds. The carrying amounts of cash and investments at December 31, 2019 consist of the following:

Cash deposits	\$ 4,924,948
Petty cash	960
Investments and certificates of deposits	<u>7,691,917</u>
	<u>\$ 12,617,825</u>

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

Reconciliation to Statement of Net Position/Balance Sheet

Cash:	
Governmental	\$ 1,774,952
Business-type	2,154,976
Fiduciary	995,980
	<u>4,925,908</u>
Investments and certificates of deposit:	
Governmental	1,832,723
Business-type	239,546
Fiduciary	5,619,648
	<u>7,691,917</u>
	<u>\$ 12,617,825</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. The Pennsylvania Local Government Code and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provisions for deposits: Pennsylvania Act 72 requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by public agencies.

At December 31, 2019, the carrying amount of the Township's bank deposits and certificates of deposit was \$6,110,842 and the corresponding bank balances were \$6,241,149, of which \$250,000 was covered by Federal Depository Insurance. The remaining \$5,991,149 of deposits was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments

As of December 31, 2019, the Township has the following investments:

	Fair Value	Investment Maturities (in Years)		Level
		Less Than One Year	One Through Five Years	
Restricted Cash Investments	\$ 1,162,353	\$ 1,162,353	\$ -	1
Investment Savings	601,896	601,896	-	N/A
Pennsylvania Local Government Investment Trust	308,020	308,020	-	N/A
Totals	<u>\$ 2,072,269</u>	<u>\$ 2,072,269</u>	<u>\$ -</u>	

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 – DEPOSITS AND INVESTMENTS - continued

Investments – continued

As of December 31, 2019, the Township's pension trust funds have the following investments:

<u>Fund</u>	<u>Fair Market Value</u>	<u>Level</u>
Police Pension Fund:		
Cash	\$ 578,355	N/A
Fixed Income	1,879,552	2
Equities	2,893,579	1
Common Stocks	846,517	1
Total Police Pension Fund	<u>\$ 6,198,003</u>	

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Township limits the type of investments permitted as defined in the Township Code. Permitted investments are defined in Note 2. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2019, \$6,198,003 is held by the investment's counterparties, not in the name of the Township.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 – CAPITAL ASSETS

Capital asset activity is as follows:

	Balance January 1, 2019	Adjustments/ Additions	Deletions	Balance December 31, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 4,281,748	\$ 2,247,853	\$ -	\$ 6,529,601
Construction in progress	1,999,328	(1,999,328)	-	-
Total capital assets not being depreciated	<u>6,281,076</u>	<u>248,525</u>	<u>-</u>	<u>6,529,601</u>
Capital assets being depreciated:				
Buildings and building improvements	8,995,658	7,451	-	9,003,109
Infrastructure	687,404	-	-	687,404
Traffic signals	244,011	-	-	244,011
Vehicles and transportation equipment	2,339,483	366,148	206,776	2,498,855
Office equipment	122,849	30,298	-	153,147
Operating equipment	<u>1,128,726</u>	<u>203,309</u>	<u>23,900</u>	<u>1,308,135</u>
Total capital assets being depreciated	<u>13,518,131</u>	<u>607,206</u>	<u>230,676</u>	<u>13,894,661</u>
Less accumulated depreciation	<u>10,862,100</u>	<u>376,802</u>	<u>230,676</u>	<u>11,008,226</u>
Total capital assets being depreciated, net	<u>2,656,031</u>	<u>230,404</u>	<u>-</u>	<u>2,886,435</u>
Total governmental activities capital assets, net	<u>\$ 8,937,107</u>	<u>\$ 478,929</u>	<u>\$ -</u>	<u>\$ 9,416,036</u>

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 – CAPITAL ASSETS - continued

	Balance January 1, 2019	Adjustments	Additions	Deletions	Balance December 31, 2019
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 13,309	\$ (13,309)	\$ -	\$ -	\$ -
Capital assets being depreciated:					
Water collection system	6,441,664	-	-	-	6,441,664
Sewer collection system	10,193,805	13,309	334,524	-	10,541,638
Vehicles and transpor- tation equipment	659,623	-	-	-	659,623
Total capital assets being depreciated	17,295,092	13,309	334,524	-	17,642,925
Less accumulated depreciation	9,891,701	-	251,273	-	10,142,974
Total capital assets being depreciated, net	7,403,391	13,309	83,251	-	7,499,951
Total business-type activities capital assets, net	\$ 7,416,700	\$ -	\$ 83,251	\$ -	\$ 7,499,951

NOTE 5 – LONG-TERM LIABILITIES

Governmental Activities

General Obligation Bonds, Series of 2016

On March 15, 2016 the Township issued \$2,253,400 to advance refund the Township's General Obligation Bond, Series of 2010 and provide an additional \$478,630 to fund certain capital projects located within the Township. Interest rates varies from 2.00% to 4.0% and the maturity date is December 15, 2035. The bonds are subject to redemption prior to maturity.

Business-Type Activities

General Obligation Bonds, Series of 2016

On March 15, 2016 the Township issued \$4,186,600 to advance refund the Township's General Obligation Bond, Series of 2010 and provide an additional \$3,872,558 to fund certain capital projects located within the Township. Interest rates varies from 2.00% to 4.0% and the maturity date is December 15, 2035. The bonds are subject to redemption prior to maturity.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 – LONG-TERM LIABILITIES - continued

Changes in long-term liabilities for the year ended December 31, 2019 are as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019	Current Portion
Governmental activities:					
Bonds payable:					
Series of 2016, General Obligation Bond, initial issue \$6,440,000, interest rate ranging from 2.00%-4.00% per annum, maturing December 2035	\$ 1,882,150	\$ -	\$ 137,000	\$ 1,745,150	\$ 119,000
Premium	56,641	-	3,284	53,357	-
Discount	(38,882)	-	(2,255)	(36,627)	-
Total bonds payable	<u>1,899,909</u>	<u>-</u>	<u>138,029</u>	<u>1,761,880</u>	<u>119,000</u>
Compensated absences	560,520	245,069	-	805,589	-
Net pension liability	3,828,174	1,506,872	-	5,335,046	-
Total governmental activities					
Long-term activities	<u>\$ 6,288,603</u>	<u>\$ 1,751,841</u>	<u>\$ 138,029</u>	<u>\$ 7,902,515</u>	<u>\$ 119,000</u>

Total governmental activities interest expense for the year ended December 31, 2019 was \$45,003.

Bond principal and interest payments are paid from the Debt Service Fund which is funded by transfers in from the General Fund.

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued sick leave for which employees are entitled to be paid. The retirement of this liability is paid from the General Fund.

Net Pension Liability

The net pension liability represents the actuarially-determined liability for employees' projected pension benefit payments to be provided to current active and inactive employees; that is attributed to those employees' past periods of service, less the pension plan's fiduciary net position. The liability is funded from the General Fund.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 – LONG-TERM LIABILITIES - continued

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019	Current Portion
Business-type activities:					
Bonds payable:					
Series of 2016, General Obligation Bond, initial issue \$6,440,000, interest rate ranging from 2.00%-4.00% per annum, maturing December 2035	\$ 3,807,850	\$ -	\$ 188,000	\$ 3,619,850	\$ 221,000
Premium	90,491	-	5,246	85,245	-
Discount	(80,124)	-	(4,645)	(75,479)	-
Total business-type activities					
Long-term activities	<u>\$ 3,818,217</u>	<u>\$ -</u>	<u>\$ 188,601</u>	<u>\$ 3,629,616</u>	<u>\$ 221,000</u>

Total business-type activities interest expense for the year ended December 31, 2019 was \$90,719.

Aggregate maturities required on long-term debt at December 31, 2019 are as follows:

Governmental Activities

		Series of 2016 General Obligation Bond		
		Principal	Interest	Total
Year Ending December 31,				
	2020	\$ 119,000	\$ 43,524	\$ 162,524
	2021	124,250	38,764	163,014
	2022	124,250	36,279	160,529
	2023	127,750	33,793	161,543
	2024	129,500	31,238	160,738
	2025-2029	694,750	115,975	810,725
	2030-2034	415,900	47,425	463,325
	2035	9,750	2,493	12,243
		<u>\$ 1,745,150</u>	<u>\$ 349,491</u>	<u>\$ 2,094,641</u>

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 – LONG-TERM LIABILITIES - continued

Business-Type Activities

		Series of 2016 General Obligation Bond		
		Principal	Interest	Total
Year Ending December 31,				
	2020	\$ 221,000	\$ 80,829	\$ 301,829
	2021	230,750	71,989	302,739
	2022	230,750	67,374	298,124
	2023	237,250	62,759	300,009
	2024	240,500	58,014	298,514
	2025-2029	1,290,250	215,383	1,505,633
	2030-2034	851,500	88,075	939,575
	2035	317,850	4,632	322,482
		<u>\$ 3,619,850</u>	<u>\$ 649,055</u>	<u>\$ 4,268,905</u>

Total Government-Wide

		Series of 2016 General Obligation Bond		
		Principal	Interest	Total
Year Ending December 31,				
	2020	\$ 340,000	\$ 124,353	\$ 464,353
	2021	355,000	110,753	465,753
	2022	355,000	103,653	458,653
	2023	365,000	96,552	461,552
	2024	370,000	89,252	459,252
	2025-2029	1,985,000	331,358	2,316,358
	2030-2034	1,267,400	135,500	1,402,900
	2035	327,600	7,125	334,725
		<u>\$ 5,365,000</u>	<u>\$ 998,546</u>	<u>\$ 6,363,546</u>

Substantially all of the Township's assets are pledged as collateral for the outstanding long-term debt.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 – INTERFUND TRANSFERS AND BALANCES

Transfers to/from other funds for the year ended December 31, 2019 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 348,351	\$ 804,333
Fire Protection Fund	15,500	-
Water Fund	-	112,674
Sewer Fund	334,524	227,383
Refuse and Recycling Fund	-	122,490
Debt Service Fund	183,032	-
Subdivision Escrow Fund	-	513
Capital Projects Fund	903,542	517,556
	<u>\$ 1,784,949</u>	<u>\$ 1,784,949</u>

Transfers in and transfers out from (to) other funds in the statement of revenues, expenditures and changes in fund balances represent transfers between funds. Semiannual bond payments are funded by transfers from the General Fund to the Debt Service Fund. The remaining transfers represent funding for fixed asset acquisition.

NOTE 7 – FUND BALANCE

The Township established and will maintain reservations of Fund Balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Policy applies to the Township's General Fund and all governmental funds. Fund balance is composed of nonspendable, restricted, committed, assigned and unassigned amounts.

Fund balance information is used to identify the available resources to repay long-term debt, add new governmental programs, expand existing programs or enhance the financial position of the Township in accordance with policies established by the Board of Commissioners.

The details of governmental fund balances as of December 31, 2019 are presented below:

General Fund

The General Fund has an unassigned fund balance of \$2,629,460.

Fire Protection Fund

The restricted fund balance in the fire protection fund of \$531,897 represents tax collection from Township residents that is restricted in use to expenditures related to the Township's fire protection.

Library Fund

The restricted fund balance in the library fund of \$92,509 represents tax collections from Township residents that is restricted in use to expenditures related to the Township's library operations.

Highway Fund

The restricted fund balance in the liquid fuels highway aid fund of \$720,664 represents state gas taxes received from the state of Pennsylvania that is restricted to use in highway and street construction and repairs.

Capital Projects Fund

The restricted fund balance in the capital projects fund of \$28,985 represents restricted funds for the purchase capital outlays including the acquisition or construction of capital facilities and other capital assets

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS

GENERAL INFORMATION – POLICE PENSION

Plan Description

The Salisbury Township Police Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Codified Ordinances 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. Salisbury Township has delegated the authority to manage certain plan assets to PNC Institutional Asset Management.

Salisbury Township filed an actuarial valuation report Form 201C with Public Employee Retirement Commission. The report dated January 1, 2019, 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.

Employees Covered by the Plan

As of January 1, 2019, the following employees were covered by the benefit terms:

	<u>2019</u>
Active employees	20
Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits but not yet receiving them	<u>0</u>
TOTAL	29

Benefit Provisions

The following is a summary of the Plan's benefit provisions:

Eligibility

All full-time policemen working at least forty (40) hours per week at a definite salary.

Retirement Dates

Normal Retirement Date – a participant may retire upon the attainment of age fifty (50) and completion of twenty-five (25) years of service.

Disability Retirement Date – the existence of a permanent and total disability from performing police work provided the police officer was honorably discharged as a result of the disability.

Retirement Benefits

Normal Retirement Benefit – fifty percent (50%) of the participant's average monthly salary during the last thirty-six (36) months of employment. Effective 1/02/07, a service increment equal to one hundred dollars (\$100) per month for each full year of service in excess of twenty-five (25) years shall be added to the normal retirement benefit. The maximum service increment shall be five hundred dollars (\$500) per month.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

GENERAL INFORMATION – POLICE PENSION – continued

Benefit Provisions – continued

Retirement Benefit – continued

Disability Retirement Benefit – in the event of a permanent service-related injury, the benefit shall be equal to 75% of the average monthly salary during the last thirty-six (36) months of employment or if greater, 50% of the participant's monthly salary at the time of disability. The benefit would be payable as if the date of disability had been his/her normal retirement date. This benefit is reduced by any benefits or payments received by such participant under the Social Security Administration for the same injury.

Accrued Benefit

The Normal Retirement Benefit multiplied by the fraction of years of services to date over total expected years of service to retirement.

Vested Benefits

Non-Vested Benefit – any participant, who for any reason, shall be ineligible to receive a pension after having contributed, shall be entitled to a refund of his/her contributions plus interest at the rate of five percent (5%) per annum upon discontinuance of his employment.

Vested Benefit – upon discontinuance of employment after completing twelve (12) years of service where such termination is for reasons other than disability, death or retirement, the member receives full vesting of the Accrued Benefit.

Death Benefits

Pre-Retirement – the widow of a participant who was vested or was still employed after having met the age and service requirements shall receive 50% of the pension the participant would have received had he/she been retired at the time of his/her death.

Post-Retirement Survivors Benefit – the widow of a participant who has attained eligibility for retirement, or a participant who retired on pension, shall receive during the spouse's lifetime, fifty percent (50%) of the pension the participant was receiving or would have been receiving had he been retired at the time of his death.

If no such widow survives, or if the spouse survives and subsequently dies or remarries, then the children under the age of eighteen (18) or are attending college and have not yet attained age twenty three (23), shall be entitled to the same benefit described above.

Monthly Salary

The amount of monthly compensation paid to a participant by the Township each and every month.

Employee Contributions

Each participant shall contribute to the fund not less than five percent (5%) or more than eight percent (8%). The Township may, on an annual basis, reduce or eliminate participant contributions to the fund. These contributions will be made in accordance with IRC Section 414(h)(2).

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

GENERAL INFORMATION – POLICE PENSION – continued

Actuarial Methods and Assumptions

Actuarial Methods

Liabilities – all plan benefits are valued using the entry age normal cost valuation method.

Actuarial Assumptions

- a. Investment Return – 7% per annum, net of investment expenses.
- b. Salary Increases – 5% compounded annually.

Demographic Assumptions

- a. Mortality –
 - Pre-Retirement – None
 - Post-Retirement – the Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA
- b. Termination – none assumed
- c. Disability – none assumed
- d. Retirement Age – normal retirement age, or age on valuation date if greater.
- e. Marital Status – 80% of active members are assumed to be married. Female spouse is assumed to be 3 years younger than male spouse.
- f. Form of Annuity – 50% joint and survivor.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

GENERAL INFORMATION – POLICE PENSION – continued

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 – POLICE PENSION FUND

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.

Valuation of Investments

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

INVESTMENTS – POLICE PENSION FUND

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 Allocation</u>
Domestic Equity Large Cap	27%
Domestic Equity Mid Cap	20%
Domestic Equity Small Cap	8%
International Equity	5%
Fixed Income	31%
Cash	9%
Total	100%

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

INVESTMENTS – POLICE PENSION – continued

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.08 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

DEFERRED RETIREMENT OPTION PROGRAM – POLICE PENSION FUND

The Plan does not provide a Deferred Retirement Option Program.

PENSION LIABILITY – POLICE PENSION FUND

Net Pension Liability

The components of the net pension liability of the municipality as of December 31, 2019 were as follows:

Total Pension Liability (TPL)	\$	7,326,959
Plan Fiduciary Net Position	\$	6,198,003
Net Pension Liability (NPL)	\$	1,128,956
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		84.6%

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, 2019. Update procedures were used to roll forward to the Plan's fiscal year ending December 31, 2019. This report was based upon the Plan's actuarial assumptions, asset valuation method and cost method.

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity Large Cap	6.09%
Domestic Equity Mid Cap	7.27%
Domestic Equity Small Cap	7.27%
International Equity	8.24%
Fixed Income	3.17%
Cash	0.82%

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

PENSION LIABILITY – POLICE PENSION – continued

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.

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 position liability would be if it were calculated using a different rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 2,063,697	\$ 1,128,956	\$ 341,615

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 Pension (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2018	\$ 7,239,816	\$ 5,189,481	\$ 2,050,335
Changes for the year:			
Service Cost	307,346	-	307,346
Interest	487,760	-	487,760
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(450,360)	-	(450,360)
Changes of Assumptions	-	-	-
Contributions – Employer	-	200,184	(200,184)
Contributions – State Aid	-	184,338	(184,338)
Contributions – Member	-	40,181	(40,181)
Net Investment Income	-	847,447	(847,447)
Benefit Payments	(257,603)	(257,603)	-
Administrative Expense	-	(6,025)	6,025
Other Changes	-	-	-
Balances at 12/31/2019	\$ 7,326,959	\$ 6,198,003	\$ 1,128,956

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

PENSION LIABILITY – POLICE PENSION – continued

Pension Expense for Fiscal Year Ended December 31, 2019

Service Cost	\$ 307,346
Interest in Total Pension Liability	487,760
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(68,399)
Changes of Assumptions	2,282
Employee Contributions	(40,181)
Projected Earnings on Pension Plan Investments	(362,172)
Differences Between Projected and Actual Earnings on Investments	67,785
Administrative Expense	6,025
Other Changes in Fiduciary Net Position	-
Total Pension Expense	<u>\$ 400,446</u>

Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2019, the municipality recognized a pension expense of \$400,446. At December 31, 2019, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (506,923)
Changes in Assumptions	12,758	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(22,994)
Total	<u>\$ 12,758</u>	<u>\$ (529,917)</u>

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:	
2020	\$ (54,474)
2021	(54,252)
2022	(15,564)
2023	(163,172)
2024	(66,117)
Thereafter	(163,580)
Total	<u>\$ (517,159)</u>

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

NON-UNIFORM PENSION

Plan Description

Salisbury Township's pension plan is a single-employer cash balance pension plan controlled by the provisions of Ordinance No. 102 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multi-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). The CAFR is available on the PMRS website and can be obtained by contacting the PMRS accounting office.

Benefit Provisions - The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan.

The following table contains the number of active participants, deferred vested participants, and participants currently receiving a benefit from the Plan based upon the most recent actuarial valuation date of January 1, 2019:

Active members	38
Retirees and beneficiaries currently receiving benefits	32
Inactive employees entitled to benefits but not yet receiving them	<u>3</u>
Total	<u>73</u>

Summary of Significant Accounting Policies

Basis of Accounting - The plan's financial statements are prepared using 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, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statement No. 3 of the Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

NON-UNIFORM PENSION – continued

Long-Term Expected Rate of Return on Plan Assets

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation: 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 asset 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, 2018 are summarized in the table below labeled "System Nominal and Real Rates of Return by Asset Class." There are three steps to the method:

- 1) Expected future real rates of return are based primarily on the 20 year nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes if, in the Board's opinion, any such asset classes are expected in the future to significantly vary from its 20 year returns.
- 2) The nominal rates of return by asset class are adjusted by the System's investment expenses and an expected future annual inflation rate of 2.2% to produce the long-term expected real rates of return.
- 3) The long-term expected real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations.

The results from steps 1 through 3 are shown in the table labeled "System Nominal and Real Rates of Return by Asset Class."

System Nominal and Real Rates of Return by Asset Class

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities (large capitalized firms)	25%	7.3%	4.6%
Domestic Equities (small capitalized firms)	15%	10.0%	7.3%
International Equities (international developed markets)	15%	6.2%	3.5%
International Equities (emerging markets)	10%	10.6%	8.3%
Real Estate	20%	8.5%	5.4%
Fixed Income	15%	3.3%	1.1%
Total Portfolio	100%	7.5%	4.8%

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

NON-UNIFORM PENSION – continued

Based on the three part analysis, the Board established the System's Long-Term Expected Rate of Return at 7.0%.

In addition to determining the System's Long-Term Expected Rate of Return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. The rationale for the difference between the System's Long-Term Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is described in the following section "Discount Rate." As of December 31, 2018, this is equal to 5.25%.

The Board has determined the minimum acceptable confidence level for achieving the Regular Interest Rate to be 70%. The table below labeled "Confidence Levels for System Nominal and Real Rates of Return" identifies simulated portfolio returns at various confidence levels based on the most recent asset allocation study conducted by the Boards' investment consultant, Dahab Associates.

Confidence Levels for System Nominal and Real Rates of Return

Target Asset Allocation	Nominal Rate of Return	Long-Term Expected Real Rate of Return
95%	2.8%	0.1%
90%	3.9%	1.2%
85%	4.6%	1.9%
80%	5.1%	2.4%
75%	5.5%	2.8%
70%	5.9%	3.2%

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

NON-UNIFORM PENSION – continued

Discount Rate

While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate (Regular Interest Rate/Discount Rate). The PMRS Board establishes the Regular Interest Rate/Discount Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. As a starting point, the Board considers the following five quantitative factors in establishing the Regular Interest Rate/Discount Rate:

- 1) Retiree Plan liability as a percentage of total Plan liability,
- 2) Active Plan participant liability as a percentage of total Plan liability,
- 3) Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates as a proxy for annuity purchase rates,
- 4) PMRS System Long-Term Expected Rate of Return, and
- 5) PMRS investment expenses

The formula using these factors is as follows:

Regular Interest Rate/Discount Rate = (Retiree Liability Percentage X Smoothed PBGC Annuity Rates) + (Active Employee Liability Percentage X System Long-Term Expected Rate of Return) – (Investment Expenses as a percentage of assets)

The Board then adjusts the Regular Interest Rate/Discount Rate derived from the above formula by a variety of qualitative factors such as the desire to minimize Regular Interest Rate/Discount Rate volatility, varying levels of asset allocation and liquidity, trending of PBGC annuity rates/ total PMRS actuarial and market value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Regular Interest Rate/Discount Rate adopted by the Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2018.

The Regular Interest Rate/Discount Rate will likely be less than the System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate/Discount Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of Excess Interest as provided for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Regular Interest Rate/Discount Rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System's Long-Term Expected Rate of Return will be used in the depletion testing of projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

NON-UNIFORM PENSION – continued

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

The Pennsylvania Municipal Retirement System (PMRS) is an agent multiple-employer defined benefit pension plan. The Measurement Date for the Net Pension Liability (NPL) is December 31, 2018, which is no earlier than the end of the employer's prior fiscal year as allowed by Paragraph 20 of GASB 68. The table below provides a summary of the key results during this measurement period:

	12/31/2018	12/31/2017
Net Pension Liability	\$ 4,206,090	\$ 1,777,839
Deferred Inflows	248	944,150
Deferred Outflows	(1,360,230)	(556,933)
Net Impact on Statement of Net Position	\$ 2,846,108	\$ 2,165,056
 Total Payroll	 \$ 2,584,504	 \$ 2,364,361
Total Pension Expense (\$ Amount)	\$ 1,188,480	\$ 690,791
Total Pension Expense (% of Payroll)	45.98%	29.22%

Any employer contributions made between the Measurement Date and the Reporting Date would be reported as deferred outflows to offset the cash outflow reported. The Total Pension Liability (TPL) for the Employer is measured as of December 31, 2018 based on the actuarial valuation of the same date. The beginning of year TPL as of December 31, 2017 is based on the actuarial valuation as of January 1, 2017 and then projected to December 31, 2017. This TPL reflects any plan changes identified in the prior year's report. It is our understanding that there were no other significant changes during this projection period. In alternating years, the beginning of year TPL will be based on the actuarial valuation on the same date, and the end of year TPL will be based on the actuarial valuation one year prior and then projected to the measurement date.

A breakdown of the components of the net pension expense is shown later in the report.

Determination of Discount Rate

The determination of the discount rate is based on the Long-Term Expected Rate of Return for individual participating municipalities, which PMRS develops and is also referred to as the Regular Interest Rate. For more information, please refer to the Long-Term Expected Rate of Return on Plan Assets for the December 31, 2018 measurement.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

NON-UNIFORM PENSION – continued

Determination of Discount Rate - continued

Based on the assumptions outlined in this publication, the plan fiduciary net position was determined to be available to make all projected benefit payments of current plan members based on the assumption that all MMO payments as determined and required under Act 205 will be paid accordingly. Therefore, the municipal long-term expected rate of return for municipal and member accounts was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

The table below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of Plan assets), and the Net Pension Liability as of the Measurement Date:

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2017	\$ 16,504,759	\$ 14,726,920	\$ 1,777,839
Changes for the year:			
Service cost	410,952	-	410,952
Interest	867,205	-	867,205
Changes of benefits	-	-	-
Changes of assumptions*	-	-	-
Differences between expected and actual experience	1,168,669	-	1,168,669
Contributions – employer	-	505,948	(505,948)
Contributions – PMRS assessment	-	1,480	(1,480)
Contributions – member	-	-	-
PMRS investment income	-	717,729	(717,729)
Market value investment income*	-	(1,173,093)	1,173,093
Transfers	-	-	-
Benefit payments	(805,344)	(805,344)	-
PMRS administrative expense	-	(1,460)	1,460
Additional administrative expense	-	(32,029)	32,029
Balances at 12/31/2018	\$ 18,146,241	\$ 13,940,151	\$ 4,206,090

*Reflects the net investment income/ (loss) of (\$1,383,946) and the income/ (loss) due to the difference between expected and actual asset values of \$210,853, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

NON-UNIFORM PENSION – continued

Changes in Net Pension Liability - continued

This report does not reflect changes in benefits or assumptions after January 1, 2019 because the beginning and end of year TPL are based upon different actuarial valuation dates, there is a difference between expected and actual experience reported this year, per GASB 68 paragraph 22. The beginning of year TPL is based upon the January 1, 2018 actuarial valuation, with liabilities measured at December 31, 2017. The end of year TPL is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2018. Except as noted below, the TPL as of December 31, 2018 was based upon the data, actuarial methods and assumptions, and plan provisions.

According to Governmental Accounting Standards Board (GASB) Statements No. 67 and 68, PMRS is required to allocate/distribute all funds to the respective participating employers for financial reporting purposes, to determine the respective employer "plan fiduciary net position."

PMRS has determined that net investment income or loss and administrative expenses will be allocated to the employer/municipality accounts pro-rata based on their beginning Fiduciary Net Position balance adjusted for cash flows throughout the year. The "Additional administrative expenses" are the expenses in excess of the "PMRS administrative expense" (i.e. \$20 per participant expense paid by each plan). The "PMRS investment income" is based upon the regular and excess interest used to credit accounts manually. The "Market value investment income" reflects the investment income/loss during the year net of PMRS investment income and the income/loss due to the difference between expected and actual asset values, including the impact from allocation of assets in support of the underlying retiree liabilities.

Sensitivity of Net Pension Liability to Changes in Discount Rate

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for disclosure.

	1% Decrease 4.25%	Discount Rate 5.25%	1% Increase 6.25%
Total Pension Liability	\$ 20,216,301	\$ 18,146,241	\$ 16,373,741
Plan Fiduciary Net Position	13,940,151	13,940,151	13,940,151
Net Pension Liability	<u>\$ 6,276,150</u>	<u>\$ 4,206,090</u>	<u>\$ 2,433,590</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>68.96%</u>	<u>76.82%</u>	<u>85.14%</u>

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

NON-UNIFORM PENSION – continued

Deferred Outflows and Deferred Inflows of Resources

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the TPL are recognized in the collective pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

There were experience gains or losses between the beginning of year and end of year liabilities because the liabilities are based upon two different actuarial valuation dates. Also, assumption changes as of the Measurement Date have been reflected.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,053,429	\$ (248)
Changes in Assumptions	145,764	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	161,037	-
Total	<u>\$ 1,360,230</u>	<u>\$ (248)</u>

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

Year Ended December 31:		
2018	\$	556,209
2019		170,112
2020		165,311
2021		468,350
2022		-
Thereafter		-
Total	<u>\$</u>	<u>1,359,982</u>

The recognition period for experience and assumptions change gains/losses is 5.00 years.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – PENSION PLANS – continued

NON-UNIFORM PENSION – continued

Calculation of Collective Pension Expense

The annual pension expense recognized can be calculated two different ways. First, it is the change in the amounts reported on for the Employer's Statement of Net Position that relate to the plan and are not attributable to employer contributions. That is, it is the change in NPL plus the changes in deferred outflows and deferred inflows plus employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

	Measurement Year Ending	
	12/31/2018	12/31/2017
Change in Net Pension Liability	\$ 2,428,251	\$ (1,438,284)
Change in Deferred Outflows	(803,297)	698,006
Change in Deferred Inflows	(943,902)	943,410
Employer Contributions	507,428	487,659
Pension Expense	<u>\$ 1,188,480</u>	<u>\$ 690,791</u>
Pension Expense as % of Payroll	45.98%	29.22%
Operating Expenses:		
Service cost	\$ 410,952	\$ 375,947
Employee contributions	-	-
PMRS administrative expense	1,460	1,420
Additional administrative expense	32,029	31,592
Total	<u>444,441</u>	<u>408,959</u>
Financing Expenses:		
Interest cost	867,205	842,578
Expected return on assets	(717,729)	(686,956)
Total	<u>149,476</u>	<u>155,622</u>
Changes:		
Benefit changes	-	-
Recognition of assumption changes	145,765	145,765
Recognition of liability gains and losses	380,398	146,662
Recognition of investment gains and losses	68,400	(166,217)
Total	<u>594,563</u>	<u>126,210</u>
Pension Expense	<u>\$ 1,188,480</u>	<u>\$ 690,791</u>

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 – SUBSEQUENT EVENTS

In preparing these financial statements, management of Salisbury Township has evaluated events and transactions subsequent to December 31, 2019 through December 1, 2020, the date these financial statements were available to be issued. Based on the definitions and requirements of the Subsequent Events Topics of the FASB Accounting Standards Codification, management of Salisbury Township is aware of the following subsequent event.

On March 13, 2020, the President of the United States declared a national emergency concerning the novel coronavirus disease (COVID-19) outbreak.

The full impact of the coronavirus continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Township's financial condition and future results of operations. Management is actively monitoring the situation and its impact on the Township's financial condition. Given the daily evolution of the coronavirus and the global responses to curb its spread, the Township is currently not able to estimate the effects of the coronavirus on its results of operations and financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budget	Final Budget
			Basis	Positive
				(Negative)
Revenues				
Taxes	\$ 6,425,345	\$ 6,425,345	\$ 6,045,890	\$ (379,455)
Licenses and permits	264,300	264,300	248,890	(15,410)
Fines and forfeits	98,600	98,600	61,080	(37,520)
Interest, rents and royalties	102,447	102,447	127,631	25,184
Intergovernmental	137,800	137,800	660,859	523,059
Charges for services	391,950	391,950	574,948	182,998
Miscellaneous	89,700	89,700	97,481	7,781
Total Revenues	<u>7,510,142</u>	<u>7,510,142</u>	<u>7,816,779</u>	<u>306,637</u>
Other Financing Sources				
Proceeds of general fixed asset disposition	1,000	1,000	-	(1,000)
Transfers in	333,300	333,300	348,351	15,051
Refunds of prior year expenditures	48,300	48,300	65,654	17,354
Total Other Financing Sources	<u>382,600</u>	<u>382,600</u>	<u>414,005</u>	<u>31,405</u>
Total Revenues and Other Financing Sources	<u>7,892,742</u>	<u>7,892,742</u>	<u>8,230,784</u>	<u>338,042</u>
Expenditures				
General government	861,470	861,470	1,025,357	(163,887)
Public safety	2,770,592	2,770,592	2,832,555	(61,963)
Public works - highways and streets	1,622,390	1,622,390	1,616,438	5,952
Culture and recreation	67,260	67,260	80,829	(13,569)
Community development	62,900	62,900	63,635	(735)
Payroll taxes	186,754	186,754	181,028	5,726
Pension	869,342	869,342	874,293	(4,951)
Insurance and other benefits	1,316,680	1,316,680	1,339,587	(22,907)
Miscellaneous	300	300	56	244
Refund of prior year revenues	-	-	1,618	(1,618)
Transfers out	263,750	263,750	804,333	(540,583)
Total Expenditures	<u>8,021,438</u>	<u>8,021,438</u>	<u>8,819,729</u>	<u>(798,291)</u>
Excess (Deficit) of revenues and other financing sources over (under) expenditures	<u>\$ (128,696)</u>	<u>\$ (128,696)</u>	<u>(588,945)</u>	<u>\$ 460,249</u>
Fund Balances at Beginning of Year			<u>3,218,405</u>	
Fund Balances at End of Year			<u>\$ 2,629,460</u>	

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*
POLICE PENSION PLAN
DECEMBER 31, 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service cost (beginning of year)	\$ 307,346	\$ 272,466	\$ 259,491	\$ 257,073	\$ 244,831	N/A	N/A	N/A	N/A	N/A
Interest (includes interest on service cost)	487,760	481,760	448,639	428,582	401,553	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	(450,360)	-	(162,888)	-	-	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	-	-	19,604	-	-	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of member contributions	(257,603)	(248,457)	(247,440)	(269,072)	(275,931)	N/A	N/A	N/A	N/A	N/A
Net Change in Total Pension Liability	87,143	505,769	317,406	416,583	370,453	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - Beginning	7,239,816	6,734,047	6,416,641	6,000,058	5,629,605	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - Ending	\$ 7,326,959	\$ 7,239,816	\$ 6,734,047	\$ 6,416,641	\$ 6,000,058	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position										
Contributions - employer	\$ 200,184	\$ 203,489	\$ 175,330	\$ 182,209	\$ 166,980	N/A	N/A	N/A	N/A	N/A
Contributions - state aid	184,338	175,633	156,001	139,989	133,308	N/A	N/A	N/A	N/A	N/A
Contributions - member	40,181	50,664	48,520	44,578	31,519	N/A	N/A	N/A	N/A	N/A
Net investment income	847,447	(362,364)	522,646	301,548	13,984	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of member contributions	(257,603)	(248,457)	(247,440)	(269,072)	(275,931)	N/A	N/A	N/A	N/A	N/A
Administrative expense	(6,025)	(925)	(6,115)	(750)	(5,875)	N/A	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	1,008,522	(181,960)	648,942	398,502	63,985	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	5,189,481	5,371,441	4,722,499	4,323,997	4,260,012	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending	6,198,003	5,189,481	5,371,441	4,722,499	4,323,997	N/A	N/A	N/A	N/A	N/A
Net Pension Liability - Ending	\$ 1,128,956	\$ 2,050,335	\$ 1,362,606	\$ 1,694,142	\$ 1,676,061	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability										
	84.59%	71.68%	79.77%	73.60%	72.07%	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll										
	\$ 1,675,000	\$ 1,637,000	\$ 1,483,000	\$ 1,418,760	\$ 1,418,760	N/A	N/A	N/A	N/A	N/A
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll										
	67.40%	125.25%	91.88%	119.41%	118.14%	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:
Assumption Changes - In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 using Scale AA to the Blue Collar RP-2000 Table projected to 2017 using Scale AA.

Benefit Changes - 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.

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS
NON-UNIFORM PENSION PLAN
DECEMBER 31, 2019

The schedules of Required Supplementary Information will eventually build up to 10 years of information. The schedule below shows the changes in NPL and related ratios required by GASB.

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service cost (beginning of year)	\$ 410,952	\$ 375,947	\$ 317,511	\$ 326,459	\$ 309,455	N/A	N/A	N/A	N/A	N/A
Interest (includes interest on service cost)	867,205	842,578	806,791	768,776	737,497	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience*	1,168,869	-	473,976	(1,232)	142,072	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	-	-	416,583	208,095	-	N/A	N/A	N/A	N/A	N/A
Transfers	-	-	54,954	-	-	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of member contributions	(805,344)	(764,071)	(678,566)	(583,305)	(687,496)	N/A	N/A	N/A	N/A	N/A
Net Change in Total Pension Liability	1,641,482	454,454	1,391,249	718,793	501,528	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - Beginning	16,504,759	16,050,305	14,659,056	13,940,263	13,438,735	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - Ending	\$ 18,146,241	\$ 16,504,759	\$ 16,050,305	\$ 14,659,056	\$ 13,940,263	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position										
Contributions - employer	\$ 505,948	\$ 488,159	\$ 407,248	\$ 391,296	\$ 254,342	N/A	N/A	N/A	N/A	N/A
Contributions - PMRS assessment	1,480	1,500	1,460	1,400	-	N/A	N/A	N/A	N/A	N/A
Contributions - member	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
PMRS investment income	717,729	686,956	696,996	690,377	696,043	N/A	N/A	N/A	N/A	N/A
Market value investment income	(1,173,093)	1,515,206	(24,004)	(610,438)	(49,673)	N/A	N/A	N/A	N/A	N/A
Transfers	-	-	54,954	-	-	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of member contributions	(805,344)	(764,071)	(678,566)	(583,305)	(687,496)	N/A	N/A	N/A	N/A	N/A
PMRS administrative expense	(1,460)	(1,420)	(1,380)	(1,400)	(1,240)	N/A	N/A	N/A	N/A	N/A
Additional administrative expense	(32,029)	(31,592)	(34,147)	(28,780)	(26,693)	N/A	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	(786,769)	1,892,738	422,561	(140,850)	195,283	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	14,726,920	12,834,182	12,411,621	12,552,471	12,357,188	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending	13,940,151	14,726,920	12,834,182	12,411,621	12,552,471	N/A	N/A	N/A	N/A	N/A
Net Pension Liability - Ending	\$ 4,206,090	\$ 1,777,839	\$ 3,216,123	\$ 2,247,435	\$ 1,387,792	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.82%	89.23%	79.96%	84.67%	90.04%	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll										
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	\$ 2,584,504	\$ 2,364,361	\$ 2,220,762	\$ 2,111,508	\$ 1,986,279	N/A	N/A	N/A	N/A	N/A
Notes to Schedule:										
Plan Changes: None										
Assumption Changes: None										

*Includes adjustments to beginning amounts, if applicable

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS
POLICE PENSION PLAN
DECEMBER 31, 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 384,522	\$ 379,122	\$ 331,331	\$ 322,198	\$ 300,288	\$ 295,572	\$ 262,000	\$ 258,273	\$ 222,285	\$ 219,168
Contribution made	384,522	379,122	331,331	322,198	300,288	295,572	262,000	258,273	222,285	219,168
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,675,000	\$ 1,637,000	\$ 1,483,000	\$ 1,418,269	\$ 1,418,760	\$ 1,338,311	\$ 1,238,387	\$ 1,218,922	\$ 1,121,277	\$ 1,063,519
Contributions as a percentage of covered-employee payroll	22.96%	23.16%	22.34%	22.72%	21.17%	22.09%	21.16%	21.19%	19.82%	20.61%

Notes to Schedule:
Assumption Changes - In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 using Scale AA to the Blue Collar RP-2000 Table projected to 2017 using Scale AA.

Benefit Changes - None.

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS
NON-UNIFORM PENSION PLAN
DECEMBER 31, 2019

An Actuarially Determined Contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which conforms to these standards.

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	\$ 507,408	\$ 487,579	\$ 408,628	\$ 392,556	\$ 264,322	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Actuarially Determined Contribution*	507,428	487,659	408,708	392,696	264,342	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency/(Excess)	\$ (20)	\$ (80)	\$ (80)	\$ (140)	\$ (20)	N/A	N/A	N/A	N/A	N/A
Participant Payroll**	\$ 2,584,504	\$ 2,364,361	\$ 2,220,762	\$ 2,111,508	\$ 1,966,279	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Participant Payroll	19.63%	20.63%	18.40%	18.60%	13.44%	N/A	N/A	N/A	N/A	N/A

*Information provided by PMRS and not reconciled to determine the cause of any deviation from the Actuarially Determined Contribution (if applicable).

**Beginning in 2015, amount is actual payroll. In 2014, amount is expected payroll based on the most recent actuarial valuation. These amounts may not match the MMO payroll.

Notes to Schedule:

Valuation Date

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the Actuarially Determined Contribution for the calendar year 2018 is based upon the January 1, 2015 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2018 contributions rates:

- Actuarial Cost Method: Entry age
- Amortization Period: level dollar based upon the amortization periods in Act 205
- Asset valuation method: based upon the municipal reserves
- Discount Rate: 5.50%
- Inflation: 3.0%
- Salary increases: age related scale with merit and inflation component
- COLA increases: 3.0% for those eligible for a COLA
- Pre-Retirement Mortality: Males - RP 2000 with 1 year set back, Females - RP 2000 with 5 year set back
- Post-Retirement Mortality: sex distinct RP-2000 Combined Healthy Mortality

Plan Changes

Plan changes may include excess interest distribution during the measurement year ending in 2018, if applicable.

Assumption Changes

Actuarial assumptions were updated for the January 1, 2017 actuarial valuations, which is used to determine the Minimum Municipal Obligations for 2019 and 2020, based on the PMRS experience study for the five-year period of January 1, 2009 - December 31, 2013 and the annual Board's review of the Regular Interest Rate.

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS*
POLICE PENSION PLAN
DECEMBER 31, 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual money-weighted rate of return, net of investment expenses	16.08%	-6.63%	10.92%	6.92%	0.37%	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:
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.

**SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019**

NOTE 1 – BUDGETARY COMPLIANCE

The annual budget is prepared and adopted by the Township's Commissioners. Subsequent amendments are also prepared and adopted by the Township's Commissioners. Unexpended appropriations lapse at year end. Encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America for the General Fund. The Township follows procedures outlined below in establishing the budget reflected in the financial statements:

1. At least 30 days prior to budget adoption, the Township prepares a proposed budget for the ensuing year.
2. Notification of the proposed budget and hearings on it are held by the Township prior to adoption.
3. Prior to December 31st, the budget is legally enacted by the Township and the tax levy ordinance is adopted.
4. The Township, during the budget year, is authorized to modify the budget through either budget transfers or supplemental appropriations.
5. The budget lapses at the end of the year.

The budget has been adopted on the activity basis; expenditures at this level in excess amounts budgeted are a violation of the Pennsylvania First Class Township Code. Comparison of actual results of operations to the budget of the General Fund as adopted by the Township's Commissioners is included in the required supplemental information of the basic financial statements.

For the year ended December 31, 2019, expenditures exceeded appropriations at the legal level of control in the General Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
General government	\$ 163,887
Public safety	\$ 61,963
Culture and recreation	\$ 13,569
Community development	\$ 735
Pension	\$ 4,951
Insurance and other benefits	\$ 22,907
Refund of prior year revenues	\$ 1,618
Transfers out	\$ 540,583

NOTE B – PENSION INFORMATION

Changes in Benefit Terms

None.

Changes in Assumptions

None.

SUPPLEMENTARY INFORMATION

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
COMBINING BALANCE SHEETS
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2019

ASSETS

Cash and cash equivalents
Taxes receivable
Accounts receivable

Total Assets

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable and accrued expenses
Total Liabilities

FUND BALANCES

Restricted
Total Fund Balances

Total Liabilities and Fund Balances

	Fire Protection Fund	Library Fund	Capital Projects Fund	Debt Service Fund	Total Other Governmental Funds
	\$ 554,279	\$ 91,443	\$ -	\$ -	\$ 645,722
	3,665	1,069	-	-	4,734
	-	-	288,622	-	288,622
	<u>\$ 557,944</u>	<u>\$ 92,512</u>	<u>\$ 288,622</u>	<u>\$ -</u>	<u>\$ 939,078</u>
	\$ 26,047	\$ 3	259,637	\$ -	\$ 285,687
	<u>26,047</u>	<u>3</u>	<u>259,637</u>	<u>-</u>	<u>285,687</u>
	531,897	92,509	28,985	-	653,391
	<u>531,897</u>	<u>92,509</u>	<u>28,985</u>	<u>-</u>	<u>653,391</u>
	<u>\$ 557,944</u>	<u>\$ 92,512</u>	<u>\$ 288,622</u>	<u>\$ -</u>	<u>\$ 939,078</u>

The notes to financial statements are an integral part of these financial statements.

SALISBURY TOWNSHIP
LEHIGH COUNTY, PENNSYLVANIA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Fire Protection Fund	Library Fund	Capital Projects Fund	Debt Service Fund	Total Other Governmental Funds
Revenues					
Taxes	\$ 269,855	\$ 78,761	\$ -	\$ -	\$ 348,616
Interest, rents and royalties	7,258	2,039	-	-	9,297
Intergovernmental	-	-	312,718	-	312,718
Total Revenues	<u>277,113</u>	<u>80,800</u>	<u>312,718</u>	<u>-</u>	<u>670,631</u>
Other Financing Sources					
Proceeds of general fixed asset disposition	-	-	84,897	-	84,897
Transfers in	15,500	-	903,542	183,032	1,102,074
Refunds of prior year expenditures	-	-	23,878	-	23,878
Total Revenues and Other Financing Sources	<u>292,613</u>	<u>80,800</u>	<u>1,325,035</u>	<u>183,032</u>	<u>1,881,480</u>
Expenditures					
General government	-	-	38,244	-	38,244
Public safety	171,259	-	294,298	-	465,557
Public works - highways and streets	-	-	196,780	-	196,780
Culture and recreation	-	81,559	248,525	-	330,084
Debt service - principal	-	-	-	137,000	137,000
Debt service - interest	-	-	-	46,032	46,032
Miscellaneous	345	101	647	-	1,093
Transfers out	-	-	517,556	-	517,556
Total Expenditures	<u>171,604</u>	<u>81,660</u>	<u>1,296,050</u>	<u>183,032</u>	<u>1,732,346</u>
Excess (Deficit) of revenues and other financing sources over (under) expenditures	<u>121,009</u>	<u>(860)</u>	<u>28,985</u>	<u>-</u>	<u>149,134</u>
Fund Balances at Beginning of Year	<u>410,888</u>	<u>93,369</u>	<u>-</u>	<u>-</u>	<u>504,257</u>
Fund Balances at End of Year	<u>\$ 531,897</u>	<u>\$ 92,509</u>	<u>\$ 28,985</u>	<u>\$ -</u>	<u>\$ 653,391</u>

The notes to financial statements are an integral part of these financial statements.