

SALISBURY TOWNSHIP, PENNSYLVANIA
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Salisbury Township, 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, 2020, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 unmodified and qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Highway Aid Fund	Unmodified
Capital Projects Fund	Unmodified
Other Governmental Funds	Unmodified
Propriety Funds	Unmodified
Fiduciary Funds	Unmodified

Basis for Qualified Opinion on the Governmental Activities

The Non-Uniform Pension Plan is maintained by the Commonwealth of Pennsylvania, under the Pennsylvania Municipal Retirement System. The GASB 68 disclosures provided by the Commonwealth of Pennsylvania for the year ending December 31, 2020 are not yet available and the amounts reported as non-uniform pension assets, liabilities and expenses in the Governmental Activities are based on information for the year ended December 31, 2019.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on the “Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Salisbury Township, as of December 31, 2020, 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.

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 65 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 individual nonmajor fund financial statements on pages 66 and 67 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

A handwritten signature in cursive script that reads "Frey & Co. CPAs, LLC".

Frey & Co. CPAs, LLC
Walnutport, Pennsylvania
January 12, 2022

SALISBURY TOWNSHIP, PENNSYLVANIA
 GOVERNMENT-WIDE STATEMENT OF NET POSITION
 DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 3,708,371	\$ 1,587,499	\$ 5,295,870
Investments	68,841	240,828	309,669
Taxes Receivable	68,212	-	68,212
Accounts Receivable, net	925,646	1,183,669	2,109,315
Prepaid Expenses	3,708	-	3,708
Due from (to) Other Funds	23,400	(23,400)	-
Total Current Assets	4,798,178	2,988,596	7,786,774
Capital Assets, Net	9,327,737	7,569,151	16,896,888
Total Assets	14,125,915	10,557,747	24,683,662
Deferred Outflows, Pension	1,381,512	-	1,381,512
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 15,507,427</u>	<u>\$ 10,557,747</u>	<u>\$ 26,065,174</u>

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

SALISBURY TOWNSHIP, PENNSYLVANIA
GOVERNMENT-WIDE STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Total
<u>CURRENT LIABILITIES</u>			
Accounts Payable and Accrued Expenses	\$ 305,670	\$ 567,497	\$ 873,167
Payroll Liabilities	54,328	9,459	63,787
Other Liabilities	8,029	-	8,029
Current Portion of Long-term Debt	124,250	230,750	355,000
Total Current Liabilities	492,277	807,706	1,299,983
<u>LONG-TERM LIABILITIES</u>			
Compensated Absences	776,412	62,231	838,643
Net Pension Liability	2,879,216	-	2,879,216
Long-term Debt, net of Current Portion	1,517,601	3,177,265	4,694,866
Total Long-Term Liabilities	5,173,229	3,239,496	8,412,725
Total Liabilities	5,665,506	4,047,202	9,712,708
Deferred Inflows-Pension	2,214,538	-	2,214,538
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	7,685,886	4,218,823	11,904,709
Restricted	1,562,994	-	1,562,994
Unrestricted	(1,621,497)	2,291,722	670,225
Total Net Position	7,627,383	6,510,545	14,137,928
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 15,507,427	\$ 10,557,747	\$ 26,065,174

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

SALISBURY TOWNSHIP, PENNSYLVANIA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>								
General Government	\$ 1,757,256	\$ 416,399	\$ 527,558	\$ -	\$ 943,957	\$ (813,299)	\$ -	\$ (813,299)
Public Safety	5,020,421	391,421	96,905	235,859	724,185	(4,296,236)	-	(4,296,236)
Public Works	2,817,853	13,005	482,624	137,899	633,528	(2,184,325)	-	(2,184,325)
Culture and Recreation	143,715	1,850	-	-	1,850	(141,865)	-	(141,865)
Interest on Long-Term Debt	40,476	-	-	-	-	(40,476)	-	(40,476)
Total Governmental Activities	9,779,721	822,675	1,107,087	373,758	2,303,520	(7,476,201)	-	(7,476,201)
<u>Business-Type Activities:</u>	4,992,278	5,429,341	-	90,799	5,520,140	-	527,862	527,862
Total	\$ 14,771,999	\$ 6,252,016	\$ 1,107,087	\$ 464,557	\$ 7,823,660	(7,476,201)	527,862	(6,948,339)
General Revenues:								
						6,722,932	-	6,722,932
						146,003	9,756	155,759
						761,343	(760,636)	707
						108,781	-	108,781
						251,267	-	251,267
						7,990,326	(750,880)	7,239,446
						514,125	(223,018)	291,107
						6,844,680	6,792,568	13,637,248
						268,578	(59,005)	209,573
						7,113,258	6,733,563	13,846,821
						\$ 7,627,383	\$ 6,510,545	\$ 14,137,928

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

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF ASSETS, LIABILITIES, AND
FUND BALANCES - GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Highway Aid Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 2,179,776	\$ 1,026,218	\$ -	\$ 502,377	\$ 3,708,371
Investments	68,841	-	-	-	68,841
Taxes Receivable	58,598	-	-	9,614	68,212
Accounts Receivable	697,646	-	100,000	128,000	925,646
Due from Other Funds	173,400	-	-	23,400	196,800
Prepaid Expenses	3,708	-	-	-	3,708
TOTAL ASSETS	\$ 3,181,969	\$ 1,026,218	\$ 100,000	\$ 663,391	\$ 4,971,578
<u>LIABILITIES</u>					
Accounts Payable and Accrued Expenses	\$ 149,763	\$ 21,093	\$ 62,306	\$ 72,508	\$ 305,670
Payroll Liabilities	54,328	-	-	-	54,328
Other Liabilities	8,029	-	-	-	8,029
Deferred Revenues	343,103	-	-	9,614	352,717
Due to Other Funds	-	-	150,000	23,400	173,400
TOTAL LIABILITIES	555,223	21,093	212,306	105,522	894,144
<u>FUND BALANCES</u>					
Restricted	-	1,005,125	-	557,869	1,562,994
Committed	-	-	(112,306)	-	(112,306)
Unassigned	2,626,746	-	-	-	2,626,746
TOTAL FUND BALANCES	2,626,746	1,005,125	(112,306)	557,869	4,077,434
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,181,969	\$ 1,026,218	\$ 100,000	\$ 663,391	\$ 4,971,578

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

SALISBURY TOWNSHIP, PENNSYLVANIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Fund Balances - Total Governmental Funds	\$	4,077,434
<p>Amounts reported for governmental activities in the government wide statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds</p>		
Capital Assets - Net of Accumulated Depreciation		9,327,737
<p>Compensated Absences related to accrued vacation and sick time is included in the statement of net position</p>		
		(776,412)
<p>Accounts Receivable Other will be collected in the future, but are not available to pay for the current period's expenditures and therefore are not recognized as revenue on the governmental fund financial statements</p>		
		352,717
<p>Deferred outflows of resources related to the net pension liability is included in the statement of net position</p>		
		1,381,512
<p>Deferred inflows of resources related to the net pension liability included in the statement of net position</p>		
		(2,214,538)
<p>Long-term obligations are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Long-Term Debt including current portion		(1,641,851)
Net Pension Liability		(2,879,216)
		(4,521,067)
Net Position of Governmental Activities	\$	7,627,383

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

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Highway Aid Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Taxes	\$ 6,241,246	\$ -	\$ -	\$ 452,735	\$ 6,693,981
Intergovernmental	936,238	476,361	-	-	1,412,599
Licenses and Permits	236,511	-	-	-	236,511
Charges for Services	342,705	-	-	-	342,705
Interest, Rents and Royalties	140,756	2,483	-	2,764	146,003
Fines and Forfeits	50,728	-	-	-	50,728
Other Income	269,081	-	-	-	269,081
Total Revenues	8,217,265	478,844	-	455,499	9,151,608
<u>EXPENDITURES</u>					
Current:					
General Government	1,437,524	-	117,852	-	1,555,376
Public Safety	3,853,205	-	1,033,418	228,832	5,115,455
Public Works	2,519,111	194,383	175,965	-	2,889,459
Culture and Recreation	57,621	-	-	86,094	143,715
Other	271,663	-	-	647	272,310
Total Expenditures	8,139,124	194,383	1,327,235	315,573	9,976,315
Excess of Revenues over (under) Expenditures	78,141	284,461	(1,327,235)	139,926	(824,707)
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds from Sale of Assets	23,267	-	-	228,000	251,267
Operating Transfers In	564,281	-	1,452,420	160,123	2,176,824
Operating Transfers Out	(526,730)	-	(182,876)	(705,875)	(1,415,481)
Debt Service - Principal	-	-	-	(119,000)	(119,000)
Debt Service - Interest	-	-	-	(40,476)	(40,476)
Total Other Financing Sources (Uses), net	60,818	-	1,269,544	(477,228)	853,134
Net Changes in Fund Balances	138,959	284,461	(57,691)	(337,302)	28,427
Fund Balances - Beginning of Year, as Previously Reported	2,629,460	720,664	28,985	624,409	4,003,518
Prior Period Adjustment	(141,673)	-	(83,600)	270,762	45,489
Fund Balances- Beginning of the Year, as Restated	2,487,787	720,664	(54,615)	895,171	4,049,007
Fund Balances - End of Year	\$ 2,626,746	\$ 1,005,125	\$ (112,306)	\$ 557,869	\$ 4,077,434

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

SALISBURY TOWNSHIP, PENNSYLVANIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net Changes in Fund Balances - Total Governmental Funds \$ 28,427

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current year depreciation and amortization	(385,703)	
Capitalization of assets	<u>297,404</u>	
		(88,299)

Taxes receivable is only recognized when measurable and available therefor accounts receivable balances not collected after 60 days are not recognized as revenue until the period collected in the Governmental Funds		28,951
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Accounts receivable, other is only recognized when measurable and available therefor accounts receivable balances not collected after 60 days and six months for grants are not recognized as revenue until the period collected in the Governmental Funds		100,677
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The repayment of long-term and related issuance costs debt is an other financing use in the Governmental Funds but the payment reduces long-term liabilities in the Statement of Net Position. The effect of these activities are as follows:

Repayment of bond and note principal		119,000
Amortization of bond issue costs and bond premium, net		1,029

In the statement of activities, certain operating expenses - pension, are measured by the amounts contributed towards future retirement during the current year. In the governmental funds, however, expenditures are measured by the amount of financial resources used. This amount represents the change in the net pension liability and deferred outflows and inflows of resources during the current period.		295,160
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In the statement of activities, certain operating expenses - compensated absences, are measured by the amounts earned during the year. In the governmental funds, however expenditures are measured by the amount of financial resources used. This amount represents between the amount earned and used.		<u>29,180</u>
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Changes in Net Position of Governmental-Wide Activities \$ 514,125

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

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2020

	Water Fund	Sewer Fund	Refuse and Recycling Fund	Total Proprietary Funds
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 294,346	\$ 1,081,125	\$ 212,028	\$ 1,587,499
Investments	41,397	199,431	-	240,828
Accounts Receivable, Net	390,812	659,015	133,842	1,183,669
Total Current Assets	726,555	1,939,571	345,870	3,011,996
Capital Assets, Net	4,452,032	3,117,119	-	7,569,151
TOTAL ASSETS	\$ 5,178,587	\$ 5,056,690	\$ 345,870	\$ 10,581,147
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 205,198	\$ 240,413	\$ 121,886	\$ 567,497
Payroll Liabilities	4,545	4,545	369	9,459
Compensated Absences	28,505	28,505	5,221	62,231
Due to Debt Service Fund	17,000	6,400	-	23,400
Current Portion of Long Term Debt	173,063	57,687	-	230,750
Total Current Liabilities	428,311	337,550	127,476	893,337
Long Term Debt, Net of Current Portion and Unamortized Premiums and Discounts	2,369,431	807,834	-	3,177,265
TOTAL LIABILITIES	2,797,742	1,145,384	127,476	4,070,602
<u>NET POSITION</u>				
Invested in Capital Assets, Net of Related Debt Unrestricted	1,909,538	2,309,285	-	4,218,823
	471,307	1,602,021	218,394	2,291,722
Total Net Position	2,380,845	3,911,306	218,394	6,510,545
TOTAL LIABILITIES AND NET POSITION	\$ 5,178,587	\$ 5,056,690	\$ 345,870	\$ 10,581,147

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

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Refuse and Recycling Fund	Total Proprietary Funds
OPERATING REVENUES	\$ 1,959,034	\$ 2,062,908	\$ 1,407,399	\$ 5,429,341
OPERATING EXPENDITURES	(1,821,284)	(1,683,616)	(1,404,103)	(4,909,003)
OPERATING INCOME	137,750	379,292	3,296	520,338
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	2,184	5,924	1,648	9,756
Intergovernmental Revenue	-	90,799	-	90,799
Interest Expense	(61,842)	(21,433)	-	(83,275)
Operating Transfers Out	(162,080)	(381,896)	(216,660)	(760,636)
Non-Operating Expenses, Net	(221,738)	(306,606)	(215,012)	(743,356)
CHANGES IN NET POSITION	(83,988)	72,686	(211,716)	(223,018)
NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED	2,464,833	3,861,058	466,677	6,792,568
PRIOR PERIOD ADJUSTMENT	-	(22,438)	(36,567)	(59,005)
NET POSITION - BEGINNING, AS RESTATED	2,464,833	3,838,620	430,110	6,733,563
NET POSITION - ENDING	\$ 2,380,845	\$ 3,911,306	\$ 218,394	\$ 6,510,545

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

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Refuse and Recycling Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for services	\$ 1,934,646	\$ 1,916,387	\$ 1,409,947	\$ 5,260,980
Cash paid to employees and related benefits	(516,311)	(516,308)	(83,376)	(1,115,995)
Cash paid for materials and services	(1,095,976)	(1,083,987)	(1,309,229)	(3,489,192)
Net Cash Provided By Operating Activities	<u>322,359</u>	<u>316,092</u>	<u>17,342</u>	<u>655,793</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash received for interest	<u>1,963</u>	<u>4,863</u>	<u>1,648</u>	<u>8,474</u>
Cash Provided by Investing Activities	<u>1,963</u>	<u>4,863</u>	<u>1,648</u>	<u>8,474</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Transfers Out	<u>(162,080)</u>	<u>(381,896)</u>	<u>(216,660)</u>	<u>(760,636)</u>
Cash used in Non-Capital Financing Activities	<u>(162,080)</u>	<u>(381,896)</u>	<u>(216,660)</u>	<u>(760,636)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Cash received for Capital Grants	-	90,799	-	90,799
Cash paid for Capital Assets	-	(280,428)	-	(280,428)
Principal Payments on Long- Term Debt	(150,077)	(48,124)	-	(198,201)
Cash paid for interest	(61,842)	(21,433)	-	(83,275)
Net Cash Flows Used In Capital and Related Financing Activities	<u>(211,919)</u>	<u>(259,186)</u>	<u>-</u>	<u>(471,105)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,677)	(320,127)	(197,670)	(567,474)
CASH AND CASH EQUIVALENTS - Beginning	<u>344,023</u>	<u>1,401,252</u>	<u>409,698</u>	<u>2,154,973</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 294,346</u>	<u>\$ 1,081,125</u>	<u>\$ 212,028</u>	<u>\$ 1,587,499</u>
SUPPLEMENTAL INFORMATION				
Non-Cash Capital and Related Financing Activities				
Amount Due to Debt Service Fund for Principal Payment (Decrease in Long-Term Debt)	<u>\$ 17,000</u>	<u>\$ 6,400</u>	<u>\$ -</u>	<u>\$ 23,400</u>
Dividend Income Reinvested (Increase in Investments)	<u>\$ 222</u>	<u>\$ 1,061</u>	<u>\$ -</u>	<u>\$ 1,283</u>

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

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	Water Fund	Sewer Fund	Refuse and Recycling Fund	Total Proprietary Funds
Operating Income	\$ 137,750	\$ 379,292	\$ 3,296	\$ 520,338
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	96,316	114,912	-	211,228
Changes in assets and liabilities:				
Accounts Receivable, net	(24,388)	(146,521)	2,548	(168,361)
Accounts Payable and Accrued Expenses	79,630	(64,641)	5,908	20,897
Payroll Liabilities	4,545	4,545	369	9,459
Compensated Absences	28,505	28,505	5,221	62,231
Net Cash Provided By Operating Activities	<u>\$ 322,359</u>	<u>\$ 316,092</u>	<u>\$ 17,342</u>	<u>\$ 655,793</u>

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

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

	Pension Trust Fund	Escrow Fund
ASSETS:		
Cash and Cash Equivalents	\$ 480,667	\$ 153,471
Investments, at Fair Value	6,434,671	-
TOTAL ASSETS	\$ 6,915,338	\$ 153,471
LIABILITIES AND NET POSITION		
Escrow Liability	\$ -	\$ 153,074
NET POSITION:		
Net Position	-	397
Held-in-Trust for Pension Benefits	6,915,338	-
TOTAL LIABILITES AND NET POSITION	\$ 6,915,338	\$ 153,471

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

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	Pension Trust Fund	Escrow Fund
ADDITIONS:		
Contributions:		
Pennsylvania State Aid	\$ 196,953	\$ -
Employer	194,892	-
Plan Members	54,937	-
	446,782	-
Total Contributions	446,782	-
INVESTMENT INCOME:		
Investment Income and Losses, Net	595,616	394
Less: Investment Expenses	(35,979)	-
	559,637	394
Investment Income, net	559,637	394
Total Additions, net	1,006,419	394
DEDUCTIONS:		
Distributions to Participants	(289,084)	-
Transfers to General Fund	-	(707)
	(289,084)	(707)
TOTAL DEDUCTIONS	(289,084)	(707)
CHANGES IN NET POSITION	717,335	(313)
NET POSITION - Beginning, as previously reported	6,198,003	276,207
PRIOR PERIOD ADJUSTMENT	-	(275,497)
	6,198,003	710
NET POSITION - Beginning, as restated	6,198,003	710
NET POSITION - Ending	\$ 6,915,338	\$ 397

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

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Salisbury Township of Lehigh County, (the “Township”), which was founded in 1753, operates under the First-Class Township code of the Commonwealth of Pennsylvania. the Township has an approximate population of 13,621 based on a 2020 census report, living within an area of 11.1 square miles. The Township has an elected five-member Board of Commissioners, and provides the following services to its residents: public safety, sanitation, highways and streets, culture and recreation, community development, and general administration.

Principles Determining Scope of Reporting Entity

The accompanying financial statements present the primary government. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit’s governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

The Township has determined that no outside agency meets the above criteria; therefore, no other agency has been included in the Township’s financial statements. In addition, the Township is not aware of any entity which would exercise such oversight that would result in the Township being considered a component unit of the entity.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues, with the exception of intergovernmental revenue

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

(grant revenue) to be available if collected within sixty (60) days of the end of the calendar year. Grant revenue is recognized as revenue when the grant requirements have been fulfilled and when available. Grant revenue collected within 6 months of year end is considered available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Property taxes, local taxes, and garbage collection fees associated with the current fiscal period are all considered to be subject to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

A Proprietary Fund distinguishes operating revenues and expenses from non-operating 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 Waste Water Fund are charges to customers for sales and services. Operating expenses for the Waste Water Fund include the cost of sales and services as well as administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the statement of assets, liabilities and fund balances. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers operating revenues to be available if they are collected within sixty (60) days and grant revenues within six (6) months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Property taxes, local taxes, and garbage collection fees associated with the current fiscal period are all considered to be subject to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government reports the following major governmental funds:

- **General Fund (Major Fund)** is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.
- **Highway Aid Fund (Major Fund)** is used to account for the revenues and expenditures funded by the Pennsylvania Department of Transportation to aid in certain costs associated with the Township's roadways.
- **Capital Projects Fund (Major Fund)** account for financial resources to be used for the acquisition or construction of certain major capital expenditures which are not financed by the Proprietary or General Funds.
- **Other Governmental Funds (Non-major Funds)** are special revenue funds used to account for specific revenue sources that are restricted to expenditures for specified purposes.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

- **Proprietary Funds** - The focus of the Proprietary Fund measurement is upon determination of net income and cash flows. Accrual basis accounting principles applicable are similar to those used by businesses in the private sector.

The Proprietary Fund includes the Township's Water Fund, Sewer Fund, and Refuse and Recycling Fund which distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services. The principal operating revenues of these funds are charges to customers for services.

Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- **Fiduciary Funds** - Trust Funds are used to account for assets held by the Township in a trustee capacity. This includes the Pension Trust Fund and Escrow Fund. The Pension Trust Fund is used to account for the Township sponsored retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical. The Escrow Fund is established to administer resources received and held by the Township in a custodial nature. This Fund accounts for the deposits of developer escrows.

Budgets and Budgetary Accounting

The Township adopts annual budgets for required funds in accordance with the First-Class Township Code. All budget amounts included in the required supplementary information are as originally adopted or as amended by the Board of Commissioners. Appropriations not expended lapse at the end of each fiscal year. The Township uses traditional, program and performance budgeting methods to develop the operating budget, which includes proposed expenditures and the means to finance them. Once adopted, the budget is not revised or amended.

Encumbrances

No provisions are made for the recording of encumbrances.

Cash and Cash Equivalents

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

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction costs are reflected as expenditures in governmental funds. In the government wide financial statements, these assets are capitalized and depreciated using the straight-line method over the estimated useful life. Fixed assets in the Proprietary Fund are stated at historical cost. Depreciation of equipment in the Proprietary Fund is computed using the straight-line method over the estimated useful life of the equipment.

General Fixed Assets purchased are recorded as expenditures at the time of purchase. General Fixed Assets are stated at historical cost when determinable, or estimated historical cost based on appraisals or other acceptable methods when historical cost is not available. Donated fixed assets are stated at their fair value as of the date of gift.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported assets, deferred inflows, liabilities and deferred outflows and disclosure of contingent 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 materially from those estimates.

Interfund Transactions

In the process of aggregating the financial information for the Government-wide Financial Statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

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

- **Interfund loans** - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- **Interfund reimbursements** - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- **Interfund transfers** - Flows of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities (if any) columns of the Statement of Net Position, except for the net residual amounts due between governmental and business - type activities, which are reported as Internal Balances.

Transfers - legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers. Transfers to the pension funds are quasi-external transactions and are not treated as operating transfers.

Government-wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities (if any) columns of the Statement of Net Position, except for the net residual amounts due between governmental and business - type activities, which are reported as Internal Balances.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (Continued)

- Transfers Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers. Transfers to the pension funds are quasi-external transactions and are not treated as operating transfers.

Classification of Net Position

In the government-wide financial statements, net position is classified in the following categories:

- Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents the net position of the Township, which are not restricted for any project or other purpose.

Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted Fund Balance - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- Committed Fund Balance - Amounts that can be used only for specific purposes determined by the passage of a resolution by the Board of Commissioners.
- Assigned Fund Balance - Amounts that are intended to be used for a specific purpose, as expressed by the Board of Supervisors or by an official or body to which the Board of Commissioners delegates the authority. As of December 31, 2020, the Board has not delegated the authority to assign fund balance.
- Unassigned Fund Balance - All amounts not included in other spendable classifications.

When both restricted and unrestricted resources are available for use, it is the Township's practice to use restricted resources first, then unrestricted resources as they are needed.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' column of the statement of net position. The Township's long-term debt consists of general obligation bonds and notes. In the fund financial statements, the Governmental Funds report the face amount of debt issued as other financing sources and payment of principal and interest is reported as expenditures. Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

The Township, under the Pennsylvania Township Code Act of 1933, as amended, is authorized to invest in direct obligations of the United States government, obligations guaranteed by the United States government, obligations of the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth of Pennsylvania, savings or time deposits and time certificates of deposit. The deposit and investment policy of the Township adheres to state statutes and prudent business practice.

There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township. To the extent the Township's deposits with financial institutions are not insured by the Federal Deposit Insurance Corporation, assets have been pledged by the financial institutions. The fair market value of pledged assets exceeded the carrying amount of deposits at December 31, 2020.

Custodial credit risk

Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2020, the Township's carrying amount of deposits was \$5,449,341 and the bank balances were \$6,026,714. Of the bank balance, \$250,000 was covered by federal depository insurance; \$5,776,714 exceeded depository insurance and was exposed to custodial credit risk because the deposits were uninsured yet collateralized with securities held by the pledging institution's trust department or agent but not in the Township's name.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Township will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Township's investment policy prefers that all security transactions that are exposed to custodial credit risk are processed with the underlying investments held by a third party custodian.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Interest rate risk

The Township's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit risk

Credit risk for investments is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The Township's investment policy seeks to minimize credit risk by requiring investments in securities allowed under the investment policy.

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, 2020, \$6,909,392 of pension investments is held by the investment's counterparties, not in the name of the Township. The investments of the Governmental and Business Type Activities totaling \$309,669 are held in the Pennsylvania Local Government Investment Trust (PLGIT). These assets are collateralized in accordance with PLGIT investment policies.

Pennsylvania Local Government Investment Trust (PLGIT)

PLGIT operates similarly to a money market fund. All investor deposits are invested directly in a portfolio of securities, which are held by a third party custodian in accordance with Governmental Accounting Standards Board requirements. With respect to the *PLGIT* and *PLGIT/PRIME* portfolios, assets are marked to market daily and there are stated limits on the weighted average maturity of the portfolios. The trust Investment Advisor performs a net asset value calculation regularly on the portfolio of securities. The result of this calculation is a per share value which is rounded to the nearest penny. Although the Trust seeks to maintain the net asset value per share of the *PLGIT* and *PLGIT/PRIME* portfolios at \$1.00 per share, there can be no guarantee that the net asset values will not vary from this price.

Pension Trust Fund Investments

At December 31, 2020 the Township's Police Pension Trust funds have the following asset allocations:

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Pension Trust Fund Investments (Continued)

<u>Asset Type</u>	<u>Fair Market Value</u>	<u>Input Level</u>
Cash	\$ 480,670	N/A
Fixed Income	1,846,042	2
Mutal Funds	4,051,249	1
Common Stocks	<u>537,377</u>	1
 Total Police Pension Fund	 <u>\$6,915,338</u>	

NOTE 3 PROPERTY TAXES

The total tax on real estate in 2020 was 2.42 mills (\$2.42 per \$1,000 of assessed valuation).

The current portion of real estate taxes is collected by the Township. Delinquent real estate taxes are collected by the County of Lehigh and are remitted to the Township. The Lehigh County’s Tax Assessor Office is responsible for establishing assessed values.

The schedule for real estate taxes levied each year is as follows:

May 1	Levy date
May 1- May 31	2.0% discount period
June 1 - July 31	Face payment period
August 1 - December 31	10% penalty period
January 1	Lien date

Delinquent real estate taxes receivable at December 31, 2020 were approximately \$68,212. The Township has not set an allowance for doubtful accounts based on history of delinquent tax collections.

Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within the fiscal year and are distributed within 60 days after the fiscal year-end. The amounts that are not received by the township within 60 days is recorded as deferred revenue in the fund financial statements. The balance recorded as deferred revenue at December 31, 2020 related to real estate taxes is \$65,580.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable for the Governmental Activities consist of the following at December 31, 2020:

	Gross Receivable	Allowance for Doubtful Accounts	Net
Utility Lien Costs Receivable	\$ 121,852	\$ 91,389	\$ 30,463
Transfer Tax Receivable	36,511	-	36,511
Grants Receivable	422,923	-	422,923
Salisbury School District Receivable	129,319	-	129,319
Cable Franchise Fees Receivable	56,374	-	56,374
Fines, Fees and Other Receivables	250,056	-	250,056
	\$ 1,017,035	\$ 91,389	\$ 925,646

The Township has established an allowance for doubtful accounts equal to 75% of the Utility Lien Costs receivable. The allowance is based on prior collection history. There has not been an allowance established for the other receivables as the Township management believes they are fully collectible.

The following have been reported as deferred revenue in the governmental fund financial statements since the funds were not collected within 60 days and are not considered as available in the fund financial statements.

Deferred Revenues:	December 31, 2020
Salisbury School District Receivable	\$ 129,320
Fines, Fees and Other Receivables	157,817
Taxes Receivable	65,580
	\$ 352,717

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

Accounts receivable for the Business-Type Activities consist of the following at December 31, 2020:

	Gross Receivable	Allowance for Doubtful Accounts	Net
Water Service Receivable	\$ 390,812	\$ -	\$ 390,812
Sewer Fees Receivable	591,515	24,811	566,704
Refuse and Recycling Fees Receivable	170,409	36,567	133,842
Sewer Grant Receivable	92,311	-	92,311
	\$ 1,245,047	\$ 61,378	\$ 1,183,669

The Township has established an allowance for doubtful accounts equal to 25% liens assessed for delinquent sewer and refuse and recycling fees. The allowance is based on prior collection history. There has not been an allowance established for the water service receivables as the Township management believes they are fully collectible.

NOTE 5 CAPITAL ASSETS

Governmental Activities

The following is a summary of major fixed assets (property, plant, and equipment) recorded at December 31, 2020 for governmental activities:

	Beginning Balance	Transfer/ Increases	Transfer/ Decreases	Ending Balance
Capital Assets, not being depreciated				
Land and land improvements	\$ 6,529,601	\$ -	\$ -	\$ 6,529,601
Total Capital Assets, not being depreciated	6,529,601	-	-	6,529,601
Capital Assets, being depreciated				
Buildings and building improvements	9,003,109	24,972	-	9,028,081
Infrastructure	687,404	-	-	687,404
Traffic signals	244,011	-	-	244,011
Vehicles and transportation equipment	2,498,855	150,842	(128,388)	2,521,309
Office equipment	153,147	-	-	153,147

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 CAPITAL ASSETS (CONTINUED)

Governmental Activities (Continued)

Operating equipment	1,308,135	121,590	-	1,429,725
Total Capital Assets, being depreciated	<u>13,894,661</u>	<u>297,404</u>	<u>(128,388)</u>	<u>14,063,677</u>
Total Capital Assets	<u>20,424,262</u>	<u>297,404</u>	<u>(128,388)</u>	<u>20,593,278</u>
Less Accumulated Depreciation	<u>(11,008,226)</u>	<u>(385,703)</u>	<u>128,388</u>	<u>(11,265,541)</u>
Total Capital Assets, Net	<u>\$ 9,416,036</u>	<u>\$ (88,299)</u>	<u>\$ -</u>	<u>\$ 9,327,737</u>

Depreciation expense for 2020 amounted to \$385,703 which was charged to their respective Functional Classifications in the Governmental Activities section of the Government-wide Statement of Activities.

Business-Type Activities

The following is a summary of major fixed assets (property, plant, and equipment) recorded at December 31, 2020 for Business Type Activities:

	<u>Beginning Balance</u>	<u>Transfer/ Increases</u>	<u>Transfer/ Decreases</u>	<u>Ending Balance</u>
Capital Assets, being depreciated				
Water collection system	\$ 6,441,664	\$ -	\$ -	\$ 6,441,664
Sewer collection system	10,541,638	260,708	-	10,802,346
Vehicles and equipment	<u>659,623</u>	<u>42,179</u>	<u>-</u>	<u>701,802</u>
Total Capital Assets, being depreciated	<u>17,642,925</u>	<u>302,887</u>	<u>-</u>	<u>17,945,812</u>
Total Capital Assets	<u>17,642,925</u>	<u>302,887</u>	<u>-</u>	<u>17,945,812</u>
Less Accumulated Depreciation	<u>(10,142,974)</u>	<u>(233,687)</u>	<u>-</u>	<u>(10,376,661)</u>
Total Capital Assets, Net	<u>\$ 7,499,951</u>	<u>\$ 69,200</u>	<u>\$ -</u>	<u>\$ 7,569,151</u>

Total depreciation expense for business-type activities is \$211,228 for the year ended December 31, 2020.

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 6 LONG-TERM OBLIGATIONS

Series of 2016 General Obligation Bonds - Governmental Type Debt

Original Issue of \$2,253,400, payable in varying bi-annual interest installments of 2.0% to 4.0% and annual principal installments until December 2035, the maturity date of the bond. These bond proceeds were used to refund the 2010 General Obligation Bond and provide additional \$478,630 to fund certain capital projects located within the Township. The bonds are secured by the tax revenue of the township.

Changes in Long-Term Obligations for Governmental Activities for the period ended December 31, 2020 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Series of 2016	\$ 1,745,150	\$ -	\$ 119,000	\$ 1,626,150	\$ 124,250
Premium	53,357	-	3,284	50,073	-
Discount	(36,627)	-	(2,255)	(34,372)	-
Total	<u>\$ 1,761,880</u>	<u>\$ -</u>	<u>\$ 120,029</u>	<u>\$ 1,641,851</u>	<u>\$ 124,250</u>

Annual debt service requirements for Governmental Type Activities are as follows:

Year Ending December 31,	2016 GOB Bond General Activities		
	Principal	Interest	Total
2021	\$ 124,250	\$ 38,763	\$ 163,013
2022	124,250	36,278	160,528
2023	127,750	33,793	161,543
2024	129,500	31,238	160,738
2025	133,000	28,648	161,648
2026-2030	649,250	101,284	750,534
2031-2034	238,400	33,469	271,869
2035	99,750	2,494	102,244
Total	<u>\$ 1,626,150</u>	<u>\$ 305,968</u>	<u>\$ 1,932,118</u>

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Business Type Debt

Series of 2016 General Obligation Bonds - Business Type Debt

Original Issue of \$4,186,600 payable in annual varying principal and semi-annual varying interest payments ranging from 2.0% to 4.0% until December 2035, the maturity date of the bonds. The Bond proceeds were used to refund the 2010 General Obligation Bond and provide an additional \$3,872,558 to fund certain capital projects located within the Township. The bonds are secured by the tax revenue of the township.

Changes in Long-Term Obligations for Business Type Activities for the period ended December 31, 2020 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Series of 2016	\$ 3,619,850	\$ -	\$ 221,000	\$ 3,398,850	\$ 230,750
Premium	85,245	-	5,246	79,999	-
Discount	(75,479)	-	(4,645)	(70,834)	-
	<u>\$ 3,629,616</u>	<u>\$ -</u>	<u>\$ 221,601</u>	<u>\$ 3,408,015</u>	<u>\$ 230,750</u>

Annual debt service requirements for Business Type Activities are as follows:

Year Ending December 31,	2016 GOB Bond Business Type Activities		
	Principal	Interest	Total
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	247,000	53,204	300,204
2026-2030	1,205,750	188,099	1,393,849
2031-2034	821,600	62,156	883,756
2035	185,250	4,631	189,881
Total	<u>\$ 3,398,850</u>	<u>\$ 568,227</u>	<u>\$ 3,967,077</u>

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements Government Wide are as follows:

Year Ending December 31,	2016 GOB Bond Government Wide			
Principal	Interest	Total		
2021	\$ 355,000	\$ 110,753	\$ 465,753	
2022	355,000	103,653	458,653	
2023	365,000	96,553	461,553	
2024	370,000	89,253	459,253	
2025	380,000	81,853	461,853	
2026-2030	1,855,000	289,383	2,144,383	
2031-2034	1,060,000	95,625	1,155,625	
2035	285,000	7,125	292,125	
Total	<u>\$ 5,025,000</u>	<u>\$ 874,195</u>	<u>\$ 5,899,195</u>	

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are primarily a result of one fund paying an expense or receiving revenues on behalf of another fund. These funds are primarily transferred within a few weeks from the time the transaction occurred. The following is a summary of the interfund receivables and payables at December 31, 2020.

	Due From Other Funds	Due to Other Funds
General Fund	\$ 173,400	\$ -
Debt Service Fund	23,400	23,400
Capital Projects Fund		150,000
Water Fund	-	17,000
Sewer Fund	-	6,400
Total	<u>\$ 196,800</u>	<u>\$ 196,800</u>

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers occur when a fund transfers or receives money from another fund and the money does not need to be repaid. The following is a summary of the interfund transfers at December 31, 2020.

	Transfers In	Transfers Out
General Fund	\$ 564,281	\$ 526,730
Capital Projects Fund	1,452,420	182,876
Fire Protection Fund	-	705,875
Debt Service Fund	160,123	-
Water Fund	-	162,080
Sewer Fund	-	381,896
Refuse and Recycling Fund	-	216,660
Escrow Fund	-	707
Total	\$ 2,176,824	\$ 2,176,824

NOTE 8 PENSION PLANS

Plans Description

The Township has one single-employer cash balance pension plan covering non-uniformed employees (the “non-uniformed plan”) and one single-employer defined benefit pension plan covering police (the “police pension plan”). The police pension plan provides retirement, disability and death benefits to its members and their beneficiaries. The plans are subject to Pennsylvania Act 205 as follows:

PENNSYLVANIA ACT 205 OF 1984

Pennsylvania Act 205 of 1984 (“Act 205”), the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds.

The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

Act 205 also requires:

- The filing of Biennial Actuarial Valuation Reports for defined benefit plans;

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

PENNSYLVANIA ACT 205 OF 1984 (Continued)

- The funding of pension plans from state aid, members' contributions, and municipal contributions (if necessary);
- The actual amount of state aid allocated to a municipality cannot exceed a plan's pension costs;
- A prior cost estimate before the adoption of any benefit plan modification; and
- The municipality to provide information contained in actuarial valuation reports to plan members of benefit recipients.

The Township's pension plans are eligible for state aid. Pennsylvania received funding for Act 205 through the imposition of a two percent (2%) foreign casualty insurance premiums tax, that portion of the foreign fire insurance tax designated for paid firefighters, and investment income earned on those taxes.

For the year 2020 the Township received \$374,211 of state aid, which was allocated to the pension as follows:

Uniformed	\$ 196,953
Non-Uniformed	<u>177,258</u>
Total	<u><u>\$ 374,211</u></u>

A. EMPLOYEES RETIREMENT PLAN- NON-UNIFORMED PENSION PLAN

1. PLAN DESCRIPTION

a. Plan Administration

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.

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

A. EMPLOYEES RETIREMENT PLAN NON-UNIFORMED PENSION PLAN (Continued)

b. Plan Membership

Inactive Plan Member Currently Receiving Benefits	32
Inactive Plan Members Entitled to but not yet Receiving Benefits	3
Active employees	<u>38</u>
Total	<u>73</u>

c. 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.

d. 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.

e. 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, 2019 are summarized in the table below labeled "System Nominal and Real Rates of Return by Asset Class." There are three steps to the method:

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

A. EMPLOYEES RETIREMENT PLAN NON-UNIFORMED PENSION PLAN (Continued)

- 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:

Asset Class	Target Asset Allocation	Nominal Rate of Return	Long-Term Expected Rate of Return
Domestic Equities (large capitalized firms)	25%	7.30%	4.60%
Domestic Equities (small capitalized firms)	15%	10.00%	7.30%
International Equities (international developed markets)	15%	6.20%	3.50%
International Equities (emerging markets)	10%	10.60%	8.30%
Real Estate	20%	8.50%	5.40%
Fixed Income	15%	3.30%	1.10%
Total Portfolio	100%	7.50%	4.80%

Based on the three part analysis, the Board established the System's Long-Term Expected Rate of Return at 7%. 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, 2019, 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

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

A. EMPLOYEES RETIREMENT PLAN NON-UNIFORMED PENSION PLAN (Continued)

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 Rate of Return
95%	2.80%	0.10%
90%	3.90%	1.20%
85%	4.60%	1.90%
80%	5.10%	2.40%
75%	5.50%	2.80%
70%	5.90%	3.20%

f. 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:

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

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

A. EMPLOYEES RETIREMENT PLAN NON-UNIFORMED PENSION PLAN (Continued)

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, 2019.

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.

g. 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, 2019, 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:

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

A. EMPLOYEES RETIREMENT PLAN NON-UNIFORMED PENSION PLAN (Continued)

	<u>12/31/2019</u>	<u>12/31/2018</u>
Net Pension Liability	\$ 1,908,607	\$ 4,206,090
Deferred Inflows	1,639,064	248
Deferred Outflows	(701,201)	(1,360,230)
Net Impact on Statement of Net Position	<u>\$ 2,846,470</u>	<u>2,846,108</u>
Total Payroll	\$ 2,437,143	\$ 2,584,504
Total Pension Expense (\$ Amount)	\$ 694,750	\$ 1,188,480
Total Pension Expense (% of Payroll)	28.51%	45.98%

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, 2019 based on the actuarial valuation of the same date. The beginning of year TPL as of December 31, 2018 is based on the actuarial valuation as of January 1, 2019 and then projected to December 31, 2019. 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.

h. 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, 2019 measurement.

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.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

A. EMPLOYEES RETIREMENT PLAN NON-UNIFORMED PENSION PLAN (Continued)

i. **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:

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2018	\$ 18,146,241	\$ 13,940,151	\$ 4,206,090
Service Cost (Beginning of year)	392,266		392,266
Interest (Includes interest on service cost)	950,884		950,884
Benefit payments, including refunds of member contributions	(863,895)		(863,895)
Contributions - Employer		692,908	(692,908)
Contributions - PMRS assessment		1,480	(1,480)
Contributions - Member		24,226	(24,226)
PMRS Investment income		773,180	(773,180)
Market Value Investment income		2,177,045	(2,177,045)
Benefit payments, including refunds of member contributions		(863,895)	863,895
PMRS Administrative expense		(1,480)	1,480
Additional Administrative expense		(26,726)	26,726
Balances 12/31/2019	<u>\$ 18,625,496</u>	<u>\$ 16,716,889</u>	<u>\$ 1,908,607</u>

Reflects the net Investment Income/ (loss) of 2,072,561 and the income/ (loss) due to the difference between expected and actual asset values of \$104,484, which Includes the impact from allocation of assets in support of the underlying retiree liabilities.

This report does not reflect changes in benefits or assumptions after January 1, 2020 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, 2019 actuarial valuation, with liabilities measured at December 31, 2018. The end of year TPL is based upon the same actuarial valuation with liabilities rolled forward to December 31, 2019. Expect as noted below, the TPL as of December 31, 2019 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

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

A. EMPLOYEES RETIREMENT PLAN NON-UNIFORMED PENSION PLAN (Continued)

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.

j. 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	Discount Rate	1% Increase
	4.25%	5.25%	6.25%
Total Pension Liability	\$20,750,228	\$18,625,496	\$16,806,183
Plan Fiduciary Net Position	16,716,889	16,716,889	16,716,889
Net Pension Liability	\$4,033,339	\$1,908,607	\$89,294
Plan Fiduciary Net Position as percentage of Total Pension Liability	80.56%	89.75%	99.47%

k. 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

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

A. EMPLOYEES RETIREMENT PLAN NON-UNIFORMED PENSION PLAN (Continued)

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.

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 701,201
Change In Assumption	-	-
Net Difference Between Projected and Actual Earnings On Pension Plan Investments	1,639,064	-
Contributions made subsequent to measurement date	-	669,835
	\$ 1,639,064	\$ 1,371,036

Year Ended December 31:

2020	\$ 404,538
2021	(270,098)
2022	32,941
2023	(435,409)
2024	-
Thereafter	-
Total	\$ (268,028)

I. 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

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

A. EMPLOYEES RETIREMENT PLAN NON-UNIFORMED PENSION PLAN (Continued)

the individual components shown in the table below, we believe it helps to understand the level and volatility of pension expense.

	Measurement Date as of	
	<u>12/31/2019</u>	<u>12/31/2018</u>
Change in Net Pension Liability	\$ (2,297,483)	\$ 2,428,251
Change in Deferred Outflows***	659,029	(803,297)
Change In Deferred Inflows	1,638,816	(943,902)
Employer Contributions	694,388	50,742
	<hr/>	<hr/>
Pension Expense***	694,750	731,794
	<hr/> <hr/>	<hr/> <hr/>
Pension Expense as % of Payroll	28.51%	45.98%
 Operating Expenses		
Service Cost	\$ 392,266	\$ 410,952
Employee Contributions	(24,226)	-
PMRS Administrative Expense	1,480	1,460
Additional Administrative Expense	26,726	32,029
	<hr/>	<hr/>
Total Operating Expenses	396,246	444,441
	<hr/>	<hr/>
 Financing Expenses		
Interest Costs	950,884	867,205
Expected Return on Assets	(773,180)	(717,729)
	<hr/>	<hr/>
Total Financing Expenses	177,704	149,476
	<hr/>	<hr/>
 Changes		
Recognition of Assumption Changes	145,764	145,765
Recognition of liability gains and losses	351,980	380,398
Recognition of Investment Gains and Losses	(376,944)	68,400
	<hr/>	<hr/>
Total Changes	120,800	594,563
	<hr/>	<hr/>
Pension Expense***	694,750	1,188,480
	<hr/> <hr/>	<hr/> <hr/>

*** Does not include changes in contributions subsequent of measurement date.

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

B. EMPLOYEES RETIREMENT POLICE PENSION PLAN

1. PLAN DESCRIPTION

The Salisbury Township Police Pension Plan (the “Plan”) is a single-employer defined benefit pension plan covering the full-time police officers. The Plan is governed by the Board of Township Commissioners. The Board of Township Commissioners has delegated the authority to manage 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.

a. Plan Membership

As of January 1, 2020 and 2021, the following employees were covered by the benefit terms:

	2021	2020
Active employees	19	19
Retirees and beneficiaries currently receiving benefits	10	10
Terminated employees entitled to benefits but not yet receiving them	0	0
Total	29	29

b. Benefits Provided

The following is a summary of the Plan benefit provisions:

1. Eligibility Requirements

- A. All full-time policemen working at least forty (40) hours per week at a definite salary.
- B. Normal Retirement Date - A participant may retire upon the attainment of age fifty (50) and completion of twenty-five (25) years of service.
- C. 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.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

B. EMPLOYEES RETIREMENT POLICE PENSION PLAN (Continued)

2. Retirement Benefit

- A. 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 live hundred dollars (\$500) per month.
- B. 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 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.

3. Survivor Benefit:

- A. 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 been retired at the time of his death.
- B. 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.
- C. 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.

4. Members Contributions:

- A. 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, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

B. EMPLOYEES RETIREMENT POLICE PENSION PLAN (Continued)

c. **Actuarial Methods and Assumptions**

Actuarial Methods

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

Actuarial Assumptions

- Investment Return-7% per annum, net of investment expenses.
- Salary Increases- 5% - compounded annually. Demographic Assumptions
- Mortality -
 - Pre-Retirement -None
 - Post-Retirement- the Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA
- Termination- none assumed
- Disability- none assumed
- Retirement Age - normal retirement age, or age on valuation date if greater.
- Marital Status- 80% of active members are assumed to be married. Female spouse is assumed to be 3 years younger than male spouse.
- Form of Annuity - 50% joint and survivor.

d. **Contributions**

Act 205 requires that annual contributions to the Plan be based upon the Plan's Minimum Municipal Obligation (MMO), which is based on the Plan's biennial actuarial valuation, in accordance with the Plan's governing document, employees are required to contribute 3.04% of compensation to the Plan. The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

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

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

B. EMPLOYEES RETIREMENT POLICE PENSION PLAN (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - POLICE PENSION FUND

a. Basis of Accounting

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

b. Valuation of Investments

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

c. 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:

Asset Class	Target	Asset Class	Target
Domestic Equity		International Equity	5%
Large Cap	38%	Fixed Income	27%
Mid Cap	16%	Cash	9%
Small Cap	7%		

d. Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.93 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

B. EMPLOYEES RETIREMENT POLICE PENSION PLAN (Continued)

3. Pension Liability

a. Net Pension Liability

The components of the net pension liability of the municipality as of December 31, 2020 were as follows:

Total Pension Liability	\$7,885,947
Plan Fiduciary Net Position	<u>6,915,338</u>
Net Pension Liability	<u><u>\$970,609</u></u>

Plan Fiduciary Net Position as percentage of Total	87.7%
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b. Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2020. Update procedures were used to roll forward to the Plan's fiscal year ending December 31, 2020. This report was based upon the Plan's actuarial assumptions, asset valuation method and cost method.

c. Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.25%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target	Asset Class	Target
Domestic Equity		International Equity	8.04%
Large Cap	6.19%	Fixed Income	2.77%
Mid Cap	7.37%	Cash	.11%
Small Cap	7.37%		

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

EMPLOYEES RETIREMENT POLICE PENSION PLAN (Continued)

d. Discount Rate

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

e. Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net 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	Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability	\$1,973,700	\$970,609	\$125,521

f. Changes in Net Pension Liability

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

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

EMPLOYEES RETIREMENT POLICE PENSION PLAN (Continued)

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2019	\$ 7,326,959	\$ 6,198,003	\$ 1,128,956
Service Cost (Beginning of year)	322,713	-	322,713
Interest (Includes interest on service cost)	525,359	-	525,359
Benefit payments, including refunds of member contributions	(289,084)	(289,084)	-
Contributions - Employer	-	194,892	(194,892)
Contributions - State Aid	-	196,953	(196,953)
Contributions - Member	-	54,937	(54,937)
Net Investment income	-	560,387	(560,387)
Additional Administrative expense	-	(750)	750
Balances 12/31/2020	\$ 7,885,947	\$ 6,915,338	\$ 970,609

g. Pension Expense

Pension expense for the year ending December 31, 2020 is summarized below:

Service Cost (Beginning of year)	\$ 322,713
Interest (Includes interest on service cost)	525,359
Differences Between Expected and Actual Experience	(68,399)
Changes in Assumption	2,282
Employee Contributions	(54,937)
Projected Earnings on Pension Plan Investments	(432,496)
Differences Between Projected and Actual Earnings on Investments	(13,935)
Administrative Expenses	750
Total Pension Expense	<u>281,337</u>

h. Deferred Outflows and Inflows of Resources

For the year ended December 31, 2020 the township recognized pension expense of \$281,337. At December 31, 2020 the township reported deferred outflows and inflows of resources related to the police pension fund as summarized below:

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 PENSION PLANS (CONTINUED)

EMPLOYEES RETIREMENT POLICE PENSION PLAN (Continued)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 438,524
Change In Assumption	10,476	-
Net Difference Between Projected and Actual Earnings On Pension Plan Investments	-	136,950
	\$ 10,476	\$ 575,474

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:	
2021	\$ (79,830)
2022	(41,142)
2023	(188,750)
2024	(91,696)
2025	(59,272)
Thereafter	(125,260)
Total	\$ (585,950)

NOTE 9 UNFAVORABLE BUDGET VARIANCES

The Water Fund had an unfavorable budget variance of \$61,704. The budget variance is primarily related to reduced water usage related to COVID-19 mandated shut downs and increased costs related to supply and labor shortages, which are also related to COVID-19 mandated shut downs.

The Refuse and Recycling Fund had an unfavorable budget variance of \$135,933. The budget variance is primarily related to reduced refuse collections related to the COVID-19 mandated shut downs and increased costs related to supply and labor shortages, which are also related to COVID-19 mandated shut downs.

SALISBURY TOWNSHIP, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 10 FUND BALANCES

The following is a summary of the governmental-fund balances of the Township at December 31, 2020:

General Fund		
Unassigned	\$2,626,746	
Highway Aid Fund		
Restricted for Township Roads	1,005,125	
Capital Projects Fund		
Committed to Capital Outlays	(112,306) ***	
Other Governmental Funds		
Restricted for:		
Fire Safety	197,586	
Library Services	84,057	
Recreation	118,290	
Other Restricted Contributions	<u>157,936</u>	
Total Other Governmental Funds	<u>557,869</u>	
Total Governmental Fund Balances	<u><u>\$4,077,434</u></u>	

*** Negative fund balance is a result of liabilities greater than assets and will be funded by a general fund operating transfer in 2021.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11 PRIOR PERIOD ADJUSTMENTS

The December 31, 2019 the Governmental Fund Balances were adjusted for the following conditions:

	Governmental Funds			
	General Fund	Capital Projects Fund	Other Govern- mental Funds	Total
Understatement of Accounts Receivable	\$ 57,569	\$ -	\$ -	\$ 57,569
Understatement of Deferred Revenue	(134,754)	(83,600)	(4,735)	(223,089)
Understatement of Allowance for Doubtful Accounts	(64,488)	-	-	(64,488)
Recreation Contribution Fund previously reported as an escrow and corrected	-	-	117,978	117,978
Other Contribution Fund previously reported as an escrow and corrected	-	-	157,519	157,519
Total Prior Period Adjustment-Fund Balance	(141,673)	(83,600)	270,762	45,489
<u>Government Wide</u>				
Governmental Activities				
Understatement of Deferred Revenue is not recorded in the Government Wide financial statements	134,754	83,600	4,735	223,089
Prior Period Adjustment - Net Position	\$ (6,919)	\$ -	\$ 275,497	\$ 268,578

The December 31, 2019 net position of the Proprietary Fund was adjusted for the following conditions:

	Proprietary Funds			
	Water Fund	Sewer Fund	Refuse and Recycling Fund	Total
Understatement of Allowance for Doubtful Accounts	\$ -	\$ (22,438)	\$ (36,567)	\$ (59,005)
Total Prior Period Adjustment - Net Position	\$ -	\$ (22,438)	\$ (36,567)	\$ (59,005)

The Business-Type Activities in the Governmental Wide net positions were adjusted by the same amounts.

SALISBURY TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11 PRIOR PERIOD ADJUSTMENTS (CONTINUED)

The Fiduciary Net Position was reduced by \$275,497 as a result of the Township inadvertently reporting the Recreation and Other contribution funds as escrow funds. The funds are not fiduciary in nature and now are reported in the other governmental funds.

NOTE 12 SUBSEQUENT EVENTS

The Township has evaluated subsequent events through January 12, 2022, which is the date the financial statements are available to be issued.

SALISBURY TOWNSHIP, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Actual	Variance with Budget
<u>Revenues:</u>			
Taxes	\$ 6,224,000	\$ 6,241,246	\$ 17,246
Intergovernmental	533,100	936,238	403,138
Licenses and Permits	260,460	236,511	(23,949)
Charges for Service	501,550	342,705	(158,845)
Interest, Rents and Royalties	104,296	140,756	36,460
Fines and Forfeits	74,200	50,728	(23,472)
Other	229,080	269,081	40,001
 Total Revenues	 7,926,686	 8,217,265	 290,579
<u>Expenditures:</u>			
General Government	1,294,256	1,437,524	(143,268)
Public Safety	3,880,729	3,853,205	27,524
Public Works	2,631,426	2,519,111	112,315
Culture and Recreation	81,860	57,621	24,239
Other	214,600	271,663	(57,063)
 Total Expenditures	 8,102,871	 8,139,124	 (36,253)
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Assets	-	23,267	23,267
Operating Transfers In	525,600	564,281	38,681
Operating Transfers Out	(350,000)	(526,730)	(176,730)
 Total Other Financing Sources, Net	 175,600	 60,818	 (114,782)
 Net Changes in Fund Balance	 \$ (585)	 \$ 138,959	 \$ 139,544

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE - HIGHWAY AID FUND (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Actual	Variance with Budget
<u>Revenues:</u>			
Intergovernmental	\$ 466,885	\$ 476,361	\$ 9,476
Interest, Rents and Royalties	9,000	2,483	(6,517)
Total Revenues	475,885	478,844	2,959
<u>Expenditures:</u>			
Public Works	662,000	194,383	467,617
Total Expenditures	662,000	194,383	467,617
Net Changes in Fund Balance	\$ (186,115)	\$ 284,461	\$ 470,576

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Actual	Variance with Budget
<u>Revenues:</u>			
Interest and Rents	\$ 38,400	\$ -	\$ (38,400)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	863,994	1,452,420	588,426
Operating Transfers Out	(237,476)	(182,876)	54,600
Bond Interest Payments	(21,557)	-	21,557
Total Other Financing Sources, Net	604,961	1,269,544	664,583
<u>Expenditures:</u>			
General Government	150,000	117,852	32,148
Public Safety	454,994	1,033,418	(578,424)
Public Works	275,000	175,965	99,035
Culture and Recreation	20,000	-	20,000
Total Expenditures	899,994	1,327,235	(427,241)
Net Changes in Fund Balance	\$ (256,633)	\$ (57,691)	\$ 198,942

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - BUDGET TO ACTUAL - WATER FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Actual	Variance with Budget
OPERATING REVENUES	\$ 2,033,400	\$ 1,959,034	\$ (74,366)
OPERATING EXPENDITURES	(1,771,365)	(1,821,284)	(49,919)
OPERATING INCOME	262,035	137,750	(124,285)
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	3,000	2,184	(816)
Interest Expense	-	(61,842)	(61,842)
Operating Transfers Out	(287,319)	(162,080)	125,239
Non-operating Expenses, Net	(284,319)	(221,738)	62,581
CHANGES IN NET POSITION	\$ (22,284)	\$ (83,988)	\$ (61,704)

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - BUDGET TO ACTUAL - SEWER FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Actual	Variance with Budget
OPERATING REVENUES	\$ 2,138,100	\$ 2,062,908	\$ (75,192)
OPERATING EXPENDITURES	(1,796,917)	(1,683,616)	113,301
OPERATING INCOME	341,183	379,292	38,109
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	18,000	5,924	(12,076)
Intergovernmental Revenue	-	90,799	90,799
Interest Expense	-	(21,433)	(21,433)
Operating Transfers Out	(433,000)	(381,896)	51,104
Non-operating Expenses, Net	(415,000)	(306,606)	108,394
CHANGES IN NET POSITION	\$ (73,817)	\$ 72,686	\$ 146,503

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - BUDGET TO ACTUAL - REFUSE AND RECYCLING FUND
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Actual	Variance with Budget
OPERATING REVENUES	\$ 1,423,312	\$ 1,407,399	\$ (15,913)
OPERATING EXPENDITURES	(1,333,695)	(1,404,103)	(70,408)
OPERATING INCOME	89,617	3,296	(86,321)
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	9,600	1,648	(7,952)
Operating Transfers Out	(175,000)	(216,660)	(41,660)
Non-operating Expenses, Net	(165,400)	(215,012)	(49,612)
CHANGES IN NET POSITION	\$ (75,783)	\$ (211,716)	\$ (135,933)

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
NON-UNIFORM PENSION PLAN
DECEMBER 31, 2020

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service Cost (Beginning of year)	\$ 392,266	\$ 410,952	\$ 375,947	\$ 317,511	\$ 326,459	\$ 309,455	N/A	N/A	N/A	N/A
Interest (Includes interest on service cost)	950,884	867,205	842,578	806,791	768,776	737,497	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	-	-	-	-	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	1,168,669	-	473,976	(1,232)	142,072	N/A	N/A	N/A	N/A
Changes of assumptions	-	-	-	416,583	208,095	-	N/A	N/A	N/A	N/A
Transfers	-	-	-	54,954	-	-	N/A	N/A	N/A	N/A
Benefit payments, including refunds of member contributions	(863,895)	(805,344)	(764,071)	(678,566)	(583,305)	(687,496)	N/A	N/A	N/A	N/A
Net Changes In Total Pension Liability	479,255	1,641,482	454,454	1,391,249	718,793	501,528	N/A	N/A	N/A	N/A
Total Pension Liability - Beginning	18,146,241	16,504,759	16,050,305	14,659,056	13,940,263	13,438,735	N/A	N/A	N/A	N/A
Total Pension Liability - Ending	18,625,496	18,146,241	16,504,759	16,050,305	14,659,056	13,940,263	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position										
Contributions - Employer	\$ 692,908	\$ 505,948	\$ 486,159	\$ 407,248	\$ 391,296	\$ 264,342	N/A	N/A	N/A	N/A
Contributions - PMRS assessment	1,480	1,480	1,500	1,460	1,400	-	N/A	N/A	N/A	N/A
Contributions - Member	24,226	-	-	-	-	-	N/A	N/A	N/A	N/A
PMRS Investment income	773,180	717,729	686,956	696,996	690,377	696,043	N/A	N/A	N/A	N/A
Market Value Investment income	2,177,045	(1,173,093)	1,515,206	(24,004)	(610,438)	(49,673)	N/A	N/A	N/A	N/A
Transfers	-	-	-	54,954	-	-	N/A	N/A	N/A	N/A
Benefit payments, including refunds of member contributions	(863,895)	(805,344)	(764,071)	(678,566)	(583,305)	(687,496)	N/A	N/A	N/A	N/A
PMRS Administrative expense	(1,480)	(1,460)	(1,420)	(1,380)	(1,400)	(1,240)	N/A	N/A	N/A	N/A
Additional Administrative expense	(26,726)	(32,029)	(31,592)	(34,147)	(28,780)	(26,693)	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	2,776,738	(786,769)	1,892,738	422,561	(140,850)	195,283	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	13,940,151	14,726,920	12,834,182	12,411,621	12,552,471	12,357,188	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending	16,716,889	13,940,151	14,726,920	12,834,182	12,411,621	12,552,471	N/A	N/A	N/A	N/A
Net Pension Liability - Ending	\$ 1,908,607	\$ 4,206,090	\$ 1,777,839	\$ 3,216,123	\$ 2,247,435	\$ 1,387,792	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.75%	76.82%	89.23%	79.96%	84.67%	90.04%	N/A	N/A	N/A	N/A
Covered Employee Payroll	\$ 2,437,143.00	\$ 2,584,504.00	\$ 2,364,361.00	\$ 2,220,762.00	\$ 2,111,508.00	\$ 1,966,279.00	N/A	N/A	N/A	N/A
Plans Net Pension Liability as a Percentage of the Covered Employee Payroll	78.31%	162.74%	75.19%	144.82%	106.44%	70.58%	N/A	N/A	N/A	N/A

Notes to Schedule:

Assumption Changes - None

Benefit Changes - None

* Information from 2010-2014 is not available

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND RELATED RATIOS (UNAUDITED)
NON-UNIFORM PENSION PLAN
DECEMBER 31, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially Determined Contribution	\$ 694,388	\$ 507,408	\$ 487,579	\$ 408,628	\$ 392,556	\$ 264,322	N/A	N/A	N/A	N/A
Contribution in Relation to the Actuarially Determined Contribution*	694,388	507,428	487,659	408,708	392,696	264,342	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	\$ -	\$ (20.00)	\$ (80.00)	\$ (80.00)	\$ (140.00)	\$ (20.00)	N/A	N/A	N/A	N/A
Participant Payroll**	\$ 2,437,143.00	\$ 2,584,504.00	\$ 2,364,361.00	\$ 2,220,762.00	\$ 2,111,508.00	\$ 1,966,279.00	N/A	N/A	N/A	N/A
Contributions as a Percentage of Participant Payroll	28.49%	19.63%	20.63%	18.40%	18.60%	13.44%	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

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

Notes to Schedule:

Actuarial Standards of Practice. The Actuarially Determined Contribution provided is based upon the Minimum Municipal Obligation as defined in ACT 205 which confirms to these standards.

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 2019 is based upon the January 1, 2017 actuarial valuation.

A summary of the key assumptions and methods used to determine the 2018 contribution 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: 5.25%
- Inflation: 2.8%
- Salary Increases: Age related scale with merit and inflation component
- COLA Increases: 2.8% 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 2019, 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 2020 and 2021, 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.

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
POLICE PENSION PLAN
DECEMBER 31, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability											
Service Cost (Beginning of year)	\$ 322,713	\$ 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)	525,359	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	(289,084)	(257,603)	(248,457)	(247,440)	(269,072)	(275,931)	N/A	N/A	N/A	N/A	N/A
Net Changes In Total Pension Liability	558,988	87,143	505,769	317,406	416,583	370,453	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - Beginning	7,326,959	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	7,885,947	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	194,892	\$ 200,184	203,489	175,330	182,209	166,980	N/A	N/A	N/A	N/A	N/A
Contributions - State Aid	196,953	184,338	175,633	156,001	139,989	133,308	N/A	N/A	N/A	N/A	N/A
Contributions - Member	54,937	40,181	50,664	48,520	44,578	31,519	N/A	N/A	N/A	N/A	N/A
Net Investment Income	560,387	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	(289,084)	(257,603)	(248,457)	(247,440)	(269,072)	(275,931)	N/A	N/A	N/A	N/A	N/A
Administrative expense	(750)	(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	717,335	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	6,198,003	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	6,915,338	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	970,609	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	87.69%	84.59%	71.68%	79.77%	73.60%	72.07%	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll	1,806,000	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
Plans Net Pension Liability as a Percentage of the Covered Employee Payroll	53.74%	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

* Information from 2010-2014 is not available

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND RELATED RATIOS (UNAUDITED)
POLICE PENSION PLAN
DECEMBER 31, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 391,845	\$ 384,522	\$ 379,122	\$ 331,331	\$ 322,198	\$ 300,288	\$ 295,572	\$ 262,000	\$ 258,273	\$ 222,285	\$ 219,168
Contribution made	391,845	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	\$ 1,806,000	\$ 1,675,000	\$ 1,637,000	\$ 1,483,000	\$ 1,418,269	\$ 1,418,760	\$ 1,338,311	\$ 1,238,387	\$ 1,218,922	\$ 1,121,770	\$ 1,063,519
Contributions as a percentage of covered-employee payroll	21.70%	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

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
 SCHEDULE OF INVESTMENT RETURNS
 LAST 10 FISCAL YEARS (UNAUDITED)
 POLICE PENSION PLAN
 DECEMBER 31, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual money - weighted rate of return, net of investment expenses	8.93%	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.

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
 COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES -
 OTHER GOVERNMENTAL FUNDS (UNAUDITED)
 DECEMBER 31, 2020

	Fire Protection Fund	Library Fund	Recreation Contribution Fund	Other Contribution Fund	Debt Service Fund	Total Other Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 99,094	\$ 127,057	\$ 118,290	\$ 157,936	\$ -	\$ 502,377
Taxes Receivable	7,889	1,725	-	-	-	9,614
Due from Other Funds	-	-	-	-	23,400	23,400
Other Receivables	128,000	-	-	-	-	128,000
TOTAL ASSETS	\$ 234,983	\$ 128,782	\$ 118,290	\$ 157,936	\$ 23,400	\$ 663,391
LIABILITIES						
Accounts Payable	\$ 29,508	\$ 43,000	\$ -	\$ -	\$ -	\$ 72,508
Deferred Revenue	7,889	1,725	-	-	-	9,614
Due to Other Funds	-	-	-	-	23,400	23,400
TOTAL LIABILITIES	37,397	44,725	-	-	23,400	105,522
FUND BALANCES						
Restricted	197,586	84,057	118,290	157,936	-	557,869
TOTAL FUND BALANCES	197,586	84,057	118,290	157,936	-	557,869
TOTAL LIABILITIES AND FUND BALANCES	\$ 234,983	\$ 128,782	\$ 118,290	\$ 157,936	\$ 23,400	\$ 663,391

See Independent Auditors' Report

SALISBURY TOWNSHIP, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Fire Protection Fund	Library Fund	Recreation Contribution Fund	Other Contribution Fund	Debt Service Fund	Total Other Governmental Funds
<u>REVENUES</u>						
Taxes	\$ 374,435	\$ 78,300	\$ -	\$ -	\$ -	\$ 452,735
Interest, Rents and Royalties	1,627	408	312	417	-	2,764
Total Revenues	376,062	78,708	312	417	-	455,499
<u>EXPENDITURES</u>						
Current:						
Public Safety	228,832	-	-	-	-	228,832
Culture and Recreation	-	86,094	-	-	-	86,094
Other	-	-	-	-	647	647
Total Expenditures	228,832	86,094	-	-	647	315,573
Excess of Revenues over Expenditures	147,230	(7,386)	312	417	(647)	139,926
<u>OTHER FINANCING SOURCES (USES)</u>						
Proceeds from Sale of Assets	228,000	-	-	-	-	228,000
Operating Transfers In	-	-	-	-	160,123	160,123
Operating Transfers Out	(705,875)	-	-	-	-	(705,875)
Debt Service - Principal	-	-	-	-	(119,000)	(119,000)
Debt Service - Interest	-	-	-	-	(40,476)	(40,476)
Total Other Financing Uses, net	(477,875)	-	-	-	647	(477,228)
Net Change in Fund Balances	(330,645)	(7,386)	312	417	-	(337,302)
Fund Balances - Beginning of Year, as Previously Reported	531,897	92,512	-	-	-	624,409
Prior Period Adjustment	(3,666)	(1,069)	117,978	157,519	-	270,762
Fund Balances - Beginning of Year, as Restated	528,231	91,443	117,978	157,519	-	895,171
Fund Balances - End of Year	\$ 197,586	\$ 84,057	\$ 118,290	\$ 157,936	\$ -	\$ 557,869

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