

**MIDDLETOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

December 31, 2009

MIDDLETOWN TOWNSHIP
COMPREHENSIVE ANNUAL FINANCIAL REPORT

December 31, 2009

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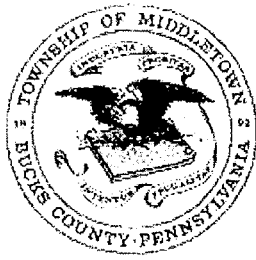
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Township of Middletown

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Raymond Stepnoski, Manager

Board of Supervisors

Thomas Gallagher, Chairperson
Pat Mallon, Vice Chairperson
H. George Leonhauser, Secretary
Drew Kreiling
Robert McMonagle

June 25, 2010

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, 2009 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 square miles, the Township is situated 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 and adjacent Route One shopping district 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. 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 (53) police officers, one (1) animal control officer and, six (6) full time, and twenty (20) part time non-sworn personnel. The Police Department is divided into several units—Patrol, Criminal Investigations (detectives), K-9 Patrols, Accident Investigations, 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 9298 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 World of Discovery park, and the nation's only theme park based entirely on the award-winning television show, Sesame Street, 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-nine (39) 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 (1100) man-hours in 2009, the cost of which is billed to Sesame Place.

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 2009, 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 2009 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. Pennswood Village is in the process of requesting approval of renovating the dining room. 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. At present St. Mary's Medical Center is continuing renovations and there is a new Adult Day Care, Shanti Garden, in the vacant Jewish War Veterans building, a new phone store in the Langhorne Square Shopping Center, and a new Veterinary Hospital.

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 \$171,786 in 2009; this figure includes payments for overtime details.

In 2009, the Police Department continued to be active in the Pennsylvania Aggressive Driving program, which targets high accident area. The Department also participated in the "Click it or Ticket" seat belt usage program.

During 2009, the Fire Marshal's Office 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 to keep our commercial establishments and their staff safe. 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, increased daycare and school fire prevention seminars, and fire prevention activities throughout the township, such as our Fifth Annual Fire and Accident Prevention Day at the Oxford Valley Mall. On days following a neighborhood fire, the staff is known to go door to door in the surrounding neighborhood to communicate the importance of 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 offered a year round calendar of programs and community events that served more than 7600 people. The annual Earth Day Celebration and Holiday Open House were offered free to visitors. The expenses were paid entirely with donations from local businesses. During 2009, the department began the re-construction of L/Cpl Harry J. Simmons Memorial Park and continued to work on plans for the renovation of Beechwood Park. Work also began on the new Veterans' Memorial Park which is being partially funded by donations and volunteer labor. In 2009, the Department started a community garden as a demonstration site for sustainable gardening techniques. Private and business donations were used to cover the expenses and volunteers provided the manpower for construction and maintenance. Over 300 pounds of food was donated from the garden to a local emergency relief food bank.

Systems and 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.

Budget

The Township also 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.

Policies and Procedures

Over the years, the finance department has instituted a number of financial policies in order to provide assurance that financial operations occur in a consistent manner from department to department. These policies also enhance the safeguards for internal controls and budgetary compliance. One of the more significant policies is the purchasing system, including 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 \$42.6 million as of December 31, 2009.

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.

Independent Audit

The independent auditor appointed by the Board of Supervisors for the year ended December 31, 2009 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, 2009.

Certificate of Achievement

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, 2008. This was the fourth consecutive, and the eighth overall year 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.

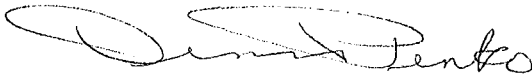
A Certificate of Achievement is valid for a period of one year only. The Township believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The publication of this CAFR continues to reinforce the accountability of the Municipality to the taxpayers of the community. The preparation of the 2009 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, including members of the Administration, Fire Marshal's Office, License and Inspections, Parks and Recreation, the Police Department, and the Department of Public Works 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
June 25, 2010

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, 2008

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 stylized handwritten signature in black ink.

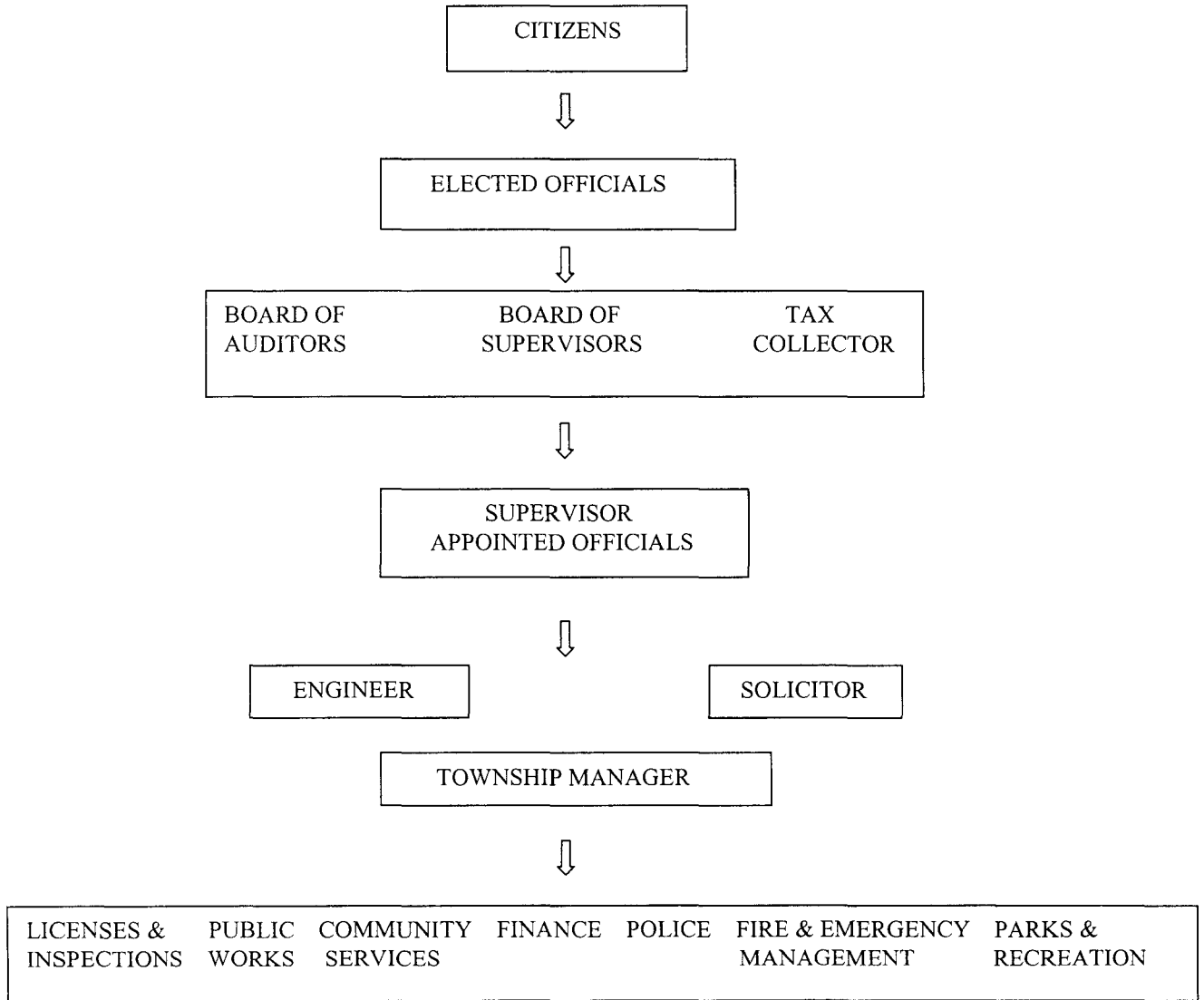
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enow".

Executive Director

TOWNSHIP OF MIDDLETOWN

ORGANIZATIONAL CHART



APPOINTED CITIZENS ADVISORY BOARDS & COMMISSIONS

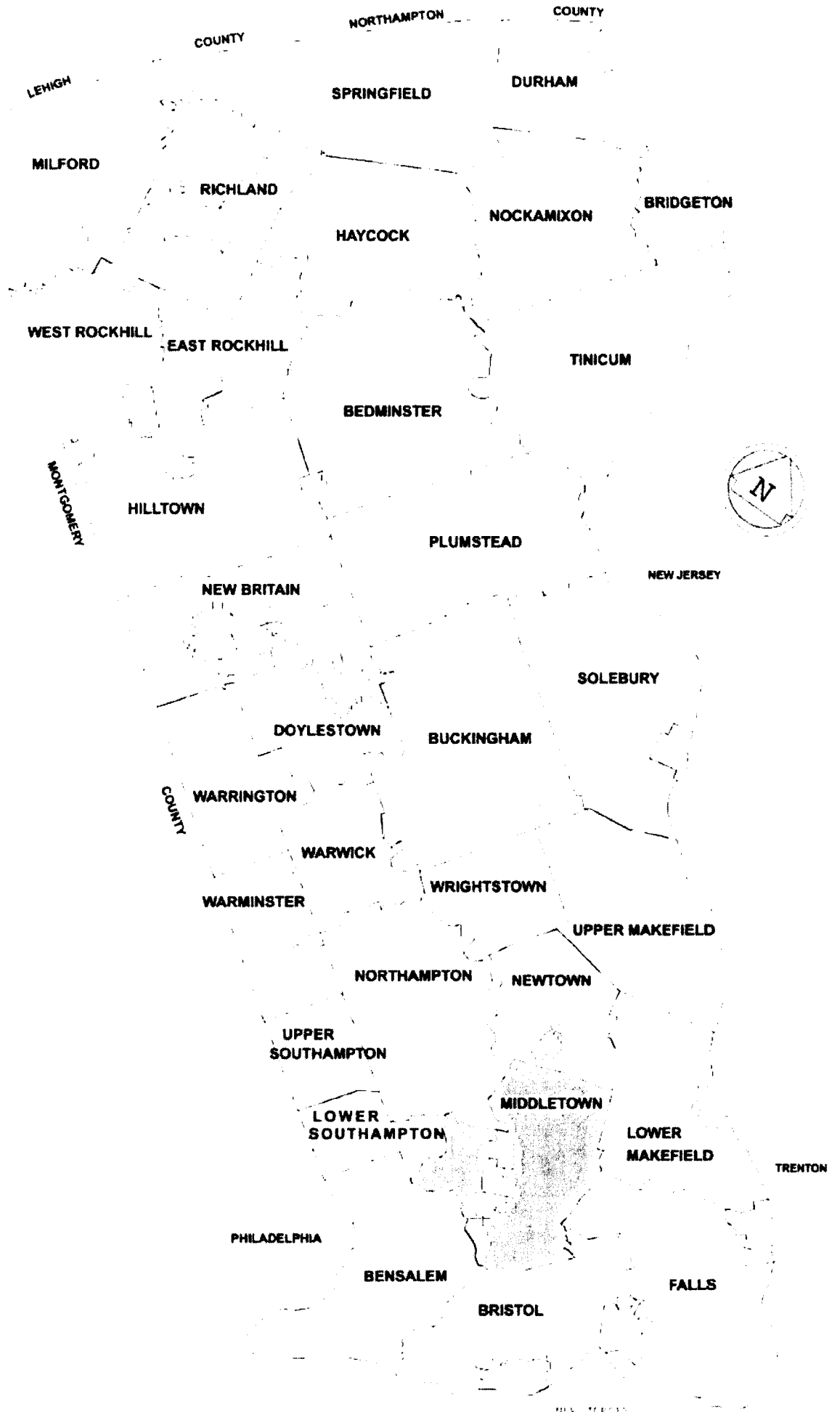
- Zoning Hearing Board
- Park & Recreation Board
- Environmental Advisory Council
- Financial Advisory Committee
- Cable & Telecommunications Advisory Board
- Youth Aid Panel
- Community Beautification Committee
- Veterans Memorial Park Committee
- Planning Commission
- Historic Preservation Commission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

2009 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
Dennis M. Penko, Director of Finance
Erich Wendel, Director of Public Works
James Peet, Director of Licenses & Inspections
Patrick McGinty, Acting Director of Public Safety
James McGuire, Fire Marshal
Deborah Lamanna, Parks and Recreation Director



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, 2009, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Township's nonmajor governmental funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended December 31, 2009 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, 2009, 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 MCGLADREY 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)

Management's discussion and analysis and the Schedules of Funding Progress for the Other Post Retirement Benefits, and the Schedule of Funding Progress for Pension Plans, and the related note on pages 3 through 16 and pages 59 through 61 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 inquiries 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.

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 them.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 25, 2010

MIDDLETOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
For the Fiscal Year Ended December 31, 2009

Unaudited

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, 2009. 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 economic resources measurement focus and 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 and enterprise 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.

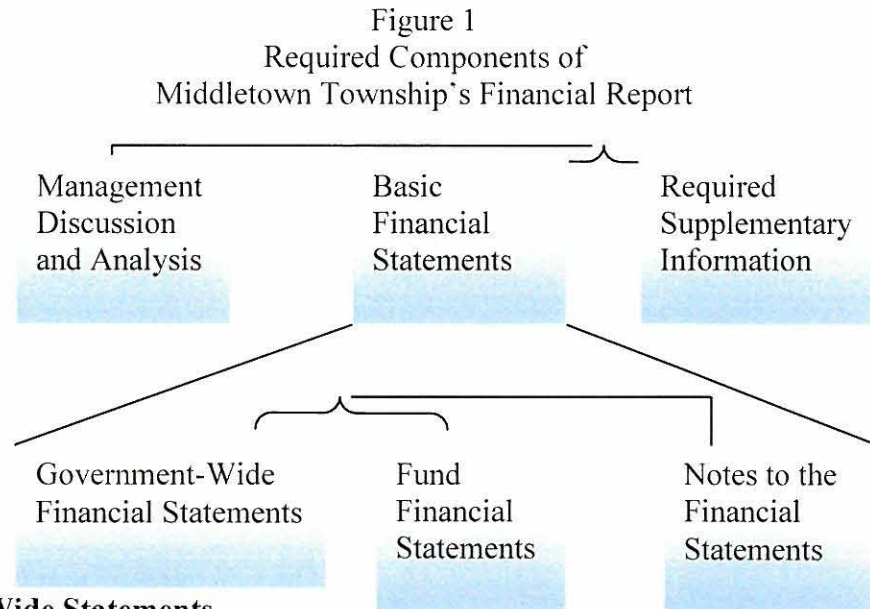
Proprietary fund statements offer financial information about the activities that the Township operates like a business, that being the Middletown Country Club and the Styers Farm. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee 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)
 For the Fiscal Year Ended December 31, 2009

Unaudited

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. 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.

MIDDLETOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
For the Fiscal Year Ended December 31, 2009

Unaudited

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 page 20 and 22.

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.

MIDDLETOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
For the Fiscal Year Ended December 31, 2009

Unaudited

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 page 29 through 57 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. In Middletown Township, assets exceed liabilities by \$75,245,084 and \$77,724,674 at the close of the years ended December 31, 2009 and 2008 respectively.

The following table provides a summary of the Township's net assets at December 31, 2009 and December 31, 2008:

Table 1
Summary of Net Assets
For the Years Ending 12/31/09 and 12/31/08

(Government-Wide)

	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and Other Assets	\$ 55,798,399	\$ 63,473,654	\$ 448,805	\$ 472,780	\$ 56,247,204	\$ 63,946,434
Capital Assets	51,206,198	47,062,339	4,573,175	4,667,626	55,779,373	51,729,965
Total Assets	<u>\$ 107,004,597</u>	<u>\$ 110,535,993</u>	<u>\$ 5,021,980</u>	<u>\$ 5,140,406</u>	<u>\$ 112,026,577</u>	<u>\$ 115,676,399</u>
Current and Other Liabilities	\$ 3,634,762	\$ 1,670,675	\$ 574,901	\$ 588,871	\$ 4,209,663	\$ 2,259,546
Long-Term Liabilities	32,160,615	35,171,789	411,215	520,390	32,571,830	35,692,179
Total Liabilities	<u>\$ 35,795,377</u>	<u>\$ 36,842,464</u>	<u>\$ 986,116</u>	<u>\$ 1,109,261</u>	<u>\$ 36,781,493</u>	<u>\$ 37,951,725</u>
Net Assets						
Investment in Capital Assets, net of related debt	\$ 19,432,022	\$ 13,853,185	\$ 4,105,739	\$ 4,147,236	\$ 23,537,761	\$ 18,000,421
Restricted	9,774,983	15,103,727	-	-	9,774,983	15,103,727
Unrestricted	42,002,215	44,736,617	(69,875)	(116,091)	41,932,340	44,620,526
Total Net Assets	<u>\$ 71,209,220</u>	<u>\$ 73,693,529</u>	<u>\$ 4,035,864</u>	<u>\$ 4,031,145</u>	<u>\$ 75,245,084</u>	<u>\$ 77,724,674</u>

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

For the Fiscal Year Ended December 31, 2009

Unaudited

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 cash and investments held by the Investment Fund (\$42.6 million in 2009). The Township's capital assets are comprised of land, buildings, machinery & 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 C to the Basic Financial Statements.

Current liabilities consist of accounts payable and various accruals. Long-term liabilities include principal balances owed on various General Obligation Bonds and notes, and accrued sick and severance pay. The outstanding principal on the 1998, 2005, 2006, 2008, and 2009 bond issues make up \$31,820,000 of the liabilities balance at year end 2009. Debt administration is discussed later in this report and in Note D to the Basic Financial Statements.

The difference between the assets and liabilities is labeled as net assets. Net assets are broken down as Capital, Restricted and Unrestricted. Net Assets Investment in capital assets is reported net of 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 decreased the Township's net assets by \$2,484,309 during the current fiscal year. This compares unfavorably to the 2008 increase in net assets of \$1,220,658, and is a result of the downturn in the economy and its effect on real estate sales, retail sales and fixed income investments.

Business-type Activities increased the Township's net assets by \$4,719 during the current fiscal year. These activities are comprised of the Middletown Country Club and the Styer's Farm. This modest increase compares favorably to the 2008 decrease in net assets of \$59,673.

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

For the Fiscal Year Ended December 31, 2009

Unaudited

The result 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 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, 2009 compared to December 31, 2008.

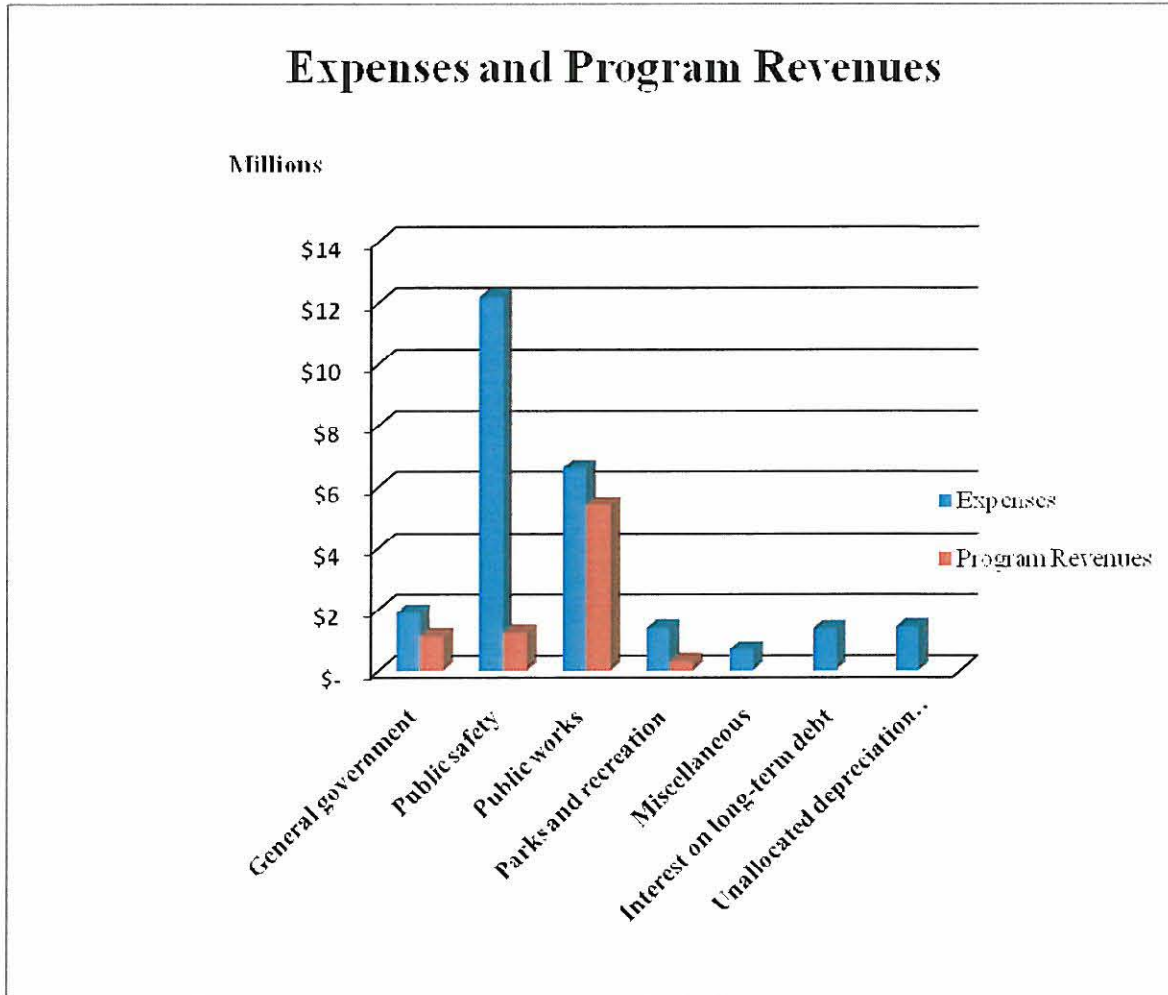
Table 2
Changes in Net Assets
For the Years Ending 12/31/09 and 12/31/08
(Government-Wide)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,048,348	\$ 6,952,389	\$ 182,000	\$ 189,049	\$ 6,230,348	\$ 7,141,438
Operating Grants/Contributions	2,054,509	2,218,492	-	-	2,054,509	2,218,492
General Revenues:						
Property Taxes	8,602,678	7,892,013	-	-	8,602,678	7,892,013
Other Taxes	5,086,269	4,713,317	-	-	5,086,269	4,713,317
Investment Income	488,609	2,419,102	9,370	4,533	497,979	2,423,635
Miscellaneous	97,677	29,439	-	-	97,677	29,439
Total Revenues	\$ 22,378,090	\$ 24,224,752	\$ 191,370	\$ 193,582	\$ 22,569,460	\$ 24,418,334
Expenses:						
General Government	\$ 1,895,527	\$ 2,477,349	\$ -	\$ -	\$ 1,895,527	\$ 2,477,349
Public Safety	12,190,862	10,354,328	-	-	12,190,862	10,354,328
Public Works	6,615,980	5,733,310	-	-	6,615,980	5,733,310
Parks and Recreation	1,402,496	1,231,572	-	-	1,402,496	1,231,572
Miscellaneous	695,397	763,240	-	-	695,397	763,240
Interest on Long Term Debt	1,365,635	1,048,713	21,416	29,994	1,387,051	1,078,707
Unallocated Depreciation on Infrastructure	1,433,205	1,439,857	-	-	1,433,205	1,439,857
Business-Type Activities	-	-	145,872	178,986	145,872	178,986
Total Expenses	\$ 25,599,102	\$ 23,048,369	\$ 167,288	\$ 208,980	\$ 25,766,390	\$ 23,257,349
Change in Net Assets before special item and transfers	\$ (3,221,012)	\$ 1,176,383	\$ 24,082	\$ (15,398)	\$ (3,196,930)	\$ 1,160,985
Special item - Capital Assets from Private Purpose Trust	613,127	-	-	-	613,127	-
Transfers, net	123,576	44,275	(19,363)	(44,275)	104,213	-
Change in Net Assets	\$ (2,484,309)	\$ 1,220,658	\$ 4,719	\$ (59,673)	\$ (2,479,590)	\$ 1,160,985
Net Assets-beginning of year	\$ 73,693,529	\$ 72,472,871	\$ 4,031,145	\$ 4,090,818	\$ 77,724,674	\$ 76,563,689
Net Assets-end of year	\$ 71,209,220	\$ 73,693,529	\$ 4,035,864	\$ 4,031,145	\$ 75,245,084	\$ 77,724,674

MIDDLETOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
For the Fiscal Year Ended December 31, 2009

Unaudited

The following chart shows the Government-wide sources of expenses for the year ended December 31, 2009:

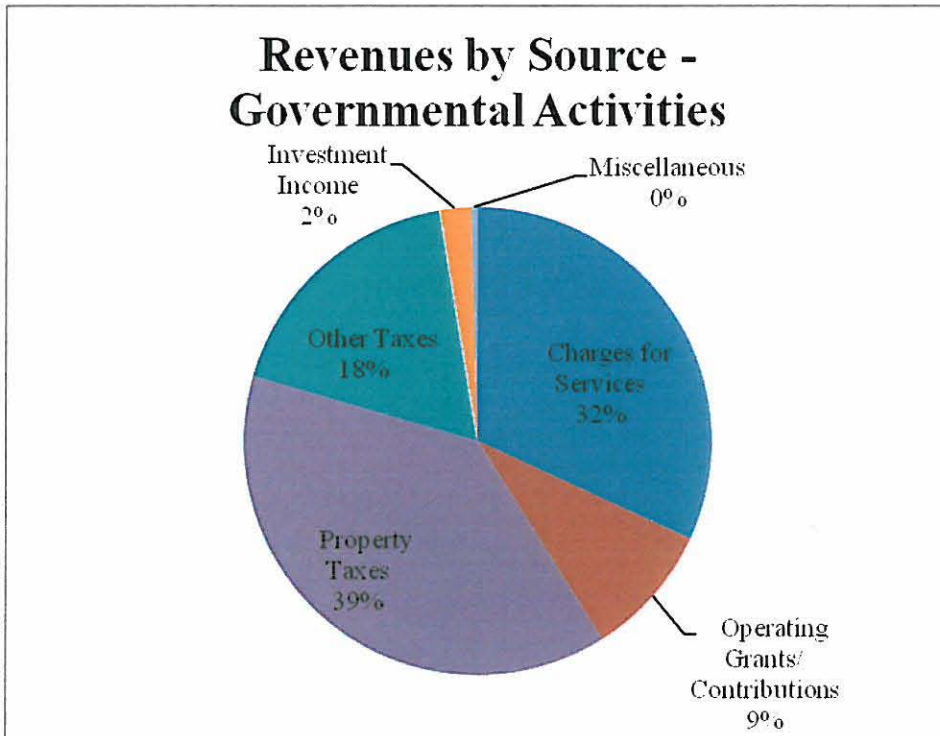


General revenues are required to support the programs. As reflected in the above chart program expenses exceed revenue in all areas. General government expenses exceed program revenues by \$687,249 public safety by \$10,945,365, public works by \$1,198,847 and park and recreations by \$1,098,641.

MIDDLETOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
For the Fiscal Year Ended December 31, 2009

Unaudited

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2009:



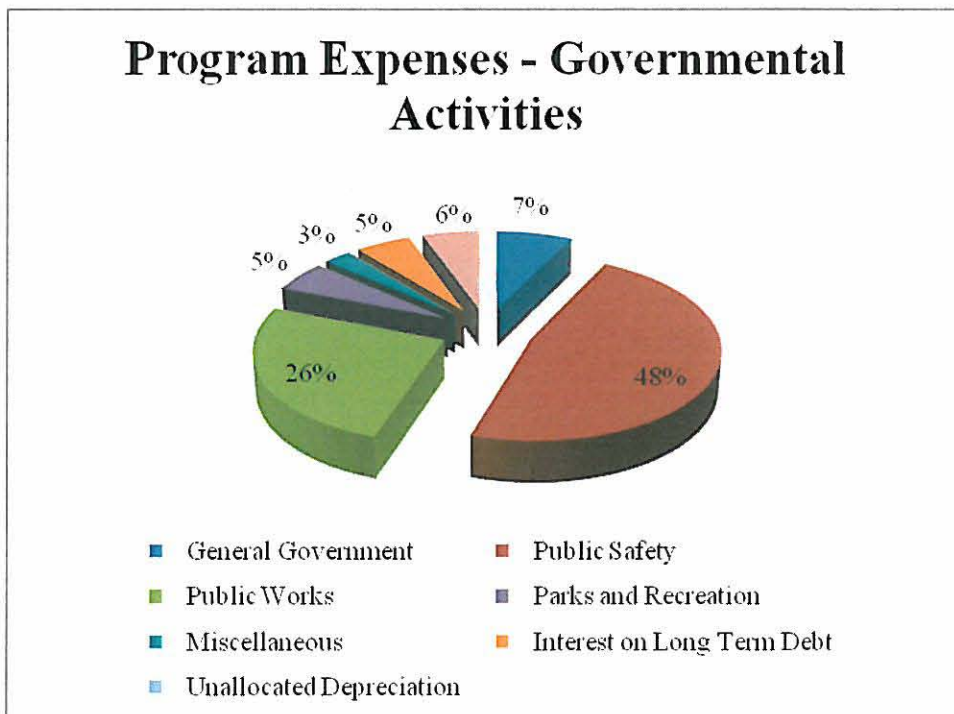
Of the total Government-wide revenues of \$23,286,800, the greatest share came from Property Taxes with revenues of \$8,602,678. The second largest revenue source is Charges for Services with revenues of \$7,315,487, primarily made up of fees for solid waste collection in the amount of \$4,368,125. Other 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 \$5,086,269. Operating Grants and Contributions brought in \$2,054,509. Investment income decreased 80% in 2009, netting the Township \$488,609. Miscellaneous Income and Net Transfers comprise the balance of the 2009 revenues for governmental activities.

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

For the Fiscal Year Ended December 31, 2009

Unaudited

The following chart shows the Government-wide sources of program expenses for the year ended December 31, 2009:

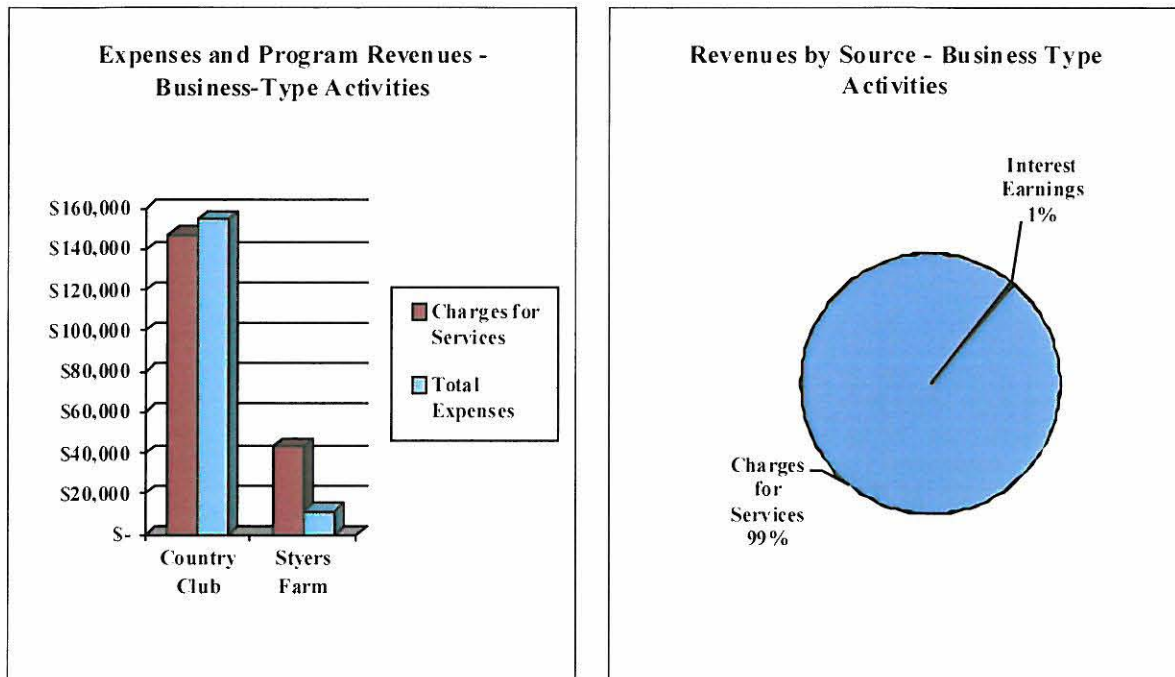


The largest share of expenditures in 2009 were related to Public Safety, a broad category including police protection, animal control, school crossing guards, fire marshal's services, code enforcement, planning and zoning, and emergency management. Public Safety expenses totaled \$12,190,862 for 2009. Public Works expenses include items such as solid waste collection expenses, 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 \$6,615,980 for 2009. General Government expenses of \$1,895,527 make up the third largest segment of 2009 expenses. This category covers the costs of staffing, benefits, and other administrative costs and ancillary expenses. Parks and Recreation expenses of \$1,402,496 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 \$1,433,205, Interest on Long-Term Debt of \$1,365,635, and Miscellaneous expenses of \$695,397, primarily insurance expense, round out the 2009 total program expenses for governmental activities.

MIDDLETOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
For the Fiscal Year Ended December 31, 2009

Unaudited

The following charts show the expenses and program revenues and the revenues by source from Business-Type activities for the year ended December 31, 2009:



Business-type Activities increased the Township's net assets by \$4,720 during the current fiscal year. The Middletown Country Club revenues totaled \$147,000 with offsetting expenses of \$134,019 for an operating income of \$12,982. After non-operating expense, which consists of interest expense of \$21,416 offset by interest income of \$707, the result is a deficit before transfers of \$7,727. The Styer's Farm revenues totaled \$43,400 for the year with offsetting expenses of \$11,853 for an operating income of \$31,547. After investment income for the fund of \$262, the result is an income before transfers of \$31,809. The overall increase in net assets is attributable to lower expenses in both funds.

The Township Fund Balances

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

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

For the Fiscal Year Ended December 31, 2009

Unaudited

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, 2009, the Township governmental funds reported a combined fund balance of \$54,408,119. Of this year-end total, approximately \$52,367,827 is unreserved, and therefore is available for continuing Township services. Reserved fund balances include: \$1,081,063 committed to debt service requirements; \$584,888 committed to advances; and \$374,341 committed to transportation impact fee requirements.

The general fund is the primary operating fund of Middletown Township. At year end 2009, the total fund balance of the general fund was \$768,709, all of which is unreserved and undesignated. This fund balance represents 4.5% of total general fund expenditures. During 2009, the general fund balance decreased by \$853,274, well below the planned decrease in the 2009 budget. This is a result of a concerted effort to control expenditures to help offset a shortfall in revenue to budget.

The investment fund has a total fund balance of \$42,643,345 at fiscal year end, a decrease of \$1,488,357 from the prior year. This is the result of lower than anticipated investment earnings of the Township's investment portfolios.

The debt service fund has a total fund balance of \$423,079. 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 2009 budget provides for a real estate tax rate of 4.38 mills for the fund; an increase of 1.0 mill over 2008. An \$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.

The unrestricted net assets of the Country Club fund is a \$3,941 at year end 2009. The total net assets are \$1,795,428. 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.

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

For the Fiscal Year Ended December 31, 2009

Unaudited

The Styer's Farm fund net deficit is \$73,816 at year end 2009. The total net assets are \$2,240,436. 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 an \$813,500 increase in budgeted expenditures, with an offsetting \$288,500 increase in budgeted revenue, thereby increasing net expenditures by \$525,000 between the original and final amended budget.

Supplemental appropriations were made to the following expenditure accounts:

- Police Administration-Solicitor Fees, \$24,000; Police Patrol-Court Time, \$135,000
- Police Patrol-Overtime, \$400,000; Police Patrol-Equipment Major, \$37,500
- L & I-Contracted Services, \$95,000; Highway-Salary of DPW, \$80,000; Highway-Storm Sewers, Salary of DPW, \$17,000; General Road Maintenance-Salary of DPW, \$10,000, Bad Debt Expense, \$15,000

Supplemental appropriations were possible because of higher than anticipated revenue:

- Charges for services-Police, \$245,000
- Contributions-Private source, \$37,500
- From available fund equities, and other financing sources

A schedule showing the Townships original and final budget amount capered with amounts actually paid and received is provided on page 23.

Capital Assets

At December 31, 2009, the Township had \$55,779,373 invested in a broad range of capital assets, including land, land improvements, buildings, machinery & equipment and infrastructure.

Capital asset purchases totaled \$6,694,961 during the 2009 fiscal year as follows:

Land - \$89,400; Land Improvements - \$1,185,264; Building and improvements - \$3,909,047; Machinery and equipment - \$926,664; and Infrastructure - \$584,586.

Land additions include the purchases of easements for the Woodbourne Road expansion.

Land improvements include site improvements to Beechwood, Simmons, Twin Oaks and Veterans Memorial parks.

MIDDLETOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
For the Fiscal Year Ended December 31, 2009

Unaudited

Building and building improvements are comprised of ongoing construction and engineering services for the new DPW (Public Works) building, the North Middletown Emergency Services substation, both substantially completed in 2009 and renovations to the Middletown Community Center.

Infrastructure expenditures are comprised of the Levittown Road Resurfacing Program, 2009 Road Repaving Program, and the 2009 Drainage Improvement Program.

Machinery and equipment capital asset additions include two 2009 Ford Crown Victoria police vehicles; a 2009 Chrysler police vehicle; a 2009 Ford F450 Bucket Truck; as well as auxiliary equipment for the vehicles; an International 7300 Dump Truck; a commercial mower, and Fire Extinguisher training equipment.

Additional information on Middletown Township's capital assets can be found in Note C on page 39 of this report.

Debt Administration

As of January 1, 2009, the Township had total outstanding long-term debt of \$36,185,803 (principal only). Obligations of the Township include general obligation bond and notes, the Middletown Country Club Note, accrued vacation, sick and severance pay for specific employees and other post retirement benefit liabilities for police. The outstanding debt balance at December 31, 2009 is \$35,216,578.

Moody's Investor Services affirmed and recalibrated the Middletown Township's general obligation bond (GOB) rating from Aa3 to Aa2 on April 23, 2010. The Aa2 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 General Fund balance. They believe that the Township will continue to experience full valuation growth, due mostly to market value appreciation. Furthermore, on April 20, 2010, Standard and Poor's Ratings Services reaffirmed its AA+ bond rating for Middletown Township bonds. 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 \$467,435 at December 31, 2009. Principal payments of \$52,955 were made during the year. Compensated absences reflect a balance of \$1,205,199 in earned vacation, vested sick pay and vested severance pay as of December 31, 2009. The net increase in compensated absences is \$90,583 for the year. Other Post Employment Benefits has an outstanding liability of \$1,400,969 at December 31, 2009.

MIDDLETOWN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
For the Fiscal Year Ended December 31, 2009

Unaudited

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

Currently known Facts, Decisions, and Conditions:

Township roads in the Levittown area have been undergoing a much-needed reconstruction and resurfacing program. 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. Work on these projects was completed in 2009.

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 matters pertaining to issues of financial impact. This seven-member committee meets monthly and serves in an advisory capacity on items such as investments, capital improvement funding alternatives, and debt management.

A subsequent event occurred on June 7, 2010. The Township issued \$5,620,000 General Obligation Series of 2010 to (1) currently refund the Township's General Obligation Bonds, Series of 1998, outstanding in the principal amount of \$470,000; (2) currently refund the Township's General Obligation Bonds, Series of 2005, outstanding in the principal amount of \$5,060,000; and (3) to pay the costs of issuing the bonds. The 2010 bonds carry interest rates of 2.00% to 2.63% with an average yield of 1.82% (after bond premium) and are refunding 1998 bonds carrying interest rates of 4.6% per annum, and 2005 bonds carrying interest rates of 3.0% to 3.8% per annum. As a result of this bond refinancing, the net total savings to Middletown Township amounted to \$203,863.

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, 2009

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 17,767,939	\$ 154,212	\$ 17,922,151
Investments	37,211,926	-	37,211,926
Taxes receivable, net of allowance of \$3,149	241,369	-	241,369
Special assessments receivable, net of allowance of \$1,842	102,147	-	102,147
Accounts receivable, net of allowance of \$176,186	212,639	269,593	482,232
Revenue receivable	152,593	-	152,593
Due from other funds	109,786	-	109,786
Other assets	-	25,000	25,000
Total Current Assets	55,798,399	448,805	56,247,204
Capital Assets (net of accumulated depreciation)			
Land	7,305,253	3,355,000	10,660,253
Land improvements	4,280,951	648,439	4,929,390
Buildings and building improvements	18,753,745	956,026	19,709,771
Machinery and equipment	8,129,079	691,199	8,820,278
Infrastructure	62,755,950	-	62,755,950
Accumulated depreciation	(50,018,780)	(1,077,489)	(51,096,269)
Total Capital Assets (net)	51,206,198	4,573,175	55,779,373
TOTAL ASSETS	\$ 107,004,597	\$ 5,021,980	\$ 112,026,577
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 1,036,518	\$ 491	\$ 1,037,009
Accrued salaries and benefits	293,231	-	293,231
Unearned revenue	21,356	12,250	33,606
Deposits and refunds	131,731	-	131,731
Internal balances	(505,939)	505,939	-
Due to other governments	77,144	-	77,144
Accrued interest	356,377	-	356,377
Other liabilities	4,616	-	4,616
Bonds payable	2,130,000	-	2,130,000
Bond discount, net of issuance costs	(25,068)	-	(25,068)
Note payable	24,214	56,221	80,435
Compensated absences	90,583	-	90,583
Total Current Liabilities	3,634,762	574,901	4,209,663
Long-term Liabilities			
Bonds payable	29,690,000	-	29,690,000
Bond discount, net of issuance costs	(343,735)	-	(343,735)
Note payable	298,765	411,215	709,980
Compensated absences	1,114,616	-	1,114,616
Other post-employment benefits	1,400,969	-	1,400,969
Total Long-term Liabilities	32,160,615	411,215	32,571,830
TOTAL LIABILITIES	35,795,377	986,116	36,781,493
NET ASSETS			
Investment in capital assets, net of related debt	19,432,022	4,105,739	23,537,761
Restricted for			-
Debt service	1,081,063	-	1,081,063
Transportation impact fee	374,341	-	374,341
Capital projects	8,319,579	-	8,319,579
Unrestricted	42,002,215	(69,875)	41,932,340
TOTAL NET ASSETS	71,209,220	4,035,864	75,245,084
TOTAL LIABILITIES AND NET ASSETS	\$ 107,004,597	\$ 5,021,980	\$ 112,026,577

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Government Activities	Business-Type Activities	Total
GOVERNMENT ACTIVITIES						
General government	\$ 1,895,527	\$ 1,003,736	\$ 204,542	\$ (687,249)	\$ -	\$ (687,249)
Public safety	12,190,862	1,403,982	854,748	(9,932,132)	-	(9,932,132)
Public works	6,615,980	4,483,431	933,702	(1,198,847)	-	(1,198,847)
Parks and recreation	1,402,496	242,338	61,517	(1,098,641)	-	(1,098,641)
Miscellaneous	695,397	-	-	(695,397)	-	(695,397)
Debt service interest	1,365,635	-	-	(1,365,635)	(21,416)	(1,387,051)
Unallocated depreciation expense	1,433,205	-	-	(1,433,205)	-	(1,433,205)
TOTAL GOVERNMENT ACTIVITIES	25,599,102	7,133,487	2,054,509	(16,411,106)	(21,416)	(16,432,522)
BUSINESS-TYPE ACTIVITIES						
County Club	134,018	147,000	-	-	12,982	12,982
Farm Fund	11,853	35,000	-	-	23,147	23,147
TOTAL BUSINESS-TYPE ACTIVITIES	145,871	182,000	-	-	36,129	36,129
TOTAL GOVERNMENT AND BUSINESS-TYPE ACTIVITIES	\$ 25,744,973	\$ 7,315,487	\$ 2,054,509	(16,411,106)	14,713	(16,396,393)
GENERAL REVENUES						
Property taxes, levied for general purposes				8,602,678	-	8,602,678
Amusement tax				1,133,682	-	1,133,682
Local services taxes				908,788	-	908,788
Mercantile tax				923,789	-	923,789
Real estate transfer taxes				622,381	-	622,381
Parking transaction fee				227,635	-	227,635
Other taxes				184,855	-	184,855
Interest and rents				488,609	9,369	497,978
Miscellaneous revenues				97,677	-	97,677
Special item - Capital Assets from Private Purpose Trust				717,340	-	717,340
Transfers, net				19,363	(19,363)	-
TOTAL GENERAL REVENUES AND TRANSFERS				13,926,797	(9,994)	13,916,803
CHANGE IN NET ASSETS				(2,484,309)	4,719	(2,479,590)
NET ASSETS, BEGINNING OF YEAR				73,693,529	4,031,145	77,724,674
NET ASSETS, END OF YEAR				\$ 71,209,220	\$ 4,035,864	\$ 75,245,084

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2009

	General Fund	Investment Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,333,844	\$ 5,433,833	\$ 371,574	\$ 10,628,689	\$ 17,767,939
Investments	-	37,211,926	-	-	37,211,926
Taxes receivable, net of allowance of \$3,149	116,312	-	59,292	65,765	241,369
Special assessment receivable, net of allowance of \$1,842	90,250	-	-	11,897	102,147
Accounts receivable	120,375	268,273	-	177	388,825
Allowance for doubtful accounts	(40,349)	(135,837)	-	-	(176,186)
Revenue receivable	152,594	-	-	-	152,594
Advances to other funds	-	-	-	584,888	584,888
Due from other funds	331,957	-	51,505	59,219	442,681
TOTAL ASSETS	\$ 2,104,983	\$ 42,778,195	\$ 482,371	\$ 11,350,634	\$ 56,716,183
LIABILITIES					
Accounts payable	\$ 586,104	\$ -	\$ -	\$ 450,414	\$ 1,036,518
Accrued salaries and benefits	265,629	-	-	27,602	293,231
Deferred revenue	206,592	14,250	59,292	72,846	352,980
Deposits and refunds	76,608	55,123	-	-	131,731
Due to other funds	110,724	-	-	222,171	332,895
Due to other governments	11,667	65,477	-	-	77,144
Advances from other funds	78,950	-	-	-	78,950
Other liabilities	-	-	-	4,616	4,616
TOTAL LIABILITIES	1,336,274	134,850	59,292	777,648	2,308,064
FUND BALANCES					
Reserve for					
Debt service	-	657,984	423,079	-	1,081,063
Advances	-	-	-	584,888	584,888
Transportation impact fee	-	-	-	374,341	374,341
Unreserved, designated for capital programs	-	41,985,361	-	-	41,985,361
Unreserved, designated for, reported in nonmajor					
Special revenue fund	-	-	-	139,240	139,240
Capital projects fund	-	-	-	7,086,875	7,086,875
Undesignated	768,709	-	-	-	768,709
Unreserved, undesignated in nonmajor					
Special revenue fund	-	-	-	1,294,178	1,294,178
Capital projects fund	-	-	-	1,093,464	1,093,464
TOTAL FUND BALANCES	768,709	42,643,345	423,079	10,572,986	54,408,119
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,104,983	\$ 42,778,195	\$ 482,371	\$ 11,350,634	\$ 56,716,183

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP

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

December 31, 2009

TOTAL GOVERNMENTAL FUNDS BALANCES		\$	54,408,119
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is \$101,224,978 and the accumulated depreciation is \$50,018,780.			51,206,198
Certain property tax revenues will be collected after year end, but are not available soon enough to pay for current period expenditures and therefore are unearned in the funds			331,624
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 the following:			
Accrued interest on bonds	\$	(356,377)	
Bonds and notes payable		(32,142,979)	
Bond discount, net of issuance costs		368,803	
Compensated absences		(1,205,199)	
Post retirement employment benefit obligation		<u>(1,400,969)</u>	(34,736,721)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u>71,209,220</u>

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP

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

For the Year Ended December 31, 2009

	General	Investment Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes					
Property	\$ 3,750,379	\$ -	\$ 2,284,037	\$ 2,332,804	\$ 8,367,220
Amusement	1,133,682	-	-	-	1,133,682
Local services	908,788	-	-	-	908,788
Mercantile	923,789	-	-	-	923,789
Real estate transfer	622,381	-	-	-	622,381
Parking transaction	227,635	-	-	-	227,635
Per Capita	141,315	-	-	-	141,315
Mechanical device	43,540	-	-	-	43,540
Liquor license and beverage	8,550	-	-	-	8,550
Licenses and permits	1,086,170	-	-	17,896	1,104,066
Fines and forfeits	206,120	-	-	-	206,120
Interest and rents	50,300	1,211,270	3,514	111,854	1,376,938
Intergovernmental	575,121	-	-	1,306,805	1,881,926
Charges for services	5,555,045	-	-	247,505	5,802,550
Special assessment	-	-	-	610	610
Contributions private sources	37,500	-	-	107,178	144,678
Gain (loss) on investments	-	(890,769)	-	-	(890,769)
Refunds of prior years	-	-	-	11,738	11,738
Miscellaneous	1,001	86,643	-	4,298	91,942
TOTAL REVENUES	<u>15,271,316</u>	<u>407,144</u>	<u>2,287,551</u>	<u>4,140,688</u>	<u>22,106,699</u>
EXPENDITURES					
Current					
General government	1,559,658	45,501	21,829	38,519	1,665,507
Public safety	9,816,322	-	-	1,331,563	11,147,885
Public works	5,075,001	-	-	1,221,112	6,296,113
Parks and recreation	-	-	-	1,241,482	1,241,482
Miscellaneous expense	695,397	-	-	-	695,397
Capital outlay	102,292	-	-	5,979,541	6,081,833
Debt service principal	-	-	1,632,251	-	1,632,251
Debt service interest	-	-	1,184,849	38,170	1,223,019
TOTAL EXPENDITURES	<u>17,248,670</u>	<u>45,501</u>	<u>2,838,929</u>	<u>9,850,387</u>	<u>29,983,487</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,977,354)</u>	<u>361,643</u>	<u>(551,378)</u>	<u>(5,709,699)</u>	<u>(7,876,788)</u>
OTHER FINANCING SOURCES (USES)					
Bond refinancing proceeds	-	-	-	7,830,000	7,830,000
Bond premium	-	-	-	78,123	78,123
Payment to refund bonds	-	-	-	(7,750,000)	(7,750,000)
Bond refinancing expenses	-	-	-	(119,953)	(119,953)
Transfers in	1,112,091	-	822,798	128,387	2,063,276
Transfers out	-	(1,850,000)	(32,000)	(57,700)	(1,939,700)
Sale of capital assets	11,989	-	-	7,200	19,189
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,124,080</u>	<u>(1,850,000)</u>	<u>790,798</u>	<u>116,057</u>	<u>180,935</u>
NET CHANGE IN FUND BALANCES	<u>(853,274)</u>	<u>(1,488,357)</u>	<u>239,420</u>	<u>(5,593,642)</u>	<u>(7,695,853)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>1,621,983</u>	<u>44,131,702</u>	<u>183,659</u>	<u>16,166,628</u>	<u>62,103,972</u>
FUND BALANCE, END OF YEAR	<u>\$ 768,709</u>	<u>\$ 42,643,345</u>	<u>\$ 423,079</u>	<u>\$ 10,572,986</u>	<u>\$ 54,408,119</u>

See accompanying 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

NET CHANGE IN FUND BALANCES- GOVERNMENTAL FUNDS	\$	(7,695,853)
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expenses</p>		
Capital outlays -Government Funds		6,081,834
Capital outlays - Private Purpose Trust		613,127
Depreciation expense		(2,551,102)
Proceeds of Bond Refinancing Issue		(7,830,000)
<p>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 assets.</p>		
		9,382,251
Increase in deferred revenue		252,201
<p>Bond discounts and issuance costs are amortized over the lives of the bonds in the statement of activities, but are recorded as expenditures and other financing uses in the governmental funds - net</p>		
		(124,820)
<p>Compensated absences do not require the use of current financial resources therefore are not reported as expenditures in the governmental funds</p>		
		(30,214)
<p>On the statement of activities the actual and estimated long-term expenditures for post-employment benefits are reported, whereas on the governmental funds only the actual expenditures for post-employment benefits are reported</p>		
		(605,767)
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt in the statement of activities</p>		
		24,034
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	(2,484,309)

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL - GENERAL FUND Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,928,137	\$ 7,934,137	\$ 7,760,059	\$ (174,078)
Licenses and permits	1,000,660	1,000,660	1,086,170	85,510
Fines and forfeits	186,600	186,600	206,120	19,520
Interest and rents	207,125	207,125	50,300	(156,825)
Intergovernmental revenues	602,000	602,000	575,121	(26,879)
Charges for services	5,598,466	5,843,466	5,555,045	(288,421)
Contribution private source	-	37,500	37,500	-
Miscellaneous revenue	-	-	1,001	1,001
TOTAL REVENUES	<u>15,522,988</u>	<u>15,811,488</u>	<u>15,271,316</u>	<u>(540,172)</u>
EXPENDITURES				
Current				
General government	1,880,325	1,880,325	1,559,658	320,667
Public safety	9,704,388	10,395,888	9,816,322	579,566
Public works	5,227,514	5,334,514	5,075,001	259,513
Miscellaneous expenditures	720,000	735,000	695,397	39,603
Capital outlay	-	-	102,292	(102,292)
TOTAL EXPENDITURES	<u>17,532,227</u>	<u>18,345,727</u>	<u>17,248,670</u>	<u>1,097,057</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,009,239)</u>	<u>(2,534,239)</u>	<u>(1,977,354)</u>	<u>556,885</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	11,989	11,989
Transfer in	1,007,878	1,007,878	1,112,091	104,213
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,007,878</u>	<u>1,007,878</u>	<u>1,124,080</u>	<u>116,202</u>
NET INCREASE (DECREASE) IN FUND BALANCE	(1,001,361)	(1,526,361)	(853,274)	673,087
FUND BALANCE, BEGINNING	<u>1,621,983</u>	<u>1,621,983</u>	<u>1,621,983</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 620,622</u>	<u>\$ 95,622</u>	<u>\$ 768,709</u>	<u>\$ 673,087</u>

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

December 31, 2009

	Country Club	Farm Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 98,835	\$ 55,377	\$ 154,212
Accounts receivable	248,930	20,663	269,593
Total current assets	347,765	76,040	423,805
Noncurrent			
Land	1,155,000	2,200,000	3,355,000
Land improvements	648,439	-	648,439
Building and building improvements	818,709	137,317	956,026
Furniture and equipment	691,199	-	691,199
Accumulated depreciation	(1,054,424)	(23,065)	(1,077,489)
Other assets	25,000	-	25,000
Total noncurrent assets	2,283,923	2,314,252	4,598,175
Total assets	2,631,688	2,390,292	5,021,980
Liabilities			
Current liabilities			
Accounts payable	-	491	491
Deferred revenue	12,250	-	12,250
Due to other funds	356,574	149,365	505,939
Note payable	56,221	-	56,221
Total current liabilities	425,045	149,856	574,901
Noncurrent			
Note payable, less current maturities	411,215	-	411,215
Total liabilities	836,260	149,856	986,116
Net Assets			
Invested in capital assets, net of related debt	1,791,487	2,314,252	4,105,739
Unrestricted net assets (deficit)	3,941	(73,816)	(69,875)
Total net assets	\$ 1,795,428	\$ 2,240,436	\$ 4,035,864

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Country Club	Farm Fund	Total
Operating revenues			
Charges for services			
Licensing fees	\$ 147,000	\$ 35,000	\$ 182,000
Rent		8,400	8,400
Total Revenue	<u>147,000</u>	<u>43,400</u>	<u>190,400</u>
Operating expenses			
Public works:			
Parks and recreation	43,209	8,211	51,420
Depreciation	90,809	3,642	94,451
Total operating expenses	<u>134,018</u>	<u>11,853</u>	<u>145,871</u>
Operating Income	12,982	31,547	44,529
Non-operating revenues (expense)			
Interest income	707	262	969
Interest expense	(21,416)	-	(21,416)
Total non-operating revenues (expense)	<u>(20,709)</u>	<u>262</u>	<u>(20,447)</u>
(Deficit) income before transfers	<u>(7,727)</u>	<u>31,809</u>	<u>24,082</u>
Transfers out	<u>(6,674)</u>	<u>(12,689)</u>	<u>(19,363)</u>
Change in net assets	(14,401)	19,120	4,719
Net assets, beginning of year	<u>1,809,829</u>	<u>2,221,316</u>	<u>4,031,145</u>
Net assets, end of year	<u>\$ 1,795,428</u>	<u>\$ 2,240,436</u>	<u>\$ 4,035,864</u>

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Country Club	Farm Fund	Total
Cash Flow from operating activities			
Receipts from customers	\$ 190,209	\$ 49,582	\$ 239,791
Payments to suppliers	43,210	20,104	63,313
Net cash provided by operating activities	<u>147,000</u>	<u>29,478</u>	<u>176,478</u>
Cash Flow from noncapital financing activities			
Payments to interfund advance	58,998	11,665	70,663
Transfers to other funds	6,674	12,689	19,363
Net cash provided by noncapital financing activities	<u>65,672</u>	<u>24,354</u>	<u>90,026</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	-	-	-
Principal paid on long-term debt	52,953	-	52,953
Interest paid on note payable	21,416	-	21,416
Net cash provided by capital and related financing activities	<u>74,369</u>	<u>-</u>	<u>74,369</u>
Cash flow from investing activities			
Earnings on investments	706	262	968
Net increase in cash and cash equivalents	7,665	5,386	13,051
Cash and cash equivalents, beginning of year	<u>91,170</u>	<u>49,991</u>	<u>141,161</u>
Cash and cash equivalents, end of year	<u>\$ 98,835</u>	<u>\$ 55,377</u>	<u>\$ 154,212</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 12,982	\$ 31,547	\$ 44,529
Adjustments to reconcile operating income to net cash provided by operating expenses			
Depreciation	90,809	3,642	94,451
Decrease (Increase) in assets			
Accounts receivable	43,209	(6,182)	37,027
Accounts payable	-	471	471
Net cash provided by operating activities	<u>\$ 147,000</u>	<u>\$ 29,478</u>	<u>\$ 176,478</u>

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
December 31, 2009

	Pension Trust Funds	Private Purpose Trust	Agency Fund	Post Retirement Health Benefit Fund
Assets				
Cash and cash equivalents	\$ 878,511	\$ 859,912	\$ 1,753,671	\$ 189,435
Interest receivable	128,683	-	-	-
Pension plan investments				
U.S. government obligations	9,514,158	-	-	-
Corporate obligations	3,347,324	-	-	-
Common stocks	556,578	-	-	-
Government supported mortgages	11,980,251	-	-	-
Total assets	\$ 26,405,505	\$ 859,912	\$ 1,753,671	\$ 189,435
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits and refunds	-	-	1,399,813	-
Due to other funds	-	109,786	-	-
Other liabilities	-	63,457	353,858	-
Total liabilities	-	173,243	1,753,671	-
Net assets held in trust for pension benefits and other purposes	26,405,505	686,669	-	189,435
Total liabilities and net assets	\$ 26,405,505	\$ 859,912	\$ 1,753,671	\$ 189,435

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
For the Year Ended December 31, 2009

	Pension Trust Funds	Private Purpose Funds	Post Retirement Health Benefit Funds
Additions			
Contributions			
Employee contributions	\$ 352,825	\$ -	\$ -
Township contributions	866,328	306,568	140,502
Insurance proceeds	66,501	-	-
Total contributions	<u>1,285,654</u>	<u>306,568</u>	<u>140,502</u>
Investment income			
Interest and dividend income	894,555	-	58,933
Net appreciation in fair market value of investments	2,266,345	-	-
Total investment income	<u>3,160,900</u>	<u>-</u>	<u>58,933</u>
Less: investment expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net investment income	<u>3,160,900</u>	<u>-</u>	<u>58,933</u>
Total Additions	<u>4,446,554</u>	<u>306,568</u>	<u>199,435</u>
Deductions			
Benefits			
Administrative expenses	1,945,685	-	-
Purchase of equipment	244,664	8,863	-
Total Deductions	<u>-</u>	<u>613,127</u>	<u>-</u>
Excess (deficiency) of additions over deductions	<u>2,256,205</u>	<u>(315,422)</u>	<u>199,435</u>
Transfers out	<u>-</u>	<u>(104,213)</u>	<u>-</u>
Change in net assets	<u>2,256,205</u>	<u>(419,635)</u>	<u>199,435</u>
Net assets, beginning of year	<u>24,149,300</u>	<u>1,106,304</u>	<u>(10,000)</u>
Net assets, end of year	<u>\$ 26,405,505</u>	<u>\$ 686,669</u>	<u>\$ 189,435</u>

See accompanying notes to financial statements.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

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. The 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.

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:

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types (Continued)

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 2009 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 - 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
	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.

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:

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds (Continued)

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 - This fund is used to account for resources reserved for OPEB costs.

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.

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.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Fund financial statements are provided for governmental 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 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 made.

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 for the specific purpose or project before any amounts will be paid to the Township; therefore, revenues are recognized based upon the expenditures incurred. In the other, 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.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

The Governmental Accounting Standards Board ("GASB") is the accepted standards-setting body for establishing government accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards recognizes three fund categories and two account groups as appropriate for the accounting and reporting of the financial position and results of operations in accordance with generally accepted accounting principles. The Township had adopted these disclosures.

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 expenses during the reporting period. Actual results could differ from those estimates.

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.

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 lien 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.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables (Continued)

Millage rates approved in the 2009 budget:

	<u>Mills</u>
General Fund	7.0000
Highway Lighting	0.7000
Fire Protection	1.3750
Park and Recreation	1.6200
Ambulance and Rescue	0.3950
Debt Service	4.3800
Fire Hydrant	0.0700
Road Machinery	0.3000
	<u>15.8400</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.

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 and building improvements	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, including related employee benefits.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 50 percent 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. All police officers are entitled to 50 days severance pay at retirement with 10 years' service.

The Township is liable to employees in the amount of \$1,205,199 for earned vacation, vested sick pay and vested severance pay as of December 31, 2009. Amounts due within one year were \$90,583. General fund resources are used to liquidate the liability for compensated absences.

Interfund Transfers

In connection with its operations, the Township affects 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.

Other Post Employment Benefits ("OPEB") Other than Pensions

The Township provides post employment benefits other than pensions for police officers. A liability for the amount is reported in the government-wide financial statements based on an actuarial valuation.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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).
- 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).

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. DEPOSITS AND INVESTMENTS (CONTINUED)

- 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).

Custodial credit risk-deposits - 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 checking, savings, demand and time deposits, and money market accounts at financial institutions. As of December 31, 2009, \$6,942,159 of the Township's bank balance of \$7,442,159 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.

As of December 31, 2009, the Township had the following investments (including fiduciary funds):

	<u>Fair Value</u>
Pennsylvania Local Government Investment Trust (PLGIT)	\$ 8,927,771
PA Treasury Invest Community Pool	56,868
U.S. Government Obligations (Bonds, Notes, Treasury Bills)	38,680,770
Corporate Obligations	3,347,324
Government Supported Mortgages	1,438,430
Stock Equities	11,980,251
Certificates of Deposit	7,004,469
Money Market Funds	6,432,388
	<u>\$ 77,868,271</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. DEPOSITS AND INVESTMENTS (CONTINUED)

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 investments. 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, 2009, the Township's investments had the following weighted average maturities:

	Fair Value	Weighted Average Maturity (Years)
U.S. Government Obligations (Bonds, Notes, Treasury Bills)	\$ 69,929,085	3.94
Corporate Obligations	3,347,324	5.47
Government Supported Mortgages	556,578	26.87
Certificates of Deposit	7,004,469	0.98

A portion of the Township's funds are invested 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.

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.

Concentration of credit risk - is the 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 U.S. Treasury Securities and authorized pools. At December 31, 2009, the Township's investments in U.S. Government Obligations, Corporate obligations and stock equities each exceeded 5% of the total investments.

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.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

C. CAPITAL ASSETS

Classification	Balance 01/01/09	Additions	Deletions	Balance 12/31/09
Government activities				
Capital asses, not being depreciated				
Land	\$ 7,215,853	\$ 89,400	\$ -	\$ 7,305,253
Capital assets being depreciated				
Land improvements	3,095,687	1,185,264	-	4,280,951
Building and building improvements	14,844,698	3,909,047	-	18,753,745
Machinery and equipment	7,357,712	926,664	(155,297)	8,129,079
Infrastructure	62,171,364	584,586	-	62,755,950
Total capital assets being depreciated, at historic cost	87,469,461	6,605,561	(155,297)	93,919,725
Less accumulated depreciation				
Land improvements	1,698,689	201,012	-	1,899,701
Building and building improvements	2,801,093	370,101	-	3,171,194
Machinery and equipment	4,856,096	546,784	(155,297)	5,247,583
Infrastructure	38,267,097	1,433,205	-	39,700,302
Total accumulated depreciation	47,622,975	2,551,102	(155,297)	50,018,780
Total capital assets being depreciated, net	39,846,486	4,054,459	-	43,900,945
Government activities, net	\$ 47,062,339	\$ 4,143,859	\$ -	\$ 51,206,198
Business type activities				
Land	\$ 3,355,000	\$ -	\$ -	\$ 3,355,000
Capital assets being depreciated				
Land improvements	648,439	-	-	648,439
Building and building improvements	956,026	-	-	956,026
Furniture and equipment	691,199	-	-	691,199
Total capital assets being depreciated, at historic cost	2,295,664	-	-	2,295,664
Less accumulated depreciation				
Land improvements	263,414	32,422	-	295,836
Building and building improvements	253,039	20,016	-	273,055
Furniture and equipment	466,585	42,013	-	508,598
Total accumulated depreciation	983,038	94,451	-	1,077,489
Total capital assets being depreciated, net	1,312,626	(94,451)	-	1,218,175
Business type activities, net	\$ 4,667,626	\$ (94,451)	\$ -	\$ 4,573,175

Depreciation expense was charged as direct expense to programs of the government as follows:

General government	\$ 221,059
Public safety	429,496
Public works	308,475
Parks and recreation	158,867
	1,117,897
Unallocated expense	1,433,205
	\$ 2,551,102

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

D. BOND AND OTHER LONG-TERM DEBT

General Obligation Bonds, Series 2009

In June of 2009, Middletown Township issued General Obligation (“G.O.”) bonds in the amount of \$7,830,000 to currently refund the Township’s G.O. bonds, Series 2004 and to pay the costs of issuing the bonds.

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 3.750%.

Interest of \$87,502 and principal of \$315,000 were paid in 2009.

Principal and interest payments will be made until maturity in 2020 as follows:

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 595,000	\$ 228,780	\$ 823,780
2011	610,000	215,393	825,393
2012	625,000	200,142	825,142
2013	640,000	184,518	824,518
2014	655,000	168,517	823,517
2015-2019	3,600,000	521,640	4,121,640
2020-2024	790,000	29,625	819,625
	<u>\$ 7,515,000</u>	<u>\$ 1,548,615</u>	<u>\$ 9,063,615</u>

General Obligation Bonds, Series 2008

In April of 2008, Middletown Township issued 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 \$367,568 and principal of \$150,000 were paid in 2009.

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

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 355,000	\$ 363,068	\$ 718,068
2011	365,000	354,725	719,725
2012	375,000	345,782	720,782
2013	385,000	335,658	720,658
2014	395,000	324,685	719,685
2015-2019	2,175,000	1,419,097	3,594,097
2020-2024	2,615,000	980,525	3,595,525
2025-2029	3,185,000	405,050	3,590,050
	<u>\$ 9,850,000</u>	<u>\$ 4,528,590</u>	<u>\$ 14,378,590</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

General Obligation Bonds, Series 2006

In March of 2006, Middletown Township issued 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 \$366,690 and principal of \$370,000 were paid in 2009.

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

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 385,000	\$ 354,110	\$ 739,110
2011	395,000	340,828	735,828
2012	410,000	326,805	736,805
2013	425,000	311,942	736,942
2014	440,000	296,218	736,218
2015-2019	2,480,000	1,214,852	3,694,852
2020-2024	3,005,000	678,440	3,683,440
2025-2026	1,385,000	88,825	1,473,825
	<u>\$ 8,925,000</u>	<u>\$ 3,612,020</u>	<u>\$ 12,537,020</u>

General Obligation Bonds, Series 2005

In January of 2005, Middletown Township issued G.O. bonds in the amount of \$8,325,000 to advance refund the Township's G.O. bond Series 1997 and a portion of the Township's G.O. 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 \$191,440 and principal of \$770,000 were paid in 2009.

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

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	580,000	62,690	642,690
2015-2017	1,145,000	86,470	1,231,470
	<u>\$ 5,060,000</u>	<u>\$ 674,170</u>	<u>\$ 5,734,170</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

General Obligation Bonds, Series 1998

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

Interest in the amount of \$21,620 was paid in 2009.

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

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 21,620	\$ 21,620
2011	-	21,620	21,620
2012	-	21,620	21,620
2013	-	21,620	21,620
2014	-	21,620	21,620
2015-2017	470,000	32,660	502,660
	<u>\$ 470,000</u>	<u>\$ 140,760</u>	<u>\$ 610,760</u>

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, 2009, the principal amount of the bonds outstanding but considered defeased totaled approximately \$6,146,115. Accordingly, such defeased obligations do not appear as liabilities on the balance sheet as of December 31, 2009.

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 2009, interest in the amount of \$11,875 and principal payments of \$35,147 were made.

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 24,214	\$ 11,081	\$ 35,295
2011	25,088	10,207	35,295
2012	25,995	9,300	35,295
2013	26,933	8,362	35,295
2014	27,905	7,390	35,295
2015-2019	155,385	21,088	176,473
2020-2021	37,455	781	38,236
	<u>\$ 322,975</u>	<u>\$ 68,209</u>	<u>\$ 391,184</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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

Middletown County Club Note

As of December 31, 2009, the outstanding principal balance of the note payable for the purchase of the Middletown Country Club was \$467,436. 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 2009 was \$52,955. A schedule of the Township's debt service requirements is as follows:

<u>Year of Maturity</u>	<u>Principal</u>
2010	\$ 56,221
2011	59,690
2012	63,371
2013	67,279
2014	71,427
2015-2017	<u>149,447</u>
	<u><u>\$ 467,435</u></u>

Long-Term Liabilities Summary

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

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2009</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<i>Government activities</i>					
G.O. Bonds 2009	\$ -	\$ 7,830,000	\$ 315,000	\$ 7,515,000	\$ 595,000
G.O. Bonds 2008	10,000,000	-	150,000	9,850,000	355,000
G.O. Bonds 2006	9,295,000	-	370,000	8,925,000	385,000
G.O. Bonds 2005	5,830,000	-	770,000	5,060,000	795,000
G.O. Bonds 2004	7,750,000	-	7,750,000	-	-
G.O. Bonds 1998	470,000	-	-	470,000	-
Penn Vest Loan	<u>350,226</u>	-	<u>27,251</u>	<u>322,975</u>	<u>24,214</u>
Total bonds and notes	33,695,226	7,830,000	9,382,251	32,142,975	2,154,214
Compensated absences	1,174,985	168,132	137,918	1,205,199	90,583
Other post employment benefits	<u>795,202</u>	<u>795,202</u>	<u>189,435</u>	<u>1,400,969</u>	
Total governmental activities	<u>\$ 35,665,413</u>	<u>\$ 8,793,334</u>	<u>\$ 9,709,604</u>	<u>\$ 34,749,143</u>	<u>\$ 2,244,797</u>
<i>Business type activities</i>					
Middletown County Club Note	<u>\$ 520,390</u>	<u>\$ -</u>	<u>\$ 52,955</u>	<u>\$ 467,435</u>	<u>\$ 56,221</u>

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

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,154,214	\$ 1,146,999	\$ 3,301,213
2011	2,220,088	1,087,263	3,307,351
2012	2,275,995	1,023,389	3,299,384
2013	2,351,933	954,540	3,306,473
2014	2,097,905	881,120	2,979,025
2015 - 2019	10,025,385	3,317,432	13,342,817
2020 - 2024	6,512,467	1,692,008	8,204,475
2025 - 2029	<u>4,570,000</u>	<u>465,863</u>	<u>5,035,863</u>
	<u>\$ 32,207,987</u>	<u>\$ 10,568,614</u>	<u>\$ 42,776,601</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. 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 lease 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.

F. EMPLOYEE RETIREMENT SYSTEM

Plan Descriptions:

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, P.L. 1005, No. 205, and the "Municipal Police Pension Law Act" of May 29, 1956, P.L. 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 Police Pension 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.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

F. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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.

Nonuniformed Pension Plan

All Township full-time nonuniformed 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. 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 nonuniformed 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

F. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

The following summarizes financial information of the police pension plan and non-uniformed pension plan as of and for the year ended December 31, 2009.

Combining Statement of Net Assets	Police Pension Fund	Non-Uniform Pension Fund	Total
Assets			
Cash and cash equivalents	\$ 705,508	\$ 173,003	\$ 878,511
Interest receivable	109,177	19,506	128,683
Investment, at fair value			
U.S. government obligations	8,035,724	1,478,434	9,514,158
Corporate obligations	2,856,989	490,335	3,347,324
Government supported mortgages	462,376	94,202	556,578
Common stocks	10,126,038	1,854,213	11,980,251
Total Assets	<u>22,295,812</u>	<u>4,109,693</u>	<u>26,405,505</u>
Net assets held in trust for pension benefits and other programs	<u>\$ 22,295,812</u>	<u>\$ 4,109,693</u>	<u>\$ 26,405,505</u>
Combining Statement of Changes in Net Assets	Police Pension Fund	Non-Uniform Pension Fund	Total
Additions			
Contributions			
Employee contributions	\$ 251,768	\$ 101,057	\$ 352,825
Township contributions	785,798	80,530	866,328
Insurance proceeds	66,501	-	66,501
Total contributions	<u>1,104,067</u>	<u>181,587</u>	<u>1,285,654</u>
Investment income			
Interest and dividend income	760,660	133,895	894,555
Net appreciation in fair market value of investments	1,921,214	345,131	2,266,345
Total investment income	<u>2,681,874</u>	<u>479,026</u>	<u>3,160,900</u>
Net investment income	<u>2,681,874</u>	<u>479,026</u>	<u>3,160,900</u>
Total Additions	<u>3,785,941</u>	<u>660,613</u>	<u>4,446,554</u>
Deductions			
Benefits	1,863,099	82,586	1,945,685
Administrative expenses	207,415	37,249	244,664
Total Deductions	<u>2,070,514</u>	<u>119,835</u>	<u>2,190,349</u>
Net increase	<u>1,715,427</u>	<u>540,778</u>	<u>2,256,205</u>
Net assets held in trust for pension benefits	<u>1,715,427</u>	<u>540,778</u>	<u>2,256,205</u>
Net assets, beginning of year	<u>20,580,385</u>	<u>3,568,915</u>	<u>24,149,300</u>
Net asset, end of year	<u>\$ 22,295,812</u>	<u>\$ 4,109,693</u>	<u>\$ 26,405,505</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

F. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Since both the Police and Nonuniformed 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 Plan's financial statements are prepared using the accrual basis of accounting. The method used to value assets in the actuarial updates is the fair value method. Both pension plans record their assets at fair value. 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.

Membership of each plan consists of the following at January 1, 2009 (the date of the latest actuarial valuation):

	Police Pension Plan	Non uniformed Pension Plan	Total
Payroll information			
Payroll for employee covered by each pension plan	\$ 4,437,594	\$ 2,043,051	\$ 6,480,645
Membership information			
Retirees and beneficiaries currently receiving benefits	42	5	47
Terminated vested employees	1	11	12
Active employees			
Fully vested	18	36	54
Nonvested	30	7	37
Total active employees	48	43	91

Funding Policy

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. 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 \$425,409 for the pension for the year ended December 31, 2009.

	Police	Nonuniformed	Total
Township contributions	\$ 785,798	\$ 80,530	\$ 866,328
Employee contributions	251,768	101,057	352,825

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

F. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Annual Pension Cost and Net Pension Obligation

The two plans' annual pension cost and net pension obligation as of January 1, 2009 (date of latest actuarial valuation), were:

	<u>Police</u>	<u>Nonuniformed</u>
Annual required contribution	\$ 430,259	\$ 202,707
Interest on net pension obligation	-	-
Adjusted to annual required contribution	-	-
Annual pension cost	430,259	202,707
Contributions made	-	-
Increase in net pension obligation	430,259	202,707
Net pension obligation beginning of year	-	-
Net pension obligation end of year	\$ 430,259	\$ 202,707

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	12/31/2007	\$ 268,227	100%	-
	12/31/2008	308,481	100%	-
	12/31/2009	430,259	100%	-
Nonuniformed	12/31/2007	-	100%	-
	12/31/2008	-	100%	-
	12/31/2009	-	100%	-

Funded Status and Funding Progress

As of January 1, 2009, the latest valuation date, both plans had unfunded actuarial accrued liabilities as follows:

	<u>Police</u>	<u>Nonuniformed</u>
Actuarial accrued liability at 1/1/09	\$ 32,263,479	\$ 4,413,836
Actuarial value of plan assets as of 1/1/09	28,588,615	4,365,195
Unfunded (overfunded) actuarial accrued liability	3,674,864	48,641
Funded ratio	88.61%	98.90%
Ratio of unfunded (overfunded) actuarial accrued liability for annual covered payroll	82.8%	2.4%

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

F. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Actuarial Methods and Assumptions

A bi-annual actuarial valuation is performed for each plan, as of January 1, 2009. 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 Nonuniformed Plan; (3) increase in CPI for the Police Plan only: 3.0 percent per annum compounded annually; (4) administrative expenses: \$249,233 for the Police Pension Plan and \$47,323 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; (7) the Entry Age Normal Actuarial; and (8) amortization method: over future years, as specified in Act 205.

There were no significant changes in actuarial assumptions for either Plan in 2009.

Schedule of Funding Progress

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status

The funded status of each plan as of January 1, 2009, to most recent valuation date is as follows:

Schedule of Township and State (PA) Contributions

Year	Police Plan			
	Annual Required Contribution	State's Contribution	Township's Annual Required Contribution	Percentage Contributed
2004	\$ 531,208	\$ 386,732	\$ 144,476	100%
2005	580,746	353,877	226,869	100%
2006	591,820	330,083	261,737	100%
2007	605,161	349,876	255,285	100%
2008	660,750	353,877	306,873	100%
2009	785,798	344,880	440,918	100%

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

F. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Schedule of Township and State (PA) Contributions

Non-Uniformed Pension Plan				
Year	Annual Required Contribution	State's Contribution	Township's Annual Required Contribution	Percentage Contributed
2004	\$ 67,439	\$ 67,439	\$ -	100%
2005	64,651	64,651	-	100%
2006	93,044	93,044	-	100%
2007	86,193	86,193	-	100%
2008	103,038	103,038	-	100%
2009	80,530	80,530	-	100%

G. DEFERRED COMPENSATION PLAN

The Township offers all of its employees the option to participate in a Deferred Compensation Plan (the "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 Plan is not recorded in the financial statements.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

H. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description:

The Township’s post employment benefits other than pensions 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 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.

Funding Policy

Contribution requirements are negotiated between the Township and union representatives. The Township contributes 100 percent of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2009, the Township contributed \$48,993 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Township’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution of the employer (“ARC”). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township’s net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	795,202
Interest on net OPEB obligation		58,933
Adjustment to annual required contribution		(388,870)
Annual OPEB cost (expense)		<u>465,265</u>
Contributions made		<u>140,502</u>
Increase in net OPEB obligation		605,767
Net OPEB obligation, beginning of year		795,202
Net OPEB obligation, end of year	\$	<u><u>1,400,969</u></u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

H. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The Township’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2009 and the preceding fiscal years were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 795,202	0%	\$ 795,202
2009	795,202	18%	654,700

Funded Status and Funding Progress

As of January 1, 2008, the actuarial accrued liability for benefits was \$6,448,201, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,437,807, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 187.6 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees

Active plan members were assumed to retire at age 50 or older with 25 years of service.

Marital status

Marital status of members at the calculation date was assumed to continue throughout retirement.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

H. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Mortality

Life expectancies were based on mortality tables from the GA 1983 table, which is based on the mortality of the general population.

Turnover

Three percent of members with less than ten years of services are expected to be terminated each year.

Health insurance premiums

Based on the current premium rates, health insurance premiums are assumed to increase by 12% in 2008, decreasing 1% per year to an ultimate rate of 6% in 2014 and later years. Vision care premiums are assumed to increase 5% per year.

Payroll growth rate

The expected long-term payroll growth rate was assumed to be 5.0% per year.

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of 5.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2008, was thirty years.

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.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

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.

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, 2009, the annual installment (principal plus interest) and the scheduled maturities are as follows:

	Balance 1/1/2009	Additions	Principal Payments	Balance 12/31/2009	Due within One year
Police vehicles 2007	\$ 65,637	\$ -	\$ 32,819	\$ 32,818	\$ 32,818
June 1996 flood	60,453	-	14,321	46,132	14,837
Total General Fund	<u>\$ 126,090</u>	<u>\$ -</u>	<u>\$ 47,140</u>	<u>\$ 78,950</u>	<u>\$ 47,655</u>
Curb/Road Revolving Fund	\$ 4,480	\$ -	\$ 4,480	\$ -	
Total Capital Projects Fund	\$ 4,480	\$ -	\$ 4,480	\$ -	
Total Government Fund Type	<u>\$ 130,570</u>			<u>\$ 78,950</u>	<u>\$ 47,655</u>

The following summary reflects the changes in the interfund loans that are recorded in the Enterprise Funds for the year ended December 31, 2009.

	Balance 1/1/2009	Additions	Principal Payments	Balance 12/31/2009
Country Club Fund	\$ 415,573	\$ -	\$ 58,999	\$ 356,574
Farm Fund	161,028	-	11,664	149,364
Total General Fund	<u>\$ 576,601</u>	<u>\$ -</u>	<u>\$ 70,663</u>	<u>\$ 505,938</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, 2009, the annual installment (principal plus interest) and the scheduled maturities are as follows:

	Original Amount	Interest Rate	Annual Installment	Final Due Date	Outstanding 12/31/2009	Outstanding 12/31/2008
General Fund						
Police car 2007	\$ 98,455	0.00%	\$ 32,818	6/1/2010	\$ 32,818	\$ 65,637
June 1996 flood	300,000	3.60%	14,321	6/30/2012	46,132	60,453
					<u>78,950</u>	<u>126,090</u>
Capital Projects Fund						
Curb/road	109,370	0%	-	Repayment based on assessment	-	4,480
Total interfund payables for Governmental Fund Types					<u>\$ 78,950</u>	<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.

	Original Amount	Interest Rate	2009 Annual Installment	Final Due Date	Outstanding 12/31/2009	Outstanding 12/31/2008
Farm Fund	\$ 214,764	0.00%	\$ -		\$ 149,364	\$ 149,364
Farm Fund	34,600	0.00%	11,665		-	11,665
					<u>149,364</u>	<u>161,029</u>
Country Club Loan	313,550	3.60%	15,790	12/1/2015	107,644	123,434
Country Club Pool Loan	133,208	3.60%	9,000	12/1/2015	16,208	25,208
Country Club Irrigation Loan	500,000	3.60%	34,209	12/1/2015	232,722	266,930
					<u>356,574</u>	<u>415,572</u>
Total interfund payable Enterprise Funds					<u>\$ 505,938</u>	<u>\$ 576,601</u>
Total interfund payable Capital Projects Fund					<u>\$ 584,888</u>	<u>\$ 707,171</u>

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

I. INTERFUND ADVANCES AND TRANSFERS (CONTINUED)

Interfund Transfers

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Revenue Fund</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Transfer out:					
Investment Fund	\$ 898,815	\$ 822,798	\$ 128,387	\$ -	\$ 1,850,000
Debt Service Fund	32,000	-	-	-	32,000
Special Revenue Fund	47,700	-	-	-	47,700
Country Club	6,674	-	-	-	6,674
Farm Fund	12,689	-	-	-	12,689
Special Purpose Fund	104,213	-	-	-	104,213
Capital Reserve Fund	10,000	-	-	-	10,000
	<u>\$ 1,112,091</u>	<u>\$ 822,798</u>	<u>\$ 128,387</u>	<u>\$ -</u>	<u>\$ 2,063,276</u>

Due From/To Other Funds

Due from other funds:

Major funds

General Fund	\$ 331,957
Debt Service Fund	51,505
Special Revenue Fund	59,219
	<u>\$ 442,681</u>

Due to other funds:

Major funds

General Fund	\$ 110,724
Other Government Funds	222,171
Private Purpose Trust Fund	109,786
	<u>\$ 442,681</u>

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, 2009.

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.

There are various other claims and pending actions against the Township as of December 31, 2009. Based upon a review of these claims with Township solicitors, the aggregate exposure to liability was not considered material.

MIDDLETOWN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

L. SUBSEQUENT EVENTS

On June 7, 2010, the Township issued \$5,620,000 G.O. bonds series 2010 to (1) currently refund the Township's G.O. bonds, series of 1998, outstanding in the principal amount of \$470,000; (2) currently refund the Township's G.O. bonds, Series of 2005, outstanding in the principal amount of \$5,060,000; and (3) to pay the cost of issuing the bonds. The 2010 bonds carry interest rates of 2.00% to 2.63% with an average yield of 1.82% (after bond premium) and are refunding 1998 bonds carrying interest rates of 4.6% per annum, and 2005 bonds carrying interest rates of 3.0% to 3.8% per annum. As a result of this bond refinancing, the net total savings to Middletown Township amounted to \$203,863.

M. ROUNDING

Some schedules in the financial statements may have dollar differences due to rounding.

REQUIRED SUPPLEMENTARY INFORMATION

MIDDLETOWN TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR THE OTHER POST RETIREMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Aal (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)b
1/1/2008	\$ -	\$6,448,201	\$ 6,448,201	0.0%	\$3,437,807	187.6%

MIDDLETOWN TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR PENSION PLANS

Police Pension

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Aal (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)b
1/1/2004	23,835,673	23,476,661	(359,012)	101.5%	3,887,898	-9.2%
1/1/2005	24,751,471	24,407,042	(344,429)	101.4%	4,042,630	-8.5%
1/1/2006	25,710,791	24,916,475	(794,316)	103.2%	4,006,249	-19.8%
1/1/2007	27,521,027	27,639,909	118,882	99.6%	4,144,680	2.9%
1/1/2008	-	-	-	0.0%	-	0.0%
1/1/2009	28,588,615	32,263,479	3,674,864	88.6%	4,437,594	82.8%

Non-Uniformed

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Aal (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)b
1/1/2004	3,590,754	3,230,914	(359,840)	111.1%	2,107,362	-17.1%
1/1/2005	3,457,529	3,240,727	(216,802)	106.7%	1,948,307	-11.1%
1/1/2006	3,609,254	-	-	0.0%	-	0.0%
1/1/2007	4,134,207	3,699,551	(434,656)	111.7%	1,977,643	-22.0%
1/1/2008	4,015,338	-	-	0.0%	-	0.0%
1/1/2009	4,365,195	4,413,836	48,641	98.9%	2,043,051	2.4%

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 2009, 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.

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 G.O. bonds in 1997.

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 G.O. bonds in 2006.

General Obligation Bond Issue of 2008 Fund - This fund is used to account for the costs of reconstruction, 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. This fund was established by issuance of \$10,000,000 in G.O. bonds in 2008.

General Obligation Bond Issue of 2009 Fund - This fund is used to account for the refunding of the G.O. bonds, series 2004. This fund was established by the issuance of \$7,830,000 in G.O. bonds in 2009.

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.

TOWNSHIP OF MIDDLETOWN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2009

	Special Revenue						Capital Projects						Total		
	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 2006	GOB Issue of 2008	GOB Issue of 2009	Capital Reserve	Curb/Road Revolving	Contingency	Nonmajor Governmental Funds
Assets															
Cash and cash equivalents	\$ 75,267	\$ 207,559	\$ 414,850	\$ 71,328	\$ 24,427	\$ 9,068	\$ 926,201	\$ 62,762	\$ 80,020	\$ 4,225,378	\$ -	\$ 3,443,185	\$ 113,728	\$ 974,915	\$ 10,628,689
Taxes receivable, net	10,975	20,287	23,849	5,314	4,361	979	-	-	-	-	-	-	-	-	65,765
Special assessments receivable	-	-	-	-	-	-	-	-	-	-	-	-	11,897	-	11,897
Accounts receivable, net	177	-	-	-	-	-	-	-	-	-	-	-	-	-	177
Advances to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	584,888	584,888
Due from other funds	9,690	18,526	21,267	5,196	3,563	977	-	-	-	-	-	-	-	-	59,219
Total Assets	\$ 96,109	\$ 246,372	\$ 459,966	\$ 81,838	\$ 32,351	\$ 11,024	\$ 926,201	\$ 62,762	\$ 80,020	\$ 4,225,378	\$ -	\$ 3,443,185	\$ 125,625	\$ 1,559,803	\$ 11,350,634
Liabilities															
Accounts payable	\$ 41,047	\$ -	\$ 11,658	\$ -	\$ -	\$ 5,085	\$ 43,143	\$ 29,266	\$ 1,897	\$ 289,389	\$ -	\$ 28,929	\$ -	\$ -	\$ 450,414
Accrued salaries and wages	1,183	-	13,099	-	-	-	13,319	-	-	-	-	-	-	-	27,602
Deferred revenue	10,977	20,287	23,850	5,315	4,362	979	-	-	-	-	-	-	7,076	-	72,846
Due to other funds	-	-	64,320	-	-	-	157,773	-	3	76	-	-	-	-	222,171
Advances from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	3,293	-	-	-	754	-	69	-	-	500	-	-	4,616
Total Liabilities	53,207	20,287	116,219	5,315	4,362	6,064	214,989	29,266	1,969	289,465	-	29,429	7,076	-	777,649
Fund Balances															
Reserved for															
Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	584,888	584,888
Transportation impact fee	-	-	-	-	-	-	-	-	-	-	-	374,341	-	-	374,341
Unreserved, designated for, reported in,															
Capital projects fund	-	-	-	-	-	-	-	33,496	78,051	3,935,913	-	3,039,415	-	-	7,086,875
Special revenue funds	-	-	139,240	-	-	-	-	-	-	-	-	-	-	-	139,240
Unreserved, undesignated	42,902	226,085	204,507	76,523	27,989	4,960	711,212	-	-	-	-	-	118,549	974,915	2,387,642
Total Fund Balances	42,902	226,085	343,747	76,523	27,989	4,960	711,212	33,496	78,051	3,935,913	-	3,413,756	118,549	1,559,803	10,572,986
Total Liabilities and Funds Balances	\$ 96,109	\$ 246,372	\$ 459,966	\$ 81,838	\$ 32,351	\$ 11,024	\$ 926,201	\$ 62,762	\$ 80,020	\$ 4,225,378	\$ -	\$ 3,443,185	\$ 125,625	\$ 1,559,803	\$ 11,350,634

TOWNSHIP OF MIDDLETOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue						Capital Projects						Total		
	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 2006	GOB Issue of 2008	GOB Issue of 2009	Capital Reserve	Curb/Road Revolving	Contingency	Nonmajor Governmental Funds
Revenues															
Taxes	\$ 366,234	\$ 719,571	\$ 847,227	\$ 206,587	\$ 156,518	\$ 36,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,332,804
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	17,896	-	-	17,896
Interest and rents	951	2,424	8,996	757	441	113	4,704	403	15,410	33,501	-	690	22,297	-	111,854
Intergovernmental revenues	-	381,703	-	-	-	-	881,968	-	-	-	-	43,134	-	-	1,306,805
Charges for services	5,089	-	242,416	-	-	-	-	-	-	-	-	-	-	-	247,505
Special assessment	352	-	-	-	-	-	-	-	-	-	-	-	258	-	610
Contribution private source	-	-	12,970	-	-	-	-	-	-	-	-	94,208	-	-	107,178
Refund of prior years expenditures	-	-	-	-	-	-	11,738	-	-	-	-	-	-	-	11,738
Miscellaneous revenues	-	-	-	-	-	-	2,737	-	1,150	411	-	-	-	-	4,298
Total Revenues	372,626	1,103,698	1,111,609	207,344	156,959	36,780	901,147	403	16,560	33,912	-	176,405	948	22,297	4,140,688
Expenditures															
Current															
General government	-	-	-	-	-	-	-	-	-	-	-	38,519	-	-	38,519
Public safety	-	1,083,192	-	199,471	-	44,144	-	-	-	-	-	4,756	-	-	1,331,563
Public works	459,104	-	-	-	2,493	-	724,346	-	-	-	-	23,370	11,799	-	1,221,112
Parks and recreation	-	-	1,198,066	-	-	-	-	-	-	-	-	43,416	-	-	1,241,482
Capital outlay/development	-	-	-	-	125,997	-	-	45,721	3,679,013	1,706,601	-	422,209	-	-	5,979,541
Debt Service interest	-	-	-	-	-	-	-	-	-	38,170	-	-	-	-	38,170
Total expenditures	459,104	1,083,192	1,198,066	199,471	128,490	44,144	724,346	45,721	3,679,013	1,706,601	38,170	532,270	11,799	-	9,850,387
Excess (deficiency) of revenues over expenditures	(86,478)	20,506	(86,457)	7,873	28,469	(7,364)	176,801	(45,318)	(3,662,453)	(1,672,689)	(38,170)	(355,865)	(10,851)	22,297	(5,709,699)
Other financing source (uses)															
Bond refinancing proceeds	-	-	-	-	-	-	-	-	-	-	7,830,000	-	-	-	7,830,000
Bond premium	-	-	-	-	-	-	-	-	-	-	78,123	-	-	-	78,123
Sale of capital asset	-	-	-	-	7,200	-	-	-	-	-	-	-	-	-	7,200
Transfer in	-	-	128,387	-	-	-	-	-	-	-	(7,750,000)	-	-	-	(7,621,613)
Payment to refund bonds	-	-	-	-	-	-	-	-	-	-	(119,953)	-	-	-	(119,953)
Bond refinancing expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out	(17,000)	(5,000)	(20,000)	(3,500)	(1,200)	(1,000)	-	-	-	-	-	(10,000)	-	-	(57,700)
Total other financing sources (uses)	(17,000)	(5,000)	108,387	(3,500)	6,000	(1,000)	-	-	-	-	38,170	(10,000)	-	-	116,057
Net Change in Fund Balances	(103,478)	15,506	21,930	4,373	34,469	(8,364)	176,801	(45,318)	(3,662,453)	(1,672,689)	-	(365,865)	(10,851)	22,297	(5,593,642)
Fund Balances, Beginning of Year	146,380	210,579	321,817	72,150	(6,480)	13,324	534,411	78,814	3,740,504	5,608,602	-	3,779,621	129,400	1,537,506	16,166,628
Fund Balance, End of Year	\$ 42,902	\$ 226,085	\$ 343,747	\$ 76,523	\$ 27,989	\$ 4,960	\$ 711,212	\$ 33,496	\$ 78,051	\$ 3,935,913	\$ -	\$ 3,413,756	\$ 118,549	\$ 1,559,803	\$ 10,572,986

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)

For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 358,000	\$ 358,000	\$ 366,234	\$ 8,234
Interest and rents	6,000	6,000	951	(5,049)
Charges for services	4,600	4,600	5,089	489
Special assessment	-	-	352	352
TOTAL REVENUES	<u>368,600</u>	<u>368,600</u>	<u>372,626</u>	<u>4,026</u>
EXPENDITURES				
Current				
Public works	<u>456,607</u>	<u>456,607</u>	<u>459,104</u>	<u>(2,497)</u>
TOTAL EXPENDITURES	<u>456,607</u>	<u>456,607</u>	<u>459,104</u>	<u>(2,497)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(88,007)</u>	<u>(88,007)</u>	<u>(86,478)</u>	<u>1,529</u>
OTHER FINANCING SOURCES (USES)				
Transfer 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 INCREASE (DECREASE) IN FUND BALANCE	(105,007)	(105,007)	(103,478)	1,529
FUND BALANCE, BEGINNING	<u>146,380</u>	<u>146,380</u>	<u>146,380</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 41,373</u>	<u>\$ 41,373</u>	<u>\$ 42,902</u>	<u>\$ 1,529</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - FIRE PROTECTION FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 704,250	\$ 704,250	\$ 719,571	\$ 15,321
Interest and rents	-	-	2,424	2,424
Intergovernmental revenues	416,040	416,040	381,703	(34,337)
TOTAL REVENUES	<u>1,120,290</u>	<u>1,120,290</u>	<u>1,103,698</u>	<u>(16,592)</u>
EXPENDITURES				
Current				
Public safety	1,115,290	1,115,290	1,083,192	32,098
TOTAL EXPENDITURES	<u>1,115,290</u>	<u>1,115,290</u>	<u>1,083,192</u>	<u>32,098</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,000</u>	<u>5,000</u>	<u>20,506</u>	<u>15,506</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	-	-	15,506	15,506
FUND BALANCE, BEGINNING	<u>210,579</u>	<u>210,579</u>	<u>210,579</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 210,579</u>	<u>\$ 210,579</u>	<u>\$ 226,085</u>	<u>\$ 15,506</u>

MIDDLETOWN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - PARKS AND RECREATION FUND

(SUPPLEMENTARY INFORMATION)

Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 832,987	\$ 832,987	\$ 847,227	\$ 14,240
Interest and rents	14,300	14,300	8,996	(5,304)
Charges for services	226,600	226,600	242,416	15,816
Contributions private source	14,000	14,000	12,970	(1,030)
TOTAL REVENUES	<u>1,087,887</u>	<u>1,087,887</u>	<u>1,111,609</u>	<u>23,722</u>
EXPENDITURES				
Current				
Parks and recreation	<u>1,250,129</u>	<u>1,250,129</u>	<u>1,198,066</u>	<u>52,063</u>
TOTAL EXPENDITURES	<u>1,250,129</u>	<u>1,250,129</u>	<u>1,198,066</u>	<u>52,063</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(162,242)</u>	<u>(162,242)</u>	<u>(86,457)</u>	<u>75,785</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 INCREASE (DECREASE) IN FUND BALANCE	(36,855)	(36,855)	21,930	58,785
FUND BALANCE, BEGINNING	<u>321,817</u>	<u>321,817</u>	<u>321,817</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 284,962</u>	<u>\$ 284,962</u>	<u>\$ 343,747</u>	<u>\$ 58,785</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - AMBULANCE AND RESCUE FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 201,076	\$ 201,076	\$ 206,587	\$ 5,511
Interest and rents	-	-	757	757
TOTAL REVENUES	<u>201,076</u>	<u>201,076</u>	<u>207,344</u>	<u>6,268</u>
EXPENDITURES				
Current				
Public Safety	<u>197,576</u>	<u>203,576</u>	<u>199,471</u>	<u>4,105</u>
TOTAL EXPENDITURES	<u>197,576</u>	<u>203,576</u>	<u>199,471</u>	<u>4,105</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,500</u>	<u>(2,500)</u>	<u>7,873</u>	<u>10,373</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	-
NET INCREASE (DECREASE) IN FUND BALANCE	-	(6,000)	4,373	10,373
FUND BALANCE, BEGINNING	<u>72,150</u>	<u>72,150</u>	<u>72,150</u>	-
FUND BALANCE, ENDING	<u>\$ 72,150</u>	<u>\$ 66,150</u>	<u>\$ 76,523</u>	<u>\$ 10,373</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - ROAD MACHINERY FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 152,750	\$ 152,750	\$ 156,518	\$ 3,768
Interest and rents	1,000	1,000	441	(559)
TOTAL REVENUES	<u>153,750</u>	<u>153,750</u>	<u>156,959</u>	<u>3,209</u>
EXPENDITURES				
Current				
Public Works	141,625	141,625	128,490	13,135
Capital Outlay				-
TOTAL EXPENDITURES	<u>141,625</u>	<u>141,625</u>	<u>128,490</u>	<u>13,135</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,125</u>	<u>12,125</u>	<u>28,469</u>	<u>16,344</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital asset	-	-	7,200	7,200
Transfers out	(1,200)	(1,200)	(1,200)	-
Total other financing sources (uses)	(1,200)	(1,200)	6,000	7,200
NET INCREASE (DECREASE) IN FUND BALANCE	10,925	10,925	34,469	23,544
FUND BALANCE (Deficit), BEGINNING	<u>(6,480)</u>	<u>(6,480)</u>	<u>(6,480)</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 4,445</u>	<u>\$ 4,445</u>	<u>\$ 27,989</u>	<u>\$ 23,544</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - FIRE HYDRANT FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 35,800	\$ 35,800	\$ 36,667	\$ 867
Interest and rents	400	400	113	(287)
TOTAL REVENUES	<u>36,200</u>	<u>36,200</u>	<u>36,780</u>	<u>580</u>
EXPENDITURES				
Current				
Public safety	38,025	44,025	44,144	(119)
TOTAL EXPENDITURES	<u>38,025</u>	<u>44,025</u>	<u>44,144</u>	<u>(119)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,825)</u>	<u>(7,825)</u>	<u>(7,364)</u>	<u>461</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	(1,000)	(1,000)	(1,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	(2,825)	(8,825)	(8,364)	461
FUND BALANCE, BEGINNING	<u>13,324</u>	<u>13,324</u>	<u>13,324</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 10,499</u>	<u>\$ 4,499</u>	<u>\$ 4,960</u>	<u>\$ 461</u>

MIDDLETOWN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - STATE HIGHWAY AID FUND

(SUPPLEMENTARY INFORMATION)

Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 882,552	\$ 882,552	\$ 881,968	\$ (584)
Interest and rents	11,748	11,748	4,704	(7,044)
Miscellaneous revenue	-	-	2,737	2,737
Refund of prior year expenditure	-	-	11,738	11,738
TOTAL REVENUES	894,300	894,300	901,147	6,847
EXPENDITURES				
Current				
Public works - highways and streets	1,373,489	1,373,489	724,346	649,143
TOTAL EXPENDITURES	1,373,489	1,373,489	724,346	649,143
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(479,189)	(479,189)	176,801	655,990
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET INCREASE (DECREASE) IN FUND BALANCE	(479,189)	(479,189)	176,801	655,990
FUND BALANCE, BEGINNING	534,411	534,411	534,411	-
FUND BALANCE, ENDING	\$ 55,222	\$ 55,222	\$ 711,212	\$ 655,990

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Taxes	\$2,240,076	\$2,240,076	\$2,284,037	\$ 43,961
Interest and rents	16,000	16,000	3,514	(12,486)
TOTAL REVENUES	<u>2,256,076</u>	<u>2,256,076</u>	<u>2,287,551</u>	<u>31,475</u>
EXPENDITURES				
Current				
Debt service	<u>3,139,926</u>	<u>3,139,926</u>	<u>2,838,929</u>	<u>300,997</u>
TOTAL EXPENDITURES	<u>3,139,926</u>	<u>3,139,926</u>	<u>2,838,929</u>	<u>300,997</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(883,850)</u>	<u>(883,850)</u>	<u>(551,378)</u>	<u>332,472</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	822,798	822,798	822,798	
Transfer 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 INCREASE (DECREASE) IN FUND BALANCE	(93,052)	(93,052)	239,420	332,472
FUND BALANCE, BEGINNING	<u>183,659</u>	<u>183,659</u>	<u>183,659</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 90,607</u>	<u>\$ 90,607</u>	<u>\$ 423,079</u>	<u>\$ 332,472</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL OBLIGATION BOND ISSUE OF 1997 FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and rents	\$ 900	\$ 900	\$ 403	\$ (497)
TOTAL REVENUES	<u>900</u>	<u>900</u>	<u>403</u>	<u>(497)</u>
EXPENDITURES				
Capital Outlay	<u>79,815</u>	<u>79,815</u>	<u>45,721</u>	<u>34,094</u>
TOTAL EXPENDITURES	<u>79,815</u>	<u>79,815</u>	<u>45,721</u>	<u>34,094</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(78,915)</u>	<u>(78,915)</u>	<u>(45,318)</u>	<u>33,597</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	(78,915)	(78,915)	(45,318)	33,597
FUND BALANCE (DEFICIT), BEGINNING	<u>78,814</u>	<u>78,814</u>	<u>78,814</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ (101)</u>	<u>\$ (101)</u>	<u>\$ 33,496</u>	<u>\$ 33,597</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL OBLIGATION BOND ISSUE OF 1995 FUND
(SUPPLEMENTARY INFORMATION)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and rents	\$ 9,000	\$ 9,000	\$ -	\$ (9,000)
TOTAL REVENUES	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>(9,000)</u>
EXPENDITURES				
Current				
General Government	<u>279,235</u>	<u>279,235</u>	<u>-</u>	<u>279,235</u>
TOTAL EXPENDITURES	<u>279,235</u>	<u>279,235</u>	<u>-</u>	<u>279,235</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(270,235)</u>	<u>(270,235)</u>	<u>-</u>	<u>270,235</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	(270,235)	(270,235)	-	270,235
FUND BALANCE (DEFICIT), BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ (270,235)</u>	<u>\$ (270,235)</u>	<u>\$ -</u>	<u>\$ 270,235</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL OBLIGATION BOND ISSUE OF 2006 FUND
(SUPPLEMENTARY INFORMATION)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and rents	\$ 200,000	\$ 200,000	\$ 15,410	\$ (184,590)
Miscellaneous revenues	-	-	1,150	1,150
TOTAL REVENUES	<u>200,000</u>	<u>200,000</u>	<u>16,560</u>	<u>(183,440)</u>
EXPENDITURES				
Capital Outlay	<u>4,585,152</u>	<u>4,585,152</u>	<u>3,679,013</u>	<u>906,139</u>
TOTAL EXPENDITURES	<u>4,585,152</u>	<u>4,585,152</u>	<u>3,679,013</u>	<u>906,139</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,385,152)</u>	<u>(4,385,152)</u>	<u>(3,662,453)</u>	<u>722,699</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	(4,385,152)	(4,385,152)	(3,662,453)	722,699
FUND BALANCE, BEGINNING	<u>3,740,504</u>	<u>3,740,504</u>	<u>3,740,504</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ (644,648)</u>	<u>\$ (644,648)</u>	<u>\$ 78,051</u>	<u>\$ 722,699</u>

MIDDLETOWN TOWNSHIP
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL OBLIGATION ISSUE OF 2008 CAPITAL PROJECTS FUND
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and rents	\$ 225,465	\$ 225,465	\$ 33,501	\$ (191,964)
Miscellaneous revenues	-	-	411	411
TOTAL REVENUES	<u>225,465</u>	<u>225,465</u>	<u>33,912</u>	<u>(191,553)</u>
EXPENDITURES				
Capital Outlay	<u>6,291,435</u>	<u>6,291,435</u>	<u>1,706,601</u>	<u>4,584,834</u>
TOTAL EXPENDITURES	<u>6,291,435</u>	<u>6,291,435</u>	<u>1,706,601</u>	<u>4,584,834</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,065,970)</u>	<u>(6,065,970)</u>	<u>(1,672,689)</u>	<u>4,393,281</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	(6,065,970)	(6,065,970)	(1,672,689)	4,393,281
FUND BALANCE, BEGINNING	<u>5,608,602</u>	<u>5,608,602</u>	<u>5,608,602</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ (457,368)</u>	<u>\$ (457,368)</u>	<u>\$ 3,935,913</u>	<u>\$ 4,393,281</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - CAPITAL RESERVE FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 26,500	\$ 26,500	\$ 17,896	\$ (8,604)
Interest and rents	90,000	90,000	21,167	(68,833)
Intergovernmental revenues			43,134	43,134
Contributions private source	60,000	60,000	94,208	34,208
Miscellaneous revenues	-	-	-	-
TOTAL REVENUES	<u>176,500</u>	<u>176,500</u>	<u>176,405</u>	<u>(95)</u>
EXPENDITURES				
Current				
General government	329,423	329,423	60,790	268,633
Public safety	-	-	4,756	(4,756)
Public works	-	-	112,769	(112,769)
Parks and recreation	640,000	640,000	353,955	286,045
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>969,423</u>	<u>969,423</u>	<u>532,270</u>	<u>437,153</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(792,923)</u>	<u>(792,923)</u>	<u>(355,865)</u>	<u>437,058</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	(802,923)	(802,923)	(365,865)	437,058
FUND BALANCE, BEGINNING	<u>3,779,621</u>	<u>3,779,621</u>	<u>3,779,621</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,976,698</u>	<u>\$ 2,976,698</u>	<u>\$ 3,413,756</u>	<u>\$ 437,058</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - CURB/ROAD REVOLVING FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and rents	\$ 2,800	\$ 2,800	\$ 690	\$ (2,110)
Special assessment	-	-	258	258
TOTAL REVENUES	<u>2,800</u>	<u>2,800</u>	<u>948</u>	<u>(1,852)</u>
EXPENDITURES				
Current				
Highways and streets			61	(61)
Capital Outlay				
Highways and streets		12,000	11,738	262
TOTAL EXPENDITURES	<u>-</u>	<u>12,000</u>	<u>11,799</u>	<u>201</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,800</u>	<u>(9,200)</u>	<u>(10,851)</u>	<u>(1,651)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	2,800	(9,200)	(10,851)	(1,651)
FUND BALANCE, BEGINNING	<u>129,400</u>	<u>129,400</u>	<u>129,400</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 132,200</u>	<u>\$ 120,200</u>	<u>\$ 118,549</u>	<u>\$ (1,651)</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - CONTINGENCY FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and rents	\$ 35,000	\$ 35,000	\$ 22,297	\$ (12,703)
TOTAL REVENUES	<u>35,000</u>	<u>35,000</u>	<u>22,297</u>	<u>(12,703)</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>35,000</u>	<u>35,000</u>	<u>22,297</u>	<u>(12,703)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	35,000	35,000	22,297	(12,703)
FUND BALANCE, BEGINNING	<u>1,537,506</u>	<u>1,537,506</u>	<u>1,537,506</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,572,506</u>	<u>\$ 1,572,506</u>	<u>\$ 1,559,803</u>	<u>\$ (12,703)</u>

MIDDLETOWN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - INVESTMENT FUND
(SUPPLEMENTARY INFORMATION)
Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and rents	\$ 1,700,000	\$ 1,700,000	\$ 1,211,270	\$ (488,730)
Gain (loss) on investments	-	-	(890,769)	(890,769)
Miscellaneous revenue	-	-	86,643	86,643
TOTAL REVENUES	<u>1,700,000</u>	<u>1,700,000</u>	<u>407,144</u>	<u>(1,292,856)</u>
EXPENDITURES				
Current				
General Government	<u>50,000</u>	<u>50,000</u>	<u>45,501</u>	<u>4,499</u>
TOTAL EXPENDITURES	<u>50,000</u>	<u>50,000</u>	<u>45,501</u>	<u>4,499</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,650,000</u>	<u>1,650,000</u>	<u>361,643</u>	<u>(1,288,357)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(1,850,000)</u>	<u>(1,850,000)</u>	<u>(1,850,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,850,000)</u>	<u>(1,850,000)</u>	<u>(1,850,000)</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	(200,000)	(200,000)	(1,488,357)	(1,288,357)
FUND BALANCE, BEGINNING	<u>44,131,702</u>	<u>44,131,702</u>	<u>44,131,702</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 43,931,702</u>	<u>\$ 43,931,702</u>	<u>\$ 42,643,345</u>	<u>\$ (1,288,357)</u>

MIDDLETOWN TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TOWNSHIP ESCROW FUND

(SUPPLEMENTARY INFORMATION)

Year Ended December 31, 2009

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.

	1/1/09	Additions	Deletions	12/31/09
Assets				
Cash and cash equivalents	<u>\$ 1,911,320</u>	<u>\$ -</u>	<u>\$ 157,648</u>	<u>\$ 1,753,672</u>
Total Assets	<u>\$ 1,911,320</u>	<u>\$ -</u>	<u>\$ 157,648</u>	<u>\$ 1,753,672</u>
Liabilities				
Accounts payable				
Customer deposits	\$ 1,568,524	\$ -	\$ 168,711	\$ 1,399,813
Accumulated interest	<u>342,796</u>	<u>11,063</u>	<u>-</u>	<u>353,859</u>
Total Liabilities	<u>\$ 1,911,320</u>	<u>\$ 11,063</u>	<u>\$ 168,711</u>	<u>\$ 1,753,672</u>

Township of Middletown

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.

Contents	Schedules
Financial Trends	1 - 4
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	5 - 8
These schedules contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.	
Debt Capacity	9 - 12
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	13 - 14
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	15 -17
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
 Net Assets by Component
 Last Seven Fiscal Years

	2009	2008	2007	Fiscal Year 2006	2005	2004	2003
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	\$ 19,932,022	\$ 13,853,185	\$ 22,552,941	\$ 6,996,862	\$ 19,318,796	\$ 17,052,139	\$ 15,202,028
Restricted	9,774,983	15,103,727	5,186,616	9,831,370	3,226,818	3,435,037	4,560,151
Unrestricted (Deficit)	42,002,215	44,736,617	44,733,314	53,630,677	47,616,459	50,208,504	53,878,686
Total Governmental Activities Net Assets	<u>\$ 71,709,220</u>	<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	\$ 4,105,739	\$ 4,147,236	\$ 4,181,370	\$ 4,134,183	\$ 4,092,058	\$ 4,211,555	\$ 4,164,445
Restricted	-	-	-	-	-	-	-
Unrestricted (Deficit)	(69,875)	(116,091)	(90,552)	(131,796)	(142,807)	(50,001)	424,200
Total Business-Type Activities Net Assets	<u>\$ 4,035,864</u>	<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	\$ 23,537,761	\$ 18,000,421	\$ 26,734,311	\$ 11,131,045	\$ 23,410,854	\$ 21,263,694	\$ 19,366,473
Restricted	9,774,983	15,103,727	5,186,616	9,831,370	3,226,818	3,435,037	4,560,151
Unrestricted (Deficit)	41,932,340	44,620,526	44,642,762	53,498,881	47,473,652	50,158,503	54,302,886
Total Primary Government Net Assets	<u>\$ 75,245,084</u>	<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 Seven Fiscal Years

Expenses	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Governmental Activities:							
General Government	\$ 1,895,527	\$ 2,477,349	\$ 2,436,600	\$ 2,742,439	\$ 2,335,557	\$ 2,127,835	\$ 2,221,228
Public Safety	12,190,862	10,354,328	10,531,545	10,128,030	9,377,597	8,702,906	8,561,957
Public Works	6,615,980	5,733,310	5,804,239	5,629,525	5,414,221	5,157,621	4,107,650
Parks and Recreation	1,402,496	1,231,572	1,439,713	1,450,437	1,204,899	1,123,684	1,231,208
Miscellaneous	695,397	763,240	742,180	889,862	859,733	657,217	422,320
Capital Outlay/Development	-	-	-	-	-	159,960	180,901
Interest on Long-Term Debt	1,365,635	1,048,713	1,037,432	972,446	857,813	1,544,589	970,250
Unallocated Depreciation Expense	1,433,205	1,439,857	1,396,024	1,286,762	990,810	859,949	822,333
Total Governmental Activities Expense	<u>25,599,102</u>	<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	155,435	179,165	182,254	188,371	182,630	-	-
Farm Fund	11,853	29,815	20,007	20,046	22,375	-	-
Total Business-Type Activities Expenses	<u>167,288</u>	<u>208,980</u>	<u>202,261</u>	<u>208,417</u>	<u>205,005</u>	<u>156,484</u>	<u>266,818</u>
Total Primary Government Expenses	<u>\$ 25,766,390</u>	<u>\$ 23,257,349</u>	<u>\$ 23,589,994</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	\$ 124,717	\$ 1,945,023	\$ 1,730,396	\$ 5,512,149	\$ 5,216,448	\$ 4,259,419	\$ 3,893,747
Public Safety	1,197,862	916,340	707,009	1,013,401	883,905	787,282	958,333
Public Works	4,483,431	3,861,084	3,726,137	6,659	32,559	11,066	4,788
Parks and Recreation	242,338	229,942	230,336	199,872	178,112	160,163	143,431
Operating Grants and Contributions	2,054,509	2,218,492	2,172,304	2,454,442	3,661,481	2,284,066	5,351,253
Total Governmental Activities Program Revs	<u>8,102,857</u>	<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	147,000	154,049	236,265	248,622	225,565	-	-
Farm Fund	35,000	35,000	35,000	35,000	35,000	-	-
Operating Grants and Contributions	-	-	-	-	-	(21,942)	897,015
Total Business-Type Activities Program Revs	<u>182,000</u>	<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>\$ 8,284,857</u>	<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	\$ (17,496,245)	\$ (13,877,488)	\$ (14,821,551)	\$ (13,912,978)	\$ (11,068,125)	\$ (12,831,765)	\$ (8,166,295)
Business-Type Activities	14,712	(19,931)	69,004	75,205	55,560	156,397	849,919
Total Primary Government Net Expense	<u>\$ (17,481,533)</u>	<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	\$ 8,602,678	\$ 7,892,013	\$ 7,095,159	\$ 5,882,089	\$ 5,013,201	\$ 4,880,056	\$ 4,859,991
Other Taxes	5,086,269	4,713,317	5,082,209	5,109,646	3,914,290	3,581,803	3,385,233
Investment Income	488,609	2,419,102	2,626,401	2,870,316	1,611,271	980,798	826,983
Miscellaneous	97,677	29,439	1,848,864	318,381	(329,725)	(526,975)	192,565
Special item-Capital assets from Private Purpose Trust	613,127	-	-	-	-	-	-
Transfers, net	123,576	44,275	31,435	29,382	276,983	439,900	485,435
Proceeds from Debt Restructuring	-	-	-	-	-	530,998	-
Total Governmental Activities	<u>15,011,936</u>	<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	9,370	4,533	9,271	7,313	9,120	-	-
Transfers, net	(19,363)	(44,275)	(31,435)	(29,382)	(276,983)	(583,488)	(667,671)
Total Business-Type Activities	<u>(9,993)</u>	<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>\$ 15,001,943</u>	<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	\$ (2,484,309)	\$ 1,220,658	\$ 1,862,517	\$ 296,836	\$ (582,105)	\$ (2,945,185)	\$ 1,583,912
Business-Type Activities	4,719	(59,673)	46,840	53,136	(212,303)	(427,091)	182,248
Total Primary Government Change in Net Assets	<u>\$ (2,479,590)</u>	<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 Seven Fiscal Years

	2009	2008	2007	Fiscal Year 2006	2005	2004	2003
General Fund							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	768,709	1,621,983	1,886,762	2,133,463	1,739,957	1,401,762	3,447,023
Total General Fund	<u>\$ 768,709</u>	<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	\$ 2,040,292	\$ 7,679,482	\$ 2,254,030	\$ 2,383,381	\$ 2,417,204	\$ 2,192,914	\$ 2,467,855
Unreserved, reported in:							
Special Revenue Funds	1,433,418	1,057,201	1,057,203	1,269,890	1,012,340	1,043,992	887,934
Capital Project Funds	50,165,700	51,745,306	51,204,947	51,182,443	45,600,846	48,182,642	49,697,169
Total all Other Governmental Funds	<u>\$ 53,639,410</u>	<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>\$ 54,408,119</u>	<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 Seven Fiscal Years

	2009	2008	2007	Fiscal Year 2006	2005	2004	2003
Revenues							
Taxes	\$ 12,376,900	\$ 12,485,790	\$ 11,939,159	\$ 10,837,542	\$ 9,022,988	\$ 8,537,935	\$ 8,254,338
Licenses and Permits	1,104,066	1,232,017	1,226,708	1,065,459	871,321	728,097	775,757
Fines and Forfeits	206,120	218,243	204,530	191,205	168,544	170,486	166,602
Interest and Rents	1,376,938	2,470,867	2,636,968	2,880,943	1,624,536	1,177,421	982,465
Intergovernmental Revenues	1,881,926	2,034,827	1,858,751	2,087,531	2,842,287	1,899,740	3,976,286
Charges for Services	5,802,550	5,558,483	5,178,180	5,324,263	4,828,022	3,908,282	3,710,553
Special Assessment	610	1,995	13,300	246,766	420,033	402,059	336,906
Contribution Private Source	144,678	181,665	311,553	365,661	797,259	372,764	1,365,888
Gain/(Loss) on Investments	(890,769)	2,419,102	1,791,035	257,858	(378,688)	(549,030)	(325,790)
Miscellaneous Revenues	103,680	13,208	21,829	36,731	64,431	16,408	193,322
Total Revenues	22,106,699	26,616,197	25,182,013	23,293,959	20,260,733	16,664,162	19,436,327
Expenditures							
General Government	1,643,678	2,477,349	2,222,705	5,754,868	2,637,074	2,691,037	2,209,267
Public Safety	11,147,885	10,333,884	10,185,597	9,964,353	9,289,930	8,735,349	8,446,966
Public Works	6,296,113	5,733,310	5,584,836	5,359,786	5,502,477	6,033,382	4,496,123
Parks and Recreation	1,241,482	1,231,572	1,308,995	2,291,955	2,472,278	1,244,146	1,386,758
Miscellaneous Expenditures	695,397	763,240	742,180	889,862	877,513	657,217	466,004
Capital Outlay/Development	6,081,833	7,318,891	3,122,175	682,097	358,058	398,832	836,968
Debt Service							
Principal	1,632,251	1,684,566	1,691,971	1,308,620	1,036,238	1,023,551	991,650
Interest	1,223,019	1,067,171	981,799	786,680	580,476	705,203	953,390
Other Charges	21,829	25,602	36,920	21,790	-	-	-
Total Expenditures	29,983,487	30,635,585	25,877,178	27,060,011	22,754,044	21,488,717	19,787,126
Excess of Revenues Over (Under) Expenditures	<u>(7,876,788)</u>	<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 (Uses)							
Issuance of Refunding Bonds	7,830,000	10,000,000		10,000,000	8,325,000	10,000,000	-
Premium on Bond Issuance	78,123			-	34,926	-	-
Discount on Bond Issuance				(64,500)	-	(26,914)	-
Payment to Refunded Bonds Escrow Agent	(7,750,000)			-	(8,214,931)	(9,798,100)	-
Proceeds from Debt Restructuring				-	-	530,998	-
Bond Refinancing Expenses	(119,953)						
Sale of Capital Assets	19,189		5,000				
Transfers In	2,063,276	1,945,176	1,864,739	2,672,270	3,047,336	2,949,553	3,210,165
Transfers Out	(1,939,700)	(2,224,758)	(1,818,948)	(2,642,888)	(2,986,410)	(2,509,653)	(2,724,730)
Total Other Financing Sources (Uses)	180,935	9,720,418	50,791	9,964,882	205,921	1,145,884	485,435
Prior Period Adjustment	-	-	-	-	236,427	-	(41,480)
Transfer from Proprietary Funds	-	-	-	-	-	-	40,357,032
Net Change in Fund Balances	\$ (7,695,853)	\$ 5,701,030	\$ (644,374)	\$ 6,198,830	\$ (2,050,963)	\$ (3,678,671)	\$ 40,450,188
Debt Service as a Percentage of Non Capital Expenditures	12.03%	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 Seven Fiscal Years

Year	Real Property Assessed Value (1)	Less: Tax Exempt Property	Total Taxable Assessed Value	Estimated Actual Values of Real Property	Ratio of Total Assessed Value to Total Estimated Actual Value (3)	Middletown Township Municipal Millage Rate
2009	\$ 615,053,590	\$ 84,830,980	\$ 530,222,610	\$ 5,965,602,231	10.31%	15.84
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 Seven 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	Bucks County Total Millage	Neshaminy School District Total Millage	
2009	11.46	4.38	15.84	21.94211	152.00	189.78211
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, 2009			December 31, 1999 (5)		
		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	4.38%	\$ 6,623,470	1	5.51%
800 (Eight) Trenton Assoc	Apartment Complex	4,368,800	2	0.82%	1,092,200	2	0.91%
Jefferson Woods	Residential Community	4,157,100	3	0.78%	-		
Home Properties	Racquet Club/Apartments	3,872,000	4	0.54%	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	0.64%	688,880	9	0.57%
Attleboro Associates	Retirement & Assisted Living	2,861,160	7	0.54%	722,190	8	0.60%
Guttman & Reider	Real Estate Investment	2,310,080	8	0.44%	-		
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 Partners	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 \$530,222,610
- (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.
- (5) Data for the period ended December 31, 2000 is not available.

TOWNSHIP OF MIDDLETOWN
Property Tax Levies and Collections
Last Seven Fiscal Years

Year	Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Total Delinquent/Liened Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 8,398,728	\$ 8,345,082	99.36%	\$ 113,703	\$ 8,458,785	100.72%
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 Seven Fiscal Years

	2009	2008	2007	Fiscal Year 2006	2005	2004	2003
Debt Limit	\$ 61,505,359	\$ 61,523,713	\$ 61,069,298	\$ 60,702,488	\$ 60,391,336	\$ 59,638,232	\$ 58,532,076
Total Net Debit Applicable to Limit	31,396,921	33,161,341	24,613,190	26,156,085	17,649,913	18,194,913	18,050,841
Legal Debt Margin	<u>\$ 30,108,438</u>	<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	51.05%	53.90%	40.30%	43.09%	29.23%	30.51%	30.84%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 530,222,610
Add back: exempt real property	<u>84,830,980</u>
Total assessed value	<u>\$ 615,053,590</u>
Debt limit (10% of total assessed value)	\$ 61,505,359
Debt applicable to limit:	
General obligation bonds	31,820,000
Less: Amount set aside for repayment of general obligation debt	<u>(423,079)</u>
Total net debt applicable to limit	<u>31,396,921</u>
Legal debt margin	<u>\$ 30,108,438</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 by Type
Last Seven 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			
2009	\$ 31,820,000	\$ 322,975	\$ 467,436	\$ 32,610,411	2.77%	\$ 698
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 Seven 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)
2009	\$ 31,820,000	\$ 423,079	\$ 31,396,921	0.53%	\$ 672
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, 2009

Government Unit	Gross Outstanding Debt	Percentage Applicable to Middletown Township	Amount Applicable to Middletown Township	Total Overlapping Debt
Township of Middletown (1)	\$ 31,820,000	100.00%	\$ 31,820,000	\$ -
Neshaminy School District (2)	120,468,695	67.51%	81,328,416	81,328,416
Bucks County (3)	<u>228,475,000</u>	6.61% (4)	<u>15,102,198</u>	<u>15,102,198</u>
Total	<u>\$ 380,763,695</u>		<u>\$ 128,250,614</u>	<u>\$ 96,430,614</u>

Overlapping governments are local and county governments that coincide, at least in part, with the geographic boundaries of the Township. 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, 2009 based on ratio of Middletown Township's assessed valuation (see Table 5) to Bucks County's 2009 assessed valuation of \$8,019,889,340 (source: Bucks County Board of Assessments).

TOWNSHIP OF MIDDLETOWN
Demographic and Economic Statistics
Last Seven 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>
2009	46,693	\$ 1,177,271	\$ 25,213	37.8	8,658	7.70%
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, 2009			December 31, 1999 (4)		
		Employees	Rank	Percentage of Total Township Employment (2)	Employees	Rank	Percentage of Total Township Employment (3)
St Mary Medical Center	Hospital	2,568	1	9.88%	415	9	N/A
Woods Services	Education	1,681	2	6.47%			
Busch Entertainment Corp.	Entertainment/Theme Park	1,678	3	6.45%	954	3	N/A
Neshaminy School District	Education	1,474	4	5.67%	1,823	1	N/A
ICT Group Inc.	Communication Services	497	5	1.91%	1,123	2	N/A
Pennswood Village Inc.	Retirement Community	472	6	1.82%	439	8	N/A
Macy's Retail Holding Inc.	Retail	358	7	1.38%	643	4	N/A
Reedman-Toll Autoworld	Retail/Automotive	291	8	1.12%			N/A
George School	Education	262	9	1.01%			
Attleboro Nursing Home	Retirement Community	261	10	1.00%			
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>9,542</u>		<u>36.70%</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.

(4) Data for the period ended December 31, 2000 is not available.

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

	2009	2008	2007	Fiscal Year 2006	2005	2004	2003
General Government							
Administration	2.0	2.0	3.0	3.0	4.5	4.5	4.5
Finance	5.5	5.5	5.5	5.5	5.5	5.5	6.5
Personnel	1.0	1.0	1.0	1.0	1.0	2.0	2.0
Police							
Police Officers	52.0	53.0	53.0	52.0	53.0	54.0	54.0
Police Civilians (1)	16.0	16.0	16.0	16.0	16.0	17.5	17.5
Public Works							
Administration	3.5	3.5	3.5	3.5	3.5	2.5	3.5
Maintenance/Labor	13.0	13.0	13.0	12.0	11.0	15.0	19.0
Summer/Seasonal	6.0	4.0	4.0	4.0	4.0	3.0	2.5
Community Services							
Administration	1.0	2.0	2.0	2.0	2.0	2.0	2.0
Public Information Coordinator	1.0	1.0	1.0	1.0			
Custodial/Labor (2)	0.5	2.0	2.0	2.0	2.0	2.0	1.5
Emergency Services							
Officers/Inspectors	3.5	3.5	3.5	3.5	2.5	3.5	3.5
Administration	1.0	1.5	1.5	1.5	1.0	1.5	2.0
Parks & Recreation							
Administration	4.0	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	3.0	-
Summer Rec/Seasonal	22.0	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	2.5
Misc Program Facilitators	5.5	5.5	5.5	5.5	5.5	7.0	6.5
Licenses & Inspections	5.5	5.5	5.5	5.5	7.0	9.0	9.0
Totals	<u>148.5</u>	<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 Seven Fiscal Years

<u>Function/Program</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>Fiscal Year 2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Government (1)							
Building Inspections Conducted	2,818	2,922	2,850	3,121	2,988	3,281	3,041
Plumbing Inspections Conducted	668	700	494	679	969	1,078	1,225
Building Permits Issued	795	924	793	987	941	2,034	1,266
Plumbing Permits Issued	235	286	250	257	344	364	460
Electrical Permits Issued	260	364	354	433	452	568	758
Residential Value of Construction/Issued Permits	\$ 10,655,114	\$ 23,051,941	\$ 11,160,481	\$ 16,568,803	\$ 12,722,066	\$ 16,279,216	\$ 23,078,871
Commercial Value of Construction/Issued Permits	\$ 7,902,476	\$ 29,882,882	\$ 43,828,263	\$ 151,193,962	\$ 58,218,296	\$ 13,099,612	\$ 14,545,515
Police (2)							
Criminal Arrests	1,538	1,857	1,900	1,644	1,457	1,445	1,472
Traffic Citations	2,377	4,168	4,806	4,597	3,621	4,033	4,611
Accident Reports	2,075	1,971	2,055	2,009	2,109	2,046	2,205
Parking Violations	122	115	121	156	221	197	178
Animal Control Cases Investigated	446	631	721	764	803	368	462
Animal Control Warnings Issued	27	34	42	53	46	45	38
Animal Control Prosecutions Instituted	25	10	27	33	64	40	51
Parks & Recreation (3)							
Recreation Program Participants	7,650	8,427	7,319	7,800	7,376	5,500	5,487
Program Sessions Offered	394	356	357	311	296	183	164
Public Works (4)							
Roads Resurfaced (linear feet) by DPW	1,468	-	5,755	134	5,037	10,582	10,828
Number of Trees Removed/Trimmed	88	81	98	137	85	63	86
Number of Signs Repaired/Installed	163	167	306	224	175	112	84
Number of Drainage/Storm Drains Unclogged	90	80	110	105	75	77	87
Number of Repaired Potholes	644	265	391	375	380	388	207
Number of Repaired Sinkholes	35	64	98	55	75	68	59
Emergency Services (5)							
Total Estimated Emergency Fire Calls	1,902	992	997	1,178	1,093	1,815	N/A
Residential Fires	11	39	46	50	35	37	N/A
Business/Industrial Fires	2	1	12	31	22	21	N/A
Fire Investigations Conducted	309	275	291	40	35	236	N/A
Hazardous Materials/Petroleum Spill Calls	7	97	93	17	17	13	N/A
Mechanical Inspections Conducted	164	181	386	478	451	652	N/A
Fire Safety Inspections Conducted	1,508	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 Seven Fiscal Years

<u>Function/Program</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>Fiscal Year 2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Government (1)							
Square Footage Occupied	56,122.00	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	2
Other Departmental Vehicles	1	1	1	1	1	1	1
Police (2)							
Stations	1	1	1	1	1	1	1
Patrol Units	50	50	50	50	50	48	43
Trained Canines	4	4	4	4	4	4	4
Parks & Recreation (3)							
Number of Recreation Facilities	19.0	18.0	18.0	18.0	18.0	18.0	18.0
Acreage of Park Land	141.5	136.5	136.5	136.5	136.5	136.5	136.5
Acreage of Greenbelts/Open Space	518.0	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	137.77
Streetlights	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Public Service Vehicles	24	24	23	23	23	23	23
Off-road Equipment	7	7	7	7	7	6	6
Office Garage Complex	1	1	1	1	1	1	1
Salt Storage Buildings	1	1	1	1	1	1	1
Emergency Services (5)							
Fire Stations	9	8	8	8	5	5	5
Vehicle Units	28	25	25	25	25	24	24

Source:

- (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