

**TOWNSHIP OF MIDDLETOWN**  
BUCKS COUNTY, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended December 31, 2013



**TOWNSHIP OF MIDDLETOWN  
BUCKS COUNTY, PENNSYLVANIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

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, 2013

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## INTRODUCTORY SECTION



# Township of Middletown

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Ph: 215-750-3800 Fax: 215-750-3801  
[www.middletowntwpbucks.org](http://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

May 30, 2014

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, 2013 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 61<sup>st</sup> to achieve accreditation. At December 31, 2013 the Police Department had fifty-two (52) police officers, 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 Penn-del, 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 past 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.

## **Current Year**

The Township staff continues to seek means to enhance revenue and reduce costs, including increases in 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 2013, 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 2013 reflects a mixture of new construction and renovations, both commercial and residential. St. Mary's Medical Center has completed phase 1 of a large project which includes four (4) phases of development. Woods Services has started construction of a new building on the Beechwood property. K. Hovnanian is continuing a 138 unit residential new construction development. Newtown Friends School is planning an addition and playground expansion.

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 1,243 hours in 2013, the cost of which, (more than \$139,200) 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 2013.

In 2013, 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 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 \$53,427 in 2013 for its participation in the system.

During 2013, the Fire Marshal's Office performed 100% of annual fire inspections of all commercial business in the Township. The office also performs fire safety inspections, new fire detection and suppression systems throughout the Township. The goal of these inspections is to keep our commercial establishments and their staff safe. The Fire Marshal's Office is very proud of the many significant accomplishments they achieved in the communication of fire prevention including fire extinguisher training for the business community, increased daycare and school fire prevention seminars, and fire prevention activities throughout the Township, such as our Fifth Annual Fire and Accident Prevention Day at the Oxford Valley Mall. On days following a neighborhood fire, the staff is known to go door to door in the surrounding neighborhood to communicate the importance of fire prevention and distribute smoke detectors. Middletown Township is one of the safest communities in Bucks County due in part to the dedication of the staff members of the department.

The Township Park & Recreation Department offered a year round calendar of programs and community events that served more than 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 4<sup>th</sup> of July Parade drew thousands of participants and spectators. Working with volunteers the department continued to manage 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 expected to operate within the annual departmental budget approved 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.

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 \$39.2 million as of December 31, 2013.

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, the Commonwealth of Pennsylvania, 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, 2013 is the firm of Bee, Bergvall & Co., Certified Public Accountants. The independent auditors' 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, 2013.

## **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, 2012. That year was the ninth overall year that the Middletown Township 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**

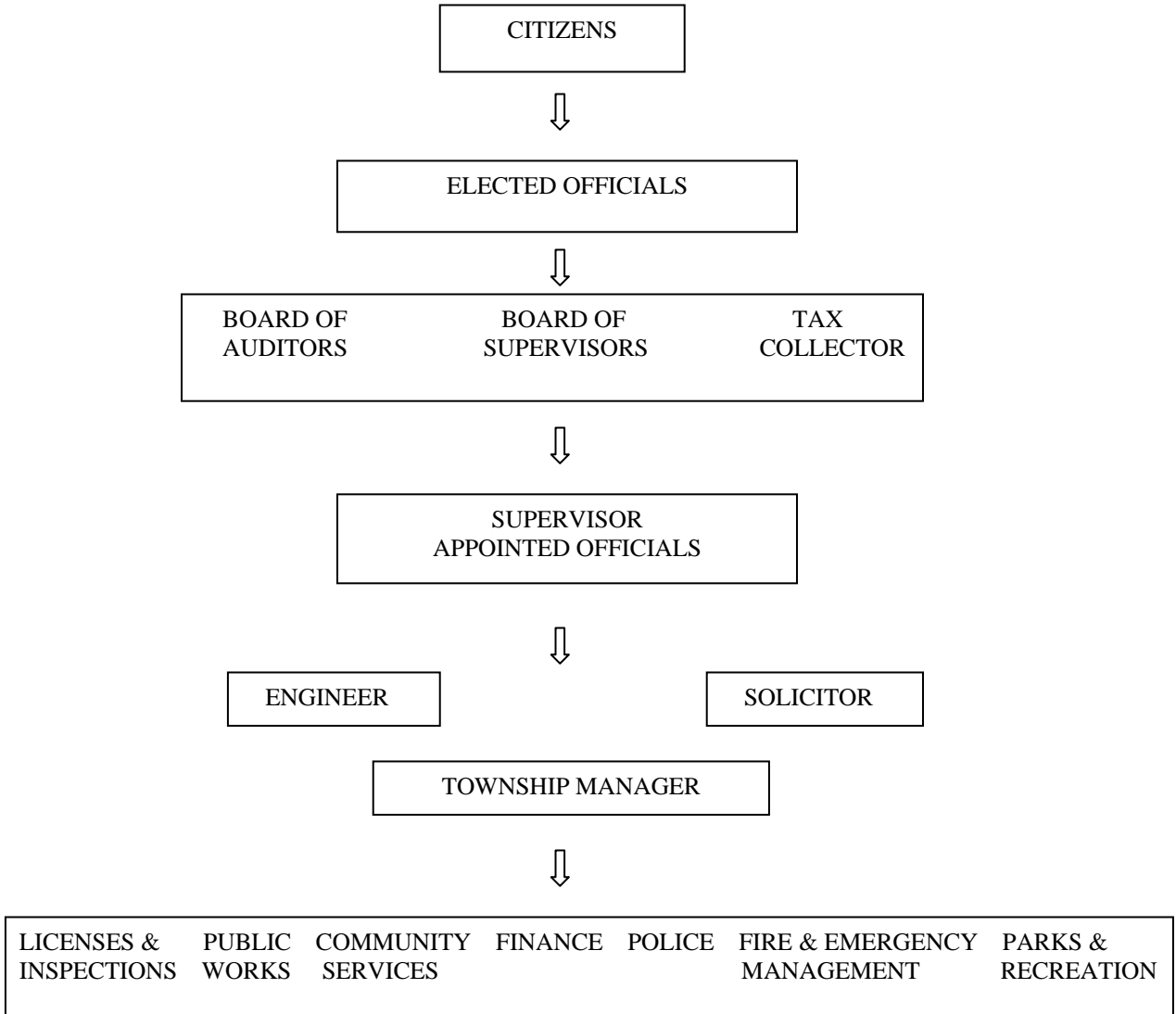
The publication of this CAFR continues to reinforce the accountability of Middletown Township to the taxpayers of the community. The preparation of the 2013 Comprehensive Annual Financial Report was made possible by the dedicated service of the entire Finance Department. All others who contributed to 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.

Dennis M. Penko  
Finance Director  
June 12, 2014

TOWNSHIP OF MIDDLETOWN  
BUCKS COUNTY, PENNSYLVANIA  
ORGANIZATIONAL CHART

December 31, 2013



**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, 2013

2013 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 Kuhls, Township Manager

Joseph Pizzo, Esq., Township Solicitor

Wayne Kiefer, P.E., Township Engineer

Pat Duffy, P.E., Director of Planning, Zoning, and Engineering

Deborah Lamanna, Director of Parks, Recreation and Community Services

James Kane, Chief of Police

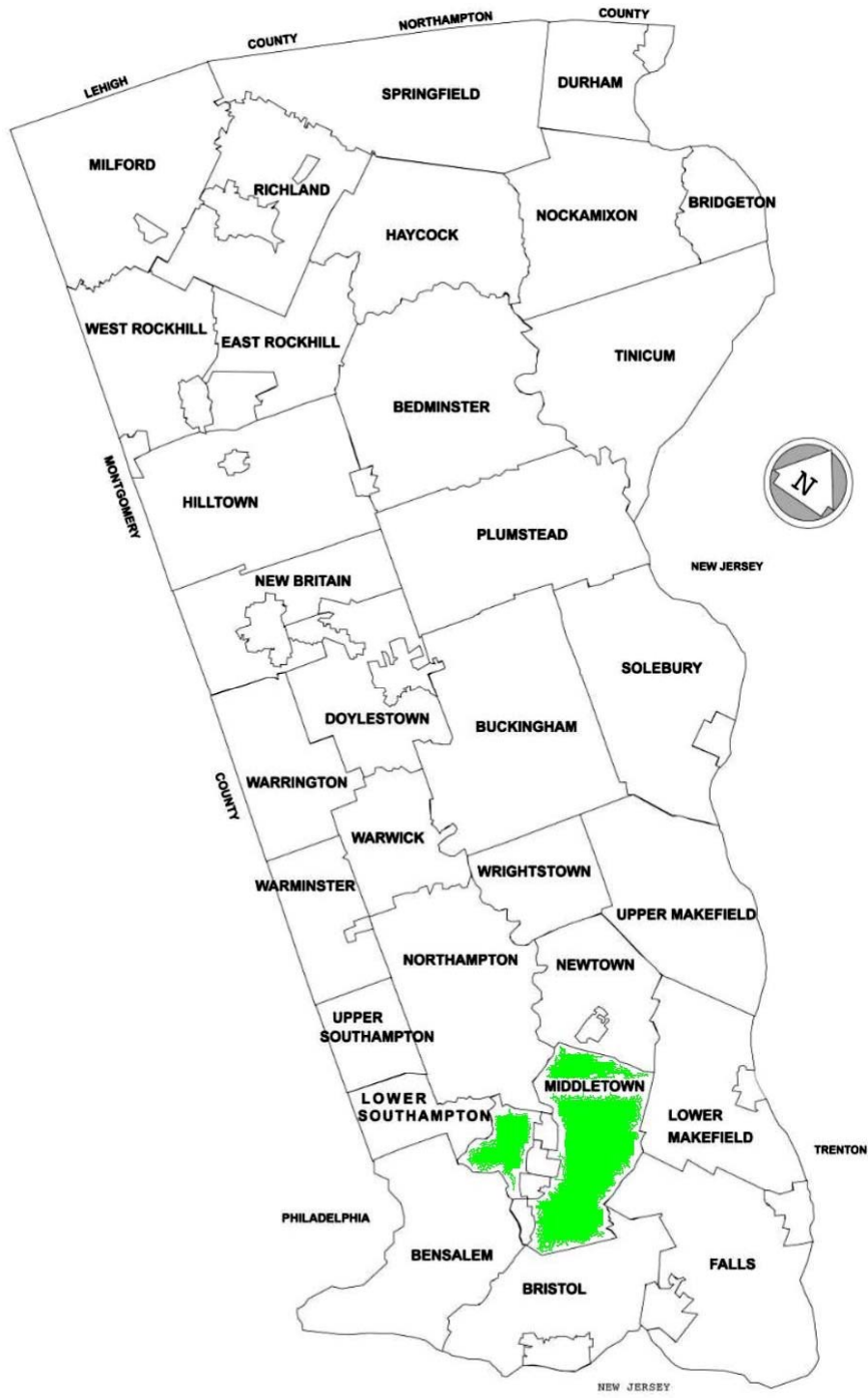
James McGuire, Fire Marshal

James Peet, Director of Licenses & Inspections

Dennis M. Penko, Director of Finance

Erich Wendel, Director of Public Works

# Map of Middletown Township







Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Township of Middletown  
Pennsylvania**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

Executive Director/CEO

## FINANCIAL SECTION



936 Easton Rd., PO Box 754 Warrington, PA 18976 | 163 S. Broad St., Lansdale, PA 19446  
252 W. Swamp Rd., Unit 9, Doylestown, PA 18901 | 444 South State St. Suite B12, Newtown, PA 18940  
24 Arnett St. Suite 202, Lambertville, NJ 08530  
215-343-2727 | www.bbco-cpa.com

## 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, 2013, 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, 2013 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 76 through 79 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, 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 & Co.*

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

June 12, 2014

**Middletown Township**  
**Bucks County, Pennsylvania**

**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**For the Fiscal Year Ended December 31, 2013**

**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, 2013. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the independent auditor's opinion letter, the notes to the basic financial statements, and the financial statements themselves to enhance their understanding of the Township's financial performance.

The first group of basic financial statements required by GASB 34 is the government-wide financial statements, which are comprised of the Statement of Net 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.

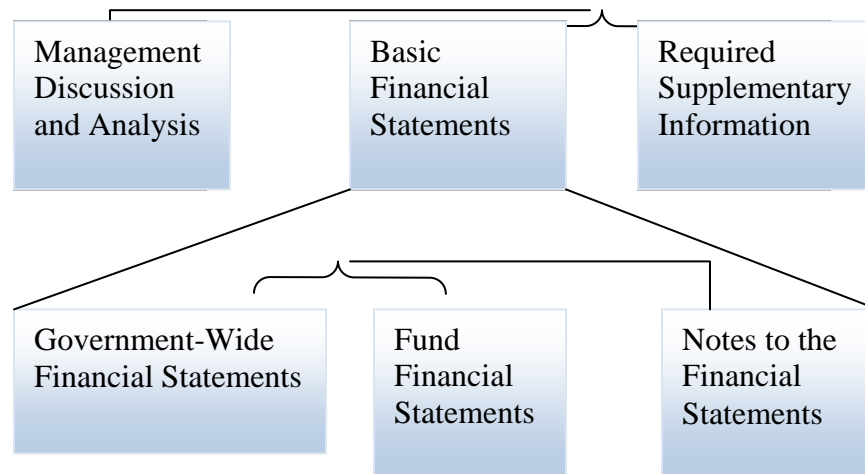
The remaining statements are fund financial statements which focus on the government's major governmental and enterprise funds. Governmental fund financials are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental funds statements 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, including a budgetary comparison schedule for the General Fund.

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 assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. To assess the overall health of the Township, you need to consider additional non-financial factors, such as changes in the property tax base or the condition of Township infrastructure.

The Statement of Activities on pages 23-24 reports how the Township's net assets have changed during the current fiscal year. It accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. It also reports depreciation. An important purpose of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues provided by the Township's taxpayers. This is accomplished by displaying expenses net of program revenue, allocating program revenue to the particular expense categories they offset. General revenues, such as taxes, are reported separately.

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 74 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 \$64,957,656 and \$65,684,426 at the close of the years ended December 31, 2013 and 2012, respectively.

The following table provides a summary of the Township's Net Position at December 31, 2013 and December 31, 2012:

**Table 1**  
**Summary of Net Position**  
**For the Years Ending 12/31/13 and 12/31/12**  
**(Government-Wide)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 46,548,654	\$ 49,348,622	\$ 258,934	\$ 403,056	\$ 46,807,588	\$ 49,751,678
Capital Assets	49,985,333	49,791,008	4,824,070	4,805,683	54,809,403	54,596,691
Total Assets	<u>\$ 96,533,987</u>	<u>\$ 99,139,630</u>	<u>\$ 5,083,004</u>	<u>\$ 5,208,739</u>	<u>\$ 101,616,991</u>	<u>\$ 104,348,369</u>
Deferred Outflows of Resources	<u>\$ 77,212</u>	<u>\$ 83,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,212</u>	<u>\$ 83,180</u>
Current and Other Liabilities	\$ 3,241,528	\$ 4,326,937	\$ 381,134	\$ 441,843	\$ 3,622,662	\$ 4,768,780
Long-Term Liabilities	28,394,109	29,192,723	149,448	220,875	28,543,557	29,413,598
Total Liabilities	<u>\$ 31,635,637</u>	<u>\$ 33,519,660</u>	<u>\$ 530,582</u>	<u>\$ 662,718</u>	<u>\$ 32,166,219</u>	<u>\$ 34,182,378</u>
Deferred Inflows of Resources	<u>\$ 17,906</u>	<u>\$ 18,724</u>	<u>\$ -</u>	<u>\$ 12,250</u>	<u>\$ 17,906</u>	<u>\$ 30,974</u>
Net Position						
Investment in Capital Assets, net of related debt	\$ 27,310,114	\$ 25,404,239	\$ 4,603,195	\$ 4,517,529	\$ 31,913,309	\$ 29,921,768
Restricted	1,564,188	1,327,400	-	-	1,564,188	1,327,400
Unrestricted	36,083,354	38,952,787	(50,773)	16,242	36,032,581	38,969,029
Total Net Position	<u>\$ 64,957,656</u>	<u>\$ 65,684,426</u>	<u>\$ 4,552,422</u>	<u>\$ 4,533,771</u>	<u>\$ 69,510,078</u>	<u>\$ 70,218,197</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 (\$39.2 million in 2013). 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 \$24,260,000 of the liabilities balance at year end 2013. 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 assets. Net assets are broken down as Capital, Restricted and Unrestricted. Net Assets Investment in capital assets is reported net of accumulated depreciation and any outstanding principal owed on related debt. Restricted net assets are restricted by outside parties: creditors, grantors, contributors, legislation, or other governments. They are restricted for items such as debt service, state highway aid, tax fund legal purpose. The remaining unrestricted net assets are 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 assets by \$726,770 during the current fiscal year. This is an improvement over the 2012 decrease in net assets of \$4,016,335, which included a \$1.4 Million transfer of title of the Fire Apparatus Equipment to the four Fire Companies serving the Township, but still hampered by the slow economy and its continued effect on real estate development and retail sales, and fixed income investment performance of the Investment Fund.

Business-type Activities increased the Township's net assets by \$18,651 during the current fiscal year. These activities are comprised of the Middletown Country Club and the Styer's Farm. This increase is slightly unfavorable to the 2012 increase in net assets of \$19,671, a result of increased depreciation expense due to the roof improvements at the farm store.

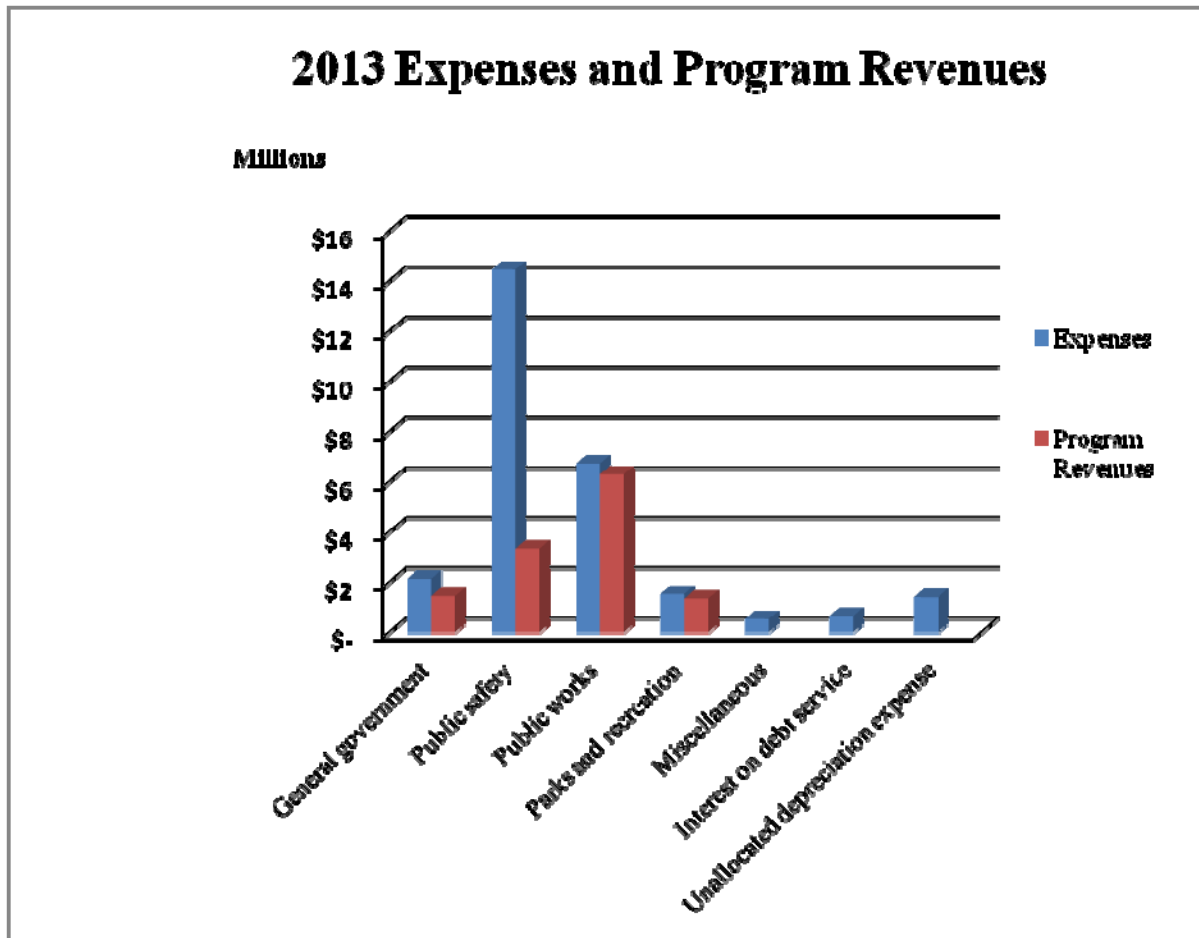
The result of this year's operations as a whole are reported in the Statement of Activities on page 23-24. All expenses are reported in the first column. Specific charges, grants, and contributions that directly relate to specific expense categories are netted against them to determine the final amount 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, 2013 compared to December 31, 2012.

**Table 2**  
**Changes in Net Position**  
**For the Years Ending 12/31/13 and 12/31/12**  
**(Government-Wide)**

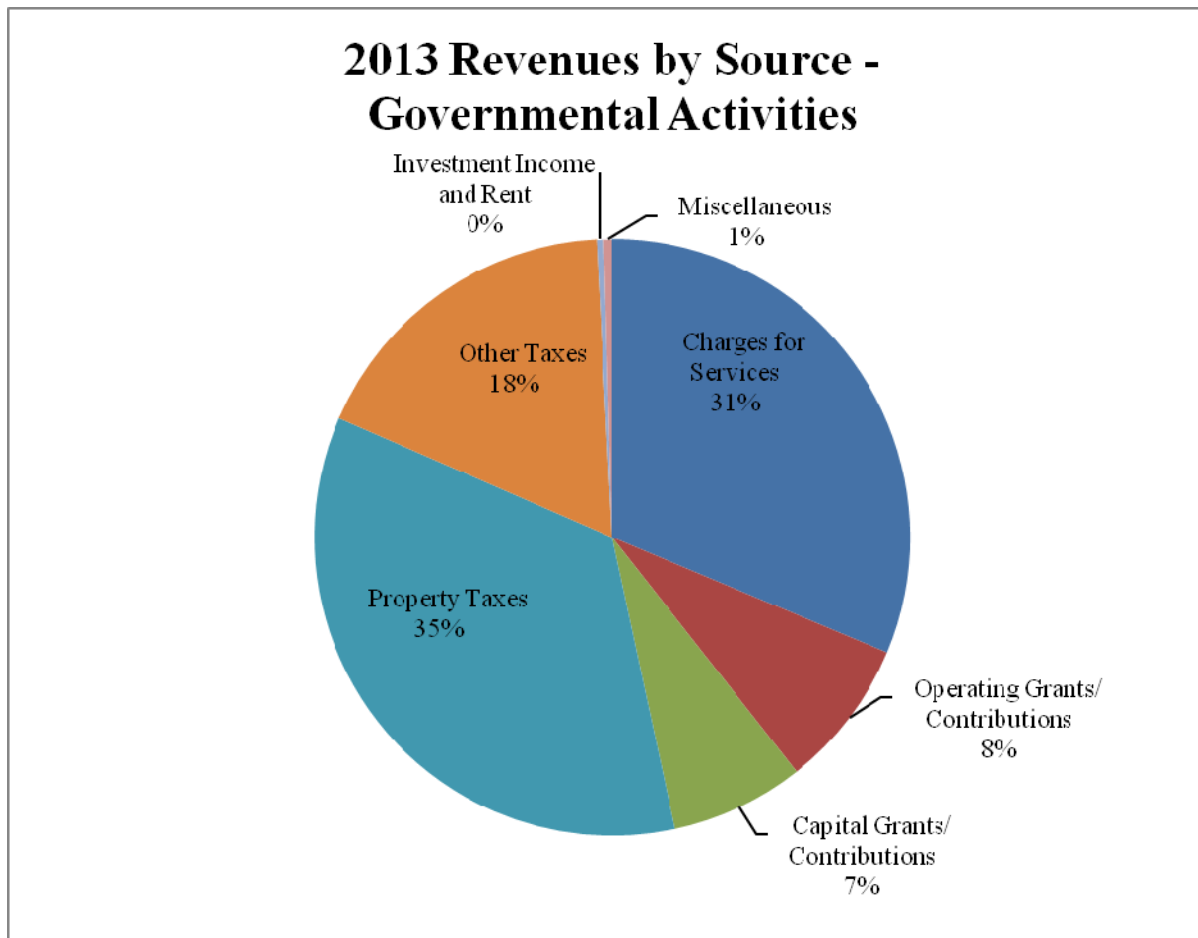
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,348,057	\$ 7,691,846	\$ 243,105	\$ 236,912	\$ 8,591,162	\$ 7,928,758
Operating Grants/ Contributions	2,153,603	1,829,443	-	-	2,153,603	1,829,443
Capital Grants/ Contributions	1,926,838	527,153	-	-	1,926,838	527,153
General Revenues:						
Property Taxes	9,309,514	9,303,772	-	-	9,309,514	9,303,772
Other Taxes	4,697,360	4,513,623	-	-	4,697,360	4,513,623
Investment Income and Rent	104,391	435,806	6,352	9,150	110,743	444,956
Miscellaneous	117,664	20,804	-	-	117,664	20,804
Total Revenues	<u>\$ 26,657,427</u>	<u>\$ 24,322,447</u>	<u>\$ 249,457</u>	<u>\$ 246,062</u>	<u>\$ 26,906,884</u>	<u>\$ 24,568,509</u>
Expenses:						
General Government	\$ 2,137,408	\$ 2,290,625	\$ -	\$ -	\$ 2,137,408	\$ 2,290,625
Public Safety	14,458,162	14,580,986	-	-	14,458,162	14,580,986
Public Works	6,731,336	6,251,378	-	-	6,731,336	6,251,378
Parks and Recreation	1,531,902	1,803,802	-	-	1,531,902	1,803,802
Miscellaneous	533,375	537,043	-	-	533,375	537,043
Debt Service Interest	661,242	1,069,783	8,756	12,045	669,998	1,081,828
Unallocated Depreciation - Infrastructure	1,400,047	1,502,025	-	-	1,400,047	1,502,025
Business-Type Activities	-	-	152,775	145,071	152,775	145,071
Total Expenses	<u>\$ 27,453,472</u>	<u>\$ 28,035,642</u>	<u>\$ 161,531</u>	<u>\$ 157,116</u>	<u>\$ 27,615,003</u>	<u>\$ 28,192,758</u>
Change in Net Assets before transfers	\$ (796,045)	\$ (3,713,195)	\$ 87,926	\$ 88,946	\$ (708,119)	\$ (3,624,249)
Transfers, net	<u>69,275</u>	<u>69,275</u>	<u>(69,275)</u>	<u>(69,275)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	\$ (726,770)	\$ (3,643,920)	\$ 18,651	\$ 19,671	\$ (708,119)	\$ (3,624,249)
Net Position-beginning 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>
Net Position-end of year	<u>\$ 64,957,656</u>	<u>\$ 65,684,426</u>	<u>\$ 4,552,422</u>	<u>\$ 4,533,771</u>	<u>\$ 69,510,078</u>	<u>\$ 70,218,197</u>

The following chart shows the Government-wide sources of expenses and related program revenues for governmental activities for the year ended December 31, 2013:



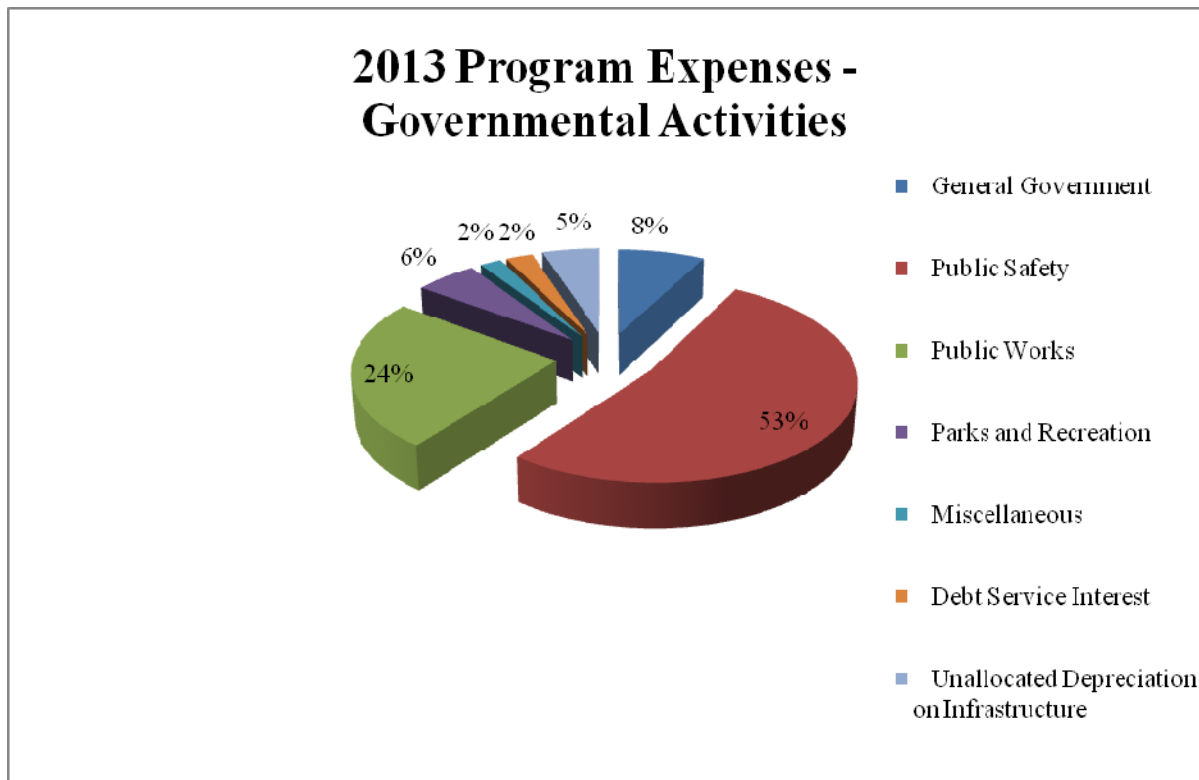
General revenues are required to support the programs. As reflected in the above chart program expenses exceed program revenues in all areas. General government expenses exceed program revenues by \$696,725, public safety by \$11,115,164, public works by \$431,975, and park and recreations by \$186,446.

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2013:



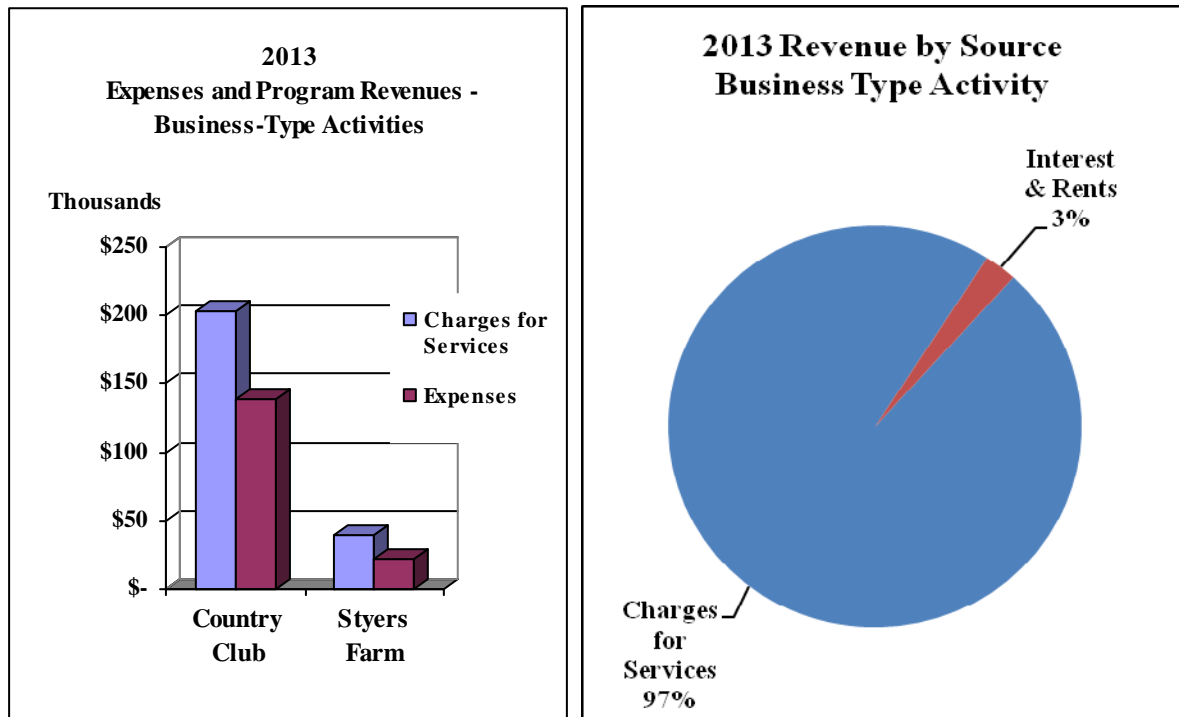
Of the total Government-wide revenues of \$26,657,427, the greatest share came from Property Taxes with revenues of \$9,309,514. The second largest revenue source is Charges for Services with revenues of \$8,348,057, primarily made up of fees for solid waste collection in the amount of \$4,833,681. Other Taxes include the Township's Act 511 taxes such as the Local Services, Per Capita, Real Estate Transfer, Mercantile, Amusement, Mechanical Device Taxes, and Parking Fees with combined revenues of \$4,697,360. Operating and Capital Grants and Contributions brought in \$4,080,441. Investment income and rents, down again in 2013 as a result of the poor climate for fixed income investments, netted the Township \$104,391. Miscellaneous Income and Sale of Assets amounting to \$117,664 comprise the balance of the 2013 revenues for governmental activities.

The following chart shows the Government-wide sources of program expenses for the year ended December 31, 2013:



The largest share of expenditures in 2013 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 \$14,458,162 for 2013. 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 \$6,731,336 for 2013. Parks and Recreation expenses of \$1,531,902 fund the operation and maintenance of our Township parks, park buildings, and park equipment as well as administrative costs and Township recreation programs. General Government expenses of \$2,137,408 make up the fourth largest segment of 2013 expenses. This category covers the costs of staffing, benefits, and other administrative costs and ancillary expenses. Depreciation expenses of \$1,400,047, Debt Service Interest of \$661,242, and Miscellaneous expenses of \$533,375 primarily insurance expense, round out the 2013 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, 2013:



Business-type Activities increased the Township’s net assets by \$18,651 during the current fiscal year. The Middletown Country Club revenues totaled \$203,105 with offsetting expenses of \$130,660 for an operating income of \$72,445. After non-operating expense, which consists of interest expense of \$8,756 offset by interest income of \$50, the result is an income before transfers of \$63,739. The Styer’s Farm revenues totaled \$46,300 for the year with offsetting expenses of \$22,115 for an operating income of \$24,185. After interest income for the fund of \$2, the result is an income before transfers of \$24,187.

### 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 \$44,706,389 which represents a decrease of \$2,161,450 from the previous year. The largest components of this decrease are the Investment Fund, caused by a shortfall in revenue, specifically investment income, and in the General Fund, where the operating expenses exceeded operating revenue, and budgeted transfers fell short of plan. The other significant decrease is in the Capital Reserve Fund, representing budgeted capital additions in the capital reserve fund for the year.

The investment fund has a total fund balance of \$39,152,469 at fiscal year end, a decrease of \$1,106,481 from the prior year. This is the result of lower than anticipated investment performance of the Township's investment portfolio due to extremely low interest rates on fixed income securities, and volatility causing market value fluctuation. This also impacted the Investment Fund's ability to transfer income to the General Fund as planned.

The state highway aid fund has a total fund balance of \$519,949 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 \$251,633, an increase of \$126,710 from the prior year. 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 2013 budget provides for a real estate tax rate of 5.445 mills for the fund, unchanged from 2012.

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 \$100,329 at year end 2013. The total net assets are \$2,298,133. 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 \$151,102 at year end 2013. The total net assets are \$2,254,289. 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 2013 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 \$890,361 primarily due to higher than expected taxes, inspection fees, and charges for services. Expenditures were lower than the original budgeted amounts by \$599,415 as a result of management's efforts to control costs, and postpone expenses where possible due to the uncertain economy.

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

## **Capital Assets**

At December 31, 2013, the Township had \$54,809,403 invested in a broad range of capital assets (net), including land, land improvements, buildings, building improvements, machinery & equipment and infrastructure.

Capital asset purchases totaled \$2,859,106 during the 2013 fiscal year as follows:

Land - \$1,022,182; Land Improvements - \$111,947; Construction in Progress - \$211,957; Building and improvements - \$286,269; Machinery and equipment - \$553,851; and Infrastructure - \$672,900.

Land additions are comprised of the purchase of the Spring Valley Farm property.

Land improvements include site improvements to Jones Memorial Park, Simmons Park, Tareyton Estate Park, and the Middletown Community Recreation Center.

Building and building improvements are comprised of the purchase of the Spring Valley Farm House, and renovations to the Styer's Farm Store.

Infrastructure expenditures are comprised of the 2013 Road Repaving Program, the Tarlini Way Road Dedication, Drainage Improvements, and Stormwater Improvements.

Machinery and equipment capital asset additions include: Traffic Sign Design System; Emergency Traffic Signal Generators; Emergency Breathing Apparatus, Defibrillators and Fire Gear; IT Network/Computer Upgrades, 2014 International 7400 Dump Truck and body; Fuel Dispensing Station; three 2013 Ford Explorers; two 2013 Ford Taurus; 2013 Ford F350 Truck.

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

## **Debt Administration**

As of January 1, 2013, the Township had total outstanding long-term debt of \$31,625,394 (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, 2013 is \$30,402,130 (principal only).

Standard and Poor's Ratings Services reaffirmed its AA+ long term rating and stable outlook for Middletown Township bonds on May 9, 2014. 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 \$220,875 at December 31, 2013. Principal payments of \$67,279 were made during the year. Compensated absences reflect a balance of \$1,234,518 in earned vacation, vested sick pay and vested severance pay as of December 31, 2013. The net increase in compensated absences is \$158,057 for the year. Other Post Employment Benefits has an outstanding liability of \$4,499,306 at December 31, 2013.

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

## **2014 Budget Overview**

The preparation of the 2014 budget was made difficult by the challenge of addressing a number of issues, including:

- **Structural Deficit.**

A structural deficit results from an underlying long-term imbalance in operating revenues versus operating expenditures. Like many communities in the Commonwealth and across the country, Middletown Township had addressed this shortfall by annually tapping existing fund balances or cash reserves from other funds to close the gap.

- **Investment Fund Transfers to the General Fund.**

In 2013, Middletown suffered an additional financial blow when an anticipated \$1,300,000 budgeted transfer from the Investment Fund to the General Fund was not possible due to poor performance in the Investment Fund.

- **Impact of the Economy.**

Many key revenue sources in the General Fund have been sharply impacted by economic conditions over the past several years. Specifically, the Township has experienced declines in revenue in the following categories:

- **Real Estate Transfer Tax.** The Real Estate Transfer Tax is levied at ½ of 1% of the value of all real estate that transfers within Middletown Township. Revenue from this tax peaked in 2005 at \$1,440,813. This line item is expected to bring in approximately \$930,000 in 2014.

- **Mercantile Tax.** The Mercantile Tax is assessed on the gross income of anyone engaged in the sale of goods, wares and merchandise located within the Township. The tax is calculated based upon total gross receipts. The rate is ½ mill per \$1,000 gross receipts for wholesale and ¾ mill per \$1,000 gross receipts for retail. Revenue from this tax peaked in 2006 at \$1,207,887. This line item is expected to bring in approximately \$960,000 in 2014.

### **As a result, the 2014 Revenue budget includes:**

- A \$2,000,000 emergency transfer from the Investment Fund to the General Fund, and
- The implementation of a .5% Earned Income Tax effective January 1, 2014.

**Earned Income Tax.** The 2014 Budget included the implementation of a .5% Earned Income Tax on gross wages for resident and non-resident workers in the township. This tax is imposed on earned income such as wages and salaries, but not on unearned income such as interest, dividends, capital gains and Social Security, and is an alternative to a Real Estate Tax increase. More than 95% of municipalities and school districts across the Commonwealth already collect this tax. It is estimated that this tax will generate \$2,000,000 during the 2014 calendar year.

**Emergency Transfer from the Investment Fund to the General Fund.** When the Township's water and sewer operations were sold in 2002, the Township established a \$40,000,000 Investment Fund with the proceeds of the sale. The use of this fund is limited by a Resolution of the Board of Supervisors. Only the income earned on the \$40,000,000 may be utilized. Transfer of the principal of the fund is permitted only in an extreme financial emergency. In 2010, the Board of Supervisors declared such an emergency and authorized an annual, "Emergency Transfer" of \$1,000,000, and for 2014, \$2,000,000 when necessary. Although this transfer has been budgeted each year to balance the General Fund, it has never proved necessary, until 2013, because of cash limitations at the end of the year.

### **General Fund – Expenditures**

- The primary expenditure category in the General Fund is Police Protection at \$11,462,646. This category is significantly impacted by salary and benefit costs for the Township's police force. There are currently 52 officers in the department, down from the full complement of 54 officers. The 2014 budget includes the addition of two officers.
- The Township's required contribution to the Police Pension fund increased \$970,727 in 2013, and stands at \$2.1 million annually, net of state aid, and contributions by the officers.
- Other significant expenditure categories in the 2014 General Fund include Administration at \$1,665,015; Public Works at \$829,510; Licenses and Inspections at \$567,477 and Fire Protection/Emergency Management at \$458,850.

Even with broad declining revenue sources, the Board of Supervisors has been able to adopt zero tax increase budgets for three straight years, 2011 to 2013. This was accomplished by diligence shown by department directors in reducing operational spending, managing with fewer employees and an overall elimination of discretionary spending. In addition, the Township realized significant savings in bond refinancing and restructuring of employee insurance benefits.

### **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 2013, the Township submitted three (3) applications for Project Funding to the Bucks County Redevelopment Authority (RDA) for the 2014 Pennsylvania Municipal Grant Program. Funding approval was received for all three (3) of the project applications submitted, totaling \$1,000,000. The grants are for 2014 projects, benefiting the Middletown Community as a whole. A Summary follows:

**2014 Pennsylvania Municipal Grant Program Awards**

<b><u>Project</u></b>	<b><u>Description</u></b>	<b><u>RDA Approved Grant Amount</u></b>
Middletown Township Public Works Department	Partial Funding for the Reconstruction of Big Oak Road	\$700,000
Langhorne Middletown Fire Company	Fire Engine	\$250,000
Middletown Township Emergency Management	County Radio Replacement Program	\$50,000
Total		<u><u>\$1,000,000</u></u>

**Subsequent Event**

The Middletown Township Board of Supervisors has approved the refinancing of the GOB 2009 issue which will be called on or about June 24, 2014. The outstanding principal being refinanced is \$5,045,000 with estimated savings to the Township of \$296 Thousand being realized primarily over the next 3 years, 2014 through 2016. The new bond issue, GOB 2014 series, will also include approximately \$5.0 Million of new borrowing, which will be used for Road Repaving and Construction, and/or Stormwater Projects. This transaction will be reflected in the December 31, 2014 Financial Statements.

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

**Contacting the Township’s Financial Management**

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

## BASIC FINANCIAL STATEMENTS

TOWNSHIP OF MIDDLETOWN

STATEMENT OF NET POSITION

December 31, 2013

	<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	\$ 7,973,070	\$ 146,015	\$ 8,119,085
Investments	37,375,456	-	37,375,456
Taxes receivable, net of allowance of \$2,089	247,783	-	247,783
Special assessments receivable, net of allowance of \$1,558	79,720	-	79,720
Accounts receivable, net of allowance of \$66,836	337,741	87,919	425,660
Revenue receivable	175,098	-	175,098
Due from other governments	109,786	-	109,786
Other assets	250,000	25,000	275,000
Total Current Assets	<u>46,548,654</u>	<u>258,934</u>	<u>46,807,588</u>
Capital Assets (net of accumulated depreciation)			
Land	8,327,435	3,355,000	11,682,435
Construction in progress	211,957	-	211,957
Land improvements	6,485,428	648,439	7,133,867
Buildings and building improvements	20,370,424	1,562,765	21,933,189
Machinery and equipment	8,023,420	691,199	8,714,619
Infrastructure	65,937,920	-	65,937,920
Accumulated depreciation	<u>(59,371,251)</u>	<u>(1,433,333)</u>	<u>(60,804,584)</u>
Total Capital Assets (net)	<u>49,985,333</u>	<u>4,824,070</u>	<u>54,809,403</u>
 TOTAL ASSETS	 <u>\$ 96,533,987</u>	 <u>\$ 5,083,004</u>	 <u>\$ 101,616,991</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized deferred loss on refunding	<u>77,212</u>	<u>-</u>	<u>77,212</u>
Total deferred outflows of resources	<u>77,212</u>	<u>-</u>	<u>77,212</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Current Liabilities</b>			
Accounts payable	\$ 739,226	\$ 38,721	\$ 777,947
Accrued salaries and benefits	427,917	-	427,917
Deposits and refunds	302,466	-	302,466
Internal balances	(270,986)	270,986	-
Due to other governments	77,063	-	77,063
Accrued interest payable	177,943	-	177,943
Other liabilities	753	-	753
Bonds payable, current maturity	1,695,000	71,427	1,766,427
Compensated absences, current maturity	92,146	-	92,146
<b>Total Current Liabilities</b>	<b>3,241,528</b>	<b>381,134</b>	<b>3,622,662</b>
<b>Long-term Liabilities</b>			
Bonds payable, net of current maturity	22,752,431	149,448	22,901,879
Compensated absences, net of current maturity	1,142,372	-	1,142,372
Other post-employment benefits	4,499,306	-	4,499,306
<b>Total Long-term Liabilities</b>	<b>28,394,109</b>	<b>149,448</b>	<b>28,543,557</b>
<b>Total Liabilities</b>	<b>31,635,637</b>	<b>530,582</b>	<b>32,166,219</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable revenue - special assessments	17,906	-	17,906
<b>Total deferred inflows of resources</b>	<b>17,906</b>	<b>-</b>	<b>17,906</b>
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	27,310,114	4,603,195	31,913,309
Restricted for:			
Public safety	62,702	-	62,702
Public works	875,512	-	875,512
Transportation impact fee	374,341	-	374,341
Debt service	251,633	-	251,633
Unrestricted	36,083,354	(50,773)	36,032,581
<b>Total Net Position</b>	<b>\$ 64,957,656</b>	<b>\$ 4,552,422</b>	<b>\$ 69,510,078</b>

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, 2013

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government				
Governmental Activities:				
General government	\$ 2,137,408	\$ 1,156,671	\$ 175,262	\$ 108,750
Public safety	14,458,162	2,015,858	934,598	392,542
Public works	6,731,336	4,903,774	1,019,550	376,037
Parks and recreation	1,531,902	271,754	24,193	1,049,509
Miscellaneous	533,375	-	-	-
Debt service interest	661,242	-	-	-
Unallocated depreciation expense	1,400,047	-	-	-
Total Governmental Activities	27,453,472	8,348,057	2,153,603	1,926,838
Business -Type Activities				
Country Club	139,416	203,105	-	-
Farm Fund	22,115	40,000	-	-
Total Business-Type Activities	161,531	243,105	-	-
 Total Primary Government	 \$ 27,615,003	 \$ 8,591,162	 \$ 2,153,603	 \$ 1,926,838

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  
 Gain on Sale of Capital Assets  
 Transfers  
 Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (696,725)	\$ -	\$ (696,725)
(11,115,164)	-	(11,115,164)
(431,975)	-	(431,975)
(186,446)	-	(186,446)
(533,375)	-	(533,375)
(661,242)	-	(661,242)
(1,400,047)	-	(1,400,047)
<u>(15,024,974)</u>	<u>-</u>	<u>(15,024,974)</u>
-	63,689	63,689
<u>-</u>	<u>17,885</u>	<u>17,885</u>
<u>-</u>	<u>81,574</u>	<u>81,574</u>
<u>(15,024,974)</u>	<u>81,574</u>	<u>(14,943,400)</u>
9,309,514	-	9,309,514
1,265,984	-	1,265,984
1,038,831	-	1,038,831
1,032,229	-	1,032,229
960,778	-	960,778
214,177	-	214,177
185,361	-	185,361
104,391	6,352	110,743
98,060	-	98,060
19,604	-	19,604
69,275	(69,275)	-
<u>14,298,204</u>	<u>(62,923)</u>	<u>14,235,281</u>
(726,770)	18,651	(708,119)
<u>65,684,426</u>	<u>4,533,771</u>	<u>70,218,197</u>
<u>\$ 64,957,656</u>	<u>\$ 4,552,422</u>	<u>\$ 69,510,078</u>

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



TOWNSHIP OF MIDDLETOWN

BALANCE SHEET -  
GOVERNMENTAL FUNDS

December 31, 2013

	<u>General</u>	<u>State Highway Aid</u>	<u>Investment Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,752,707	\$ 729,436	\$ 1,782,851
Investments	-	-	37,375,456
Receivables			
Taxes receivable, net of allowance of \$2,139	108,568	-	-
Special assessments, net of allowance of \$1,552	76,064	-	-
Accounts receivable	301,478	-	14,855
Allowance for doubtful accounts	(81,441)	-	-
Revenue receivable	172,522	-	-
Deposit	-	-	250,000
Advances to other funds	-	-	-
Due from other funds	210,774	-	-
Due from other governments	109,786	-	-
Total Assets	<u>\$ 3,650,458</u>	<u>\$ 729,436</u>	<u>\$ 39,423,162</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 581,016	\$ 52,334	\$ -
Accrued salaries and benefits	379,311	27,164	-
Deposits and refunds	111,500	-	190,966
Due to other funds	76,921	129,236	-
Due to other governments	11,586	-	65,477
Other liabilities	-	753	-
Total Liabilities	<u>1,160,334</u>	<u>209,487</u>	<u>256,443</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	408,706	-	-
Unavailable revenue - special assessments	-	-	14,250
Total deferred inflows of resources	<u>408,706</u>	<u>-</u>	<u>14,250</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Long-term interfund advances	-	-	-
Restricted:			
Public safety	-	-	-
Public works	-	519,949	-
Transportation impact fee	-	-	-
Debt service	-	-	-
Committed:			
Culture and recreation	-	-	-
Emergency reserve	-	-	39,000,000
Assigned:			
Operations	-	-	152,469
Capital projects	-	-	-
Unassigned	2,081,418	-	-
Total Fund Balances	<u>2,081,418</u>	<u>519,949</u>	<u>39,152,469</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,650,458</u>	<u>\$ 729,436</u>	<u>\$ 39,423,162</u>

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 231,392	\$ 2,476,684	\$ 7,973,070
-	-	37,375,456
73,914	65,301	247,783
-	3,656	79,720
-	102,849	419,182
-	-	(81,441)
2,576	-	175,098
-	-	250,000
-	270,974	270,974
18,231	106,708	335,713
-	-	109,786
<u>\$ 326,113</u>	<u>\$ 3,026,172</u>	<u>\$ 47,155,341</u>
\$ 567	\$ 105,309	\$ 739,226
-	21,442	427,917
-	-	302,466
-	129,544	335,701
-	-	77,063
-	-	753
<u>567</u>	<u>256,295</u>	<u>1,883,126</u>
73,913	65,301	547,920
-	3,656	17,906
<u>73,913</u>	<u>68,957</u>	<u>565,826</u>
-	270,974	270,974
-	62,702	62,702
-	355,563	875,512
-	374,341	374,341
251,633	-	251,633
-	275,872	275,872
-	-	39,000,000
-	-	152,469
-	1,361,468	1,361,468
-	-	2,081,418
<u>251,633</u>	<u>2,700,920</u>	<u>44,706,389</u>
<u>\$ 326,113</u>	<u>\$ 3,026,172</u>	<u>\$ 47,155,341</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, 2013

TOTAL GOVERNMENTAL FUND BALANCES \$ 44,706,389

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

Cost of capital assets	\$ 109,356,584	
Accumulated depreciation	<u>(59,371,251)</u>	49,985,333

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		547,920
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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	(177,943)	
Bonds and notes payable	(24,260,000)	
Unamortized bond premiums	(187,431)	
Unamortized deferred loss on refunding	77,212	
Compensated absences	(1,234,518)	
Other post employment benefits obligation	<u>(4,499,306)</u>	<u>(30,281,986)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 64,957,656

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, 2013

	General	State Highway Aid	Investment Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes:						
Property	\$ 3,888,253	\$ -	\$ -	\$ 2,840,436	\$ 2,498,307	\$ 9,226,996
Amusement	1,265,984	-	-	-	-	1,265,984
Local service	1,038,831	-	-	-	-	1,038,831
Mercantile	1,032,229	-	-	-	-	1,032,229
Real estate transfer	960,778	-	-	-	-	960,778
Parking transaction	214,177	-	-	-	-	214,177
Per Capita	146,035	-	-	-	-	146,035
Mechanical devices	39,326	-	-	-	-	39,326
Fees, licenses and permits	1,305,892	-	-	-	38,138	1,344,030
Fines and forfeitures	137,902	-	-	-	37,457	175,359
Investment income and rent	94,179	680	789,653	809	17,531	902,852
Intergovernmental revenues	795,070	881,079	-	-	1,827,594	3,503,743
Charges for services	6,550,120	-	-	-	277,730	6,827,850
Special assessment	-	-	-	-	818	818
Contributions private sources	35,650	-	-	-	541,048	576,698
Gain (loss) on investments	-	-	(798,461)	-	-	(798,461)
Other	71,171	584	-	18,290	8,015	98,060
Total Revenues	<u>17,575,597</u>	<u>882,343</u>	<u>(8,808)</u>	<u>2,859,535</u>	<u>5,246,638</u>	<u>26,555,305</u>
Expenditures						
Current:						
General government	1,800,962	-	37,673	5,125	105,239	1,948,999
Public safety	11,892,852	-	-	-	1,385,586	13,278,438
Public works	5,373,333	1,044,679	-	-	452,421	6,870,433
Parks and recreation	-	-	-	-	1,334,010	1,334,010
Miscellaneous	533,375	-	-	-	-	533,375
Debt service:						
Principal	-	-	-	2,060,000	-	2,060,000
Interest	-	-	-	685,612	-	685,612
Capital outlay/development	-	-	-	-	2,094,767	2,094,767
Total Expenditures	<u>19,600,522</u>	<u>1,044,679</u>	<u>37,673</u>	<u>2,750,737</u>	<u>5,372,023</u>	<u>28,805,634</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,024,925)</u>	<u>(162,336)</u>	<u>(46,481)</u>	<u>108,798</u>	<u>(125,385)</u>	<u>(2,250,329)</u>
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	19,604	-	-	-	-	19,604
Transfers in	1,283,263	-	-	49,912	189,100	1,522,275
Transfers out	-	-	(1,060,000)	(32,000)	(361,000)	(1,453,000)
Total Other Financing Sources (Uses)	<u>1,302,867</u>	<u>-</u>	<u>(1,060,000)</u>	<u>17,912</u>	<u>(171,900)</u>	<u>88,879</u>
Net Change in Fund Balance	(722,058)	(162,336)	(1,106,481)	126,710	(297,285)	(2,161,450)
Fund Balance - Beginning	2,803,476	682,285	40,258,950	124,923	2,998,205	46,867,839
Fund Balance - Ending	<u>\$ 2,081,418</u>	<u>\$ 519,949</u>	<u>\$ 39,152,469</u>	<u>\$ 251,633</u>	<u>\$ 2,700,920</u>	<u>\$ 44,706,389</u>

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, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ (2,161,450)
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	2,747,837	
Depreciation expense	<u>(2,553,512)</u>	194,325
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		82,518
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.		
Amortization of premiums, discounts, and losses	16,550	
Repayment of debt	<u>2,060,000</u>	2,076,550
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	(158,057)	
Other post employment benefits	(768,476)	
Interest expense	<u>7,820</u>	<u>(918,713)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (726,770)</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, 2013

	GENERAL FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property	\$ 3,867,254	\$ 3,867,254	\$ 3,888,253	\$ 20,999
Amusement	1,300,000	1,300,000	1,265,984	(34,016)
Local service	950,000	950,000	1,038,831	88,831
Mercantile	1,075,000	1,075,000	1,032,229	(42,771)
Real estate transfer	750,000	750,000	960,778	210,778
Parking transaction	225,000	225,000	214,177	(10,823)
Per Capita	130,100	130,100	146,035	15,935
Mechanical devices	37,000	37,000	39,326	2,326
Fees, licenses and permits	1,157,500	1,157,500	1,305,892	148,392
Investment income and rent	82,700	82,700	94,179	11,479
Intergovernmental revenues	629,775	629,775	795,070	165,295
Fines and forfeitures	183,000	183,000	137,902	(45,098)
Charges for services	6,261,407	6,261,407	6,550,120	288,713
Contributions private sources	36,500	36,500	35,650	(850)
Other	-	-	71,171	71,171
Total Revenues	<u>16,685,236</u>	<u>16,685,236</u>	<u>17,575,597</u>	<u>890,361</u>
Expenditures				
Current:				
General government	1,924,700	1,924,700	1,800,962	123,738
Public safety	12,266,851	12,266,851	11,892,852	373,999
Public works	5,446,586	5,446,586	5,373,333	73,253
Miscellaneous	561,800	561,800	533,375	28,425
Total Expenditures	<u>20,199,937</u>	<u>20,199,937</u>	<u>19,600,522</u>	<u>599,415</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,514,701)</u>	<u>(3,514,701)</u>	<u>(2,024,925)</u>	<u>1,489,776</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	19,604	19,604
Transfers in	2,589,063	2,589,063	1,283,263	(1,305,800)
Total Other Financing Sources (Uses)	<u>2,589,063</u>	<u>2,589,063</u>	<u>1,302,867</u>	<u>(1,286,196)</u>
Net Change in Fund Balance	(925,638)	(925,638)	(722,058)	203,580
Fund Balance - Beginning	2,803,476	2,803,476	2,803,476	-
Fund Balance - Ending	<u>\$ 1,877,838</u>	<u>\$ 1,877,838</u>	<u>\$ 2,081,418</u>	<u>\$ 203,580</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, 2013

	<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	\$ 855,912	\$ 855,912	\$ 881,079	\$ 25,167
Investment income and rent	600	600	680	80
Miscellaneous	-	-	584	584
Total Revenues	<u>856,512</u>	<u>856,512</u>	<u>882,343</u>	<u>25,831</u>
Expenditures				
Current:				
Public works	<u>1,235,914</u>	<u>1,235,914</u>	<u>1,044,679</u>	<u>191,235</u>
Total Expenditures	<u>1,235,914</u>	<u>1,235,914</u>	<u>1,044,679</u>	<u>191,235</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(379,402)</u>	<u>(379,402)</u>	<u>(162,336)</u>	<u>217,066</u>
Fund Balance - Beginning	<u>682,285</u>	<u>682,285</u>	<u>682,285</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 302,883</u>	<u>\$ 302,883</u>	<u>\$ 519,949</u>	<u>\$ 217,066</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, 2013

	INVESTMENT FUND			Variance with Final Budget
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Investment income and rent	\$ 1,000,000	\$ 1,000,000	\$ 789,653	\$ (210,347)
Gain (loss) on investments	-	-	(798,461)	(798,461)
Total Revenues	1,000,000	1,000,000	(8,808)	(1,008,808)
Expenditures				
Current:				
General government	42,000	42,000	37,673	4,327
Total Expenditures	42,000	42,000	37,673	4,327
Excess (Deficiency) of Revenues Over Expenditures	958,000	958,000	(46,481)	(1,004,481)
Other Financing Sources (Uses)				
Transfers out	(2,360,000)	(2,360,000)	(1,060,000)	1,300,000
Total Other Financing Sources (Uses)	(2,360,000)	(2,360,000)	(1,060,000)	1,300,000
Net Change in Fund Balance	(1,402,000)	(1,402,000)	(1,106,481)	295,519
Fund Balance - Beginning	40,258,950	40,258,950	40,258,950	-
Fund Balance - Ending	\$ 38,856,950	\$ 38,856,950	\$ 39,152,469	\$ 295,519

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



TOWNSHIP OF MIDDLETOWN  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

December 31, 2013

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 110,015	\$ 36,000	\$ 146,015
Accounts receivable	87,280	639	87,919
Other assets	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Current Assets	<u>222,295</u>	<u>36,639</u>	<u>258,934</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	248,586	1,562,765
Furniture and equipment	691,199	-	691,199
Less accumulated depreciation	<u>(1,390,138)</u>	<u>(43,195)</u>	<u>(1,433,333)</u>
Total capital assets (net of accumulated depreciation)	<u>2,418,679</u>	<u>2,405,391</u>	<u>4,824,070</u>
Total Assets	<u>\$ 2,640,974</u>	<u>\$ 2,442,030</u>	<u>\$ 5,083,004</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 356	\$ 38,365	\$ 38,721
Due to other funds	-	12	12
Advances to other funds	121,610	149,364	270,974
Notes payable, current maturity	<u>71,427</u>	<u>-</u>	<u>71,427</u>
Total Current Liabilities	<u>193,393</u>	<u>187,741</u>	<u>381,134</u>
Noncurrent			
Note payable, less current maturities	<u>149,448</u>	<u>-</u>	<u>149,448</u>
Total Liabilities	<u>342,841</u>	<u>187,741</u>	<u>530,582</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	2,197,804	2,405,391	4,603,195
Unrestricted	<u>100,329</u>	<u>(151,102)</u>	<u>(50,773)</u>
Total Net Position	<u>2,298,133</u>	<u>2,254,289</u>	<u>4,552,422</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,640,974</u>	<u>\$ 2,442,030</u>	<u>\$ 5,083,004</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, 2013

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services			
Licensing fees	\$ 203,105	\$ 40,000	\$ 243,105
Rent	-	6,300	6,300
Total Operating Revenues	<u>203,105</u>	<u>46,300</u>	<u>249,405</u>
Operating Expenses			
Park and recreation	46,982	12,910	59,892
Depreciation	<u>83,678</u>	<u>9,205</u>	<u>92,883</u>
Total Operating Expenses	<u>130,660</u>	<u>22,115</u>	<u>152,775</u>
Operating Income (Loss)	<u>72,445</u>	<u>24,185</u>	<u>96,630</u>
Nonoperating Revenues (Expense)			
Interest income	50	2	52
Interest expense	<u>(8,756)</u>	<u>-</u>	<u>(8,756)</u>
Total Nonoperating Revenues (Expense)	<u>(8,706)</u>	<u>2</u>	<u>(8,704)</u>
Income (Loss) before Transfers	63,739	24,187	87,926
Transfers out	<u>(56,586)</u>	<u>(12,689)</u>	<u>(69,275)</u>
Changes in Net Position	7,153	11,498	18,651
Total Net Position - Beginning	<u>2,290,980</u>	<u>2,242,791</u>	<u>4,533,771</u>
Total Net Position - Ending	<u>\$ 2,298,133</u>	<u>\$ 2,254,289</u>	<u>\$ 4,552,422</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, 2013

	Proprietary Fund Types		
	Country Club	Farm Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 238,353	\$ 46,293	\$ 284,646
Cash paid to employees	(7,575)	(5,062)	(12,637)
Cash paid to suppliers	(51,302)	(15,434)	(66,736)
Net cash provided by (used in) operating activities	179,476	25,797	205,273
Cash flows from non-capital financing activities			
Payments to interfund balances	(57,639)	12	(57,627)
Transfers to other funds	(56,586)	(12,689)	(69,275)
Net cash provided by (used in) non-capital financing activities	(114,225)	(12,677)	(126,902)
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	-	(111,269)	(111,269)
Principal paid on long-term debt	(67,279)	-	(67,279)
Interest paid on long-term debt	(8,756)	-	(8,756)
Net cash provided by (used in) capital and related financing activities	(76,035)	(111,269)	(187,304)
Cash flows from investing activities			
Earnings on investments	50	2	52
Net cash provided by (used in) investing activities	50	2	52
Net increase (decrease) in cash and cash equivalents	(10,734)	(98,147)	(108,881)
Beginning cash and cash equivalents	120,749	134,147	254,896
Ending cash and cash equivalents	\$ 110,015	\$ 36,000	146,015

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

Net operating income (loss)	\$ 72,445	\$ 24,185	\$ 96,630
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation	83,678	9,205	92,883
Changes in assets and liabilities			
(Increase) decrease in receivables	35,247	(7)	35,240
Increase (decrease) in accounts payables	356	(7,586)	(7,230)
Increase (decrease) in deferred revenues	(12,250)	-	(12,250)
Net adjustments	107,031	1,612	108,643
Cash provided (used) by operating activities	\$ 179,476	\$ 25,797	\$ 205,273
Noncash capital activities			
Increase (decrease) in fair value of investments	\$ -	\$ -	

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, 2013

	Pension Trust and Other Employee Benefit <u>Trust Funds</u>	Private Purpose Trust <u>Fire Company District</u>	Agency Funds <u>Township Escrow</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,039,818	\$ 1,421,010	\$ 1,726,703
Accrued interest	104,021	-	-
Investments, at fair value:			
U.S. government obligations	2,878,532	-	-
Government sponsored mortgages	704,482	-	-
Corporate obligations	1,988,977	-	-
Municipal obligations	3,260,941	-	-
Mortgages	1,942,712	-	-
Foreign obligations	22,792,847	-	-
Stock equities	417,009	-	-
Total investments	<u>33,985,500</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 37,129,339</u>	<u>\$ 1,421,010</u>	<u>\$ 1,726,703</u>
 <u>LIABILITIES</u>			
Deposits and refunds	\$ -	\$ -	\$ 1,423,333
Due to other governments	-	109,786	-
Other liabilities	102	-	303,370
Total Liabilities	<u>102</u>	<u>109,786</u>	<u>1,726,703</u>
 <u>NET POSITION</u>			
Net Position - Restricted for:			
Pension benefits	36,748,289	-	-
Other post employment benefits	380,948	-	-
Fire company district	-	1,311,224	-
Total Net Position	<u>\$ 37,129,237</u>	<u>\$ 1,311,224</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, 2013

	Pension Trust and Other Employee Benefit <u>Trust Funds</u>	Private Purpose Trust <u>Fire Company District</u>
Additions		
Contributions		
Employee contributions	\$ 380,731	\$ -
Township contributions	2,235,626	325,151
State aid	501,082	-
Insurance proceeds	79,037	-
Total Contributions	<u>3,196,476</u>	<u>325,151</u>
Investment Income		
Net appreciation (depreciation) in fair value of investments	4,964,812	-
Interest and dividend income	<u>803,871</u>	<u>639</u>
Total investment earnings	<u>5,768,683</u>	<u>639</u>
Total Additions	<u>8,965,159</u>	<u>325,790</u>
Deductions		
Benefits	2,512,495	-
Administrative expenses	<u>302,092</u>	<u>-</u>
Total Deductions	<u>2,814,587</u>	<u>-</u>
Change in Net Position	6,150,572	325,790
Net Position - Restricted:		
Beginning of Year	<u>30,978,665</u>	<u>985,434</u>
End of Year	<u>\$ 37,129,237</u>	<u>\$ 1,311,224</u>

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

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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, 2013

**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, 2013

**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, 2013

**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 Reserve 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, 2013

**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, 2013

**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, 2013

**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.

**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, 2013

**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 2013 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, 2013

**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' 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, 2013

**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, 2013

**A. Summary of Significant Accounting Policies (Continued)**

Emergency Reserve - By Board Resolution, the Investment Fund principal of \$39,000,000 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. The governing body, the Board of Supervisors, has by resolution authorized the finance director to assign fund balance.

**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, 2013

**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, 2013

**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, 2013

**B. Deposits and Investments (Continued)**

As of December 31, 2013, 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>
<b>GOVERNMENTAL ACTIVITIES</b>			
Externally Pooled Investments (PLGIT)	\$ 4,368,020	AAAm	Not applicable
PA Treasury Invest Community Pool	11,990	AAAm	Not applicable
U.S. Government Obligations	36,215,402	AAA	0.22
Certificates of Deposit	<u>1,160,054</u>	Not applicable	3.00
	<u>\$ 41,755,466</u>		
<b>FIDUCIARY FUNDS</b>			
U.S. Government Obligations	\$ 2,878,532	Aaa-AAA	0.60
Government Sponsored Mortgages	704,482	A2-Aaa	1.01
Corporate Obligations	1,988,977	Baa1-Aaa	0.87
Municipal Obligations	3,260,941	Aa2-Aaa	0.38
Mortgages	1,942,712	AAA	1.87
Foreign Obligations	22,792,847	Baa1-AA1	3.54
Stock Equities	<u>417,009</u>	Not applicable	Not applicable
	<u>\$ 33,985,500</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, 2013, the Township's bank balance was \$9,750,230. Of that balance, \$9,312,412 was exposed to custodial credit risk: \$4,944,392 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name, and \$4,368,020 was uncollateralized.

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, 2013

**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, 2013, 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, 2013, \$1,726,703 represents the balance of these monies held in escrow.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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	\$ 109,796	\$ -	\$ -	\$ 74,825	\$ -	\$ -	\$ -	\$ 66,101	\$ 250,722
Special assessment	77,616	-	-	-	-	-	-	3,656	81,272
Accounts receivable	301,478	-	14,855	-	87,280	639	-	102,849	507,101
Accrued interest	-	-	-	-	-	-	104,021	-	104,021
Revenue receivable	<u>172,522</u>	<u>-</u>	<u>-</u>	<u>2,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,098</u>
Gross Receivables	661,412	-	14,855	77,401	87,280	639	104,021	172,606	1,118,214
Less: allowance for uncollectibles	<u>(84,221)</u>	<u>-</u>	<u>-</u>	<u>(911)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(800)</u>	<u>(85,932)</u>
Net Total Receivables	<u>\$ 577,191</u>	<u>\$ -</u>	<u>\$ 14,855</u>	<u>\$ 76,490</u>	<u>\$ 87,280</u>	<u>\$ 639</u>	<u>\$ 104,021</u>	<u>\$ 171,806</u>	<u>\$ 1,032,282</u>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**D. Capital Assets**

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,305,253	\$ 1,022,182	\$ -	\$ 8,327,435
Construction in progress	-	211,957	-	211,957
Total capital assets, not being depreciated	<u>7,305,253</u>	<u>1,234,139</u>	<u>-</u>	<u>8,539,392</u>
Capital assets, being depreciated:				
Land improvements	6,373,481	111,947	-	6,485,428
Building and building improvements	20,195,424	175,000	-	20,370,424
Machinery and equipment	7,703,709	553,851	(234,140)	8,023,420
Infrastructure	65,265,020	672,900	-	65,937,920
Total capital assets being depreciated	<u>99,537,634</u>	<u>1,513,698</u>	<u>(234,140)</u>	<u>100,817,192</u>
Less accumulated depreciation for:				
Land improvements	2,722,320	298,227	-	3,020,547
Building and building improvements	4,396,293	433,290	-	4,829,583
Machinery and equipment	5,818,181	421,948	(234,140)	6,005,989
Infrastructure	44,115,085	1,400,047	-	45,515,132
Total accumulated depreciation	<u>57,051,879</u>	<u>2,553,512</u>	<u>(234,140)</u>	<u>59,371,251</u>
Total capital assets, being depreciated, net	<u>42,485,755</u>	<u>(1,039,814)</u>	<u>-</u>	<u>41,445,941</u>
Governmental activities capital assets, net	<u>\$ 49,791,008</u>	<u>\$ 194,325</u>	<u>\$ -</u>	<u>\$ 49,985,333</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,355,000	\$ -	\$ -	\$ 3,355,000
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	1,451,496	111,269	-	1,562,765
Furniture and equipment	691,199	-	-	691,199
Total capital assets being depreciated	<u>2,791,134</u>	<u>111,269</u>	<u>-</u>	<u>2,902,403</u>
Less accumulated depreciation for:				
Land improvements	393,102	32,422	-	425,524
Building and building improvements	352,921	35,488	-	388,409
Furniture and equipment	594,428	24,972	-	619,400
Total accumulated depreciation	<u>1,340,451</u>	<u>92,882</u>	<u>-</u>	<u>1,433,333</u>
Total capital assets, being depreciated, net	<u>1,450,683</u>	<u>18,387</u>	<u>-</u>	<u>1,469,070</u>
Business-type activities capital assets, net	<u>\$ 4,805,683</u>	<u>\$ 18,387</u>	<u>\$ -</u>	<u>\$ 4,824,070</u>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**D. Capital Assets (Continued)**

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

Governmental activities:	
General government	\$ 235,034
Public safety	274,071
Public works	350,868
Parks and recreation	<u>293,492</u>
Subtotal	1,153,465
Unallocated expense	<u>1,400,047</u>
Total depreciation expense-governmental activities	<u>\$ 2,553,512</u>
Business-type activities:	
Country Club	\$ 83,677
Farm Fund	<u>9,205</u>
Total depreciation expense-business-type activities	<u>\$ 92,882</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	Principal	Interest	Total
2014	\$ 5,000	\$ 210,013	\$ 215,013
2015	365,000	209,963	574,963
2016	520,000	195,363	715,363
2017	545,000	174,563	719,563
2018	565,000	152,763	717,763
2019-2023	2,965,000	617,288	3,582,288
2024-2028	3,260,000	313,825	3,573,825
2029	<u>700,000</u>	<u>17,500</u>	<u>717,500</u>
Total	<u>\$ 8,925,000</u>	<u>\$ 1,891,278</u>	<u>\$ 10,816,278</u>

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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 2013. 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>
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	600,000	176,713	776,713
2019-2023	3,100,000	654,851	3,754,851
2024-2026	<u>2,065,000</u>	<u>148,788</u>	<u>2,213,788</u>
Total	<u>\$ 8,015,000</u>	<u>\$ 1,817,879</u>	<u>\$ 9,832,879</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 2013. 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>
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>\$ 2,275,000</u>	<u>\$ 124,543</u>	<u>\$ 2,399,543</u>



TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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 2013. 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>
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	740,000	82,120	822,120
2018-2020	<u>1,560,000</u>	<u>86,585</u>	<u>1,646,585</u>
Total	<u>\$ 5,045,000</u>	<u>\$ 719,783</u>	<u>\$ 5,764,783</u>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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, 2013, there was no advanced refunded bonds outstanding but considered defeased.

*Middletown County Club Note*

As of December 31, 2013, the outstanding principal balance of the note payable for the purchase of the Middletown Country Club was \$220,875. 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, 2013 was .998%. The principal payment in 2013 was \$67,279. A schedule of the Township's debt service requirements is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	71,427	4,483	75,910
2015	75,833	2,208	78,041
2016	73,615	-	73,615
Total	<u>\$ 220,875</u>	<u>\$ 6,691</u>	<u>\$ 227,566</u>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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>
<b>Governmental activities:</b>					
Bonds and notes payable					
G.O. Bonds 2012	\$ 8,925,000	\$ -	\$ -	\$ 8,925,000	\$ 5,000
G.O. Bonds 2011	8,515,000	-	(500,000)	8,015,000	540,000
G.O. Bonds 2010	3,195,000	-	(920,000)	2,275,000	615,000
G.O. Bonds 2009	<u>5,685,000</u>	<u>-</u>	<u>(640,000)</u>	<u>5,045,000</u>	<u>655,000</u>
Subtotal	26,320,000	-	(2,060,000)	24,260,000	1,815,000
Deferred amounts:					
For issuance premiums	320,515	-	(31,732)	288,783	-
For issuance discounts	<u>(110,566)</u>	<u>-</u>	<u>9,214</u>	<u>(101,352)</u>	<u>-</u>
Total bonds payable	26,529,949	-	(2,082,518)	24,447,431	1,815,000
Compensated absences	1,076,461	617,255	(459,198)	1,234,518	92,146
Net OPEB obligation	<u>3,730,830</u>	<u>845,748</u>	<u>(77,272)</u>	<u>4,499,306</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 31,337,240</u>	<u>\$ 1,463,003</u>	<u>\$ (2,618,988)</u>	<u>\$ 30,181,255</u>	<u>\$ 1,907,146</u>
<b>Business-type activities:</b>					
Middletown Country Club Note	<u>\$ 288,154</u>	<u>\$ -</u>	<u>\$ (67,279)</u>	<u>\$ 220,875</u>	<u>\$ 71,427</u>

Debt service for general obligation bonds is funded primarily from real estate taxes for governmental activities and charges for service in the business type activities. Any liabilities for compensated absences, net pension obligations, and net OPEB obligations are generally liquidated by the general fund. Currently, there is no net pension obligation.

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

Year Ending December 31	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,815,000	\$ 659,949	\$ 71,427	\$ 4,483
2015	2,225,000	617,052	75,833	2,208
2016	2,415,000	548,952	73,615	-
2017	2,250,000	478,096	-	-
2018	1,905,000	411,596	-	-
2019-2023	7,625,000	1,358,723	-	-
2024-2028	5,325,000	462,613	-	-
2029	<u>700,000</u>	<u>17,500</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 24,260,000</u>	<u>\$ 4,554,481</u>	<u>\$ 220,875</u>	<u>\$ 6,691</u>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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 capital 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, 2013

**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, 2013

**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, 2013.

Combining Statement of Net Position	Police Pension Fund	Non-Uniform Pension Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,383,620	\$ 275,148	\$ 2,658,768
Interest receivable	86,081	17,940	104,021
Investments, at fair value:			
U.S. government obligations	2,356,336	522,196	2,878,532
Government sponsored mortgages	574,586	129,896	704,482
Corporate obligations	1,656,113	332,864	1,988,977
Municipal obligations	2,671,139	589,802	3,260,941
Mortgages	1,587,955	354,757	1,942,712
Foreign obligations	18,765,753	4,027,094	22,792,847
Stock equities	362,760	54,249	417,009
Total Assets	<u>30,444,343</u>	<u>6,303,946</u>	<u>36,748,289</u>
Net position restricted for pension benefits	<u>\$ 30,444,343</u>	<u>\$ 6,303,946</u>	<u>\$ 36,748,289</u>
Combining Statement of Changes in Net Position	Police Pension Fund	Non-Uniform Pension Fund	Total
<b>Additions</b>			
<b>Contributions</b>			
Employee contributions	\$ 271,224	\$ 109,507	\$ 380,731
Township contributions	2,158,806	26,820	2,185,626
State Aid	351,123	149,959	501,082
Insurance proceeds	79,037	-	79,037
Total Contributions	<u>2,860,190</u>	<u>286,286</u>	<u>3,146,476</u>
<b>Investment Income</b>			
Net appreciation (depreciation) in fair value of investments	4,119,664	845,148	4,964,812
Interest and dividends	663,272	140,473	803,745
Total investment earnings	<u>4,782,936</u>	<u>985,621</u>	<u>5,768,557</u>
Net investment income	<u>4,782,936</u>	<u>985,621</u>	<u>5,768,557</u>
Total Additions	<u>7,643,126</u>	<u>1,271,907</u>	<u>8,915,033</u>
<b>Deductions</b>			
Benefits	2,390,207	122,288	2,512,495
Administrative expenses	248,455	53,637	302,092
Total Deductions	<u>2,638,662</u>	<u>175,925</u>	<u>2,814,587</u>
Net Increase	5,004,464	1,095,982	6,100,446
Net Position Restricted for Pension Benefits			
Beginning of Year	25,439,879	5,207,964	30,647,843
End of Year	<u>\$ 30,444,343</u>	<u>\$ 6,303,946</u>	<u>\$ 36,748,289</u>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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, 2013 (the date of the latest actuarial valuation):

	Police	Non-Uniform
Retirees and beneficiaries currently receiving benefits	46	13
Terminated employees entitled to benefits but not yet receiving them	1	4
DROP members	5	-
Active plan members	43	41
Total membership	95	58

*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 \$501,082 for the pension for the year ended December 31, 2013.

	Police	Nonuniformed	Total
Township contributions	\$ 2,158,806	\$ 26,820	\$ 2,185,626
Employee contributions	271,224	109,507	380,731
State aid	351,123	149,959	501,082
	\$ 2,781,153	\$ 286,286	\$ 3,067,439

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

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**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, 2013 (date of latest actuarial valuation), were:

	<u>Police</u>	<u>Non-Uniform</u>
Annual required contribution	\$ 2,509,929	\$ 176,779
Interest on net pension obligation	-	-
Adjustments to annual required contribution	-	-
Annual pension cost	2,509,929	176,779
Contributions made	(2,509,929)	(176,779)
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>			<u>Net</u>
<u>Fiscal Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Pension</u>
<u>Ending</u>	<u>Cost (APC)</u>	<u>of APC</u>	<u>Obligation</u>
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2011	\$ 1,502,523	100%	\$ -
12/31/2012	1,501,534	100%	-
12/31/2013	2,509,929	100%	-

<u>Non-Uniform</u>			<u>Net</u>
<u>Fiscal Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Pension</u>
<u>Ending</u>	<u>Cost (APC)</u>	<u>of APC</u>	<u>Obligation</u>
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2011	\$ 110,955	100%	\$ -
12/31/2012	118,830	100%	-
12/31/2013	176,779	100%	-



TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**G. Employee Retirement System (Continued)**

*Funded Status and Funding Progress*

As of January 1, 2013, 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	\$ 32,042,671	\$ 40,483,855	\$ 8,441,184	79.1%	\$ 4,252,730	198.49%
Non Uniformed	5,040,808	6,184,652	1,143,844	81.5%	2,161,128	52.9%

*Actuarial Methods and Assumptions*

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the following assumptions:

	<u>Police</u>	<u>Non Uniform</u>
Date of actuarial valuation	1/1/2013	1/1/2013
Investment rate of return	7.5%	7.5%
Projected salary increases	4.5%	4.5%
Inflation rate	3%	3%
Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar-Closed	Level Dollar-Closed
Amortization period	11 years	10 years
Cost of living increases	3%	0%

There were no significant changes in actuarial assumptions for either Plan in 2013.

*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 over time relative to the actuarial accrued liability for benefits.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

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**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, 2013

**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.

The following summarizes financial information of the police post-retirement health benefit plan as of and for the year ended December 31, 2013.

Combining Statement of Net Position	OPEB
Assets: Cash and cash equivalents	\$ 381,050
Less: Liabilities	(102)
Net position restricted for pension benefits	<u>\$ 380,948</u>
Combining Statement of Changes in Net Position	
Additions	
Contributions: Township	\$ 50,000
Investment Income: Interest	126
Total Additions	<u>50,126</u>
Net Increase	50,126
Net Position Restricted for Pension Benefits	
Beginning of Year	<u>330,822</u>
End of Year	<u>\$ 380,948</u>

Membership of the plan consisted of the following at January 1, 2011 (the date of the latest actuarial valuation):

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

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**I. Post Employment Benefits Other Than Pensions (Continued)**

*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 2013, the Township contributed \$50,000 to the plan, in addition to the premiums paid directly. The insurance premiums paid directly for December 31, 2013 was \$77,272. 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.

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	149,233
Adjustments to annual required contribution	(215,780)
Annual OPEB cost	845,748
Contributions made	(77,272)
Increase in net OPEB obligation	768,476
Net OPEB obligation (asset) at beginning of year	3,730,830
Net OPEB obligation (asset) at end of year	\$ 4,499,306

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending 2013 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>
12/31/2011	\$ 859,306	5%	\$ 2,927,365
12/31/2012	860,080	7%	3,730,830
12/31/2013	845,749	9%	4,499,306

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**I. Post Employment Benefits Other Than Pensions (Continued)**

*Funded Status and Funding Progress*

As of January 1, 2011, the date of the latest actuarial valuation, the funded status and progress was 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>
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.

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*

As of January 1, 2011, the date of the latest actuarial valuation, the assumptions were:

	<u>OPEB</u>
Date of actuarial valuation	1/1/2011
Investment rate of return	4.0%
Projected salary increases	5.0%
Inflation rate	3%
Cost method	Entry Age Normal
Amortization method	Level % Open
Amortization period	30 years

*Health care cost trend rate*

Based on the current premium rates, 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.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**I. Post Employment Benefits Other Than Pensions (Continued)**

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.

*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.

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, 2011, the most recent actuarial valuation, 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.

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**I. Post Employment Benefits Other Than Pensions (Continued)**

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.

The Township records all advances from the Contingency Fund as an 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 funds stated below. The receivables are recorded in the Contingency Fund. The following summary reflects the changes for the year ended December 31, 2013.

	<u>Balance</u> <u>1/1/2013</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2013</u>	<u>Due within</u> <u>One year</u>
<b>Proprietary Funds</b>					
Country Club Fund	\$ 179,249	\$ -	\$ (57,639)	\$ 121,610	\$ 59,725
Farm Fund	149,364	-	-	149,364	-
	<u>\$ 328,613</u>	<u>\$ -</u>	<u>\$ (57,639)</u>	<u>\$ 270,974</u>	<u>\$ 59,725</u>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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 12/31/2012</u>	<u>Outstanding 12/31/2013</u>
<b>Proprietary Funds</b>						
Farm Fund	\$ 214,764	0.00%	\$ -		<u>\$ 149,364</u>	<u>\$ 149,364</u>
Country Club Loan	313,550	3.60%	16,368	12/1/2015	56,721	38,489
Country Club Irrigation Loan	500,000	3.60%	35,440	6/1/2015	<u>122,528</u>	<u>83,121</u>
					<u>179,249</u>	<u>121,610</u>
Total interfund payables for Proprietary Fund Types					<u>\$ 328,613</u>	<u>\$ 270,974</u>
Total interfund payable All fund types					<u>\$ 328,613</u>	<u>\$ 270,974</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	\$ 1,283,263	\$ -
Investment	-	1,060,000
Debt Service	49,912	32,000
Other Governmental Funds	189,100	361,000
Country Club	-	56,586
Farm Fund	-	12,689
Total	<u>\$ 1,522,275</u>	<u>\$ 1,522,275</u>

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



TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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	\$ 210,774	\$ 76,921	
State Highway Aid	-	129,236	
Debt Service	18,231	-	
Other Governmental Funds	106,708	129,544	
Farm Fund	-	12	
Total	\$ 335,713	\$ 335,713	

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 2013-2014 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 2013-2014 plan year, the Township continues to fund 100% of the deductible for the Police, and no contributions towards premium are required of the police.

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, 2013. The maximum exposure for these costs in 2013 was \$489,600. The total actual charges incurred by the Township for these deductibles in 2013 were \$387,450. There were no outstanding or unpaid claims at year end.

TOWNSHIP OF MIDDLETOWN  
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**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 12, 2014, the date the financial statements were available to be issued.

The Township enacted an Earned Income Tax of .5%, which will be effective January 1, 2014. The new revenue stream created from this tax is estimated to be approximately \$2,000,000 for the fiscal year ending 2014.

The Middletown Township Board of Supervisors has approved the refinancing of the GOB 2009 issue which will be called on or about June 24, 2014. The outstanding principal being refinanced is \$5,045,000 with estimated savings to the Township of \$296 Thousand being realized primarily over the next 3 years, 2014 through 2016. The new bond issue, GOB 2014 series, will also include approximately \$5.0 Million of new borrowing, which will be used for Road Repaving and Construction, and/or Stormwater Projects. This transaction will be reflected in the December 31, 2014 Financial Statements.

**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
1/1/2009	\$ 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%
1/1/2013	32,042,671	40,483,855	8,441,184	79.15%	4,252,730	198.49%

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2013	2,509,929	2,509,929	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
1/1/2009	\$ 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%
1/1/2013	5,040,808	6,184,652	1,143,844	81.51%	2,161,128	52.93%

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2013	176,779	176,779	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>
2009	\$ 795,202	\$ 189,435	24%
2010	795,202	48,933	6%
2011	912,295	46,281	5%
2012	912,295	56,615	6%
2013	912,295	77,272	8%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

NOTES TO SUPPLEMENTARY SCHEDULES

December 31, 2013

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	1/1/2013	1/1/2013
Investment rate of return	7.5%	7.5%
Projected salary increases	4.5%	4.5%
Inflation rate	3%	3%
Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar-Closed	Level Dollar-Closed
Amortization period	11 years	10 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	5.0%
Inflation rate	3%
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, 2013

	<u>DEBT SERVICE</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 2,824,013	\$ 2,824,013	\$ 2,840,436	\$ 16,423
Investment income and rent	800	800	809	9
Other	-	-	18,290	18,290
Total Revenues	<u>2,824,813</u>	<u>2,824,813</u>	<u>2,859,535</u>	<u>34,722</u>
Expenditures				
Current:				
General government	29,245	29,245	5,125	24,120
Debt service				
Principal	2,065,000	2,065,000	2,060,000	5,000
Interest	686,494	686,494	685,612	882
Total Expenditures	<u>2,780,739</u>	<u>2,780,739</u>	<u>2,750,737</u>	<u>30,002</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>44,074</u>	<u>44,074</u>	<u>108,798</u>	<u>64,724</u>
Other Financing Sources (Uses)				
Transfers in	49,912	49,912	49,912	-
Transfers out	<u>(32,000)</u>	<u>(32,000)</u>	<u>(32,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>17,912</u>	<u>17,912</u>	<u>17,912</u>	<u>-</u>
Net Change in Fund Balance	61,986	61,986	126,710	64,724
Fund Balance - Beginning	<u>124,923</u>	<u>124,923</u>	<u>124,923</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 186,909</u>	<u>\$ 186,909</u>	<u>\$ 251,633</u>	<u>\$ 64,724</u>

## 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.

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, 2013

	<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>	
<u>ASSETS</u>								
Cash and cash equivalents	\$ 215,286	\$ -	\$ 320,393	\$ -	\$ 187,089	\$ 9,193	\$ 36,682	\$ 768,643
Taxes receivable, net	13,859	19,062	22,466	4,903	3,825	1,186	-	65,301
Special assessments receivable	-	-	-	-	-	-	-	-
Accounts receivable	416	20,408	3,594	244	152	54	-	24,868
Advances to other funds	-	-	-	-	-	-	-	-
Due from other funds	3,308	4,616	14,748	1,323	1,004	358	-	25,357
Total Assets	<u>\$ 232,869</u>	<u>\$ 44,086</u>	<u>\$ 361,201</u>	<u>\$ 6,470</u>	<u>\$ 192,070</u>	<u>\$ 10,791</u>	<u>\$ 36,682</u>	<u>\$ 884,169</u>
<u>LIABILITIES</u>								
Accounts payable	\$ 36,855	\$ 155	\$ 15,674	\$ 686	\$ 30	\$ 11	\$ -	\$ 53,411
Accrued salaries and benefits	3,352	-	18,090	-	-	-	-	21,442
Due to other funds	11,455	9,324	29,099	-	-	-	-	49,878
Total Liabilities	<u>51,662</u>	<u>9,479</u>	<u>62,863</u>	<u>686</u>	<u>30</u>	<u>11</u>	<u>-</u>	<u>124,731</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Unavailable revenue:								
property taxes	13,859	19,062	22,466	4,903	3,825	1,186	-	65,301
special assessments	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>13,859</u>	<u>19,062</u>	<u>22,466</u>	<u>4,903</u>	<u>3,825</u>	<u>1,186</u>	<u>-</u>	<u>65,301</u>
<u>FUND BALANCES</u>								
Nonspendable								
Long-term interfund advances	-	-	-	-	-	-	-	-
Restricted:								
Public safety	-	15,545	-	881	-	9,594	36,682	62,702
Public works	167,348	-	-	-	188,215	-	-	355,563
Transportation impact fee	-	-	-	-	-	-	-	-
Committed:								
Culture and recreation	-	-	275,872	-	-	-	-	275,872
Assigned:								
Capital projects	-	-	-	-	-	-	-	-
Total Fund Balances	<u>167,348</u>	<u>15,545</u>	<u>275,872</u>	<u>881</u>	<u>188,215</u>	<u>9,594</u>	<u>36,682</u>	<u>694,137</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 232,869</u>	<u>\$ 44,086</u>	<u>\$ 361,201</u>	<u>\$ 6,470</u>	<u>\$ 192,070</u>	<u>\$ 10,791</u>	<u>\$ 36,682</u>	<u>\$ 884,169</u>

<b>Capital Projects</b>					Total Nonmajor Governmental Funds
Community Development	Capital Reserve	Curb/Road Revolving	Contingency	Total	
\$ -	\$ 1,707,993	\$ 40	\$ 8	\$ 1,708,041	\$ 2,476,684
-	-	-	-	-	65,301
-	-	3,656	-	3,656	3,656
77,981	-	-	-	77,981	102,849
-	-	-	270,974	270,974	270,974
1,685	79,666	-	-	81,351	106,708
<u>\$ 79,666</u>	<u>\$ 1,787,659</u>	<u>\$ 3,696</u>	<u>\$ 270,982</u>	<u>\$ 2,142,003</u>	<u>\$ 3,026,172</u>
\$ -	\$ 51,898	\$ -	\$ -	\$ 51,898	\$ 105,309
-	-	-	-	-	21,442
79,666	-	-	-	79,666	129,544
<u>79,666</u>	<u>51,898</u>	<u>-</u>	<u>-</u>	<u>131,564</u>	<u>256,295</u>
-	-	-	-	-	65,301
-	-	3,656	-	3,656	3,656
-	-	3,656	-	3,656	68,957
-	-	-	270,974	270,974	270,974
-	-	-	-	-	62,702
-	-	-	-	-	355,563
-	374,341	-	-	374,341	374,341
-	-	-	-	-	275,872
-	1,361,420	40	8	1,361,468	1,361,468
-	1,735,761	40	270,982	2,006,783	2,700,920
<u>\$ 79,666</u>	<u>\$ 1,787,659</u>	<u>\$ 3,696</u>	<u>\$ 270,982</u>	<u>\$ 2,142,003</u>	<u>\$ 3,026,172</u>

TOWNSHIP OF MIDDLETOWN

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2013

	<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	\$ 515,648	\$ 717,845	\$ 845,736	\$ 206,310	\$ 156,824	\$ 55,944	\$ -	\$ 2,498,307
Fees, licenses and permits	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	37,457	37,457
Investment income and rent	166	138	9,637	49	102	17	17	10,126
Intergovernmental revenues	-	417,611	-	-	-	-	-	417,611
Charges for services	5,976	-	271,754	-	-	-	-	277,730
Special assessments	-	-	-	-	-	-	-	-
Contributions private sources	-	-	24,193	-	-	-	-	24,193
Other	-	-	7,897	-	-	-	-	7,897
Total Revenues	<u>521,790</u>	<u>1,135,594</u>	<u>1,159,217</u>	<u>206,359</u>	<u>156,926</u>	<u>55,961</u>	<u>37,474</u>	<u>3,273,321</u>
Expenditures								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	1,116,413	-	202,206	-	51,494	15,473	1,385,586
Public works	414,096	-	-	-	14,308	-	-	428,404
Parks and recreation	-	-	1,302,765	-	-	-	-	1,302,765
Capital outlays/development	-	-	-	-	-	-	-	-
Total Expenditures	<u>414,096</u>	<u>1,116,413</u>	<u>1,302,765</u>	<u>202,206</u>	<u>14,308</u>	<u>51,494</u>	<u>15,473</u>	<u>3,116,755</u>
Excess (Deficiency) of Revenues Over Expenditures	107,694	19,181	(143,548)	4,153	142,618	4,467	22,001	156,566
Other Financing Sources (Uses)								
Transfers in	-	-	70,000	-	-	-	-	70,000
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>50,000</u>	<u>(3,500)</u>	<u>(1,200)</u>	<u>(1,000)</u>	<u>-</u>	<u>22,300</u>
Net Change in Fund Balance	90,694	14,181	(93,548)	653	141,418	3,467	22,001	178,866
Fund Balance - Beginning	76,654	1,364	369,420	228	46,797	6,127	14,681	515,271
Fund Balance - Ending	<u>\$ 167,348</u>	<u>\$ 15,545</u>	<u>\$ 275,872</u>	<u>\$ 881</u>	<u>\$ 188,215</u>	<u>\$ 9,594</u>	<u>\$ 36,682</u>	<u>\$ 694,137</u>

<b>Capital Projects</b>					Total Nonmajor Governmental Funds
<u>Community Development</u>	<u>Capital Reserve</u>	<u>Curb/Road Revolving</u>	<u>Contingency</u>	<u>Total</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,498,307
-	38,138	-	-	38,138	38,138
-	-	-	-	-	37,457
-	729	506	6,170	7,405	17,531
614,676	795,307	-	-	1,409,983	1,827,594
-	-	-	-	-	277,730
-	-	818	-	818	818
-	516,855	-	-	516,855	541,048
-	-	118	-	118	8,015
<u>614,676</u>	<u>1,351,029</u>	<u>1,442</u>	<u>6,170</u>	<u>1,973,317</u>	<u>5,246,638</u>
-	105,230	9	-	105,239	105,239
-	-	-	-	-	1,385,586
-	24,017	-	-	24,017	452,421
-	31,245	-	-	31,245	1,334,010
614,676	1,480,091	-	-	2,094,767	2,094,767
<u>614,676</u>	<u>1,640,583</u>	<u>9</u>	<u>-</u>	<u>2,255,268</u>	<u>5,372,023</u>
-	(289,554)	1,433	6,170	(281,951)	(125,385)
-	-	-	119,100	119,100	189,100
-	(10,000)	(119,100)	(184,200)	(313,300)	(361,000)
-	(10,000)	(119,100)	(65,100)	(194,200)	(171,900)
-	(299,554)	(117,667)	(58,930)	(476,151)	(297,285)
-	2,035,315	117,707	329,912	2,482,934	2,998,205
<u>\$ -</u>	<u>\$ 1,735,761</u>	<u>\$ 40</u>	<u>\$ 270,982</u>	<u>\$ 2,006,783</u>	<u>\$ 2,700,920</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, 2013

	<u>GENERAL STREET LIGHTING FUND</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 510,608	\$ 510,608	\$ 515,648	\$ 5,040
Investment income and rent	100	100	166	66
Charges for services	5,714	5,714	5,976	262
Total Revenues	<u>516,422</u>	<u>516,422</u>	<u>521,790</u>	<u>5,368</u>
Expenditures				
Current:				
Public works	500,022	500,022	414,096	85,926
Total Expenditures	<u>500,022</u>	<u>500,022</u>	<u>414,096</u>	<u>85,926</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>16,400</u>	<u>16,400</u>	<u>107,694</u>	<u>91,294</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	(600)	(600)	90,694	91,294
Fund Balance - Beginning	76,654	76,654	76,654	-
Fund Balance - Ending	<u>\$ 76,054</u>	<u>\$ 76,054</u>	<u>\$ 167,348</u>	<u>\$ 91,294</u>

MIDDLETOWN TOWNSHIP

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

For the Year Ended December 31, 2013

	<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	\$ 714,310	\$ 714,310	\$ 717,845	\$ 3,535
Investment income and rent	90	90	138	48
Intergovernmental revenues	<u>364,823</u>	<u>364,823</u>	<u>417,611</u>	<u>52,788</u>
Total Revenues	<u>1,079,223</u>	<u>1,079,223</u>	<u>1,135,594</u>	<u>56,371</u>
Expenditures				
Current:				
Public safety	<u>1,074,223</u>	<u>1,074,223</u>	<u>1,116,413</u>	<u>(42,190)</u>
Total Expenditures	<u>1,074,223</u>	<u>1,074,223</u>	<u>1,116,413</u>	<u>(42,190)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,000</u>	<u>5,000</u>	<u>19,181</u>	<u>14,181</u>
Other Financing Sources (Uses)				
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net Change in Fund Balance	-	-	14,181	14,181
Fund Balance - Beginning	<u>1,364</u>	<u>1,364</u>	<u>1,364</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,364</u>	<u>\$ 1,364</u>	<u>\$ 15,545</u>	<u>\$ 14,181</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, 2013

	<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	\$ 843,017	\$ 843,017	\$ 845,736	\$ 2,719
Investment income and rent	10,300	10,300	9,637	(663)
Charges for services	244,500	244,500	271,754	27,254
Contributions private sources	17,800	17,800	24,193	6,393
Miscellaneous	6,500	6,500	7,897	1,397
Total Revenues	<u>1,122,117</u>	<u>1,122,117</u>	<u>1,159,217</u>	<u>37,100</u>
Expenditures				
Current:				
Parks and recreation	<u>1,256,008</u>	<u>1,256,008</u>	<u>1,302,765</u>	<u>(46,757)</u>
Total Expenditures	<u>1,256,008</u>	<u>1,256,008</u>	<u>1,302,765</u>	<u>(46,757)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(133,891)</u>	<u>(133,891)</u>	<u>(143,548)</u>	<u>(9,657)</u>
Other Financing Sources (Uses)				
Transfers in	70,000	70,000	70,000	-
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	(83,891)	(83,891)	(93,548)	(9,657)
Fund Balance - Beginning	<u>369,420</u>	<u>369,420</u>	<u>369,420</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 285,529</u>	<u>\$ 285,529</u>	<u>\$ 275,872</u>	<u>\$ (9,657)</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, 2013

	<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	\$ 205,719	\$ 205,719	\$ 206,310	\$ 591
Investment income and rent	40	40	49	9
Total Revenues	<u>205,759</u>	<u>205,759</u>	<u>206,359</u>	<u>600</u>
Expenditures				
Current:				
Public safety	<u>202,259</u>	<u>202,259</u>	<u>202,206</u>	<u>53</u>
Total Expenditures	<u>202,259</u>	<u>202,259</u>	<u>202,206</u>	<u>53</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,500</u>	<u>3,500</u>	<u>4,153</u>	<u>653</u>
Other Financing Sources (Uses)				
Transfers out	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Net Change in Fund Balance	-	-	653	653
Fund Balance - Beginning	<u>228</u>	<u>228</u>	<u>228</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 228</u>	<u>\$ 228</u>	<u>\$ 881</u>	<u>\$ 653</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, 2013

	<u>ROAD MACHINERY</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 155,462	\$ 155,462	\$ 156,824	\$ 1,362
Investment income and rent	36	36	102	66
Total Revenues	<u>155,498</u>	<u>155,498</u>	<u>156,926</u>	<u>1,428</u>
Expenditures				
Current:				
Public works	50	50	14,308	(14,258)
Capital outlay	<u>146,000</u>	<u>146,000</u>	-	<u>146,000</u>
Total Expenditures	<u>146,050</u>	<u>146,050</u>	<u>14,308</u>	<u>131,742</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,448</u>	<u>9,448</u>	<u>142,618</u>	<u>133,170</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	-
Total Other Financing Sources (Uses)	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	-
Net Change in Fund Balance	8,248	8,248	141,418	133,170
Fund Balance - Beginning	<u>46,797</u>	<u>46,797</u>	<u>46,797</u>	-
Fund Balance - Ending	<u>\$ 55,045</u>	<u>\$ 55,045</u>	<u>\$ 188,215</u>	<u>\$ 133,170</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, 2013

	FIRE HYDRANT			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 55,402	\$ 55,402	\$ 55,944	\$ 542
Investment income and rent	15	15	17	2
Total Revenues	55,417	55,417	55,961	544
Expenditures				
Current:				
Public safety	54,015	54,015	51,494	2,521
Total Expenditures	54,015	54,015	51,494	2,521
Excess (Deficiency) of Revenues Over Expenditures	1,402	1,402	4,467	3,065
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	402	402	3,467	3,065
Fund Balance - Beginning	6,127	6,127	6,127	-
Fund Balance - Ending	\$ 6,529	\$ 6,529	\$ 9,594	\$ 3,065

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2013

	<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	\$ -	\$ -	\$ 17	\$ 17
Fines and forfeits	-	-	37,457	37,457
Total Revenues	<u>-</u>	<u>-</u>	<u>37,474</u>	<u>37,474</u>
Expenditures				
Current:				
Public safety	-	-	15,473	(15,473)
Total Expenditures	<u>-</u>	<u>-</u>	<u>15,473</u>	<u>(15,473)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>22,001</u>	<u>22,001</u>
Fund Balance - Beginning	<u>14,681</u>	<u>14,681</u>	<u>14,681</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 14,681</u>	<u>\$ 14,681</u>	<u>\$ 36,682</u>	<u>\$ 22,001</u>

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2013

	<u>COMMUNITY DEVELOPMENT</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ 614,676	\$ 614,676
Total Revenues	<u>-</u>	<u>-</u>	<u>614,676</u>	<u>614,676</u>
Expenditures				
Capital outlays/development	-	-	614,676	(614,676)
Total Expenditures	<u>-</u>	<u>-</u>	<u>614,676</u>	<u>(614,676)</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, 2013

	<u>CAPITAL RESERVE</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 20,000	\$ 20,000	\$ 38,138	\$ 18,138
Investment income and rent	750	750	729	(21)
Intergovernmental revenues	-	-	795,307	795,307
Contributions private sources	55,000	55,000	516,855	461,855
Total Revenues	<u>75,750</u>	<u>75,750</u>	<u>1,351,029</u>	<u>1,275,279</u>
Expenditures				
Current:				
General government	-	-	105,230	(105,230)
Public works	-	-	24,017	(24,017)
Parks and recreation	-	-	31,245	(31,245)
Capital outlays/development	2,165,280	2,165,280	1,480,091	685,189
Total Expenditures	<u>2,165,280</u>	<u>2,165,280</u>	<u>1,640,583</u>	<u>524,697</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,089,530)</u>	<u>(2,089,530)</u>	<u>(289,554)</u>	<u>1,799,976</u>
Other Financing Sources (Uses)				
Transfers out	(10,000)	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net Change in Fund Balance	(2,099,530)	(2,099,530)	(299,554)	1,799,976
Fund Balance - Beginning	<u>2,035,315</u>	<u>2,035,315</u>	<u>2,035,315</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (64,215)</u>	<u>\$ (64,215)</u>	<u>\$ 1,735,761</u>	<u>\$ 1,799,976</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, 2013

	<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	\$ -	\$ -	\$ 506	\$ 506
Special assessments	-	-	818	818
Other	-	-	118	118
Total Revenues	<u>-</u>	<u>-</u>	<u>1,442</u>	<u>1,442</u>
Expenditures				
Current:				
General	-	-	9	(9)
Total Expenditures	<u>-</u>	<u>-</u>	<u>9</u>	<u>(9)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>1,433</u>	<u>1,433</u>
Other Financing Sources (Uses)				
Transfers out	<u>(120,326)</u>	<u>(120,326)</u>	<u>(119,100)</u>	<u>(1,226)</u>
Total Other Financing Sources (Uses)	<u>(120,326)</u>	<u>(120,326)</u>	<u>(119,100)</u>	<u>(1,226)</u>
Net Change in Fund Balance	(120,326)	(120,326)	(117,667)	207
Fund Balance - Beginning	<u>117,707</u>	<u>117,707</u>	<u>117,707</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (2,619)</u>	<u>\$ (2,619)</u>	<u>\$ 40</u>	<u>\$ 207</u>

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2013

	<u>CONTINGENCY</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	\$ 6,200	\$ 6,200	\$ 6,170	\$ (30)
Total Revenues	<u>6,200</u>	<u>6,200</u>	<u>6,170</u>	<u>(30)</u>
Other Financing Sources (Uses)				
Transfers in	120,326	120,326	119,100	(1,226)
Transfers out	<u>(190,000)</u>	<u>(190,000)</u>	<u>(184,200)</u>	<u>5,800</u>
Total Other Financing Sources (Uses)	<u>(69,674)</u>	<u>(69,674)</u>	<u>(65,100)</u>	<u>4,574</u>
Net Change in Fund Balance	(63,474)	(63,474)	(58,930)	4,544
Fund Balance - Beginning	<u>329,912</u>	<u>329,912</u>	<u>329,912</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 266,438</u>	<u>\$ 266,438</u>	<u>\$ 270,982</u>	<u>\$ 4,544</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, 2013

	COUNTRY CLUB			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 199,912	\$ 199,912	\$ 203,105	\$ 3,193
Total Operating Revenues	199,912	199,912	203,105	3,193
Operating Expenses				
Park and recreation	45,841	45,841	46,982	(1,141)
Depreciation	85,325	85,325	83,678	1,647
Total Operating Expenses	131,166	131,166	130,660	506
Operating Income (Loss)	68,746	68,746	72,445	3,699
Nonoperating Revenues (Expense)				
Interest income	30	30	50	20
Interest expense	(10,411)	(10,411)	(8,756)	1,655
Total Nonoperating Revenues (Expense)	(10,381)	(10,381)	(8,706)	1,675
Income (Loss) before Transfers	58,365	58,365	63,739	5,374
Transfers out	(56,586)	(56,586)	(56,586)	-
Changes in Net Position	1,779	1,779	7,153	5,374
Total Net Position - Beginning	2,290,980	2,290,980	2,290,980	-
Total Net Position - Ending	\$ 2,292,759	\$ 2,292,759	\$ 2,298,133	\$ 5,374

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2013

	FARM FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Rent	8,400	8,400	6,300	(2,100)
Total Operating Revenues	48,400	48,400	46,300	(2,100)
Operating Expenses				
Park and recreation	16,335	16,335	12,910	3,425
Depreciation	3,650	3,650	9,205	(5,555)
Total Operating Expenses	19,985	19,985	22,115	(2,130)
Operating Income (Loss)	28,415	28,415	24,185	(4,230)
Nonoperating Revenues (Expense)				
Interest income	-	-	2	2
Total Nonoperating Revenues (Expense)	-	-	2	2
Income (Loss) before Transfers	28,415	28,415	24,187	(4,228)
Transfers out	(12,689)	(12,689)	(12,689)	-
Changes in Net Position	15,726	15,726	11,498	(4,228)
Total Net Position - Beginning	2,242,791	2,242,791	2,242,791	-
Total Net Position - Ending	\$ 2,258,517	\$ 2,258,517	\$ 2,254,289	\$ (4,228)

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:

Pension and Other Employee Benefit Trust Funds

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.

Private Purpose Trust Fund

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. There is only one fund.

Agency Fund

The *Township Escrow* fund accounts for transactions on behalf of other organizations. There is only one fund.

TOWNSHIP OF MIDDLETOWN

COMBINING STATEMENT OF NET POSITION

FIDUCIARY FUNDS – PENSION AND OTHER  
EMPLOYEE BENEFIT TRUST PLANS

December 31, 2013

	<u>Pension and Other Employee Benefit Trust Funds</u>			
	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Health Care Trust Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,383,620	\$ 275,148	\$ 381,050	\$ 3,039,818
Accrued interest	86,081	17,940	-	104,021
Investments, at fair value:				
U.S. government obligations	2,356,336	522,196	-	2,878,532
Government sponsored mortgages	574,586	129,896	-	704,482
Corporate obligations	1,656,113	332,864	-	1,988,977
Municipal obligations	2,671,139	589,802	-	3,260,941
Mortgages	1,587,955	354,757	-	1,942,712
Foreign obligations	18,765,753	4,027,094	-	22,792,847
Stock equities	362,760	54,249	-	417,009
Total investments	<u>27,974,642</u>	<u>6,010,858</u>	<u>-</u>	<u>33,985,500</u>
Total Assets	<u>30,444,343</u>	<u>6,303,946</u>	<u>381,050</u>	<u>37,129,339</u>
<u>LIABILITIES</u>				
Other liabilities	<u>-</u>	<u>-</u>	<u>102</u>	<u>102</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>102</u>	<u>102</u>
<u>NET POSITION</u>				
Net Position - Restricted for:				
Pension benefits	30,444,343	6,303,946	-	36,748,289
Other post employment benefits	<u>-</u>	<u>-</u>	<u>380,948</u>	<u>380,948</u>
Total Net Position	<u>\$ 30,444,343</u>	<u>\$ 6,303,946</u>	<u>\$ 380,948</u>	<u>\$ 37,129,237</u>



TOWNSHIP OF MIDDLETOWN

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

FIDUCIARY FUNDS – PENSION AND OTHER  
EMPLOYEE BENEFIT TRUST PLANS

For the Year Ended December 31, 2013

	<u>Pension and Other Employee Benefit Trust Funds</u>			
	<u>Police Pension</u>	<u>Non-Uniform Pension</u>	<u>Health Care Offset Fund</u>	<u>Total</u>
Additions				
Contributions				
Member contributions	\$ 271,224	\$ 109,507	\$ -	\$ 380,731
Employer contributions	2,158,806	26,820	50,000	2,235,626
State aid	351,123	149,959	-	501,082
Insurance proceeds	79,037	-	-	79,037
Total Contributions	<u>2,860,190</u>	<u>286,286</u>	<u>50,000</u>	<u>3,196,476</u>
Investment Income				
Net appreciation (depreciation) in fair value of investments	4,119,664	845,148	-	4,964,812
Interest and dividends	663,272	140,473	126	803,871
Total Investment Income	<u>4,782,936</u>	<u>985,621</u>	<u>126</u>	<u>5,768,683</u>
Total Additions	<u>7,643,126</u>	<u>1,271,907</u>	<u>50,126</u>	<u>8,965,159</u>
Deductions				
Benefits	2,390,207	122,288	-	2,512,495
Administrative expenses	248,455	53,637	-	302,092
Total Deductions	<u>2,638,662</u>	<u>175,925</u>	<u>-</u>	<u>2,814,587</u>
Change in Net Position	5,004,464	1,095,982	50,126	6,150,572
Net Position - Restricted:				
Beginning of Year	25,439,879	5,207,964	330,822	30,978,665
End of Year	<u>\$ 30,444,343</u>	<u>\$ 6,303,946</u>	<u>\$ 380,948</u>	<u>\$ 37,129,237</u>

TOWNSHIP OF MIDDLETOWN

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-  
TOWNSHIP ESCROW FUNDS

For the Year Ended December 31, 2013

	Balance January 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2013</u>
Assets:				
Cash and cash equivalents	\$ 1,764,379	\$ 721,003	\$ (758,679)	\$ 1,726,703
Total Assets	<u>\$ 1,764,379</u>	<u>\$ 721,003</u>	<u>\$ (758,679)</u>	<u>\$ 1,726,703</u>
Liabilities:				
Accounts payable	\$ 52,975	\$ 772,042	\$ (825,017)	\$ -
Customer deposits	1,408,645	801,730	(787,042)	1,423,333
Accumulated interest	<u>302,759</u>	<u>611</u>	<u>-</u>	<u>303,370</u>
Total Liabilities	<u>\$ 1,764,379</u>	<u>\$ 1,574,383</u>	<u>\$ (1,612,059)</u>	<u>\$ 1,726,703</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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	109
<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>	
<b>Revenue Capacity</b>	117
<p>These schedules contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.</p>	
<b>Debt Capacity</b>	123
<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>	
<b>Economic &amp; Demographic Information</b>	128
<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>	
<b>Operating Information</b>	130
<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 2012.

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

(accrual basis of accounting)

	Fiscal Year			
	<u>2013</u>	<u>2012 (1)</u>	<u>2011 (1)</u>	<u>2010</u>
<b>Governmental Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 27,310,114	\$ 25,404,239	\$ 25,986,662	\$ 18,225,583
Restricted	1,564,188	1,327,400	1,920,553	5,098,898
Unrestricted (Deficit)	36,083,354	38,952,787	41,793,546	46,936,410
<b>Total Governmental Activities Net Position</b>	<u>\$ 64,957,656</u>	<u>\$ 65,684,426</u>	<u>\$ 69,700,761</u>	<u>\$ 70,260,891</u>
<b>Business-Type Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 4,603,195	\$ 4,517,529	\$ 4,545,115	\$ 4,492,127
Restricted	-	-	-	-
Unrestricted (Deficit)	(50,773)	16,242	(31,015)	(464,130)
<b>Total Business-Type Activities Net Position</b>	<u>\$ 4,552,422</u>	<u>\$ 4,533,771</u>	<u>\$ 4,514,100</u>	<u>\$ 4,027,997</u>
<b>Primary Government</b>				
Invested in Capital Assets, Net of Related Debt	\$ 31,913,309	\$ 29,921,768	\$ 30,531,777	\$ 22,717,710
Restricted	1,564,188	1,327,400	1,920,553	5,098,898
Unrestricted (Deficit)	36,032,581	38,969,029	41,762,531	46,472,280
<b>Total Primary Government Net Position</b>	<u>\$ 69,510,078</u>	<u>\$ 70,218,197</u>	<u>\$ 74,214,861</u>	<u>\$ 74,288,888</u>

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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.

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 19,932,022	\$ 13,853,185	\$ 22,552,941	\$ 6,996,862	\$ 19,318,796	\$ 17,052,139
9,774,983	15,103,727	5,186,616	9,831,370	3,226,818	3,435,037
42,002,215	44,736,617	44,733,314	53,630,677	47,616,459	50,208,504
<u>\$ 71,709,220</u>	<u>\$ 73,693,529</u>	<u>\$ 72,472,871</u>	<u>\$ 70,458,909</u>	<u>\$ 70,162,073</u>	<u>\$ 70,695,680</u>
\$ 4,105,739	\$ 4,147,236	\$ 4,181,370	\$ 4,134,183	\$ 4,092,058	\$ 4,211,555
-	-	-	-	-	-
(69,875)	(116,091)	(90,552)	(131,796)	(142,807)	(50,001)
<u>\$ 4,035,864</u>	<u>\$ 4,031,145</u>	<u>\$ 4,090,818</u>	<u>\$ 4,002,387</u>	<u>\$ 3,949,251</u>	<u>\$ 4,161,554</u>
\$ 23,537,761	\$ 18,000,421	\$ 26,734,311	\$ 11,131,045	\$ 23,410,854	\$ 21,263,694
9,774,983	15,103,727	5,186,616	9,831,370	3,226,818	3,435,037
41,932,340	44,620,526	44,642,762	53,498,881	47,473,652	50,158,503
<u>\$ 75,245,084</u>	<u>\$ 77,724,674</u>	<u>\$ 76,563,689</u>	<u>\$ 74,461,296</u>	<u>\$ 74,111,324</u>	<u>\$ 74,857,234</u>

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

	Fiscal Year			
	2013	2012 (1)	2011	2010
<b>Expenses</b>				
Governmental Activities:				
General Government	\$ 2,137,408	\$ 2,290,625	\$ 2,037,179	\$ 2,023,182
Public Safety	14,458,162	14,580,986	14,210,367	12,218,168
Public Works	6,731,336	6,251,378	6,566,282	6,719,377
Parks and Recreation	1,531,902	1,803,802	1,416,404	1,825,931
Miscellaneous	533,375	537,043	506,105	672,637
Capital Outlay/Development	-	-	-	-
Interest on Long-Term Debt	661,242	1,069,783	1,013,702	1,168,279
Unallocated Deprecation Expense	1,400,047	1,502,025	1,457,537	1,455,222
Total Governmental Activities Expense	<u>27,453,472</u>	<u>28,035,642</u>	<u>27,207,576</u>	<u>26,082,796</u>
Business-Type Activities				
Proprietary Funds (combined)	-	-	-	-
Country Club	139,416	137,397	145,114	138,839
Farm Fund	22,115	19,719	31,922	36,469
Total Business-Type Activities Expenses	<u>161,531</u>	<u>157,116</u>	<u>177,036</u>	<u>175,308</u>
Total Primary Government Expenses	<u>\$ 27,615,003</u>	<u>\$ 28,192,758</u>	<u>\$ 27,384,612</u>	<u>\$ 26,258,104</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$ 1,156,671	\$ 1,102,349	\$ 1,064,445	\$ 1,017,264
Public Safety	2,015,858	1,863,345	1,699,843	1,678,755
Public Works	4,903,774	4,474,867	4,656,230	4,451,210
Parks and Recreation	271,754	251,285	267,114	252,855
Operating Grants and Contributions	2,153,603	1,829,443	2,573,581	2,192,687
Capital Grants and Contributions	1,926,838	527,153	1,308,528	-
Total Governmental Activities Program Revs.	<u>12,428,498</u>	<u>10,048,442</u>	<u>11,569,741</u>	<u>9,592,771</u>
Business-Type Activities				
Charges for Services:				
Proprietary Funds (combined)	-	-	-	-
Country Club	203,105	196,912	184,434	147,000
Farm Fund	40,000	40,000	40,000	35,000
Operating Grants and Contributions	-	-	-	-
Total Business-Type Activities Program Revs.	<u>243,105</u>	<u>236,912</u>	<u>224,434</u>	<u>182,000</u>
Total Primary Government Program Revenues	<u>\$ 12,671,603</u>	<u>\$ 10,285,354</u>	<u>\$ 11,794,175</u>	<u>\$ 9,774,771</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities:	\$ (15,024,974)	\$ (17,987,200)	\$ (15,637,835)	\$ (16,490,025)
Business-Type Activities	81,574	79,796	47,398	6,692
Total Primary Government Net Expense	<u>\$ (14,943,400)</u>	<u>\$ (17,907,404)</u>	<u>\$ (15,590,437)</u>	<u>\$ (16,483,333)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Property Taxes	\$ 9,309,514	\$ 9,303,772	\$ 9,281,766	\$ 9,246,523
Other Taxes	4,697,360	4,513,623	4,499,405	4,419,632
Investment Income	104,391	435,806	1,467,986	1,168,697
Gain on Sale of Capital Assets	19,604	-	-	3,477
Miscellaneous	98,060	20,804	88,549	3,808
Special item-Capital assets from Private Purpose Trust	-	-	-	680,196
Transfers, net	69,275	69,275	(260,001)	19,363
Proceeds from Debt Restructuring	-	-	-	-
Total Governmental Activities	<u>14,298,204</u>	<u>14,343,280</u>	<u>15,077,705</u>	<u>15,541,696</u>
Business-Type Activities:				
Investment Income	6,352	9,150	33	4,804
Transfers, net	(69,275)	(69,275)	260,001	(19,363)
Total Business-Type Activities	<u>(62,923)</u>	<u>(60,125)</u>	<u>260,034</u>	<u>(14,559)</u>
Total Primary Government General Revenues and Other	<u>\$ 14,235,281</u>	<u>\$ 14,283,155</u>	<u>\$ 15,337,739</u>	<u>\$ 15,527,137</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ (726,770)	\$ (3,643,920)	\$ (560,130)	\$ (948,329)
Business-Type Activities	18,651	19,671	307,432	(7,867)
Total Primary Government Change in Net Position	<u>\$ (708,119)</u>	<u>\$ (3,624,249)</u>	<u>\$ (252,698)</u>	<u>\$ (956,196)</u>

Source: Middletown Township Financial Statements

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

						Fiscal Year					
2009		2008		2007		2006		2005		2004	
\$	1,895,527	\$	2,477,349	\$	2,436,600	\$	2,742,439	\$	2,335,557	\$	2,127,835
	12,190,862		10,354,328		10,531,545		10,128,030		9,377,597		8,702,906
	6,615,980		5,733,310		5,804,239		5,629,525		5,414,221		5,157,621
	1,402,496		1,231,572		1,439,713		1,450,437		1,204,899		1,123,684
	695,397		763,240		742,180		889,862		859,733		657,217
	-		-		-		-		-		159,960
	1,365,635		1,048,713		1,037,432		972,446		857,813		1,544,589
	1,433,205		1,439,857		1,396,024		1,286,762		990,810		859,949
	<u>25,599,102</u>		<u>23,048,369</u>		<u>23,387,733</u>		<u>23,099,501</u>		<u>21,040,630</u>		<u>20,333,761</u>
	-		-		-		-		-		156,484
	155,435		179,165		182,254		188,371		182,630		-
	11,853		29,815		20,007		20,046		22,375		-
	<u>167,288</u>		<u>208,980</u>		<u>202,261</u>		<u>208,417</u>		<u>205,005</u>		<u>156,484</u>
	<u>\$ 25,766,390</u>		<u>\$ 23,257,349</u>		<u>\$ 23,589,994</u>		<u>\$ 23,307,918</u>		<u>\$ 21,245,635</u>		<u>\$ 20,490,245</u>
\$	1,003,736	\$	1,945,023	\$	1,730,396	\$	5,512,149	\$	5,216,448	\$	4,259,419
	1,403,982		916,340		707,009		1,013,401		883,905		787,282
	4,483,431		3,861,084		3,726,137		6,659		32,559		11,066
	242,338		229,942		230,336		199,872		178,112		160,163
	2,054,509		2,218,492		2,172,304		2,454,442		3,661,481		2,284,066
	-		-		-		-		-		-
	<u>9,187,996</u>		<u>9,170,881</u>		<u>8,566,182</u>		<u>9,186,523</u>		<u>9,972,505</u>		<u>7,501,996</u>
	-		-		-		-		-		334,823
	147,000		154,049		236,265		248,622		225,565		-
	35,000		35,000		35,000		35,000		35,000		-
	-		-		-		-		-		(21,942)
	<u>182,000</u>		<u>189,049</u>		<u>271,265</u>		<u>283,622</u>		<u>260,565</u>		<u>312,881</u>
	<u>\$ 9,369,996</u>		<u>\$ 9,359,930</u>		<u>\$ 8,837,447</u>		<u>\$ 9,470,145</u>		<u>\$ 10,233,070</u>		<u>\$ 7,814,877</u>
\$	(16,411,106)	\$	(13,877,488)	\$	(14,821,551)	\$	(13,912,978)	\$	(11,068,125)	\$	(12,831,765)
	14,713		(19,931)		69,004		75,205		55,560		156,397
	<u>\$ (16,396,393)</u>		<u>\$ (13,897,419)</u>		<u>\$ (14,752,547)</u>		<u>\$ (13,837,773)</u>		<u>\$ (11,012,565)</u>		<u>\$ (12,675,368)</u>
\$	8,602,678	\$	7,892,013	\$	7,095,159	\$	5,882,089	\$	5,013,201	\$	4,880,056
	4,001,130		4,713,317		5,082,209		5,109,646		3,914,290		3,581,803
	488,609		2,419,102		2,626,401		2,870,316		1,611,271		980,798
	11,989		-		-		-		-		-
	85,688		29,439		1,848,864		318,381		(329,725)		(526,975)
	613,127		-		-		-		-		-
	123,576		44,275		31,435		29,382		276,983		439,900
	-		-		-		-		-		530,998
	<u>13,926,797</u>		<u>15,098,146</u>		<u>16,684,068</u>		<u>14,209,814</u>		<u>10,486,020</u>		<u>9,886,580</u>
	9,369		4,533		9,271		7,313		9,120		-
	(19,363)		(44,275)		(31,435)		(29,382)		(276,983)		(583,488)
	<u>(9,994)</u>		<u>(39,742)</u>		<u>(22,164)</u>		<u>(22,069)</u>		<u>(267,863)</u>		<u>(583,488)</u>
	<u>\$ 13,916,803</u>		<u>\$ 15,058,404</u>		<u>\$ 16,661,904</u>		<u>\$ 14,187,745</u>		<u>\$ 10,218,157</u>		<u>\$ 9,303,092</u>
\$	(2,484,309)	\$	1,220,658	\$	1,862,517	\$	296,836	\$	(582,105)	\$	(2,945,185)
	4,719		(59,673)		46,840		53,136		(212,303)		(427,091)
	<u>\$ (2,479,590)</u>		<u>\$ 1,160,985</u>		<u>\$ 1,909,357</u>		<u>\$ 349,972</u>		<u>\$ (794,408)</u>		<u>\$ (3,372,276)</u>



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

	Fiscal Year			
	2013 (A)	2012 (A)	2011 (A)	2010
<b>General Fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, undesignated	-	-	-	2,065,794
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	2,081,418	2,803,476	2,736,024	-
<b>Total General Fund</b>	<u>\$ 2,081,418</u>	<u>\$ 2,803,476</u>	<u>\$ 2,736,024</u>	<u>\$ 2,065,794</u>
<b>All Other Governmental Funds</b>				
Reserved	\$ -	\$ -	\$ -	\$ 1,912,720
Unreserved, designated for, reported in:				
Special Revenue Funds	-	-	-	1,393,632
Capital Project Funds	-	-	-	46,612,927
Non-spendable	\$ 270,974	\$ 335,147	\$ 402,777	-
Restricted	1,564,188	1,327,400	1,920,553	-
Committed	39,275,872	40,369,420	40,441,705	-
Assigned	1,513,937	2,032,396	3,757,367	-
Unassigned	-	-	-	-
<b>Total all Other Governmental Funds</b>	<u>\$ 42,624,971</u>	<u>\$ 44,064,363</u>	<u>\$ 46,522,402</u>	<u>\$ 49,919,279</u>
<b>Total Governmental Funds</b>	<u>\$ 44,706,389</u>	<u>\$ 46,867,839</u>	<u>\$ 49,258,426</u>	<u>\$ 51,985,073</u>

Source: Middletown Township Financial Statements

(A) (A) New Fund Balance Classifications per GASB 54

Fiscal Year					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
768,709	1,621,983	1,886,762	2,133,463	1,739,957	1,401,762
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 768,709</u>	<u>\$ 1,621,983</u>	<u>\$ 1,886,762</u>	<u>\$ 2,133,463</u>	<u>\$ 1,739,957</u>	<u>\$ 1,401,762</u>
\$ 2,040,292	\$ 7,679,482	\$ 2,254,030	\$ 2,383,381	\$ 2,417,204	\$ 2,192,914
1,433,418	1,057,201	1,057,203	1,269,890	1,012,340	1,043,992
50,165,700	51,745,306	51,204,947	51,182,443	45,600,846	48,182,642
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 53,639,410</u>	<u>\$ 60,481,989</u>	<u>\$ 54,516,180</u>	<u>\$ 54,835,714</u>	<u>\$ 49,030,390</u>	<u>\$ 51,419,548</u>
<u>\$ 54,408,119</u>	<u>\$ 62,103,972</u>	<u>\$ 56,402,942</u>	<u>\$ 56,969,177</u>	<u>\$ 50,770,347</u>	<u>\$ 52,821,310</u>

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

	Fiscal Year			
	2013	2012	2011	2010
<b>Revenues</b>				
Taxes	\$ 13,924,356	\$ 13,770,774	\$ 13,714,591	\$ 13,701,196
Licenses and Permits	1,344,030	1,227,716	1,273,039	1,076,871
Fines and Forfeits	175,359	169,122	187,463	227,958
Interest and Rents	902,852	939,391	901,375	764,214
Intergovernmental Revenues	3,503,743	2,281,729	3,503,725	2,369,267
Charges for Services	6,827,850	6,295,008	6,227,130	6,093,799
Special Assessment	818	-	-	1,456
Contribution Private Source	576,698	74,867	175,903	145,253
Gain/(Loss) on Investments	(798,461)	(503,585)	566,611	404,483
Miscellaneous Revenues	98,060	20,804	88,549	3,658
<b>Total Revenues</b>	<u>26,555,305</u>	<u>24,275,826</u>	<u>26,638,386</u>	<u>24,788,155</u>
<b>Expenditures</b>				
General Government	1,948,999	1,789,113	1,890,916	1,770,342
Public Safety	13,278,438	11,892,467	13,316,076	11,095,416
Public Works	6,870,433	6,704,136	6,996,957	6,403,942
Parks and Recreation	1,334,010	1,356,337	1,267,795	1,614,937
Miscellaneous Expenditures	533,375	537,043	506,105	672,637
Capital Outlay/Development	2,094,767	1,664,283	1,846,092	2,226,965
Debt Service				
Principal	2,060,000	1,940,000	2,271,627	2,004,214
Interest	685,612	852,309	1,035,927	1,090,249
Other Charges	-	153,063	71,522	25,706
<b>Total Expenditures</b>	<u>28,805,634</u>	<u>26,888,751</u>	<u>29,203,017</u>	<u>26,904,408</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,250,329)</u>	<u>(2,612,925)</u>	<u>(2,564,631)</u>	<u>(2,116,253)</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of Refunding Bonds	-	8,925,000	8,560,000	5,620,000
Premium on Bond Issuance	-	150,892	-	-
Discount on Bond Issuance	-	-	(34,881)	-
Payment to Refunded Bonds Escrow Agent	-	(8,922,829)	(8,427,134)	(5,557,439)
Proceeds from Debt Restructuring	-	-	-	-
Bond Refinancing Expenses	-	-	-	(62,561)
Sale of Capital Assets	19,604	-	-	3,627
Transfers In	1,522,275	1,538,975	2,401,497	2,949,063
Transfers Out	(1,453,000)	(1,469,700)	(2,661,498)	(3,259,483)
<b>Total Other Financing Sources (Uses)</b>	<u>88,879</u>	<u>222,338</u>	<u>(162,016)</u>	<u>(306,793)</u>
Prior Period Adjustment	-	-	-	-
<b>Net Change in Fund Balances</b>	<u>\$ (2,161,450)</u>	<u>\$ (2,390,587)</u>	<u>\$ (2,726,647)</u>	<u>\$ (2,423,046)</u>
Debt Service as a Percentage of Non Capital Expenditures	10.28%	11.07%	12.09%	12.54%

Source: Middletown Township Financial Statements

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 12,376,900	\$ 12,485,790	\$ 11,939,159	\$ 10,837,542	\$ 9,022,988	\$ 8,537,935
1,104,066	1,232,017	1,226,708	1,065,459	871,321	728,097
206,120	218,243	204,530	191,205	168,544	170,486
1,376,938	2,470,867	2,636,968	2,880,943	1,624,536	1,177,421
1,881,926	2,034,827	1,858,751	2,087,531	2,842,287	1,899,740
5,802,550	5,558,483	5,178,180	5,324,263	4,828,022	3,908,282
610	1,995	13,300	246,766	420,033	402,059
144,678	181,665	311,553	365,661	797,259	372,764
(890,769)	2,419,102	1,791,035	257,858	(378,688)	(549,030)
103,680	13,208	21,829	36,731	64,431	16,408
<u>22,106,699</u>	<u>26,616,197</u>	<u>25,182,013</u>	<u>23,293,959</u>	<u>20,260,733</u>	<u>16,664,162</u>
1,643,678	2,477,349	2,222,705	5,754,868	2,637,074	2,691,037
11,147,885	10,333,884	10,185,597	9,964,353	9,289,930	8,735,349
6,296,113	5,733,310	5,584,836	5,359,786	5,502,477	6,033,382
1,241,482	1,231,572	1,308,995	2,291,955	2,472,278	1,244,146
695,397	763,240	742,180	889,862	877,513	657,217
6,081,833	7,318,891	3,122,175	682,097	358,058	398,832
1,632,251	1,684,566	1,691,971	1,308,620	1,036,238	1,023,551
1,223,019	1,067,171	981,799	786,680	580,476	705,203
21,829	25,602	36,920	21,790	-	-
<u>29,983,487</u>	<u>30,635,585</u>	<u>25,877,178</u>	<u>27,060,011</u>	<u>22,754,044</u>	<u>21,488,717</u>
<u>(7,876,788)</u>	<u>(4,019,388)</u>	<u>(695,165)</u>	<u>(3,766,052)</u>	<u>(2,493,311)</u>	<u>(4,824,555)</u>
7,830,000	10,000,000	-	10,000,000	8,325,000	10,000,000
78,123	-	-	-	34,926	-
-	-	-	(64,500)	-	(26,914)
(7,750,000)	-	-	-	(8,214,931)	(9,798,100)
-	-	-	-	-	530,998
(119,953)	-	-	-	-	-
19,189	-	5,000	-	-	-
2,063,276	1,945,176	1,864,739	2,672,270	3,047,336	2,949,553
(1,939,700)	(2,224,758)	(1,818,948)	(2,642,888)	(2,986,410)	(2,509,653)
<u>180,935</u>	<u>9,720,418</u>	<u>50,791</u>	<u>9,964,882</u>	<u>205,921</u>	<u>1,145,884</u>
-	-	-	-	236,427	-
<u>\$ (7,695,853)</u>	<u>\$ 5,701,030</u>	<u>\$ (644,374)</u>	<u>\$ 6,198,830</u>	<u>\$ (2,050,963)</u>	<u>\$ (3,678,671)</u>
11.95%	11.87%	11.92%	10.21%	8.19%	8.87%

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

<u>Year</u>	<u>Property Taxes</u>	<u>Amusement Tax</u>	<u>Local Services Tax</u>	<u>Mercantile Tax</u>	<u>Real Estate Transfer Tax</u>
2013	\$ 9,226,996	\$ 1,265,984	\$ 1,038,831	\$ 1,032,229	\$ 960,778
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

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Source: Middletown Township Financial Statements

<u>Parking Tax</u>	<u>Per Capita Taxes</u>	<u>Mechanical Device Tax</u>	<u>Total</u>
\$ 214,177	\$ 146,035	\$ 39,326	\$ 13,924,356
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
-	-	-	-

**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>
2013	\$ 613,224,920	\$ 85,640,790	\$ 527,584,130	\$ 6,746,148,735	9.09%	17.57
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

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, PA				
	Operating Millage	Debt Service Millage	Total Township Millage	Operating Millage	Debt Service Millage	Total County Millage	Total Millage	
2013	12.125	5.445	17.57	18.79630	4.40370	23.20000	152.00	192.77000
2012	12.125	5.445	17.57	18.79630	4.40370	23.20000	152.00	192.77000
2011	12.270	5.300	17.57	17.58870	4.35341	21.94211	152.00	191.51211
2010	11.570	6.000	17.57	17.58870	4.35341	21.94211	152.00	191.51211
2009	11.460	4.380	15.84	17.58870	4.35341	21.94211	152.00	189.78211
2008	11.460	3.380	14.84	17.58870	4.35341	21.94211	148.60	185.38211
2007	9.730	3.610	13.34	17.10766	4.83445	21.94211	148.60	183.88211
2006	8.670	2.610	11.28	17.10766	4.83445	21.94211	137.40	170.62211
2005 (1)	7.530	2.250	9.78	15.90960	4.57790	20.48750	133.90	164.16750
2004	29.280	7.890	37.17	60.09500	14.40500	74.50000	500.60	612.27000

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, 2013			December 31, 2004		
		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	\$ 19,574,660	1	3.71%	\$ 6,648,620	1	5.12%
Home Properties	Real Estate Investment	4,932,530	2	0.93%	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	3,631,820	5	0.69%	893,130	4	0.69%
Saint Mary Hospital	Healthcare	3,232,800	6	0.61%	-	-	-
Attleboro Associates	Retirement & Assisted Living	2,842,720	7	0.54%	715,290	6	0.55%
TLC Reedman L P	Auto Dealership	2,831,800	8	0.54%	684,470	8	0.53%
Bucks Co BP Investors LLC	Real Estate Investment	2,490,680	9	0.47%	-	-	-
Guttman & Reider	Real Estate Investment	2,331,110	10	0.44%	577,520	9	0.44%
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%

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 \$527,584,130

(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

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
2013	\$ 9,269,654	\$ 9,125,700	98.45%	\$ -	9,125,700	98.45%
2012	9,303,787	9,158,419	98.44%	66,674	9,225,093	99.15%
2011	9,297,511	9,125,921	98.15%	160,781	9,286,702	99.88%
2010	9,298,317	9,157,257	98.48%	138,082	9,295,339	99.97%
2009	8,398,728	8,259,727	98.34%	137,142	8,396,869	99.98%
2008	7,856,901	7,682,316	97.78%	172,327	7,854,643	99.97%
2007	7,102,588	7,014,530	98.76%	87,894	7,102,424	100.00%
2006	5,962,587	5,752,009	96.47%	210,696	5,962,705	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%

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			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt Limit	\$ 61,322,492	\$ 61,765,324	\$ 61,709,397	\$ 61,439,591
Total Net Debt Applicable to Limit	24,008,367	26,195,077	28,008,228	29,526,031
Legal Debt Margin	<u>\$ 37,314,125</u>	<u>\$ 35,570,247</u>	<u>\$ 33,701,169</u>	<u>\$ 31,913,560</u>
 Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	 39.15%	 42.41%	 45.39%	 48.06%

**Legal Debt Margin Calculation for Fiscal Year 2013**

Assessed value	\$ 527,584,130
Add back: exempt real property	85,640,790
Total assessed value	<u>\$ 613,224,920</u>
 Debt limit (10% of total assessed value)	 \$ 61,322,492
Debt applicable to limit:	
General obligation bonds	24,260,000
Less: Amount set aside for repayment of general obligation debt	 (251,633)
Total net debt applicable to limit	<u>24,008,367</u>
Legal debt margin	<u>\$ 37,314,125</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					
2009	2008	2007	2006	2005	2004
\$ 61,505,359	\$ 61,523,713	\$ 61,069,298	\$ 60,702,488	\$ 60,391,336	\$ 59,638,232
31,396,921	33,161,341	24,613,190	26,156,085	17,649,913	18,194,913
<u>\$ 30,108,438</u>	<u>\$ 28,362,372</u>	<u>\$ 36,456,108</u>	<u>\$ 34,546,403</u>	<u>\$ 42,741,423</u>	<u>\$ 41,443,319</u>
51.05%	53.90%	40.30%	43.09%	29.23%	30.51%

**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			
2013	\$ 24,447,431	\$ -	\$ 220,875	\$ 24,668,306	1.53%	\$ 539
2012	26,529,949	-	288,154	26,818,103	1.66%	586
2011	28,129,935	-	351,525	28,481,460	1.83%	626
2010	29,968,127	298,761	411,215	30,678,103	1.92%	654
2009	31,451,197	322,979	467,436	32,241,612	2.77%	698
2008	32,851,376	350,226	520,390	33,721,992	2.90%	730
2007	24,635,002	399,795	570,268	25,605,065	2.18%	549
2006	26,189,022	506,759	617,249	27,313,030	2.31%	583
2005	17,489,904	610,504	661,500	18,761,908	1.63%	410
2004	18,115,566	711,718	703,181	19,530,465	1.64%	414

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 (1)	Less Amounts Available in Debt Service Fund (2)	Net General Bonded Debt	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
2013	\$ 24,668,306	\$ 251,633	\$ 24,416,673	0.36%	\$ 528
2012	26,818,103	124,923	26,693,180	0.39%	577
2011	28,481,460	81,772	28,399,688	0.41%	616
2010	30,678,103	403,969	30,274,134	0.44%	630
2009	32,241,612	423,079	31,818,533	0.53%	672
2008	33,721,992	183,659	33,538,333	0.52%	708
2007	25,605,065	366,810	25,238,255	0.44%	521
2006	27,313,030	416,765	26,896,265	0.44%	551
2005	18,761,908	403,915	18,357,993	0.26%	380
2004	19,530,465	115,087	19,415,378	0.34%	382

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

(1) This is the General bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums

(2) This is the amount restricted for debt service principal payments.

(3) See Schedule 5 for estimated actual values of real property.

(4) See Schedule 13 for population data.

TOWNSHIP OF MIDDLETOWN  
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
 DECEMBER 31, 2013

<u>Government Unit</u>	<u>Gross Outstanding Debt</u>	<u>Percentage Applicable to Middletown Township</u>	<u>Amount Applicable to Middletown Township</u>
Neshaminy School District (2)	\$ 99,103,191	67.51%	\$ 66,904,564
Bucks County (3)	316,460,000	6.55%	(4) <u>20,728,130</u>
Sub-Total, Overlapping Debt			87,632,694
Township of Middletown (1)	<u>24,668,306</u>	100.00%	<u>24,668,306</u>
Total	<u><u>\$ 440,231,497</u></u>		<u><u>\$ 112,301,000</u></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, 2013 based on ratio of Middletown Township's assessed valuation (see Schedule 5) to Bucks County's 2013 assessed valuation of \$8,053,767,440 (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 (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (4)</u>
2013	45,436	\$ 1,600,074	\$ 35,216	42.6	8,356	5.60%
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%

Sources:

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

(2) Neshaminy School District

(3) 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, 2013			December 31, 2004		
		Employees	Rank	Percentage of Total Township Employment (2)	Employees	Rank	Percentage of Total Township Employment (3)
St Mary Medical Center	Healthcare	2,731	1	11.06%			
Woods Services	Education	1,602	2	6.49%			
Seaworld Parks & Entertmnt	Entertainment/Theme Park	1,269	3	5.14%	1,726	3	6.77%
Neshaminy School District	Education	1,129	4	4.57%	1,853	2	7.27%
Pennswood Village Inc.	Retirement Community	408	5	1.65%	459	7	1.80%
Macy's Retail Holding Inc.	Retail	345	6	1.40%	698	5	2.74%
T M Automotive Inc.	Automotive Services	300	7	1.21%			
Sykes Enterprises Inc	Communication Services	294	8	1.19%			
GHC Payroll LLC	Financial Services	289	9	1.17%			
Reedman-Toll Autoworld	Retail/Automotive	289	10	1.17%			
ICT Group, Inc.	Communication Services				808	4	3.17%
Lenox	Retail				603	6	2.36%
Target Corp	Retail				453	8	1.78%
McCafferty Ford	Retail/Automotive				401	9	1.57%
JC Penney Corp, Inc.	Retail				365	10	1.43%
Total		<u>8,656</u>		<u>35.04%</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 24,700 (2013) and 25,500 (2004)

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
Administration	3.0	3.0	2.0	2.0	2.0	2.0	3.0	3.0	4.5	4.5
Finance	5.0	5.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Personnel	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0
Police										
Police Officers	51.0	48.0	50.0	52.0	52.0	53.0	53.0	52.0	53.0	54.0
Police Civilians (1)	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	17.5
Public Works										
Administration	3.0	2.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	2.5
Maintenance/Labor	11.0	11.0	11.0	13.0	13.0	13.0	13.0	12.0	11.0	15.0
Summer/Seasonal	4.0	4.0	4.0	6.0	6.0	4.0	4.0	4.0	4.0	3.0
Community Services										
Administration	1.0	1.0	1.0	1.0	1.0	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	1.0		
Custodial/Labor (2)	-	-	0.5	0.5	0.5	2.0	2.0	2.0	2.0	2.0
Emergency Services										
Officers/Inspectors	4.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	2.5	3.5
Administration	1.0	1.0	1.0	1.0	1.0	1.5	1.5	1.5	1.0	1.5
Parks & Recreation										
Administration	4.0	3.0	3.0	3.0	4.0	4.0	3.5	3.5	3.0	2.5
Equipment Operation/Labor	4.0	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	22.0	21.5	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	5.5	7.0
Licenses & Inspections	7.0	6.5	5.0	5.5	5.5	5.5	5.5	5.5	7.0	9.0
Totals	<u>146.0</u>	<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>

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**

<u>Function/Program</u>	Fiscal Year			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>General Government (1)</b>				
Building Inspections Conducted	2,678	2,666	2,519	2,672
Plumbing Inspections Conducted	595	539	476	484
Building Permits Issued	880	786	759	853
Plumbing Permits Issued	310	226	218	233
Electrical Permits Issued	370	281	300	324
Residential Value of Construction/Issued Permits	12,303,222	8,120,371	8,581,482	12,819,482
Commercial Value of Construction/Issued Permits	53,381,440	18,057,473	53,376,259	31,916,655
<b>Police (2)</b>				
Criminal Arrests	535	760	895	776
Traffic Citations	1,015	1,265	3,024	2,632
Accident Reports	1,789	1,763	2,003	1,856
Parking Violations	71	72	381	95
Animal Control Cases Investigated	507	501	622	626
Animal Control Warnings Issued	25	20	20	37
Animal Control Prosecutions Instituted	13	18	29	30
<b>Parks &amp; Recreation (3)</b>				
Recreation Program Participants	15,822	11,050	7,641	8,751
Program Sessions Offered	378	376	404	392
<b>Public Works (4)</b>				
Roads Resurfaced (linear feet) by DPW	5,270	-	-	-
Number of Trees Removed/Trimmed	297	230	112	131
Number of Signs Repaired/Installed	95	96	94	99
Number of Drainage/Storm Drains Unclogged	56	145	120	22
Number of Repaired Potholes	647	607	438	570
Number of Repaired Sinkholes	84	64	67	38
<b>Emergency Services (5)</b>				
Total Estimated Emergency Fire Calls	1,000	1,081	1,142	1,850
Residential Fires	10	14	30	17
Business/Industrial Fires	2	3	2	3
Fire Investigations Conducted	193	207	29	214
Hazardous Materials/Petroleum Spill Calls	46	64	40	54
Mechanical Inspections Conducted	242	247	235	197
Fire Safety Inspections Conducted	1,604	1,634	1,612	1,570

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					
2009	2008	2007	2006	2005	2004
2,818	2,922	2,850	3,121	2,988	3,281
668	700	494	679	969	1,078
795	924	793	987	941	2,034
235	286	250	257	344	364
260	364	354	433	452	568
10,655,114	23,051,941	11,160,481	16,568,803	12,722,066	16,279,216
7,902,476	29,882,882	43,828,263	151,193,962	58,218,296	13,099,612
1,538	1,857	1,900	1,644	1,457	1,445
2,377	4,168	4,806	4,597	3,621	4,033
2,075	1,971	2,055	2,009	2,109	2,046
122	115	121	156	221	197
446	631	721	764	803	368
27	34	42	53	46	45
25	10	27	33	64	40
7,650	8,427	7,319	7,800	7,376	5,500
394	356	357	311	296	183
1,468	-	5,755	134	5,037	10,582
88	81	98	137	85	63
163	167	306	224	175	112
90	80	110	105	75	77
644	265	391	375	380	388
35	64	98	55	75	68
1,902	992	997	1,178	1,093	1,815
11	39	46	50	35	37
2	1	12	31	22	21
309	275	291	40	35	236
7	97	93	17	17	13
164	181	386	478	451	652
1,508	1,412	1,322	1,525	1,159	1,000

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

<u>Function/Program</u>	Fiscal Year			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</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	46	45	50	50
Trained Canines	4	4	2	3
Parks & Recreation (3)				
Number of Recreation Facilities	19.0	19.0	19.0	19.0
Acreage of Park Land	142.0	142.0	141.5	141.5
Acreage of Greenbelts/Open Space	529.0	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	2
Salt Storage Buildings	1	1	1	1
Emergency Services (5)				
Fire Stations	6	6	6	8
Vehicle Units	31	32	32	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					
2009	2008	2007	2006	2005	2004
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	50	48
4	4	4	4	4	4
19.0	18.0	18.0	18.0	18.0	18.0
141.5	136.5	136.5	136.5	136.5	136.5
518.0	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	24	23	23	23	23
7	7	7	7	7	6
1	1	1	1	1	1
1	1	1	1	1	1
8	7	7	7	5	5
28	25	25	25	25	24