

**TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Prepared by the Middletown Township Finance Department
Under the Direction of:

Dennis M. Penko, CPA
Director of Finance

TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2012

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INTRODUCTORY SECTION



Township of Middletown

3 Municipal Way Langhorne, PA 19047-3424
Ph: 215-750-3800 Fax: 215-750-3801
www.middletowntwpbucks.org

Stephanie Teoli, Township Manager

Board of Supervisors

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

June 11, 2013

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, 2012 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 Bee Bergvall & Co., 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, seven miles southwest of Trenton, New Jersey, and 71 miles southwest of New York, New York. 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. It has adopted the concept of community policing with emphasis on problem oriented policing. The Department works in partnership with the community addressing all issues affecting our residents and businesses. In partnership with the Oxford Valley Mall, the department has opened and maintains a substation at the mall. The Department also provides police protection 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 and again in 2011. This accreditation, which is renewed every three years, requires the Department to meet one hundred thirty-one (131) professional standards. Out of approximately 1,200 departments in Pennsylvania, Middletown is the 61st to achieve accreditation. The Police Department is budgeted for fifty-two (52) police officers, one (1) animal control officer, along with five (5) 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, and School Crossing Guards.

The Neshaminy School District administrative offices are located within Middletown Township. The Neshaminy High School, three middle schools, eight elementary schools, and one alternative school serve 9298 students. Geographically, Neshaminy covers 27.6 sq. miles and includes the boroughs of Hulmeville, Langhorne, Langhorne Manor and Penndel, and the townships of Lower Southampton and Middletown. Four private schools also serve the community: George School (grades 9-12), Newtown Friends School (grades K-8), Woods Services (physically handicapped children and adults), and Holy Family Regional Catholic 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 (1400) man-hours in 2012, the cost of which is billed to Sesame Place.

Current Year

The Township staff continues to seek means to enhance revenue and reduce costs, including increasing permit and inspection fees and marketing Township services to other governmental entities. The Township strives to conduct 100% of annual inspections on a timely basis each year.

During 2012, the Township also continued its participation in the Bucks County Consortium of Municipalities. The Consortium is comprised of municipalities in Bucks County and is committed to the value of regional cooperation to resolve problems, and to develop policies and plans that are common and regional to its member municipalities.

A sampling of projects approved by the Board of Supervisors in 2012 reflects a mixture of new construction and renovations, both commercial and residential. St. Mary's Medical Center has begun a large project which includes four (4) phases of development. Woods Services is currently working on renovations. K. Hovnanian is building a 138 unit residential new construction development. Team Toyota is expanding, the George School is constructing a new athletic facility, and Pennswood Village is considering renovations.

The Township has agreements aimed at providing secure experiences for residents and visitors to the two most popular sites in Middletown—Sesame Place and the Oxford Valley Mall. Sesame Place alone required a police security detail of more than 1,400 hours in 2012, the cost of which, (more than \$123,000) is paid in full by Sesame Place. The Township's agreement with Simon Property Group, Inc. recognizes the importance of the high visibility of a police officer at the Oxford Valley Mall. 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 and overtime details was more than \$172,000 in 2012.

In 2012, the Department continued to be active in the Pennsylvania Aggressive Driving program, which targets high accident areas. The Department also participated in the "Click It Or Ticket" seat belt usage program.

The Department took delivery of an innovative, multi-function highway incident response vehicle, for use at accidents, fires, crime scenes, storm damaged areas, and public events. With its high-powered lights, a lighted message board, a complement of on-board emergency tools, and the ability to transport bulky equipment, the \$100,000 vehicle was paid for under the RDA Grant Program.

The Department participates in the Live Scan on-line booking system, a state of the art program that links the Department with the Pennsylvania State Police and the FBI, the district court system, and national crime databases. The Department was reimbursed more than \$53,000 in 2012 for its participation in the system.

During 2012, the Fire Marshal's Office performed 100% of annual fire inspections of all commercial businesses in the township. The office also responded to fires for fire suppression as well as fire investigation, performed fire safety inspections, and inspected 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 held throughout the township, i.e.; at block parties, fire stations, apartment complexes, and other public events. On days following a neighborhood fire, the staff goes door to door in the surrounding neighborhood to communicate the importance of fire prevention and distributes 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 11,000 people. The annual Sports Block Party, Earth Day Celebration and Holiday Open House were offered free to visitors. The expenses for the community events were paid by donations from local businesses and individuals. The new 4th of July Parade drew thousands of participants and spectators. During 2012, the department opened the newly renovated Det. Christopher Jones Memorial Park. Work was also completed on the renovations to the Community Center. Working with volunteers the department managed the Community Garden, a demonstration site for sustainable gardening techniques. The garden produced over a thousand pounds of fresh produce and herbs that were donated to the emergency food bank. The Environmental Advisory Committee planted over 100 new trees in the public spaces of the township continuing the goal of planting 100 new trees each year. The trees were purchased with a subsidy from the PA DCNR Tree Vitalize Program.

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 through the Pennsylvania Local Government Investment Trust (PLGIT) Program, and/or 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 \$40.3 million as of December 31, 2012.

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 backed by the full faith and credit of the US Government, 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, 2012 is the firm of Bee, Bergvall & Co., 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, 2012.

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, 2009, the last year Middletown Township applied for this Certificate of Achievement. That year 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 intend to submit 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 2012 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.

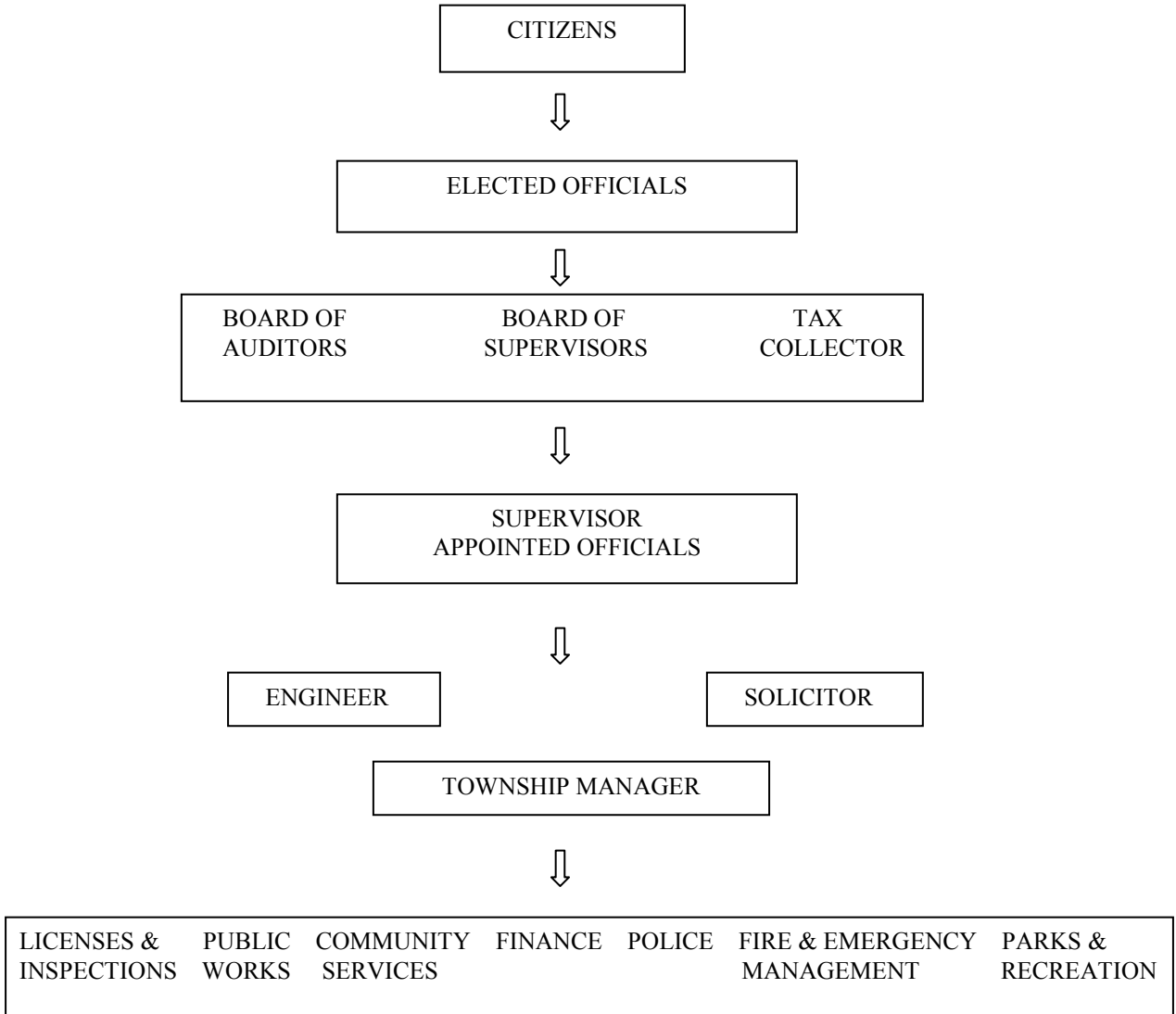
I would also like to thank the Board of Supervisors for their support and continued interest in the financial operations of the Township. Without their support, the preparation of this report would not have been possible.

Respectfully submitted,

Dennis M. Penko
Finance Director
June 11, 2013

TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA
ORGANIZATIONAL CHART

December 31, 2012



APPOINTED CITIZENS ADVISORY BOARDS & COMMISSIONS

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

TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA
LIST OF ELECTED AND APPOINTED OFFICIALS

December 31, 2012

2012 BOARD OF SUPERVISORS

Pat Mallon, Chairperson

Thomas Gallagher, Vice Chairperson

Drew Kreiling, Secretary

H. George Leonhauser, Member

Robert G. McMonagle, Member

EXECUTIVE OFFICIALS

Stephanie Teoli, Township Manager

Joseph Pizzo, Esq., Township Solicitor

Jodi Litus, P.E., Township Engineer

Deborah Lamanna, Director of Parks,
Recreation and Community Services

James Kane, Chief of Police

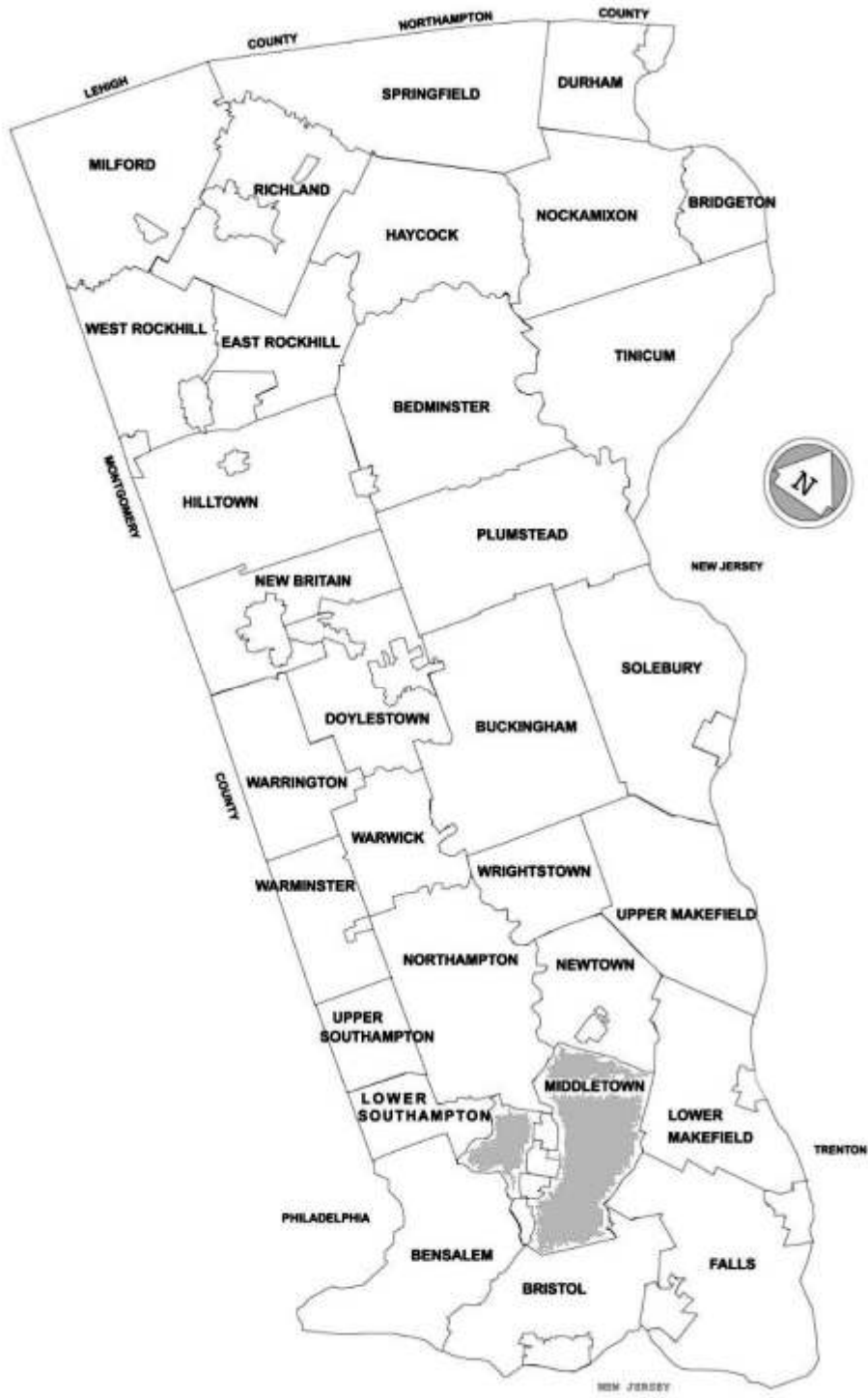
James McGuire, Fire Marshal

James Peet, Director of Licenses & Inspections

Dennis M. Penko, Director of Finance

Erich Wendel, Director of Public Works

Map of Middletown Township



FINANCIAL SECTION



936 Easton Road, PO Box 754, Warrington, PA 18976
163 S. Broad Street, Lansdale, PA 19446
(215) 343-2727 • Fax (215) 343-8080

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Middletown Township, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Middletown, Pennsylvania, as of and for the year ended December 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type

activities, each major fund, and the aggregate remaining fund information of the Middletown Township, Pennsylvania, as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, state highway aid fund, and the investment fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Supplemental Information

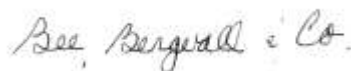
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19, and the historical trend information on pages 77 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Middletown's, Bucks County, Pennsylvania, financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Bee, Bergvall and Company, P.C.
Certified Public Accountants

June 10, 2013

**Middletown Township
Bucks County, Pennsylvania**

**Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Fiscal Year Ended December 31, 2012**

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, 2012. 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 is the government-wide financial statements, which are comprised of the Statement of Net Position 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.

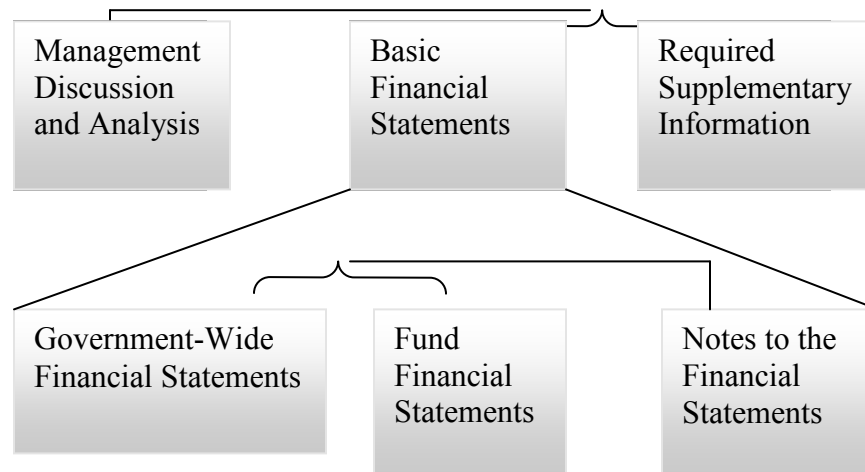
The remaining statements are fund financial statements which focus on the government's major governmental and enterprise funds. Governmental fund financials are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental funds statements 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 Styer's 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.

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

Figure 1
Required Components of
Middletown Township's Financial Report



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 Position on pages 21-22 includes all of the government's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 pages 23-24 reports how the Township's net position has 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.

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 Position and the Statement of Activities) and the governmental funds is reconciled in the financial statements on page 27 and 29.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 38 through 75 of this report.

Financial Analysis of the Township as a Whole

Net Position may serve, over time, as a useful indicator of a government's financial position. In Middletown Township, assets exceed liabilities by \$65,684,426 and \$69,700,761 at the close of the years ended December 31, 2012 and 2011, respectively.

The following table provides a summary of the Township's Net Position at December 31, 2012 and December 31, 2011:

Table 1
Summary of Net Position
For the Years Ending 12/31/12 and 12/31/11
(Government-Wide)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 49,348,622	\$ 51,457,362	\$ 403,056	\$ 404,861	\$ 49,751,678	\$ 51,862,223
Capital Assets	49,791,008	52,040,688	4,805,683	4,896,640	54,596,691	56,937,328
Total Assets	<u>\$ 99,139,630</u>	<u>\$ 103,498,050</u>	<u>\$ 5,208,739</u>	<u>\$ 5,301,501</u>	<u>\$ 104,348,369</u>	<u>\$ 108,799,551</u>
Deferred Outflows of Resources	<u>\$ 83,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,180</u>	<u>\$ -</u>
Current and Other Liabilities	\$ 4,326,937	\$ 3,708,772	\$ 441,843	\$ 499,247	\$ 4,768,780	\$ 4,208,019
Long-Term Liabilities	29,192,723	30,088,517	220,875	288,154	29,413,598	30,376,671
Total Liabilities	<u>\$ 33,519,660</u>	<u>\$ 33,797,289</u>	<u>\$ 662,718</u>	<u>\$ 787,401</u>	<u>\$ 34,182,378</u>	<u>\$ 34,584,690</u>
Deferred Inflows of Resources	<u>\$ 18,724</u>	<u>\$ -</u>	<u>\$ 12,250</u>	<u>\$ -</u>	<u>\$ 30,974</u>	<u>\$ -</u>
Net Position						
Investment in Capital Assets, net of related debt	\$ 25,404,239	\$ 25,986,662	\$ 4,517,529	\$ 4,545,115	\$ 29,921,768	\$ 30,531,777
Restricted	1,327,400	1,920,553	-	-	1,327,400	1,920,553
Unrestricted	38,952,787	41,421,131	16,242	(31,015)	38,969,029	41,390,116
Total Net Position	<u>\$ 65,684,426</u>	<u>\$ 69,328,346</u>	<u>\$ 4,533,771</u>	<u>\$ 4,514,100</u>	<u>\$ 70,218,197</u>	<u>\$ 73,842,446</u>

The current assets of the Township are comprised primarily 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 (\$40.3 million in 2012). 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 D to the Basic Financial Statements.

Current liabilities consist primarily of accounts payable, various accruals and the current portion of long term liabilities. 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 2009, 2010, 2011 and 2012 bond issues make up \$26,320,000 of the governmental activities liabilities balance at year end 2012. Debt administration is discussed later in this report and in Note E to the Basic Financial Statements.

The difference between the assets and liabilities is labeled as Net Position. Net Position is broken down as Capital, Restricted and Unrestricted. Net Position Investment in capital assets is reported net of accumulated depreciation and any outstanding principal owed on related debt. Restricted Net Position is restricted by outside parties: creditors, grantors, contributors, legislation, or other governments. They are restricted for items such as public safety, public works, transportation impact, and debt service legal purpose. The remaining unrestricted net position is comprised of committed, assigned and unassigned amounts. The committed and assigned balances are amounts set aside for a specific purpose by the Township. Unassigned amounts are not currently the object of any tentative management plans.

Governmental Activities decreased the Township's net position by \$3,643,920 during the current fiscal year. This compares unfavorably to the 2011 decrease in net assets of \$560,130, and is a result of a) \$1.4 Million relating to the township's transfer of title to the Fire Apparatus Equipment to the four Fire Companies serving the Township, and b) the slow economy and its continued effect on real estate sales, retail sales, and fixed income investments.

Business-type Activities increased the Township's net position by \$19,671 during the current fiscal year. These activities are comprised of the Middletown Country Club and the Styer's Farm. This increase is unfavorable to the 2011 increase in net assets of \$307,432 which reflected capital improvements made to the Country Club amounting to \$495,470 funded by the 2008 Bond Issue but actually favorable to 2011 without that transaction.

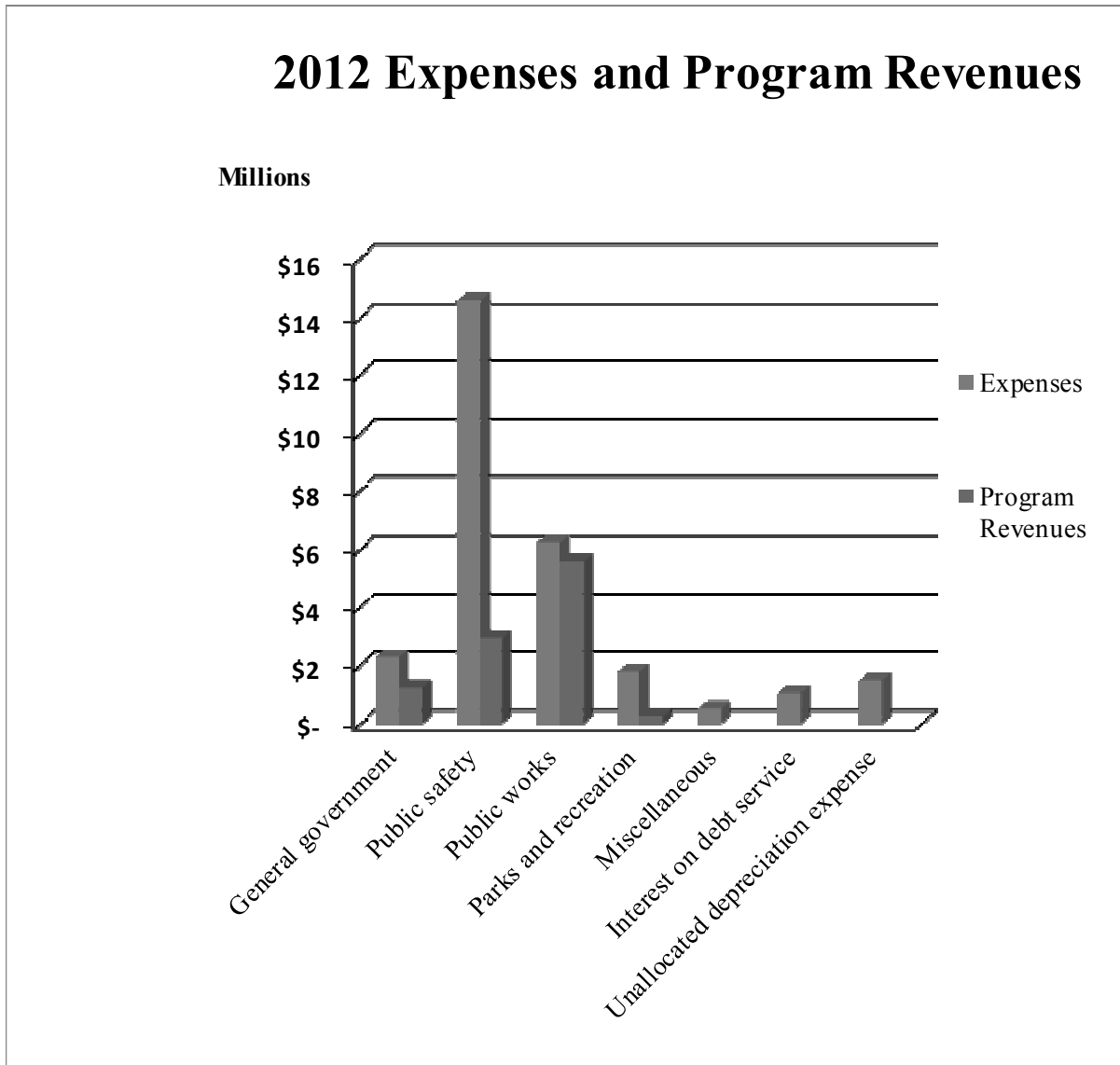
The result of this year's operations as a whole are reported in the Statement of Activities on page 23-24. All expenses are reported in the first column. Specific charges, grants, and contributions that directly relate to specific expense categories are netted against them to determine the final amount 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 by showing the Township's total revenues for the year ended December 31, 2012 compared to December 31, 2011.

Table 2
Changes in Net Position
For the Years Ending 12/31/12 and 12/31/11
(Government-Wide)

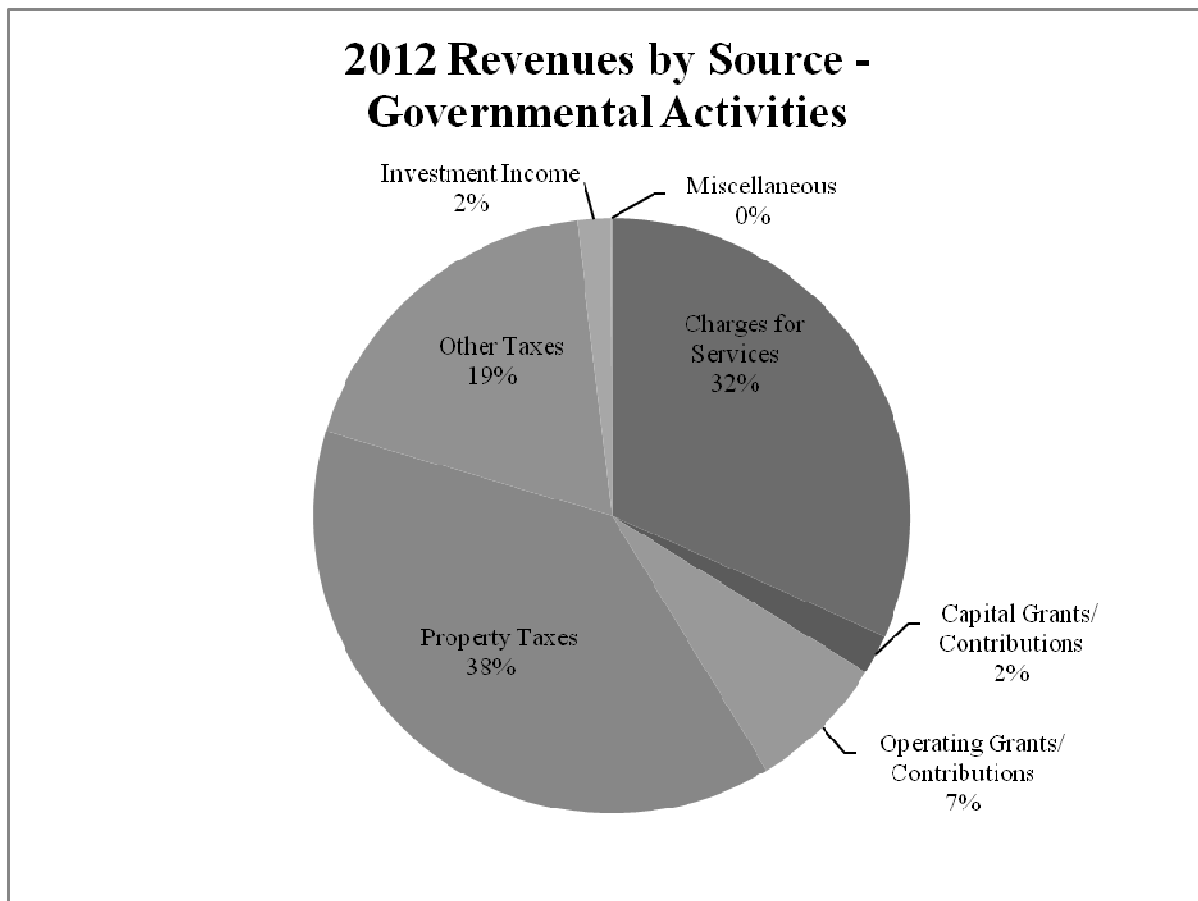
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,691,846	\$ 7,687,632	\$ 236,912	\$ 224,434	\$ 7,928,758	\$ 7,912,066
Operating Grants/ Contributions	527,153	1,308,528	-	-	527,153	1,308,528
Capital Grants/ Contributions	1,829,443	2,573,581	-	-	1,829,443	2,573,581
General Revenues:						
Property Taxes	9,303,772	9,281,766	-	-	9,303,772	9,281,766
Other Taxes	4,513,623	4,499,405	-	-	4,513,623	4,499,405
Investment Income and Rent	435,806	1,467,986	9,150	33	444,956	1,468,019
Miscellaneous	20,804	88,549	-	-	20,804	88,549
Total Revenues	<u>24,322,447</u>	<u>26,907,447</u>	<u>246,062</u>	<u>224,467</u>	<u>24,568,509</u>	<u>27,131,914</u>
Expenses:						
General Government	2,290,625	2,037,179	-	-	2,290,625	2,037,179
Public Safety	14,580,986	14,210,367	-	-	14,580,986	14,210,367
Public Works	6,251,378	6,566,282	-	-	6,251,378	6,566,282
Parks and Recreation	1,803,802	1,416,404	-	-	1,803,802	1,416,404
Miscellaneous	537,043	506,105	-	-	537,043	506,105
Debt Service Interest	1,069,783	1,013,702	12,045	13,874	1,081,828	1,027,576
Unallocated Depreciation - Infrastructure	1,502,025	1,457,537	-	-	1,502,025	1,457,537
Business-Type Activities	-	-	145,071	163,162	145,071	163,162
Total Expenses	<u>28,035,642</u>	<u>27,207,576</u>	<u>157,116</u>	<u>177,036</u>	<u>28,192,758</u>	<u>27,384,612</u>
Change in Net Assets before transfers	(3,713,195)	(300,129)	88,946	47,431	(3,624,249)	(252,698)
Transfers, net	<u>69,275</u>	<u>(260,001)</u>	<u>(69,275)</u>	<u>260,001</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(3,643,920)	(560,130)	19,671	307,432	(3,624,249)	(252,698)
Net Position-beginning of year	69,328,346	70,260,891	4,514,100	4,027,997	73,842,446	74,288,888
Prior Period Adjustments	<u>-</u>	<u>(372,415)</u>	<u>-</u>	<u>178,671</u>	<u>-</u>	<u>(193,744)</u>
Net Position-end of year	<u>\$ 65,684,426</u>	<u>\$ 69,328,346</u>	<u>\$ 4,533,771</u>	<u>\$ 4,514,100</u>	<u>\$ 70,218,197</u>	<u>\$ 73,842,446</u>

The following chart shows the Government-wide sources of expenses and related program revenues for governmental activities for the year ended December 31, 2012:



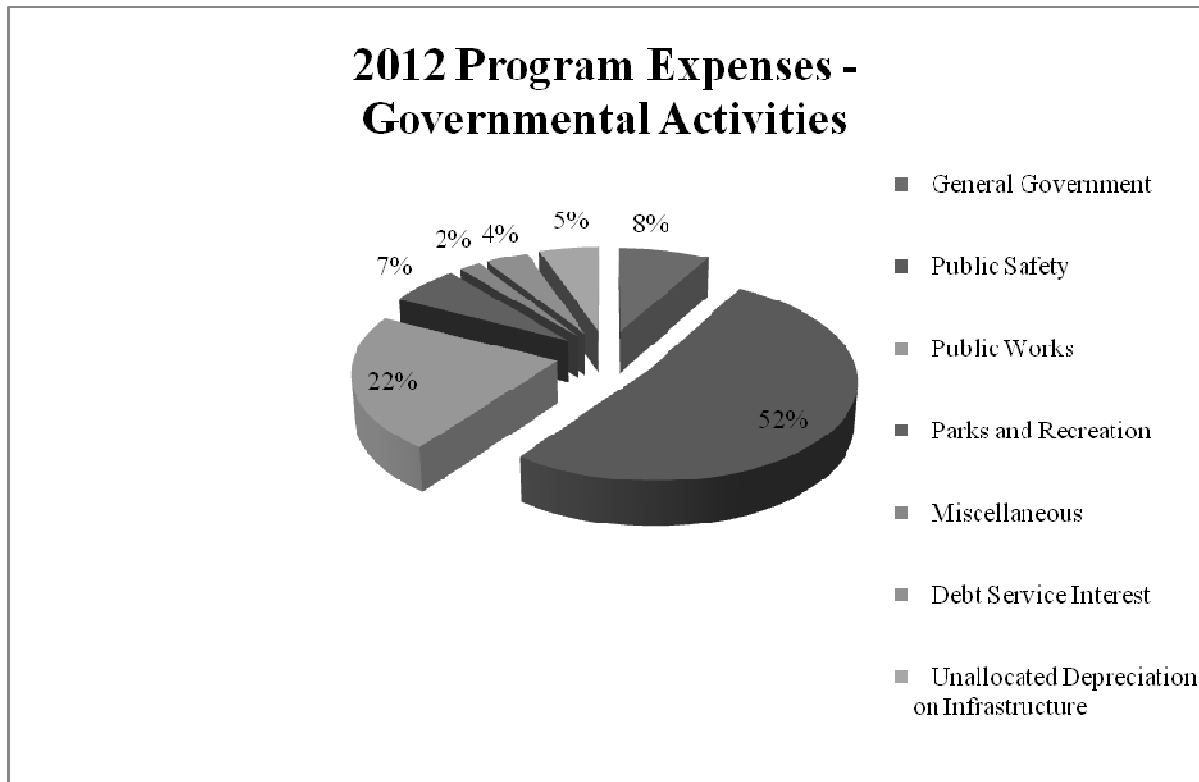
General revenues are required to support the programs. As reflected in the above chart program expenses exceed program revenues in all areas. General government expenses exceed program revenues by \$1,040,884, public safety by \$11,643,510, public works by \$666,850, and park and recreations by \$1,527,105.

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2012:



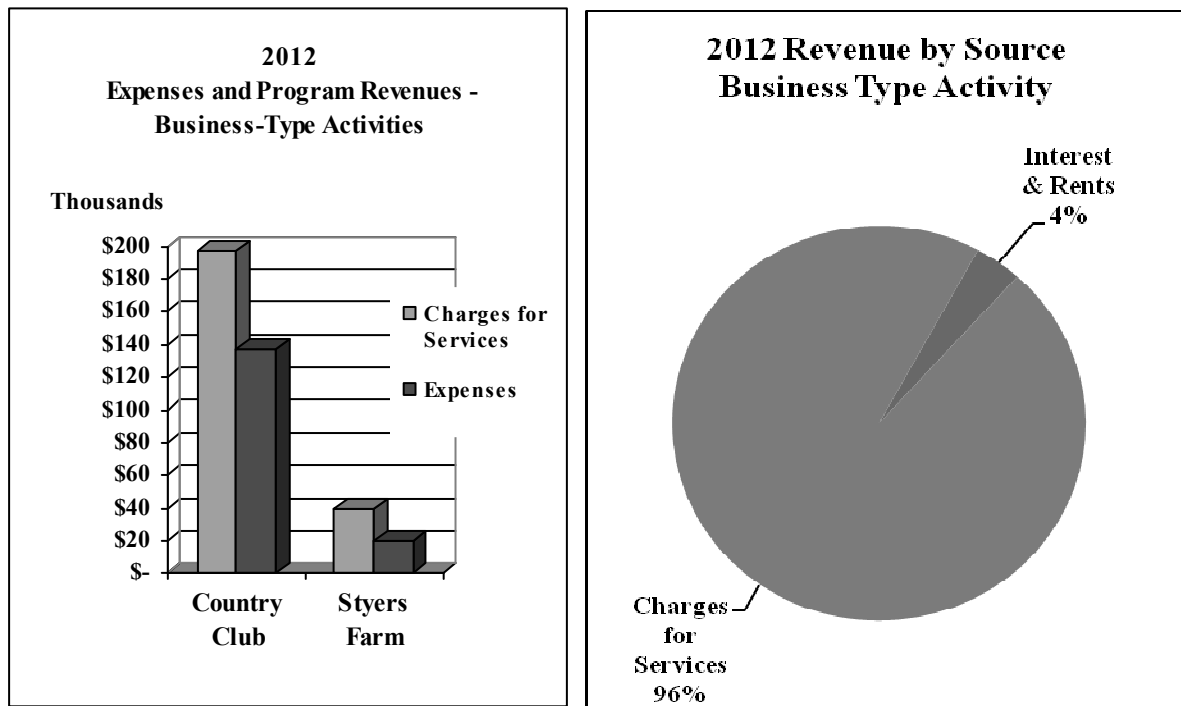
Of the total Government-wide revenues of \$24,322,447, the greatest share came from Property Taxes with revenues of \$9,303,772. The second largest revenue source is Charges for Services with revenues of \$7,691,846, primarily made up of fees for solid waste collection in the amount of \$4,375,674. Other Taxes include the Township's Act 511 taxes such as the Occupational Privilege, Per Capita, Real Estate Transfer, Mercantile, Amusement, Mechanical Device Taxes, and Parking Fees with combined revenues of \$4,513,623. Operating and Capital Grants and Contributions brought in \$2,356,596. Investment income and rents decreased 70% in 2012, netting the Township \$435,806. Miscellaneous Income and Net Transfers comprise the balance of the 2012 revenues for governmental activities.

The following chart shows the Government-wide sources of program expenses for the year ended December 31, 2012:



The largest share of expenditures in 2012 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 \$14,580,986 for 2012. 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 \$6,251,378 for 2012. General Government expenses of \$2,290,625 make up the third largest segment of 2012 expenses. This category covers the costs of staffing, benefits, and other administrative costs and ancillary expenses. Parks and Recreation expenses of \$1,803,802 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 \$1,502,025, Debt Service Interest of \$1,069,783, and Miscellaneous expenses of \$537,043 primarily insurance expense, round out the 2012 total program expenses for governmental activities.

The following charts show the expenses and program revenues and the revenues by source from Business-Type activities for the year ended December 31, 2012:



Business-type Activities increased the Township’s net positions by \$19,671 during the current fiscal year. The Middletown Country Club revenues totaled \$196,912 with offsetting expenses of \$125,352 for an operating income of \$71,560. After non-operating expense, which consists of interest expense of \$12,045 offset by interest income of \$37, the result is an income before transfers of \$59,552. The Styer’s Farm revenues totaled \$49,100 for the year with offsetting expenses of \$19,719 for an operating income of \$29,381. After interest income for the fund of \$13, the result is an income before transfers of \$29,394.

The Township Fund Balances

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

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

At the close of the year, the governmental funds for the Township reported a combined fund balance of \$46,867,839 which represents a decrease of \$2,390,587 from the previous year. The largest components of this decrease is in the Capital Projects Funds, specifically the GOB 2008 Issue Fund, and the Capital Reserve Fund, representing investment spending in Capital Projects of the bond fund, and budgeted capital additions in the capital reserve fund for the year. The other significant decrease is in the Investment Fund, caused by a shortfall in revenue, specifically investment income.

The Township implemented New GASB Statement No. 63-Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, and Statement No. 65-Items Previously Reported as Assets and Liabilities in 2012.

Net Asset accounts have been renamed Net Position to comply with these new standards.

Middletown Township had deferred outflows from refunding of bonds and debt issuance costs in 2012. Under Statement No. 65, the debt issuance costs are written off in the year incurred. The Township also had unamortized debt issuance costs recorded as an asset from prior years. These costs have been removed through a prior period adjustment to Net Position. The effect on the government wide activities is a reduction in Net assets of \$372,415 as of January 1, 2012, restating Net position to \$69,328,346 as of January 1, 2012.

The New Accounting Pronouncements are more fully explained in Footnote N.

The investment fund has a total fund balance of \$40,258,950 at fiscal year end, a decrease of \$1,003,151 from the prior year. This is the result of lower than anticipated investment earnings of the Township's investment portfolio due to extremely low interest rates on fixed income securities.

The state highway aid fund has a total fund balance of \$682,285 at fiscal year end, and accounts for the revenue received for liquid fuels monies, which are restricted to use as stipulated by the Commonwealth of Pennsylvania.

The debt service fund has a total fund balance of \$124,923. 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 notes. The 2012 budget provides for a real estate tax rate of 5.445 mills for the fund; an increase of .145 mills over 2011.

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 \$76,778 at year end 2012. The total net assets are \$2,290,980. The Country Club is supported completely by non-tax revenues.

The unrestricted net assets of the Styer's Farm fund is a net deficit of \$60,536 at year end 2012. The total net assets are \$2,242,791. The property is a valuable asset to the Township and management continues to strive to improve the financial reserves of the fund.

General Fund Budget Highlights

During the year, the Township revised the 2012 budget on an interdepartmental line item basis only, transferring budget capacity from one line item to another expense in offsetting amounts. Additional or, supplemental appropriations were not necessary.

Revenues and other financing sources were higher than the original budgeted amounts by \$530,211 primarily due to higher than expected taxes, inspection fees, and charges for services. Expenditures were lower than the original budgeted amounts by \$898,541 as a result of management's efforts to reduce costs, and postpone expenses where possible due to the uncertain economy.

A schedule showing the Townships original and final budget amount compared with amounts actually paid and received is provided on page 30.

Capital Assets

At December 31, 2012, the Township had \$54,596,691 invested in a broad range of capital assets, including land, land improvements, buildings, building improvements, machinery & equipment and infrastructure.

Capital asset purchases totaled \$1,972,515 during the 2012 fiscal year as follows:

Land Improvements - \$177,233; Building and improvements - \$131,894; Machinery and equipment - \$634,566; and Infrastructure - \$1,028,822.

Land improvements include site improvements to Jones Memorial Park (previously Beechwood Park), and Simmons Park.

Building and building improvements are comprised of the renovations to the Middletown Community Center.

Infrastructure expenditures are comprised of the 2012 Road Repaving Program, the Forsythia Crossing Bridge Rehabilitation, the 2012 Drainage Improvement Program, and Stormwater Improvements.

Machinery and equipment capital asset additions include: Caterpillar Backhoe/Loader; 700 MHz Emergency Responder Radio Replacement Program; two 2012 Ford F550 Dump Trucks; Varitec Brine System; two 2012 Ford E350 Econoline Vans; 2012 Ford F350 EMS Vehicle.

Additional information on Middletown Township's capital assets can be found in Note D to the Financial Statement.

Debt Administration

As of January 1, 2012, the Township had total outstanding long-term debt of \$32,515,950 (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 long-term debt balance at December 31, 2012 is \$31,625,394 (principal only).

The GOB 2008 issue has been refinanced and called effective February 15, 2013 with the GOB 2012 issue, resulting in total savings to the Township of \$1.21 Million over the life of the bond issue, with \$1.18 Million of that realized over the next three years, 2013 through 2015.

Standard and Poor's Ratings Services reaffirmed its AA+ bond rating for Middletown Township bonds on September 28, 2012. Furthermore, Moody's Investor Services last affirmed and recalibrated the Middletown Township's general obligation bond (GOB) rating from Aa3 to Aa2 on April 23, 2010 for the GOB 2008 issue. 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 \$288,154 at December 31, 2012. Principal payments of \$63,370 were made during the year. Compensated absences reflect a balance of \$1,076,461 in earned vacation, vested sick pay and vested severance pay as of December 31, 2012. The net decrease in compensated absences is \$30,665 for the year. Other Post Employment Benefits has an outstanding liability of \$3,730,830 at December 31, 2012.

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

Currently Known Facts, Decisions, and Conditions:

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, debt management, and capital improvement funding alternatives.

In 2012, the Township submitted three (13) applications for Project Funding to the Bucks County Redevelopment Authority (RDA) for 2013 Pennsylvania Gaming Revenue Grants. RDA Funding approval was received for seven of the project applications submitted, totaling \$618,742. The grants are for 2013 projects, benefiting the Middletown Community as a whole. A summary follows:

Project	Description	RDA Approved Grant Amount
Middletown Township Police Department	Ford Explorer Interceptors (3), Ford Taurus Interceptor-unmarked (1)	\$106,467
Middletown Township Police Department	Ford Taurus Interceptor-unmarked (1)	\$26,541
Middletown Township Fire Marshall Department	Fire Marshall Vehicle - Ford F350 Utility Body Truck and related Equipment	\$51,000
Middletown Township Fire Marshall Department	County Radio Replacement Program	\$212,000
Middletown Township Department of Public Works	8 ton Dump Truck with Aluminum Body, Plow and Salt Spreader	\$130,418
Middletown Township Department of Public Works	Fueling Station Replacement	\$77,981
Middletown Township Department of Public Works	Traffic Control Sign Fabrication Equipment	\$14,335
Total		<u>\$618,742</u>

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.

Economic Factors and Next Year's Budget

The most significant issue facing Middletown Township in the development of the 2013 Budget is the fact that many key revenue sources in the General Fund have been sharply impacted by economic conditions over the past three calendar years. Specifically, the Township has experienced declines in revenue in the following categories:

- **Real Estate Transfer Tax.** Collections for this tax are anticipated at \$750,000 in 2013. This category has been significantly impacted by the economic downturn, with revenues down nearly fifty percent from the 2005 high of \$1,440,813.
- **Mercantile Tax.** Income in this category is anticipated at \$1,075,000 in 2013, down slightly from recent years, but more than ten percent below the high in 2006 of \$1,207,887.
- **Intergovernmental Revenue.** Revenue sources from the Commonwealth are on the decline as the state deals with its own budget crisis.

Several other significant variables must be taken into consideration when viewing the overall 2013 budget: the Township's pension obligations have increased dramatically, there has been a decrease in the township's assessed value, and the Township has been forced to rely on cash reserves to balance the budget:

- **Pension Costs.** The Township's total pension obligation will increase dramatically in 2013. The state-required Minimum Municipal Obligation into the Police Pension Plan will increase by \$970,727 and the contribution into the General Pension Plan will increase by \$30,158 for a total increase of more than \$1,000,000 over 2012 costs.
- **Reassessment of Real Estate.** The Township's total assessed valuation will be impacted significantly in 2013, as the Oxford Valley Mall's \$2,000,000 assessment reduction is implemented. The overall assessed value has also declined slightly as a result of other businesses applying for and receiving reductions in assessment.
- **Reliance on Cash Reserves.** In 2013, the Township will be required to rely on \$1,087,383 in cash reserves to balance the budget.
- **Reliance on Transfer from Investment Fund.** In addition to relying on cash reserves, the 2013 relies on two transfers from the Investment Fund – a transfer of \$1,300,000 in fund interest and an emergency transfer of \$1,000,000 to be used if necessary.

Even with broad declining revenue sources, the Board of Supervisors has been able to adopt zero tax increase budgets over the past three years. This was accomplished by diligence shown by department directors in reducing operational spending, managing with fewer employees and an overall elimination of discretionary spending. The Township additionally realized significant savings in bond refinancing and restructuring of employee insurance benefits.

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.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF MIDDLETOWN

STATEMENT OF NET POSITION

December 31, 2012

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 9,506,238	\$ 254,896	\$ 9,761,134
Investments	38,228,750	-	38,228,750
Taxes receivable, net of allowance of \$2,089	264,086	-	264,086
Special assessments receivable, net of allowance of \$1,558	80,812	-	80,812
Accounts receivable, net of allowance of \$66,836	691,964	123,160	815,124
Revenue receivable	210,452	-	210,452
Due from other governments	109,786	-	109,786
Other assets	256,534	25,000	281,534
Total Current Assets	<u>49,348,622</u>	<u>403,056</u>	<u>49,751,678</u>
Capital Assets (net of accumulated depreciation)			
Land	7,305,253	3,355,000	10,660,253
Land improvements	6,373,481	648,439	7,021,920
Buildings and building improvements	20,195,424	1,451,496	21,646,920
Machinery and equipment	7,703,709	691,199	8,394,908
Infrastructure	65,265,020	-	65,265,020
Accumulated depreciation	<u>(57,051,879)</u>	<u>(1,340,451)</u>	<u>(58,392,330)</u>
Total Capital Assets (net)	<u>49,791,008</u>	<u>4,805,683</u>	<u>54,596,691</u>
 TOTAL ASSETS	 <u>\$ 99,139,630</u>	 <u>\$ 5,208,739</u>	 <u>\$ 104,348,369</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized deferred loss on refunding	<u>83,180</u>	<u>-</u>	<u>83,180</u>
Total deferred outflows of resources	<u>83,180</u>	<u>-</u>	<u>83,180</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Liabilities			
Accounts payable	1,447,451	45,951	1,493,402
Accrued salaries and benefits	511,690	-	511,690
Deposits and refunds	288,329	-	288,329
Internal balances	(328,613)	328,613	-
Due to other governments	77,047	-	77,047
Accrued interest payable	185,763	-	185,763
Other liabilities	753	-	753
Bonds payable, current maturity	2,060,000	67,279	2,127,279
Compensated absences, current maturity	84,517	-	84,517
Total Current Liabilities	<u>4,326,937</u>	<u>441,843</u>	<u>4,768,780</u>
Long-term Liabilities			
Bonds payable, net of current maturity	24,469,949	220,875	24,690,824
Compensated absences, net of current maturity	991,944	-	991,944
Other post-employment benefits	3,730,830	-	3,730,830
Total Long-term Liabilities	<u>29,192,723</u>	<u>220,875</u>	<u>29,413,598</u>
Total Liabilities	<u>33,519,660</u>	<u>662,718</u>	<u>34,182,378</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - special assessments	18,724	12,250	30,974
Total deferred inflows of resources	<u>18,724</u>	<u>12,250</u>	<u>30,974</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	25,404,239	4,517,529	29,921,768
Restricted for:			
Public safety	22,400	-	22,400
Public works	805,736	-	805,736
Transportation impact fee	374,341	-	374,341
Debt service	124,923	-	124,923
Unrestricted	38,952,787	16,242	38,969,029
Total Net Position	<u>\$ 65,684,426</u>	<u>\$ 4,533,771</u>	<u>\$ 70,218,197</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government				
Governmental Activities:				
General government	\$ 2,290,625	\$ 1,102,349	\$ 145,392	\$ 2,000
Public safety	14,580,986	1,863,345	770,638	303,493
Public works	6,251,378	4,474,867	896,001	213,660
Parks and recreation	1,803,802	251,285	17,412	8,000
Miscellaneous	537,043	-	-	-
Debt service interest	1,069,783	-	-	-
Unallocated depreciation expense	1,502,025	-	-	-
Total Governmental Activities	28,035,642	7,691,846	1,829,443	527,153
Business -Type Activities				
Country Club	125,352	196,912	-	-
Farm Fund	19,719	40,000	-	-
Total Business-Type Activities	145,071	236,912	-	-
 Total Primary Government	\$ 28,180,713	\$ 7,928,758	\$ 1,829,443	\$ 527,153

General Revenues
 Property taxes, levied for general purposes
 Amusement tax
 Local services taxes
 Mercantile tax
 Real estate transfer tax
 Parking transaction fee
 Other taxes
 Interest and rents
 Miscellaneous revenues
 Transfers
 Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning
 Prior period adjustment (see Note N)
 Net Position - Ending

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,040,884)	\$ -	\$ (1,040,884)
(11,643,510)	-	(11,643,510)
(666,850)	-	(666,850)
(1,527,105)	-	(1,527,105)
(537,043)	-	(537,043)
(1,069,783)	(12,045)	(1,081,828)
(1,502,025)	-	(1,502,025)
<u>(17,987,200)</u>	<u>(12,045)</u>	<u>(17,999,245)</u>
-	71,560	71,560
-	20,281	20,281
-	91,841	91,841
<u>(17,987,200)</u>	<u>79,796</u>	<u>(17,907,404)</u>
9,303,772	-	9,303,772
1,310,544	-	1,310,544
891,077	-	891,077
1,045,067	-	1,045,067
850,232	-	850,232
238,155	-	238,155
178,548	-	178,548
435,806	9,150	444,956
20,804	-	20,804
69,275	(69,275)	-
<u>14,343,280</u>	<u>(60,125)</u>	<u>14,283,155</u>
(3,643,920)	19,671	(3,624,249)
69,700,761	4,514,100	74,214,861
(372,415)	-	(372,415)
<u>\$ 65,684,426</u>	<u>\$ 4,533,771</u>	<u>\$ 70,218,197</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

BALANCE SHEET -
GOVERNMENTAL FUNDS

December 31, 2012

	<u>General</u>	State <u>Highway Aid</u>	Investment <u>Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,385,790	\$ 1,186,653	\$ 2,035,396
Investments	-	-	38,228,750
Receivables			
Taxes receivable, net of allowance of \$2,089	115,732	-	-
Special assessments, net of allowance of \$1,558	76,338	-	-
Accounts receivable	520,552	158	15,498
Allowance for doubtful accounts	(66,836)	-	-
Revenue receivable	208,731	-	-
Prepaid items	-	-	-
Deposit	-	-	250,000
Advances to other funds	-	-	-
Due from other funds	171,338	1,070	-
Due from other governments	109,786	-	-
Total Assets	<u>\$ 4,521,431</u>	<u>\$ 1,187,881</u>	<u>\$ 40,529,644</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 734,734	\$ 417,230	\$ -
Accrued salaries and benefits	475,626	12,355	-
Deposits and refunds	97,362	-	190,967
Due to other funds	81,614	75,258	-
Due to other governments	11,570	-	65,477
Other liabilities	-	753	-
Total Liabilities	<u>1,400,906</u>	<u>505,596</u>	<u>256,444</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	317,049	-	-
Unavailable revenue - special assessments	-	-	14,250
Total deferred inflows of resources	<u>317,049</u>	<u>-</u>	<u>14,250</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Prepaid items	-	-	-
Long-term interfund advances	-	-	-
Restricted:			
Public safety	-	-	-
Public works	-	682,285	-
Transportation impact fee	-	-	-
Debt service	-	-	-
Committed:			
Culture and recreation	-	-	-
Emergency reserve	-	-	40,000,000
Assigned:			
Operations	-	-	258,950
Capital projects	-	-	-
Unassigned	2,803,476	-	-
Total Fund Balances	<u>2,803,476</u>	<u>682,285</u>	<u>40,258,950</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,521,431</u>	<u>\$ 1,187,881</u>	<u>\$ 40,529,644</u>

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 123,895	\$ 2,774,504	\$ 9,506,238
-	-	38,228,750
77,771	70,583	264,086
-	4,474	80,812
-	222,592	758,800
-	-	(66,836)
1,721	-	210,452
-	6,534	6,534
-	-	250,000
-	328,613	328,613
21,129	331,207	524,744
-	-	109,786
<u>\$ 224,516</u>	<u>\$ 3,738,507</u>	<u>\$ 50,201,979</u>
\$ 21,823	\$ 273,664	\$ 1,447,451
-	23,709	511,690
-	-	288,329
-	367,872	524,744
-	-	77,047
-	-	753
<u>21,823</u>	<u>665,245</u>	<u>2,850,014</u>
77,770	70,583	465,402
-	4,474	18,724
<u>77,770</u>	<u>75,057</u>	<u>484,126</u>
-	6,534	6,534
-	328,613	328,613
-	22,400	22,400
-	123,451	805,736
-	374,341	374,341
124,923	-	124,923
-	369,420	369,420
-	-	40,000,000
-	-	258,950
-	1,773,446	1,773,446
-	-	2,803,476
<u>124,923</u>	<u>2,998,205</u>	<u>46,867,839</u>
<u>\$ 224,516</u>	<u>\$ 3,738,507</u>	<u>\$ 50,201,979</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

December 31, 2012

TOTAL GOVERNMENTAL FUND BALANCES \$ 46,867,839

Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds.

Cost of capital assets	\$ 106,842,887	
Accumulated depreciation	<u>(57,051,879)</u>	49,791,008

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Property tax receivables		465,402
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Long term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Those liabilities consist of the following:

Accrued interest on bonds	(185,763)	
Bonds and notes payable	(26,320,000)	
Unamortized bond premiums	(209,949)	
Unamortized deferred loss on refunding	83,180	
Compensated absences	(1,076,461)	
Other post employment benefits obligation	<u>(3,730,830)</u>	<u>(31,439,823)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 65,684,426

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2012

Revenues	General	State Highway Aid	Investment Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Taxes:						
Property	\$ 3,899,334	\$ -	\$ -	\$ 2,852,313	\$ 2,505,504	\$ 9,257,151
Amusement	1,310,544	-	-	-	-	1,310,544
Local service	891,077	-	-	-	-	891,077
Mercantile	1,045,067	-	-	-	-	1,045,067
Real estate transfer	850,232	-	-	-	-	850,232
Parking transaction	238,155	-	-	-	-	238,155
Per Capita	141,588	-	-	-	-	141,588
Mechanical devices	36,960	-	-	-	-	36,960
Fees, licenses and permits	1,211,002	-	-	-	16,714	1,227,716
Fines and forfeitures	169,122	-	-	-	-	169,122
Investment income and rent	72,029	635	845,092	745	20,890	939,391
Intergovernmental revenues	574,972	896,001	-	-	810,756	2,281,729
Charges for services	6,013,359	-	-	-	281,649	6,295,008
Contributions private sources	40,050	-	-	-	34,817	74,867
Gain (loss) on investments	-	-	(503,585)	-	-	(503,585)
Other	2,839	768	8	-	17,189	20,804
Total Revenues	16,496,330	897,404	341,515	2,853,058	3,687,519	24,275,826
Expenditures						
Current:						
General government	1,641,354	-	44,666	35,510	67,583	1,789,113
Public safety	10,546,597	-	-	-	1,345,870	11,892,467
Public works	5,182,947	859,095	-	-	662,094	6,704,136
Parks and recreation	-	-	-	-	1,356,337	1,356,337
Miscellaneous	537,043	-	-	-	-	537,043
Debt service:						
Principal	-	-	-	1,940,000	-	1,940,000
Interest	-	-	-	852,309	-	852,309
Paid to fiscal agent	-	-	-	-	153,063	153,063
Capital outlay/development	-	-	-	-	1,664,283	1,664,283
Total Expenditures	17,907,941	859,095	44,666	2,827,819	5,249,230	26,888,751
Excess (Deficiency) of Revenues						
Over Expenditures	(1,411,611)	38,309	296,849	25,239	(1,561,711)	(2,612,925)
Other Financing Sources (Uses)						
Issuance of refunding bonds	-	-	-	-	8,925,000	8,925,000
Bond premiums and discounts	-	-	-	-	150,892	150,892
Payment to refunded bond escrow agent	-	-	-	-	(8,922,829)	(8,922,829)
Transfers in	1,479,063	-	-	49,912	10,000	1,538,975
Transfers out	-	-	(1,300,000)	(32,000)	(137,700)	(1,467,700)
Total Other Financing Sources (Uses)	1,479,063	-	(1,300,000)	17,912	25,363	222,338
Net Change in Fund Balance	67,452	38,309	(1,003,151)	43,151	(1,536,348)	(2,390,587)
Fund Balance - Beginning	2,736,024	643,976	41,262,101	81,772	4,534,553	49,258,426
Fund Balance - Ending	\$ 2,803,476	\$ 682,285	\$ 40,258,950	\$ 124,923	\$ 2,998,205	\$ 46,867,839

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ (2,390,587)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	2,091,369	
Depreciation expense	<u>(2,848,606)</u>	(757,237)
The effect of contribution of capital assets to fire companies is to decrease net position.		(1,492,443)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		46,621
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Refunding bonds issued	(8,925,000)	
Debt refunded	8,755,000	
Debt premiums and discounts	(150,891)	
Amortization of premiums, discounts, and losses	16,550	
Repayment of debt	<u>1,940,000</u>	1,635,659
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	30,665	
Other post employment benefits	(803,465)	
Interest expense	<u>86,867</u>	(685,933)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (3,643,920)</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2012

	<u>GENERAL FUND</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property	\$ 3,874,810	\$ 3,874,810	\$ 3,899,334	\$ 24,524
Amusement	1,250,000	1,250,000	1,310,544	60,544
Local service	925,000	925,000	891,077	(33,923)
Mercantile	950,000	950,000	1,045,067	95,067
Real estate transfer	750,000	750,000	850,232	100,232
Parking transaction	225,000	225,000	238,155	13,155
Per Capita	136,100	136,100	141,588	5,488
Mechanical devices	40,000	40,000	36,960	(3,040)
Fees, licenses and permits	1,104,500	1,104,500	1,211,002	106,502
Investment income and rent	78,500	78,500	72,029	(6,471)
Intergovernmental revenues	580,469	580,469	574,972	(5,497)
Fines and forfeitures	197,000	197,000	169,122	(27,878)
Charges for services	5,812,240	5,812,240	6,013,359	201,119
Contributions private sources	42,500	42,500	40,050	(2,450)
Other	-	-	2,839	2,839
Total Revenues	<u>15,966,119</u>	<u>15,966,119</u>	<u>16,496,330</u>	<u>530,211</u>
Expenditures				
Current:				
General government	1,764,962	1,764,962	1,641,354	123,608
Public safety	11,254,769	11,254,769	10,546,597	708,172
Public works	5,281,144	5,281,144	5,182,947	98,197
Miscellaneous	505,607	505,607	537,043	(31,436)
Total Expenditures	<u>18,806,482</u>	<u>18,806,482</u>	<u>17,907,941</u>	<u>898,541</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,840,363)</u>	<u>(2,840,363)</u>	<u>(1,411,611)</u>	<u>1,428,752</u>
Other Financing Sources (Uses)				
Transfers in	2,900,676	2,900,676	1,479,063	(1,421,613)
Total Other Financing Sources (Uses)	<u>2,900,676</u>	<u>2,900,676</u>	<u>1,479,063</u>	<u>(1,421,613)</u>
Net Change in Fund Balance	60,313	60,313	67,452	7,139
Fund Balance - Beginning	<u>2,736,024</u>	<u>2,736,024</u>	<u>2,736,024</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,796,337</u>	<u>\$ 2,796,337</u>	<u>\$ 2,803,476</u>	<u>\$ 7,139</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

STATE HIGHWAY AID FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2012

	<u>STATE HIGHWAY</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 901,271	\$ 901,271	\$ 896,001	\$ (5,270)
Investment income and rent	575	575	635	60
Miscellaneous	-	-	768	768
Total Revenues	<u>901,846</u>	<u>901,846</u>	<u>897,404</u>	<u>(4,442)</u>
Expenditures				
Current:				
Public works	<u>1,249,769</u>	<u>1,249,769</u>	<u>859,095</u>	<u>390,674</u>
Total Expenditures	<u>1,249,769</u>	<u>1,249,769</u>	<u>859,095</u>	<u>390,674</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(347,923)</u>	<u>(347,923)</u>	<u>38,309</u>	<u>386,232</u>
Fund Balance - Beginning	<u>643,976</u>	<u>643,976</u>	<u>643,976</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 296,053</u>	<u>\$ 296,053</u>	<u>\$ 682,285</u>	<u>\$ 386,232</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

INVESTMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2012

	INVESTMENT FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Investment income and rent	\$ 1,500,000	\$ 1,500,000	\$ 845,092	\$ (654,908)
Gain (loss) on investments	-	-	(503,585)	(503,585)
Miscellaneous	-	-	8	8
Total Revenues	1,500,000	1,500,000	341,515	(1,158,485)
Expenditures				
Current:				
General government	42,000	42,000	44,666	(2,666)
Total Expenditures	42,000	42,000	44,666	(2,666)
Excess (Deficiency) of Revenues Over Expenditures	1,458,000	1,458,000	296,849	(1,161,151)
Other Financing Sources (Uses)				
Transfers out	(2,850,000)	(2,850,000)	(1,300,000)	1,550,000
Total Other Financing Sources (Uses)	(2,850,000)	(2,850,000)	(1,300,000)	1,550,000
Net Change in Fund Balance	(1,392,000)	(1,392,000)	(1,003,151)	388,849
Fund Balance - Beginning	41,262,101	41,262,101	41,262,101	-
Fund Balance - Ending	\$ 39,870,101	\$ 39,870,101	\$ 40,258,950	\$ 388,849

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2012

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 120,749	\$ 134,147	\$ 254,896
Accounts receivable	122,528	632	123,160
Other assets	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Current Assets	<u>268,277</u>	<u>134,779</u>	<u>403,056</u>
Noncurrent			
Land	1,155,000	2,200,000	3,355,000
Land improvements	648,439	-	648,439
Building and building improvements	1,314,179	137,317	1,451,496
Furniture and equipment	691,199	-	691,199
Less accumulated depreciation	<u>(1,306,461)</u>	<u>(33,990)</u>	<u>(1,340,451)</u>
Total capital assets (net of accumulated depreciation)	<u>2,502,356</u>	<u>2,303,327</u>	<u>4,805,683</u>
Total Assets	<u>\$ 2,770,633</u>	<u>\$ 2,438,106</u>	<u>\$ 5,208,739</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ -	\$ 45,951	\$ 45,951
Advances to other funds	179,249	149,364	328,613
Notes payable, current maturity	<u>67,279</u>	<u>-</u>	<u>67,279</u>
Total Current Liabilities	<u>246,528</u>	<u>195,315</u>	<u>441,843</u>
Noncurrent			
Note payable, less current maturities	<u>220,875</u>	<u>-</u>	<u>220,875</u>
Total Liabilities	<u>467,403</u>	<u>195,315</u>	<u>662,718</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - special assessments	<u>12,250</u>	<u>-</u>	<u>12,250</u>
Total deferred inflows of resources	<u>12,250</u>	<u>-</u>	<u>12,250</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	2,214,202	2,303,327	4,517,529
Unrestricted	<u>76,778</u>	<u>(60,536)</u>	<u>16,242</u>
Total Net Position	<u>2,290,980</u>	<u>2,242,791</u>	<u>4,533,771</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,770,633</u>	<u>\$ 2,438,106</u>	<u>\$ 5,208,739</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2012

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services			
Licensing fees	\$ 196,912	\$ 40,000	\$ 236,912
Rent	-	9,100	9,100
Total Operating Revenues	<u>196,912</u>	<u>49,100</u>	<u>246,012</u>
Operating Expenses			
Park and recreation	38,036	16,077	54,113
Depreciation	<u>87,316</u>	<u>3,642</u>	<u>90,958</u>
Total Operating Expenses	<u>125,352</u>	<u>19,719</u>	<u>145,071</u>
Operating Income (Loss)	<u>71,560</u>	<u>29,381</u>	<u>100,941</u>
Nonoperating Revenues (Expense)			
Interest income	37	13	50
Interest expense	<u>(12,045)</u>	-	<u>(12,045)</u>
Total Nonoperating Revenues (Expense)	<u>(12,008)</u>	<u>13</u>	<u>(11,995)</u>
Income (Loss) before Transfers	59,552	29,394	88,946
Transfers out	<u>(56,586)</u>	<u>(12,689)</u>	<u>(69,275)</u>
Changes in Net Position	2,966	16,705	19,671
Total Net Position - Beginning	<u>2,288,014</u>	<u>2,226,086</u>	<u>4,514,100</u>
Total Net Position - Ending	<u>\$ 2,290,980</u>	<u>\$ 2,242,791</u>	<u>\$ 4,533,771</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2012

	Proprietary Fund Types		
	Country Club	Farm Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 234,950	\$ 48,694	\$ 283,644
Cash paid to suppliers	(38,037)	(9,513)	(47,550)
Net cash provided by (used in) operating activities	<u>196,913</u>	<u>39,181</u>	<u>236,094</u>
Cash flows from non-capital financing activities			
Payments to interfund balances	(55,626)	-	(55,626)
Transfers to other funds	(56,586)	(12,689)	(69,275)
Net cash provided by (used in) non-capital financing activities	<u>(112,212)</u>	<u>(12,689)</u>	<u>(124,901)</u>
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(63,371)	-	(63,371)
Interest paid on long-term debt	(12,045)	-	(12,045)
Net cash provided by (used in) capital and related financing activities	<u>(75,416)</u>	<u>-</u>	<u>(75,416)</u>
Cash flows from investing activities			
Earnings on investments	37	13	50
Net cash provided by (used in) investing activities	<u>37</u>	<u>13</u>	<u>50</u>
Net increase (decrease) in cash and cash equivalents	9,322	26,505	35,827
Beginning cash and cash equivalents	111,427	107,642	219,069
Ending cash and cash equivalents	<u>\$ 120,749</u>	<u>\$ 134,147</u>	<u>\$ 254,896</u>

**Reconciliation of Net Operating Income (Loss)
to Net Cash Provided (Used) by Operating Activities**

Net operating income (loss)	\$ 71,560	\$ 29,381	\$ 100,941
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation	87,316	3,642	90,958
Changes in assets and liabilities			
(Increase) decrease in receivables	38,037	(406)	37,631
Increase (decrease) in accounts payables	-	6,564	6,564
Increase (decrease) in other payables	-	-	-
Net adjustments	<u>125,353</u>	<u>9,800</u>	<u>135,153</u>
Cash provided (used) by operating activities	<u>\$ 196,913</u>	<u>\$ 39,181</u>	<u>\$ 236,094</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2012

	Pension Trust and Other Employee Benefit <u>Trust Funds</u>	Private Purpose <u>Trusts</u>	Agency <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,113,822	\$ 1,095,220	\$ 1,764,379
Prepaid expenses	187,125	-	-
Accrued interest	86,707	-	-
Investments, at fair value:			
U.S. government obligations	3,555,381	-	-
Government sponsored mortgages	747,609	-	-
Corporate obligations	1,104,868	-	-
Municipal obligations	2,651,506	-	-
Mortgages	1,632,336	-	-
Foreign obligations	196,920	-	-
Stock equities	18,702,493	-	-
Total investments	<u>28,591,113</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 30,978,767</u>	<u>\$ 1,095,220</u>	<u>\$ 1,764,379</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ 52,975
Deposits and refunds	-	-	1,408,645
Due to other governments	-	109,786	-
Other liabilities	102	-	302,759
Total Liabilities	<u>102</u>	<u>109,786</u>	<u>1,764,379</u>
 <u>NET POSITION</u>			
Net Position - Restricted for:			
Pension benefits	30,647,843	-	-
Other post employment benefits	330,822	-	-
Fire company district	-	985,434	-
Total Net Position	<u>\$ 30,978,665</u>	<u>\$ 985,434</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2012

	Pension Trust and Other Employee Benefit <u>Trust Funds</u>	Private Purpose <u>Trusts</u>
Additions		
Contributions		
Employee contributions	\$ 361,566	\$ -
Township contributions	1,187,589	322,217
State aid	482,775	-
Grant	-	400,000
Insurance proceeds	85,620	-
Total Contributions	<u>2,117,550</u>	<u>722,217</u>
Investment Income		
Net appreciation (depreciation) in fair value of investments	2,394,444	-
Interest and dividend income	739,859	411
Total investment earnings	<u>3,134,303</u>	<u>411</u>
Total Additions	<u>5,251,853</u>	<u>722,628</u>
Deductions		
Benefits	2,046,593	-
Administrative expenses	291,144	-
Total Deductions	<u>2,337,737</u>	<u>400,000</u>
Change in Net Position	2,914,116	322,628
Net Position - Restricted:		
Beginning of Year	<u>28,064,549</u>	<u>662,806</u>
End of Year	<u>\$ 30,978,665</u>	<u>\$ 985,434</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies

Nature of Entity

Middletown Township, County of Bucks, Commonwealth of Pennsylvania, (the "Township") 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.

In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if the organization is fiscally dependent on the Township. Based on the aforementioned criteria, there were no entities which were considered for inclusion in the reporting entity.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

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.

Direct expenses are those that are clearly identifiable with a specific function or segment. 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.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's proprietary functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Fund financial statements are provided for governmental funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate column in the fund financial statements.

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 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 and any agency funds reported have no measurement focus. 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements reported 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 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 government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *State Highway Aid Fund* is used to account for revenues derived from state liquid fuels tax, and federal and state grants, which are legally restricted to expenditures for specific purposes.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

The *Investment Fund* is used to account for the revenue derived from the sale of the water and sewer operations, the principal investment from the proceeds of \$40,000,000 is committed by the Board of Supervisors for use in a state of emergency.

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of principal and interest on certain long-term and short-term debt. The principal source of revenue is real estate taxes.

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 Funds reported as major funds in this category are the State Highway Aid Fund and the Investment Fund. The remaining funds are classified as non-major funds in the balance sheet of governmental funds. Funds included in this category are:

Parks and Recreation Fund	Fire Hydrant Fund
General Street Lighting Fund	Fire Protection Fund
Ambulance and Rescue Squad Fund	Road Machinery
Police Forfeiture 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). The 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 Reserve Fund
Capital Projects - 2012 Bond Fund	Curb/Road Revolving Fund
Community Development Fund	Contingency Fund

Proprietary Fund Types

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

The *Country Club Fund* is used to account for the investment in assets and the revenue derived from the operations of the Middletown Country Club currently managed under license agreement with Agro Golf.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

The *Farm Fund* is used to account for account for the investment in assets and the revenue derived from the operations of Styer's Farm, and Styer's Store currently managed and operated under separate agreements with Styers Orchard, Inc, and Styers Farm Store, Inc.

Fiduciary Funds

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

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

Non-uniformed Pension Plan
Police Pension Plan

Post Retirement Health Benefit Fund - This fund is used to account for resources reserved for OPEB costs.

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

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.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses 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, consisting of licensing fees and rent. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition classified as nonoperating 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.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

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 for all funds. The Code requires that budgets be legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. The appropriated budgets are prepared by fund, function, and department. 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 re-appropriated. 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. During the year, the Township did not materially amend the budget in such a manner that would require disclosure.

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.

Excess of expenditures over appropriations

For the year ended December 31, 2012, expenditures exceeded appropriations in the category of miscellaneous in the general fund, and general government in the investment fund, by a total of \$31,436 and \$2,666, respectively. These over expenditures were funded by greater than anticipated revenues and accumulated fund balance.

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 90 days or less from the date of purchase to be cash equivalents. All investments of the Township are stated at fair value.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

Receivables

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

Millage rates approved in the 2012 budget:

	<u>Mills</u>
General Fund	7.3400
Highway Lighting	0.9880
Fire Protection	1.3750
Park and Recreation	1.6200
Ambulance and Rescue	0.3950
Debt Service	5.4450
Fire Hydrant	0.1070
Road Machinery	<u>0.3000</u>
	<u>17.5700</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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

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, furniture, 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.

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 discounts or premiums are capitalized and amortized over the term of the respective bonds using the straight line method. Bond issuance costs are expensed in the year of issue. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Non-uniformed and DPW employees are granted 14 days and 17 days sick leave per year, respectively, with an accumulation of unused sick leave of 205 days. With 5 years' service, non-uniformed and DPW employees are paid for up to a maximum of 50 percent of their accumulated unused sick leave to a maximum of 30 days upon termination, or 55 days upon retirement. All police officers are entitled to 50 days severance pay at retirement with 10 years' service.

Any liability 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.

General fund resources are used to liquidate the liability for compensated absences.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

Net Position

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

Invested in capital assets, net of related debt - This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents net position of the entity, not restricted for any project or other purpose.

Fund Balance

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

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Township’s highest level of decision-making authority, the Board of Supervisors. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution).

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

Emergency Reserve - By Board Resolution, the Investment Fund principal of \$40,000,000 is held in reserve and not available for normal expenditure in annual budgets or to supplement normal and ordinary budgetary operational and capital expenditures. The funds may be spent under two circumstances: (i) Through board resolution if a state of emergency has been declared by the Board of Supervisors, as the result of a natural or economic disaster; or (ii) Through approval by a referendum of the citizens of the Township

Assigned Fund Balance - includes amounts intended to be used by the Township for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Board of Supervisors or (b) a body (a budget, finance committee, or Township Manager and Finance Director) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the government-wide statement and the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. The government-wide statements only report unavailable revenues from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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).

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

B. Deposits and Investments (Continued)

- 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).
- 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).

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

B. Deposits and Investments (Continued)

As of December 31, 2012, the Township had the following investments:

	<u>Fair</u> <u>Value</u>	<u>Moody's</u> <u>Rating</u>	<u>Maturity</u> <u>(Years)</u>
GOVERNMENTAL ACTIVITIES			
Externally Pooled Investments (PLGIT)	\$ 4,691,259	AAAm	Not applicable
PA Treasury Invest Community Pool	11,983	AAAm	Not applicable
U.S. Government Obligations	37,085,840	AAA	0.24
Certificates of Deposit	<u>1,142,910</u>	Not applicable	4.00
	<u>\$ 42,931,992</u>		
FIDUCIARY FUNDS			
U.S. Government Obligations	\$ 3,555,381	AAA	0.59
Government Sponsored Mortgages	747,609	AAA	0.91
Corporate Obligations	1,104,868	BAA1-A3	2.02
Municipal Obligations	2,651,506	AA1-AAA	0.33
Mortgages	1,632,336	AAA	0.77
Foreign Obligations	196,920	AA1	11.00
Stock Equities	<u>18,702,493</u>	Not applicable	Not applicable
	<u>\$ 28,591,113</u>		

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, 2012, \$9,183,047 of the Township's bank balance of \$9,945,031 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.

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 AAAm by a nationally recognized statistical rating organization, and is subject to an independent annual audit. These deposits are considered cash equivalents because of their short maturity dates and are included above.

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 risk of default is eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed above.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

B. Deposits and Investments (Continued)

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. The ratings for investments are disclosed in the chart on the previous page.

Concentration of Credit Risk - is the concentration of investments in anyone single user of debt securities presents a greater risk for loss in the event the issuer fails on its obligations. The Township's policy is to diversify the investment portfolio by security type and institution. No more than 50% of the Township's total investment portfolio managed by one investment manager will be invested in a single security type or with a single financial institution with the exception of US. Treasury Securities and authorized pools. At December 31, 2012, the Township did not have any singular investment that exceeded 5% of the total investments.

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. The weighted average maturities are disclosed in the chart on the previous page.

Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2012, \$1,764,379 represents the balance of these monies held in escrow.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

C. Receivables

Receivables as of year end for the government's individual major funds and non major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	Highway <u>Aid</u>	Investment <u>Fund</u>	Debt <u>Service</u>	Country <u>Club</u>	Farm <u>Fund</u>	Pension Trust <u>Funds</u>	Nonmajor and Other <u>Funds</u>	<u>Total</u>
Receivables:									
Taxes receivable	\$ 116,997	\$ -	\$ -	\$ 77,771	\$ -	\$ -	\$ -	\$ 71,407	\$ 266,175
Special assessment	77,896	-	-	-	-	-	-	4,474	82,370
Accounts receivable	520,552	158	15,498	-	122,528	632	-	222,592	881,960
Accrued interest	-	-	-	-	-	-	86,707	-	86,707
Revenue receivable	<u>208,731</u>	<u>-</u>	<u>-</u>	<u>1,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,452</u>
Gross Receivables	924,176	158	15,498	79,492	122,528	632	86,707	298,473	1,527,664
Less: allowance for uncollectibles	<u>(69,659)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(824)</u>	<u>(70,483)</u>
Net Total Receivables	<u>\$ 854,517</u>	<u>\$ 158</u>	<u>\$ 15,498</u>	<u>\$ 79,492</u>	<u>\$ 122,528</u>	<u>\$ 632</u>	<u>\$ 86,707</u>	<u>\$ 297,649</u>	<u>\$ 1,457,181</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

D. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,305,253	\$ -	\$ -	\$ 7,305,253
Construction in progress	<u>118,854</u>	<u>-</u>	<u>(118,854)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>7,424,107</u>	<u>-</u>	<u>(118,854)</u>	<u>7,305,253</u>
Capital assets, being depreciated:				
Land improvements	6,196,248	177,233	-	6,373,481
Building and building improvements	19,944,676	250,748	-	20,195,424
Machinery and equipment	9,481,377	634,566	(2,412,234)	7,703,709
Infrastructure	<u>64,236,198</u>	<u>1,028,822</u>	<u>-</u>	<u>65,265,020</u>
Total capital assets being depreciated	<u>99,858,499</u>	<u>2,091,369</u>	<u>(2,412,234)</u>	<u>99,537,634</u>
Less accumulated depreciation for:				
Land improvements	2,433,964	288,356	-	2,722,320
Building and building improvements	3,970,004	426,289	-	4,396,293
Machinery and equipment	6,224,890	631,936	(1,038,645)	5,818,181
Infrastructure	<u>42,613,060</u>	<u>1,502,025</u>	<u>-</u>	<u>44,115,085</u>
Total accumulated depreciation	<u>55,241,918</u>	<u>2,848,606</u>	<u>(1,038,645)</u>	<u>57,051,879</u>
Total capital assets, being depreciated, net	<u>44,616,581</u>	<u>(757,237)</u>	<u>(1,373,589)</u>	<u>42,485,755</u>
Governmental activities capital assets, net	<u>\$ 52,040,688</u>	<u>\$ (757,237)</u>	<u>\$ (1,492,443)</u>	<u>\$ 49,791,008</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,355,000	\$ -	\$ -	\$ 3,355,000
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>3,355,000</u>	<u>-</u>	<u>-</u>	<u>3,355,000</u>
Capital assets, being depreciated:				
Land improvements	648,439	-	-	648,439
Building and building improvements	1,451,495	-	-	1,451,495
Furniture and equipment	<u>691,199</u>	<u>-</u>	<u>-</u>	<u>691,199</u>
Total capital assets being depreciated	<u>2,791,133</u>	<u>-</u>	<u>-</u>	<u>2,791,133</u>
Less accumulated depreciation for:				
Land improvements	360,680	32,422	-	393,102
Building and building improvements	322,996	29,925	-	352,921
Furniture and equipment	<u>565,817</u>	<u>28,610</u>	<u>-</u>	<u>594,427</u>
Total accumulated depreciation	<u>1,249,493</u>	<u>90,957</u>	<u>-</u>	<u>1,340,450</u>
Total capital assets, being depreciated, net	<u>1,541,640</u>	<u>(90,957)</u>	<u>-</u>	<u>1,450,683</u>
Business-type activities capital assets, net	<u>\$ 4,896,640</u>	<u>\$ (90,957)</u>	<u>\$ -</u>	<u>\$ 4,805,683</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 232,372
Public safety	504,247
Public works	329,574
Parks and recreation	<u>280,388</u>
Subtotal	1,346,581
Unallocated expense	<u>1,502,025</u>
Total depreciation expense-governmental activities	<u>\$ 2,848,606</u>
Business-type activities:	
Country Club	\$ 87,315
Farm Fund	<u>3,642</u>
Total depreciation expense-business-type activities	<u>\$ 90,957</u>

E. Bond and Other Long-Term Debt

General Obligation Bonds, Series 2012

In November of 2012, Middletown Township issued General Obligation ("G.O.") bonds in the amount of \$8,925,000 to currently refund the Township's G.O. bond Series 2008 and to pay the costs of issuing the bonds. As a result, the refunded debt is considered to be defeased and the liability has been removed from the governmental activities column of the statement of net asset. The refunding resulted in a loss on defeasance of \$41,641, a cash flow savings of \$1,213,560 over the life of the new debt, and an economic present value gain of \$1,181,742.

The bonded debt is comprised of serially numbered bonds. Interest is payable April 15 and October 15 until maturity. Interest rates range from 1.00% to 4.00%.

Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 190,178	\$ 190,178
2013	5,000	210,013	215,013
2014	365,000	209,963	574,963
2015	520,000	195,363	715,363
2016	545,000	174,563	719,563
2017-2021	2,915,000	667,451	3,582,451
2022-2026	3,195,000	382,605	3,577,605
2027-2029	<u>1,380,000</u>	<u>51,320</u>	<u>1,431,320</u>
Total	<u>\$ 8,925,000</u>	<u>\$ 2,081,456</u>	<u>\$ 11,006,456</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

E. Bond and Other Long-Term Debt (Continued)

General Obligation Bonds, Series 2011

In August of 2011, Middletown Township issued General Obligation ("G.O.") bonds in the amount of \$8,560,000 to currently refund the Township's G.O. bond Series 2006 and G.O. Note Series 2000 and to pay the costs of issuing the bonds.

The bonded debt is comprised of serially numbered bonds. Interest is payable February 15 and August 15 until maturity. Interest rates range from 1.00% to 3.625%. Interest of \$228,138 and principal of \$45,000 were paid in 2012. Principal and interest payments will be made until maturity in 2026 as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 500,000	\$ 242,538	\$ 742,538
2014	540,000	230,038	770,038
2015	560,000	216,538	776,538
2016	565,000	202,538	767,538
2017	585,000	188,413	773,413
2018-2022	3,055,000	737,438	3,792,438
2023-2026	<u>2,710,000</u>	<u>242,913</u>	<u>2,952,913</u>
Total	<u>\$ 8,515,000</u>	<u>\$ 2,060,416</u>	<u>\$ 10,575,416</u>

General Obligation Bonds, Series 2010

In June of 2010, Middletown Township issued General Obligation ("G.O.") bonds in the amount of \$5,620,000 to currently refund the Township's G.O. bonds, Series 1998 and Series 2005 and to pay the costs of issuing the bonds.

The bonded debt is comprised of serially numbered bonds. Interest is payable April 15 and October 15 until maturity. Interest rates range from 2.00% to 2.625%. Interest of \$86,681 and principal of \$895,000 were paid in 2012. Principal and interest payments will be made until maturity in 2017 as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 920,000	\$ 68,781	\$ 988,781
2014	615,000	50,381	665,381
2015	625,000	38,081	663,081
2016	635,000	25,581	660,581
2017	<u>400,000</u>	<u>10,500</u>	<u>410,500</u>
Total	<u>\$ 3,195,000</u>	<u>\$ 193,324</u>	<u>\$ 3,388,324</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

E. Bond and Other Long-Term Debt (Continued)

General Obligation Bonds, Series 2009

In June of 2009, Middletown Township issued 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 15 and October 15 until maturity. Interest rates range from 2.00% to 3.750%. Interest of \$200,143 and principal of \$625,000 were paid in 2012. Principal and interest payments will be made until maturity in 2020 as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 640,000	\$ 184,518	\$ 824,518
2013	655,000	168,518	823,518
2014	675,000	152,470	827,470
2015	695,000	125,470	820,470
2016	720,000	104,620	824,620
2017-2020	<u>2,300,000</u>	<u>168,705</u>	<u>2,468,705</u>
Total	<u>\$ 5,685,000</u>	<u>\$ 904,301</u>	<u>\$ 6,589,301</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 15 and August 15 until maturity. Interest rates range from 3.35% to 4.25%. Interest of \$345,783 and principal of \$375,000 were paid in 2012. This bond was refunded in 2012.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

E. Bond and Other Long-Term Debt (Continued)

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, 2012, the principal amount of the bonds outstanding but considered defeased totaled approximately \$17,000. Accordingly, such defeased obligations do not appear as liabilities on the balance sheet as of December 31, 2012.

Middletown County Club Note

As of December 31, 2012, the outstanding principal balance of the note payable for the purchase of the Middletown Country Club was \$288,154. 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 variable rate in effect at December 31, 2012 was .907%. The principal payment in 2012 was \$63,370. A schedule of the Township's debt service requirements is as follows:

Year Ending December 31	Principal	Interest	Total
2013	\$ 67,279	\$ 6,627	\$ 73,906
2014	71,427	4,484	75,911
2015	75,833	2,209	78,042
2016	73,624	-	73,624
Total	\$ 288,163	\$ 13,320	\$ 301,483

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

E. Bond and Other Long-Term Debt (Continued)

Long-Term Liabilities Summary

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and notes payable					
G.O. Bonds 2012	\$ -	\$ 8,925,000	\$ -	\$ 8,925,000	\$ -
G.O. Bonds 2011	8,560,000	-	(45,000)	8,515,000	500,000
G.O. Bonds 2010	4,090,000	-	(895,000)	3,195,000	920,000
G.O. Bonds 2009	6,310,000	-	(625,000)	5,685,000	640,000
G.O. Bonds 2008	<u>9,130,000</u>	<u>-</u>	<u>(9,130,000)</u>	<u>-</u>	<u>-</u>
Subtotal	28,090,000	8,925,000	(10,695,000)	26,320,000	2,060,000
Deferred amounts:					
For issuance premiums	201,356	150,892	(31,733)	320,515	-
For issuance discounts	<u>(161,421)</u>	<u>-</u>	<u>50,855</u>	<u>(110,566)</u>	<u>-</u>
Total bonds payable	28,129,935	9,075,892	(10,675,878)	26,529,949	2,060,000
Compensated absences	1,107,126	725,275	(755,940)	1,076,461	84,517
Net OPEB obligation	<u>2,927,365</u>	<u>803,465</u>	<u>-</u>	<u>3,730,830</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 32,164,426</u>	<u>\$ 10,604,632</u>	<u>\$ (11,431,818)</u>	<u>\$ 31,337,240</u>	<u>\$ 2,144,517</u>
Business-type activities:					
Middletown Country Club Note	<u>\$ 351,524</u>	<u>\$ -</u>	<u>\$ (63,370)</u>	<u>\$ 288,154</u>	<u>\$ 67,279</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,060,000	\$ 686,014	\$ 67,279	\$ 6,627
2014	1,815,000	658,949	71,427	4,484
2015	2,225,000	617,052	75,833	2,209
2016	2,415,000	548,952	73,624	-
2017	2,250,000	478,096	-	-
2018-2022	8,270,000	1,573,594	-	-
2023-2027	5,905,000	625,517	-	-
2028-2029	<u>1,380,000</u>	<u>51,320</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 26,320,000</u>	<u>\$ 5,239,494</u>	<u>\$ 288,163</u>	<u>\$ 13,320</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

F. 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. An additional fixed rental increase of \$37,434 per year has been set, due to capital improvements to the building, to be used towards paying down debt service. 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.

G. 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 the Township.

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 by 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").

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

G. Employee Retirement System (Continued)

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.

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 plan is administered by the Township. 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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

G. Employee Retirement System (Continued)

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. The following summarizes financial information of the police pension plan and non-uniformed pension plan as of and for the year ended December 31, 2012.

Combining Statement of Net Position	Police Pension Fund	Non-Uniform Pension Fund	Total
Assets			
Cash and cash equivalents	\$ 1,498,251	\$ 284,647	\$ 1,782,898
Interest receivable	71,896	14,811	86,707
Investments, at fair value:			
U.S. government obligations	2,918,483	636,898	3,555,381
Government sponsored mortgages	622,515	125,094	747,609
Corporate obligations	889,933	214,935	1,104,868
Municipal obligations	2,171,000	480,506	2,651,506
Mortgages	1,343,491	288,845	1,632,336
Foreign obligations	147,690	49,230	196,920
Stock equities	<u>15,598,902</u>	<u>3,103,591</u>	<u>18,702,493</u>
Total Assets	<u>25,262,161</u>	<u>5,198,557</u>	<u>30,460,718</u>
 Net position restricted for pension benefits	 <u>\$ 25,262,161</u>	 <u>\$ 5,198,557</u>	 <u>\$ 30,460,718</u>
 Combining Statement of Changes in Net Position			
Additions			
Contributions			
Employee contributions	\$ 254,994	\$ 106,572	\$ 361,566
Township contributions	1,137,589	-	1,137,589
State Aid	363,945	118,830	482,775
Insurance proceeds	85,620	-	85,620
Total Contributions	<u>1,842,148</u>	<u>225,402</u>	<u>2,067,550</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	1,991,073	403,371	2,394,444
Interest and dividends	<u>607,400</u>	<u>132,375</u>	<u>739,775</u>
Total investment earnings	<u>2,598,473</u>	<u>535,746</u>	<u>3,134,219</u>
Net investment income	<u>2,598,473</u>	<u>535,746</u>	<u>3,134,219</u>
Total Additions	<u>4,440,621</u>	<u>761,148</u>	<u>5,201,769</u>
Deductions			
Benefits	1,954,951	91,642	2,046,593
Administrative expenses	239,700	50,444	290,144
Total Deductions	<u>2,194,651</u>	<u>142,086</u>	<u>2,336,737</u>
Net Increase	2,245,970	619,062	2,865,032
Net Position Restricted for Pension Benefits			
Beginning of Year	<u>23,193,909</u>	<u>4,588,902</u>	<u>27,782,811</u>
End of Year	<u>\$ 25,439,879</u>	<u>\$ 5,207,964</u>	<u>\$ 30,647,843</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

G. 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 Position in the line net appreciation in fair value of investments. Employee and employer contributions are recognized as revenues in the period in which employee services were performed. Benefits are recognized when due and payable in accordance with the terms of the plan. On-behalf payments of fringe benefits and salaries for the government's employees are recognized as revenues and expenses during the period.

The plans do not issue separate financial statements.

Membership of each plan consists of the following at January 1, 2012 (the date of the latest actuarial valuation):

	<u>Police</u>	<u>Non-Uniform</u>
Retirees and beneficiaries currently receiving benefits	49	12
Terminated employees entitled to benefits but not yet receiving them	-	4
Active plan members	<u>50</u>	<u>44</u>
Total membership	<u>99</u>	<u>60</u>

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, which is recognized as revenue and expenses, in the amount of \$482,775 for the pension for the year ended December 31, 2012.

	<u>Police</u>	<u>Nonuniformed</u>	<u>Total</u>
Township contributions	\$ 1,137,589	\$ -	\$ 1,137,589
Employee contributions	254,994	106,572	361,566
State aid	<u>363,945</u>	<u>118,830</u>	<u>482,775</u>
	<u>\$ 1,756,528</u>	<u>\$ 225,402</u>	<u>\$ 1,981,930</u>

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

G. 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, 2012 (date of latest actuarial valuation), were:

	Police	Non-Uniform
Annual required contribution	\$ 1,501,534	\$ 118,830
Interest on net pension obligation	-	-
Adjustments to annual required contribution	-	-
Annual pension cost	1,501,534	118,830
Contributions made	(1,501,534)	(118,830)
Increase (decrease) in net pension obligation	-	-
Net pension obligation (asset) at beginning of year	-	-
Net pension obligation (asset) at end of year	\$ -	\$ -

Three- Year Trend Information

<u>Police</u>	Annual	Percentage	Net
Fiscal Year	Pension	of APC	Pension
Ending	Cost (APC)	Contributed	Obligation
			(Asset)
12/31/2010	\$ 764,346	100%	\$ -
12/31/2011	1,502,523	100%	-
12/31/2012	1,501,534	100%	-

Non-Uniform

12/31/2010	\$ 78,255	100%	\$ -
12/31/2011	110,955	100%	-
12/31/2012	118,830	100%	-

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

G. Employee Retirement System (Continued)

Funded Status and Funding Progress

As of January 1, 2012, the latest valuation date, both plans had unfunded actuarial accrued liabilities as follows:

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Plan Assets</u>	Actuarial Accrued <u>Liability</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
Police	\$ 29,472,824	\$ 39,696,425	\$ 10,223,601	74.2%	\$ 4,275,718	239.11%
Non Uniformed	4,553,759	5,198,296	644,537	87.6%	2,279,174	28.3%

Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the January 1, 2012 actuarial valuation using the following assumptions:

	<u>Police</u>	<u>Non Uniform</u>
Date of actuarial valuation	1/1/2011	1/1/2011
Investment rate of return	7.5%	7.5%
Projected salary increases due to inflation	4.5%	4.5%
Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar-Closed	Level Dollar-Closed
Amortization period	12 years	13 years
Cost of living increases	3%	0%

There were no significant changes in actuarial assumptions for either Plan in 2012.

Schedule of Funding Progress

The Schedule of Funding Progress, presented as Required Supplementary Information ("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 our time relative to the actuarial accrued liability for benefits.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

H. 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.

I. Post Employment Benefits Other Than Pensions

Plan Description:

The Township's post employment benefits other than pensions is a single-employer plan established by the provisions of the collective bargaining agreement between the Township and the police officers, to provide continuation of medical and vision insurance for employees who retire from the Middletown Township Police Pension Plan.

The plan does not issue a separate financial statement.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

I. Post Employment Benefits Other Than Pensions (Continued)

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.

Membership of the plan consisted of the following at January 1, 2012 (the date of the latest actuarial valuation):

	<u>OPEB</u>
Retirees and beneficiaries currently receiving benefits	43
Terminated employees entitled to benefits but not yet receiving them	-
Active plan members	49
Total membership	92

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 2012, the Township contributed \$50,000 to the plan, in addition to the premiums paid directly. The insurance premiums paid directly for December 31, 2012 was \$56,615. Plan members are not required to contribute 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.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

I. Post Employment Benefits Other Than Pensions (Continued)

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:

	<u>OPEB</u>
Annual required contribution	\$ 912,295
Interest on net OPEB obligation	117,095
Adjustments to annual required contribution	(169,310)
Annual OPEB cost	860,080
Contributions made	(56,615)
Increase in net OPEB obligation	803,465
Net OPEB obligation (asset) at beginning of year	2,927,365
Net OPEB obligation (asset) at end of year	\$ 3,730,830

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2012 and the preceding fiscal years were as follows:

<u>OPEB</u>	Annual	Percentage	Net
Fiscal Year	OPEB	of Annual	OPEB
<u>Ending</u>	<u>Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>
		<u>Contributed</u>	<u>(Asset)</u>
12/31/2010	\$ 774,281	6%	\$ 2,147,238
12/31/2011	826,408	6%	2,927,365
12/31/2012	860,080	7%	3,730,830

Funded Status and Funding Progress

As of January 1, 2012, the funded status and progress as of the date of the most recent actuarial valuation was as follows:

Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
Valuation	Value of	Accrued	AAL	Ratio	Payroll	Percentage
<u>Date</u>	<u>Plan Assets</u>	<u>Liability</u>	<u>(UAAL)</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Payroll</u>
OPEB	\$ -	\$ 8,542,607	\$ 8,542,607	0.0%	\$ 4,875,716	175.21%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

I. Post Employment Benefits Other Than Pensions (Continued)

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.

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 care cost trend rate

Based on the current premium rates, health insurance premiums are assumed to increase by 11% in 2012, 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.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

I. Post Employment Benefits Other Than Pensions (Continued)

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 4 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, 2012, 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.

J. 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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

J. Interfund Advances and Transfers (Continued)

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

The liability for these loans is reflected in the fund stated below. The receivables are recorded in the Contingency Fund. The interfund payables outstanding as of December 31, 2012, the annual installment (principal plus interest) and the scheduled maturities are as follows:

	<u>Balance</u> <u>1/1/2012</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Due within</u> <u>One year</u>
Governmental Funds					
Flood 1996	\$ 15,924	\$ -	\$ (15,924)	\$ -	\$ -

The following summary reflects the changes in the interfund loans that are recorded in the Enterprise Funds for the year ended December 31, 2012.

	<u>Balance</u> <u>1/1/2012</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Due within</u> <u>One year</u>
Proprietary Funds					
Country Club Fund	\$ 234,875	\$ -	\$ (55,626)	\$ 179,249	\$ 57,639
Farm Fund	149,364	-	-	149,364	-
	<u>\$ 384,239</u>	<u>\$ -</u>	<u>\$ (55,626)</u>	<u>\$ 328,613</u>	<u>\$ 57,639</u>

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, 2012, the annual installment (principal plus interest) and the scheduled maturities are as follows:

	<u>Original</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Installment</u>	<u>Final Due</u> <u>Date</u>	<u>Outstanding</u> <u>12/31/2011</u>	<u>Outstanding</u> <u>12/31/2012</u>
Governmental Funds						
General Fund						
Flood 1996	\$ 300,000	3.60%	\$ 14,837	6/30/2012	\$ 15,924	\$ -
Total interfund payables for Governmental Fund Types					<u>\$ 15,924</u>	<u>\$ -</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

J. Interfund Advances and Transfers (Continued)

Proprietary Funds

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

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Annual Installment</u>	<u>Final Due Date</u>	<u>Outstanding 12/31/2011</u>	<u>Outstanding 12/31/2012</u>
Proprietary Funds						
Farm Fund	\$ 214,764	0.00%	\$ -		\$ 149,364	\$ 149,364
Country Club Loan	313,550	3.60%	16,368	12/1/2015	74,309	56,721
Country Club Irrigation Loan	500,000	3.60%	35,440	6/1/2015	160,566	122,528
					<u>234,875</u>	<u>179,249</u>
Total interfund payables for Proprietary Fund Types					\$ 384,239	\$ 328,613
Total interfund payable All fund types					<u>\$ 400,163</u>	<u>\$ 328,613</u>

Interfund Transfers

Transfers are used to move fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 1,479,063	\$ -
Investment	-	1,300,000
Debt Service	49,912	32,000
Other Governmental Funds	10,000	137,700
Country Club	-	56,586
Farm Fund	-	12,689
Total	<u>\$ 1,538,975</u>	<u>\$ 1,538,975</u>

Interfund transfers are primarily the result of:
(1) to reimburse for expenditures

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

J. Interfund Advances and Transfers (Continued)

Due From/To Other Funds

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
General Fund	\$ 171,338	\$ 81,614
State Highway Aid	1,070	75,258
Debt Service	21,129	-
Other Governmental Funds	<u>331,207</u>	<u>367,872</u>
Total	<u>\$ 524,744</u>	<u>\$ 524,744</u>

Interfund balances are primarily the result of:
(1) to reimburse for expenditures

K. 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 Township established a partial self-insured risk management program for health insurance in the year 2011.

- For the Non-Police Employees, in the 2012-2013 plan year, the Township will only cover 80% of the deductible amount of the insurance and these employees will be required to pay a portion of the insurance premiums based on their base pay level - tiered approach 6%, 8%, or 10% depending on base pay level. The Township has set up a Section 125 plan for this.
- For the 2012-2013 plan year, the Township continues to fund 100% of the deductible for the Police, and no contributions towards premium are required of the police. This will be determined by the arbitrator in the Police CBA Arbitration.

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, 2012. The maximum exposure for these costs in 2012 was \$477,600. The total actual charges incurred by the Township for these deductibles in 2012 was \$370,638. There were no outstanding or unpaid claims at year end.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

L. Litigation

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are other various relatively minor claims and suits pending actions against the Township. Based upon a review of these claims with Township solicitors, the aggregate exposure to liability was not considered material.

M. Subsequent Events

Management has evaluated subsequent events that occurred after the balance sheet date but before June 10, 2013, the date the financial statements were available to be issued.

In February 2013, the Township purchased Spring Valley Farm for \$1,150,000. The Township received a state grant of 75% of the purchase price to acquire this property. There were also matching funds from a neighboring Borough and other private sources. Middletown Township's net portion of the purchase price totaled \$256,772.

N. New Accounting Pronouncements

Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 2011. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than Net Position. This statement only applies to full accrual accounting - governmental activities, business-type activities, proprietary funds, and fiduciary funds. GASB Statement No. 63 is effective for financial statements for fiscal years beginning after December 15, 2011.

Statement No. 65 - *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for financial statements for fiscal years beginning after December 15, 2012. Earlier application is encouraged.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

N. New Accounting Pronouncements (Continued)

Under these Statements, deferred outflows and inflows have been defined as relating to Service Concession Arrangements and Hedging Derivative Instruments, Debt Issuance and Costs, Nonexchange Transactions, Sales of Future Revenues, Leases, Insurance Activities, Lending Activities, Commitment Fees, Purchase of a Loan, Mortgage Banking, and Regulated Operations.

Net Asset accounts have been renamed Net Position to comply with these standards.

Middletown Township had deferred outflows from refundings of bonds in 2012. Debt issuance costs were previously deferred outflows that were amortized over the life of the debt, however, under Statement No. 65, these costs are written off in the year incurred. The Township also had unamortized debt issuance costs recorded as an asset from prior years. These costs have been removed through a prior period adjustment to Net Position. The effect on the government-wide activities is summarized below. The effect on the fund statements was to reclass the deferred revenue from property taxes and special assessments to deferred inflows and change the title to Unavailable revenue for property taxes and special assessments.

	<u>Governmental</u>
Net assets, January 1, 2012	\$ 69,700,761
Reduction of assets	<u>(372,415)</u>
Net position, January 1, 2012 as restated	<u>\$ 69,328,346</u>

REQUIRED

SUPPLEMENTARY INFORMATION

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - POLICE PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2007	\$ 27,521,027	\$ 27,639,909	\$ 118,882	99.57%	\$ 4,144,680	2.87%
1/1/2009	28,588,615	32,263,479	3,674,864	88.61%	4,437,594	82.81%
1/1/2011	29,472,824	39,696,425	10,223,601	74.25%	4,275,718	239.11%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2007	\$ 605,161	\$ 605,161	100%
2008	660,750	660,750	100%
2009	785,798	785,798	100%
2010	764,346	764,346	100%
2011	1,502,523	1,502,523	100%
2012	1,501,534	1,501,534	100%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - NON UNIFORM PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2007	\$ 4,131,207	\$ 3,699,551	\$ (431,656)	111.67%	\$ 1,977,643	-21.83%
1/1/2009	4,365,195	4,413,836	48,641	98.90%	2,043,051	2.38%
1/1/2011	4,553,759	5,198,296	644,537	87.60%	2,279,174	28.28%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2007	\$ 86,193	\$ 86,193	100%
2008	103,038	103,038	100%
2009	80,530	80,530	100%
2010	78,255	78,255	100%
2011	110,955	110,955	100%
2012	118,830	118,830	100%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2008	\$ -	\$ 6,448,201	\$ 6,448,201	0.00%	\$ 3,437,807	187.57%
1/1/2011	-	8,542,607	8,542,607	0.00%	4,875,716	175.21%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Percentage Contributed</u>
2008	\$ 795,202	\$ -	0%
2009	795,202	189,435	24%
2010	795,202	48,933	6%
2011	912,295	46,281	5%
2012	912,295	56,615	6%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

NOTES TO SUPPLEMENTARY SCHEDULES

December 31, 2012

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Police</u>	<u>Non Uniform</u>
Date of actuarial valuation	1/1/2011	1/1/2011
Investment rate of return	7.5%	7.5%
Projected salary increases due to inflation	4.5%	4.5%
Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar-Closed	Level Dollar-Closed
Amortization period	12 years	13 years
Cost of living increases	3%	0%

Information for the Other Post Employment Benefits is as follows:

	<u>OPEB</u>
Date of actuarial valuation	1/1/2011
Investment rate of return	4.0%
Projected salary increases due to inflation	5.0%
Cost method	Entry Age Normal
Amortization method	Level % open
Amortization period	30 years

Health insurance premiums are assumed to increase by 12% in 2011, 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.

SUPPLEMENTARY INFORMATION

MIDDLETOWN TOWNSHIP

MAJOR GOVERNMENTAL FUNDS

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. (Budget is presented in the Fund Financial Statements).

State Highway Aid Fund - This fund accounts for revenues derived from state liquid fuels tax, and federal and state grants, that are legally restricted to expenditures for specific purposes. (Budget is presented in the Fund Financial Statements).

Investment Fund - This fund accounts for the revenue derived from the sale of the water and sewer operations, the principal investment from the proceeds of \$40,000,000 is committed by the Board of Supervisors for use in a state of emergency. (Budget is presented in the Fund Financial Statements).

Debt Service Fund - This fund is used to account for the accumulation of resources for 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.

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2012

	DEBT SERVICE			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 2,812,728	\$ 2,812,728	\$ 2,852,313	\$ 39,585
Investment income and rent	1,000	1,000	745	(255)
Total Revenues	2,813,728	2,813,728	2,853,058	39,330
Expenditures				
Current:				
General government	29,100	29,100	35,510	(6,410)
Debt service				
Principal	1,940,000	1,940,000	1,940,000	-
Interest	860,745	860,745	852,309	8,436
Total Expenditures	2,829,845	2,829,845	2,827,819	2,026
Excess (Deficiency) of Revenues Over Expenditures	(16,117)	(16,117)	25,239	41,356
Other Financing Sources (Uses)				
Transfers in	49,912	49,912	49,912	-
Transfers out	(32,000)	(32,000)	(32,000)	-
Total Other Financing Sources (Uses)	17,912	17,912	17,912	-
Net Change in Fund Balance	1,795	1,795	43,151	41,356
Fund Balance - Beginning	81,772	81,772	81,772	-
Fund Balance - Ending	\$ 83,567	\$ 83,567	\$ 124,923	\$ 41,356

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 .9880 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 0.107 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.

Police Forfeiture Fund - This fund is used to account for revenue derived from police forfeitures. The revenues of this fund are restricted to expenditures for the police department.

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 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 2012 Fund - This fund is used to account for the refinancing of the G.O. Bond Series 2006 and G.O. Note Series 2000. These were financed by the issuance of \$8,560,000 in G.O. bonds in 2012.

Community Development Fund - This fund is used to account for certain grant funds awarded to the Township for capital projects. (There is no board approved budget for this fund).

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 nonresidential 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, 2012

	Special Revenue							Total
	General Street Lighting	Fire Protection	Parks and Recreation	Ambulance and Rescue	Road Machinery	Fire Hydrant	Police Forfeiture	
ASSETS								
Cash and cash equivalents	\$ 123,348	\$ -	\$ 404,920	\$ 286	\$ 46,736	\$ 18,956	\$ 14,681	\$ 608,927
Taxes receivable, net	14,796	20,523	24,175	5,397	4,321	1,371	-	70,583
Special assessments receivable	-	-	-	-	-	-	-	-
Accounts receivable	5,161	20,201	2,860	164	106	39	-	28,531
Prepaid items	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Due from other funds	3,834	5,336	23,566	1,533	1,164	415	-	35,848
Total Assets	<u>\$ 147,139</u>	<u>\$ 46,060</u>	<u>\$ 455,521</u>	<u>\$ 7,380</u>	<u>\$ 52,327</u>	<u>\$ 20,781</u>	<u>\$ 14,681</u>	<u>\$ 743,889</u>
LIABILITIES								
Accounts payable	\$ 35,564	\$ 6,894	\$ 25,491	\$ 1,755	\$ 1,209	\$ 13,282	\$ -	\$ 84,195
Accrued salaries and benefits	2,559	-	21,150	-	-	-	-	23,709
Due to other funds	17,566	17,279	15,286	-	-	-	-	50,131
Total Liabilities	<u>55,689</u>	<u>24,173</u>	<u>61,927</u>	<u>1,755</u>	<u>1,209</u>	<u>13,282</u>	<u>-</u>	<u>158,035</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue -								
property taxes	14,796	20,523	24,174	5,397	4,321	1,372	-	70,583
special assessments	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>14,796</u>	<u>20,523</u>	<u>24,174</u>	<u>5,397</u>	<u>4,321</u>	<u>1,372</u>	<u>-</u>	<u>70,583</u>
FUND BALANCES								
Nonspendable								
Prepaid items	-	-	-	-	-	-	-	-
Long-term interfund advances	-	-	-	-	-	-	-	-
Restricted:								
Public safety	-	1,364	-	228	-	6,127	14,681	22,400
Public works	76,654	-	-	-	46,797	-	-	123,451
Transportation impact fee	-	-	-	-	-	-	-	-
Committed:								
Culture and recreation	-	-	369,420	-	-	-	-	369,420
Assigned:								
Capital projects	-	-	-	-	-	-	-	-
Total Fund Balances	<u>76,654</u>	<u>1,364</u>	<u>369,420</u>	<u>228</u>	<u>46,797</u>	<u>6,127</u>	<u>14,681</u>	<u>515,271</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 147,139</u>	<u>\$ 46,060</u>	<u>\$ 455,521</u>	<u>\$ 7,380</u>	<u>\$ 52,327</u>	<u>\$ 20,781</u>	<u>\$ 14,681</u>	<u>\$ 743,889</u>

Capital Projects							Total Nonmajor Governmental Funds
<u>GOB Issue of 2008</u>	<u>GOB Issue of 2012</u>	<u>Community Development</u>	<u>Capital Reserve</u>	<u>Curb/Road Revolving</u>	<u>Contingency</u>	<u>Total</u>	
\$ 19,969	\$ -	\$ -	\$ 2,026,602	\$ 117,707	\$ 1,299	\$ 2,165,577	\$ 2,774,504
-	-	-	-	-	-	-	70,583
-	-	-	-	4,474	-	4,474	4,474
-	-	194,061	-	-	-	194,061	222,592
-	-	-	6,534	-	-	6,534	6,534
-	-	-	-	-	328,613	328,613	328,613
<u>100,274</u>	<u>-</u>	<u>512</u>	<u>194,573</u>	<u>-</u>	<u>-</u>	<u>295,359</u>	<u>331,207</u>
<u>\$ 120,243</u>	<u>\$ -</u>	<u>\$ 194,573</u>	<u>\$ 2,227,709</u>	<u>\$ 122,181</u>	<u>\$ 329,912</u>	<u>\$ 2,994,618</u>	<u>\$ 3,738,507</u>
\$ 97,967	\$ -	\$ -	\$ 91,502	\$ -	\$ -	\$ 189,469	\$ 273,664
-	-	-	-	-	-	-	23,709
<u>22,276</u>	<u>-</u>	<u>194,573</u>	<u>100,892</u>	<u>-</u>	<u>-</u>	<u>317,741</u>	<u>367,872</u>
<u>120,243</u>	<u>-</u>	<u>194,573</u>	<u>192,394</u>	<u>-</u>	<u>-</u>	<u>507,210</u>	<u>665,245</u>
-	-	-	-	-	-	-	70,583
-	-	-	-	4,474	-	4,474	4,474
-	-	-	-	4,474	-	4,474	75,057
-	-	-	6,534	-	-	6,534	6,534
-	-	-	-	-	328,613	328,613	328,613
-	-	-	-	-	-	-	22,400
-	-	-	-	-	-	-	123,451
-	-	-	374,341	-	-	374,341	374,341
-	-	-	-	-	-	-	369,420
-	-	-	1,654,440	117,707	1,299	1,773,446	1,773,446
-	-	-	2,035,315	117,707	329,912	2,482,934	2,998,205
<u>\$ 120,243</u>	<u>\$ -</u>	<u>\$ 194,573</u>	<u>\$ 2,227,709</u>	<u>\$ 122,181</u>	<u>\$ 329,912</u>	<u>\$ 2,994,618</u>	<u>\$ 3,738,507</u>

TOWNSHIP OF MIDDLETOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2012

	<u>Special Revenue</u>							<u>Total</u>
	<u>General Street Lighting</u>	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Ambulance and Rescue</u>	<u>Road Machinery</u>	<u>Fire Hydrant</u>	<u>Police Forfeiture</u>	
Revenues								
Property taxes	\$ 516,691	\$ 720,162	\$ 848,478	\$ 206,910	\$ 157,247	\$ 56,016	\$ -	\$ 2,505,504
Fees, licenses and permits	-	-	-	-	-	-	-	-
Investment income and rent	129	119	10,867	48	35	15	4	11,217
Intergovernmental revenues	-	364,823	-	-	-	-	-	364,823
Charges for services	5,903	-	251,285	-	-	-	24,461	281,649
Contributions private sources	-	-	17,412	-	-	-	-	17,412
Other	-	-	937	-	-	-	-	937
Total Revenues	<u>522,723</u>	<u>1,085,104</u>	<u>1,128,979</u>	<u>206,958</u>	<u>157,282</u>	<u>56,031</u>	<u>24,465</u>	<u>3,181,542</u>
Expenditures								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	1,080,642	-	203,369	-	52,075	9,784	1,345,870
Public works	469,325	-	-	-	1,844	-	-	471,169
Parks and recreation	-	-	1,191,264	-	-	-	-	1,191,264
Debt service								
Fiscal agent fees	-	-	-	-	-	-	-	-
Capital outlays/development	-	-	-	-	120,300	-	-	120,300
Total Expenditures	<u>469,325</u>	<u>1,080,642</u>	<u>1,191,264</u>	<u>203,369</u>	<u>122,144</u>	<u>52,075</u>	<u>9,784</u>	<u>3,128,603</u>
Excess (Deficiency) of Revenues Over Expenditures	53,398	4,462	(62,285)	3,589	35,138	3,956	14,681	52,939
Other Financing Sources (Uses)								
Issuance of refunding bonds	-	-	-	-	-	-	-	-
Bond premiums and discounts	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
Transfers in	-	-	10,000	-	-	-	-	10,000
Transfers out	(17,000)	(5,000)	(20,000)	(3,500)	(1,200)	(1,000)	-	(47,700)
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(5,000)</u>	<u>(10,000)</u>	<u>(3,500)</u>	<u>(1,200)</u>	<u>(1,000)</u>	<u>-</u>	<u>(37,700)</u>
Net Change in Fund Balance	36,398	(538)	(72,285)	89	33,938	2,956	14,681	15,239
Fund Balance - Beginning	40,256	1,902	441,705	139	12,859	3,171	-	500,032
Fund Balance - Ending	<u>\$ 76,654</u>	<u>\$ 1,364</u>	<u>\$ 369,420</u>	<u>\$ 228</u>	<u>\$ 46,797</u>	<u>\$ 6,127</u>	<u>\$ 14,681</u>	<u>\$ 515,271</u>

Capital Projects							Total Nonmajor Governmental Funds
<u>GOB Issue of 2008</u>	<u>GOB Issue of 2012</u>	<u>Community Development</u>	<u>Capital Reserve</u>	<u>Curb/Road Revolving</u>	<u>Contingency</u>	<u>Total</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,505,504
-	-	-	16,714	-	-	16,714	16,714
108	-	-	801	9	8,755	9,673	20,890
-	-	445,933	-	-	-	445,933	810,756
-	-	-	-	-	-	-	281,649
-	-	-	17,405	-	-	17,405	34,817
<u>16,250</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>16,252</u>	<u>17,189</u>
<u>16,358</u>	<u>-</u>	<u>445,933</u>	<u>34,922</u>	<u>9</u>	<u>8,755</u>	<u>505,977</u>	<u>3,687,519</u>
-	-	-	64,963	2,620	-	67,583	67,583
-	-	-	-	-	-	-	1,345,870
-	-	-	190,925	-	-	190,925	662,094
-	-	-	165,073	-	-	165,073	1,356,337
-	153,063	-	-	-	-	153,063	153,063
<u>778,495</u>	<u>-</u>	<u>445,933</u>	<u>319,555</u>	<u>-</u>	<u>-</u>	<u>1,543,983</u>	<u>1,664,283</u>
<u>778,495</u>	<u>153,063</u>	<u>445,933</u>	<u>740,516</u>	<u>2,620</u>	<u>-</u>	<u>2,120,627</u>	<u>5,249,230</u>
(762,137)	(153,063)	-	(705,594)	(2,611)	8,755	(1,614,650)	(1,561,711)
-	8,925,000	-	-	-	-	8,925,000	8,925,000
-	150,892	-	-	-	-	150,892	150,892
-	(8,922,829)	-	-	-	-	(8,922,829)	(8,922,829)
-	-	-	-	-	-	-	10,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>(80,000)</u>	<u>(90,000)</u>	<u>(137,700)</u>
-	153,063	-	(10,000)	-	(80,000)	63,063	25,363
(762,137)	-	-	(715,594)	(2,611)	(71,245)	(1,551,587)	(1,536,348)
<u>762,137</u>	<u>-</u>	<u>-</u>	<u>2,750,909</u>	<u>120,318</u>	<u>401,157</u>	<u>4,034,521</u>	<u>4,534,553</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,035,315</u>	<u>\$ 117,707</u>	<u>\$ 329,912</u>	<u>\$ 2,482,934</u>	<u>\$ 2,998,205</u>

MIDDLETOWN TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - GENERAL STREET LIGHTING FUND

For the Year Ended December 31, 2012

	<u>GENERAL STREET LIGHTING FUND</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 511,463	\$ 511,463	\$ 516,691	\$ 5,228
Investment income and rent	100	100	129	29
Charges for services	5,263	5,263	5,903	640
Total Revenues	<u>516,826</u>	<u>516,826</u>	<u>522,723</u>	<u>5,897</u>
Expenditures				
Current:				
Public works	483,479	483,479	469,325	14,154
Total Expenditures	<u>483,479</u>	<u>483,479</u>	<u>469,325</u>	<u>14,154</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>33,347</u>	<u>33,347</u>	<u>53,398</u>	<u>20,051</u>
Other Financing Sources (Uses)				
Transfers out	(17,000)	(17,000)	(17,000)	-
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>-</u>
Net Change in Fund Balance	16,347	16,347	36,398	20,051
Fund Balance - Beginning	40,256	40,256	40,256	-
Fund Balance - Ending	<u>\$ 56,603</u>	<u>\$ 56,603</u>	<u>\$ 76,654</u>	<u>\$ 20,051</u>

MIDDLETOWN TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - FIRE PROTECTION FUND

For the Year Ended December 31, 2012

	<u>FIRE PROTECTION</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 715,500	\$ 715,500	\$ 720,162	\$ 4,662
Investment income and rent	100	100	119	19
Intergovernmental revenues	<u>429,629</u>	<u>429,629</u>	<u>364,823</u>	<u>(64,806)</u>
Total Revenues	<u>1,145,229</u>	<u>1,145,229</u>	<u>1,085,104</u>	<u>(60,125)</u>
Expenditures				
Current:				
Public safety	<u>815,274</u>	<u>815,274</u>	<u>1,080,642</u>	<u>(265,368)</u>
Total Expenditures	<u>815,274</u>	<u>815,274</u>	<u>1,080,642</u>	<u>(265,368)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>329,955</u>	<u>329,955</u>	<u>4,462</u>	<u>(325,493)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(329,955)</u>	<u>(329,955)</u>	<u>(5,000)</u>	<u>324,955</u>
Total Other Financing Sources (Uses)	<u>(329,955)</u>	<u>(329,955)</u>	<u>(5,000)</u>	<u>324,955</u>
Net Change in Fund Balance	-	-	(538)	(538)
Fund Balance - Beginning	<u>1,902</u>	<u>1,902</u>	<u>1,902</u>	-
Fund Balance - Ending	<u>\$ 1,902</u>	<u>\$ 1,902</u>	<u>\$ 1,364</u>	<u>\$ (538)</u>

MIDDLETOWN TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - PARK AND RECREATION FUND

For the Year Ended December 31, 2012

	<u>PARK AND RECREATION</u>			Variance with Final Budget
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 844,320	\$ 844,320	\$ 848,478	\$ 4,158
Investment income and rent	6,300	6,300	10,867	4,567
Charges for services	252,840	252,840	251,285	(1,555)
Contributions private sources	19,300	19,300	17,412	(1,888)
Miscellaneous	-	-	937	937
Total Revenues	<u>1,122,760</u>	<u>1,122,760</u>	<u>1,128,979</u>	<u>6,219</u>
Expenditures				
Current:				
Parks and recreation	<u>1,279,453</u>	<u>1,279,453</u>	<u>1,191,264</u>	<u>88,189</u>
Total Expenditures	<u>1,279,453</u>	<u>1,279,453</u>	<u>1,191,264</u>	<u>88,189</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(156,693)</u>	<u>(156,693)</u>	<u>(62,285)</u>	<u>94,408</u>
Other Financing Sources (Uses)				
Transfers in	128,387	128,387	10,000	(118,387)
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>108,387</u>	<u>108,387</u>	<u>(10,000)</u>	<u>(118,387)</u>
Net Change in Fund Balance	(48,306)	(48,306)	(72,285)	(23,979)
Fund Balance - Beginning	<u>441,705</u>	<u>441,705</u>	<u>441,705</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 393,399</u>	<u>\$ 393,399</u>	<u>\$ 369,420</u>	<u>\$ (23,979)</u>

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - AMBULANCE AND RESCUE FUND

For the Year Ended December 31, 2012

	<u>AMBULANCE AND RESCUE</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 205,871	\$ 205,871	\$ 206,910	\$ 1,039
Investment income and rent	50	50	48	(2)
Total Revenues	<u>205,921</u>	<u>205,921</u>	<u>206,958</u>	<u>1,037</u>
Expenditures				
Current:				
Public safety	<u>202,921</u>	<u>202,921</u>	<u>203,369</u>	<u>(448)</u>
Total Expenditures	<u>202,921</u>	<u>202,921</u>	<u>203,369</u>	<u>(448)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,000</u>	<u>3,000</u>	<u>3,589</u>	<u>589</u>
Other Financing Sources (Uses)				
Transfers out	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,500)</u>	<u>(500)</u>
Total Other Financing Sources (Uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,500)</u>	<u>(500)</u>
Net Change in Fund Balance	-	-	89	89
Fund Balance - Beginning	<u>139</u>	<u>139</u>	<u>139</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 139</u>	<u>\$ 139</u>	<u>\$ 228</u>	<u>\$ 89</u>

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - ROAD MACHINERY FUND

For the Year Ended December 31, 2012

	<u>ROAD MACHINERY</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 155,572	\$ 155,572	\$ 157,247	\$ 1,675
Investment income and rent	100	100	35	(65)
Total Revenues	<u>155,672</u>	<u>155,672</u>	<u>157,282</u>	<u>1,610</u>
Expenditures				
Current:				
Public safety	25	25	1,844	(1,819)
Capital outlay	<u>80,400</u>	<u>80,400</u>	<u>120,300</u>	<u>(39,900)</u>
Total Expenditures	<u>80,425</u>	<u>80,425</u>	<u>122,144</u>	<u>(41,719)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>75,247</u>	<u>75,247</u>	<u>35,138</u>	<u>(40,109)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Net Change in Fund Balance	74,047	74,047	33,938	(40,109)
Fund Balance - Beginning	<u>12,859</u>	<u>12,859</u>	<u>12,859</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 86,906</u>	<u>\$ 86,906</u>	<u>\$ 46,797</u>	<u>\$ (40,109)</u>

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - FIRE HYDRANT FUND

For the Year Ended December 31, 2012

	FIRE HYDRANT			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 55,795	\$ 55,795	\$ 56,016	\$ 221
Investment income and rent	60	60	15	(45)
Total Revenues	55,855	55,855	56,031	176
Expenditures				
Current:				
Public safety	52,430	52,430	52,075	355
Total Expenditures	52,430	52,430	52,075	355
Excess (Deficiency) of Revenues Over Expenditures	3,425	3,425	3,956	531
Other Financing Sources (Uses)				
Transfers out	(1,000)	(1,000)	(1,000)	-
Total Other Financing Sources (Uses)	(1,000)	(1,000)	(1,000)	-
Net Change in Fund Balance	2,425	2,425	2,956	531
Fund Balance - Beginning	3,171	3,171	3,171	-
Fund Balance - Ending	\$ 5,596	\$ 5,596	\$ 6,127	\$ 531

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – POLICE FORFEITURE FUND

For the Year Ended December 31, 2012

	<u>POLICE FORFEITURE</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income and rent	\$ -	\$ -	\$ 4	\$ 4
Charges for services	-	-	24,461	24,461
Total Revenues	<u>-</u>	<u>-</u>	<u>24,465</u>	<u>24,465</u>
Expenditures				
Current:				
Public safety	-	-	9,784	(9,784)
Total Expenditures	<u>-</u>	<u>-</u>	<u>9,784</u>	<u>(9,784)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>14,681</u>	<u>14,681</u>
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,681</u>	<u>\$ 14,681</u>

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - G.O. BOND ISSUE OF 2008 FUND

For the Year Ended December 31, 2012

	<u>GENERAL OBLIGATION BOND ISSUE OF 2008</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income and rent	\$ 100	\$ 100	\$ 108	\$ 8
Other	-	-	16,250	16,250
Total Revenues	<u>100</u>	<u>100</u>	<u>16,358</u>	<u>16,258</u>
Expenditures				
Current:				
Capital outlay	<u>520,100</u>	<u>520,100</u>	<u>778,495</u>	<u>(258,395)</u>
Total Expenditures	<u>520,100</u>	<u>520,100</u>	<u>778,495</u>	<u>(258,395)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(520,000)</u>	<u>(520,000)</u>	<u>(762,137)</u>	<u>(242,137)</u>
Fund Balance - Beginning	<u>762,137</u>	<u>762,137</u>	<u>762,137</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 242,137</u>	<u>\$ 242,137</u>	<u>\$ -</u>	<u>\$ (242,137)</u>

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - G.O. BOND ISSUE OF 2012 FUND

For the Year Ended December 31, 2012

	GENERAL OBLIGATION BOND ISSUE OF 2012			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Investment income and rent	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current:				
Debt service				
Fiscal agent fees	-	-	153,063	(153,063)
Total Expenditures	-	-	153,063	(153,063)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(153,063)	(153,063)
Other Financing Sources (Uses)				
Proceeds from bond issuance	-	-	8,925,000	8,925,000
Bond premiums and discounts	-	-	150,892	150,892
Refunded bonds	-	-	(8,922,829)	(8,922,829)
Total Other Financing Sources (Uses)	-	-	153,063	153,063
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – COMMUNITY DEVELOPMENT FUND

For the Year Ended December 31, 2012

	<u>COMMUNITY DEVELOPMENT</u>			Variance with Final Budget
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ 445,933	\$ 445,933
Total Revenues	<u>-</u>	<u>-</u>	<u>445,933</u>	<u>445,933</u>
Expenditures				
Capital outlays/development	-	-	445,933	(445,933)
Total Expenditures	<u>-</u>	<u>-</u>	<u>445,933</u>	<u>(445,933)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - CAPITAL RESERVE FUND

For the Year Ended December 31, 2012

	<u>CAPITAL RESERVE</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ -	\$ -	\$ 16,714	\$ 16,714
Investment income and rent	1,500	1,500	801	(699)
Contributions private sources	55,000	55,000	17,405	(37,595)
Other	-	-	2	2
Total Revenues	<u>56,500</u>	<u>56,500</u>	<u>34,922</u>	<u>(21,578)</u>
Expenditures				
Current:				
General government	-	-	64,963	(64,963)
Public safety	-	-	-	-
Public works	-	-	190,925	(190,925)
Parks and recreation	-	-	165,073	(165,073)
Capital outlays/development	<u>2,324,650</u>	<u>2,324,650</u>	<u>319,555</u>	<u>2,005,095</u>
Total Expenditures	<u>2,324,650</u>	<u>2,324,650</u>	<u>740,516</u>	<u>1,584,134</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,268,150)</u>	<u>(2,268,150)</u>	<u>(705,594)</u>	<u>1,562,556</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(10,000)	10,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>10,000</u>
Net Change in Fund Balance	(2,268,150)	(2,268,150)	(715,594)	1,552,556
Fund Balance - Beginning	<u>2,750,909</u>	<u>2,750,909</u>	<u>2,750,909</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 482,759</u>	<u>\$ 482,759</u>	<u>\$ 2,035,315</u>	<u>\$ 1,552,556</u>

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - CURB/ROAD REVOLVING FUND

For the Year Ended December 31, 2012

	<u>CURB/ROAD REVOLVING</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income and rent	\$ -	\$ -	\$ 9	\$ 9
Total Revenues	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
Expenditures				
Current:				
General	<u>-</u>	<u>-</u>	<u>2,620</u>	<u>(2,620)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>2,620</u>	<u>(2,620)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(2,611)</u>	<u>(2,611)</u>
Fund Balance - Beginning	<u>120,318</u>	<u>120,318</u>	<u>120,318</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 120,318</u>	<u>\$ 120,318</u>	<u>\$ 117,707</u>	<u>\$ (2,611)</u>

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL - CONTINGENCY FUND

For the Year Ended December 31, 2012

	<u>CONTINGENCY</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income and rent	\$ 9,000	\$ 9,000	\$ 8,755	\$ (245)
Total Revenues	<u>9,000</u>	<u>9,000</u>	<u>8,755</u>	<u>(245)</u>
Expenditures				
Current:				
General government	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,000</u>	<u>9,000</u>	<u>8,755</u>	<u>(245)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Net Change in Fund Balance	(71,000)	(71,000)	(71,245)	(245)
Fund Balance - Beginning	<u>401,157</u>	<u>401,157</u>	<u>401,157</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 330,157</u>	<u>\$ 330,157</u>	<u>\$ 329,912</u>	<u>\$ (245)</u>

MIDDLETOWN TOWNSHIP

PROPRIETARY FUNDS

Proprietary funds are used to account operations:

The *Country Club Fund* is used to account for the investment in assets and the revenue derived from the operations of the Middletown Country Club currently managed under license agreement with Agro Golf.

The *Farm Fund* is used to account for the investment in assets and the revenue derived from the operations of Styer's Farm, and Styer's Store currently managed and operated under separate agreements with Styers Orchard, Inc, and Styers Farm Store, Inc.

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
- BUDGET AND ACTUAL - COUNTRY CLUB FUND

For the Year Ended December 31, 2012

	COUNTRY CLUB			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 199,912	\$ 199,912	\$ 196,912	\$ (3,000)
Total Operating Revenues	199,912	199,912	196,912	(3,000)
Operating Expenses				
Park and recreation	39,538	39,538	38,036	1,502
Depreciation	80,000	80,000	87,316	(7,316)
Total Operating Expenses	119,538	119,538	125,352	(5,814)
Operating Income (Loss)	80,374	80,374	71,560	(8,814)
Nonoperating Revenues (Expense)				
Interest income	25	25	37	12
Interest expense	(9,280)	(9,280)	(12,045)	(2,765)
Total Nonoperating Revenues (Expense)	(9,255)	(9,255)	(12,008)	(2,753)
Income (Loss) before Transfers	71,119	71,119	59,552	(11,567)
Transfers out	(56,586)	(56,586)	(56,586)	-
Changes in Net Position	14,533	14,533	2,966	(11,567)
Total Net Position - Beginning	2,288,014	2,288,014	2,288,014	-
Total Net Position - Ending	\$ 2,302,547	\$ 2,302,547	\$ 2,290,980	\$ (11,567)

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
– BUDGET AND ACTUAL – FARM FUND

For the Year Ended December 31, 2012

	FARM FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 41,000	\$ 41,000	\$ 40,000	\$ (1,000)
Rent	5,000	5,000	9,100	4,100
Total Operating Revenues	46,000	46,000	49,100	3,100
Operating Expenses				
Park and recreation	11,400	11,400	16,077	(4,677)
Depreciation	3,650	3,650	3,642	8
Total Operating Expenses	15,050	15,050	19,719	(4,669)
Operating Income (Loss)	30,950	30,950	29,381	(1,569)
Nonoperating Revenues (Expense)				
Interest income	-	-	13	13
Total Nonoperating Revenues (Expense)	-	-	13	13
Income (Loss) before Transfers	30,950	30,950	29,394	(1,556)
Transfers out	(12,689)	(12,689)	(12,689)	-
Changes in Net Position	18,261	18,261	16,705	(1,556)
Total Net Position - Beginning	2,226,086	2,226,086	2,226,086	-
Total Net Position - Ending	\$ 2,244,347	\$ 2,244,347	\$ 2,242,791	\$ (1,556)

MIDDLETOWN TOWNSHIP

FIDUCIARY FUNDS

Fiduciary funds are used to account or assets held by the Township in a trustee capacity for the future payments of benefits to employees:

The *Police Pension* fund and the *Nonuniform Pension* fund are to account for assets of these funds.

The *Health Care Trust* fund was established as a result of a settlement with the Police Benevolent Association and is to account for funds set aside to help defray the health costs for retired Township Police Officers.

The *Fire Company District* 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 *Township Escrow* fund accounts for transactions on behalf of other organizations.

TOWNSHIP OF MIDDLETOWN

COMBINING STATEMENT OF NET POSITION

FIDUCIARY FUNDS

December 31, 2012

	<u>Pension and Other Employee Benefit Trust Plans</u>				<u>Private Purpose Trusts</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Health Care Trust Fund</u>	<u>Total</u>	<u>Fire Company District</u>	<u>Township Escrow</u>	
<u>ASSETS</u>							
Cash and cash equivalents	\$ 1,498,251	\$ 284,647	\$ 330,924	\$ 2,113,822	\$ 1,095,220	\$ 1,764,379	\$ 4,973,421
Prepaid expenses	177,718	9,407	-	187,125	-	-	187,125
Accrued interest	71,896	14,811	-	86,707	-	-	86,707
Investments, at fair value:							
U.S. government obligations	2,918,483	636,898	-	3,555,381	-	-	3,555,381
Government sponsored mortgages	622,515	125,094	-	747,609	-	-	747,609
Corporate obligations	889,933	214,935	-	1,104,868	-	-	1,104,868
Municipal obligations	2,171,000	480,506	-	2,651,506	-	-	2,651,506
Mortgages	1,343,491	288,845	-	1,632,336	-	-	1,632,336
Foreign obligations	147,690	49,230	-	196,920	-	-	196,920
Stock equities	<u>15,598,902</u>	<u>3,103,591</u>	<u>-</u>	<u>18,702,493</u>	<u>-</u>	<u>-</u>	<u>18,702,493</u>
Total investments	<u>23,692,014</u>	<u>4,899,099</u>	<u>-</u>	<u>28,591,113</u>	<u>-</u>	<u>-</u>	<u>28,591,113</u>
Total Assets	<u>25,262,161</u>	<u>5,198,557</u>	<u>330,924</u>	<u>30,791,642</u>	<u>1,095,220</u>	<u>1,764,379</u>	<u>33,651,241</u>
<u>LIABILITIES</u>							
Accounts payable	-	-	-	-	-	52,975	52,975
Deposits and refunds	-	-	-	-	-	1,408,645	1,408,645
Due to other governments	-	-	-	-	109,786	-	109,786
Other liabilities	<u>-</u>	<u>-</u>	<u>102</u>	<u>102</u>	<u>-</u>	<u>302,759</u>	<u>302,861</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>102</u>	<u>102</u>	<u>109,786</u>	<u>1,764,379</u>	<u>1,874,267</u>
<u>NET POSITION</u>							
Net Position - Restricted for:							
Pension benefits	25,439,879	5,207,964	-	30,647,843	-	-	30,647,843
Other post employment benefits	-	-	330,822	330,822	-	-	330,822
Fire company district	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>985,434</u>	<u>-</u>	<u>985,434</u>
Total Net Position	<u>\$ 25,439,879</u>	<u>\$ 5,207,964</u>	<u>\$ 330,822</u>	<u>\$ 30,978,665</u>	<u>\$ 985,434</u>	<u>\$ -</u>	<u>\$ 31,964,099</u>

TOWNSHIP OF MIDDLETOWN

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION

FIDUCIARY FUNDS

For the Year Ended December 31, 2012

	Pension and Other Employee Benefit Trust Plans				Private Purpose Trust	Total Fiduciary Funds
	Police Pension	Non-Uniform Pension	Health Care Offset Fund	Total	Fire Company District	
Additions						
Contributions						
Member contributions	\$ 254,994	\$ 106,572	\$ -	\$ 361,566	\$ -	\$ 361,566
Employer contributions	1,137,589	-	50,000	1,187,589	322,217	1,509,806
State aid	363,945	118,830	-	482,775	-	482,775
Grant	-	-	-	-	400,000	400,000
Insurance proceeds	85,620	-	-	85,620	-	85,620
Total Contributions	<u>1,842,148</u>	<u>225,402</u>	<u>50,000</u>	<u>2,117,550</u>	<u>722,217</u>	<u>2,839,767</u>
Investment Income						
Net appreciation (depreciation) in fair value of investments	1,991,073	403,371	-	2,394,444	-	2,394,444
Interest and dividends	607,400	132,375	84	739,859	411	740,270
Total Investment Income	<u>2,598,473</u>	<u>535,746</u>	<u>84</u>	<u>3,134,303</u>	<u>411</u>	<u>3,134,714</u>
Total Additions	<u>4,440,621</u>	<u>761,148</u>	<u>50,084</u>	<u>5,251,853</u>	<u>722,628</u>	<u>5,974,481</u>
Deductions						
Benefits	1,954,951	91,642	-	2,046,593	-	2,046,593
Administrative expenses	239,700	50,444	1,000	291,144	-	291,144
Total Deductions	<u>2,194,651</u>	<u>142,086</u>	<u>1,000</u>	<u>2,337,737</u>	<u>400,000</u>	<u>2,337,737</u>
Change in Net Position	2,245,970	619,062	49,084	2,914,116	322,628	3,636,744
Net Position - Restricted:						
Beginning of Year	<u>23,193,909</u>	<u>4,588,902</u>	<u>281,738</u>	<u>28,064,549</u>	<u>662,806</u>	<u>28,727,355</u>
End of Year	<u>\$ 25,439,879</u>	<u>\$ 5,207,964</u>	<u>\$ 330,822</u>	<u>\$ 30,978,665</u>	<u>\$ 985,434</u>	<u>\$ 32,364,099</u>

TOWNSHIP OF MIDDLETOWN

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-
TOWNSHIP ESCROW FUNDS

For the Year Ended December 31, 2012

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2012</u>
Assets:				
Cash and cash equivalents	\$ 1,553,608	\$ 754,895	\$ (544,124)	\$ 1,764,379
Total Assets	<u>\$ 1,553,608</u>	<u>\$ 754,895</u>	<u>\$ (544,124)</u>	<u>\$ 1,764,379</u>
Liabilities:				
Accounts payable	\$ -	\$ 603,668	\$ (550,692)	\$ 52,976
Customer deposits	1,251,572	765,740	(608,668)	1,408,644
Accumulated interest	<u>302,036</u>	<u>723</u>	<u>-</u>	<u>302,759</u>
Total Liabilities	<u>\$ 1,553,608</u>	<u>\$ 1,370,131</u>	<u>\$ (1,159,360)</u>	<u>\$ 1,764,379</u>

STATISTICAL SECTION

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	Page
Financial Trends	112
<p>These schedules contain trend information that may assist the reader in assessing the government's current financial performance by placing it in historical perspective.</p>	
Revenue Capacity	120
<p>These schedules contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.</p>	
Debt Capacity	126
<p>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.</p>	
Economic & Demographic Information	131
<p>These schedules offer economic and demographic indicators to help the reader understand the environment within which the government's financial activities take place.</p>	
Operating Information	133
<p>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.</p>	

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 2003, and GASB 54 in 2011.

**TOWNSHIP OF MIDDLETOWN
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	<u>2012 (1)</u>	<u>2011 (1)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 25,404,239	\$ 25,986,662	\$ 18,225,583	\$ 19,432,022	\$ 13,853,185
Restricted	1,327,400	1,920,553	5,098,898	9,774,983	15,103,727
Unrestricted (Deficit)	38,952,787	41,793,546	46,936,410	42,002,215	44,736,617
Total Governmental Activities Net Position	<u>\$ 65,684,426</u>	<u>\$ 69,700,761</u>	<u>\$ 70,260,891</u>	<u>\$ 71,209,220</u>	<u>\$ 73,693,529</u>
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 4,517,529	\$ 4,545,115	\$ 4,492,127	\$ 4,105,739	\$ 4,147,236
Restricted	-	-	-	-	-
Unrestricted (Deficit)	16,242	(31,015)	(464,130)	(69,875)	(116,091)
Total Business-Type Activities Net Position	<u>\$ 4,533,771</u>	<u>\$ 4,514,100</u>	<u>\$ 4,027,997</u>	<u>\$ 4,035,864</u>	<u>\$ 4,031,145</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	29,921,768	30,531,777	22,717,710	\$ 23,537,761	\$ 18,000,421
Restricted	1,327,400	1,920,553	5,098,898	9,774,983	15,103,727
Unrestricted (Deficit)	38,969,029	41,762,531	46,472,280	41,932,340	44,620,526
Total Primary Government Net Position	<u>\$ 70,218,197</u>	<u>\$ 74,214,861</u>	<u>\$ 74,288,888</u>	<u>\$ 75,245,084</u>	<u>\$ 77,724,674</u>

Source: Middletown Township Financial Statements

(1) GASB Statement No. 63 and 65 were implemented in 2012, a prior period adjustment was made to the 2011 net position balance in the financial statements

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 22,552,941	\$ 6,996,862	\$ 19,318,796	\$ 17,052,139	\$ 15,202,028
5,186,616	9,831,370	3,226,818	3,435,037	4,560,151
<u>44,733,314</u>	<u>53,630,677</u>	<u>47,616,459</u>	<u>50,208,504</u>	<u>53,878,686</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>
\$ 4,181,370	\$ 4,134,183	\$ 4,092,058	\$ 4,211,555	\$ 4,164,445
-	-	-	-	-
<u>(90,552)</u>	<u>(131,796)</u>	<u>(142,807)</u>	<u>(50,001)</u>	<u>424,200</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>
\$ 26,734,311	\$ 11,131,045	\$ 23,410,854	\$ 21,263,694	\$ 19,366,473
5,186,616	9,831,370	3,226,818	3,435,037	4,560,151
<u>44,642,762</u>	<u>53,498,881</u>	<u>47,473,652</u>	<u>50,158,503</u>	<u>54,302,886</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>

**TOWNSHIP OF MIDDLETOWN
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	2012 (1)	2011	2010	2009	2008
Expenses					
Governmental Activities:					
General Government	\$ 2,290,625	\$ 2,037,179	\$ 2,023,182	\$ 1,895,527	\$ 2,477,349
Public Safety	14,580,986	14,210,367	12,218,168	12,190,862	10,354,328
Public Works	6,251,378	6,566,282	6,719,377	6,615,980	5,733,310
Parks and Recreation	1,803,802	1,416,404	1,825,931	1,402,496	1,231,572
Miscellaneous	537,043	506,105	672,637	695,397	763,240
Capital Outlay/Development	-	-	-	-	-
Interest on Long-Term Debt	1,069,783	1,013,702	1,168,279	1,365,635	1,048,713
Unallocated Deprecation Expense	1,502,025	1,457,537	1,455,222	1,433,205	1,439,857
Total Governmental Activities Expense	<u>28,035,642</u>	<u>27,207,576</u>	<u>26,082,796</u>	<u>25,599,102</u>	<u>23,048,369</u>
Business-Type Activities					
Proprietary Funds (combined)	-	-	-	-	-
Country Club	137,397	145,114	138,839	155,435	179,165
Farm Fund	19,719	31,922	36,469	11,853	29,815
Total Business-Type Activities Expenses	<u>157,116</u>	<u>177,036</u>	<u>175,308</u>	<u>167,288</u>	<u>208,980</u>
Total Primary Government Expenses	<u>\$ 28,192,758</u>	<u>\$ 27,384,612</u>	<u>\$ 26,258,104</u>	<u>\$ 25,766,390</u>	<u>\$ 23,257,349</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 1,102,349	\$ 1,064,445	\$ 1,017,264	\$ 1,003,736	\$ 1,945,023
Public Safety	1,863,345	1,699,843	1,678,755	1,403,982	916,340
Public Works	4,474,867	4,656,230	4,451,210	4,483,431	3,861,084
Parks and Recreation	251,285	267,114	252,855	242,338	229,942
Operating Grants and Contributions	1,829,443	2,573,581	2,192,687	2,054,509	2,218,492
Capital Grants and Contributions	527,153	1,308,528	-	-	-
Total Governmental Activities Program Revs.	<u>10,048,442</u>	<u>11,569,741</u>	<u>9,592,771</u>	<u>9,187,996</u>	<u>9,170,881</u>
Business-Type Activities					
Charges for Services:					
Proprietary Funds (combined)	-	-	-	-	-
Country Club	196,912	184,434	147,000	147,000	154,049
Farm Fund	40,000	40,000	35,000	35,000	35,000
Operating Grants and Contributions	-	-	-	-	-
Total Business-Type Activities Program Revs.	<u>236,912</u>	<u>224,434</u>	<u>182,000</u>	<u>182,000</u>	<u>189,049</u>
Total Primary Government Program Revenues	<u>\$ 10,285,354</u>	<u>\$ 11,794,175</u>	<u>\$ 9,774,771</u>	<u>\$ 9,369,996</u>	<u>\$ 9,359,930</u>
Net (Expense)/Revenue					
Governmental Activities:	\$ (17,987,200)	\$ (15,637,835)	\$ (16,490,025)	\$ (16,411,106)	\$ (13,877,488)
Business-Type Activities	79,796	47,398	6,692	14,713	(19,931)
Total Primary Government Net Expense	<u>\$ (17,907,404)</u>	<u>\$ (15,590,437)</u>	<u>\$ (16,483,333)</u>	<u>\$ (16,396,393)</u>	<u>\$ (13,897,419)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes	\$ 9,303,772	\$ 9,281,766	\$ 9,246,523	\$ 8,602,678	\$ 7,892,013
Other Taxes	4,513,623	4,499,405	4,419,632	4,001,130	4,713,317
Investment Income	435,806	1,467,986	1,168,697	488,609	2,419,102
Miscellaneous	20,804	88,549	7,285	97,677	29,439
Special item-Capital assets from Private Purpose Trust	-	-	680,196	613,127	-
Transfers, net	69,275	(260,001)	19,363	123,576	44,275
Proceeds from Debt Restructuring	-	-	-	-	-
Total Governmental Activities	<u>14,343,280</u>	<u>15,077,705</u>	<u>15,541,696</u>	<u>13,926,797</u>	<u>15,098,146</u>
Business-Type Activities:					
Investment Income	9,150	33	4,804	9,369	4,533
Transfers, net	(69,275)	260,001	(19,363)	(19,363)	(44,275)
Total Business-Type Activities	<u>(60,125)</u>	<u>260,034</u>	<u>(14,559)</u>	<u>(9,994)</u>	<u>(39,742)</u>
Total Primary Government General Revenues and Other	<u>\$ 14,283,155</u>	<u>\$ 15,337,739</u>	<u>\$ 15,527,137</u>	<u>\$ 13,916,803</u>	<u>\$ 15,058,404</u>
Change in Net Position					
Governmental Activities	\$ (3,643,920)	\$ (560,130)	\$ (948,329)	\$ (2,484,309)	\$ 1,220,658
Business-Type Activities	19,671	307,432	(7,867)	4,719	(59,673)
Total Primary Government Change in Net Position	<u>\$ (3,624,249)</u>	<u>\$ (252,698)</u>	<u>\$ (956,196)</u>	<u>\$ (2,479,590)</u>	<u>\$ 1,160,985</u>

Source: Middletown Township Financial Statements

(1) GASB Statement No. 63 and 65 were implemented in 2012

2007	2006	2005	2004	2003
\$ 2,436,600	\$ 2,742,439	\$ 2,335,557	\$ 2,127,835	\$ 2,221,228
10,531,545	10,128,030	9,377,597	8,702,906	8,561,957
5,804,239	5,629,525	5,414,221	5,157,621	4,107,650
1,439,713	1,450,437	1,204,899	1,123,684	1,231,208
742,180	889,862	859,733	657,217	422,320
-	-	-	159,960	180,901
1,037,432	972,446	857,813	1,544,589	970,250
1,396,024	1,286,762	990,810	859,949	822,333
<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>
-	-	-	156,484	266,818
182,254	188,371	182,630	-	-
20,007	20,046	22,375	-	-
<u>202,261</u>	<u>208,417</u>	<u>205,005</u>	<u>156,484</u>	<u>266,818</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>
\$ 1,730,396	\$ 5,512,149	\$ 5,216,448	\$ 4,259,419	\$ 3,893,747
707,009	1,013,401	883,905	787,282	958,333
3,726,137	6,659	32,559	11,066	4,788
230,336	199,872	178,112	160,163	143,431
2,172,304	2,454,442	3,661,481	2,284,066	5,351,253
-	-	-	-	-
<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>
-	-	-	334,823	219,722
236,265	248,622	225,565	-	-
35,000	35,000	35,000	-	-
-	-	-	(21,942)	897,015
<u>271,265</u>	<u>283,622</u>	<u>260,565</u>	<u>312,881</u>	<u>1,116,737</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>
\$ (14,821,551)	\$ (13,912,978)	\$ (11,068,125)	\$ (12,831,765)	\$ (8,166,295)
69,004	75,205	55,560	156,397	849,919
<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>
\$ 7,095,159	\$ 5,882,089	\$ 5,013,201	\$ 4,880,056	\$ 4,859,991
5,082,209	5,109,646	3,914,290	3,581,803	3,385,233
2,626,401	2,870,316	1,611,271	980,798	826,983
1,848,864	318,381	(329,725)	(526,975)	192,565
-	-	-	-	-
31,435	29,382	276,983	439,900	485,435
-	-	-	530,998	-
<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>
9,271	7,313	9,120	-	-
(31,435)	(29,382)	(276,983)	(583,488)	(667,671)
<u>(22,164)</u>	<u>(22,069)</u>	<u>(267,863)</u>	<u>(583,488)</u>	<u>(667,671)</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>
\$ 1,862,517	\$ 296,836	\$ (582,105)	\$ (2,945,185)	\$ 1,583,912
46,840	53,136	(212,303)	(427,091)	182,248
<u>\$ 1,909,357</u>	<u>\$ 349,972</u>	<u>\$ (794,408)</u>	<u>\$ (3,372,276)</u>	<u>\$ 1,766,160</u>

TOWNSHIP OF MIDDLETOWN
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	2012 (A)	2011 (A)	2010	2009	2008
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, undesignated	-	-	2,065,794	768,709	1,621,983
Non-spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	2,803,476	2,736,024	-	-	-
Total General Fund	<u>\$ 2,803,476</u>	<u>\$ 2,736,024</u>	<u>\$ 2,065,794</u>	<u>\$ 768,709</u>	<u>\$ 1,621,983</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ 1,912,720	\$ 2,040,292	\$ 7,679,482
Unreserved, designated for, reported in:					
Special Revenue Funds	-	-	1,393,632	1,433,418	1,057,201
Capital Project Funds	-	-	46,612,927	50,165,700	51,745,306
Non-spendable	335,147	402,777	-	-	-
Restricted	1,327,400	1,920,553	-	-	-
Committed	40,369,420	40,441,705	-	-	-
Assigned	2,032,396	3,757,367	-	-	-
Unassigned	-	-	-	-	-
Total all Other Governmental Funds	<u>\$ 44,064,363</u>	<u>\$ 46,522,402</u>	<u>\$ 49,919,279</u>	<u>\$ 53,639,410</u>	<u>\$ 60,481,989</u>
Total Governmental Funds	<u>\$ 46,867,839</u>	<u>\$ 49,258,426</u>	<u>\$ 51,985,073</u>	<u>\$ 54,408,119</u>	<u>\$ 62,103,972</u>

Source: Middletown Township Financial Statements

(A) New Fund Balance Classifications per GASB 54

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ -	\$ -	\$ -	\$ -	\$ -
1,886,762	2,133,463	1,739,957	1,401,762	3,447,023
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<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>
\$ 2,254,030	\$ 2,383,381	\$ 2,417,204	\$ 2,192,914	\$ 2,467,855
1,057,203	1,269,890	1,012,340	1,043,992	887,934
51,204,947	51,182,443	45,600,846	48,182,642	49,697,169
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<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>
<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>

TOWNSHIP OF MIDDLETOWN
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008
Revenues					
Taxes	\$ 13,770,774	\$ 13,714,591	\$ 13,693,246	\$ 12,368,350	\$ 12,485,790
Licenses and Permits	1,227,716	1,273,039	1,076,871	1,104,066	1,232,017
Fines and Forfeits	169,122	187,463	227,958	206,120	218,243
Interest and Rents	939,391	901,375	764,214	1,376,938	2,470,867
Intergovernmental Revenues	2,281,729	3,503,725	2,377,217	1,890,476	2,034,827
Charges for Services	6,295,008	6,227,130	6,093,799	5,802,550	5,558,483
Special Assessment	-	-	1,456	610	1,995
Contribution Private Source	74,867	175,903	145,253	144,678	181,665
Gain/(Loss) on Investments	(503,585)	566,611	404,483	(890,769)	2,419,102
Miscellaneous Revenues	20,804	88,549	3,658	103,680	13,208
Total Revenues	<u>24,275,826</u>	<u>26,638,386</u>	<u>24,788,155</u>	<u>22,106,699</u>	<u>26,616,197</u>
Expenditures					
General Government	1,789,113	1,890,916	1,770,342	1,643,678	2,477,349
Public Safety	11,892,467	13,316,076	11,095,416	11,147,885	10,333,884
Public Works	6,704,136	6,996,957	6,403,942	6,296,113	5,733,310
Parks and Recreation	1,356,337	1,267,795	1,614,937	1,241,482	1,231,572
Miscellaneous Expenditures	537,043	506,105	672,637	695,397	763,240
Capital Outlay/Development	1,664,283	1,846,092	2,226,965	6,081,833	7,318,891
Debt Service					
Principal	1,940,000	2,271,627	2,004,214	1,632,251	1,684,566
Interest	852,309	1,035,927	1,090,249	1,223,019	1,067,171
Other Charges	153,063	71,522	25,706	21,829	25,602
Total Expenditures	<u>26,888,751</u>	<u>29,203,017</u>	<u>26,904,408</u>	<u>29,983,487</u>	<u>30,635,585</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,612,925)</u>	<u>(2,564,631)</u>	<u>(2,116,253)</u>	<u>(7,876,788)</u>	<u>(4,019,388)</u>
Other Financing Sources (Uses)					
Issuance of Refunding Bonds	8,925,000	8,560,000	5,620,000	7,830,000	10,000,000
Premium on Bond Issuance	150,892	-	-	78,123	-
Discount on Bond Issuance	-	(34,881)	-	-	-
Payment to Refunded Bonds Escrow Agent	(8,922,829)	(8,427,134)	(5,557,439)	(7,750,000)	-
Proceeds from Debt Restructuring	-	-	-	-	-
Bond Refinancing Expenses	-	-	(62,561)	(119,953)	-
Sale of Capital Assets	-	-	3,627	19,189	-
Transfers In	1,538,975	2,401,497	2,949,063	2,063,276	1,945,176
Transfers Out	(1,469,700)	(2,661,498)	(3,259,483)	(1,939,700)	(2,224,758)
Total Other Financing Sources (Uses)	<u>222,338</u>	<u>(162,016)</u>	<u>(306,793)</u>	<u>180,935</u>	<u>9,720,418</u>
Prior Period Adjustment	-	-	-	-	-
Transfer from Proprietary Funds	-	-	-	-	-
Net Change in Fund Balances	<u>\$ (2,390,587)</u>	<u>\$ (2,726,647)</u>	<u>\$ (2,423,046)</u>	<u>\$ (7,695,853)</u>	<u>\$ 5,701,030</u>
Debt Service as a Percentage of Non Capital Expenditures	11.88%	12.98%	13.02%	12.35%	11.87%

Source: Middletown Township Financial Statements

2007	2006	2005	2004	2003
\$ 11,939,159	\$ 10,837,542	\$ 9,022,988	\$ 8,537,935	\$ 8,254,338
1,226,708	1,065,459	871,321	728,097	775,757
204,530	191,205	168,544	170,486	166,602
2,636,968	2,880,943	1,624,536	1,177,421	982,465
1,858,751	2,087,531	2,842,287	1,899,740	3,976,286
5,178,180	5,324,263	4,828,022	3,908,282	3,710,553
13,300	246,766	420,033	402,059	336,906
311,553	365,661	797,259	372,764	1,365,888
1,791,035	257,858	(378,688)	(549,030)	(325,790)
21,829	36,731	64,431	16,408	193,322
<u>25,182,013</u>	<u>23,293,959</u>	<u>20,260,733</u>	<u>16,664,162</u>	<u>19,436,327</u>
2,222,705	5,754,868	2,637,074	2,691,037	2,209,267
10,185,597	9,964,353	9,289,930	8,735,349	8,446,966
5,584,836	5,359,786	5,502,477	6,033,382	4,496,123
1,308,995	2,291,955	2,472,278	1,244,146	1,386,758
742,180	889,862	877,513	657,217	466,004
3,122,175	682,097	358,058	398,832	836,968
1,691,971	1,308,620	1,036,238	1,023,551	991,650
981,799	786,680	580,476	705,203	953,390
36,920	21,790	-	-	-
<u>25,877,178</u>	<u>27,060,011</u>	<u>22,754,044</u>	<u>21,488,717</u>	<u>19,787,126</u>
<u>(695,165)</u>	<u>(3,766,052)</u>	<u>(2,493,311)</u>	<u>(4,824,555)</u>	<u>(350,799)</u>
-	10,000,000	8,325,000	10,000,000	-
-	-	34,926	-	-
-	(64,500)	-	(26,914)	-
-	-	(8,214,931)	(9,798,100)	-
-	-	-	530,998	-
-	-	-	-	-
5,000	-	-	-	-
1,864,739	2,672,270	3,047,336	2,949,553	3,210,165
(1,818,948)	(2,642,888)	(2,986,410)	(2,509,653)	(2,724,730)
<u>50,791</u>	<u>9,964,882</u>	<u>205,921</u>	<u>1,145,884</u>	<u>485,435</u>
-	-	236,427	-	(41,480)
-	-	-	-	40,357,032
<u>\$ (644,374)</u>	<u>\$ 6,198,830</u>	<u>\$ (2,050,963)</u>	<u>\$ (3,678,671)</u>	<u>\$ 40,450,188</u>
11.92%	10.21%	8.19%	8.87%	11.09%

TOWNSHIP OF MIDDLETOWN
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Year	Property Taxes	Amusement Tax	Local Services Tax	Mercantile Tax	Real Estate Transfer Tax
2012	\$ 9,257,151	\$ 1,310,544	\$ 891,077	\$ 1,045,067	\$ 850,232
2011	9,215,186	1,279,984	988,502	1,114,116	714,933
2010	9,273,614	1,288,175	953,403	1,025,104	720,569
2009	8,367,220	1,133,682	908,788	923,789	622,381
2008	7,773,093	1,064,290	937,989	1,113,334	1,148,983
2007	7,051,583	902,608	1,372,788	1,070,593	1,084,244
2006	5,787,207	993,224	1,283,204	1,207,887	1,349,030
2005	5,065,251	990,237	149,302	1,073,865	1,440,813
2004	4,808,045	849,424	145,041	1,164,259	1,207,455
2003	4,722,660	786,832	140,968	1,131,400	1,065,824

Source: Middletown Township Financial Statements

<u>Parking Tax</u>	<u>Per Capita Taxes</u>	<u>Mechanical Device Tax</u>	<u>Total</u>
\$ 238,155	\$ 141,588	\$ 36,960	\$ 13,770,774
225,038	136,412	40,420	13,714,591
247,386	141,815	43,180	13,693,246
227,635	141,315	43,540	12,368,350
198,218	142,568	44,140	12,422,615
198,755	158,032	42,360	11,880,963
-	138,885	41,274	10,800,711
-	-	-	-
-	142,236	36,260	8,897,964
-	-	-	-
-	127,995	32,440	8,334,659
-	-	-	-
-	140,384	27,660	8,015,728

TOWNSHIP OF MIDDLETOWN
 ASSESSED VALUE AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

<u>Year</u>	<u>Real Property Assessed Value (1)</u>	<u>Less: Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Values of Real Property</u>	<u>Ratio of Total Assessed Value to Total Estimated Actual Value (3)</u>	<u>Middletown Township Municipal Millage Rate</u>
2012	\$ 617,653,240	\$ 88,126,470	\$ 529,526,770	\$ 6,670,121,382	9.26%	17.57
2011	617,093,965	87,924,280	529,169,685	6,972,813,164	8.85%	17.57
2010	614,395,910	85,180,440	529,215,470	6,700,064,449	9.17%	17.57
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 TEN FISCAL YEARS
(rate per \$1,000 of assessed value)

Year	Direct Rates			Overlapping Rates			Neshaminy School District	Total Direct & Overlapping Millage Rates
	Township of Middletown			Bucks County				
	Operating Millage	Debt Service Millage	Total Township Millage	Operating Millage	Debt Service Millage	Total County Millage	Total Millage	
2012	12.125	5.445	17.57	18.79630	4.40370	23.20000	152.00	215.97000
2011	12.270	5.300	17.57	17.58870	4.35341	21.94211	152.00	213.45422
2010	11.570	6.000	17.57	17.58870	4.35341	21.94211	152.00	213.45422
2009	11.460	4.380	15.84	17.58870	4.35341	21.94211	152.00	211.72422
2008	11.460	3.380	14.84	17.58870	4.35341	21.94211	148.60	207.32422
2007	9.730	3.610	13.34	17.10766	4.83445	21.94211	148.60	205.82422
2006	8.670	2.610	11.28	17.10766	4.83445	21.94211	137.40	192.56422
2005 (1)	7.530	2.250	9.78	15.90960	4.57790	20.48750	133.90	184.6550
2004	29.280	7.890	37.17	60.09500	14.40500	74.50000	500.60	686.7700
2003	27.520	9.890	37.41	53.87900	11.12100	65.00000	471.80	639.2100

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
PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type of Business	December 31, 2012			December 31, 2004 (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	\$ 21,083,075	1	3.98%	\$ 6,648,620	1	5.12%
Home Properties	Real Estate Investment	6,500,000	2	1.23%	824,250	5	0.63%
800 (Eight) Trenton Assoc	Apartment Complex	4,368,800	3	0.83%	1,092,200	3	0.84%
Jefferson Woods	Residential Community	4,157,100	4	0.54%	-		
Shoppes at Flowers Mills	Shopping Center	3,585,060	5	0.68%	893,130	4	0.69%
Reedman Toll	Auto Dealership	3,381,520	6	0.64%	684,470	8	0.53%
Attleboro Associates	Retirement & Assisted Living	2,861,160	7	0.54%	715,290	6	0.55%
Saint Mary Hospital	Healthcare	2,632,800	8	0.50%	-		
Bucks Co BP Investors LLC	Real Estate Investment	2,490,680	9	0.47%	-		
Sesame Place	Entertainment	2,422,050	10	0.46%	-		
Pennswood Village	Retirement Community	-		-	1,226,050	2	0.94%
Liberty Properties LTD	Real Estate Development	-		-	705,400	7	0.54%
Bucks County Ind. Devel. Corp.	Commercial Development	-		-	514,710	10	0.40%
Guttman & Reider	Real Estate Investment	-		-	577,520	9	0.44%

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 Ray Chapman, Middletown Township Tax Collector

(2) Information derived from Bucks County, PA Real Estate Assessment Roll; Total Taxable Assessed Valuation is \$529,526,770

(3) Information supplied by Ralph Clark, Middletown Township Tax Collector

(4) Information derived from Bucks County, PA Real Estate Assessment Roll; Total Taxable Assessed Valuation is \$129,889,830

(5) Data for the period ended December 31, 2003 is not available.

TOWNSHIP OF MIDDLETOWN
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Year	Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 9,303,787	\$ 9,158,419	98.44%	\$ 0	\$ 9,158,419	98.44%
2011	9,297,511	9,125,921	98.15%	84,056	9,209,977	99.06%
2010	9,298,317	9,157,257	98.48%	132,274	9,289,531	99.91%
2009	8,398,728	8,259,727	98.34%	135,133	8,394,860	99.95%
2008	7,856,901	7,682,316	97.78%	171,335	7,853,651	99.96%
2007	7,102,588	7,014,530	98.76%	86,707	7,101,237	99.98%
2006	5,962,587	5,752,009	96.47%	210,296	5,962,305	100.00%
2005	5,142,063	5,043,265	98.08%	98,773	5,142,038	100.00%
2004	4,817,656	4,751,715	98.63%	65,887	4,817,602	100.00%
2003	4,776,934	4,681,517	98.00%	95,362	4,776,879	100.00%

Source: Middletown Township Tax Receipt Records and Bucks County Tax Claim Bureau Reports

TOWNSHIP OF MIDDLETOWN
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2012	2011	2010	2009
Debt Limit	\$ 61,765,324	\$ 61,709,397	\$ 61,439,591	\$ 61,505,359
Total Net Debit Applicable to Limit	26,195,077	28,008,228	29,526,031	31,396,921
Legal Debt Margin	<u>\$ 35,570,247</u>	<u>\$ 33,701,169</u>	<u>\$ 31,913,560</u>	<u>\$ 30,108,438</u>
 Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	 42.41%	 45.39%	 48.06%	 51.05%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 529,526,770
Add back: exempt real property	88,126,470
Total assessed value	<u>\$ 617,653,240</u>
 Debt limit (10% of total assessed value)	 \$ 61,765,324
Debt applicable to limit:	
General obligation bonds	26,320,000
Less: Amount set aside for repayment of general obligation debt	<u>(124,923)</u>
Total net debt applicable to limit	<u>26,195,077</u>
Legal debt margin	<u>\$ 35,570,247</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.

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 61,523,713	\$ 61,069,298	\$ 60,702,488	\$ 60,391,336	\$ 59,638,232	\$ 58,532,076
33,161,341	24,613,190	26,156,085	17,649,913	18,194,913	18,050,841
<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>
53.90%	40.30%	43.09%	29.23%	30.51%	30.84%

TOWNSHIP OF MIDDLETOWN
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN 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			
2012	\$ 26,320,000	\$ -	\$ 288,154	\$ 26,608,154	1.66%	\$ 586
2011	28,090,000	-	351,525	28,441,525	1.83%	626
2010	29,930,000	298,761	411,215	30,639,976	1.92%	654
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 TEN 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)
2012	\$ 26,320,000	\$ 124,923	\$ 26,195,077	0.39%	\$ 577
2011	28,090,000	81,772	28,008,228	0.41%	616
2010	29,930,000	403,969	29,526,031	0.44%	630
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, 2012

Government Unit	Gross Outstanding Debt	Percentage Applicable to Middletown Township	Amount Applicable to Middletown Township	Total Overlapping Debt
Township of Middletown (1)	\$ 26,320,000	100.00%	\$ 26,320,000	\$ -
Neshaminy School District (2)	104,403,398	67.51%	70,482,734	70,482,734
Bucks County (3)	<u>250,760,000</u>	6.61% (4)	<u>16,575,236</u>	<u>16,575,236</u>
Total	<u>\$ 381,483,398</u>		<u>\$ 113,377,970</u>	<u>\$ 87,057,970</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, 2012 based on ratio of Middletown Township's assessed valuation (see Schedule 5) to Bucks County's 2012 assessed valuation of \$8,011,911,190 (source: Bucks County Board of Assessments).

TOWNSHIP OF MIDDLETOWN
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN 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>
2012	45,436	\$ 1,600,074	\$ 35,216	42.6	8,517	7.50%
2011	45,436	1,555,592	34,237	42.6	8,568	6.20%
2010	46,882	1,596,332	34,050	42.3	8,802	8.30%
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) U.S. Census Bureau (2010)

(2) U.S. Census Bureau (2010)

(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, 2012			December 31, 2004 (3)		
		Employees	Rank	Percentage of Total Township Employment (2)	Employees	Rank	Percentage of Total Township Employment (3)
Neshaminy School District	Education	3,610	1	14.33%	1,853	2	7.27%
St Mary Medical Center	Healthcare	2,696	2	10.70%	2,547	1	9.99%
Woods Services	Education	1,729	3	6.86%			
Seaworld Parks & Entertnmt	Entertainment/Theme Park	945	4	3.75%	1,726	3	6.77%
Target Corporation	Retail	458	5	1.82%	453	8	1.78%
Sykes Enterprises, Inc.	Communication Services	450	6	1.79%			
Pennswood Village Inc.	Retirement Community	414	7	1.64%	459	7	1.80%
Macy's Retail Holding Inc.	Retail	357	8	1.42%	698	5	2.74%
Reedman-Toll Autoworld	Retail/Automotive	331	9	1.31%			
George School	Education	306	10	1.21%			
ICT Group, Inc.	Communication Services				808	4	3.17%
Lenox	Retail				603	6	2.36%
McCafferty Ford	Retail/Automotive				401	9	1.57%
JC Penney Corp, Inc.	Retail				365	10	1.43%
Total		<u>11,296</u>		<u>44.83%</u>	<u>9,913</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 Midd Twp. Civilian Labor Force is 25,200 (2012) and 25,500 (2004)

(3) Data for the period ended December 31, 2003 is not available.

**TOWNSHIP OF MIDDLETOWN
FULL TIME EQUIVALENT MUNICIPAL
EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Administration	3.0	2.0	2.0	2.0	2.0	3.0	3.0	4.5	4.5	4.5
Finance	5.0	5.5	5.5	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	1.0	1.0	1.0	2.0	2.0
Police										
Police Officers	48.0	50.0	52.0	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	16.0	16.0	16.0	17.5	17.5
Public Works										
Administration	2.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	2.5	3.5
Maintenance/Labor	11.0	11.0	13.0	13.0	13.0	13.0	12.0	11.0	15.0	19.0
Summer/Seasonal	4.0	4.0	6.0	6.0	4.0	4.0	4.0	4.0	3.0	2.5
Community Services										
Administration	1.0	1.0	1.0	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	1.0	1.0	1.0			
Custodial/Labor (2)	-	0.5	0.5	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	3.5	3.5	3.5	2.5	3.5	3.5
Administration	1.0	1.0	1.0	1.0	1.5	1.5	1.5	1.0	1.5	2.0
Parks & Recreation										
Administration	3.0	3.0	3.0	4.0	4.0	3.5	3.5	3.0	2.5	2.5
Equipment Operation/Labor	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0	-
Summer Rec/Seasonal	22.0	22.0	22.0	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	2.5	2.5	2.5
Misc Program Facilitators	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	7.0	6.5
Licenses & Inspections	6.5	5.0	5.5	5.5	5.5	5.5	5.5	7.0	9.0	9.0
Totals	<u>140.5</u>	<u>142.0</u>	<u>148.5</u>	<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 TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2012	2011	2010	2009
General Government (1)				
Building Inspections Conducted	2,666	2,519	2,672	2,818
Plumbing Inspections Conducted	539	476	484	668
Building Permits Issued	786	759	853	795
Plumbing Permits Issued	226	218	233	235
Electrical Permits Issued	281	300	324	260
Residential Value of Construction/Issued Permits	8,120,371	8,581,482	12,819,482	10,655,114
Commercial Value of Construction/Issued Permits	18,057,473	53,376,259	31,916,655	7,902,476
Police (2)				
Criminal Arrests	760	895	776	1,538
Traffic Citations	1,265	3,024	2,632	2,377
Accident Reports	1,763	2,003	1,856	2,075
Parking Violations	72	381	95	122
Animal Control Cases Investigated	501	622	626	446
Animal Control Warnings Issued	20	20	37	27
Animal Control Prosecutions Instituted	18	29	30	25
Parks & Recreation (3)				
Recreation Program Participants	11,050	7,641	8,751	7,650
Program Sessions Offered	376	404	392	394
Public Works (4)				
Roads Resurfaced (linear feet) by DPW	-	-	-	1,468
Number of Trees Removed/Trimmed	230	112	131	88
Number of Signs Repaired/Installed	96	94	99	163
Number of Drainage/Storm Drains Unclogged	145	120	22	90
Number of Repaired Potholes	607	438	570	644
Number of Repaired Sinkholes	64	67	38	35
Emergency Services (5)				
Total Estimated Emergency Fire Calls	1,081	1,142	1,850	1,902
Residential Fires	14	30	17	11
Business/Industrial Fires	3	2	3	2
Fire Investigations Conducted	207	29	214	309
Hazardous Materials/Petroleum Spill Calls	64	40	54	7
Mechanical Inspections Conducted	247	235	197	164
Fire Safety Inspections Conducted	1,634	1,612	1,570	1,508

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

Fiscal Year						
2008	2007	2006	2005	2004	2003	
2,922	2,850	3,121	2,988	3,281	3,041	
700	494	679	969	1,078	1,225	
924	793	987	941	2,034	1,266	
286	250	257	344	364	460	
364	354	433	452	568	758	
23,051,941	11,160,481	16,568,803	12,722,066	16,279,216	23,078,871	
29,882,882	43,828,263	151,193,962	58,218,296	13,099,612	14,545,515	
1,857	1,900	1,644	1,457	1,445	1,472	
4,168	4,806	4,597	3,621	4,033	4,611	
1,971	2,055	2,009	2,109	2,046	2,205	
115	121	156	221	197	178	
631	721	764	803	368	462	
34	42	53	46	45	38	
10	27	33	64	40	51	
8,427	7,319	7,800	7,376	5,500	5,487	
356	357	311	296	183	164	
-	5,755	134	5,037	10,582	10,828	
81	98	137	85	63	86	
167	306	224	175	112	84	
80	110	105	75	77	87	
265	391	375	380	388	207	
64	98	55	75	68	59	
992	997	1,178	1,093	1,815	N/A	
39	46	50	35	37	N/A	
1	12	31	22	21	N/A	
275	291	40	35	236	N/A	
97	93	17	17	13	N/A	
181	386	478	451	652	N/A	
1,412	1,322	1,525	1,159	1,000	N/A	

TOWNSHIP OF MIDDLETOWN
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

<u>Function/Program</u>	Fiscal Year			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Government (1)				
Square Footage Occupied	56,122.00	56,122.00	56,122.00	56,122.00
Inspection Vehicles	2	2	2	2
Other Departmental Vehicles	1	1	1	1
Police (2)				
Stations	1	1	1	1
Patrol Units	45	50	50	50
Trained Canines	4	2	3	4
Parks & Recreation (3)				
Number of Recreation Facilities	19.0	19.0	19.0	19.0
Acreage of Park Land	142.0	141.5	141.5	141.5
Acreage of Greenbelts/Open Space	518.0	518.0	518.0	518.0
Public Works (4)				
Municipal Street (lane miles)	137.77	137.77	137.77	137.77
Streetlights	2,700	2,700	2,700	2,700
Public Service Vehicles	24	24	24	24
Off-road Equipment	7	7	7	7
Office Garage Complex	2	2	2	1
Salt Storage Buildings	1	1	1	1
Emergency Services (5)				
Fire Stations	6	6	8	8
Vehicle Units	32	32	28	28

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

Fiscal Year					
2008	2007	2006	2005	2004	2003
56,122.00	56,122.00	56,122.00	56,122.00	56,122.00	56,122.00
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
50	50	50	50	48	43
4	4	4	4	4	4
18.0	18.0	18.0	18.0	18.0	18.0
136.5	136.5	136.5	136.5	136.5	136.5
523.0	523.0	523.0	523.0	523.0	523.0
137.77	137.77	137.77	137.77	137.77	137.77
2,700	2,700	2,700	2,700	2,700	2,700
24	23	23	23	23	23
7	7	7	7	6	6
1	1	1	1	1	1
1	1	1	1	1	1
7	7	7	5	5	5
25	25	25	25	24	24