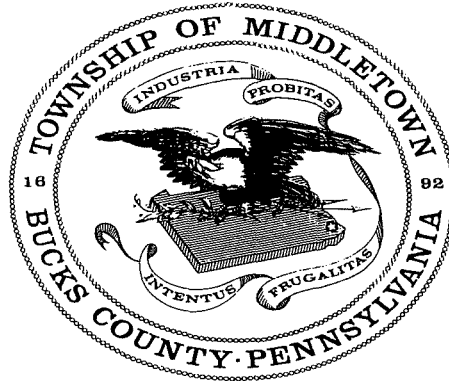


Township of Middletown County of Bucks, Pennsylvania

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2008**



Dennis M. Penko, Finance Director

INTRODUCTORY SECTION

MIDDLETOWN TOWNSHIP

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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MIDDLETOWN TOWNSHIP

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STATISTICAL SECTION

This part of the Township of Middletown's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information.

Financial Trends.....84-87
These schedules contain trend information that may assist the reader in assessing the government's current financial performance by placing it in historical perspective.

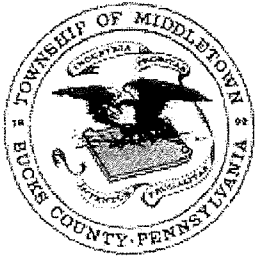
Revenue Capacity.....88-91
These schedules contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources

Debt Capacity.....92-95
These schedules present information that may assist the reader in analyzing the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Economic & Demographic Information.....96-97
These schedules offer economic and demographic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information.....98-100
These schedules contain service and infrastructure indicators to help the reader understand how the information in the government's financial statements relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. Middletown Township implemented GASB 34 in fiscal year 2003.



Township of Middletown

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Raymond Stepnoski, Manager

Board of Supervisors

Charles M. Thompson, Jr., Chairperson
Robert McMonagle, Vice Chairperson
Kathy H. Heuer, Secretary
H. George Leonhauser
Jasper Caro

November 4, 2009

To the Board of Supervisors and the Citizens of the Township of Middletown:

The Comprehensive Annual Financial Report of the Township of Middletown, County of Bucks, Commonwealth of Pennsylvania, for the year ended December 31, 2008 is hereby submitted.

This report was prepared by the Township's Finance Department in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by Mercadien, PC, Certified Public Accountants. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Township's management staff. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Township. All disclosures necessary to enable the reader to gain an understanding of the Township's financial activities have been included.

The organization, form, and contents of this *Comprehensive Annual Financial Report* and the accompanying financial statements and statistical tables were prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB), the Government Finance Officers' Association (GFOA), The American Institute of Certified Public Accountants (AICPA), and the Second Class Township Code of the Commonwealth of Pennsylvania.

U.S. generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the report. The MD&A can be found immediately following the report of the Independent Auditors.

Financial Entity

Middletown Township provides a full range of municipal services. These services include police and fire protection, construction and maintenance of streets, storm sewers and other infrastructures, recycling, yard waste and residential solid waste services, zoning regulation and building inspection, park and recreational activities, and the maintenance and replacement of street lights. In addition to general government activities, the governing body has a fiduciary responsibility for the pension trust funds, private-purpose trust funds, and agency trust funds. Contributions to the Fire Companies and Rescue Squad serving Middletown residents are made through real estate tax levies.

General Information

The governing body of the Township is the Board of Supervisors, which is comprised of five (5) members, who are elected at large and serve six (6) year staggered terms. The Board is empowered with legislative functions which include enacting ordinances and resolutions, adopting a budget, levying taxes, providing for appropriations, awarding bids and contracts, and making appointments to various advisory boards and commissions. The chief executive officer of the Township is the Township Manager, who is appointed by and serves at the pleasure of the Board of Supervisors. The Township Manager is responsible for implementing ordinances and resolutions of the Board, supervising the

administration of all departments and boards, and preparing and submitting the annual budget and capital improvement programs for the Township. The Manager administers municipal affairs.

The Township of Middletown, established in 1692, is located in the heart of Lower Bucks County. The Township lies in the southeastern part of Pennsylvania and is one of the oldest municipalities in Bucks County. Covering an area of approximately 19.016 square miles, the Township is 2.1 miles northeast of Philadelphia, Pennsylvania, and seven miles southwest of Trenton, New Jersey. It is adjacent to two exits of the Pennsylvania Turnpike and crossed by I-95, U.S. 1, and Route 413, linking the community to locations throughout the Greater Philadelphia Region and the interstate highway system. The Township and neighboring municipalities are closely related, in terms of both economics and physical development, and are served in some cases by the same school facilities, highways, water lines, and sewer lines.

Middletown Township is a highly desirable community in which to live, raise a family and retire. The Township is principally residential and commercial in character. The Township has a mix of single-family homes, retirement communities, townhouses, and apartments. There are a number of major retail shopping areas in the Township, notable of which are the Oxford Valley Mall, the Langhorne Square Shopping Centre, the Target Center, the Shoppes at Flowers Mill and the Summit Square Shopping Center.

The Middletown Township Police Department is a full service law enforcement agency, providing comprehensive policing services to our community. We have adopted the concept of community policing with emphasis on problem oriented policing. The department works in partnership with the community addressing all issues affecting this community. In partnership with the Oxford Valley Mall, the department has opened and maintains a substation at the mall, which is staffed with volunteers from the Citizen Police Academy graduates. The department also provides security for Sesame Place during their months of operation. The department received accreditation under the Pennsylvania Chiefs of Police Association/Pennsylvania Law Enforcement Accreditation Commission in December 2008. This accreditation requires the department to meet one hundred thirty-one (131) professional standards. Middletown Township became the 61st police department in the state to be accredited and there are approximately 1,200 departments in the state. The Police Department is budgeted for fifty-two (52) police officers, one (1) animal control officer and twenty-seven (27) non-sworn personnel. The Police Department is divided into several units—Patrol, Criminal Investigations (detectives), K-9 Patrols, Community Policing, DARE Officer, Court Coordinator, School Crossing Guards, and Motorcycle Patrol.

The Neshaminy School District administrative offices are located within Middletown Township. The Neshaminy High School, four middle schools, eight elementary schools, and one alternative school serve 9200 students. Geographically, Neshaminy includes the boroughs of Hulmeville, Langhorne, Langhorne Manor and Pennel, and the townships of Lower Southampton and Middletown. Four private schools also serve the community: George School (grades 9-12), Newtown Friends (grades K-8), Woods Services (physically handicapped children), and Queen of the Universe School (grades K-8).

Economic Conditions and Outlook

The Township of Middletown's growth is due largely to its position in the center of Lower Bucks County at the intersection of several major interstate highways and in close proximity to the Pennsylvania Turnpike. Significant commercial development began in the early 1970's with construction of the Oxford Valley Mall, a major regional shopping center. Sesame Place, a joint venture involving Busch Entertainment Corporation and the Children's Television Workshop, commenced operations in 1980 and is the largest tourist attraction in Bucks County. The rapid commercial and residential development of the Township is reflected in the growth of assessed value of real estate over the past thirty-eight (38) years. While potential for future residential, commercial and industrial development exists, the peak growth trend for the Township has ended.

The recent decades of rapid growth and development have brought genuine benefits to the community, but have also created additional demands for municipal services and a possible need to redirect certain public policies and programs. The popularity of Sesame Place alone required a police security detail of one thousand one hundred and thirty (1130) man-hours in 2008.

Current Year

The Township staff has developed several means to enhance revenue and reduce costs, including increasing permit and inspection fees and marketing Township services to other governmental entities. The Township continues to review and revise fee schedules and escrow holdings on an ongoing basis.

During 2008, the Township also continued its participation in the Bucks County Consortium of Municipalities. The Consortium is comprised of all municipalities in Bucks County that employ professional management staff. The goal of the Consortium is to encourage inter-municipal cooperation in such areas as purchasing of materials and supplies, household hazardous waste collection and disposal, and personnel related matters.

A sampling of projects approved by the Board of Supervisors in 2008 reflects a mixture of new construction and renovations, both commercial and residential. McGrath Builders continues the construction of fifty-three deluxe townhouses adjacent to the Middletown Municipal Building. George School has started construction of the new Mollie Dodd Library. Summit Square Shopping Center is continuing with a complete renovation as well as additional new buildings on the center's site. Pennswood Village is continuing the process of renovating the Barclay Building. CGR Properties began construction of 12 new single homes in the Access Woods development and Americorp Homes is continuing construction of 32 new single homes in the Durham Ridge development. The Middletown Public Works Building continues under construction with completion scheduled for 2009.

The Township's D.A.R.E. (Drug Abuse Resistance Education) Program continued into its seventeenth year in 2008. D.A.R.E. is a preventive program aimed at children to provide them with the skills needed to resist peer pressure to experiment and use harmful drugs. A sworn police officer presents the D.A.R.E. Program in local elementary schools.

In 2008, the Township's Finance and Police Departments were active in securing and overseeing various federal and state grants to assist the Police Department in its operations. The state awarded a D.A.R.E. grant of \$2,572 providing funds for the Police Department's community awareness and education programs to be conducted in schools and at parent/teacher's meetings. The Police Department also continues to receive funding in the form of a MATCH/CTC.

The Township continues to provide a full-time police officer to the Oxford Valley Mall. The Township's agreement with Kravco-Simon Company, agents for the Oxford Valley Mall, recognizes the importance of the high visibility of a police officer in the exterior common areas of the Mall. Kravco-Simon provides the Township with access to the Mall common areas and security room and contributes financial assistance to the Township in order to facilitate the provision of additional public safety and protection in the Mall and the immediately surrounding area. Reimbursement for the additional officer totaled \$172,092 in 2008; this figure includes payments for overtime details.

The Office of the Fire Marshal has in 2008 performed 100% of annual fire inspections of all commercial business in the township. The office also performs fire safety inspections, new fire detection and suppression systems throughout the township. The goal of these inspections is keep our commercial establishments and their staff safe. The Fire Marshal's Office also performs fire prevention activities throughout the township. The Fire Marshal's Office is very proud of the many significant accomplishments they achieved in the communication of fire prevention including fire extinguisher training for the business community, and increased daycare and school fire prevention seminars such as our Fourth Annual Fire and Accident Prevention Day at the Oxford Valley Mall. On days following a neighborhood fire, the staff will take a walking tour of the surrounding neighborhood to communicate fire prevention and distribute smoke detectors. Middletown Township is one of the safest communities in Bucks County due in part to the dedication of the staff members of the department.

The Township Park & Recreation Department presented the laser light spectacular to celebrate the 4th of July. The event was paid for entirely by donations from local businesses and foundations. The department offered a year round calendar of programs and community events that served more than 8000 people. During 2008, the department also completed construction plans for L/Cpl Harry J. Simmons Memorial Park and a renovation plan for Middletown Community Center.

Internal Controls

The management of the Township is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Township are protected from loss, theft, or misuse and ensure that adequate accounting data is compiled and maintained to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that the Township's objectives are met. The concept of reasonable assurance recognizes that:

1. the cost of a control should not exceed its benefit, and
2. the evaluation of cost and benefits requires estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe that the Township's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of transactions and maintenance of asset accountability.

In addition to the above controls, the Township maintains budgetary accounting controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Board of Supervisors. Activities of all Township funds, with the exception of the pension trust funds and the agency funds are included in the annual appropriation budget. The Board of Supervisors establishes the level of budgetary control in the broad categories contained in the Basic Financial Statements. Appropriations lapse at the close of the fiscal year and must be re-appropriated the following year.

Although the Township maintains the legal level of control established by law for its operating budget, the Board of Supervisors has also established an internal budgetary control system at the departmental level. Each department is required to operate within the annual departmental budget established by the Board of Supervisors.

The Township maintains an encumbrance accounting system to aid in departmental budgetary control. Purchase orders, which would result in budget overruns, are not processed until budgetary transfers are received from the appropriate department.

As demonstrated by the statements and schedules included in the financial section of this report, the Township continues to meet its responsibility for sound financial management.

Cash Management

The Township uses TD Bank as its designated depository. TD Bank, who took over Commerce Bank which the Township has used since mid-2002, provides excellent service at no cost to the Township. Bank fees have been eliminated from the Township budget altogether. Interest is paid on the ledger balance of all accounts the Township maintains at the bank. There are neither non-interest bearing balances nor compensating balances required.

While idle cash from the Township's various funds continually earns interest at TD Bank, the Township also invests in interest bearing demand deposits, the Pennsylvania Local Government Investment Trust (PLGIT) Program, and the Pennsylvania INVEST Program. The PLGIT Program is a state chartered investment pool designed to combine monies from a number of participating municipalities and school districts and invest them in high-yield, low-risk United States Treasury Obligations or collateralized Certificates of Deposit. The INVEST Program is a family of highly rated investment pools designed specifically for local government and nonprofit groups. INVEST is similar in concept to money market funds, offering four rated pools with short-term maturity as well as periodic custom investment opportunities for longer-term investment needs. The maturity of these investments is timed to meet the Township's cash needs.

The proceeds from the 2002 sale of the Township's public water and sewer systems have been held in a reserve fund and invested through third-party investment management firms that have considerable professional experience and knowledge in the management of public investments. The market value of those investments total \$44.1 million as of December 31, 2008.

The Township investments are limited to those authorized by the provisions of the Pennsylvania Second-Class Township Code. The Township's investment policy is to minimize credit and market risk while maintaining the highest yield on all funds. The primary objectives of the Township's investment policy are, in order of priority, safety, liquidity, and yield. Accordingly, deposits are either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized. All collateral on deposits is held either by the Township, its agent, or a financial institution's trust department in the Township's name.

Risk Management

The Township has just completed its third full year of insurance coverage with Travelers' St. Paul Group and its second year of coverage with Amerihealth. Travelers' St. Paul provides property, general liability, auto and professional liability insurance coverage for the Township. Amerihealth provides workmen's compensation coverage for the Township.

Other Information

The independent auditor appointed by the Board of Supervisors for the year ended December 31, 2008 is the firm of Mercadien, PC, Certified Public Accountants. The independent auditor's report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is included in the Financial Section of this report. They have issued an unqualified opinion for the year ended December 31, 2008.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Township of Middletown for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2007. This was the third consecutive, and the seventh year overall that the government has achieved this certificate of achievement. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Township believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the 2008 Comprehensive Annual Financial Report was made possible by the dedicated service of the entire Finance Department. All others who contributed to the preparation of this report, members of the Administration, License and Inspections, Parks and Recreation, Fire Marshal's Office, Public Works, and the Police Department have my sincere appreciation for their contributions. I would also like to thank the Board of Supervisors for their support and continued interest in the financial operations of the Township. Without their support, the preparation of this report would not have been possible.

Respectfully submitted,



Dennis M. Penko
Finance Director
November 4, 2009

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Township of Middletown Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R.", is written above the title "President".

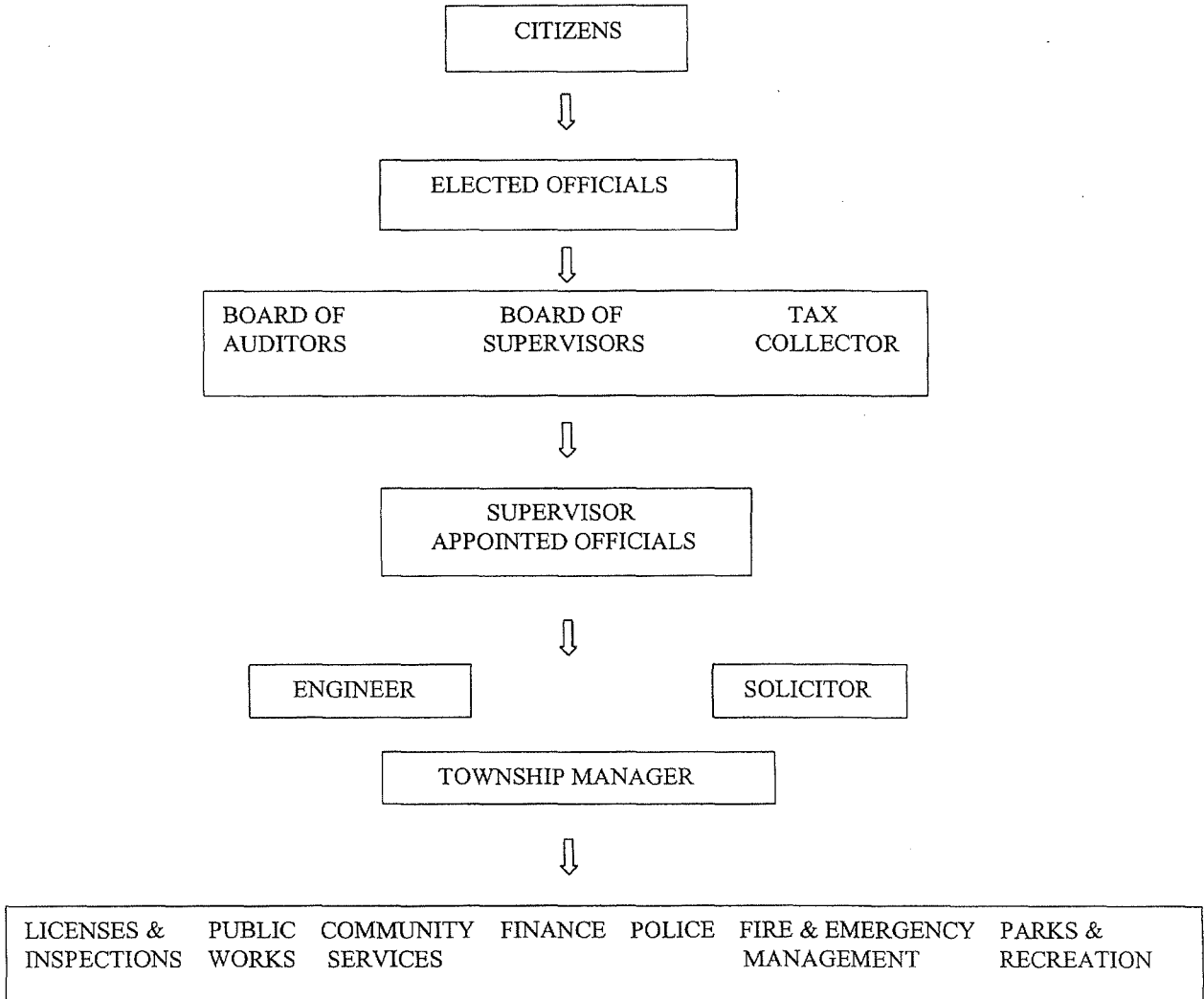
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is written above the title "Executive Director".

Executive Director

TOWNSHIP OF MIDDLETOWN

ORGANIZATIONAL CHART



APPOINTED CITIZENS ADVISORY BOARDS & COMMISSIONS

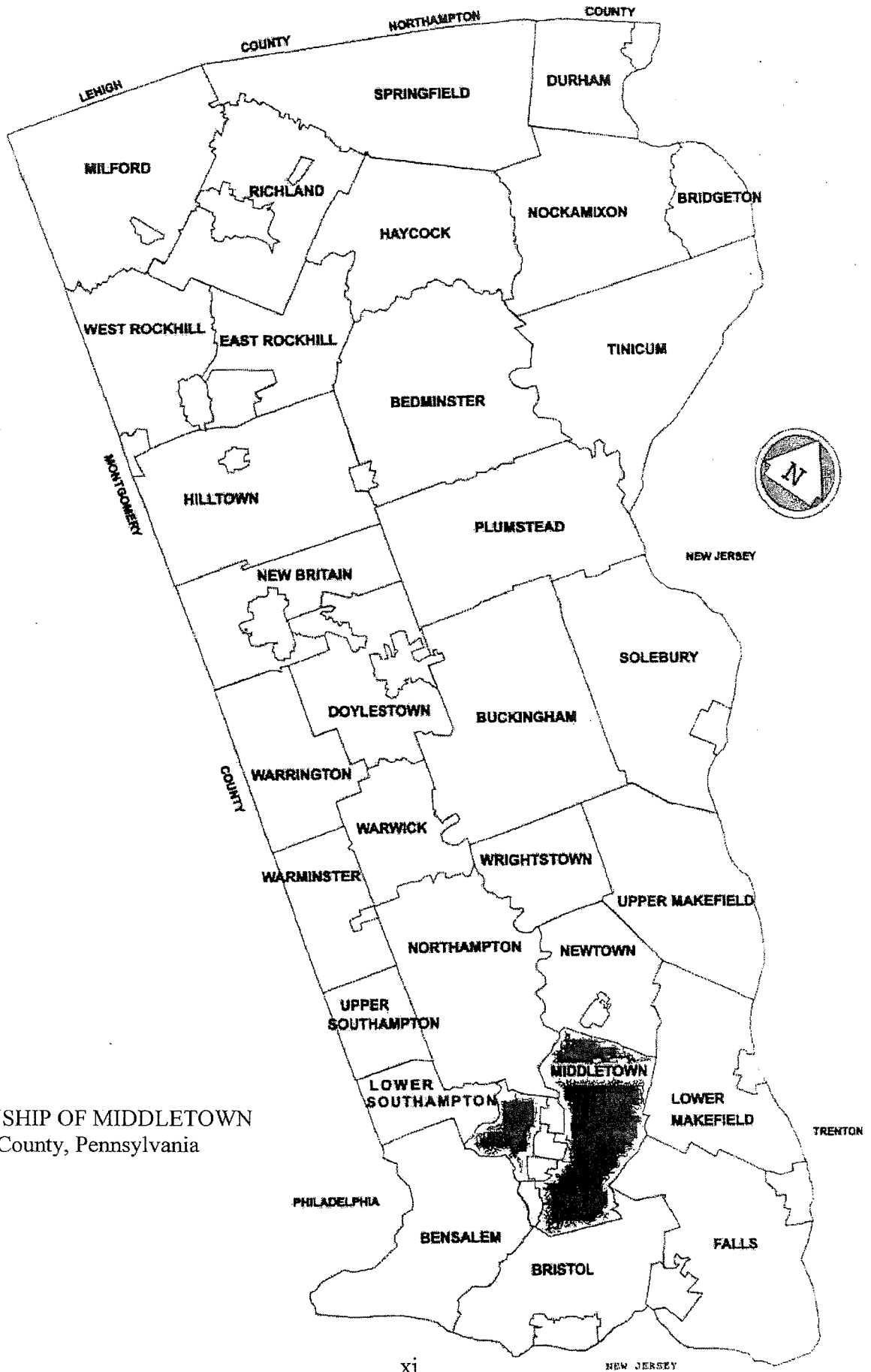
- | | |
|---|----------------------------------|
| Zoning Hearing Board | Planning Commission |
| Park & Recreation Board | Historic Preservation Commission |
| Emergency Services Ad hoc Committee | Drug & Alcohol Commission |
| Environmental Advisory Council | Disabled Persons Advisory Board |
| Cable & Telecommunications Advisory Board | Teen Task Force |
| Youth Aid Panel | Technical Code Board of Appeals |
| Community Beautification Committee | Financial Advisory Committee |
| Duty Tow Arbitration Panel | Veterans Memorial Park Committee |

2008 BOARD OF SUPERVISORS

Charles M. Thompson, Jr, Chairperson
Robert G. McMonagle, Vice Chairperson
Kathy H. Heuer, Secretary
Jasper Caro, Member
H. George Leonhauser, Member

EXECUTIVE OFFICIALS

Raymond Stepnoski, Township Manager
Michael Savona, Esq., Township Solicitor
Herbert C. Gery, P.E., Township Engineer
Donna M. Caracappa, Director of Finance
Erich Wendel, Director of Public Works
James Peet, Director of Licenses & Inspections
Frank McKenna, Chief of Police
James McGuire, Fire Marshal
Deborah Lamanna, Parks and Recreation Director



TOWNSHIP OF MIDDLETOWN
Bucks County, Pennsylvania

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Middletown Township
Bucks County, Pennsylvania

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Middletown Township, Bucks County, Pennsylvania (the "Township"), as of December 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Township, as of December 31, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

- AN INDEPENDENTLY OWNED MEMBER OF THE RSM MCGGLADREY NETWORK
- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The accompanying inquired supplementary information, such as management's discussion and analysis on pages 3 through 16, and budgetary comparison information on pages 61 and 62 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Township taken as a whole. The introductory section on pages ii-xi and the supplementary schedules on pages 63 through 83 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 4, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Unaudited

December 31, 2008

The *Management's Discussion and Analysis* (MD&A) of the Township of Middletown's financial performance provides an overall review of the Township's financial activities for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the independent auditor's opinion letter, the notes to the basic financial statements, and the financial statements themselves to enhance their understanding of the Township's financial performance.

The first group of basic financial statements required by GASB 34 is the government-wide financial statements, which are comprised of the Statement of Net Assets and Statement of Activities. These statements report all of the assets, liabilities, revenues, and expenses of the Township. They are prepared using the accrual basis of accounting. The government-wide financials provide both long-term and short-term information about the Township's overall financial status.

The remaining statements are fund financial statements which focus on the government's major governmental, proprietary and fiduciary funds. Governmental fund financials are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental funds statements tell how general Township services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities that the Township operates like a business, i.e. the Middletown Country Club and the Styers Farm. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others to whom the resources actually belong, i.e. Pension and Escrow Funds. Both the Proprietary and Fiduciary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

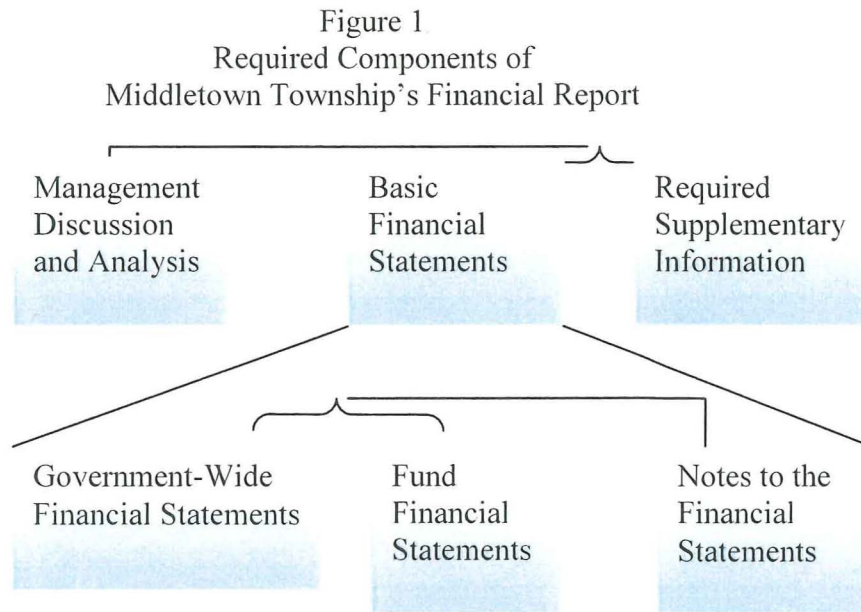
The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition, required supplementary information (RSI) is presented, including a budgetary comparison schedule for the General Fund.

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) Unaudited

December 31, 2008

Figure 1 demonstrates how the required parts of the Financial Section are arranged and relate to one another.



Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private sector companies. Financial reporting at this level has its basis in full accrual accounting and eliminates or reclassifies internal activities.

The Statement of Net Assets on page 17 includes all of the government's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. To assess the overall health of the Township, you need to consider additional non-financial factors, such as changes in the property tax base or the condition of Township infrastructure.

The Statement of Activities on page 18 reports how the Township's net assets have changed during the current fiscal year. It accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. It also reports depreciation.

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) Unaudited

December 31, 2008

An important purpose of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues provided by the Township's taxpayers. This is accomplished by displaying expenses net of program revenue, allocating program revenue to the particular expense categories they offset. General revenues, such as taxes, are reported separately.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* – All of the Township's basic services are included here financed by taxes, fees, contributions and grants.
- *Business type activities* – The Middletown Country Club Fund and the Styers Farm Fund are included here recovering their costs through user fees and charges.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Some funds are required by state law and by bond requirements. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

Governmental Funds – Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and changes in financial position, not on income determination. They are reported on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The focus of these statements is to provide a detailed short-term view of the Township's operations and the services it provides. It reports on the use of spendable resources during the year and the balances of spendable resources available at the end of the year. This information helps the reader determine whether there are sufficient resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds is reconciled in the financial statements on pages 20 and 22.

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Unaudited

December 31, 2008

Proprietary Funds – These funds are used to account for the Township activities that are similar to business operations in the private sector. That is, an activity where the reporting is on determining net income, financial position, and changes in financial position, and a significant portion of the activity's funding is through user charges. Proprietary fund statements provide both short- and long-term financial information consistent with the focus provided by the government-wide financial statements but with more detail and additional information, such as cash flows.

Fiduciary Funds – These funds, such as the Pension Funds and the Township Escrow Fund, are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. These activities are excluded because the Township cannot use these assets to finance its operations. These funds may also be referred to as Trust and Agency Funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 60 of this report.

Financial Analysis of the Township as a Whole

Net assets may serve, over time, as a useful indicator of a government's financial position. For Middletown Township, assets exceed liabilities by \$77,724,624 and \$76,563,689 at the close of the years ended December 31, 2008 and 2007 respectively.

The Township's net assets at year-end 2008 are \$77,724,624, an increase of \$1,160,985 over 2007. The following table provides a summary of the Township's net assets at December 31, 2008 and December 31, 2007:

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Unaudited

December 31, 2008

Table 1
Summary of Net Assets
For the Years Ended December 31, 2008 and 2007
(Government-Wide)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 64,050,255	\$ 58,037,539	\$ (103,821)	\$ (88,893)	\$ 63,946,434	\$ 57,948,646
Capital Assets	47,062,339	42,139,602	4,667,626	4,751,638	51,729,965	46,891,240
Total Assets	\$ 111,112,594	\$ 100,177,141	\$ 4,563,805	\$ 4,662,745	\$ 115,676,399	\$ 104,839,886
Current and Other Liabilities	\$ 2,247,276	\$ 1,605,251	\$ 12,270	\$ 1,659	\$ 2,259,546	\$ 1,606,910
Long-Term Liabilities	35,171,789	26,099,019	520,390	570,268	35,692,179	26,669,287
Total Liabilities	\$ 37,419,065	\$ 27,704,270	\$ 532,660	\$ 571,927	\$ 37,951,725	\$ 28,276,197
Net Assets						
Invested in Capital Assets, net of related debt	\$ 13,853,185	\$ 22,552,941	\$ 4,147,236	\$ 4,181,370	\$ 18,000,421	\$ 26,734,311
Restricted	15,103,727	5,186,616	-	-	15,103,727	5,186,616
Unrestricted	44,736,617	44,733,314	(116,091)	(90,552)	44,620,526	44,642,762
Total Net Assets	\$ 73,693,529	\$ 72,472,871	\$ 4,031,145	\$ 4,090,818	\$ 77,724,674	\$ 76,563,689

The current assets of the Township are comprised of cash, short-term investments, and accounts receivable. The largest portion of the current assets balance is made up of investments held by the Investment Fund (\$43.1 million in 2008). The Township's capital assets are comprised of buildings, land, machinery and equipment, and infrastructure, net of accumulated depreciation. The Township uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Recent capital asset additions are discussed later in this report and in Note G to the Basic Financial Statements.

Current liabilities consist of accounts payable and various accruals. Long-term liabilities reflect principal balances owed on various general obligation bonds and notes, accrued sick, severance pay, and other post retirement benefits. The outstanding principal on the 1998, 2004, 2005, 2006, and 2008 bond issues make up \$33,345,000 of the long-term liabilities balance at year end 2008. Debt administration is discussed later in this report and in Note C to the Basic Financial Statements.

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Unaudited

December 31, 2008

The difference between the assets and liabilities is labeled as net assets. Net assets are broken down as Capital, Restricted and Unrestricted. Capital assets are reported net of their accumulated depreciation and any outstanding principal owed on related debt. Restricted net assets are restricted by outside parties: creditors, grantors, contributors, or other governments. They are restricted for items such as debt service, arbitrage rebates, and specific capital projects. The remaining unrestricted net assets are comprised of designated and undesignated amounts. The designated balances are amounts set aside to fund future purchases or capital projects as planned by the Township. Undesignated amounts are not currently the object of any tentative management plans.

Governmental Activities increased the Township's net assets by \$1,220,658 during the current fiscal year. A comparison to the 2007 increase in net assets of \$1,862,517 shows a continuing successful effort by the Township to control costs and enhance revenues.

Business-Type Activities decreased the Township's net assets by \$59,673 during the current fiscal year. These activities are comprised of the Middletown Country Club and the Styer's Farm. This decrease is due to economic pressures on revenue and expenditures in the operations of these proprietary funds.

The results of this year's operations as a whole are reported in the Statement of Activities on page 18. All expenses are reported in the first column. Specific charges, grants, and contributions that directly relate to specific expense categories are netted against them to determine the final amount of the Township's activities that are supported by other general revenues, primarily Property Taxes and Other Taxes (Act 511 Taxes). Basically, the Statement of Activities shows which Township expenses are funded by specific program revenues and the balance of expenses left to be funded by tax revenues. Table 2 takes the information from the Statement of Activities and rearranges it slightly, so you can see the Township's total revenues for the year ended December 31, 2008 compared to December 31, 2007.

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Unaudited

December 31, 2008

Table 2
Changes in Net Assets
For the Years Ended December 31, 2008 and 2007
(Government-Wide)

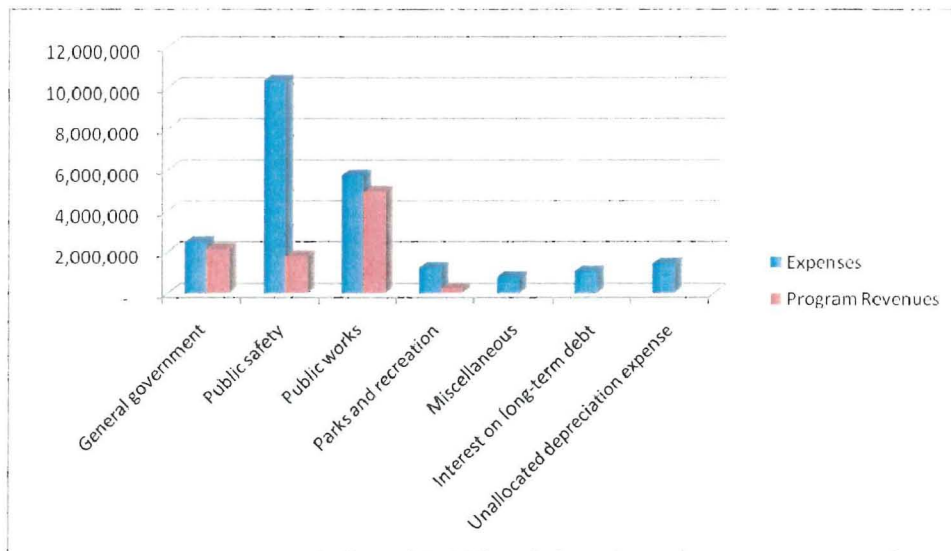
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,952,389	\$ 6,393,878	\$ 189,049	\$ 271,265	\$ 7,141,438	\$ 6,665,143
Operating Grants/Contributions	2,218,492	2,172,304	-	-	2,218,492	2,172,304
General Revenues:						
Property Taxes	7,892,013	7,095,159	-	-	7,892,013	7,095,159
Other Taxes	4,713,317	5,082,209	-	-	4,713,317	5,082,209
Investment Income	2,419,102	2,626,401	4,533	9,271	2,423,635	2,635,672
Miscellaneous	29,439	1,848,864	-	-	29,439	1,848,864
Total Revenues	\$ 24,224,752	\$ 25,218,815	\$ 193,582	\$ 280,536	\$ 24,418,334	\$ 25,499,351
Expenses:						
General Government	\$ 2,477,349	\$ 2,436,600	\$ -	\$ -	\$ 2,477,349	\$ 2,436,600
Public Safety	10,354,328	10,531,545	-	-	10,354,328	10,531,545
Public Works	5,733,310	5,804,239	-	-	5,733,310	5,804,239
Parks and Recreation	1,231,572	1,439,713	-	-	1,231,572	1,439,713
Miscellaneous	763,240	742,180	-	-	763,240	742,180
Interest on Long Term Debt	1,048,713	1,037,432	29,994	41,350	1,078,707	1,078,782
Unallocated Depreciation on Infrastructure	1,439,857	1,396,024	-	-	1,439,857	1,396,024
Business-Type Activities	-	-	178,986	160,911	178,986	160,911
Total Expenses	\$ 23,048,369	\$ 23,387,733	\$ 208,980	\$ 202,261	\$ 23,257,349	\$ 23,589,994
Change in Net Assets before transfers	\$ 1,176,383	\$ 1,831,082	\$ (15,398)	\$ 78,275	\$ 1,160,985	\$ 1,909,357
Transfers, net	44,275	31,435	(44,275)	(31,435)	-	-
Change in Net Assets	\$ 1,220,658	\$ 1,862,517	\$ (59,673)	\$ 46,840	\$ 1,160,985	\$ 1,909,357
Net Assets-beginning of year	\$ 72,472,871	\$ 70,458,909	\$ 4,090,818	\$ 4,002,387	\$ 76,563,689	\$ 74,461,296
Prior Period Adjustments		151,445		41,591	-	193,036
Net Assets-end of year	\$ 73,693,529	\$ 72,472,871	\$ 4,031,145	\$ 4,090,818	\$ 77,724,674	\$ 76,563,689

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) Unaudited

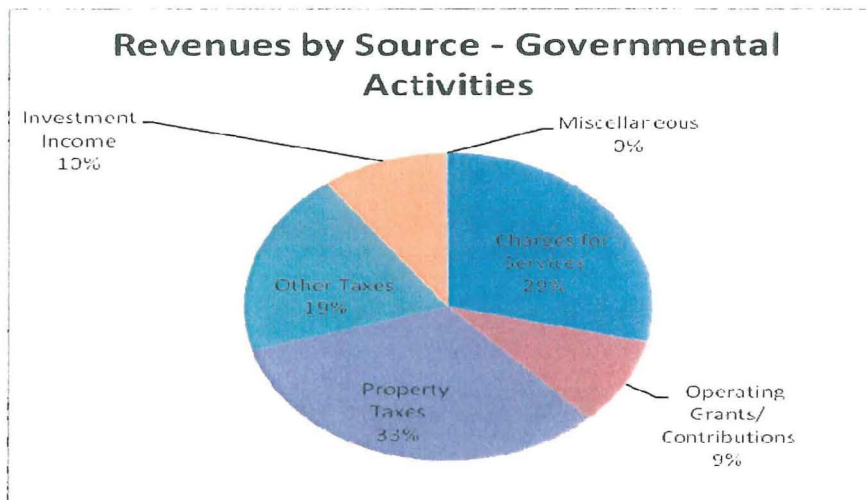
December 31, 2008

The following chart shows the Government-wide sources of expenses for the year ended December 31, 2008:



General revenues are required to support the programs. As reflected in the above chart program expenses exceed revenue in all areas. General government expenses exceed program revenues by \$320,993, public safety by \$8,541,230, public works by \$769,825 and park and recreations by \$993,630.

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2008:



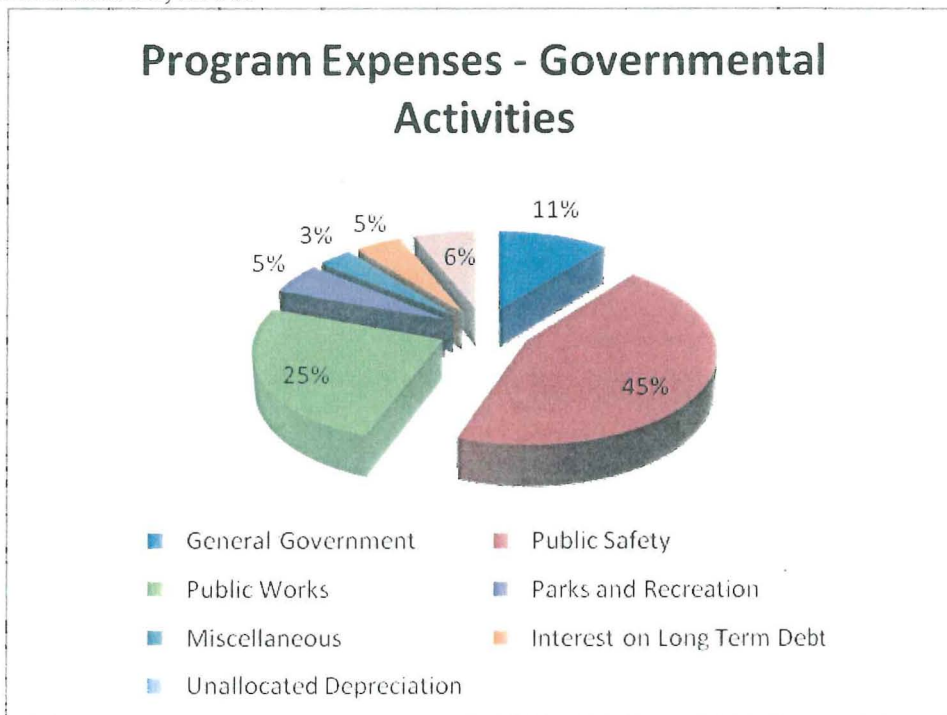
MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) Unaudited

December 31, 2008

Of the total Government-wide revenues of \$24,224,752, the greatest share came from Property Taxes with revenues of \$7,892,013. The second largest revenue source is Charges for Services with revenues of \$6,952,389, primarily made up of fees for solid waste collection in the amount of \$3,730,224. Other Taxes include the Township's Act 511 taxes such as the Occupational Privilege, Per Capita, Real Estate Transfer, Mercantile, Amusement, and Mechanical Device Taxes with combined revenues of \$4,713,317. Investment income realized a decrease of 8% in 2008, netting the Township \$2,419,102. Operating Grants and Contributions brought in \$2,218,492. Miscellaneous Income and Net Transfers comprise the balance of the 2008 revenues for governmental activities.

The following chart shows the Government-wide sources of program expenses for the year ended December 31, 2008:



The largest share of expenditures in 2008 were related to Public Safety, a broad category including police protection, animal control, school crossing guards, fire marshal's services, code enforcement, planning and zoning, and emergency management. Public Safety expenses totaled \$10,354,328 for 2008. Public Works expenses include items such as general road maintenance, repairs to tools and machinery, construction and rebuilding of storm sewers and guide rails, operation and maintenance of traffic signals, street signs, and snow removal. Public Works expenses totaled \$5,733,310 for 2008. General Government expenses of \$2,477,349 make up the

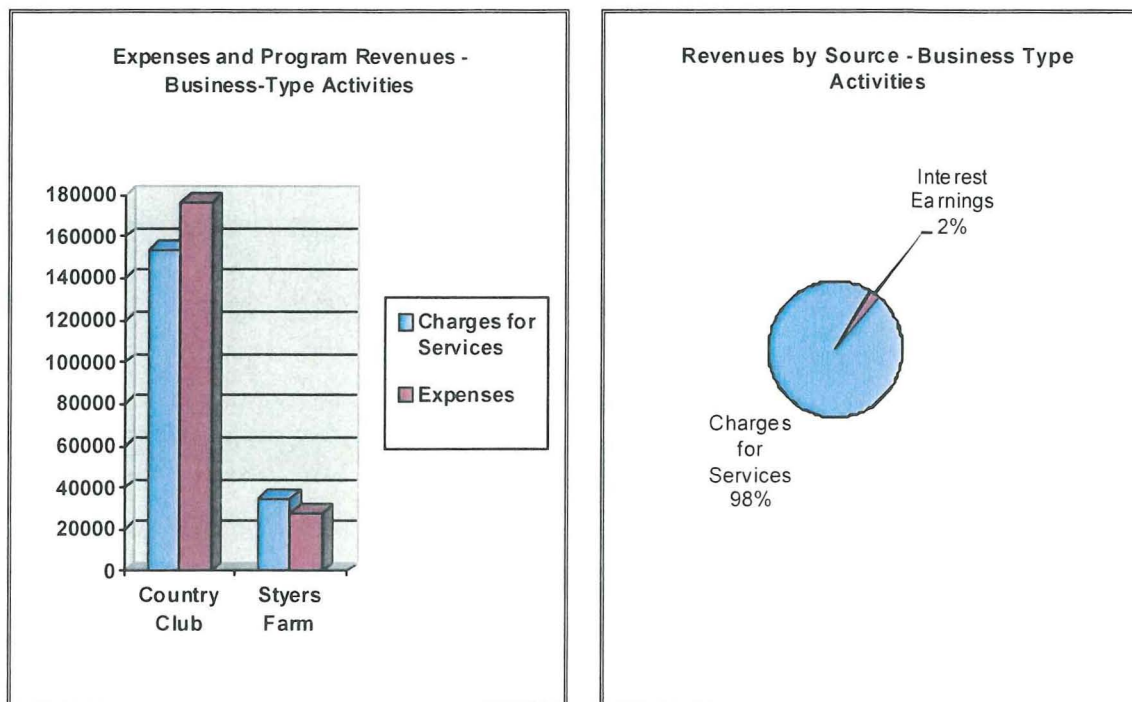
MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) Unaudited

December 31, 2008

third largest segment of 2008 expenses. This category covers the costs of staffing, benefits, insurances, and other administrative costs. Parks and Recreation expenses of \$1,231,572 fund the operation and maintenance of our Township parks, park buildings, and park equipment as well as administrative costs and Township recreation programs. Depreciation expenses of \$1,439,857, interest on long-term debt of \$1,048,713, and miscellaneous expenses of \$763,240 round out the 2008 total program expenses for governmental activities.

The following charts show the expenses and program revenues and the revenues by source from Business-Type Activities for the year ended December 31, 2008:



Business-Type Activities decreased the Township's net assets by \$59,673 during the current fiscal year. The Middletown Country Club revenues totaled \$154,049 with offsetting expenses of \$149,171 for an operating income of \$4,878. Non-operating expenses consist of interest expense of \$29,994 offset by interest income of \$2,606. The Styer's Farm revenues totaled \$35,000 for the year with offsetting expenses of \$29,815 for an operating income of \$5,185. Investment income for the fund was minimal at \$1,927. The overall decrease in net assets is attributable to lower income from the Country Club as well as higher expenses in both funds.

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Unaudited

December 31, 2008

The Township Fund Balances

As noted earlier, the Township of Middletown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Middletown Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measurement of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2008, the Township governmental funds reported a combined fund balance of \$62,103,972. Of this year end total, approximately \$54,424,490 is unreserved, thus available for continuing Township services. Reserved fund balances include: \$6,450,245 committed to debt service requirements; \$854,895 committed to advances; \$374,342 committed to administering the proceeds of developer's impact fees.

The general fund is the primary operating fund of Middletown Township. At year end 2008, the total fund balance of the general fund was \$1,621,983, all of which is unreserved and undesignated. This fund balance represents 10% of total general fund expenditures. During 2008, the general fund balance decreased by \$264,779, however this amount was well below the decrease planned in the 2008 budget, a result of favorable charges for services revenue, and a concerted effort to control expenditures.

The investment fund has a total fund balance of \$44,131,702 at fiscal year end, an increase of \$2,372,776 over the prior year. This is the result of higher than anticipated interest earnings as well as a gain in the market value of the Township's investment portfolios.

The debt service fund has a total fund balance of \$183,659. All revenues derived from the real estate tax levy of the Debt Service Fund are used to pay interest and principal on indebtedness incurred by the Township through bond issues and interfund loans. The 2008 budget provides for a real estate tax rate of 3.38 mills for the fund; a decrease of .23 mill. A \$822,798 transfer from the investment fund was used to pay interest and principal on debt incurred by the Township.

The Township of Middletown's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) Unaudited

December 31, 2008

The unrestricted fund balance of the County Club fund is a net deficit of \$19,514 at year end 2008. The total net assets are \$1,809,829. The Municipal Golf Course Capital Improvement Program has been delayed due to current economic conditions. The Country Club is supported completely by non-tax revenues.

The unrestricted fund balance of the Styer's Farm fund is a net deficit of \$96,577 at year end 2008. The total net assets are \$2,221,316. The property is a valuable asset to the Township and management continues to strive to improve the financial reserves of the fund.

The General Fund Budget

During the year there was minimal net \$45 increase in budgeted expenditures between the original and final amended budget.

A schedule showing the Townships original and final budget amount capered with amounts actually paid and received is provided on page 61.

Capital Assets

At December 31, 2008, the Township had \$51,729,965 invested in a broad range of capital assets, including land, land improvements, buildings, machinery & equipment and infrastructure.

Capital asset purchases totaled \$7,318,891 during the 2008 fiscal year as follows:

Land	\$ 160,000
Building and improvements	1,785,364
Furniture and equipment	1,499,224
Infrastructure	3,874,303

Land additions included a purchase of an easement for the Woodbourne Road expansion.

Building and improvement expenditures are comprised of ongoing construction and engineering services for the new DPW (Public Works) building and for the North Middletown Emergency Services substation. Construction of both buildings will be complete in 2009.

Infrastructure expenditures are comprised of the Levittown Road Resurfacing Program, the Curb Ramp program, and the 2008 DPW Road Repaving Program (Liquid Fuels).

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI) Unaudited

December 31, 2008

Machinery and equipment capital asset additions include four 2008 Ford Crown Victoria police vehicles; a 2008 Chrysler police vehicle; a Chevrolet Express police van; as well as auxiliary equipment for the vehicles; a Tymco 600 Street Sweeper mounted on an International 4300 chassis; two commercial mowers; eighteen desktop computers, monitors, a server, and tape drive system; a Catapillar multi-terrain loader; and equipment to outfit the Township's Skate Park.

Capital purchases at the Styer's Farm include renovations to the Styer House kitchen, bathrooms, and a new Dunkirk Cast Iron Boiler Burner.

Additional information on Middletown Township's capital assets can be found in Note G on pages 54 and 55 of this report.

Debt Administration

As of January 1, 2008, the Township had total outstanding long-term debt of \$27,014,282 (principal only). Obligations of the Township include general obligation bond and notes, the Middletown Country Club Note, and accrued vacation, sick and severance pay for specific employees. The outstanding long-term debt balance at December 31, 2008 is \$35,390,601.

Middletown Township's general obligation bond (GOB) rating is Aa3 from Moody's Investor Services. The Aa3 rating reflects the Township's ample reserve levels, sizable mature tax base and favorable debt position. Moody's Investors Service expects the Township reserve levels to remain ample despite a substantial budgeted use of the General Fund balance. They believe that the Township will continue to experience full valuation growth, due mostly to market value appreciation. Furthermore, in May of 2009, the Township received a bond rating of AA+ from Standard and Poor's Ratings Services. Both of these ratings are clear indications of the sound financial condition of the Township. The Township's debt position is expected to remain favorable, reflecting a modest direct debt burden, no additional borrowing plans and an average amortization rate.

The Middletown Country Club note has an outstanding balance of \$520,390 at December 31, 2008. Principal payments of \$49,878 were made during the year. Compensated absences reflect a balance of \$1,174,985 in earned vacation, vested sick pay and vested severance pay as of December 31, 2008. The net increase in compensated absences is \$110,763 for the years.

See Note C to the Financial Statement for more detailed information regarding debt.

MIDDLETOWN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Unaudited

December 31, 2008

Currently known Facts, Decisions and Conditions:

Township roads in the Levittown area have been undergoing a much-needed reconstruction and resurfacing program that will continue over the course of the next two years. Initial funding for the road-resurfacing program was provided through the issuance of \$10 million in general obligation bonds in March 2006, however, initial cost estimates have risen due to the increase in fuel costs and petroleum based products, such as the asphalt used in the paving process. Therefore, additional funding was appropriated through the issuance of \$10 million in general obligation bonds in April of 2008.

The Middletown Township Financial Advisory Committee (FAC) was established to serve as an advisor to the Middletown Township Board of Supervisors, Township Manager and Finance Director on all matters pertaining to issues of financial impact and assist in creating financial management policies, including the use of Investment Fund monies. This seven-member committee continues to meet monthly and serves in an advisory capacity on items such as investments, the annual budget, capital improvement funding alternatives, and debt management.

A subsequent event occurred on June 8, 2009. The Township issued \$7,830,000 in General Obligation Bond Series of 2009 to refinance the Township's General Obligation Bonds, Series of 2004 outstanding in the principal amount of \$7,750,000 and to pay the cost of issuing the bonds. The 2009 bonds carry interest rates of 2.00% to 3.75% and are refunding 2004 bonds carrying interest rates of 2.70% to 4.35% per annum. The net total savings to Middletown Township amounted to \$275,509.

Other than those issues listed in the MD&A and in the Notes to the Basic Financial Statements, there are no facts currently known to management that would materially impact the financial statements either favorably or unfavorably at this time.

Contacting the Township's Financial Management

This financial report is designed to provide a general overview of the Township's finances, comply with finance-related laws and regulations, and demonstrate the Township's commitment to public accountability. If you have any questions about this report, or would like to request additional financial information, please contact the Township's Finance Department at 3 Municipal Way, Langhorne, PA 19047, (215) 750-3830.

MIDDLETOWN TOWNSHIP

STATEMENT OF NET ASSETS

December 31, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,299,648	\$ 141,161	\$ 19,440,809
Investments	43,088,132	-	43,088,132
Special assessments receivable, net of allowance of \$1,757	98,397	-	98,397
Taxes receivable, net of allowance of \$2,896	293,233	-	293,233
Accounts receivable	407,050	306,619	713,669
Allowance for doubtful accounts	(161,186)	-	(161,186)
Revenue receivable	311,910	-	311,910
Internal balances	576,601	(576,601)	-
Due from other funds	136,470	-	136,470
Other assets	-	25,000	25,000
Land	7,215,853	3,355,000	10,570,853
Land improvements	3,095,687	648,439	3,744,126
Buildings and building improvements	14,844,698	956,026	15,800,724
Machinery and equipment	7,357,712	691,199	8,048,911
Infrastructure	62,171,364	-	62,171,364
Accumulated depreciation	(47,622,975)	(983,038)	(48,606,013)
Total assets	\$ 111,112,594	\$ 4,563,805	\$ 115,676,399
LIABILITIES			
Accounts payable	\$ 948,733	\$ 20	\$ 948,753
Accrued salaries and wages	250,192	-	250,192
Unearned revenue	325,837	12,250	338,087
Deposits and refunds	125,359	-	125,359
Due to other funds	136,470	-	136,470
Due to other governments	79,520	-	79,520
Accrued interest	380,411	-	380,411
Other liabilities	754	-	754
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	1,820,000	-	1,820,000
Bond discount, net of issuance costs	(25,980)	-	(25,980)
Notes payable	35,147	52,954	88,101
Accumulated compensated absences and severance	95,361	-	95,361
Portion due or payable after one year			
Bonds payable	31,525,000	-	31,525,000
Bond discount, net of issuance costs	(467,644)	-	(467,644)
Notes payable	315,079	467,436	782,515
Accumulated compensated absences and severance	1,079,624	-	1,079,624
Net OPEB Obligation	795,202	-	795,202
Total liabilities	\$ 37,419,065	\$ 532,660	\$ 37,951,725
NET ASSETS			
Invested in capital assets, net of related debt	13,853,185	4,147,236	18,000,421
Restricted for			
Debt service	6,450,245	-	6,450,245
Transportation impact fee	374,342	-	374,342
Capital projects	8,279,140	-	8,279,140
Unrestricted	44,736,617	(116,091)	44,620,526
Total net assets	\$ 73,693,529	\$ 4,031,145	\$ 77,724,674

MIDDLETOWN TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental activities						
General government	\$ 2,477,349	\$ 1,945,023	\$ 211,333	\$ (320,993)	\$ -	\$ (320,993)
Public safety	10,354,328	916,340	896,758	(8,541,230)	-	(8,541,230)
Public works	5,733,310	3,861,084	1,102,401	(769,825)	-	(769,825)
Parks and recreation	1,231,572	229,942	8,000	(993,630)	-	(993,630)
Miscellaneous	763,240	-	-	(763,240)	-	(763,240)
Interest on long-term debt	1,048,713	-	-	(1,048,713)	(29,994)	(1,078,707)
Unallocated depreciation expense	1,439,857	-	-	(1,439,857)	-	(1,439,857)
Total governmental activities	23,048,369	6,952,389	2,218,492	(13,877,488)	(29,994)	(13,907,482)
Business-type activities						
Country Club	149,171	154,049	-	-	4,878	4,878
Farm Fund	29,815	35,000	-	-	5,185	5,185
Total business-type activities	178,986	189,049	-	-	10,063	10,063
Total government	\$ 23,227,355	\$ 7,141,438	\$ 2,218,492	\$ (13,877,488)	\$ (19,931)	\$ (13,897,419)
General revenues						
Property taxes				\$ 7,892,013	\$ -	\$ 7,892,013
Other taxes				4,713,317	-	4,713,317
Investment income				2,419,102	4,533	2,423,635
Miscellaneous				29,439	-	29,439
Transfers, net				44,275	(44,275)	-
Total general revenues				15,098,146	(39,742)	15,058,404
Change in net assets				1,220,658	(59,673)	1,160,985
Net assets, beginning of year				72,472,871	4,090,818	76,563,689
Net assets, end of year				\$ 73,693,529	\$ 4,031,145	\$ 77,724,674

See notes to financial statements.

MIDDLETOWN TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2008

	General	Investment Fund	Debt Service Fund	Capital Projects 2008 Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,278,846	\$ 1,043,570	\$ 126,698	\$ 5,673,844	\$ 10,176,690	\$ 19,299,648
Investments	-	43,088,132	-	-	-	43,088,132
Special assessments receivable, net of allowance of \$1,757	86,099	-	-	-	12,298	98,397
Taxes receivable, net of allowance of \$2,896	115,227	-	43,472	-	55,111	213,810
Accounts receivable	135,913	270,687	-	-	450	407,050
Allowance for doubtful accounts	(25,349)	(135,837)	-	-	-	(161,186)
Revenue receivable	311,910	-	-	-	-	311,910
Advances to other funds	-	-	-	-	707,172	707,172
Due from other funds	2,025	-	61,350	-	73,095	136,470
Total assets	\$ 2,904,671	\$ 44,266,552	\$ 231,520	\$ 5,673,844	\$ 11,024,816	\$ 64,101,403
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 506,738	\$ -	\$ 3,730	\$ 65,227	\$ 373,034	\$ 948,729
Accrued salaries and wages	228,300	-	-	-	21,892	250,192
Deferred revenue	204,398	14,250	44,131	-	63,058	325,837
Deposits and refunds	70,236	55,123	-	-	-	125,359
Due to other funds	134,454	-	-	15	2,001	136,470
Due to other governments	12,472	65,477	-	-	1,571	79,520
Advances from other funds	126,090	-	-	-	4,480	130,570
Other liabilities	-	-	-	-	754	754
Total liabilities	1,282,688	134,850	47,861	65,242	466,790	1,997,431
Fund balances						
Reserved for debt service	-	657,984	183,659	5,608,602	-	6,450,245
Reserved for advances	-	-	-	-	854,895	854,895
Reserved for transportation impact fee	-	-	-	-	374,342	374,342
Unreserved						
Designated for capital programs	-	43,473,718	-	-	-	43,473,718
Unreserved, designated for, reported in nonmajor						
Special revenue funds	-	-	-	-	139,240	139,240
Capital projects funds	-	-	-	-	7,403,199	7,403,199
Undesignated						
Undesignated reported in nonmajor	1,621,983	-	-	-	-	1,621,983
Special revenue funds	-	-	-	-	917,961	917,961
Capital projects funds	-	-	-	-	868,389	868,389
Total fund balances	1,621,983	44,131,702	183,659	5,608,602	10,558,026	62,103,972
Total liabilities and fund balances	\$ 2,904,671	\$ 44,266,552	\$ 231,520	\$ 5,673,844	\$ 11,024,816	\$ 64,101,403

MIDDLETOWN TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS

December 31, 2008

Total Governmental Fund Balances \$ 62,103,972

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$94,685,314 and the accumulated depreciation is \$47,622,975. 47,062,339

Property taxes receivable that will be collected after year-end but are not available soon enough to pay for the current period expenditures and therefore are deferred in the funds. 79,423

Long-term liabilities, including bonds and notes payable, that are not due and payable in the current period and therefore are not reported as liabilities in the fund. Those liabilities consist of:

Accrued interest on bonds	(380,411)	
Bonds and notes payable	(33,695,230)	
Bond discount, net of issuance costs	493,623	
Compensated absences	(1,174,985)	
Net OPEB obligation	<u>(795,202)</u>	<u>(35,552,205)</u>

Total Net Assets of Governmental Activities \$ 73,693,529

MIDDLETOWN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2008

	<u>General</u>	<u>Investment Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects 2008 Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 8,346,762	\$ -	\$ 1,788,774	\$ -	\$ 2,350,254	\$ 12,485,790
Licenses and permits	1,211,807	-	-	-	20,210	1,232,017
Fines and forfeits	218,243	-	-	-	-	218,243
Interest and rents	91,312	1,802,801	14,616	148,576	413,562	2,470,867
Intergovernmental revenues	590,152	-	-	-	1,444,675	2,034,827
Charges for services	5,304,907	-	-	-	253,576	5,558,483
Special assessment	-	-	-	-	1,995	1,995
Contribution private source	-	-	-	-	181,665	181,665
Gain on investments	-	2,419,102	-	-	-	2,419,102
Miscellaneous revenues	1,228	9,069	-	250	2,661	13,208
Total revenues	<u>15,764,411</u>	<u>4,230,972</u>	<u>1,803,390</u>	<u>148,826</u>	<u>4,668,598</u>	<u>26,616,197</u>
Expenditures						
Current						
General government	2,024,069	158,196	-	281,701	5,829	2,469,795
Public safety	9,291,863	-	-	-	1,042,021	10,333,884
Public works	4,658,901	-	-	-	1,074,410	5,733,311
Parks and recreation	-	-	-	-	1,239,125	1,239,125
Miscellaneous expenditures	763,240	-	-	-	-	763,240
Capital outlay/development	260,109	-	-	4,258,523	2,800,259	7,318,891
Debt service	-	-	2,777,339	-	-	2,777,339
Total expenditures	<u>16,998,182</u>	<u>158,196</u>	<u>2,777,339</u>	<u>4,540,224</u>	<u>6,161,644</u>	<u>30,635,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,233,771)</u>	<u>4,072,776</u>	<u>(973,949)</u>	<u>(4,391,398)</u>	<u>(1,493,046)</u>	<u>(4,019,388)</u>
Other Financing Sources (Uses)						
Bond issued	-	-	-	10,000,000	-	10,000,000
Transfers in	993,992	-	822,798	-	128,386	1,945,176
Transfers out	<u>(25,000)</u>	<u>(1,700,000)</u>	<u>(32,000)</u>	<u>-</u>	<u>(467,758)</u>	<u>(2,224,758)</u>
Total other financing sources (uses)	<u>968,992</u>	<u>(1,700,000)</u>	<u>790,798</u>	<u>10,000,000</u>	<u>(339,372)</u>	<u>9,720,418</u>
Net change in fund balances	<u>(264,779)</u>	<u>2,372,776</u>	<u>(183,151)</u>	<u>5,608,602</u>	<u>(1,832,418)</u>	<u>5,701,030</u>
Fund balances, beginning of year	1,886,762	41,758,926	366,810	-	12,390,444	56,402,942
Fund balances, end of year	<u>\$ 1,621,983</u>	<u>\$ 44,131,702</u>	<u>\$ 183,659</u>	<u>\$ 5,608,602</u>	<u>\$ 10,558,026</u>	<u>\$ 62,103,972</u>

See notes to financial statements.

MIDDLETOWN TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES

December 31, 2008

Net Change In Fund Balances - Governmental Funds	\$ 5,701,030
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense:</p>	
Capital outlay	7,318,891
Depreciation expense	(2,396,154)
Proceeds from bond issuance	(10,000,000)
Increase in deferred tax revenues	12,108
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net asset.	1,684,567
Bond discounts and costs of issuance are a use of current financial resources in governmental funds. In the statement of net assets, bond discounts and costs of issuance are deferred and amortized.	(148,625)
<p>Some items reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures or reductions of revenue in the governmental funds. These activities consist of:</p>	
Net increase in accrued interest	(60,596)
Increase in compensated absences	(95,361)
Increase in net OPEB obligation	<u>(795,202)</u>
Change In Net Assets of Governmental Activities	<u>\$ 1,220,658</u>

MIDDLETOWN TOWNSHIP

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

December 31, 2008

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 91,170	\$ 49,991	\$ 141,161
Accounts receivable	<u>292,138</u>	<u>14,481</u>	<u>306,619</u>
Total current assets	<u>383,308</u>	<u>64,472</u>	<u>447,780</u>
Noncurrent assets			
Land	1,155,000	2,200,000	3,355,000
Land improvement	648,439	-	648,439
Buildings and building improvements	818,709	137,317	956,026
Furniture and equipment	691,199	-	691,199
Accumulated depreciation	(963,614)	(19,424)	(983,038)
Other assets	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total noncurrent assets	<u>2,374,733</u>	<u>2,317,893</u>	<u>4,692,626</u>
Total assets	<u>\$ 2,758,041</u>	<u>\$ 2,382,365</u>	<u>\$ 5,140,406</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ -	\$ 20	\$ 20
Deferred Revenue	12,250	-	12,250
Due to other funds	415,572	161,029	576,601
Note payable	<u>52,954</u>	<u>-</u>	<u>52,954</u>
Total current liabilities	480,776	161,049	641,825
Note payable, less current maturities	<u>467,436</u>	<u>-</u>	<u>467,436</u>
Total liabilities	<u>948,212</u>	<u>161,049</u>	<u>1,109,261</u>
Net assets			
Invested in capital assets, net of related debt	1,829,343	2,317,893	4,147,236
Deficit	<u>(19,514)</u>	<u>(96,577)</u>	<u>(116,091)</u>
Total net assets	<u>1,809,829</u>	<u>2,221,316</u>	<u>4,031,145</u>
Total liabilities and net assets	<u>\$ 2,758,041</u>	<u>\$ 2,382,365</u>	<u>\$ 5,140,406</u>

MIDDLETOWN TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

For the Year Ended December 31, 2008

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:			
Charges for services			
Licensing fees	\$ 154,049	\$ 35,000	\$ 189,049
Operating expenses			
Public works:			
Parks and recreation	55,185	26,173	81,358
Depreciation	92,342	3,642	95,984
Miscellaneous	1,644	-	1,644
Total operating expenses	<u>149,171</u>	<u>29,815</u>	<u>178,986</u>
Operating income	<u>4,878</u>	<u>5,185</u>	<u>10,063</u>
Non-operating revenues (expenses)			
Interest income	2,606	1,927	4,533
Interest expense	<u>(29,994)</u>	<u>-</u>	<u>(29,994)</u>
Total non-operating revenues (expenses)	<u>(27,388)</u>	<u>1,927</u>	<u>(25,461)</u>
(Deficit) income before transfers	(22,510)	7,112	(15,398)
Transfers out	<u>(31,586)</u>	<u>(12,689)</u>	<u>(44,275)</u>
Change in net assets	(54,096)	(5,577)	(59,673)
Net assets, beginning of year	<u>1,863,925</u>	<u>2,226,893</u>	<u>4,090,818</u>
Net assets, end of year	<u>\$ 1,809,829</u>	<u>\$ 2,221,316</u>	<u>\$ 4,031,145</u>

MIDDLETOWN TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended December 31, 2008

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total Proprietary Funds</u>
Cash flows from operating activities			
Cash received from customers	\$ 265,883	\$ 34,821	\$ 300,704
Payments to suppliers	<u>(57,567)</u>	<u>(27,306)</u>	<u>(84,873)</u>
Net cash provided by operating activities	<u>208,316</u>	<u>7,515</u>	<u>215,831</u>
Cash flows from noncapital financing activities			
Payments of interfund advance	(102,296)	(10,302)	(112,598)
Transfers to other funds	<u>(31,586)</u>	<u>(12,689)</u>	<u>(44,275)</u>
Net cash used in noncapital financing activities	<u>(133,882)</u>	<u>(22,991)</u>	<u>(156,873)</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	-	(11,972)	(11,972)
Principal paid on long-term debt	(49,878)	-	(49,878)
Interest paid on note	<u>(29,994)</u>	<u>-</u>	<u>(29,994)</u>
Net cash used in capital and related financing activities	<u>(79,872)</u>	<u>(11,972)</u>	<u>(91,844)</u>
Cash flows from investing activities			
Earnings on investments	<u>2,606</u>	<u>1,927</u>	<u>4,533</u>
Net cash provided by investing activities	<u>2,606</u>	<u>1,927</u>	<u>4,533</u>
Net decrease in cash and cash equivalents	(2,832)	(25,521)	(28,353)
Cash and cash equivalents at beginning of year	<u>94,002</u>	<u>75,512</u>	<u>169,514</u>
Cash and cash equivalents at end of year	<u>\$ 91,170</u>	<u>\$ 49,991</u>	<u>\$ 141,161</u>

MIDDLETOWN TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

For the Year Ended December 31, 2008

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total Proprietary Funds</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 4,878	\$ 5,185	\$ 10,063
Adjustments to reconcile income from operations to net cash provide by operating activities			
Depreciation	92,342	3,642	95,984
Decrease (Increase) in assets			
Accounts receivable	82,892	773	83,665
Allowance for doubtful accounts	-	(952)	(952)
Revenue receivable	16,692	-	16,692
Increase (decrease) in liabilities			
Accounts payable	(738)	(1,133)	(1,871)
Deferred revenue	<u>12,250</u>	<u>-</u>	<u>12,250</u>
Net cash provided by operating activities	<u>\$ 208,316</u>	<u>\$ 7,515</u>	<u>\$ 215,831</u>

MIDDLETOWN TOWNSHIP

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

December 31, 2008

	Pension Trust Funds	Private Purpose Trust	Agency Fund	Post Retirement Health Benefit Fund	Total Fiduciary Funds
Assets					
Cash and cash equivalents	\$ 1,229,200	\$ 1,106,741	\$ 1,911,320	\$ 149,760	\$ 4,397,021
Pension plan investments					
U.S. government obligations	8,792,359	-	-	-	8,792,359
Corporate obligations	5,605,385	-	-	-	5,605,385
Common stocks	8,220,915	-	-	-	8,220,915
Government supported mortgages	301,441	-	-	-	301,441
Total assets	\$ 24,149,300	\$ 1,106,741	\$ 1,911,320	\$ 149,760	\$ 27,317,121
Liabilities					
Accounts payable	\$ -	\$ 437	\$ -	\$ -	\$ 437
Deposits and refunds	-	-	1,568,524	-	1,568,524
Other liabilities	-	-	342,796	159,760	502,556
Total liabilities	-	437	1,911,320	159,760	2,071,517
Net assets held in trust for pension benefits and other purposes	24,149,300	1,106,304	-	(10,000)	25,245,604
Total liabilities and net assets	\$ 24,149,300	\$ 1,106,741	\$ 1,911,320	\$ 149,760	\$ 27,317,121

MIDDLETOWN TOWNSHIP

STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS

For the Year Ended December 31, 2008

	Pension Trust Funds	Private Purpose Trust	Post Retirement Health Benefit Fund	Total Fiduciary Funds
Additions				
Contributions				
Employee contributions	\$ 355,198	\$ -	\$ -	\$ 355,198
Township contributions	<u>763,788</u>	<u>323,855</u>	<u>-</u>	<u>1,087,643</u>
Total contributions	<u>1,118,986</u>	<u>323,855</u>	<u>-</u>	<u>1,442,841</u>
Other revenues				
Sale of equipment	<u>-</u>	<u>35,300</u>	<u>-</u>	<u>35,300</u>
Investment income				
Net depreciation in fair value of investments	(4,786,532)	-	-	(4,786,532)
Interest and dividends	<u>1,062,325</u>	<u>26,667</u>	<u>-</u>	<u>1,088,992</u>
Net investment loss	<u>(3,724,207)</u>	<u>26,667</u>	<u>-</u>	<u>(3,697,540)</u>
Total (deficit) additions	<u>(2,605,221)</u>	<u>385,822</u>	<u>-</u>	<u>(2,219,399)</u>
Deductions				
Benefits	1,794,945	-	-	1,794,945
Administrative expenses	309,420	6,313	10,000	325,733
Purchase of equipment	<u>-</u>	<u>1,083,523</u>	<u>-</u>	<u>1,083,523</u>
Total deductions	<u>2,104,365</u>	<u>1,089,836</u>	<u>10,000</u>	<u>3,204,201</u>
Change in net assets	(4,709,586)	(704,014)	(10,000)	(5,423,600)
Net assets, beginning of year	<u>28,858,886</u>	<u>1,810,318</u>	<u>-</u>	<u>30,669,204</u>
Net assets, end of year	<u>\$ 24,149,300</u>	<u>\$ 1,106,304</u>	<u>\$ (10,000)</u>	<u>\$ 25,245,604</u>

NOTES TO FINANCIAL STATEMENTS

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

Middletown Township, County of Bucks, Commonwealth of Pennsylvania, was founded in 1692. The Township is a second class township and is governed by an elected board of five supervisors and a board-appointed Township Manager. Middletown covers approximately 19.016 square miles in Lower Bucks County and has a population of 44,141, per the 2000 U.S. Census.

Middletown Township provides a full range of municipal services. These services include police protection, fire protection, park and recreation activities, highway maintenance and reconstruction operations, solid waste collection, and general administrative services.

The major accounting principles and practices followed by the Township are presented to assist the reader in understanding the financial statements and accompanying notes to financial statements. The accounting principles and practices and format of the financial statements are presented in conformity with accounting principles generally accepted in the United States, as applicable to governmental units.

Basis of Presentation - Fund Accounting and Measurement Focus

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Township has no component units; therefore, none are disclosed. Following is a description of the fund types used by the Township in the accompanying basic financial statements.

Governmental Fund Types

Governmental Funds are those through which the majority of governmental functions of the Township are financed. The acquisition, use and balances of the expendable financial resources and the related liabilities (except those accounted for in the Proprietary Funds) are accounted for through Governmental Funds. The following are the Township's Governmental Fund Types:

General Fund - The General Fund is the principal fund of the Township, which accounts for all financial transactions except those required to be accounted for in other funds. This fund is reported as a major fund.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds - These funds account for revenues derived from real estate taxes or other specific revenue sources, including state liquid fuels tax, federal and state grants, program fees and assessments that are legally restricted to expenditures for specific purposes. The fund category is classified as other funds in the balance sheet of governmental funds as it does not meet the major fund percentage criteria. Funds included in this fund category are:

State Highway Aid Fund	Fire Hydrant Fund
Parks and Recreation Fund	Fire Protection Fund
General Street Lighting Fund	Road Machinery Fund
Ambulance and Rescue Squad Fund	

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of principal and interest on certain long-term and short-term debt. The principal source of revenue is real estate taxes. This fund is reported as a major fund.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds). Funds reported as major funds in this category are the Investment Fund and Capital Projects 2008 Bond Fund. The remaining funds are classified as non-major funds in the balance sheet of governmental funds. Funds included in this category are:

Capital Projects - 2008 Bond Issue	Capital Projects - 2000 Bond Issue
Capital Projects - 1997 Bond Issue	Capital Projects - 1995 Bond Issue
Curb/Road Revolving Fund	Capital Reserve Fund
Investment Fund	Contingency Fund

Proprietary Fund Types

Enterprise Funds - These funds are used to account for operations: (a) that are financed and operated in a manner similar to private business where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, long-term debt obligation, management control, accountability or other purposes. The Middletown Country Club Fund and the Farm Fund are classified as major funds.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Trust and Agency Funds - are used to account for assets held by the Township in a trustee or agent capacity for individuals, private organizations, other governments and/or other funds.

Pension Trust Funds - These funds are used to account for resources required to be held in trust for the members and beneficiaries of the Township's defined benefit pension plans. Funds included in this category are:

Non-uniformed Pension Plan
Police Pension Plan

Private-Purpose Trust Funds - This fund is used to account for the resources reserved exclusively for the purpose of funding the Township's volunteer fire companies' apparatus replacement plan. The fund included in this category is:

Fire Companies Fund

Agency Funds - This fund is used to account for subdivision/land development, shade tree, water/sewer, and all other types of escrows held by the Township in a custodial capacity. The fund included in this category is:

Township Escrows

Post Retirement Health Benefit Fund

In 2008, the Township implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions." This statement requires that employers recognize annual OPEB cost equal to the annual required contribution and recognize the unfunded accrued actuarial liability over an amortization period of thirty years.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole excluding fiduciary activities such as the trust and agency funds. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged for services.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Township are prepared in accordance with accounting principles generally accepted in the United States of America. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues, net of any uncollectible amounts, are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

revenues to be available if they are collected within 60 days of the end of the fiscal year. Property taxes levied but collected beyond 60 days after year-end are recorded as deferred revenue to be recognized as revenue when the taxes are collected. Expenditures are recorded when the related fund liability is incurred, except for debt principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, interest earnings, special assessments, levies, intergovernmental revenues and charges for services. In general, other revenues are recognized when cash is received. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges for services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents and Investments

The Township considers all highly liquid investments, with maturities of three months or less from the date of purchase, to be cash equivalents. All investments of the Township are stated at cost, which equals fair value, except the investments of the Township's Police Pension Plan, Non-uniformed Pension Plan and Capital Projects Fund, which are stated at fair value.

Receivables

Real estate tax receivables are recorded at face (original levy) and do not include penalty and interest. The taxes are recognized when levied to the extent that they are available as current assets. Real estate taxes are levied March 1. An elected tax collector bills and collects all real estate taxes and remits them to the Township. Taxes unpaid in the current year are liened January 15 of the succeeding year. Taxes are paid as follows: two percent (2%) discount, March 1 through April 30; face amount, May 1 through June 30; and a ten percent (10%) penalty thereafter.

Millage rates approved in the 2008 budget:

	<u>Mills</u>
General Fund	7.000
Highway Lighting	0.700
Fire Protection	1.375
Park and Recreation	1.620
Ambulance and Rescue	0.395
Debt Service	3.380
Fire Hydrant	0.070
Road Machinery	0.300
	<u>14.840</u>

Assessment receivables for streetlights and solid waste collection are recognized when billed. The elected tax collector bills all current year assessments for streetlights and solid waste. The collection of all delinquent assessments is the responsibility of the Township. No discounts are given on assessments.

Accounts receivable includes all invoices owed by other governments, individuals and private enterprises for services rendered and/or materials supplied. Revenue is recognized when the invoice is prepared.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

The Township's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with a cost of \$5,000 or more as purchases and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are generally as follows:

Land improvements	20 years
Buildings	50 years
Machinery and equipment	5-20 years
Infrastructure	15-50 years

Accrued Salaries and Wages

Accrued salaries and wages are recorded based on wages earned in the current year, paid in the next year. Included are employee benefits.

Long-Term Debt, Deferred Debt Expense and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the term of the respective bonds.

Compensated Absences

It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A maximum of 55 days of accumulated unpaid sick leave for eligible employees is accrued in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Non-uniformed employees are granted 14 days sick leave per year with an accumulation of unused sick leave of 205 days. Upon retirement or termination with 5 years service, non-uniformed employees are paid for 50 percent of their accumulated unused sick leave to a maximum of 30 days provided that said employee has accumulated a minimum of 60 unused sick leave days. All police officers are entitled to 50 days severance pay at retirement with 10 years service.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Township is liable to employees in the amount of \$1,174,985 for earned vacation, vested sick pay and vested severance pay as of December 31, 2008. Amounts due within one year were \$95,361. General fund resources are used to liquidate the liability for compensated absences.

Interfund Transfers

In connection with its operations, the Township effects a variety of transactions among funds to finance operations. The basic financial statements reflect such transactions as transfers, both in the fund receiving the subsidy as revenue and the fund paying the subsidy as an expenditure.

B. DEPOSITS AND INVESTMENTS

The Township has several checking accounts. However, most checks are disbursed from two concentration accounts. Although the monies from several funds are combined in each concentration account, separate records are maintained for cash balances to show the portion of the concentration account belonging to each fund.

Under Section 3204(d) of the Second Class Township Code of the Commonwealth of Pennsylvania, the Township is authorized to invest its funds in the following:

- United States Treasury bills.
- Short-term obligations of the United States Government or its agencies or instrumentalities. Section 3204(d) (2).
- Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation, or their successor agencies, to the extent that the accounts are so insured and, for any amounts above the insured maximum, if approved, collateral therefore is pledged by the depository. Section 3204(d)(3).
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision. Section 3204(d)(4).

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. DEPOSITS AND INVESTMENTS (CONTINUED)

- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in authorized investments for Township funds listed above. Section 3204(d)(5).
- Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation, the Pennsylvania Savings Association Insurance Corporation or their successor agencies to the extent that such accounts are so insured; however, for any amounts above the insured maximum, such certificates of deposit shall be collateralized by a pledge or assignment of assets of the institution, and such collateral may include loans (including interest in pools of loans) secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to twenty percent of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations or savings banks shall be limited to an amount equal to twenty percent of an institution's assets minus liabilities. Section 3204(d)(6).
- Any investments authorized by 20 Pa.C.S. Ch.73 (relating to fiduciaries investments) are authorized investments for pension and retirement funds. Section 3204(d)(7). The Board of Supervisors may permit assets pledged as collateral under Subsection (d)(3) relating to deposits in savings accounts or time deposits, to be pooled in accordance with the Act of August 6,1971 (P.L. 281, No. 72).

As of December 31,2008, the Township had the following investments:

Pennsylvania Local Government Investment Trust (PLGIT)	\$ 16,403,054
PA Treasury Invest Community Pool	56,522
U.S. Government Obligations (Bonds, Notes, Treasury Bills)	51,779,464
Corporate Obligations	5,605,385
Government Supported Mortgages	301,441
Stock Equities	8,220,915
Money Market Funds	<u>1,195,352</u>
	<u>\$ 83,562,133</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk - Interest Rate risk is the risk that changes in interest rates will adversely affect an investment's value. In accordance with its investment policy, the Township invests operating funds primarily in short-term securities, money market mutual funds or similar investment pools. Also, the Township structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. As of December 31, 2008, the Township's investments (including Fiduciary investments) had the following weighted average maturities:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Government Obligations (Bonds, Notes, Treasury Bills)	\$ 51,779,464	5.20
Corporate Obligations	5,605,385	4.47
Government Supported Mortgages	301,441	24.94

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Township complies with the provisions of the Pennsylvania Second Class Township Code, 53 P.S. 68204 related to the types of investments permitted for Township funds. Also, the Township pre-qualifies the financial institutions, brokers/dealers, intermediaries and advisors with which the Township does business with related to investment decisions. The investment portfolio is diversified so that potential losses on individual securities will be minimized. As of December 31, 2008, PLGIT, U.S. Government Obligations and other investment types were rated as AAA by a nationally recognized statistical rating organization.

Concentration of credit risk - A concentration of investments in any one single user of debt securities presents a greater risk for loss in the event the issuer fails on its obligations. The Township's policy is to diversify the investment portfolio by security type and institution. No more than 50% of the Township's total investment portfolio managed by one investment manager will be invested in a single security type or with a single financial institution with the exception of US. Treasury Securities and authorized pools. At December 31, 2008, the Township's investments in U.S. Government Obligations, Corporate obligations and stock equities each exceeded 5% of the total investments.

Custodial credit risk-deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. For disclosure purposes, deposits include certificates of deposit which are classified as investments on the statement of net assets. As of December 31, 2008, \$7,799,856 of the Township's bank balance of \$7,899,856 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. DEPOSITS AND INVESTMENTS (CONTINUED)

A portion of the Township's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated AAA by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

Custodial credit risk-investments - For an investment, this 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. The Township has no investments subject to custodial credit risk.

C. BOND AND OTHER LONG-TERM DEBT

Long-Term Liabilities Summary

The following is a summary of the Township's long-term liabilities:

	Balance 12/31/2007	Additions	Payments/ Refunding	Balance 12/31/2008	Due Within One Year
Governmental activities					
G.O.Bonds 2008	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ 150,000
G.O.Bonds 2006	9,655,000	-	360,000	9,295,000	370,000
G.O. Bonds 2005	6,585,000	-	755,000	5,830,000	770,000
G.O Bonds 2004	8,270,000	-	520,000	7,750,000	530,000
G.O. Bonds 1998	470,000	-	-	470,000	-
Penn Vest Loan	384,152	-	33,926	350,226	35,147
L.P.R.A. 1998	15,640	-	15,640	-	-
Total bonds and notes	<u>25,379,792</u>	<u>10,000,000</u>	<u>1,684,566</u>	<u>33,695,226</u>	<u>1,855,147</u>
Compensated absences and severance pay	1,064,222	110,763	-	1,174,985	95,361
Other post employment benefits	-	795,202	-	795,202	-
Total governmental activities	<u>\$ 26,444,014</u>	<u>\$ 10,905,965</u>	<u>\$ 1,684,566</u>	<u>\$ 35,665,413</u>	<u>\$ 1,950,508</u>
Business type activities					
Middletown Country Club fund note	<u>\$ 570,268</u>	<u>\$ -</u>	<u>\$ 49,878</u>	<u>\$ 520,390</u>	<u>\$ 52,954</u>

Annual debt service requirements to maturity for bonds outstanding are as follows:

Year of Maturity	Principal	Interest	Total
2009	\$ 1,855,147	\$ 1,259,292	\$ 3,114,439
2010	2,111,750	1,203,418	3,315,168
2011	2,178,209	1,139,985	3,318,194
2012	2,239,747	1,072,370	3,312,117
2013	2,321,369	998,186	3,319,555
2014 and Thereafter	22,989,004	6,488,064	29,477,068
	<u>\$ 33,695,226</u>	<u>\$ 12,161,315</u>	<u>\$ 45,856,541</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

C. BOND AND OTHER LONG-TERM DEBT (CONTINUED)

General Obligation Bonds, Series 2008

In April of 2008, Middletown Township issued General Obligation (G.O.) bonds in the amount of \$10,000,000 to pay for the costs of certain capital projects including the reconstructing, repairing and curb improvements in Levittown, improvements to the community center building, improvements to the country club, reconstruction of Beachwood Park, and Simmons Memorial Park.

The bonded debt is comprised of serially numbered bonds. Interest is payable February 15th and August 15th until maturity. Interest rates range from 3.35% to 4.25%.

Interest of \$136,817 and principal of \$0 were paid in 2008.

Principal and interest payments will be made until maturity in 2029 as follows:

Year of Maturity	Principal	Interest	Total
2009	\$ 150,000	\$ 367,568	\$ 517,568
2010	355,000	363,068	718,068
2011	365,000	354,726	719,726
2012	375,000	345,784	720,784
2013	385,000	335,658	720,658
2014-2018	2,105,000	1,491,112	3,596,112
2019-2023	2,515,000	1,078,776	3,593,776
2024-2028	3,060,000	502,829	3,562,829
2029	690,000	28,636	718,636
	<u>\$ 10,000,000</u>	<u>\$ 4,868,157</u>	<u>\$ 14,868,157</u>

General Obligation Bonds, Series 2006

In March of 2006, Middletown Township issued General Obligation (G.O.) bonds in the amount of \$10,000,000 to pay for the costs of certain capital projects including the construction, furnishing and equipping of a community center building, an emergency services station and a public works building, and the reconstruction and renovation of certain roads and highways.

The bonded debt is comprised of serially numbered bonds. Interest is payable February 15th and August 15th until maturity. Interest rates range from 3.35% to 4.25%.

Interest of \$378,750 and principal of \$360,000 were paid in 2008.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

C. BOND AND OTHER LONG-TERM DEBT (CONTINUED)

Principal and interest payments will be made until maturity in 2026 as follows:

Year of Maturity	Principal	Interest	Total
2009	\$ 370,000	\$ 366,690	\$ 736,690
2010	385,000	354,110	739,110
2011	395,000	340,828	735,828
2012	410,000	326,805	736,805
2013	425,000	311,943	736,943
2014-2018	2,385,000	1,306,768	3,691,768
2019-2023	2,890,000	796,580	3,686,580
2024-2026	2,035,000	174,998	2,209,998
	<u>\$ 9,295,000</u>	<u>\$ 3,978,722</u>	<u>\$ 13,273,722</u>

General Obligation Bonds, Series 2005

In January of 2005, Middletown Township issued General Obligation (G.O.) bonds in the amount of \$8,325,000 to advance refund the Township's general obligation bond Series 1997 and a portion of the Township's general obligation bond series 1998.

The bonded debt is comprised of serially numbered bonds. Interest is payable April 15th and October 15th until maturity. Interest rates range from 2.40% to 3.90%.

Interest of \$214,909 and principal of \$755,000 were paid in 2008.

Principal and interest payments will be made until maturity in 2017 as follows:

Year of Maturity	Principal	Interest	Total
2009	\$ 770,000	\$ 191,440	\$ 961,440
2010	795,000	168,340	963,340
2011	825,000	144,490	969,490
2012	840,000	119,740	959,740
2013	875,000	92,440	967,440
2014-2017	1,725,000	149,160	1,575,840
	<u>\$ 5,830,000</u>	<u>\$ 865,610</u>	<u>\$ 6,397,290</u>

General Obligation Bonds, Series 2004

In January of 2004, Middletown Township issued General Obligation (G.O.) bonds in the amount of \$10,000,000 for the purpose of advance refunding the Township's general obligation bond series 2000. The bonded debt is comprised of serially numbered bonds. Interest is payable April 15th and October 15th until maturity. Interest rates range from 2.00% to 4.35%.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

C. BOND AND OTHER LONG-TERM DEBT (CONTINUED)

Interest of \$302,798 and principal of \$520,000 were paid in 2008.

Principal and interest payments will be made until maturity in 2021 as follows:

Year of Maturity	Principal	Interest	Total
2009	\$ 530,000	\$ 290,318	\$ 820,318
2010	550,000	276,008	826,008
2011	565,000	259,508	824,508
2012	585,000	241,144	826,144
2013	605,000	220,962	825,962
2013-2017	3,370,000	798,254	4,168,254
2018-2021	1,545,000	100,596	1,645,596
	<u>\$ 7,750,000</u>	<u>\$ 2,186,790</u>	<u>\$ 9,936,790</u>

General Obligation Bonds, Series 1998

In December of 1998, Middletown Township issued general obligation (G.O.) bonds in the amount of \$5,650,000 for the purpose of the redemption of the Township's general obligation bond series 1993 and the advanced refunding of a portion of the Township's general obligation bond series 1995. A balance of \$4,085,000 was advance refunded by the issuance of General Obligation Bonds, Series 2005. Interest rates range from 4.1 % to 4.6%.

Interest in the amount of \$21,620 was paid in 2008.

Principal and interest payments will be made until maturity in 2017 as follows:

Year of Maturity	Principal	Interest	Total
2009	\$ -	\$ 21,620	\$ 21,620
2010	-	21,620	21,620
2011	-	21,620	21,620
2012	-	21,620	21,620
2013	-	21,620	21,620
2014-2017	470,000	54,280	524,280
	<u>\$ 470,000</u>	<u>\$ 162,380</u>	<u>\$ 632,380</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

C. BOND AND OTHER LONG-TERM DEBT (CONTINUED)

Penn Vest Loan

The Township borrowed funds from the Pennsylvania Infrastructure Investment Authority in order to finance the construction of a storm water system. Loan proceeds, limited to \$674,475, are payable in monthly installments including interest at 2.842% per annum for the first 75 months (including the 15 month construction period) and 3.552% per month for the remaining loan term. The loan is payable over twenty years.

During 2008, interest in the amount of \$13,096 and principal payments of \$33,926 were made.

A schedule of the Township's debt service requirements is as follows:

Year of Maturity	Principal	Interest	Total
2009	\$ 35,147	\$ 11,875	\$ 47,022
2010	36,416	10,606	47,022
2011	37,731	9,291	47,022
2012	39,093	7,929	47,022
2013	40,561	6,462	47,023
2014-2018	161,285	11,129	172,414
	\$ 350,233	\$ 57,292	\$ 407,525

Levittown Public Recreation Association

In July of 1998, the Township acquired approximately 10 acres of land from the Levittown Public Recreation Association (L.P.R.A.). The land was the previous site of a public swimming pool. The Note was in the amount of \$156,407, with \$106,407 allocated to the purchase price of the land and \$50,000 allocated to the demolition of the swimming pool. The Note is noninterest bearing and will be paid over ten years. Principal payments in the amount of \$15,641 are due every July 10th until 2008. The last principal payment of \$15,640 was made in 2008.

Defeased Debt

The Township has prior series bonds which are considered to be defeased, since all future debt service payments on these bonds will be paid from an irrevocable trust by an escrow agent. The trust invests exclusively in government securities. At December 31, 2008, the principal amount of the bonds outstanding but considered defeased totaled approximately \$15,109,672. Accordingly, such defeased obligations do not appear as liabilities on the balance sheet as of December 31, 2008.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

C. BOND AND OTHER LONG-TERM DEBT (CONTINUED)

Middletown County Club Note

As of December 31, 2008, the outstanding principal balance of the note payable for the purchase of the Middletown Country Club was \$520,390. The note is payable in monthly installments based on a thirty year amortization schedule through November 2017, with interest accruing at a variable rate. The principal payment in 2008 was \$49,878. A schedule of the Township's debt service requirements is as follows:

Year Ending December 31,	Principal
2009	\$ 52,954
2010	56,221
2011	59,690
2012	63,371
2013	67,279
2014-2017	<u>220,875</u>
	<u>\$ 520,390</u>

D. MIDDLETOWN COUNTRY CLUB LEASE AGREEMENT

The Township has entered into a lease agreement on May 24, 2008 with an independent management company, Agro Golf Corporation., to operate the property which is known as the Middletown Country Club through December 31, 2023. The terms of the agreement state that the Township receives 2% of total gross receipts over \$1,500,000 but not to exceed \$3,000,000 and 4% of total gross receipts over \$3,000,000 . The Township maintains a fund that records the general fixed assets acquired at the time of purchase, the general long-term debt obligation for the purchase, the debt service payments and the revenues generated from the license agreement. Revenue generated from this lease has been designated to repay the obligations financed. The management company is solely responsible for the day-to-day operations of the Country Club and exclusively responsible for administration of its fiscal affairs.

E. EMPLOYEE RETIREMENT SYSTEM

The Township is the administrator of two single-employer, defined benefit pension plans accounted for in accordance with GASB 25 and GASB 27. The Nonuniformed Pension Plan covers all of the Township's full-time employees other than police officers, the Township Manager (who participates in a 457 deferred compensation plan only) and the Traffic Safety Coordinator (who already receives a police pension from the Township). The pension plans do not issue separate stand-alone financial statements.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Police Pension Plan

All of the Township's full-time police officers participate in the Police Pension Plan, a single-employer, defined benefit pension plan. Township Ordinance 80-1 established the plan on January 15, 1980. The plan has been subsequently amended by ordinances 86-49, 88-15, 91-24, 96-02 and 03-06. The fund was originally established pursuant to the Act of May 29, 1956, P.L. 1804, as amended. The plan is administered by three entities: Bank of New York- Mellon Bank - Trustee; Stifel Nicolaus - Investment Advisors; and Tocqueville Asset Management L.P. - Broker. All three share ninety-two basis points of the value of the plan each year for their fees.

All full-time members of the police force are required to join the Police Pension Plan upon employment. Benefits vest after 12 years of service. Police employees who retire at or after age 50 with 25 years of service are entitled to a retirement benefit, payable monthly for life, in an amount equal to 50 percent of their average monthly pay during their last 36 months of employment, plus a service increment benefit of \$600 per year for each full year of service in excess of 25 years. Benefits are also subject to annual cost of living increases until the original benefit has increased to a maximum of 25% effective January 1, 2004. The plan also provides death, disability, survivor and late retirement benefits. The Commonwealth of Pennsylvania acts governing the pension plan are the "Municipal Pension Plan Funding Standard and Recovery Act" of December 18, 1984, PL 1005, No. 205, and the "Municipal Police Pension Law Act" of May 29, 1956, PL 1804, No. 600, as amended (commonly known as "Act 600").

Effective January 1, 2003 a deferred retirement option plan (DROP) is available to the Township's police officers who have fulfilled the age and service requirements of the Plan as described in the above paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Township up to a maximum of 96 months.

Police officers are required to contribute five and three-quarters percent of their annual salary to the plan. The balance of the plan's funding requirements are met by state aid and, if necessary, by Township contributions. The obligation of the officers and the Township to contribute to the Police Pension Plan is established by state law.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

The following summarizes financial information of the police pension plan as of and for the year ended December 31, 2008.

Statement of Net Assets

Assets	
Cash and cash equivalents	\$ 977,859
U.S. government obligations	7,521,636
Corporate obligations	4,787,475
Government supported mortgages	252,199
Common stocks	<u>7,041,216</u>
Total assets	<u>20,580,385</u>
Net assets held in trust for pension benefits and other purposes	<u>\$ 20,580,385</u>

Statement of Changes in Net Assets

Additions	
Contributions	
Employee contributions	\$ 256,303
Township contributions	<u>660,750</u>
Total contributions	<u>917,053</u>
Investment income	
Net depreciation in fair value of investments	(4,119,622)
Interest and dividends	<u>909,458</u>
Net investment income	<u>(3,210,164)</u>
Total additions	<u>(2,293,111)</u>
Deductions	
Benefits	1,713,588
Administrative expenses	<u>256,464</u>
Total deductions	<u>1,970,052</u>
Change in net assets	(4,263,163)
Net assets, beginning of year	<u>24,843,548</u>
Net assets, end of year	<u>\$ 20,580,385</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Nonuniformed Pension Plan

All Township full-time non-uniformed employees are required to join the Nonuniformed Pension Plan, a single-employer, cash balance, defined benefit pension plan, after their special review period. Township Ordinance 88-1 established the current plan on January 26, 1998. Ordinances 91-8 and 91-34 have subsequently amended the plan. The Bank of New York- Mellon Bank - Trustee; Stifel Nicolaus - Investment Advisors; and Tocqueville Asset Management L.P. - Broker, administer the plan. All three share ninety-two basis points of the value of the plan each year for their fees. Employee benefits vest after 5 years of service. All three share ninety-two basis point of the value of the plan each year for their fees. Employees who retire at or after age 62 and the completion of 30 years of service, or at or after age 65 and the completion of 5 years of service, whichever is earlier, are entitled to receive their total account balance under the plan in a lump-sum payment.

Alternatively, employees may elect to receive a monthly annuity that is actuarially equivalent to the lump-sum payment. Effective January 1, 2003, employees contribute five percent of annual base pay to their account each year.

The Township's contribution to the plan is equal to seven percent of each employee's annual base pay per year. This amount is credited to the employee's account. In addition, all contributions and credits are credited with interest at the rate of six percent per annum.

The plan also provides death, disability, and early and late retirement benefits. The plan also provides certain minimum benefit guarantees for participants in the plan prior to its January 1, 1988, amendment. The Plan was amended in 2004 to provide for an Early Retirement Incentive Program. To be eligible, a participant must be age 60 with 20 years of service.

The establishment and operation of a non-uniformed pension plan in the Commonwealth of Pennsylvania is within the discretionary powers of the local governing bodies. However, the plan is affected to some degree by the provisions of the "Municipal Pension Plan Funding Standard and Recovery Act" of December 18, 1984, PL 1005, No. 205, which governs the distribution and use of state pension aid.

As noted, employees are required to contribute five percent of their annual base salary to the plan. The balance of the plan's funding requirements is met by state aid and, if necessary, by Township contributions. The obligation of the employees and Township to contribute to the Non-uniformed Pension Plan is established by state law.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

The following summarizes financial information of the non-uniformed pension plan as of and for the year ended December 31, 2008.

Statement of Net Assets

Assets	
Cash and cash equivalents	\$ 251,341
U.S. government obligations	1,270,723
Government supported Mortgages	49,242
Corporate obligations	817,910
Common stocks	<u>1,179,699</u>
Total assets	<u>3,568,915</u>
Net assets held in trust for pension benefits and other purposes	<u>\$ 3,568,915</u>

Statement of Changes in Net Assets

Additions	
Contributions	
Employee contributions	\$ 98,895
Township contributions	<u>103,038</u>
Total contributions	<u>201,933</u>
Investment income	
Net depreciation in fair value of investments	(666,910)
Interest and dividends	<u>152,866</u>
Net investment income	<u>(514,044)</u>
Total additions	<u>(312,111)</u>
Deductions	
Benefits	81,356
Administrative expenses	<u>52,956</u>
Total deductions	<u>134,312</u>
Change in net assets	(446,423)
Net assets,s beginning of year	<u>4,015,338</u>
Net assets, end of year	<u>\$ 3,568,915</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Information Applicable to Both Plans

The following table summarizes the total Township payroll, the applicable payroll covered by each plan and the current membership for both the Police and Non-uniformed Pension Plans as of January 1, 2007 (date of latest actuarial valuation).

	<u>Police Pension Plan</u>	<u>Nonuniformed Pension Plan</u>	<u>Total</u>
Payroll information			
Payroll for employees covered by each pension plan	<u>\$ 4,144,680</u>	<u>\$ 1,977,643</u>	<u>\$ 6,122,323</u>
Membership information			
Retirees and beneficiaries currently receiving benefits	42	4	46
Terminated vested employees	<u>1</u>	<u>10</u>	<u>11</u>
Active employees			
Fully vested	18	38	56
Nonvested	<u>30</u>	<u>5</u>	<u>35</u>
Total active employees	<u><u>48</u></u>	<u><u>43</u></u>	<u><u>91</u></u>

Since both the Police and Non-uniformed Pension Plans are single-employer, defined benefit plans, the Township reports the same funding information for both plans. The following summary of significant accounting policies and plan assets, fund status and progress and trend information have been combined for both pension plans for ease of reporting.

Summary of Significant Accounting Policies and Plan Assets

The basis of accounting is explained in Note A. The method used to value assets in the actuarial updates is the fair value method. Both pension plans record their assets in accordance with GASB 25. This results in the net gains and net unrealized gains both being included on the statement of changes in plan net assets in the line net appreciation in fair value of investments.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Summary of Economic and Demographic Actuarial Assumptions and Cost Methods

A bi-annual actuarial valuation is performed for each plan. Significant actuarial assumptions used in determining pension benefit obligations are: (1) interest: 8.0 percent per annum compounded for the Police Plan and 7.5 percent per annum compounded annually for the Non-uniformed Plan; (2) salary scale: 5.0 percent per annum compounded annually for the Police Plan and 4.5 percent per annum compounded annually for the Non-uniformed Plan; (3) increase in CPI for the Police Plan only: 3.0 percent per annum compounded annually; (4) administrative expenses: \$267,178 for the Police Pension Plan and \$47,944 for the Non-uniformed Plan; (5) mortality: 1983 group annuity mortality table; (6) actuarial value of assets: the actuarial value of assets as of the last valuation date plus non-investment increases less non-investment decreases since the last valuation date plus interest credited at the last valuation's assumed interest rate assuming noninvestment increases and decreases occur at the mid-point between the last and current valuation date, limited to a maximum of 115% and a minimum of 85% of the fair value of assets as of the current valuation date for the Police Plan and fair value for the Nonuniformed Plan; and (7) the Entry Age Normal Actuarial Cost Method was used as the cost method in each plan; (8) the Police Pension Plan adjusts for postretirement cost of living increases in proportion to the increase in the consumer price index until the original pension amount has increased by 25%; (9) the amortization method used in both plans is the closed level dollar method; (10) the unfunded actuarial accrued liability surplus is amortized for both plans over 14 years.

Contributions Required and Contributions Made

The Township's annual required contribution is equal to its minimum municipal obligation (MMO) as calculated in accordance with Pennsylvania law (Act 205 of 1984) less State Aid and employee contributions deposited in the pension fund during the year. The MMO is calculated in accordance with GASB 27. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid in the amount of \$452,459 for the pension for the year ended December 31, 2008.

	Police	Nonuniformed	Total
Township contributions	\$ 660,750	\$ 103,038	\$ 763,788
Employee contributions	264,921	102,699	367,620

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Annual Pension Cost and Net Pension Obligation

The two plans' annual pension cost and net pension obligation for 2007, as of January 1, 2007 (date of latest actuarial valuation) were:

	<u>Police</u>	<u>Nonuniformed</u>
Annual required contributions	\$ 268,227	\$ -
Interest on net pension obligation	-	-
Adjustment to annual required contribution	<u>-</u>	<u>-</u>
Annual pension cost	268,227	-
Contributions made	<u>268,227</u>	<u>-</u>
Increase (decrease) in net pension obligation	-	-
Net pension obligation beginning of year	<u>-</u>	<u>-</u>
Net pension obligation end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Three-Year Trend Information

	<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police	12/31/05	\$ 144,476	100 %	\$ -
	12/31/06	226,869	100 %	-
	12/31/07	268,227	100 %	-
Nonuniformed	12/31/05	-	100 %	-
	12/31/06	-	100 %	-
	12/31/07	-	100 %	-

Unfunded Actuarial Accrued Liability

As of January 1, 2007, the latest valuation date, both plans had no unfunded actuarial accrued liability since the plan's assets were in excess of the plan's actuarial accrued liability as follows:

	<u>Police</u>	<u>Nonuniformed</u>
Actuarial accrued liability at 1/1/07	\$27,639,909	\$ 3,699,551
Actuarial value of plan assets as of 1/1/07	27,521,027	4,134,207
Unfunded (Overfunded) actuarial accrued liability	<u>118,882</u>	<u>(434,656)</u>
Funded ratio	99.57 %	111.75 %
Ratio of the unfunded (overfunded) actuarial accrued liability for annual covered payroll	<u>2.9 %</u>	<u>(22.0)%</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Significant Changes in Actuarial Assumptions

There were no significant changes in actuarial assumptions for either Plan in 2007.

Schedule of Funding Progress

Police Plan						
Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL)- Entry Age B	Unfunded AAL B-A	Funded Ratio A/B	Covered Payroll C	UAAL as a %of Covered Payroll (B-A)/C
1/1/05	24,751,471	24,407,042	(344,429)	101.41	4,042,630	(8.52)
1/1/06	25,710,791	24,916,475	(794,316)	103.19	4,006,249	(19.83)
1/1/07	27,521,027	27,639,909	118,882	99.57	4,144,680	2.87

Nonuniformed Plan						
Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL)- Entry Age B	Unfunded AAL B-A	Funded Ratio A/B	Covered Payroll C	UAAL as a %of Covered Payroll (B-A)/C
1/1/05	3,457,529	3,240,727	(216,802)	106.69	1,948,307	(11.13)
1/1/06	3,508,246	3,498,333	(9,913)	100.28	1,852,972	(0.53)
1/1/07	4,134,207	3,699,551	(434,656)	111.75	1,977,643	(21.98)

Schedule of Township and State (PA) Contributions

Police Plan					
Year Ended December 31,	Annual Required Contribution A	State's Contribution B	Township's Annual Required Contribution C	Percentage Contributed	
2004	531,208	368,732	144,476	100 %	
2005	580,746	353,877	226,869	100 %	
2006	591,820	330,083	261,737	100 %	

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Schedule of Township and State (PA) Contributions

Nonuniformed Plan				
Year Ended December 31.	Annual Required Contribution A	State's Contribution B	Township's Annual Required Contribution C	Percentage Contributed
2004	67,439	67,439	-	100 %
2005	64,651	64,651	-	100 %
2006	93,044	93,044	-	100 %

F. DEFERRED COMPENSATION PLAN

The Township offers all of its employees the option to participate in a Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The plan permits each employee to defer a flat dollar amount of his or her salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Township's responsibility is to administer the plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the individuals enrolled in the plan and are not subject to the claims of the Township's general creditors. Participants' rights under the plan are equal to the fair value of the deferred account for each participant.

Investments are managed by the plan trustees (ICMA) under various investment options. Each participant makes the investment plan choice. The Township's opinion is that it has no liability for losses under the plan but does have the responsibility of due care that would be required of an ordinary prudent investor.

On December 17, 1996 the Township passed Resolution 96-42R effective January 1, 1997. This resolution established the Deferred Compensation Plan as a Trust for the exclusive benefit of the Plan participants and their beneficiaries, and that the assets could not be diverted to any other purpose. This resolution was passed to comply with amendments to the Internal Revenue Code. The activity of the Deferred Compensation Plan is not recorded in the financial statements.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

G. CAPITAL ASSETS

Classification	Balance <u>12/31/2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2008</u>
<i>Governmental activities</i>				
Capital assets not being depreciated				
Land	\$ 7,055,853	\$ 160,000	\$ -	\$ 7,215,853
Capital assets being depreciated				
Land improvements	3,095,687	-	-	3,095,687
Buildings and building improvements	13,059,334	1,785,364	-	14,844,698
Machinery and equipment	6,028,675	1,499,224	(170,187)	7,357,712
Infrastructure	<u>58,297,061</u>	<u>3,874,303</u>	<u>-</u>	<u>62,171,364</u>
Total capital assets being depreciated, at historical cost	<u>80,480,757</u>	<u>7,158,891</u>	<u>(170,187)</u>	<u>87,469,461</u>
Less accumulated depreciation				
Land improvements	1,556,940	141,749	-	1,698,689
Buildings and building improvements	2,509,173	291,920	-	2,801,093
Machinery and equipment	4,503,655	522,628	(170,187)	4,856,096
Infrastructure	<u>36,827,240</u>	<u>1,439,857</u>	<u>-</u>	<u>38,267,097</u>
Total accumulated depreciation	<u>45,397,008</u>	<u>2,396,154</u>	<u>(170,187)</u>	<u>47,622,975</u>
Total capital assets being depreciated, net	<u>35,083,749</u>	<u>4,762,737</u>	<u>-</u>	<u>39,846,486</u>
Government activities, net	<u>\$ 42,139,602</u>	<u>\$ 4,922,737</u>	<u>\$ -</u>	<u>\$ 47,062,339</u>

Classification	Balance <u>12/31/2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2008</u>
<i>Business-type activities</i>				
Capital assets not being depreciated				
Land	\$ 3,355,000	\$ -	\$ -	\$ 3,355,000
Capital assets being depreciated				
Land improvements	648,439	-	-	648,439
Buildings and building improvements	944,054	11,972	-	956,026
Furniture and equipment	<u>691,199</u>	<u>-</u>	<u>-</u>	<u>691,199</u>
Total capital assets being depreciated, at historical cost	<u>2,283,692</u>	<u>11,972</u>	<u>-</u>	<u>2,295,664</u>
Less accumulated depreciation				
Land improvements	230,992	32,422	-	263,414
Buildings and building improvements	233,622	19,417	-	253,039
Furniture and equipment	<u>422,440</u>	<u>44,145</u>	<u>-</u>	<u>466,585</u>
Total accumulated depreciation	<u>887,054</u>	<u>95,984</u>	<u>-</u>	<u>983,038</u>
Total capital assets being depreciation, net	<u>1,396,638</u>	<u>(84,012)</u>	<u>-</u>	<u>1,312,626</u>
Business-type activities, net	<u>\$ 4,751,638</u>	<u>\$ (84,012)</u>	<u>\$ -</u>	<u>\$ 4,667,626</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

G. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to government functions as follows:

General government	\$ 218,067
Public safety	368,516
Public works	243,711
Parks and recreation	<u>126,003</u>
	956,297
Unallocated expense	<u>1,439,857</u>
	<u>\$ 2,396,154</u>

H. GASB STATEMENT FOR ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits described in Note F and per the terms of the union contract between Middletown Township and the Police Benevolent Association, the Township provides limited reimbursement for post-retirement health benefits to police officers. All sworn police officers retiring on or after January 1, 1991, who receive retirement benefits by reason of age and service, or a service-connected disability, are eligible for reimbursement by the Township, commencing upon the date of retirement or service-connected disability, and for a maximum period of from five to ten years depending on the employee's accumulated unused sick leave at retirement of an amount from \$3,000 to \$5,000 per annum upon submission of proof of medical insurance premium expense payments paid by the retired officer.

The plan was established by the provisions of the collective bargaining agreement between the Township and the Police Officers, to provide continuation of medical and vision insurance for employees who retire from the Middletown Township Police Pension Plan. The plan operates in a different environment than the Township's pension plans. The accounting for the pension plans in the Township's financial statements is governed by GASB Statements Nos. 25 and 27. The benefits under the pension plan are more specific, as they are governed by Act 600. Municipal pension plans must file biennial reporting forms with the Pennsylvania Public Employee Retirement Commission.

By contrast, medical and other postretirement benefit plans other than pension plans (commonly referred to as OPEB or *Other Postemployment Benefit Plans*) are not covered by any state or federal laws governing benefit provisions or requiring minimum funding or reporting. The accounting for OPEB plans and trust is governed by GASB Statement Nos. 43 and 45. As a phase 2 government entity (i.e. one with 1999 revenues between \$10 million and \$100 million) GASB Statement No. 45 is effective for the Township's 2008 fiscal year. GASB Statement No. 43 will be effective for the year in which a trust is established to fund and pay plan benefits.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

H. GASB STATEMENT FOR ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Under GASB Statement No. 45, the Township will be required to report an annual required contribution (ARC). If the Township does not fund the ARC each year, it will also have to report a net OPEB obligation equal to the total of the unfunded ARC's, plus interest and adjustments, since the initial adoption date of GASB Statement No. 45.

Middletown Township had an actuarial valuation done to calculate the cost and liabilities attributable to post retirement benefits other than pensions. The actuarial accrued liability as of January 1, 2008 totaled \$6,448,201. The annual required contribution under the GASB accounting standards is \$795,202 assuming a 30-year amortization of the actuarial accrued liability.

Actuarial assumptions were based on the following:

- Economic assumptions - the discount rate and health care cost trend rates
- Benefit assumptions - the initial per capita cost rates for medical and vision coverage
- Demographic assumptions - the probabilities of retiring, dying, election (participation rates) and coverage levels.

The actuarial cost method is the way that unfunded plan costs are allocated over the future years, including the current year. The actuarial valuation uses the *Entry Age Normal Actuarial Cost Method*. Under this method, the normal cost and actuarial accrued liability are determined on an individual basis. The unfunded actuarial accrued liability is determined as the excess of the actuarial accrued liability over the actuarial value of assets. If the actuarial accrued liability exceeds the actuarial value of plan assets, the unfunded actuarial accrued liability is amortized over future years as part of the annual contribution requirement. The amortization amounts are determined based on the source of each piece of the unfunded accrued liability (e.g. actuarial gains and losses, plan amendments, changes in assumptions, etc.) If the actuarial value of assets exceeds the actuarial accrued liability, 10% of this excess is used to reduce the plan's financial requirement.

I. INTERFUND ADVANCES AND TRANSFERS

Interfund Advances

The Township has established a Contingency Fund with monies remaining from the 1978 bond issue. The Contingency Fund pays for capital projects and/or lends money to other Township funds for capital projects/equipment. These monies are loaned in accordance with a Board of Supervisors approved resolution. The resolution includes a payment schedule and a stated interest rate based on market conditions. For monies loaned to Governmental or Capital Projects Funds, the long-term liability is recorded in the fund. Real estate taxes are used for the repayment of the interfund advance.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

I. INTERFUND ADVANCES AND TRANSFERS (CONTINUED)

The loans made to the Curb/Road Revolving Fund for the construction of curb improvements are recorded and repaid by residential assessments. The Township records all advances from the Contingency Fund as advances receivable in the Contingency Fund. Monies loaned from the Contingency Fund to Enterprise funds are recorded as debts payable in the Enterprise Fund. Short-term interest and principal are paid out of the Enterprise Fund when they become due, except for the loan to the Farm Fund, which is paid through Debt Service.

The liability for these loans is reflected in the fund stated below. The receivables are recorded in the Contingency Fund. The interfund payables outstanding as of December 31, 2008, the annual installment (principal plus interest) and the scheduled maturities are as follows:

	<u>Balance</u> <u>12/31/2007</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2008</u>
Police vehicles 2008	\$ 98,455	\$ -	\$ 32,818	\$ 65,637
Police vehicles 2007	32,570	-	32,570	-
June 1996 flood	<u>74,277</u>	<u>-</u>	<u>13,824</u>	<u>60,453</u>
 Total General Fund	 <u>\$ 205,302</u>	 <u>\$ -</u>	 <u>\$ 79,212</u>	 <u>\$ 126,090</u>
 Curb/Road Revolving Fund	 <u>\$ 4,480</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 4,480</u>
Total Capital Projects Fund	<u>4,480</u>	<u>-</u>	<u>-</u>	<u>4,480</u>
Total Government Fund Type				<u>\$ 130,570</u>

The following summary reflects the changes in the interfund loans that are recorded in the Enterprise Funds for the year ended December 31, 2008.

	<u>Balance</u> <u>12/31/2007</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2008</u>
Middletown Country			
Club Fund	\$ 472,825	\$ 57,252	\$ 415,573
Farm Fund	<u>172,288</u>	<u>11,260</u>	<u>161,028</u>
Total General Fund	<u>\$ 645,113</u>	<u>\$ 68,512</u>	<u>\$ 576,601</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

I. INTERFUND ADVANCES AND TRANSFERS (CONTINUED)

The liability for these loans is reflected in the Proprietary Funds. The receivable is recorded in the Contingency Fund. The Country Club loans are recorded in the Middletown Country Club Fund. The interfund payables outstanding as of December 31, 2008, the annual installment (principal plus interest) and the scheduled maturities are as follows:

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Annual Installment</u>	<u>Final Due Date</u>	<u>Outstanding 12/31/08</u>
General Fund					
Police car 2007	\$ 98,455	\$ -	\$ 32,818	6/1/2010	\$ 65,637
Police car 2006	65,138	-	32,570	6/1/2010	-
June 1996 flood	300,000	3.60 %	16,498	6/30/2012	<u>60,453</u>
					<u>126,090</u>
Capital Projects Fund					
Curb/roads	109,370	-	-	Repayment based on assessment	<u>4,480</u>
Total interfund payables for Governmental Fund Types					<u>\$ 130,570</u>

Proprietary Funds

The liability for these loans is reflected in the Enterprise Funds. The receivable is recorded in the Contingency Fund. The Country Club loans are recorded in the Middletown Country Club Fund.

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Annual Installment</u>	<u>Final Due Date</u>	<u>Outstanding 12/31/08</u>
Farm Fund	\$ 214,764	\$ -	\$ -	\$ -	\$ 126,429
Farm Fund	34,600	-	-	-	<u>34,600</u>
					<u>161,029</u>
Country Club Loan	313,550	3.60 %	19,975	12/1/2015	123,434
Country Club Pool Loan	133,208	3.60 %	9,000	12/1/2015	25,208
Country Club Irrigation Loan	500,000	3.60	43,818	12/1/2015	<u>266,930</u>
					<u>415,572</u>
Total interfund payable Enterprise Funds					<u>\$ 576,601</u>
Total interfund payable Capital Projects Fund					<u>\$ 707,172</u>

*Based on a schedule.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

I. INTERFUND ADVANCES AND TRANSFERS (CONTINUED)

Interfund Transfers

	Transfers In				Total
	General Fund	Debt Service Fund	Special Revenue Funds	Fiduciary Fund	
Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -
General Fund	748,815	822,798	128,387	-	1,700,000
Debt Service Fund	32,000	-	-	-	32,000
Special Revenue Fund	47,700	-	-	323,855	371,555
Country Club	31,586	-	-	-	31,586
Farm Fund	12,689	-	-	-	12,689
Private Purpose Trust Fund	96,202	-	-	-	96,202
	\$ 968,992	\$ 822,798	\$ 128,387	\$ 323,855	\$ 2,244,032

Due From/To Other Funds

Governmental funds

Due from other funds:

Major funds:

General	\$ 2,025
Debt Service Fund	61,350
Special Revenue Fund	73,095
	\$ 136,470

Due to other funds

Major funds:

General	\$ -
Capital Projects 2008 Bond Fund Other Government Fund	(134,445)
	(2,025)
	(136,470)

J. RISK MANAGEMENT

The Township is exposed to various risks of loss related to third-party liability claims, damage to and loss of Township-owned property, errors and omissions by public officials, and injuries to employees. As a method of protection against the risk, the Township purchases commercial insurance coverage. The amount of settlements did not exceed insurance coverage for the past three years. There have been no significant reductions in insurance coverage during the year ended December 31, 2008.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

K. LITIGATION

The Township is involved in litigation in relation to farm land to be purchased for recreation. The property has been condemned. The value of the land based upon an appraisal obtained by the Township is being contested by the former land owners. The case is currently under review in the appellate court division, and the ultimate outcome is uncertain at this time.

In September 2008, the Township settled a dispute arising from its withdrawal from the Delaware Valley Insurance Trust (DVIT) in January 2007. The settlement amounted to \$75,000.

There are various other claims and pending actions against the Township as of December 31, 2008. Based upon a review of these claims with Township solicitors, the aggregate exposure to liability was not considered material.

L. SUBSEQUENT EVENTS

On June 1, 2009, the Township issued \$7,830,000 General Obligation Bonds Series 2009 to currently refund the Township's General Obligation Bonds, Series 2004 outstanding in the principal amount of \$7,750,000 and to pay the costs of issuing the bonds.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MIDDLETOWN TOWNSHIP

**REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON
SCHEDULE - GENERAL FUND**

Years Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,497,477	\$ 8,497,477	\$ 8,346,762	\$ (150,715)
Licenses and permits	923,125	923,125	1,211,807	288,682
Fines and forfeits	186,500	186,500	218,243	31,743
Interest and rents	194,650	194,650	91,312	(103,338)
Intergovernmental revenues	646,233	646,233	590,152	(56,081)
Charges for services	4,806,607	4,806,607	5,304,907	498,300
Contribution private source	-	-	-	-
Miscellaneous revenues	-	-	1,228	1,228
Total revenues	<u>15,254,592</u>	<u>15,254,592</u>	<u>15,764,411</u>	<u>509,819</u>
Expenditures				
Current				
General government	2,110,511	2,109,911	2,031,621	(78,290)
Public safety	9,563,772	9,564,409	9,291,863	(272,546)
Public works	4,895,680	4,895,688	4,658,901	(236,787)
Miscellaneous expenditures	776,873	776,873	763,240	(13,633)
Capital outlay	-	-	252,557	252,557
Total expenditures	<u>17,346,836</u>	<u>17,346,881</u>	<u>16,998,182</u>	<u>(348,699)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,092,244)</u>	<u>(2,092,289)</u>	<u>(1,233,771)</u>	<u>858,518</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	897,790	897,790	993,992	96,202
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>872,790</u>	<u>872,790</u>	<u>968,992</u>	<u>96,202</u>
Net change in fund balance	(1,219,454)	(1,219,499)	(264,779)	954,720
Fund balance, January 1	<u>1,886,762</u>	<u>1,886,762</u>	<u>1,886,762</u>	<u>-</u>
Fund balance, December 31	<u>\$ 667,308</u>	<u>\$ 667,263</u>	<u>\$ 1,621,983</u>	<u>\$ 954,720</u>

MIDDLETOWN TOWNSHIP

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Accounting Controls

In accordance with provisions of Public Law of the Commonwealth of Pennsylvania, commonly known as the Second Class Township Code, the Township prepares and adopts a budget on or before December 31 for the following calendar year. The Code requires that budgets be legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. The Township maintains legal budgetary control by the broad categories of revenue and expenditures prescribed in a chart of accounts established by the Commonwealth. The legal level of budgetary control is at the fund level.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Expenditures cannot legally exceed the appropriations established in the budget. All annual appropriations lapse at year-end and must be reappropriated. In accordance with state regulations, the Board of Supervisors, by resolution, may make supplemental budgetary appropriations from additional revenues and/or unexpended funds appropriated but not spent in prior years and/or from budget transfers between the broad account categories. During 2008, expenditures did not exceed appropriations in the General Fund. During the year, the Township did not materially amend the budget in such a manner that would require disclosure under GASB codification section 2300.108.

The Township prepares a flexible budget for the Proprietary Funds. The flexible budget does not provide a basis for appropriations but rather serves as an approved plan that can facilitate budgetary control and operational evaluations.

SUPPLEMENTAL INFORMATION

MIDDLETOWN TOWNSHIP

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds - are used to account for specific revenues that are legally restricted to expenditures for particular purposes:

General Street Lighting Fund - This fund is used to account for revenue derived from a 0.70 mill real estate tax levy. Major expenditures in the General Street Lighting Fund include the cost of electricity and the maintenance of highway and residential streetlights located within the Township.

Fire Protection Fund - This fund is used to account for revenue derived from a 1.375 mill real estate tax levy in accordance with the current agreement between the Township and the Skyline Fire District Association (SFDA).

Parks and Recreation Fund - This fund is used to account for revenue derived from a 1.620 mill real estate tax levy. The revenues of this fund are restricted to the maintenance and operation of parks, playgrounds, playing fields, open space, gymnasiums, recreation centers and activities, and associated services.

Ambulance and Rescue Fund - This fund is used to account for revenue derived from a 0.395 mill real estate tax levy for the purpose of supporting the operations and activities of the Penn-del-Middletown Rescue Squad.

Road Machinery Fund - This fund is used to account for revenue derived from a 0.300 mill real estate tax levy that provides funding for purchasing road machinery and associated equipment for use by the Middletown Township Department of Public Works.

Fire Hydrant Fund - This fund is used to account for revenue derived from a 0.07 mill real estate tax levy. The revenues of this fund are restricted to expenditures for the maintenance of fire hydrants and water service to fire hydrants throughout the Township.

State Highway Aid Fund - This fund is used to account for the Township's share of the Liquid Fuels Tax Grant disbursed annually by the Commonwealth of Pennsylvania. All monies in this fund are expended in accordance with the rules and regulations established by the Pennsylvania General Assembly and the Pennsylvania Department of Transportation for the construction, reconstruction, and maintenance of all locally-owned roads, streets, and bridges, including traffic line painting and snow removal. In addition, energy and maintenance costs for traffic signals are paid from this fund.

MIDDLETOWN TOWNSHIP

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

Capital Projects Funds - are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

General Obligation Bond Issue of 1997 Fund - This fund is used to account for the construction of improvements to upgrade the Township's stormwater management system, the acquisition, construction, and equipping of a new police building, and the acquisition and improvement of real estate for open space. These capital projects were financed by the issuance of \$5,000,000 in General Obligation bonds in 1997.

General Obligation Bond Issue of 1995 Fund - This fund is used to account for the costs of renovations to various Township owned buildings, improvements to various Township owned parks, and roadway reconstruction and stormwater management improvements. These capital projects were financed by the issuance of \$3,100,000 in General Obligation bonds in 1995.

General Obligation Bond Issue of 2006 Fund - This fund is used to account for the costs of planning, design, construction, furnishing, and equipping of an emergency services station and a public works building, and the reconstruction and renovation of certain roads and highways. This fund was established by the issuance of \$10,000,000 in General Obligation bonds in 2006.

Capital Reserve Fund - This fund is maintained for anticipated capital expenditures. The monies accumulated in this fund are expended at the discretion of the Board of Supervisors for purposes involving the construction, purchase, lease to own, or replacement of or addition to municipal buildings, equipment, land, recreation facilities, parks, playgrounds, machinery, motor vehicles, infrastructure, or other capital assets or capital improvements. These expenditures are financed by the transportation and recreation impact fees paid by developers, as well as proceeds from the non-residential building permit privilege tax.

Curb/Road Revolving Fund - This fund is used to account for the costs of permanent street, curb and sidewalk improvements prior to the collection of such costs and expenses by assessments from the property owners adjoining or abutting such improvements.

Contingency Fund - This fund was established to extend interfund advances to fund capital purchases.

MIDDLETOWN TOWNSHIP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2008

	Special Revenue							Capital Projects						Total Non-major Governmental Funds	
	General Street Lighting	Fire Protection	Parks and Recreation	Ambulance and Rescue	Road Machinery	Fire Hydrant	State Highway Aid	GOB Issue of 1997	GOB Issue of 1995	GOB Issue of 2006	Community Development	Capital Reserve	Curb/Road Revolving		Contingency
Assets															
Cash and cash equivalents	\$ 165,807	\$ 187,360	\$ 319,053	\$ 65,949	\$ (9,825)	\$ 21,564	\$ 562,141	\$ 78,814	\$ 12,020	\$ 4,024,171	\$ -	\$ 3,790,644	\$ 128,658	\$ 830,334	\$ 10,176,690
Special assessments receivable	-	-	-	-	-	-	-	-	-	-	-	-	12,298	-	12,298
Taxes receivable, net	9,626	17,219	19,773	4,338	3,299	856	-	-	-	-	-	-	-	-	55,111
Accounts receivable	450	-	-	-	-	-	-	-	-	-	-	-	-	-	450
Advances to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	707,172	707,172
Due from other funds	12,898	23,487	25,698	6,278	3,404	1,330	-	-	-	-	-	-	-	-	73,095
Total Assets	\$ 188,781	\$ 228,066	\$ 364,524	\$ 76,565	\$ (3,122)	\$ 23,750	\$ 562,141	\$ 78,814	\$ 12,020	\$ 4,024,171	\$ -	\$ 3,790,644	\$ 140,956	\$ 1,537,506	\$ 11,024,816
Liabilities and fund balances															
Liabilities															
Accounts payable	\$ 31,573	\$ -	\$ 9,469	\$ -	\$ -	\$ 9,556	\$ 15,729	\$ -	\$ 12,020	\$ 283,664	\$ -	\$ 11,023	\$ -	\$ -	\$ 373,034
Accrued salaries and wages	1,066	-	11,123	-	-	-	9,703	-	-	-	-	-	-	-	21,892
Deferred revenue	9,762	17,487	20,090	4,415	3,358	870	-	-	-	-	-	7,076	-	-	63,058
Due to other funds	-	-	2,025	-	-	-	1,544	-	-	3	-	-	-	-	3,572
Advances from other funds	-	-	-	-	-	-	-	-	-	-	-	-	4,480	-	4,480
Other liabilities	-	-	-	-	-	-	754	-	-	-	-	-	-	-	754
Total Liabilities	42,401	17,487	42,707	4,415	3,358	10,426	27,730	-	12,020	283,667	-	11,023	11,556	-	466,790
Fund balances															
Reserved for Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	845,895	845,895
Transportation Impact Fee	-	-	-	-	-	-	-	-	-	-	-	374,342	-	-	374,342
Unreserved, designated for, reported in															
Capital projects funds	-	-	-	-	-	-	-	78,814	-	3,740,504	-	3,405,279	-	-	7,224,597
Special revenue funds	-	-	139,240	-	-	-	-	-	-	-	-	-	-	-	139,240
Unreserved, undesignated	146,380	210,579	182,577	72,150	(6,480)	13,324	534,411	-	-	-	-	-	129,400	691,611	1,973,952
Total Fund Balances	146,380	210,579	321,817	72,150	(6,480)	13,324	534,411	78,814	-	3,740,504	-	3,779,621	129,400	1,537,506	10,558,026
Total Liabilities and Fund Balances	\$ 188,781	\$ 228,066	\$ 364,524	\$ 76,565	\$ (3,122)	\$ 23,750	\$ 562,141	\$ 78,814	\$ 12,020	\$ 4,024,171	\$ -	\$ 3,790,644	\$ 140,956	\$ 1,537,506	\$ 11,024,816

MIDDLETOWN TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2008

	Special Revenue						Capital Projects							Total Non-major Governmental Funds
	General Street Lighting	Fire Protection	Parks and Recreation	Ambulance and Rescue	Road Machinery	Fire Hydrant	State Highway Aid	GOB Issue of 1997	GOB Issue of 1995	GOB Issue of 2006	Community Development	Capital Reserve	Curb/Road Revolving	
Revenues														
Taxes	\$ 368,812	\$ 726,114	\$ 853,477	\$ 208,107	\$ 156,640	\$ 37,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-	-	20,210	-	-	-
Interest and rents	5,799	9,082	15,835	2,874	800	464	11,580	1,943	8,256	215,858	101,422	2,718	36,931	413,562
Intergovernmental revenues	-	408,462	-	-	-	-	915,722	-	-	-	98,418	22,073	-	-
Charges for services	5,222	-	248,354	-	-	-	-	-	-	-	-	-	-	1,444,675
Special assessment	1,819	-	-	-	-	-	-	-	-	-	-	176	-	253,576
Contribution private source	-	-	19,387	-	-	-	-	-	-	-	162,278	-	-	181,665
Miscellaneous revenues	-	-	200	-	-	-	2,250	-	-	50	-	161	-	2,661
Total Revenues	\$ 381,652	\$ 1,143,658	\$ 1,137,253	\$ 210,981	\$ 157,440	\$ 37,568	\$ 929,552	\$ 1,943	\$ 8,256	\$ 215,908	\$ 98,418	\$ 306,144	\$ 2,894	\$ 4,668,598
Expenditures														
Current														
General														
Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 1,424	\$ -	\$ 4,305	\$ -	\$ 5,829
Public Safety	-	792,215	-	207,035	-	37,535	-	-	238	-	-	4,998	-	1,042,021
Public Works	472,577	-	-	-	1,030	-	488,134	-	-	-	98,418	14,251	-	1,074,410
Parks and Recreation	-	-	1,076,066	-	-	-	-	-	-	-	-	163,059	-	1,239,125
Capital outlay/development	7,751	-	102,290	-	169,130	-	166,193	-	373,410	1,430,096	-	551,389	-	2,800,259
Total Expenditures	480,328	792,215	1,178,356	207,035	170,160	37,535	654,327	-	373,748	1,431,520	98,418	738,002	-	6,161,644
Excess (deficiency) of revenues over (under) expenditures	(98,676)	351,443	(41,103)	3,946	(12,720)	33	275,225	1,943	(365,492)	(1,215,612)	-	(431,858)	2,894	(1,493,046)
Other Financing Sources (Uses)														
Transfers in	-	-	128,387	-	-	-	-	-	-	-	-	-	-	128,387
Transfers out	(17,000)	(328,857)	(20,000)	(3,500)	(1,200)	(1,000)	-	-	-	-	-	-	(96,202)	(467,759)
Total Other Financing Sources (Uses)	(17,000)	(328,857)	108,387	(3,500)	(1,200)	(1,000)	-	-	-	-	-	-	(96,202)	(339,372)
Net change in Fund Balances	(115,676)	22,586	67,284	446	(13,920)	(967)	275,225	1,943	(365,492)	(1,215,612)	-	(431,858)	2,894	(1,832,418)
Fund Balances, January 1	262,056	187,993	254,533	71,704	7,440	14,291	259,186	76,871	365,492	4,956,116	-	4,211,479	126,506	12,390,444
Fund Balances, December 1	\$ 146,380	\$ 210,579	\$ 321,817	\$ 72,150	\$ (6,480)	\$ 13,324	\$ 534,411	\$ 78,814	\$ -	\$ 3,740,504	\$ -	\$ 3,779,621	\$ 129,400	\$ 10,558,026

Budgetary Comparison Schedules
Non-major Special Revenue Funds,
Debt Service Fund
and
Capital Project Funds

MIDDLETOWN TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - GENERAL STREET LIGHTING FUND
(SUPPLEMENTARY INFORMATION)**

Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 362,267	\$ 362,267	\$ 368,812	\$ 6,545
Interest and rents	16,000	16,000	5,799	(10,201)
Charges for services	5,714	5,714	5,222	(492)
Special assessment	<u>2,000</u>	<u>2,000</u>	<u>1,819</u>	<u>(181)</u>
Total Revenues	<u>385,981</u>	<u>385,981</u>	<u>381,652</u>	<u>(4,329)</u>
Expenditures				
Current				
Public works	<u>509,284</u>	<u>509,284</u>	<u>480,328</u>	<u>28,956</u>
Total Expenditures	<u>509,284</u>	<u>509,284</u>	<u>480,328</u>	<u>28,956</u>
Deficiency of revenues over expenditures	<u>(123,303)</u>	<u>(123,303)</u>	<u>(98,676)</u>	<u>24,627</u>
Other Financing Sources (Uses)				
Transfers out	<u>(17,000)</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>-</u>
Net change in fund balance	(140,303)	(140,303)	(115,676)	24,627
Fund balance, January 1	<u>262,056</u>	<u>262,056</u>	<u>262,056</u>	<u>-</u>
Fund balance, December 31	<u>\$ 121,753</u>	<u>\$ 121,753</u>	<u>\$ 146,380</u>	<u>\$ 24,627</u>

MIDDLETOWN TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - FIRE PROTECTION FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 706,981	\$ 706,981	\$ 726,114	\$ 19,133
Interest and rents	15,000	15,000	9,082	(5,918)
Intergovernmental revenues	400,039	400,039	408,462	8,423
Total Revenues	<u>1,122,020</u>	<u>1,122,020</u>	<u>1,143,658</u>	<u>21,638</u>
Expenditures				
Current				
Public safety	1,108,620	1,108,620	792,215	316,405
Total Expenditures	<u>1,108,620</u>	<u>1,108,620</u>	<u>792,215</u>	<u>316,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,400</u>	<u>13,400</u>	<u>351,443</u>	<u>338,043</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(328,857)</u>	<u>(323,857)</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(328,857)</u>	<u>(323,857)</u>
Net change in fund balance	8,400	8,400	22,586	14,186
Fund balance, January 1	187,993	187,993	187,993	-
Fund balance, December 31	<u>\$ 196,393</u>	<u>\$ 196,393</u>	<u>\$ 210,579</u>	<u>\$ 14,186</u>

MIDDLETOWN TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - PARKS AND RECREATION FUND
(SUPPLEMENTARY INFORMATION)**

Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 833,832	\$ 833,832	\$ 853,477	\$ 19,645
Interest and rents	20,000	20,000	15,835	(4,165)
Charges for services	228,500	228,500	248,354	19,854
Contribution private source	<u>14,000</u>	<u>14,000</u>	<u>19,587</u>	<u>5,587</u>
Total Revenues	<u>1,096,332</u>	<u>1,096,332</u>	<u>1,137,253</u>	<u>40,921</u>
Expenditures				
Current				
Parks and recreation	<u>1,213,236</u>	<u>1,213,236</u>	<u>1,178,356</u>	<u>34,880</u>
Total Expenditures	<u>1,213,236</u>	<u>1,213,236</u>	<u>1,178,356</u>	<u>34,880</u>
Deficiency of revenues over expenditures	<u>(116,904)</u>	<u>(116,904)</u>	<u>(41,103)</u>	<u>75,801</u>
Other Financing Sources (Uses)				
Transfers in	145,387	145,387	128,387	(17,000)
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>125,387</u>	<u>125,387</u>	<u>108,387</u>	<u>(17,000)</u>
Net change in fund balance	8,483	8,483	67,284	58,801
Fund balance, January 1	<u>254,533</u>	<u>254,533</u>	<u>254,533</u>	<u>-</u>
Fund balance, December 31	<u>\$ 263,016</u>	<u>\$ 263,016</u>	<u>\$ 321,817</u>	<u>\$ 58,801</u>

MIDDLETOWN TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - AMBULANCE AND RESCUE FUND
(SUPPLEMENTARY INFORMATION)**

Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 202,826	\$ 202,826	\$ 208,107	\$ 5,281
Interest and rents	5,000	5,000	2,874	(2,126)
Total Revenues	<u>207,826</u>	<u>207,826</u>	<u>210,981</u>	<u>3,155</u>
Expenditures				
Current				
Public safety	207,200	207,200	207,035	165
Total Expenditures	<u>207,200</u>	<u>207,200</u>	<u>207,035</u>	<u>165</u>
Excess of revenues over expenditures	<u>626</u>	<u>626</u>	<u>3,946</u>	<u>3,320</u>
Other Financing Sources (Uses)				
Transfers out	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Net change in fund balance	(2,874)	(2,874)	446	3,320
Fund balance, January 1	<u>71,704</u>	<u>71,704</u>	<u>71,704</u>	<u>-</u>
Fund balance, December 31	<u>\$ 68,830</u>	<u>\$ 68,830</u>	<u>\$ 72,150</u>	<u>\$ 3,320</u>

MIDDLETOWN TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - ROAD MACHINERY FUND
(SUPPLEMENTARY INFORMATION)**

Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 154,600	\$ 154,600	\$ 156,640	\$ 2,040
Interest and rents	3,500	3,500	800	(2,700)
Total Revenues	<u>158,100</u>	<u>158,100</u>	<u>157,440</u>	<u>(660)</u>
Expenditures				
Current				
Public safety	178,125	178,125	170,160	7,965
Total Expenditures	<u>178,125</u>	<u>178,125</u>	<u>170,160</u>	<u>7,965</u>
Deficiency of revenues over expenditures	<u>(20,025)</u>	<u>(20,025)</u>	<u>(12,720)</u>	<u>7,305</u>
Other Financing Sources (Uses)				
Sale of capital assets	15,000	15,000	-	(15,000)
Transfers out	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>13,800</u>	<u>13,800</u>	<u>(1,200)</u>	<u>(15,000)</u>
Net change in fund balance	(6,225)	(6,225)	(13,920)	7,695
Fund balance, January 1	<u>7,440</u>	<u>7,440</u>	<u>7,440</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,215</u>	<u>\$ 1,215</u>	<u>\$ (6,480)</u>	<u>\$ 7,695</u>

MIDDLETOWN TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - FIRE HYDRANT FUND
(SUPPLEMENTARY INFORMATION)**

Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 35,851	\$ 35,851	\$ 37,104	\$ 1,253
Interest and rents	1,000	1,000	464	(536)
Total Revenues	<u>36,851</u>	<u>36,851</u>	<u>37,568</u>	<u>717</u>
Expenditures				
Current				
Public safety	38,025	38,025	37,535	490
Total Expenditures	<u>38,025</u>	<u>38,025</u>	<u>37,535</u>	<u>490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,174)</u>	<u>(1,174)</u>	<u>33</u>	<u>1,207</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
Net change in fund balance	(2,174)	(2,174)	(967)	1,207
Fund balance, January 1	<u>14,291</u>	<u>14,291</u>	<u>14,291</u>	<u>-</u>
Fund balance, December 31	<u>\$ 12,117</u>	<u>\$ 12,117</u>	<u>\$ 13,324</u>	<u>\$ 1,207</u>

MIDDLETOWN TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - STATE HIGHWAY AID FUND
(SUPPLEMENTARY INFORMATION)**

Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest and rents	\$ 35,000	\$ 35,000	\$ 11,580	\$ (23,420)
Intergovernmental revenues ^c	916,677	916,677	915,722	(955)
Miscellaneous revenues	<u>2,000</u>	<u>2,000</u>	<u>2,250</u>	<u>250</u>
Total Revenues	<u>953,677</u>	<u>953,677</u>	<u>929,552</u>	<u>(24,125)</u>
Expenditures				
Current				
Public works	1,178,032	1,178,032	488,134	689,898
Capital outlay	<u>-</u>	<u>-</u>	<u>166,193</u>	<u>(166,193)</u>
Total Expenditures	<u>1,178,032</u>	<u>1,178,032</u>	<u>654,327</u>	<u>523,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(224,355)</u>	<u>(224,355)</u>	<u>275,225</u>	<u>499,580</u>
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(224,355)	(224,355)	275,225	499,580
Fund balance, January 1	<u>259,186</u>	<u>259,186</u>	<u>259,186</u>	<u>-</u>
Fund balance, December 31	<u>\$ 34,831</u>	<u>\$ 34,831</u>	<u>\$ 534,411</u>	<u>\$ 499,580</u>

MIDDLETOWN TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
(SUPPLEMENTARY INFORMATION)**

Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,741,408	\$ 1,741,408	\$ 1,788,774	\$ 47,366
Interest and rents	35,000	35,000	14,616	(20,384)
Total Revenues	<u>1,776,408</u>	<u>1,776,408</u>	<u>1,803,390</u>	<u>26,982</u>
Expenditures				
Current				
Debt Service	<u>2,637,065</u>	<u>2,637,065</u>	<u>2,777,339</u>	<u>(140,274)</u>
Total Expenditures	<u>2,637,065</u>	<u>2,637,065</u>	<u>2,777,339</u>	<u>(140,274)</u>
Deficiency of revenues over expenditures	<u>(860,657)</u>	<u>(860,657)</u>	<u>(973,949)</u>	<u>(113,292)</u>
Other Financing Sources (Uses)				
Transfers in	822,798	822,798	822,798	-
Transfers out	<u>(32,000)</u>	<u>(32,000)</u>	<u>(32,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>790,798</u>	<u>790,798</u>	<u>790,798</u>	<u>-</u>
Net change in fund balance	(69,859)	(69,859)	(183,151)	(113,292)
Fund balance, January 1	<u>366,810</u>	<u>366,810</u>	<u>366,810</u>	<u>-</u>
Fund balance, December 31	<u>\$ 296,951</u>	<u>\$ 296,951</u>	<u>\$ 183,659</u>	<u>\$ (113,292)</u>

MIDDLETOWN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE -
 GENERAL OBLIGATION BOND ISSUE OF 1997 FUND
 (SUPPLEMENTARY INFORMATION)
 Year Ended December 31, 2008

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Positive (Negative)</u>
Revenues				
Interest and rents	\$ -	\$ -	\$ 1,943	\$ 1,943
Total Revenues	<u>-</u>	<u>-</u>	<u>1,943</u>	<u>1,943</u>
Expenditures				
Current				
General Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,943</u>	<u>1,943</u>
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	1,943	1,943
Fund balance, January 1	<u>76,871</u>	<u>76,871</u>	<u>76,871</u>	<u>-</u>
Fund balance, December 31	<u>\$ 76,871</u>	<u>\$ 76,871</u>	<u>\$ 78,814</u>	<u>\$ 1,943</u>

MIDDLETOWN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE -
 GENERAL OBLIGATION BOND ISSUE OF 1995 FUND
 (SUPPLEMENTARY INFORMATION)
 Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Interest and rents	\$ -	\$ -	\$ 8,256	\$ 8,256
Total Revenues	<u>-</u>	<u>-</u>	<u>8,256</u>	<u>8,256</u>
Expenditures				
Current				
General government	-	-	100	(100)
Public safety	-	-	238	(238)
Capital outlay	<u>-</u>	<u>-</u>	<u>373,410</u>	<u>(373,410)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>373,748</u>	<u>(373,748)</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(365,492)</u>	<u>(365,492)</u>
Net change in fund balance	-	-	(365,492)	(365,492)
Fund balance, January 1	<u>365,492</u>	<u>365,492</u>	<u>365,492</u>	<u>-</u>
Fund balance, December 31	<u>\$ 365,492</u>	<u>\$ 365,492</u>	<u>\$ -</u>	<u>\$ (365,492)</u>

MIDDLETOWN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE -
 GENERAL OBLIGATION BOND ISSUE OF 2006 FUND
 (SUPPLEMENTARY INFORMATION)
 Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Interest and rents	\$ 164,284	\$ 164,284	\$ 215,858	\$ 51,574
Miscellaneous revenues	-	-	50	50
Total Revenues	<u>164,284</u>	<u>164,284</u>	<u>215,908</u>	<u>51,624</u>
Expenditures				
Current				
General government	-	-	1,424	(1,424)
Capital outlay	<u>4,876,500</u>	<u>4,876,500</u>	<u>1,430,096</u>	<u>3,446,404</u>
Total Expenditures	<u>4,876,500</u>	<u>4,876,500</u>	<u>1,431,520</u>	<u>3,444,980</u>
Deficiency of revenues over expenditures	<u>(4,712,216)</u>	<u>(4,712,216)</u>	<u>(1,215,612)</u>	<u>3,496,604</u>
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(4,712,216)	(4,712,216)	(1,215,612)	3,496,604
Fund balance, January 1	<u>4,956,116</u>	<u>4,956,116</u>	<u>4,956,116</u>	<u>-</u>
Fund balance, December 31	<u>\$ 243,900</u>	<u>\$ 243,900</u>	<u>\$ 3,740,504</u>	<u>\$ 3,496,604</u>

MIDDLETOWN TOWNSHIP
COMMUNITY DEVELOPMENT
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ 98,418	\$ 98,418
Total Revenues	<u>-</u>	<u>-</u>	<u>98,418</u>	<u>98,418</u>
Expenditures				
Public Works	<u>-</u>	<u>-</u>	<u>98,418</u>	<u>(98,418)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>98,418</u>	<u>(98,418)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, January 1	-	-	-	-
Fund balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MIDDLETOWN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - CAPITAL RESERVE FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Licenses and permits	\$ 101,000	\$ 101,000	\$ 20,210	\$ (80,790)
Interest and rents	150,000	150,000	101,422	(48,578)
Intergovernmental revenues	-	-	22,073	22,073
Contributions private source	195,000	195,000	162,278	(32,722)
Miscellaneous revenues	-	-	161	161
Total Revenues	<u>446,000</u>	<u>446,000</u>	<u>306,144</u>	<u>(139,856)</u>
Expenditures				
Current				
General government	582,110	587,110	4,305	582,805
Public safety	5,300	5,300	4,998	302
Public works	735,700	735,700	14,251	721,449
Parks and recreation	883,150	883,150	163,059	720,091
Capital outlay	-	-	551,389	(551,389)
Total Expenditures	<u>2,206,260</u>	<u>2,211,260</u>	<u>738,002</u>	<u>1,473,258</u>
Deficiency of revenues over under expenditures	<u>(1,760,260)</u>	<u>(1,765,260)</u>	<u>(431,858)</u>	<u>1,333,402</u>
Net change in fund balance	<u>(1,760,260)</u>	<u>(1,765,260)</u>	<u>(431,858)</u>	<u>1,333,402</u>
Fund balance, January 1	<u>4,211,479</u>	<u>4,211,479</u>	<u>4,211,479</u>	<u>-</u>
Fund balance, December 31	<u>\$ 2,451,219</u>	<u>\$ 2,446,219</u>	<u>\$ 3,779,621</u>	<u>\$ 1,333,402</u>

MIDDLETOWN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - CURB/ROAD REVOLVING FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest and rents	\$ 6,000	\$ 6,000	\$ 2,718	\$ (3,282)
Special assessment	-	-	176	176
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>2,894</u>	<u>(3,106)</u>
Expenditures				
Total Expenditures	-	-	-	-
Excess of revenues over expenditures	<u>6,000</u>	<u>6,000</u>	<u>2,894</u>	<u>(3,106)</u>
Net change in fund balance	6,000	6,000	2,894	(3,106)
Fund balance, January 1	<u>126,506</u>	<u>126,506</u>	<u>126,506</u>	-
Fund balance, December 31	<u>\$ 132,506</u>	<u>\$ 132,506</u>	<u>\$ 129,400</u>	<u>\$ (3,106)</u>

MIDDLETOWN TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - CONTINGENCY FUND
(SUPPLEMENTARY INFORMATION)**

Year Ended December 31, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest and rents	\$ 65,000	\$ 65,000	\$ 36,931	\$ (28,069)
Total Revenues	65,000	65,000	36,931	(28,069)
Expenditures				
Total Expenditures	-	-	-	-
Excess of revenues over expenditures	65,000	65,000	36,931	(28,069)
Other Financing Sources (Uses)				
Transfers out	-	-	(96,202)	(96,202)
Total Other Financing Sources (Uses)	-	-	(96,202)	(96,202)
Net change in fund balance	65,000	65,000	(59,271)	(124,271)
Fund balance, January 1	1,596,777	1,596,777	1,596,777	-
Fund balance, December 31	\$ 1,661,777	\$ 1,661,777	\$ 1,537,506	\$ (124,271)

MIDDLETOWN TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE - INVESTMENT FUND
(SUPPLEMENTARY INFORMATION)**

Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Interest and rents	\$ 1,700,000	\$ 1,700,000	\$ 1,802,801	\$ 102,801
Gain on investments	-	-	2,419,102	2,419,102
Miscellaneous revenues	-	-	9,069	9,069
Total Revenues	<u>1,700,000</u>	<u>1,700,000</u>	<u>4,230,972</u>	<u>2,530,972</u>
Expenditures				
Current				
General government	-	-	158,196	(158,196)
Total Expenditures	-	-	158,196	(158,196)
Excess (deficiency) of revenues over (under) expenditures	<u>1,700,000</u>	<u>1,700,000</u>	<u>4,072,776</u>	<u>2,372,776</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>(1,700,000)</u>	-
Total Other Financing Sources (Uses)	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>(1,700,000)</u>	-
Net change in fund balance	-	-	2,372,776	2,372,776
Fund balance, January 1	<u>41,758,926</u>	<u>41,758,926</u>	<u>41,758,926</u>	-
Fund balance, December 31	<u>\$41,758,926</u>	<u>\$41,758,926</u>	<u>\$44,131,702</u>	<u>\$ 2,372,776</u>

MIDDLETOWN TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TOWNSHIP ESCROW
FUND

(SUPPLEMENTARY INFORMATION)

Year Ended December 31, 2008

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Assets				
Cash and cash equivalents	\$ 2,008,892	\$ 912,495	\$ 1,010,067	\$ 1,911,320
Total assets	<u>\$ 2,008,892</u>	<u>\$ 912,495</u>	<u>\$ 1,010,067</u>	<u>\$ 1,911,320</u>
Liabilities				
Accounts payable	\$ 38,305	\$ 986,946	\$ 948,641	\$ -
Customer Deposits	1,680,015	1,041,382	929,891	1,568,524
Accumulated interest	<u>290,572</u>	<u>-</u>	<u>52,224</u>	<u>342,796</u>
Total liabilities	<u>\$ 2,008,892</u>	<u>\$ 2,028,328</u>	<u>\$ 1,930,756</u>	<u>\$ 1,911,320</u>

Township Escrow Fund - This fund is used to account for assets held by the Township in agent capacity for developers as required by developer agreements.

STATISTICAL SECTION

MIDDLETOWN TOWNSHIP

NET ASSETS BY COMPONENT

Last Six Fiscal Years

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 13,853,185	\$ 22,552,941	\$ 6,996,862	\$ 19,318,796	\$ 17,052,139	\$ 15,202,028
Restricted	15,103,727	5,186,616	9,831,370	3,226,818	3,435,037	4,560,151
Unrestricted	44,736,617	44,733,314	53,630,677	47,616,459	50,208,504	53,878,686
Total Governmental Activities Net Assets	<u>\$ 73,693,529</u>	<u>\$ 72,472,871</u>	<u>\$ 70,458,909</u>	<u>\$ 70,162,073</u>	<u>\$ 70,695,680</u>	<u>\$ 73,640,865</u>
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$ 4,147,236	\$ 4,181,370	\$ 4,134,183	\$ 4,092,058	\$ 4,211,555	\$ 4,164,445
Restricted	-	-	-	-	-	-
Unrestricted (Deficit)	(116,091)	(90,552)	(131,796)	(142,807)	(50,001)	424,200
Total Business-Type Activities Net Assets	<u>\$ 4,031,145</u>	<u>\$ 4,090,818</u>	<u>\$ 4,002,387</u>	<u>\$ 3,949,251</u>	<u>\$ 4,161,554</u>	<u>\$ 4,588,645</u>
Primary Government						
Invested in Capital Assets, Net of Related Debt	\$ 18,000,421	\$ 26,734,311	\$ 11,131,045	\$ 23,410,854	\$ 21,263,694	\$ 19,366,473
Restricted	15,103,727	5,186,616	9,831,370	3,226,818	3,435,037	4,560,151
Unrestricted (Deficit)	44,620,526	44,642,762	53,498,881	47,473,652	50,158,503	54,302,886
Total Primary Government Net Assets	<u>\$ 77,724,674</u>	<u>\$ 76,563,689</u>	<u>\$ 74,461,296</u>	<u>\$ 74,111,324</u>	<u>\$ 74,857,234</u>	<u>\$ 78,229,510</u>

Source: Middletown Township Financial Statements

TOWNSHIP OF MIDDLETOWN

CHANGES IN NET ASSETS

Last Six Fiscal Years

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Expenses						
Governmental Activities						
General Government	\$ 2,477,349	\$ 2,436,600	\$ 2,742,439	\$ 2,335,557	\$ 2,127,835	\$ 2,221,228
Public Safety	10,354,328	10,531,545	10,128,030	9,377,597	8,702,906	8,561,957
Public Works	5,733,310	5,804,239	5,629,525	5,414,221	5,157,621	4,107,650
Parks and Recreation	1,231,572	1,439,713	1,450,437	1,204,899	1,123,684	1,231,208
Miscellaneous	763,240	742,180	889,862	859,733	657,217	422,320
Capital Outlay/Development	-	-	-	-	159,960	180,901
Interest on Long-Term Debt	1,048,713	1,037,432	972,446	857,813	1,544,589	970,250
Unallocated Depreciation Expense	1,439,857	1,396,024	1,286,762	990,810	859,949	822,333
Total Governmental Activities Expense	<u>23,048,369</u>	<u>23,387,733</u>	<u>23,099,501</u>	<u>21,040,630</u>	<u>20,333,761</u>	<u>18,517,847</u>
Business-Type Activities						
Proprietary Funds (combined)				-	156,484	266,818
Country Club	149,171	140,904	188,371	182,630	-	-
Farm Fund	29,815	20,007	20,046	22,375	-	-
Total Business-Type Activities Expenses	<u>178,986</u>	<u>160,911</u>	<u>208,417</u>	<u>205,005</u>	<u>156,484</u>	<u>266,818</u>
Total Primary Government Expenses	<u>\$ 23,227,355</u>	<u>\$ 23,548,644</u>	<u>\$ 23,307,918</u>	<u>\$ 21,245,635</u>	<u>\$ 20,490,245</u>	<u>\$ 18,784,665</u>
Program Revenues						
Governmental Activities						
Charges for Services						
General Government	\$ 1,945,023	\$ 1,730,396	\$ 5,512,149	\$ 5,216,448	\$ 4,259,419	\$ 3,893,747
Public Safety	916,340	707,009	1,013,401	883,905	787,282	958,333
Public Works	3,861,084	3,726,137	6,659	32,559	11,066	4,788
Parks and Recreation	229,942	230,336	199,872	178,112	160,163	143,431
Operating Grants and Contributions	2,218,492	2,172,304	2,454,442	3,661,481	2,284,066	5,351,253
Total Governmental Activities Program Revenues	<u>9,170,881</u>	<u>8,566,182</u>	<u>9,186,523</u>	<u>9,972,505</u>	<u>7,501,996</u>	<u>10,351,552</u>
Business-Type Activities						
Charges for Services						
Proprietary Funds (combined)				-	334,823	219,722
Country Club	154,049	236,265	248,622	225,565	-	-
Farm Fund	35,000	35,000	35,000	35,000	-	-
Operating Grants and Contributions	-	-	-	-	(21,942)	897,015
Total Business-Type Activities Program Revenues	<u>189,049</u>	<u>271,265</u>	<u>283,622</u>	<u>260,565</u>	<u>312,881</u>	<u>1,116,737</u>
Total Primary Government Program Revenues	<u>\$ 9,359,930</u>	<u>\$ 8,837,447</u>	<u>\$ 9,470,145</u>	<u>\$ 10,233,070</u>	<u>\$ 7,814,877</u>	<u>\$ 11,468,289</u>
Net (Expense)/Revenue						
Governmental Activities:	<u>\$(13,877,488)</u>	<u>\$(14,821,551)</u>	<u>\$(13,912,978)</u>	<u>\$(11,068,125)</u>	<u>\$(12,831,765)</u>	<u>\$(8,166,295)</u>
Business-Type Activities	<u>(19,931)</u>	<u>69,004</u>	<u>75,205</u>	<u>55,560</u>	<u>156,397</u>	<u>849,919</u>
Total Primary Government Net Expense	<u>\$(13,897,419)</u>	<u>\$(14,752,547)</u>	<u>\$(13,837,773)</u>	<u>\$(11,012,565)</u>	<u>\$(12,675,368)</u>	<u>\$(7,316,376)</u>
General Revenues and Other Changes in Net Assets						
Governmental Activities						
Property Taxes	\$ 7,892,013	\$ 7,095,159	\$ 5,882,089	\$ 5,013,201	\$ 4,880,056	\$ 4,859,991
Other Taxes	4,713,317	5,082,209	5,109,646	3,914,290	3,581,803	3,385,233
Investment Income	2,419,102	2,626,401	2,870,316	1,611,271	980,798	826,983
Miscellaneous	29,439	1,848,864	318,381	(329,725)	(526,975)	192,565
Transfers, net	44,275	31,435	29,382	276,983	439,900	485,435
Proceeds from Debt Restructuring	-	-	-	-	530,998	-
Total Governmental Activities	<u>15,098,146</u>	<u>16,684,068</u>	<u>14,209,814</u>	<u>10,486,020</u>	<u>9,886,580</u>	<u>9,750,207</u>
Business-Type Activities						
Investment Income	4,533	9,271	7,313	9,120	-	-
Transfers, net	(44,275)	(31,435)	(29,382)	(276,983)	(583,488)	(667,671)
Total Business-Type Activities	<u>(39,742)</u>	<u>(22,164)</u>	<u>(22,069)</u>	<u>(267,863)</u>	<u>(583,488)</u>	<u>(667,671)</u>
Total Primary Government General Revenues and Other	<u>\$ 15,058,404</u>	<u>\$ 16,661,904</u>	<u>\$ 14,187,745</u>	<u>\$ 10,218,157</u>	<u>\$ 9,303,092</u>	<u>\$ 9,082,536</u>
Change in Net Assets						
Governmental Activities	\$ 1,220,658	\$ 1,862,517	\$ 296,836	\$ (582,105)	\$ (2,945,185)	\$ 1,583,912
Business-Type Activities	(59,673)	46,840	53,136	(212,303)	(427,091)	182,248
Total Primary Government Change in Net Assets	<u>\$ 1,160,985</u>	<u>\$ 1,909,357</u>	<u>\$ 349,972</u>	<u>\$ (794,408)</u>	<u>\$ (3,372,276)</u>	<u>\$ 1,766,160</u>

Source: Middletown Township Financial Statements

TOWNSHIP OF MIDDLETOWN

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Six Fiscal Years

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
General Fund						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,621,983	1,886,762	2,133,463	1,739,957	1,401,762	3,447,023
Total General Fund	<u>1,621,983</u>	<u>1,886,762</u>	<u>2,133,463</u>	<u>1,739,957</u>	<u>1,401,762</u>	<u>3,447,023</u>
All Other Governmental Funds						
Reserved	7,679,482	2,254,030	2,383,381	2,417,204	2,192,914	2,467,855
Unreserved, reported in:						
Special Revenue Funds	1,057,201	1,057,203	1,269,890	1,012,340	1,043,992	887,934
Capital Project Funds	51,745,306	51,204,947	51,182,443	45,600,846	48,182,642	49,697,169
Total all Other Governmental Funds	<u>60,481,989</u>	<u>54,516,180</u>	<u>54,835,714</u>	<u>49,030,390</u>	<u>51,419,548</u>	<u>53,052,958</u>
 Total Governmental Funds	 <u>\$ 62,103,972</u>	 <u>\$ 56,402,942</u>	 <u>\$ 56,969,177</u>	 <u>\$ 50,770,347</u>	 <u>\$ 52,821,310</u>	 <u>\$ 56,499,981</u>

Source: Middletown Township Financial Statements.

TOWNSHIP OF MIDDLETOWN

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Six Fiscal Years

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Revenues						
Taxes	\$ 12,485,790	\$ 11,939,159	\$ 10,837,542	\$ 9,022,988	\$ 8,537,935	\$ 8,254,338
Licenses and Permits	1,232,017	1,226,708	1,065,459	871,321	728,097	775,757
Fines and Forfeits	218,243	204,530	191,205	168,544	170,486	166,602
Interest and Rents	2,470,867	2,636,968	2,880,943	1,624,536	1,177,421	982,465
Intergovernmental Revenues	2,034,827	1,858,751	2,087,531	2,842,287	1,899,740	3,976,286
Charges for Services	5,558,483	5,178,180	5,324,263	4,828,022	3,908,282	3,710,553
Special Assessment	1,995	13,300	246,766	420,033	402,059	336,906
Contribution Private Source	181,665	311,553	365,661	797,259	372,764	1,365,888
Gain/(Loss) on Investments	2,419,102	1,791,035	257,858	(378,688)	(549,030)	(325,790)
Miscellaneous Revenues	13,208	21,829	36,731	64,431	16,408	193,322
Total Revenues	<u>26,616,197</u>	<u>25,182,013</u>	<u>23,293,959</u>	<u>20,260,733</u>	<u>16,664,162</u>	<u>19,436,327</u>
Expenditures						
General Government	2,477,349	2,222,705	5,754,868	2,637,074	2,691,037	2,209,267
Public Safety	10,333,884	10,185,597	9,964,353	9,289,930	8,735,349	8,446,966
Public Works	5,733,310	5,584,836	5,359,786	5,502,477	6,033,382	4,496,123
Parks and Recreation	1,231,572	1,308,995	2,291,955	2,472,278	1,244,146	1,386,758
Miscellaneous Expenditures	763,240	742,180	889,862	877,513	657,217	466,004
Capital Outlay/Development	7,318,891	3,122,175	682,097	358,058	398,832	836,968
Debt Service						
Principal	1,684,566	1,691,971	1,308,620	1,036,238	1,023,551	991,650
Interest	1,067,171	981,799	786,680	580,476	705,203	953,390
Other Charges	25,602	36,920	21,790	-	-	-
Total Expenditures	<u>30,635,585</u>	<u>25,877,178</u>	<u>27,060,011</u>	<u>22,754,044</u>	<u>21,488,717</u>	<u>19,787,126</u>
Excess of Revenues Under Expenditures	<u>(4,019,388)</u>	<u>(695,165)</u>	<u>(3,766,052)</u>	<u>(2,493,311)</u>	<u>(4,824,555)</u>	<u>(350,799)</u>
Other Financing Sources						
Issuance of Refunding Bonds	10,000,000		10,000,000	8,325,000	10,000,000	-
Premium on Bond Issuance			-	34,926	-	-
Discount on Bond Issuance			(64,500)	-	(26,914)	-
Payment to Refunded Bonds Escrow Agent			-	(8,214,931)	(9,798,100)	-
Proceeds from Debt Restructuring			-	-	530,998	-
Sale of Capital Assets		5,000				
Transfers In	1,945,176	1,864,739	2,672,270	3,047,336	2,949,553	3,210,165
Transfers Out	(2,224,758)	(1,818,948)	(2,642,888)	(2,986,410)	(2,509,653)	(2,724,730)
Total Other Financing Sources	<u>9,720,418</u>	<u>50,791</u>	<u>9,964,882</u>	<u>205,921</u>	<u>1,145,884</u>	<u>485,435</u>
Prior Period Adjustment	-	-	-	236,427	-	(41,480)
Transfer from Proprietary Funds	-	-	-	-	-	40,357,032
Net Change in Fund Balances	<u>\$ 5,701,030</u>	<u>\$ (644,374)</u>	<u>\$ 6,198,830</u>	<u>\$ (2,050,963)</u>	<u>\$ (3,678,671)</u>	<u>\$ 40,450,188</u>
Debt Service as a Percentage of Non Capital Expenditures	11.87%	11.92%	10.21%	8.19%	8.87%	11.09%

Source: Middletown Township Financial Statements

TOWNSHIP OF MIDDLETOWN

Assessed Value and Estimated Actual Value of Taxable Property

Last Six Fiscal Years

Year	Real Property Assessed Value (1)	Less: Tax Exempt Property	Total Taxable Assessed Value	Estimated Actual Values of Real Property	Total Assessed Value to Total Estimated Actual Value (3)	Middletown Twp Municipal Millage Rate
2008	615,237,130	78,259,220	536,977,910	6,342,650,825	9.70%	14.84
2007	610,692,980	78,265,220	532,427,760	5,556,806,005	10.99%	13.34
2006	607,024,880	77,366,970	529,657,910	6,010,147,327	10.10%	11.28
2005 (2)	603,913,360	76,965,320	526,948,040	6,762,747,592	8.93%	9.78
2004	149,095,580	19,205,750	129,889,830	5,324,842,143	2.80%	37.17
2003	146,330,185	18,646,060	127,684,125	4,720,328,548	3.10%	37.41

Source: Middletown Township Tax Department (Bucks County, PA Real Estate Assessment Roll)

(1) Assessed value of real property includes all property within the Township. County assessment records do not provide categorization by use or ownership.

(2) 2005 is the first year to reflect Bucks County's change in the ratio of assessed value to fair market value (from 25% to 100%).

(3) Information provided by Pennsylvania State Tax Equalization Board (STEB) for Bucks County, PA

TOWNSHIP OF MIDDLETOWN

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Six Fiscal Years
(rate per \$1,000 of assessed value)

Year	Middletown Township			Overlapping Rates		Total Direct & Overlapping Rates
	Middletown Township Municipality Operating Millage	Middletown Township Municipality Debt Service Millage	Total Middletown Township Millage	County Bucks County Total Millage	School District Neshaminy School District Total Millage	
2008	11.46	3.38	14.84	21.94211	148.60	185.38211
2007	9.73	3.61	13.34	21.94211	148.60	183.88211
2006	8.67	2.61	11.28	21.94211	137.40	170.62211
2005 (1)	7.53	2.25	9.78	20.4875	133.90	164.1675
2004	29.28	7.89	37.17	74.50	500.60	612.2700
2003	27.52	9.89	37.41	65.00	471.80	574.2100

Overlapping rates are those of local and county governments that apply to property owners within Middletown Township.

Sources:

Middletown Township Schedule of Real Estate Taxes, Fees, and Assessments

Bucks County Board of Assessments

Neshaminy School District

(1) 2005 is the first year to reflect Bucks County's change in the ratio of assessed value to fair market value (from 25% to 100%).

TOWNSHIP OF MIDDLETOWN

PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	Type of Business	December 31, 2008			December 31, 1999		
		Taxable Assessed Value (1)	Rank	Percentage of Total Assessed Valuation (2)	Taxable Assessed Value (3)	Rank	Percentage of Total Assessed Valuation (4)
McStome, Inc. (Kravco)	Commercial Development	23,226,840	1	4.33%	6,623,470	1	5.51%
800 (Eight) Trenton Assoc	Apartment Complex	4,368,800	2	0.81%	1,092,200	2	0.91%
Jefferson Woods	Residential Community	4,157,100	3	0.77%	-		
Home Properties	Racquet Club	3,872,000	4	0.53%	824,250	6	0.69%
Shoppes at Flowers Mills	Shopping Center	3,631,820	5	0.68%	856,220	5	0.71%
Reedman Toll	Auto Dealership	3,381,520	6	0.63%	688,880	9	0.57%
Attleboro Associates	Retirement & Assisted Living	2,861,160	7	0.53%	722,190	8	0.60%
Guttman & Reider	Real Estate Investment	2,310,080	8	0.43%	-		
Summit Trace LP	Apartment Complex	2,029,280	9	0.38%	-		
Heathergate	Apartment Complex	2,017,170	10	0.38%			
Pennswood Village	Retirement Community	-		-	972,370	3	0.81%
Bucks County Ind. Devel. Corp.	Commercial Development	-		-	925,150	4	0.77%
Brandywine Operating Prtnrs	Commercial Development	-		-	817,460	7	0.68%
Rouse & Associates	Real Estate Investment	-		-	537,470	10	0.45%

Please note: when comparing data between the displayed periods, Bucks County changed the ratio of assessed value to fair market value (25% to 100%) in 2005.

(1) Information supplied by Tom Kearns, Middletown Township Tax Collector

(2) Information derived from Bucks County, PA Real Estate Assessment Roll; Total Taxable Assessed Valuation is \$536,977,910

(3) Information supplied by R.H. Saunders, Middletown Township Tax Collector

(4) Information derived from Bucks County, PA Real Estate Assessment Roll; Total Taxable Assessed Valuation is \$120,127,975.

TOWNSHIP OF MIDDLETOWN

PROPERTY TAX LEVIES AND COLLECTIONS

Last Six Fiscal Years

Year	Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	7,856,901	7,773,093	98.93%	140,413	7,913,506	100.72%
2007	7,102,588	7,051,583	99.28%	110,495	7,162,078	100.84%
2006	5,962,587	5,787,207	97.06%	105,714	5,892,921	98.83%
2005	5,142,063	5,065,251	98.51%	90,991	5,156,242	100.28%
2004	4,817,656	4,808,045	99.80%	198,893	5,006,938	103.93%
2003	4,776,934	4,722,660	98.86%	185,885	4,908,545	102.76%

Source: Middletown Township Tax Receipt Records

TOWNSHIP OF MIDDLETOWN

LEGAL DEBT MARGIN INFORMATION

Last Six Fiscal Years

	2008	2007	2006	Fiscal Year 2005	2004	2003
Debt Limit	\$ 61,523,713	\$61,069,298	\$60,702,488	\$60,391,336	\$59,638,232	\$58,532,076
Total Net Debit Applicable to Limit	33,161,341	24,613,190	26,156,085	17,649,913	18,194,913	18,050,841
Legal Debt Margin	<u>\$ 28,362,372</u>	<u>\$36,456,108</u>	<u>\$34,546,403</u>	<u>\$42,741,423</u>	<u>\$41,443,319</u>	<u>\$40,481,235</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	53.90%	40.30%	43.09%	29.23%	30.51%	30.84%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 536,977,910
Add back: exempt real property	78,259,220
Total assessed value	<u>\$ 615,237,130</u>
Debt limit (10% of total assessed value)	<u>\$ 61,523,713</u>
Debt applicable to limit:	
General obligation bonds	33,345,000
Less: Amount set aside for repayment of general obligation debt	(183,659)
Total net debt applicable to limit	<u>33,161,341</u>
Legal debt margin	<u>\$ 28,362,372</u>

Note: Under state finance law, Middletown Township's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

TOWNSHIP OF MIDDLETOWN

RATIOS OF OUTSTANDING DEBT TYPE

Last Six Fiscal Years

Year	Governmental Activities		Business- Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Term Loan	Term Loan			
2008	\$ 33,345,000	\$ 350,226	\$ 520,390	34,215,616	2.90%	\$ 730
2007	24,980,000	399,792	570,268	25,950,060	2.18%	549
2006	26,560,000	506,432	617,241	27,683,673	2.31%	583
2005	17,765,000	609,811	661,492	19,036,303	1.63%	410
2004	18,310,000	711,593	703,181	19,724,774	1.64%	414
2003	18,165,000	809,970	742,442	19,717,412	1.70%	428

Note: Details regarding the township's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 13 for personal income and population data.

TOWNSHIP OF MIDDLETOWN

Ratios of Net General Bonded Debt Outstanding

Last Six Fiscal Years

Year	General Obligation Bonds	Less Amounts Available in Debt Service Fund (1)	Net General Bonded Debt	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
2008	\$ 33,345,000	\$ 183,659	\$ 33,161,341	0.52%	\$ 708
2007	24,980,000	366,810	24,613,190	0.44%	521
2006	26,560,000	403,915	26,156,085	0.44%	551
2005	17,765,000	115,087	17,649,913	0.26%	380
2004	18,310,000	115,087	18,194,913	0.34%	382
2003	18,165,000	114,159	18,050,841	0.38%	392

Note: Details regarding the township's outstanding debt can be found in the notes to the financial statements.

- (1) Externally restricted for repayment of debt principal.
- (2) See Schedule 5 for estimated actual values of real property.
- (3) See Schedule 13 for population data.

TOWNSHIP OF MIDDLETOWN

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

December 31, 2008

Government Unit	Gross Outstanding Debt	Percentage Applicable to Middletown Township	Amount Applicable to Middletown Township	Total Overlapping Debt
Township of Middletown (1)	\$ 33,345,000	100.00%	\$ 33,345,000	
Neshaminy School District (2)	125,438,218	67.51%	84,683,341	84,683,341
Bucks County (3)	250,890,000	6.73% (4)	16,884,897	16,884,897
Total	<u>\$ 409,673,218</u>		<u>\$ 134,913,238</u>	<u>\$ 101,568,238</u>

Overlapping governments are local and county governments that coincide, at least in part, with this schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Middletown Township. This process recognizes that, when considering the Township's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account.

Sources:

- (1) Middletown Township Financial Records
- (2) Neshaminy School District
- (3) Bucks County Finance Office
- (4) Proportion share of Bucks County's existing debt as of December 31, 2008 based on ratio of

TOWNSHIP OF MIDDLETOWN

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Six Fiscal Years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2008	46,868	\$ 1,181,683	\$ 25,213	37.8	8,839	5.30%
2007	47,259	1,191,541	25,213	37.8	8,994	3.40%
2006	47,448	1,196,306	25,213	37.8	9,214	3.80%
2005	46,390	1,169,631	25,213	37.8	9,289	3.80%
2004	47,621	1,200,668	25,213	37.8	9,409	4.60%
2003	46,091	1,162,092	25,213	37.8	9,581	4.00%

Sources:

(1) Delaware Valley Regional Planning Commission

(2) U.S. Census, 2000 Demographic Profile for Middletown Township

(3) Neshaminy School District

(4) Pennsylvania Department of Labor & Industry, Center for Workforce Information and Analysis

TOWNSHIP OF MIDDLETOWN

Principal Employers

Current Year and Nine Years Ago

Employer (1)	Type of Business	December 31, 2008			December 31, 1999		
		Employees	Rank	Percentage of Total Township Employment (2)	Employees	Rank	Percentage of Total Township Employment (3)
St Mary Medical Center	Hospital	2,568	1	9.65%	415	9	N/A
Woods Services	Education	1,681	2	6.32%			
Neshaminy School District	Education	1,474	3	5.54%	1,823	1	N/A
David Davis Enterprises, Inc.	Retail/Automotive	734	4	2.76%			
Busch Entertainment Corp.	Entertainment/Theme Park	619	5	2.33%	954	3	N/A
ICT Group Inc.	Communication Services	476	6	1.79%	1,123	2	N/A
Pennswood Village Inc.	Retirement Community	472	7	1.77%	439	8	N/A
Macy's Retail Holding Inc.	Retail	320	8	1.20%	643	4	N/A
Attleboro Nursing Home	Retirement Community	253	9	0.95%			
Reedman-Toll Autoworld	Retail/Automotive	250	10	0.94%			
National Business Service	Financial Services	-		-	566	5	N/A
Lenox, Inc.	Manufacturing	-		-	484	6	N/A
Harte Hanks	Communications/Marketing	-		-	471	7	N/A
Computer Hardware Main	Retail	-		-	404	10	N/A
Total		<u>8,847</u>		<u>33.26%</u>	<u>7,322</u>		

(1) Information provided by Berkheimer Tax Administrator (administrator and collector of Pennsylvania Act 511 taxes).

(2) Information derived from Commonwealth of PA, Department of Labor & Industry; Total Middletown Twp. Civilian Labor Force is 26,600.

(3) Middletown Twp Civilian Labor Force is not available for 1999.

TOWNSHIP OF MIDDLETOWN
 Full Time Equivalent Municipal Employees by Function/Program
 Last Six Fiscal Years

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
General Government						
Administration	2.0	3.0	3.0	4.5	4.5	4.5
Finance	5.5	5.5	5.5	5.5	5.5	6.5
Personnel	1.0	1.0	1.0	1.0	2.0	2.0
Police						
Police Officers	53.0	53.0	52.0	53.0	54.0	54.0
Police Civilians (1)	16.0	16.0	16.0	16.0	17.5	17.5
Public Works						
Administration	3.5	3.5	3.5	3.5	2.5	3.5
Maintenance/Labor	13.0	13.0	12.0	11.0	15.0	19.0
Summer/Seasonal	4.0	4.0	4.0	4.0	3.0	2.5
Community Services						
Administration	2.0	2.0	2.0	2.0	2.0	2.0
Public Information Coordinator	1.0	1.0	1.0			
Custodial/Labor (2)	2.0	2.0	2.0	2.0	2.0	1.5
Emergency Services						
Officers/Inspectors	3.5	3.5	3.5	2.5	3.5	3.5
Administration	1.5	1.5	1.5	1.0	1.5	2.0
Parks & Recreation						
Administration	4.0	3.5	3.5	3.0	2.5	2.5
Equipment Operation/Labor	3.0	3.0	3.0	3.0	3.0	-
Summer Rec/Seasonal	22.0	22.0	22.0	21.5	21.0	21.0
Skate Park	2.5	2.5	2.5	2.5	2.5	2.5
Misc Program Facilitators	5.5	5.5	5.5	5.5	7.0	6.5
Licenses & Inspections	5.5	5.5	5.5	7.0	9.0	9.0
Totals	<u>150.5</u>	<u>151.0</u>	<u>149.0</u>	<u>148.5</u>	<u>158.0</u>	<u>160.0</u>

Source: Middletown Township Budget Document

Method: Using 1.0 for each full-time employee, and .50 for each part-time and seasonal employee

(1) Police civilians include school crossing guards

(2) One custodian partially funded by Middletown Senior Citizens Association

TOWNSHIP OF MIDDLETOWN
 Operating Indicators by Function/Program
 Last Six Fiscal Years

Function/Program	Fiscal Year					
	2008	2007	2006	2005	2004	2003
General Government (1)						
Building Inspections Conducted	2,922	2,850	3,121	2,988	3,281	3,041
Plumbing Inspections Conducted	700	494	679	969	1,078	1,225
Building Permits Issued	924	793	987	941	2,034	1,266
Plumbing Permits Issued	286	250	257	344	364	460
Electrical Permits Issued	364	354	433	452	568	758
Residential Value of Construction/ Issued Permits	23,051,941	11,160,481	16,568,803	12,722,066	16,279,216	23,078,871
Commercial Value of Construction/ Issued Permits	29,882,882	43,828,263	151,193,962	58,218,296	13,099,612	14,545,515
Police (2)						
Criminal Arrests	1,857	1,900	1,644	1,457	1,445	1,472
Traffic Citations	4,168	4,806	4,597	3,621	4,033	4,611
Accident Reports	1,971	2,055	2,009	2,109	2,046	2,205
Parking Violations	115	121	156	221	197	178
Animal Control Cases Investigated	631	721	764	803	368	462
Animal Control Warnings Issued	34	42	53	46	45	38
Animal Control Prosecutions Instituted	10	27	33	64	40	51
Parks & Recreation (3)						
Recreation Program Participants	8,427	7,319	7,800	7,376	5,500	5,487
Program Sessions Offered	356	357	311	296	183	164
Public Works (4)						
Roads Resurfaced (linear feet) by DPW	-	5,755	134	5,037	10,582	10,828
Number of Trees Removed/Trimmed	81	98	137	85	63	86
Number of Signs Repaired/Installed	167	306	224	175	112	84
Number of Drainage/Storm Drains Unclogged	80	110	105	75	77	87
Number of Repaired Potholes	265	391	375	380	388	207
Number of Repaired Sinkholes	64	98	55	75	68	59
Emergency Services (5)						
Total Estimated Emergency Fire Calls	992	997	1,178	1,093	1,815	N/A
Residential Fires	39	46	50	35	37	N/A
Business/Industrial Fires	1	12	31	22	21	N/A
Fire Investigations Conducted	275	291	40	35	236	N/A
Hazardous Materials/Petroleum Spill Calls	97	93	17	17	13	N/A
Mechanical Inspections Conducted	181	386	478	451	652	N/A
Fire Safety Inspections Conducted	1,412	1,322	1,525	1,159	1,000	N/A

Sources:

- (1) Middletown Township Licenses & Inspections Department
- (2) Middletown Township Police Department
- (3) Middletown Township Park & Recreation Department
- (4) Middletown Township Department of Public Works
- (5) Middletown Township Fire Marshal Office

N/A Information not available

TOWNSHIP OF MIDDLETOWN

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Six Fiscal Years

Function/Program	Fiscal Year					
	2008	2007	2006	2005	2004	2003
General Government (1)						
Square Footage Occupied	56,122.00	56,122.00	56,122.00	56,122.00	56,122.00	56,122.00
Inspection Vehicles	2	2	2	2	2	2
Other Departmental Vehicles	1	1	1	1	1	1
Police (2)						
Stations	1	1	1	1	1	1
Patrol Units	50	50	50	50	48	43
Trained Canines	4	4	4	4	4	4
Parks & Recreation (3)						
Number of Recreation Facilities	18.0	18.0	18.0	18.0	18.0	18.0
Acreage of Park Land	136.5	136.5	136.5	136.5	136.5	136.5
Acreage of Greenbelts/Open Space	523.0	523.0	523.0	523.0	523.0	523.0
Public Works (4)						
Municipal Street (lane miles)	137.77	137.77	137.77	137.77	137.77	137.77
Streetlights	2,700	2,700	2,700	2,700	2,700	2,700
Public Service Vehicles	24	23	23	23	23	23
Off-road Equipment	7	7	7	7	6	6
Office Garage Complex	1	1	1	1	1	1
Salt Storage Buildings	1	1	1	1	1	1
Emergency Services (5)						
Fire Stations	8	8	8	5	5	5
Vehicle Units	25	25	25	25	24	24

Source:

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