

TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2014

**TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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, 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i
Organizational Chart	ii
List of Elected and Appointed Officials	iii
Map of Bucks County, Pennsylvania.....	iv
Certificate of Achievement for Excellence in Financial Reporting.....	v

FINANCIAL SECTION

Independent Auditors' Report.....	3-4
Management's Discussion and Analysis	5-20

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	22-23
Statement of Activities.....	24-25

Fund Financial Statements:

Balance Sheet - Governmental Funds.....	26-27
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position	28
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	29-30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	32
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - State Highway Aid Fund	33
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Investment Fund	34
Statement of Net Position - Proprietary Funds	35
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	36
Statement of Cash Flows - Proprietary Funds	37
Statement of Fiduciary Net Position - Fiduciary Funds.....	38
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	39

Notes to Financial Statements	40-81
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Required Supplementary Information:

Schedule of Funding Progress - Police Pension Plan	83
Schedule of Changes in the Net Pension Liability and Related Ratios – Police Pension Plan.....	84
Schedule of Contributions – Police Pension Plan.....	85-86
Schedule of Funding Progress - Non Uniform Pension Plan.....	87
Schedule of Changes in the Net Pension Liability and Related Ratios – Non Uniform Pension Plan.....	88
Schedule of Contributions – Non Uniform Pension Plan	89-90
Schedule of Investment Returns	91
Schedule of Funding Progress - Other Post Employment Benefits	92
Notes to Supplementary Schedules.....	93

Combining and Individual Fund Statements and Schedules:

Major Governmental Funds	95
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Obligation Bond Issue of 2014 Fund	96
Budget and Actual - Debt Service Fund	97
Non-Major Governmental Funds.....	98-99
Combining Balance Sheet - Nonmajor Governmental Funds	100-101
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	102-103
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Street Lighting Fund	104
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Fire Protection Fund	105
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Park and Recreation Fund.....	106
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Ambulance and Rescue Fund	107
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Road Machinery Fund	108
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Fire Hydrant Fund	109
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Police Forfeiture Fund	110
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Community Development.....	111
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Reserve Fund.....	112
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Curb/Road Revolving Fund.....	113
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Contingency Fund.....	114

Proprietary Funds.....	115
Schedule of Revenues, Expenses, and Changes in Net Position -	
Budget and Actual - Country Club Fund	116
Schedule of Revenues, Expenses, and Changes in Net Position -	
Budget and Actual - Farm Fund	117
Fiduciary Funds.....	118
Combining Statement of Net Position - Fiduciary Funds	119
Combining Statement of Revenues, Expenses and Changes in Fund Net	
Position - Fiduciary Funds	120
Statement of Changes in Assets and Liabilities - Township Escrow Funds.....	121

STATISTICAL SECTION

Statistical Section Contents	123
Net Position by Component.....	124-125
Changes in Net Position.....	126-127
Fund Balances of Governmental Funds.....	128-129
Changes in Fund Balances of Governmental Funds.....	130-131
Tax Revenues by Source, Governmental Funds.....	132-133
Assessed and Estimated Actual Value of Taxable Property.....	134
Property Tax Rates - Direct and Overlapping Governments.....	135
Property Taxpayers.....	136
Property Tax Levies and Collections.....	137
Legal Debt Margin Information	138-139
Ratios of Outstanding Debt by Type.....	140
Ratios of Net General Bonded Debt Outstanding.....	141
Computation of Direct and Overlapping Bonded Debt.....	142
Demographic and Economic Statistics.....	143
Principal Employers	144
Full-Time Equivalent Municipal Employees by Function/Program.....	145
Operating Indicators by Function/Program.....	146-147
Capital Asset Statistics by Function/Program.....	148-149

INTRODUCTORY SECTION



Township of Middletown

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Stephanie Teoli Kuhls, Township Manager

Board of Supervisors

Pat Mallon, Chairperson
H. George Leonhauser, Vice Chairperson
Drew Kreiling, Secretary
Thomas Gallagher
William Oettinger

June 12, 2015

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, 2014 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, December 2011, and December 2014. This accreditation, which is renewed every three years, requires the Department to meet one hundred thirty-one (131) professional standards. Out of approximately 1,100 departments in Pennsylvania, Middletown was the 61st to achieve accreditation. Only about 90 of the 1,100 police departments in Pennsylvania have achieved this

accreditation. Currently the Police Department has fifty-one (51) police officers, along with six (6) full time and nineteen (19) part time non-sworn personnel (Crossing Guards). The Police Department is divided into two divisions—Patrol and Criminal Investigation. The Department has several special units which include K-9 Unit, Accident Investigation Unit, Range Officer, and Evidence/Court Coordinator.

The Neshaminy School District administrative offices are located within Middletown Township. The Neshaminy High School, three middle schools, and eight elementary schools educate over 8,400 students. Geographically, Neshaminy covers 27.6 sq. miles and includes the boroughs of Hulmeville, Langhorne, Langhorne Manor and Penndel, and the townships of Lower Southampton and Middletown, serving approximately 70,000 residents. 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 2014, 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 2014 reflects a mixture of new construction and renovations, both commercial and residential. St. Mary's Medical Center completed renovations to the 3rd floor of the MG Building, the main lobby, and the labor and delivery room. K. Hovnanian is continuing a 138 unit residential new construction development.

Wells Fargo Bank is constructing a new bank building in the Lowes parking lot. Drivetime is constructing a used car dealership on East Lincoln Highway.

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 1,200 hours in 2014, the cost of which, more than \$139,000, is paid in full by Sesame Place. The Township's agreement with Simon Property Group, Inc. recognizes the importance of the high visibility of a police officer at the Oxford Valley Mall. Simon provides the Township with access to the Mall common areas and security room and contributes financial assistance to the Township in order to facilitate the provision of additional public safety and protection in the Mall and the immediate surrounding area. Reimbursement for the additional officer and overtime details was more than \$170,000 in 2014.

In 2014, the Middletown Police 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 Police 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 \$31,373 in 2014 for its participation in the system.

During 2014, 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 4th of July Parade drew thousands of participants and spectators. Working with the senior citizen center, the department managed the Community Garden, a sustainable garden tended by the seniors to provide fresh vegetables for the seniors and the community. The garden provided the opportunity for special needs students from the local school to work with the senior citizens to plant the garden with seedlings that the students grew in their classroom. 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, known as the Investment 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 \$39.7 million as of December 31, 2014.

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, 2014 is the firm of Bee, Bergvall & Co., Certified Public Accountants. The independent auditor's report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is included in the Financial Section of this report. They have issued an unqualified opinion for the year ended December 31, 2014.

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, 2013. That year was the tenth 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 2014 Comprehensive Annual Financial Report was made possible by the dedicated service of the entire Finance Department. All others who contributed to the preparation of this report, including members of the Administration, Fire Marshal's Office, License and Inspections, Parks and Recreation, the Police Department, and the Department of Public Works have my sincere appreciation for their contributions.

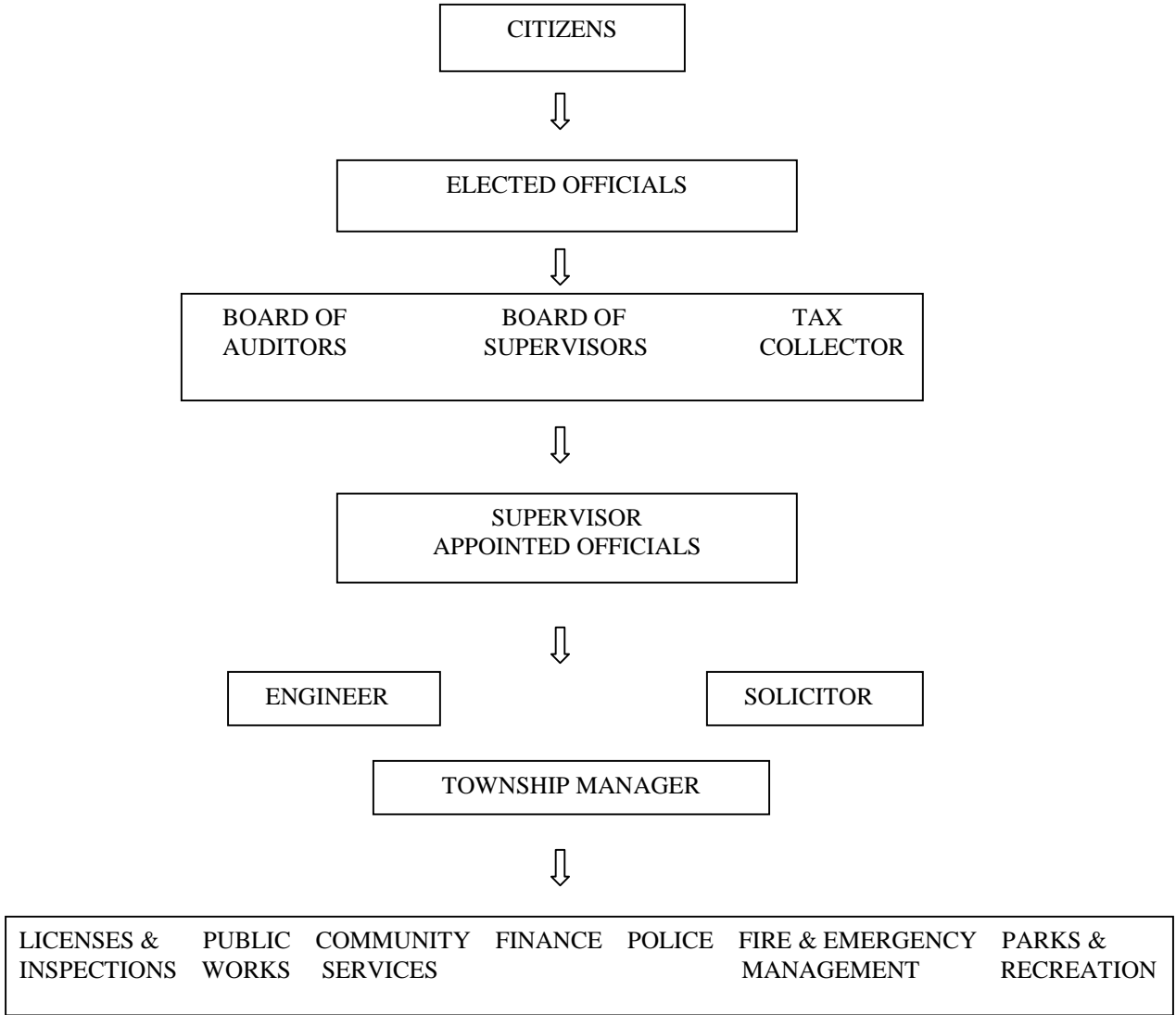
I would also like to thank the Board of Supervisors for their support and continued interest in the financial operations of the Township. Without their support, the preparation of this report would not have been possible.

Respectfully submitted,

Dennis M. Penko
Finance Director
June 12, 2015

TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA
ORGANIZATIONAL CHART

December 31, 2014



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, 2014

2014 BOARD OF SUPERVISORS

Pat Mallon, Chairperson

H. George Leonhauser, Vice Chairperson

Drew Kreiling, Secretary

Thomas Gallagher, Member

William Oettinger, Member

EXECUTIVE OFFICIALS

Stephanie Teoli Kuhls, Township Manager

Joseph Pizzo, Esq., Township Solicitor

Larry Young, P.E., Township Engineer

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

Deborah Lamanna, Director of Parks, Recreation and Community Services

Joseph Bartorilla, Chief of Police

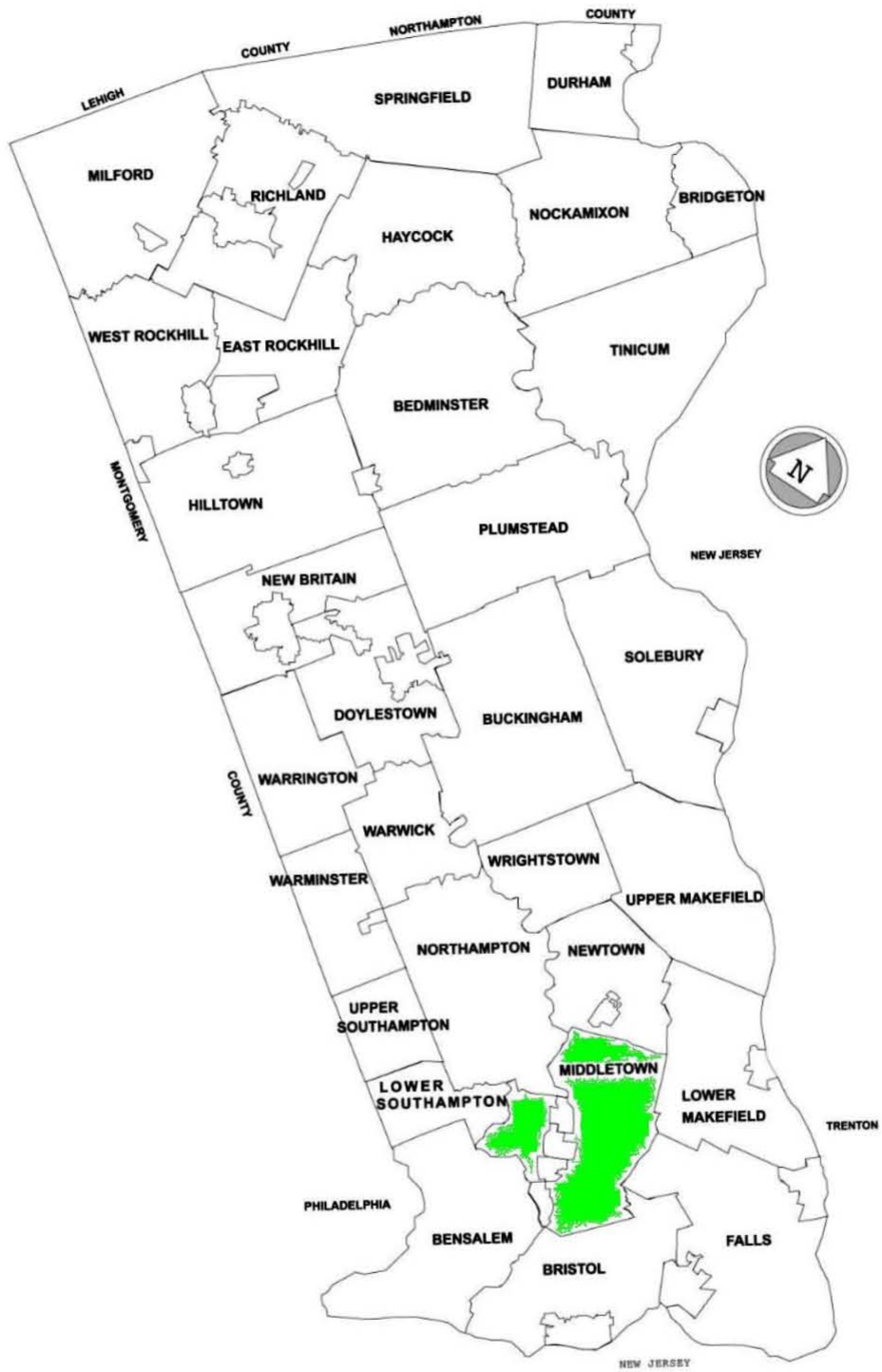
James McGuire, Fire Marshal

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, 2013

Executive Director/CFO

FINANCIAL SECTION



936 Easton Rd., PO Box 754 Warrington, PA 18976 | 163 S. Broad St., Lansdale, PA 19446
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24 Arnett Ave. Suite 111, Lambertville, NJ 08530
215-345-6272 | 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, 2014, 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, 2014 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 20, and the historical trend information on pages 83 through 93 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, 2015

**Middletown Township
Bucks County, Pennsylvania**

**Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Fiscal Year Ended December 31, 2014**

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, 2014. 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.

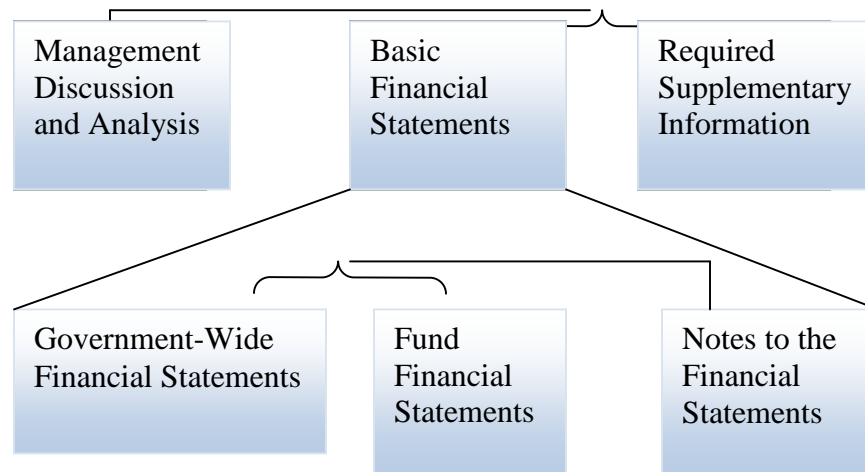
The remaining statements are fund financial statements which focus on the government's major governmental and enterprise funds. Governmental fund financials are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental funds statements 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 22-23 includes all of the government's assets and liabilities, with the difference reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. To assess the overall health of the Township, you need to consider additional non-financial factors, such as changes in the property tax base or the condition of Township infrastructure.

The Statement of Activities on pages 24-25 reports how the Township's Net Position has changed during the current fiscal year. It accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. It also reports depreciation. An important purpose of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues provided by the Township's taxpayers. This is accomplished by displaying expenses net of program revenue, allocating program revenue to the particular expense categories they offset. General revenues, such as taxes, are reported separately.

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

- *Governmental activities* – All of the Township's basic services are included here financed by taxes, fees, contributions and grants.
- *Business type activities* – The Middletown Country Club Fund and the Styer's 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 28 and 31.

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 40 through 81 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 \$67,913,180 and \$64,957,656 at the close of the years ended December 31, 2014 and 2013, respectively.

The following table provides a summary of the Township's Net Position at December 31, 2014 and December 31, 2013:

Table 1
Summary of Net Position
For the Years Ending 12/31/14 and 12/31/13
(Government-Wide)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 53,687,350	\$ 46,548,654	\$ 250,655	\$ 258,934	\$ 53,938,005	\$ 46,807,588
Capital Assets	<u>51,632,657</u>	<u>49,985,333</u>	<u>4,733,876</u>	<u>4,824,070</u>	<u>56,366,533</u>	<u>54,809,403</u>
Total Assets	<u>\$ 105,320,007</u>	<u>\$ 96,533,987</u>	<u>\$ 4,984,531</u>	<u>\$ 5,083,004</u>	<u>\$ 110,304,538</u>	<u>\$ 101,616,991</u>
Deferred Outflows of Resources	<u>\$ 108,531</u>	<u>\$ 77,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,531</u>	<u>\$ 77,212</u>
Current and Other Liabilities	\$ 5,120,754	\$ 3,241,528	\$ 325,395	\$ 381,134	\$ 5,446,149	\$ 3,622,662
Long-Term Liabilities	<u>32,376,698</u>	<u>28,394,109</u>	<u>73,615</u>	<u>149,448</u>	<u>32,450,313</u>	<u>28,543,557</u>
Total Liabilities	<u>\$ 37,497,452</u>	<u>\$ 31,635,637</u>	<u>\$ 399,010</u>	<u>\$ 530,582</u>	<u>\$ 37,896,462</u>	<u>\$ 32,166,219</u>
Deferred Inflows of Resources	<u>\$ 17,906</u>	<u>\$ 17,906</u>	<u>\$ 12,250</u>	<u>\$ -</u>	<u>\$ 30,156</u>	<u>\$ 17,906</u>
Net Position						
Net Investment in Capital Assets	\$ 25,418,215	\$ 27,310,114	\$ 4,584,428	\$ 4,603,195	\$ 30,002,643	\$ 31,913,309
Restricted	5,261,567	1,564,188	-	-	5,261,567	1,564,188
Unrestricted	<u>37,233,398</u>	<u>36,083,354</u>	<u>(11,157)</u>	<u>(50,773)</u>	<u>37,222,241</u>	<u>36,032,581</u>
Total Net Position	<u>\$ 67,913,180</u>	<u>\$ 64,957,656</u>	<u>\$ 4,573,271</u>	<u>\$ 4,552,422</u>	<u>\$ 72,486,451</u>	<u>\$ 69,510,078</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 (\$39.7 million in 2014). Government Activities Current Assets increased by \$7,138,696 during 2014, an improvement over the 2013 decrease of \$2,799,968, a result of signs of an improving economy and the improved cash position created by the impact of the Earned Income Tax and the GOB 2014 Bond Fund Cash Balance. 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. Government Activities Current Liabilities increased by \$1,879,226 during 2014, compared to the 2013 decrease of \$1,085,409, a result of the creation of the GOB 2014 Bond Fund, and it's paving program liabilities at year end, and an increase in the Current Portion of Long Term Debt from the previous year. 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 2010, 2011, 2012, and 2014 bond issues make up \$27,215,000 of the liabilities balance at year end 2014. Debt administration is discussed later in this report and in Note E to the Basic Financial Statements.

The difference between the assets and liabilities is labeled as Net Position. Net Position is broken down as Capital, Restricted and Unrestricted. Net Position Net Investment in Capital Assets is reported net of accumulated depreciation and any outstanding principal owed on related debt. Restricted Net Position is restricted by outside parties: creditors, grantors, contributors, legislation, or other governments. They are restricted for items such as debt service, state highway aid, tax fund legal purpose. The remaining balance is Unrestricted Net Position, and more detail of this can be found in the Government Funds Balance Sheet, page 26-27, where, under fund accounting, it is comprised of committed, assigned and unassigned amounts. The committed and assigned balances are amounts set aside for a specific purpose by the Township. Unassigned amounts are not currently the object of any tentative management plans.

Governmental Activities increased the Township's Net Position by \$2,955,524 during the current fiscal year. This is an improvement over the 2013 decrease in Net Position of \$726,770, for the reasons started above, overall favorable performance against budget, and the GOB 2014 Bond Fund Balance.

Business-type Activities increased the Township's Net Position by \$20,849 during the current fiscal year. These activities are comprised of the Middletown Country Club and the Styer's Farm. This increase is slightly favorable to the 2013 increase in Net Position of \$18,651, a result of decreased debt service expense.

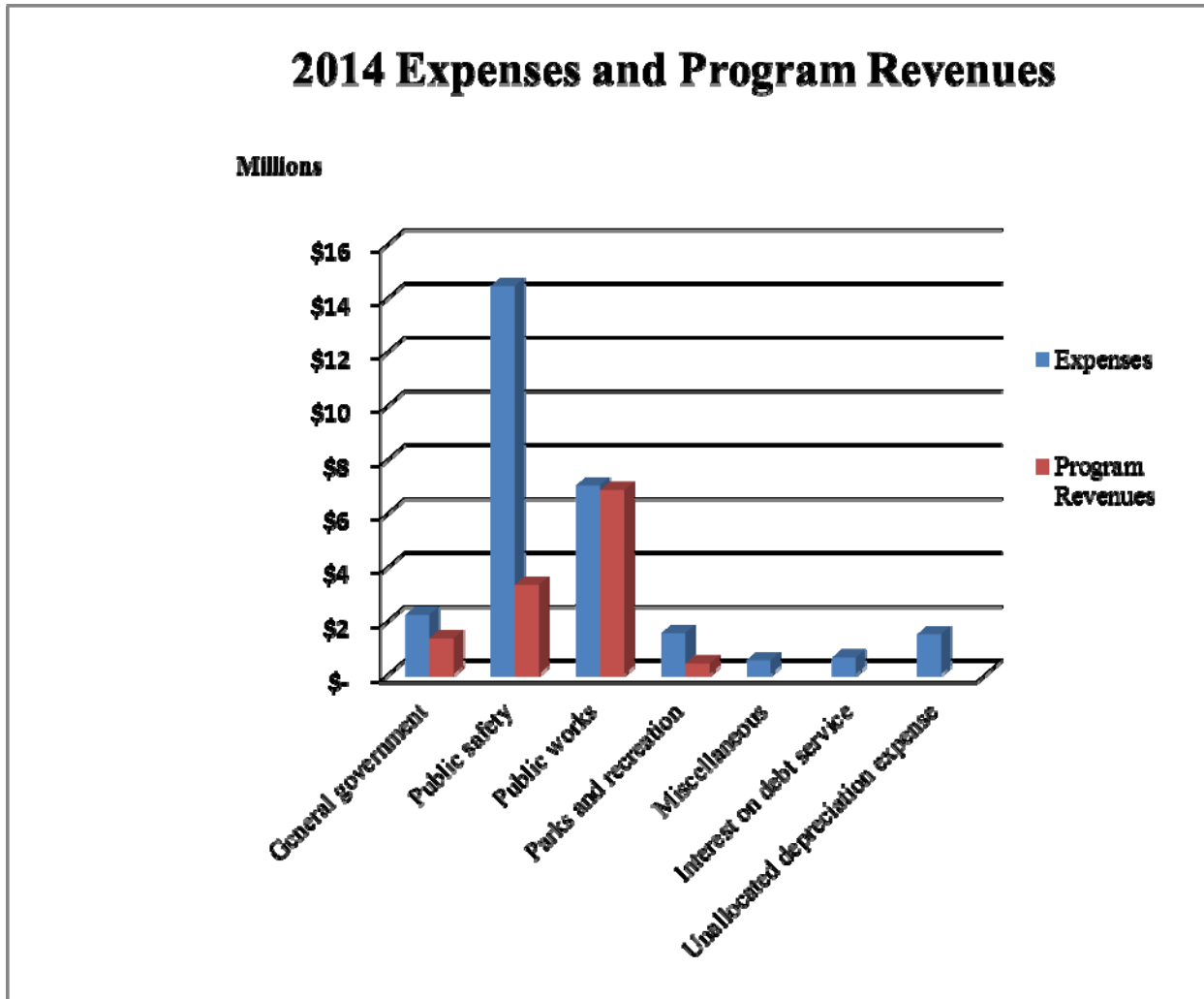
The result of this year's operations as a whole are reported in the Statement of Activities on page 24-25. All expenses are reported in the first column. Specific charges, grants, and contributions that directly relate to specific expense categories are netted against them to determine the final amount of the Township's activities that are supported by other general revenues, primarily Property Taxes, Earned Income 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, 2014 compared to December 31, 2013.

Table 2
Changes in Net Position
For the Years Ending 12/31/14 and 12/31/13
(Government-Wide)

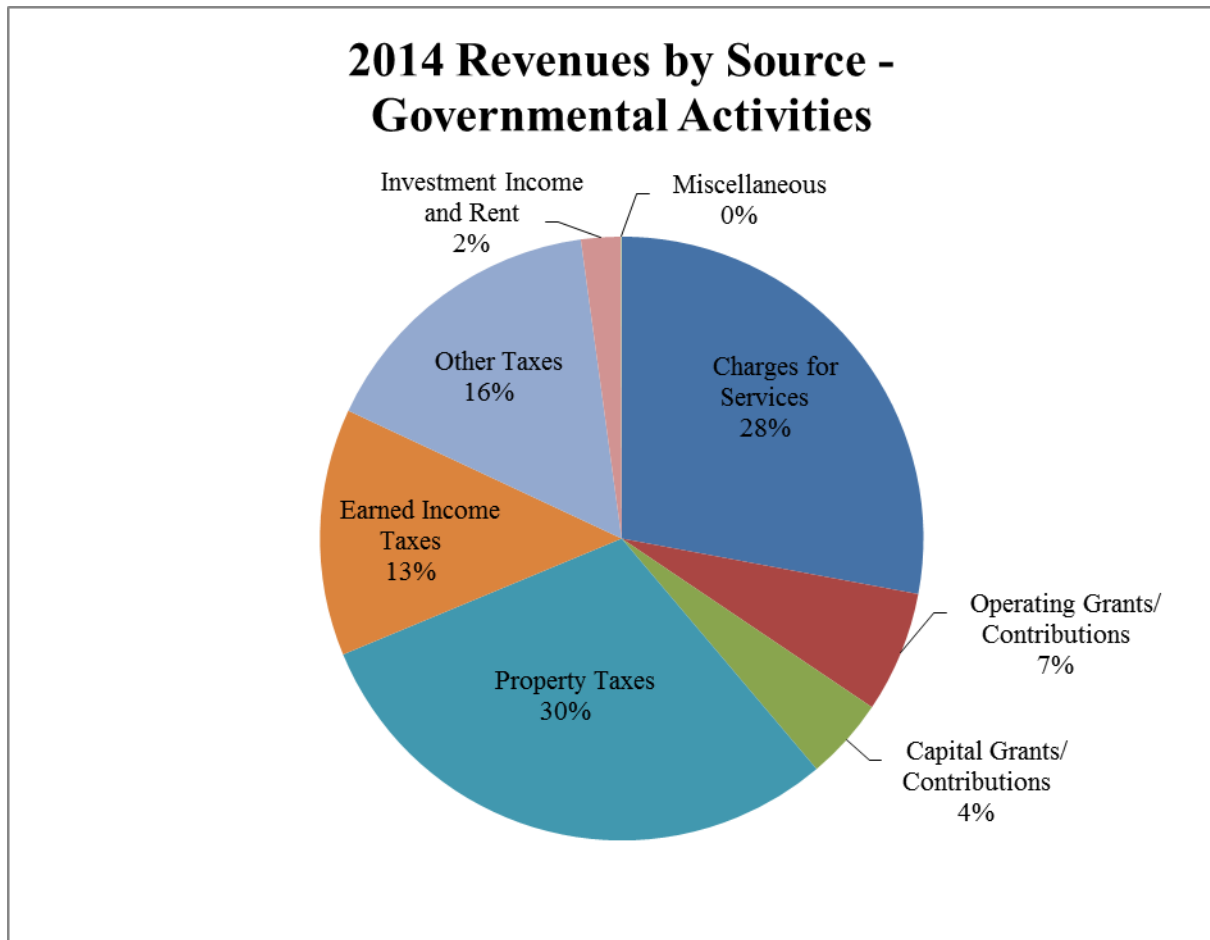
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,615,622	\$ 8,348,057	\$ 241,259	\$ 243,105	\$ 8,856,881	\$ 8,591,162
Operating Grants/ Contributions	2,001,065	2,153,603	-	-	2,001,065	2,153,603
Capital Grants/ Contributions	1,352,466	1,926,838	-	-	1,352,466	1,926,838
General Revenues:						
Property Taxes	9,218,570	9,309,514	-	-	9,218,570	9,309,514
Earned Income Taxes	4,080,744	-	-	-	4,080,744	-
Other Taxes	4,893,608	4,697,360	-	-	4,893,608	4,697,360
Investment Income and Rent	655,107	104,391	8,451	6,352	663,558	110,743
Miscellaneous	12,978	117,664	-	-	12,978	117,664
Total Revenues	\$ 30,830,160	\$ 26,657,427	\$ 249,710	\$ 249,457	\$ 31,079,870	\$ 26,906,884
Expenses:						
General Government	\$ 2,225,838	\$ 2,137,408	\$ -	\$ -	\$ 2,225,838	\$ 2,137,408
Public Safety	14,439,009	14,458,162	-	-	14,439,009	14,458,162
Public Works	7,037,369	6,731,336	-	-	7,037,369	6,731,336
Parks and Recreation	1,548,355	1,531,902	-	-	1,548,355	1,531,902
Miscellaneous	545,085	533,375	-	-	545,085	533,375
Debt Service Interest	642,361	661,242	-	-	642,361	661,242
Unallocated Depreciation - Infrastructure	1,505,894	1,400,047	-	-	1,505,894	1,400,047
Business-Type Activities - Country Club	-	-	132,830	139,416	132,830	139,416
Business-Type Activities - Styer's Farm	-	-	26,756	22,115	26,756	22,115
Total Expenses	\$ 27,943,911	\$ 27,453,472	\$ 159,586	\$ 161,531	\$ 28,103,497	\$ 27,615,003
Change in Net Position before transfers	\$ 2,886,249	\$ (796,045)	\$ 90,124	\$ 87,926	\$ 2,976,373	\$ (708,119)
Transfers, net	69,275	69,275	(69,275)	(69,275)	\$ -	\$ -
Change in Net Position	\$ 2,955,524	\$ (726,770)	\$ 20,849	\$ 18,651	\$ 2,976,373	\$ (708,119)
Net Position-beginning of year	\$ 64,957,656	\$ 65,684,426	\$ 4,552,422	\$ 4,533,771	\$ 69,510,078	\$ 70,218,197
Net Position-end of year	\$ 67,913,180	\$ 64,957,656	\$ 4,573,271	\$ 4,552,422	\$ 72,486,451	\$ 69,510,078

The following chart shows the Government-wide sources of expenses and related program revenues for governmental activities for the year ended December 31, 2014:



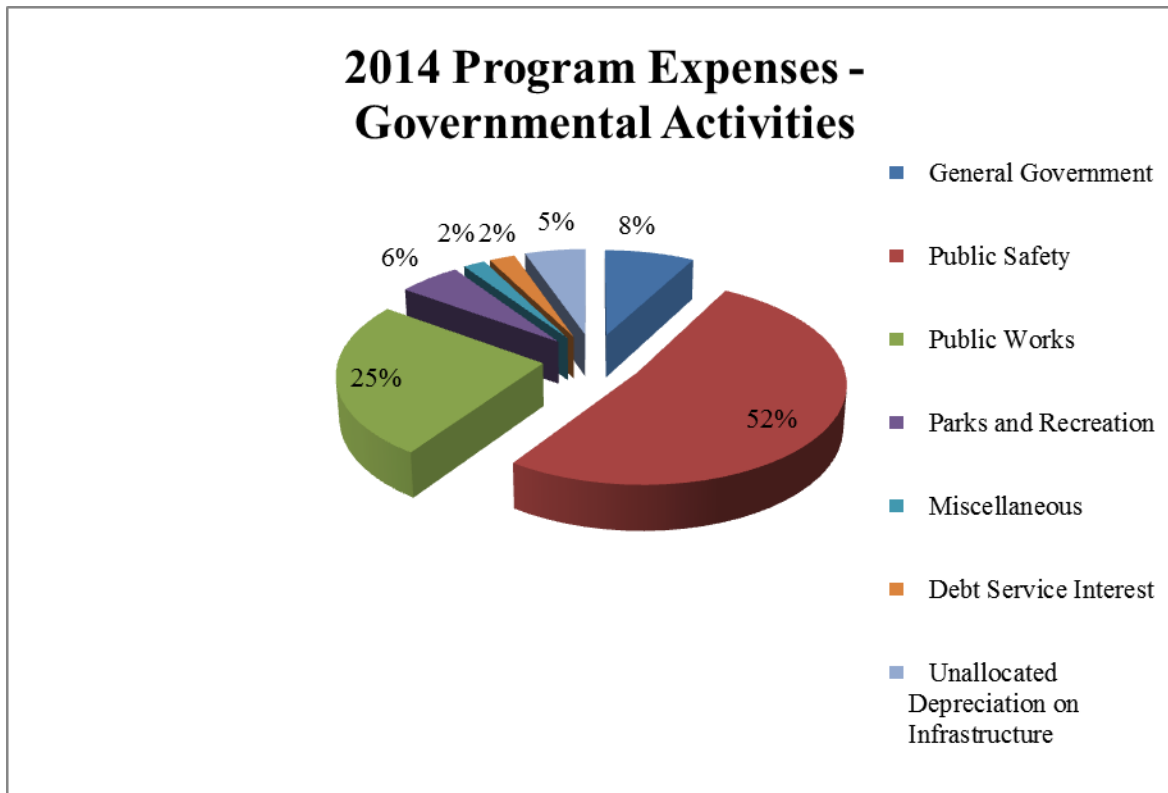
General revenues are required to support the programs. As reflected in the above chart program expenses exceed program revenues in all areas but Public Works. General government expenses exceed program revenues by \$871,761, public safety by \$11,099,168, public works by \$176,019, and park and recreations by \$1,134,470.

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2014:



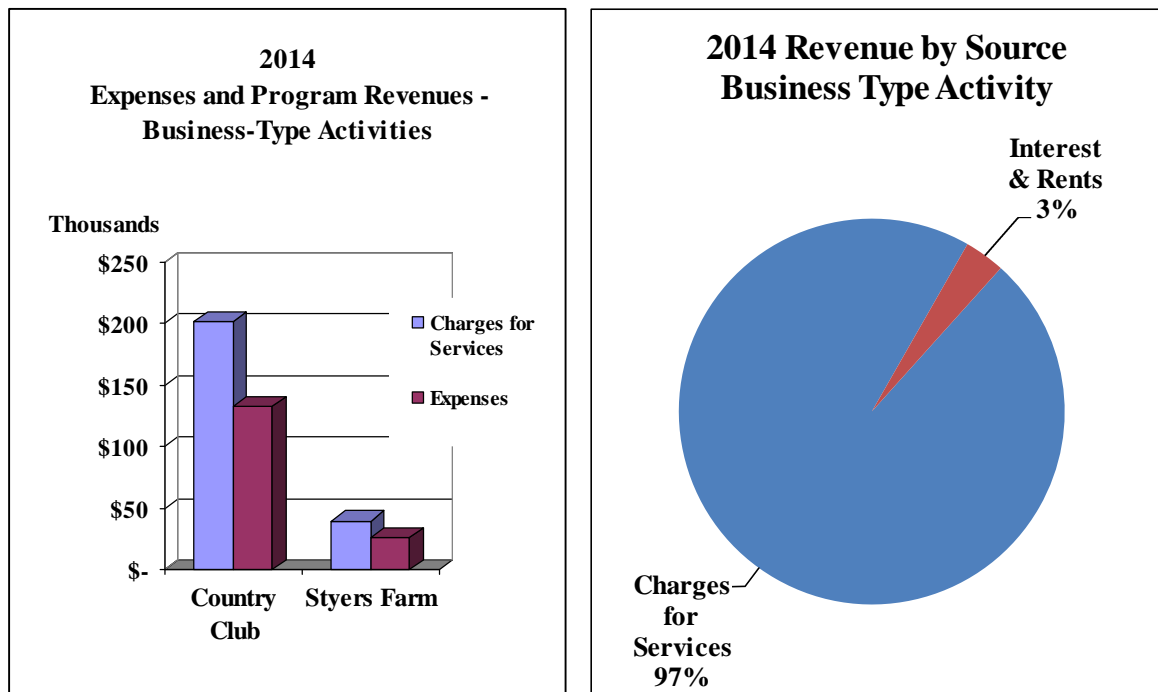
Of the total Government-wide revenues of \$30,830,160, the greatest share came from Property Taxes with revenues of \$9,218,570. The second largest revenue source is Charges for Services with revenues of \$8,615,622, primarily made up of fees for solid waste collection in the amount of \$4,830,363. First year revenue from the Earned Income Tax totaled \$4,080,744. 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 had combined revenues of \$4,893,608. Operating and Capital Grants and Contributions brought in \$3,353,531. Investment income and rents netted the Township \$655,107. Miscellaneous Income and Sale of Assets, amounting to \$12,978, comprise the balance of the 2014 revenues for governmental activities.

The following chart shows the Government-wide sources of program expenses for the year ended December 31, 2014:



The largest share of expenses in 2014 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 \$14,439,009 for 2014. 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 \$7,037,369 for 2014. Parks and Recreation expenses of \$1,548,355 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 \$2,225,838 make up the fourth largest segment of 2014 expenses. This category covers the costs of staffing, benefits, and other administrative costs and ancillary expenses. Depreciation expenses of \$1,505,894, Debt Service Interest of \$642,361, and Miscellaneous expenses of \$545,085 primarily insurance expense, round out the 2014 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, 2014:



Business-type Activities increased the Township’s Net Position by \$20,849 during the current fiscal year. The Middletown Country Club revenues totaled \$201,259 with offsetting expenses of \$126,933 for an operating income of \$74,326. After non-operating expense, which consists of interest expense of \$5,897 offset by interest income of \$51, the result is an income before transfers of \$68,480. The Styer’s Farm revenues totaled \$48,400 for the year with offsetting expenses of \$26,756 for an operating income, and income before transfers of \$21,644.

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 \$50,333,257 which represents an increase of \$5,626,868 from the previous year. The largest components of this increase are the GOB 2014 Bond Fund, a result of the unspent portion of the Bond Issue proceeds; the General Fund, where the operating revenue exceeded operating expenditures, and the budgeted transfer from the Investment Fund was not necessary; and in the Investment Fund, where the budgeted transfer to the General Fund was not necessary, which allowed the fund to grow.

The investment fund has a total fund balance of \$39,651,257 at fiscal year end, an increase of \$498,788 from the prior year. Although investment income was lower than anticipated due to extremely low interest rates on fixed income securities, the budgeted transfer to the General Fund was not necessary, which allowed to fund to hold the earnings, increasing fund balance.

The state highway aid fund has a total fund balance of \$528,040 at 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 \$650,667, an increase of \$399,034 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 2014 budget provided for a real estate tax rate of 5.445 mills for the fund, unchanged from 2013, while the 2015 budget will see a .3 mill decrease in that rate to 5.145 mills.

The GOB 2014 bond fund, opened in 2014, has a total fund balance of \$3,148,037 at year end, and accounts for the proceeds of the 2014 bond issue, which are restricted to use as stipulated by the Bond Documents.

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 Position of the Country Club fund is \$121,785 at year end 2014. The total Net Position is \$2,310,027. The Country Club is supported completely by non-tax revenues.

The unrestricted Net Position of the Styer's Farm fund is a net deficit of \$132,942 at year end 2014. The total Net Position is \$2,263,244. 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:

The Middletown Township Board of Supervisors approved the Original 2014 Budget on December 16, 2013, which included the enactment of an earned income tax at 1.0 %, a two (2.0) mill reduction in the real estate tax to 15.57 mills, and a \$1,000,000 emergency transfer from the investment fund to the General Fund. Subsequently, on January 21, 2015 the Middletown Township Board of Supervisors approved an Amended 2014 Budget, which reduced the earned income tax to .5%, restored the real estate tax rate to the prior year level of 17.57 mills, and increased the emergency transfer from the investment fund to the General Fund from \$1 Million to \$2 Million. The General Fund and the Investment Fund were affected by the changes in the Amended 2014 Budget.

During the year, the Township revised the 2014 budgeted expenditures in sanitation by \$25,000 funded by a decrease to fund balance in sanitation, thereby increasing net expenditures by \$25,000 between the original and final budget. The Sanitation Fund is budgeted and accounted for as a separate fund, however, for financial reporting purposes, the Sanitation Fund is combined with the General Fund.

General Fund Revenues were higher than the budgeted amounts by \$2,857,176 primarily due to higher than expected taxes, most notably the earned income tax which exceeded budget by \$2.1 Million in its first year; other taxes in total exceeded budget by \$224 thousand; and inspection fees and charges for services exceeded budget by \$327 thousand.

General Fund Expenditures were lower than the budgeted amounts by \$1,081,879 as a result of management's continued efforts to control costs, and postpone expenses where possible due to the uncertain economy. Savings to budget, primarily in payroll and benefits costs, were realized in the police department amounting to \$444,000, in the public works department, \$128,000, administration department, \$108,000, and healthcare costs, \$240,000. Other Financing Sources were lower than budget as the transfer from the Investment Fund to the General Fund was not considered necessary due to the higher than expected earned income tax.

A schedule showing the Townships original and final budget amount compared with amounts actually paid and received is provided on page 32.

State Highway Aid Fund Budget Highlights

State Highway Fund Revenues were higher than the budgeted amounts by \$101,577, due to an increase in the Pennsylvania Liquid Fuel Allocation, a result of an increase in the state liquid fuels tax at the pump.

State Highway Fund Expenditures were lower than the budgeted amounts by \$275,144. This savings was the result of budgeted 2014 paving projects being funded by other fund sources, primarily the GOB 2014 Bond Fund.

A schedule showing the Townships original and final budget amount compared with amounts actually paid and received is provided on page 33.

Capital Assets

At December 31, 2014, the Township had \$56,366,533 invested in a broad range of capital assets (net), including land, land improvements, buildings, building improvements, machinery & equipment and infrastructure.

Capital asset purchases totaled \$4,313,410 during the 2014 fiscal year as follows:

Land Improvements - \$100,623; Construction in Progress - \$665,816; Building and improvements - \$5,100; Machinery and equipment - \$253,080; and Infrastructure - \$3,288,791.

Construction in Progress includes costs incurred for the Countywide upgrade to the Emergency Responder Radio Replacement Program.

Land improvements include site improvements to the Middletown Community Center with the addition of a playground and Adventure Garden.

Building and building improvements are comprised of the addition of a security system to the barn at the Middletown Community Park.

Infrastructure expenses are comprised of the 2014 Road Repaving Program, the Big Oak Road Reconstruction, the Core Creek Reserve Road Dedication, Drainage Improvements, and Stormwater Improvements.

Machinery and equipment capital asset additions include: IT Network Server and Computer Upgrades, 2015 International 7400 Dump Truck and body; 2014 Ford Explorers; 2015 Ford F350 Truck with snow plow and brine sprayer.

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

Debt Administration

As of January 1, 2014, the Township had total outstanding long-term debt of \$30,402,130 (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, 2014 is \$34,587,589 (principal only).

The Middletown Township Board of Supervisors approved the refinancing of the GOB 2009 issue which was called on June 24, 2014. The outstanding principal refinanced is \$5,045,000 with savings to the Township of approximately \$297,000 being realized primarily over the 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 is reflected in the December 31, 2014 Financial Statements.

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 \$149,448 at December 31, 2014. Principal payments of \$71,427 were made during the year. Compensated absences reflect a balance of \$1,287,652 in earned vacation, vested sick pay and vested severance pay as of December 31, 2014. The net increase in compensated absences is \$53,134 for the year. Other Post Employment Benefits has an outstanding liability of \$4,865,038 at December 31, 2014.

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

2015 Budget Overview

This 2015 Budget includes \$32,161,245 in expenditures over fourteen governmental funds, reflecting a 2.9% decrease from the 2014 budget, due primarily to the award of a new three-year refuse and recycling collection contract. As a result of the renegotiation of this contract, residential trash and recycling fees for township residents will go down **\$56** in 2015 and will remain at that level through 2017. This spending plan will allow Middletown Township to continue to provide municipal services and programs at existing levels, with no tax increase.

The Township's fourteen governmental funds include costs to provide typical governmental functions. The 2015 General Fund Budget includes expenditures of \$16,857,383 which represents a 2.7% increase over the 2014 Budget.

The most challenging issue facing Middletown Township over the past several budget cycles has been the recurring structural imbalance which has existed in the General Fund since 2006. Significant progress has been made over the past year to address this imbalance as the Administration has emphasized a culture of cost containment and ongoing review of revenue enhancement. Some examples of these measures include:

- Competitive Proposals for Healthcare Insurance resulted in a \$240,000 savings to budget.
- Participation in a municipal insurance pool for Workers Compensation which continues to provide savings, \$29,000 compared to budget.
- Fee Schedule Review and Adjustment resulted in more than \$110,000 in revenue.
- A change was made to the electric generation provider during the first quarter of 2014, bringing about an estimated savings of more than \$50,000 to budget.
- Staff reductions and deferral of replacement of positions resulted in an estimated savings of more than \$200,000.
- An Early Retirement Incentive Program (ERIP) was recently launched with the possibility of saving \$450,000 over the next three years.

For the 2015 Budget, these efforts, coupled with the 2014 implementation of a .5% Earned Income Tax, have resulted in a \$1 million decrease from the 2014 budgeted \$2 million transfer from the Investment Fund to General Fund and the possibility that the transfer may not be required at all.

General Fund Revenue Budget

- **Real Estate Tax:** The 2015 Middletown Township Real Estate Tax is based on an anticipated total assessed value of \$527,666,530. The proposed rate of 17.570 mills reflects no change from the 2014 rate.

Although the proposed budget does not include a change in the overall rate, it does include a reallocation of .3 mills from the Debt Service Fund to the Parks & Recreation Fund. This reallocation of revenue will allow the annual transfer from the Investment Fund to the Parks & Recreation Fund to be eliminated.

- **Earned Income Tax:** An Earned Income Tax was implemented in 2014 at a rate of .5% of earned income on resident and non-resident workers. It is estimated that this tax will generate \$4,000,000 during the 2015 calendar year.

- **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 \$960,000 in 2015.
- **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 gross receipts for wholesale and ¾ mill gross receipts for retail. This line item is expected to generate \$1,075,000 in revenues in 2015.
- **Amusement Tax:** The Amusement tax levies a tax equal to 5% of eligible admission prices to certain places of amusement, entertainment or recreation. In 2015, \$1,300,000 is anticipated in revenue from this source.

General Fund – Expenditure Budget

- The primary expenditure category in the General Fund is Police Protection at \$11,504,112. This category is significantly impacted by salary and benefit costs for the Township's police force. In November of 2014, there are currently 51 officers in the department, down from the full complement of 54 officers. The 2015 budget includes the hiring of three officers to bring the staff back to the full complement of 54 officers.
- The contribution required to the Police Pension fund has increased dramatically over the past five years from \$764,346 in 2010 to \$2,285,033 in 2015.
- Other significant expenditure categories in the 2015 General Fund include Administration at \$2,000,156; Public Works at \$955,990; Licenses and Inspections at \$563,856 and Fire Protection/Emergency Management at \$482,902.

The complete 2015 Budget is available for review on the Middletown Township website at www.middletownbucks.org under forms and documents, finance department.

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 2014, the Township submitted eight (8) applications for Project Funding totaling \$1,176,650 to the Bucks County Redevelopment Authority (RDA) for 2015 Pennsylvania Gaming Revenue Grants. RDA approval for full, and/or partial funding, was received for seven of the project applications submitted, totaling \$693,296. The grants are for 2015 projects, benefiting the Middletown Community as a whole. A Summary follows:

2015 Pennsylvania Municipal Grant Program Awards

<u>Project</u>	<u>Description</u>	<u>RDA Approved Grant Amount</u>
Middletown Township Police Department	Ford Explorer Interceptors (5), Ford Fusion-unmarked (1)	\$199,800
Middletown Township Police Department	Update In Car Technology, In Car Cameras, Data Terminal Upgrades	\$87,550
Middletown Township Police Department	Automatic Electronic Defibrillators	\$15,807
Middletown Township Emergency Management Department	Emergency Responder Radio Replacement Program	\$212,000
Middletown Township Department of Public Works	8 ton Dump Truck with Aluminum Body, Plow and Salt Spreader, Ford F550 and F350 Pickup Trucks (2)	\$123,600
Penndel Middletown EMS	Patient Transport Equipment	\$50,000
Penndel Middletown EMS	Training Equipment	\$4,539
Total		<u><u>\$693,296</u></u>

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

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, 2014

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 12,295,589	\$ 182,531	\$ 12,478,120
Investments	39,213,866	-	39,213,866
Receivables (net of allowance for uncollectibles)	1,773,028	43,124	1,816,152
Due from other governments	109,786	-	109,786
Other assets	295,081	25,000	320,081
Total Current Assets	<u>53,687,350</u>	<u>250,655</u>	<u>53,938,005</u>
Capital Assets (net of accumulated depreciation)			
Land	8,327,435	3,355,000	11,682,435
Construction in progress	877,773	-	877,773
Land improvements	6,586,051	648,439	7,234,490
Buildings and building improvements	20,375,524	1,562,765	21,938,289
Machinery and equipment	8,276,500	691,199	8,967,699
Infrastructure	69,226,711	-	69,226,711
Accumulated depreciation	<u>(62,037,337)</u>	<u>(1,523,527)</u>	<u>(63,560,864)</u>
Total Capital Assets (net)	<u>51,632,657</u>	<u>4,733,876</u>	<u>56,366,533</u>
 TOTAL ASSETS	 <u>\$ 105,320,007</u>	 <u>\$ 4,984,531</u>	 <u>\$ 110,304,538</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized deferred loss on refunding	<u>108,531</u>	<u>-</u>	<u>108,531</u>
Total deferred outflows of resources	<u>108,531</u>	<u>-</u>	<u>108,531</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 2,241,467	\$ 39,013	\$ 2,280,480
Accrued salaries and benefits	467,555	-	467,555
Deposits and refunds	297,697	-	297,697
Internal balances	(210,549)	210,549	-
Due to other governments	77,370	-	77,370
Accrued interest payable	185,771	-	185,771
Other liabilities	-	-	-
Bonds payable, current maturity	1,900,000	75,833	1,975,833
Notes payable, current maturity	62,478	-	62,478
Compensated absences, current maturity	98,965	-	98,965
Total Current Liabilities	<u>5,120,754</u>	<u>325,395</u>	<u>5,446,149</u>
Long-term Liabilities			
Bonds payable, net of current maturity	25,769,635	73,615	25,843,250
Notes payable, net of current maturity	553,338	-	553,338
Compensated absences, net of current maturity	1,188,687	-	1,188,687
Other post-employment benefits	4,865,038	-	4,865,038
Total Long-term Liabilities	<u>32,376,698</u>	<u>73,615</u>	<u>32,450,313</u>
Total Liabilities	<u>37,497,452</u>	<u>399,010</u>	<u>37,896,462</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred revenue - special assessments	<u>17,906</u>	<u>12,250</u>	<u>30,156</u>
Total deferred inflows of resources	<u>17,906</u>	<u>12,250</u>	<u>30,156</u>
<u>NET POSITION</u>			
Net investment in capital assets	25,418,215	4,584,428	30,002,643
Restricted for:			
Streets and highway	528,040	-	528,040
Street lighting	241,076	-	241,076
Ambulance and rescue	2,017	-	2,017
Road machinery	170,207	-	170,207
Fire hydrant	11,791	-	11,791
Police	135,391	-	135,391
Transportation impact fee	374,341	-	374,341
Debt service	3,798,704	-	3,798,704
Unrestricted	<u>37,233,398</u>	<u>(11,157)</u>	<u>37,222,241</u>
Total Net Position	<u>\$ 67,913,180</u>	<u>\$ 4,573,271</u>	<u>\$ 72,486,451</u>

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

TOWNSHIP OF MIDDLETOWN

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government				
Governmental Activities:				
General government	\$ 2,225,838	\$ 1,172,293	\$ 181,784	\$ -
Public safety	14,439,009	2,289,733	772,642	277,466
Public works	7,037,369	4,857,941	1,023,409	980,000
Parks and recreation	1,548,355	295,655	23,230	95,000
Miscellaneous	545,085	-	-	-
Debt service interest	642,361	-	-	-
Unallocated depreciation expense	1,505,894	-	-	-
Total Governmental Activities	27,943,911	8,615,622	2,001,065	1,352,466
Business -Type Activities				
Country Club	132,830	201,259	-	-
Farm Fund	26,756	40,000	-	-
Total Business-Type Activities	159,586	241,259	-	-
 Total Primary Government	 \$ 28,103,497	 \$ 8,856,881	 \$ 2,001,065	 \$ 1,352,466

General Revenues
 Property taxes, levied for general purposes
 Earned income tax
 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
\$ (871,761)	\$ -	\$ (871,761)
(11,099,168)	-	(11,099,168)
(176,019)	-	(176,019)
(1,134,470)	-	(1,134,470)
(545,085)	-	(545,085)
(642,361)	-	(642,361)
(1,505,894)	-	(1,505,894)
<u>(15,974,758)</u>	<u>-</u>	<u>(15,974,758)</u>
-	68,429	68,429
-	13,244	13,244
-	81,673	81,673
<u>(15,974,758)</u>	<u>81,673</u>	<u>(15,893,085)</u>
9,218,570	-	9,218,570
4,080,744	-	4,080,744
1,321,125	-	1,321,125
1,106,985	-	1,106,985
1,024,321	-	1,024,321
1,035,953	-	1,035,953
226,091	-	226,091
179,133	-	179,133
655,107	8,451	663,558
12,978	-	12,978
-	-	-
69,275	(69,275)	-
<u>18,930,282</u>	<u>(60,824)</u>	<u>18,869,458</u>
2,955,524	20,849	2,976,373
<u>64,957,656</u>	<u>4,552,422</u>	<u>69,510,078</u>
<u>\$ 67,913,180</u>	<u>\$ 4,573,271</u>	<u>\$ 72,486,451</u>

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

TOWNSHIP OF MIDDLETOWN

BALANCE SHEET -
GOVERNMENTAL FUNDS

December 31, 2014

	General	State Highway Aid	Investment Fund
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,681,215	\$ 735,646	\$ 444,830
Investments	-	-	39,213,866
Receivables (net of allowance for uncollectibles)	579,270	-	13,254
Prepaid items	23,301	-	-
Deposit	-	-	250,000
Advances to other funds	-	-	-
Due from other funds	227,214	601	-
Due from other governments	109,786	-	-
Total Assets	\$ 5,620,786	\$ 736,247	\$ 39,921,950
<u>LIABILITIES</u>			
Accounts payable	\$ 628,201	\$ 30,365	\$ -
Accrued salaries and benefits	420,177	23,193	-
Deposits and refunds	106,731	-	190,966
Due to other funds	82,560	154,649	-
Due to other governments	11,893	-	65,477
Total Liabilities	1,249,562	208,207	256,443
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	341,566	-	-
Unavailable revenue - special assessments	-	-	14,250
Total deferred inflows of resources	341,566	-	14,250
<u>FUND BALANCES</u>			
Nonspendable:			
Prepaid items	23,301	-	-
Long-term interfund advances	-	-	-
Restricted:			
Streets and highways	-	528,040	-
Street lighting	-	-	-
Ambulance and rescue	-	-	-
Road machinery	-	-	-
Fire hydrant	-	-	-
Police	98,695	-	-
Transportation impact fee	-	-	-
Debt service	-	-	-
Committed:			
Culture and recreation	-	-	-
Emergency reserve	-	-	39,000,000
Assigned:			
Operations	-	-	651,257
Capital projects	-	-	-
Unassigned	3,907,662	-	-
Total Fund Balances	4,029,658	528,040	39,651,257
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,620,786	\$ 736,247	\$ 39,921,950

<u>GOB Issue of 2014</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,510,540	\$ 629,259	\$ 1,294,099	\$ 12,295,589
-	-	-	39,213,866
-	67,061	1,113,443	1,773,028
-	-	21,780	45,081
-	-	-	250,000
-	-	211,249	211,249
-	21,731	1,085,361	1,334,907
-	-	-	109,786
<u>\$ 4,510,540</u>	<u>\$ 718,051</u>	<u>\$ 3,725,932</u>	<u>\$ 55,233,506</u>
\$ 1,362,503	\$ 2,108	\$ 218,290	\$ 2,241,467
-	-	24,185	467,555
-	-	-	297,697
-	-	1,098,398	1,335,607
-	-	-	77,370
<u>1,362,503</u>	<u>2,108</u>	<u>1,340,873</u>	<u>4,419,696</u>
-	65,276	55,805	462,647
-	-	3,656	17,906
-	<u>65,276</u>	<u>59,461</u>	<u>480,553</u>
-	-	21,780	45,081
-	-	211,249	211,249
-	-	-	528,040
-	-	241,076	241,076
-	-	2,017	2,017
-	-	170,207	170,207
-	-	11,791	11,791
-	-	36,696	135,391
-	-	374,341	374,341
3,148,037	650,667	-	3,798,704
-	-	222,508	222,508
-	-	-	39,000,000
-	-	-	651,257
-	-	1,045,742	1,045,742
-	-	(11,809)	3,895,853
<u>3,148,037</u>	<u>650,667</u>	<u>2,325,598</u>	<u>50,333,257</u>
<u>\$ 4,510,540</u>	<u>\$ 718,051</u>	<u>\$ 3,725,932</u>	<u>\$ 55,233,506</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, 2014

TOTAL GOVERNMENTAL FUND BALANCES \$ 50,333,257

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

Cost of capital assets	\$ 113,669,994	
Accumulated depreciation	<u>(62,037,337)</u>	51,632,657

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		462,647
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Long term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Those liabilities consist of the following:

Accrued interest on bonds	(185,771)	
Bonds and notes payable	(27,830,816)	
Unamortized bond premiums	(454,635)	
Unamortized deferred loss on refunding	108,531	
Compensated absences	(1,287,652)	
Other post employment benefits obligation	<u>(4,865,038)</u>	<u>(34,515,381)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 67,913,180

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, 2014

Revenues	<u>General</u>	<u>State Highway Aid</u>	<u>Investment Fund</u>	<u>GOB Issue of 2014</u>
Taxes:				
Property	\$ 3,920,374	\$ -	\$ -	\$ -
Earned income	4,080,744	-	-	-
Amusement	1,321,125	-	-	-
Local service	1,106,985	-	-	-
Mercantile	1,024,321	-	-	-
Real estate transfer	1,035,953	-	-	-
Parking transaction	226,091	-	-	-
Per Capita	142,633	-	-	-
Mechanical devices	36,500	-	-	-
Fees, licenses and permits	1,074,378	-	-	-
Fines and forfeitures	124,174	-	-	-
Investment income and rent	97,374	500	622,427	286
Intergovernmental revenues	599,035	949,378	-	-
Charges for services	7,115,899	-	-	-
Special assessment	-	-	-	-
Contributions private sources	37,425	-	-	-
Gain (loss) on investments	-	-	(87,525)	-
Other	10,276	554	2,005	-
Total Revenues	<u>21,953,287</u>	<u>950,432</u>	<u>536,907</u>	<u>286</u>
Expenditures				
Current:				
General government	1,915,999	-	38,119	-
Public safety	12,189,233	-	-	-
Public works	5,516,793	942,341	-	-
Parks and recreation	-	-	-	-
Miscellaneous	545,085	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay/development	-	-	-	1,853,301
Total Expenditures	<u>20,167,110</u>	<u>942,341</u>	<u>38,119</u>	<u>1,853,301</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,786,177</u>	<u>8,091</u>	<u>498,788</u>	<u>(1,853,015)</u>
Other Financing Sources (Uses)				
Issuance of refunding bonds	-	-	-	9,820,000
Bond premiums and discounts	-	-	-	371,694
Payment to refunded bond escrow agent	-	-	-	(5,190,642)
Transfers in	162,063	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>162,063</u>	<u>-</u>	<u>-</u>	<u>5,001,052</u>
Net Change in Fund Balance	1,948,240	8,091	498,788	3,148,037
Fund Balance - Beginning	2,081,418	519,949	39,152,469	-
Fund Balance - Ending	<u>\$ 4,029,658</u>	<u>\$ 528,040</u>	<u>\$ 39,651,257</u>	<u>\$ 3,148,037</u>

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,864,252	\$ 2,519,217	\$ 9,303,843
-	-	4,080,744
-	-	1,321,125
-	-	1,106,985
-	-	1,024,321
-	-	1,035,953
-	-	226,091
-	-	142,633
-	-	36,500
-	-	1,074,378
-	-	124,174
905	21,140	742,632
-	1,761,997	3,310,410
-	301,171	7,417,070
-	-	-
-	30,730	68,155
-	-	(87,525)
-	143	12,978
<u>2,865,157</u>	<u>4,634,398</u>	<u>30,940,467</u>
14,301	43,818	2,012,237
-	1,387,892	13,577,125
-	832,315	7,291,449
-	1,354,995	1,354,995
-	-	545,085
1,820,000	25,034	1,845,034
649,734	-	649,734
-	1,895,816	3,749,117
<u>2,484,035</u>	<u>5,539,870</u>	<u>31,024,776</u>
<u>381,122</u>	<u>(905,472)</u>	<u>(84,309)</u>
-	640,850	10,460,850
-	-	371,694
-	-	(5,190,642)
49,912	10,000	221,975
<u>(32,000)</u>	<u>(120,700)</u>	<u>(152,700)</u>
<u>17,912</u>	<u>530,150</u>	<u>5,711,177</u>
399,034	(375,322)	5,626,868
251,633	2,700,920	44,706,389
<u>\$ 650,667</u>	<u>\$ 2,325,598</u>	<u>\$ 50,333,257</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, 2014

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 5,626,868
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	4,313,410	
Depreciation expense	<u>(2,666,086)</u>	1,647,324
The effect of contribution of capital assets to fire companies is to decrease net position.		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(85,273)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Refunding bonds issued	(9,820,000)	
Debt refunded	5,045,000	
Note issued	(640,850)	
Debt premiums and discounts	(286,468)	
Amortization of premiums, discounts, and losses	50,583	
Repayment of debt	<u>1,845,034</u>	(3,806,701)
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	(53,134)	
Other post employment benefits	(365,732)	
Interest expense	<u>(7,828)</u>	(426,694)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 2,955,524</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, 2014

	GENERAL FUND			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property	\$ 2,829,454	\$ 3,863,519	\$ 3,920,374	\$ 56,855
Earned income	4,000,000	2,000,000	4,080,744	2,080,744
Amusement	1,300,000	1,300,000	1,321,125	21,125
Local service	950,000	950,000	1,106,985	156,985
Mercantile	1,035,000	1,035,000	1,024,321	(10,679)
Real estate transfer	930,000	930,000	1,035,953	105,953
Parking transaction	230,000	230,000	226,091	(3,909)
Per Capita	137,000	137,000	142,633	5,633
Mechanical devices	38,000	38,000	36,500	(1,500)
Fees, licenses and permits	983,800	983,800	1,074,378	90,578
Investment income and rent	81,900	81,900	97,374	15,474
Intergovernmental revenues	599,351	599,351	599,035	(316)
Fines and forfeitures	179,500	179,500	124,174	(55,326)
Charges for services	6,731,541	6,731,541	7,115,899	384,358
Contributions private sources	36,500	36,500	37,425	925
Other	-	-	10,276	10,276
Total Revenues	<u>20,062,046</u>	<u>19,096,111</u>	<u>21,953,287</u>	<u>2,857,176</u>
Expenditures				
Current:				
General government	2,083,006	2,083,006	1,915,999	167,007
Public safety	12,941,666	12,941,666	12,189,233	752,433
Public works	5,637,517	5,662,517	5,516,793	145,724
Miscellaneous	561,800	561,800	545,085	16,715
Total Expenditures	<u>21,223,989</u>	<u>21,248,989</u>	<u>20,167,110</u>	<u>1,081,879</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,161,943)</u>	<u>(2,152,878)</u>	<u>1,786,177</u>	<u>3,939,055</u>
Other Financing Sources (Uses)				
Transfers in	<u>1,164,863</u>	<u>2,164,863</u>	<u>162,063</u>	<u>(2,002,800)</u>
Total Other Financing Sources (Uses)	<u>1,164,863</u>	<u>2,164,863</u>	<u>162,063</u>	<u>(2,002,800)</u>
Net Change in Fund Balance	2,920	11,985	1,948,240	1,936,255
Fund Balance - Beginning	<u>2,081,418</u>	<u>2,081,418</u>	<u>2,081,418</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,084,338</u>	<u>\$ 2,093,403</u>	<u>\$ 4,029,658</u>	<u>\$ 1,936,255</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, 2014

	<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	\$ 848,305	\$ 848,305	\$ 949,378	\$ 101,073
Investment income and rent	550	550	500	(50)
Miscellaneous	-	-	554	554
Total Revenues	<u>848,855</u>	<u>848,855</u>	<u>950,432</u>	<u>101,577</u>
Expenditures				
Current:				
Public works	<u>1,217,485</u>	<u>1,217,485</u>	<u>942,341</u>	<u>275,144</u>
Total Expenditures	<u>1,217,485</u>	<u>1,217,485</u>	<u>942,341</u>	<u>275,144</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(368,630)</u>	<u>(368,630)</u>	<u>8,091</u>	<u>376,721</u>
Fund Balance - Beginning	<u>519,949</u>	<u>519,949</u>	<u>519,949</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 151,319</u>	<u>\$ 151,319</u>	<u>\$ 528,040</u>	<u>\$ 376,721</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, 2014

	<u>INVESTMENT FUND</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	\$ 1,000,000	\$ 1,000,000	\$ 622,427	\$ (377,573)
Gain (loss) on investments	-	-	(87,525)	(87,525)
Miscellaneous	800	800	2,005	1,205
Total Revenues	<u>1,000,800</u>	<u>1,000,800</u>	<u>536,907</u>	<u>(463,893)</u>
Expenditures				
Current:				
General government	42,000	42,000	38,119	3,881
Total Expenditures	<u>42,000</u>	<u>42,000</u>	<u>38,119</u>	<u>3,881</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>958,800</u>	<u>958,800</u>	<u>498,788</u>	<u>(460,012)</u>
Other Financing Sources (Uses)				
Transfers out	(1,060,000)	(2,060,000)	-	2,060,000
Total Other Financing Sources (Uses)	<u>(1,060,000)</u>	<u>(2,060,000)</u>	<u>-</u>	<u>2,060,000</u>
Net Change in Fund Balance	(101,200)	(1,101,200)	498,788	1,599,988
Fund Balance - Beginning	<u>39,152,469</u>	<u>39,152,469</u>	<u>39,152,469</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 39,051,269</u>	<u>\$ 38,051,269</u>	<u>\$ 39,651,257</u>	<u>\$ 1,599,988</u>

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

TOWNSHIP OF MIDDLETOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2014

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 128,886	\$ 53,645	\$ 182,531
Accounts receivable	42,295	829	43,124
Due from other funds	-	700	700
Other assets	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Current Assets	<u>196,181</u>	<u>55,174</u>	<u>251,355</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>(1,471,127)</u>	<u>(52,400)</u>	<u>(1,523,527)</u>
Total capital assets (net of accumulated depreciation)	<u>2,337,690</u>	<u>2,396,186</u>	<u>4,733,876</u>
Total Assets	<u>\$ 2,533,871</u>	<u>\$ 2,451,360</u>	<u>\$ 4,985,231</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 261	\$ 38,752	\$ 39,013
Advances to other funds	61,885	149,364	211,249
Notes payable, current maturity	<u>75,833</u>	<u>-</u>	<u>75,833</u>
Total Current Liabilities	<u>137,979</u>	<u>188,116</u>	<u>326,095</u>
Noncurrent			
Note payable, less current maturities	<u>73,615</u>	<u>-</u>	<u>73,615</u>
Total Liabilities	<u>211,594</u>	<u>188,116</u>	<u>399,710</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - special assessments	<u>12,250</u>	<u>-</u>	<u>12,250</u>
Total deferred inflows of resources	<u>12,250</u>	<u>-</u>	<u>12,250</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,188,242	2,396,186	4,584,428
Unrestricted	<u>121,785</u>	<u>(132,942)</u>	<u>(11,157)</u>
Total Net Position	<u>2,310,027</u>	<u>2,263,244</u>	<u>4,573,271</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,533,871</u>	<u>\$ 2,451,360</u>	<u>\$ 4,985,231</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, 2014

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services			
Licensing fees	\$ 201,259	\$ 40,000	\$ 241,259
Rent	-	8,400	8,400
Total Operating Revenues	<u>201,259</u>	<u>48,400</u>	<u>249,659</u>
Operating Expenses			
Park and recreation	45,944	17,551	63,495
Depreciation	<u>80,989</u>	<u>9,205</u>	<u>90,194</u>
Total Operating Expenses	<u>126,933</u>	<u>26,756</u>	<u>153,689</u>
Operating Income (Loss)	<u>74,326</u>	<u>21,644</u>	<u>95,970</u>
Nonoperating Revenues (Expense)			
Interest income	51	-	51
Interest expense	<u>(5,897)</u>	<u>-</u>	<u>(5,897)</u>
Total Nonoperating Revenues (Expense)	<u>(5,846)</u>	<u>-</u>	<u>(5,846)</u>
Income (Loss) before Transfers	68,480	21,644	90,124
Transfers out	<u>(56,586)</u>	<u>(12,689)</u>	<u>(69,275)</u>
Changes in Net Position	11,894	8,955	20,849
Total Net Position - Beginning	<u>2,298,133</u>	<u>2,254,289</u>	<u>4,552,422</u>
Total Net Position - Ending	<u>\$ 2,310,027</u>	<u>\$ 2,263,244</u>	<u>\$ 4,573,271</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, 2014

	Proprietary Fund Types		
	Country Club	Farm Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 246,244	\$ 48,210	\$ 294,454
Cash paid to employees	(5,118)	(5,118)	(10,236)
Cash paid to suppliers	(28,671)	(12,046)	(40,717)
Net cash provided by (used in) operating activities	212,455	31,046	243,501
Cash flows from non-capital financing activities			
Payments to interfund balances	(59,725)	(712)	(60,437)
Transfers to other funds	(56,586)	(12,689)	(69,275)
Net cash provided by (used in) non-capital financing activities	(116,311)	(13,401)	(129,712)
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(71,427)	-	(71,427)
Interest paid on long-term debt	(5,897)	-	(5,897)
Net cash provided by (used in) capital and related financing activities	(77,324)	-	(77,324)
Cash flows from investing activities			
Earnings on investments	51	-	51
Net cash provided by (used in) investing activities	51	-	51
Net increase (decrease) in cash and cash equivalents	18,871	17,645	36,516
Beginning cash and cash equivalents	110,015	36,000	146,015
Ending cash and cash equivalents	\$ 128,886	\$ 53,645	\$ 182,531

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

Net operating income (loss)	\$ 74,326	\$ 21,644	\$ 95,970
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation	80,989	9,205	90,194
Changes in assets and liabilities			
(Increase) decrease in receivables	44,985	(190)	44,795
Increase (decrease) in accounts payables	(95)	387	292
Increase (decrease) in deferred revenues	12,250	-	12,250
Net adjustments	138,129	9,402	147,531
Cash provided (used) by operating activities	\$ 212,455	\$ 31,046	\$ 243,501

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, 2014

	<u>Pension Trust and Other Employee Benefit Trust Funds</u>	<u>Private Purpose Trust Fire Company District</u>	<u>Agency Funds Township Escrow</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,710,978	\$ 555,970	\$ 1,735,295
Accrued interest	124,726	-	-
Investments, at fair value:			
U.S. government obligations	3,142,946	-	-
Government sponsored mortgages	1,536,905	-	-
Corporate obligations	2,919,147	-	-
Municipal obligations	3,075,650	-	-
Mortgages	2,331,460	-	-
Foreign obligations	283,951	-	-
Partnership traded	95,914	-	-
Stock equities	23,885,213	-	-
Total investments	<u>37,271,186</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 41,106,890</u>	<u>\$ 555,970</u>	<u>\$ 1,735,295</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ 42,935
Deposits and refunds	-	-	1,388,537
Due to other governments	-	109,786	-
Other liabilities	102	-	303,823
Total Liabilities	<u>102</u>	<u>109,786</u>	<u>1,735,295</u>
 <u>NET POSITION</u>			
Net Position - Restricted for:			
Pension benefits	40,684,197	-	-
Other post employment benefits	422,591	-	-
Fire company district	-	446,184	-
Total Net Position	<u>\$ 41,106,788</u>	<u>\$ 446,184</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, 2014

	Pension Trust and Other Employee Benefit <u>Trust Funds</u>	Private Purpose Trust Fire Company <u>District</u>
Additions		
Contributions		
Employee contributions	\$ 393,637	\$ -
Township contributions	2,217,213	325,489
State aid	499,576	-
Insurance proceeds	79,037	-
Total Contributions	<u>3,189,463</u>	<u>325,489</u>
Investment Income		
Net appreciation (depreciation) in fair value of investments	2,401,098	-
Interest and dividend income	<u>1,144,152</u>	<u>308</u>
Total investment earnings	<u>3,545,250</u>	<u>308</u>
Total Additions	<u>6,734,713</u>	<u>325,797</u>
Deductions		
Benefits	2,397,282	-
Administrative expenses	359,880	-
Purchase of equipment	<u>-</u>	<u>1,190,837</u>
Total Deductions	<u>2,757,162</u>	<u>1,190,837</u>
Change in Net Position	3,977,551	(865,040)
Net Position - Restricted:		
Beginning of Year	<u>37,129,237</u>	<u>1,311,224</u>
End of Year	<u>\$ 41,106,788</u>	<u>\$ 446,184</u>

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

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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, 2014

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, 2014

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, 2014

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 \$39,000,000 is committed by the Board of Supervisors for use in a state of emergency.

GOB Issue of 2014 is used to account for the receipt of funds and expenditures of the 2014 bond issuance.

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	Fire Protection Fund
General Street Lighting Fund	Road Machinery	Police Forfeiture Fund
Ambulance and Rescue Squad 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:

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

A. Summary of Significant Accounting Policies (Continued)

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 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

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

A. Summary of Significant Accounting Policies (Continued)

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.

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, 2014

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, 2014

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 2014 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, 2014

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, 2014

A. Summary of Significant Accounting Policies (Continued)

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.

Net Position

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

Net investment in capital assets - 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, 2014

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 but do not meet the criteria to be classified as committed. The governing body, the Board of Supervisors, has by resolution authorized the finance director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

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, 2014

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, 2014

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, 2014

B. Deposits and Investments (Continued)

As of December 31, 2014, the Township had the following investments:

	<u>Fair</u> <u>Value</u>	<u>Moody's</u> <u>Rating</u>	<u>Maturity</u> <u>(Years)</u>
GOVERNMENTAL ACTIVITIES			
Externally Pooled Investments (PLGIT)	\$ 5,279,848	AAAm	Not applicable
PA Treasury Invest Community Pool	11,996	AAAm	Not applicable
U.S. Government Obligations	38,035,668	AAA	0.22
Certificates of Deposit	<u>1,178,198</u>	Not applicable	3.00
	<u>\$ 44,505,710</u>		
 FIDUCIARY FUNDS			
U.S. Government Obligations	\$ 3,142,946	Aaa-AAA	0.60
Government Sponsored Mortgages	1,536,905	A2-Aaa	1.01
Corporate Obligations	2,919,147	Baa1-Aaa	0.87
Municipal Obligations	3,075,650	Aa2-Aaa	0.38
Mortgages	2,331,460	AAA	1.87
Foreign Obligations	283,951	Baa1-AA1	3.54
Partnership Traded	95,914	Not applicable	Not applicable
Stock Equities	<u>23,885,213</u>	Not applicable	Not applicable
	<u>\$ 37,271,186</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, 2014, the Township's bank balance was \$12,889,799. Of that balance, \$12,450,144 was exposed to custodial credit risk: \$7,170,296 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 \$2,275,073 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, 2014

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, 2014, 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, 2014, \$1,735,295 represents the balance of these monies held in escrow.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of 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>	<u>Investment Fund</u>	<u>Debt Service</u>	<u>Country Club</u>	<u>Farm Fund</u>	<u>Pension Trust Funds</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Taxes receivable	\$ 93,004	\$ -	\$ 66,024	\$ -	\$ -	\$ -	\$ 56,462	\$ 215,490
Special assessment	77,220	-	-	-	-	-	3,656	80,876
Accounts receivable	337,100	13,254	-	42,295	829	-	1,053,983	1,447,461
Accrued interest	-	-	-	-	-	124,726	-	124,726
Revenue receivable	<u>170,133</u>	<u>-</u>	<u>1,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,918</u>
Gross Receivables	677,457	13,254	67,809	42,295	829	124,726	1,114,101	2,040,471
Less: allowance for uncollectibles	<u>(98,187)</u>	<u>-</u>	<u>(748)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(658)</u>	<u>(99,593)</u>
Net Total Receivables	<u>\$ 579,270</u>	<u>\$ 13,254</u>	<u>\$ 67,061</u>	<u>\$ 42,295</u>	<u>\$ 829</u>	<u>\$ 124,726</u>	<u>\$ 1,113,443</u>	<u>\$ 1,940,878</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

D. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,327,435	\$ -	\$ -	\$ 8,327,435
Construction in progress	<u>211,957</u>	<u>665,816</u>	<u>-</u>	<u>877,773</u>
Total capital assets, not being depreciated	<u>8,539,392</u>	<u>665,816</u>	<u>-</u>	<u>9,205,208</u>
Capital assets, being depreciated:				
Land improvements	6,485,428	100,623	-	6,586,051
Building and building improvements	20,370,424	5,100	-	20,375,524
Machinery and equipment	8,023,420	253,080	-	8,276,500
Infrastructure	<u>65,937,920</u>	<u>3,288,791</u>	<u>-</u>	<u>69,226,711</u>
Total capital assets being depreciated	<u>100,817,192</u>	<u>3,647,594</u>	<u>-</u>	<u>104,464,786</u>
Less accumulated depreciation for:				
Land improvements	3,020,547	306,861	-	3,327,408
Building and building improvements	4,829,583	433,799	-	5,263,382
Machinery and equipment	6,005,989	419,532	-	6,425,521
Infrastructure	<u>45,515,132</u>	<u>1,505,894</u>	<u>-</u>	<u>47,021,026</u>
Total accumulated depreciation	<u>59,371,251</u>	<u>2,666,086</u>	<u>-</u>	<u>62,037,337</u>
Total capital assets, being depreciated, net	<u>41,445,941</u>	<u>981,508</u>	<u>-</u>	<u>42,427,449</u>
Governmental activities capital assets, net	<u>\$ 49,985,333</u>	<u>\$ 1,647,324</u>	<u>\$ -</u>	<u>\$ 51,632,657</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
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	1,562,765	-	-	1,562,765
Furniture and equipment	<u>691,199</u>	<u>-</u>	<u>-</u>	<u>691,199</u>
Total capital assets being depreciated	<u>2,902,403</u>	<u>-</u>	<u>-</u>	<u>2,902,403</u>
Less accumulated depreciation for:				
Land improvements	425,524	32,422	-	457,946
Building and building improvements	388,409	35,489	-	423,898
Furniture and equipment	<u>619,400</u>	<u>22,283</u>	<u>-</u>	<u>641,683</u>
Total accumulated depreciation	<u>1,433,333</u>	<u>90,194</u>	<u>-</u>	<u>1,523,527</u>
Total capital assets, being depreciated, net	<u>1,469,070</u>	<u>(90,194)</u>	<u>-</u>	<u>1,378,876</u>
Business-type activities capital assets, net	<u>\$ 4,824,070</u>	<u>\$ (90,194)</u>	<u>\$ -</u>	<u>\$ 4,733,876</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

D. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 244,829
Public safety	252,412
Public works	362,821
Parks and recreation	300,130
Subtotal	1,160,192
Unallocated expense	1,505,894
Total depreciation expense-governmental activities	\$ 2,666,086
Business-type activities:	
Country Club	\$ 80,989
Farm Fund	9,205
Total depreciation expense-business-type activities	\$ 90,194

E. Bond and Other Long-Term Debt

General Obligation Bonds, Series 2014

In June of 2014, Middletown Township issued General Obligation ("G.O.") bonds in the amount of \$9,820,000 to currently refund the Township's G.O. bond Series 2009, to pay for capital projects, 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 \$42,613, a cash flow savings of \$5,608,144 over the life of the new debt, and an economic present value gain of \$4,065,981. 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 4.00%. Interest of \$75,044 and principal of \$660,000 were paid in 2014. Principal and interest payments will be made until maturity in 2025 as follows:

Year Ending December 31	Principal	Interest	Total
2015	\$ 350,000	\$ 242,067	\$ 592,067
2016	235,000	235,067	470,067
2017	555,000	228,018	783,018
2018	985,000	205,818	1,190,818
2019	1,030,000	166,417	1,196,417
2020-2024	5,730,000	401,032	6,131,032
2025	275,000	6,463	281,463
Total	\$ 9,160,000	\$ 1,484,882	\$ 10,644,882

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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

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. 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%. Interest of \$210,013 and principal of \$5,000 were paid in 2014. Principal and interest payments will be made until maturity in 2029 as follows:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	575,000	141,463	716,463
2020-2024	3,015,000	566,125	3,581,125
2025-2029	<u>3,335,000</u>	<u>241,025</u>	<u>3,576,025</u>
Total	<u>\$ 8,920,000</u>	<u>\$ 1,681,265</u>	<u>\$ 10,601,265</u>

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 \$230,038 and principal of \$540,000 were paid in 2014. Principal and interest payments will be made until maturity in 2026 as follows:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 560,000	\$ 216,538	\$ 776,538
2016	565,000	202,538	767,538
2017	585,000	188,413	773,413
2018	600,000	176,712	776,712
2019	610,000	164,712	774,712
2020-2024	3,155,000	563,300	3,718,300
2025-2026	<u>1,400,000</u>	<u>75,626</u>	<u>1,475,626</u>
Total	<u>\$ 7,475,000</u>	<u>\$ 1,587,839</u>	<u>\$ 9,062,839</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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

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 \$50,381 and principal of \$615,000 were paid in 2014. Principal and interest payments will be made until maturity in 2017 as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,660,000</u>	<u>\$ 74,162</u>	<u>\$ 1,734,162</u>

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 \$116,558 and principal of \$5,045,000 were paid in 2014. The bond was currently refunded by the General Obligation Bond Series of 2014. 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.

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, 2014, there were no advanced refunded bonds outstanding that were defeased.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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

Middletown County Club Note

As of December 31, 2014, the outstanding principal balance of the note payable for the purchase of the Middletown Country Club was \$149,448. 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, 2014 was .998%. The principal payment in 2014 was \$71,427. A schedule of the Township's debt service requirements is as follows:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 75,833	\$ 699	\$ 76,532
2016	73,615	-	73,615
Total	<u>\$ 149,448</u>	<u>\$ 699</u>	<u>\$ 150,147</u>

County Radio Note

In 2014, Middletown Township obtained radio equipment through the County of Bucks, paid for through a promissory note payable to the County. As of December 31, 2014, the outstanding principal balance of the note payable for the purchase of the radio equipment was \$615,816. The note is payable in annual installments based on a seven-year amortization schedule through July 2021, with interest accruing at a 1.5% per annum. The principal payment in 2014 was \$25,034. A schedule of the Township's debt service requirements is as follows:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 62,479	\$ 9,613	\$ 72,092
2016	88,825	8,300	97,125
2017	90,157	6,968	97,125
2018	91,509	5,615	97,124
2019	92,882	4,243	97,125
2020-2021	189,964	4,284	194,248
Total	<u>\$ 615,816</u>	<u>\$ 39,023</u>	<u>\$ 654,839</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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

Long-Term Liabilities Summary

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable					
G.O. Bonds 2014	\$ -	\$ 9,820,000	\$ (660,000)	\$ 9,160,000	\$ 350,000
G.O. Bonds 2012	8,925,000	-	(5,000)	8,920,000	365,000
G.O. Bonds 2011	8,015,000	-	(540,000)	7,475,000	560,000
G.O. Bonds 2010	2,275,000	-	(615,000)	1,660,000	625,000
G.O. Bonds 2009	5,045,000	-	(5,045,000)	-	-
Subtotal	<u>24,260,000</u>	<u>9,820,000</u>	<u>(6,865,000)</u>	<u>27,215,000</u>	<u>1,900,000</u>
Deferred amounts:					
For issuance premiums	288,783	371,694	(113,704)	546,773	-
For issuance discounts	(101,352)	-	9,214	(92,138)	-
Total bonds payable	<u>24,447,431</u>	<u>10,191,694</u>	<u>(6,969,490)</u>	<u>27,669,635</u>	<u>1,900,000</u>
Notes payable	-	640,850	(25,034)	615,816	62,478
Compensated absences	1,234,518	962,434	(909,300)	1,287,652	98,965
Net OPEB obligation	<u>4,499,306</u>	<u>426,819</u>	<u>(61,087)</u>	<u>4,865,038</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 30,181,255</u>	<u>\$ 12,221,797</u>	<u>\$ (7,964,911)</u>	<u>\$ 34,438,141</u>	<u>\$ 2,061,443</u>
Business-type activities:					
Middletown Country Club Note	<u>\$ 220,875</u>	<u>\$ -</u>	<u>\$ (71,427)</u>	<u>\$ 149,448</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>
2015	\$ 1,962,479	\$ 716,262	\$ 75,833	\$ 699
2016	2,043,825	666,849	73,615	-
2017	2,175,157	608,461	-	-
2018	2,241,509	540,908	-	-
2019	2,307,882	476,836	-	-
2020-2024	12,089,964	1,534,742	-	-
2025-2029	<u>5,010,000</u>	<u>323,113</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 27,830,816</u>	<u>\$ 4,867,171</u>	<u>\$ 149,448</u>	<u>\$ 699</u>

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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 Systems

Defined Benefit Plan Description and Membership

Middletown Township sponsors two single-employer defined benefit pension plans the Police Pension Plan and the Non-Uniformed Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports. The plans are administered by the Township. The most recent valuation was as of January 1, 2013. Details below are from the valuation.

Police Pension Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full time uniformed police officers of the Township. An employee enters the plan on the day he becomes a full-time police officer.

Non-Uniformed Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full-time non-uniformed employees of the Township who have met the eligibility requirements. A non-uniformed employee of the Township who works at least 1,000 hours per year during each year of employment is eligible for plan membership upon completion of his probationary period. Employees hired but not plan members at January 1, 1987 were given a one-time election to be covered as either contributor or non-contributory employees. Plan members as of January 1, 2007 and employees hired after December 31, 1986 are required to enter the plan as contributory employees.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

G. Employee Retirement Systems (Continued)

The Middletown Board of Supervisors has established an informal employee committee, the Pension Committee, for the purpose of reviewing investment managers and the investment performance thereof, for both the Police Pension Plan, and the General Pension Plan. The Pension Committee consists of 9 members – six of which are appointed members by their respective unions, and three from management; specifically two members of the Middletown Department of Public Works Collective Bargaining Unit, two members of the Middletown Police Collective Bargaining Unit, two members of the Middletown Teamsters Collective Bargaining Unit, the Chief of Police, the Finance Director, and the Chief Administrative Officer of the Pensions.

At December 31, 2014, Middletown Township Defined Benefit Pension Plans consisted of the following:

	<u>Police</u>	<u>Non-uniform</u>
Inactive employees (or their beneficiaries) currently receiving benefits (1)	54	11
Inactive employees entitled to benefits but not yet receiving them	2	6
Active employees	<u>45</u>	<u>44</u>
	<u>101</u>	<u>61</u>

(1) Police: includes 6 DROP members

Benefits Provided – Police Pension Plan

Police Pension Plan – The pension plan provides retirement benefits as well as death, disability, survivor and late retirement benefits. 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% of their average compensation, plus a service increment of \$50 per month for each completed year of benefit service in excess of 25 years of benefit service, up to a maximum service increment of \$100 per month. Average compensation is calculated as the average of base salary, longevity pay, vacation pay, holiday pay, education incentive pay and overtime and excluding all unused sick, vacation and holiday pay paid at termination, over the final 36 months of employment. A member's earned or accrued benefit prior to his normal retirement date is equal to the benefit calculated under the normal retirement benefit formula, multiplied by the ratio of his years of benefit service to date to the total years of benefit service he would have worked had he continued employment to his normal retirement date. Members who retired on or after January 1, 1991 are eligible to receive an annual cost-of-living adjustment, effective each January 1 after retirement, based upon the certain criteria and limitations.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

G. Employee Retirement Systems (Continued)

Benefits Provided – Police Pension Plan (continued)

If a member who was hired prior to January 1, 2008 is disabled in the line of duty, he will receive a disability retirement pension equal to 50% of the salary he was receiving at the time of disablement reduced by any Social Security disability benefits payable due to the same illness or injury or, if greater, 75% of average compensation, offset by any workers' compensation benefits and by any income earned from other employment in excess of \$75,000 per year (adjusted after 2002 by increase in the CIP-U), but not less than \$25,000 per year. For members hired on or after January 1, 2008, the disability retirement benefit will be equal to 50% of the salary he was receiving at the time of disablement reduced by any Social Security disability benefits payable due to the same illness or injury or, if greater, 60% (90% if the disability precludes any gainful employment) of average compensation, offset by any workers' compensation benefits and by any income earned from other employment in excess of \$75,000 per year (adjusted after 2002 by increased in the CPI-U), but not less than \$25,000 per year.

Benefits and Contribution provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

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.

Benefits Provided – Non-Uniformed Pension Plan

Non-Uniformed Pension Plan - The pension plan provides retirement benefits as well as death, disability, survivor and late retirement benefits. A member's normal retirement date is the first day of the month after a member turns age 65 and completes 5 years of vesting service or, if earlier, the first day of the month after a member turns age 62 and completes 30 years of vesting service. The plan's benefit formula for contributory members is a cash balance pension formula whereby the monthly pension is determined as the amount that can be purchased with a hypothetical account balance, consisting of accumulated member contributions with interest plus accumulated employer credits with interest. The account balance is maintained as a bookkeeping entry and is only used to determine the member's benefit under the plan and shall not represent an entitlement to the plan member. The normal retirement benefit is equal to the monthly life annuity that is the actuarial equivalent of the member's hypothetical account balance (for contributory members), but no less than the minimum pension.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

G. Employee Retirement Systems (Continued)

Benefits Provided – Non-Uniformed Pension Plan (continued)

The hypothetical account balance is equal to (1) the employee contribution account, consisting of the member's accumulated contributions with interest; plus (2) the employer a contribution account, consisting of the initial account balance equal to the member's accumulated contributions with interest at January 1, 1987 plus employer credits of 7% of compensation, credited with interest at 6% per year. The initial balance for plan members at December 31, 1986 is equal to their accumulated contributions with interest as of January 1, 1987. Compensation is defined as the base salary received by an employee, excluding bonuses, commissions, overtime payments or any additional forms of pay.

For noncontributory members who were hired prior to January 1, 1987 their pension benefit shall be no less than \$10 multiplied by their years of service earned after January 1, 1987. For contributory members who were plan members prior to January 1, 1987, their pension benefit shall be no less than the pension benefit that would have accrued under the prior plan formula if such formula had continued in effect after January 1, 1987. A member's earned or accrued benefit prior to his normal retirement date is equal to the monthly benefit payable at normal retirement equal to the actuarial equivalent of his hypothetical account balance or the benefit earned under the minimum pension formula.

A member is eligible for early retirement after age 60 and completion of 20 or more years of vesting service, but prior to his normal retirement date, and will be eligible to receive a pension benefit payable immediately. For members whose accrued pension is determined by his account balance, the early retirement pension is equal to the monthly life annuity that is the actuarial equivalent of the member's hypothetical account balance at early retirement. For members whose accrued pension is calculated under the minimum pension provisions, the early retirement pension is equal to their accrued pension, reduced actuarially.

If a contributory member is totally and permanently disabled, he will receive a distribution of his hypothetical account balance (the employee and employer accounts). If a non-contributory member is totally and permanently disabled, he will receive a pension payable at his normal retirement date equal to the accrued benefit at his date of disablement.

Benefits and Contribution provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

G. Employee Retirement Systems (Continued)

Measurement Focus and Basis of Accounting

Basis of Accounting: Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized as due when pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

Method Used to Value Investments: Pension Plan investments are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Police Pension Plan - Officers who are members in the plan are required to contribute 5.75% of their salaries to the plan. Interest is credited to each member's account each year at 6% per year. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

Non-Uniformed Pension Plan - employees who are members in the plan are required to contribute 5.75% of their salaries to the plan. Interest is credited to each member's account each year at 6% per year. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

G. Employee Retirement Systems (Continued)

Contributions (continued)

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 \$499,576 for the pension for the year ended December 31, 2014.

	Police	Non-uniformed	Total
Township contributions	\$ 2,120,121	\$ 47,092	\$ 2,167,213
Employee contributions	269,788	123,849	393,637
State aid	343,220	156,356	499,576
	\$ 2,733,129	\$ 327,297	\$ 3,060,426

Investments

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return: For the year ended December 31, 2014, the annual money-weighted rate of return on Plan investments, net of investment expense was 7.5% for Non Uniform and 7.5% for Police. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of participating entities at December 31, 2014 were as follows:

	Police	Non-uniform
Total pension liability	\$ 46,108,239	\$ 7,296,012
Plan fiduciary net position	(36,680,017)	(7,041,041)
Net pension liability	9,428,222	254,971
Plan fiduciary net position as a percentage of the total pension liability	80%	97%

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

G. Employee Retirement Systems (Continued)

Actuarial Assumptions: The total pension liability in the January 1, 2013 actuarial valuation for Non-Uniformed and Police Pension plan was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniform</u>	
Inflation	3.0%	3.0%	
Salary Increases	4.5%	4.5%	(including inflation)
Investment Rate of Return	7.5%	7.5%	(net of pension plan investment expense, including inflation)
Postretirement Cost of Living Increase	3.0%	0.0%	

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for males and females. This table does not include projected mortality improvements.

The actuarial assumptions used in the January 1, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2011 to December 31, 2012.

The net pension liability for Police was measured as of December 31, 2014 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2013. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

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

<u>Asset Class</u>	<u>Target</u>	<u>Long-term</u>
	<u>Allocation</u>	<u>Expected Rate</u>
		<u>of Return</u>
Domestic Stocks		
Large Cap	45.00%	7.00%
Mid/Small Cap	7.00%	8.00%
International Stocks	5.00%	7.00%
Bonds	40.00%	2.25%
Cash	<u>3.00%</u>	1.00%
	<u>100.00%</u>	

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

G. Employee Retirement Systems (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.5% for both the Non-Uniformed and Police Pension Plans. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of participating entities calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease in Discount Rate <u>6.5%</u>	Current Discount Rate <u>7.5%</u>	1% Increase in Discount Rate <u>8.5%</u>
Net pension liability			
Police	\$ 14,182,457	\$ 9,428,222	\$ 5,435,414
Non Uniform	\$ 1,025,790	\$ 254,971	\$ (409,852)

Deferred Retirement Option Program

The Police Pension Plan offers a Deferred Retirement Option Program (DROP) to officers who are eligible to retire. A member is eligible to enter the DROP program on or after his normal retirement date. Upon entering the DROP program, the member's retirement benefit is frozen and his retirement benefit payments will be deposited into an account that will be credited with interest and paid to the participant in a lump sum at his actual retirement in addition to his monthly pension payments. The member must retire within 96 months after entering the DROP. As of December 31, 2014, the DROP account balance of \$2,872,948 is held by the plan pursuant to the DROP.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

G. Employee Retirement Systems (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, 2014.

Combining Statement of Net Position	Police Pension Fund	Non-Uniform Pension Fund	Total
Assets			
Cash and cash equivalents	\$ 2,825,768	\$ 462,517	\$ 3,288,285
Interest receivable	102,899	21,827	124,726
Investments, at fair value:			
U.S. government obligations	2,573,577	569,369	3,142,946
Government sponsored mortgages	1,266,522	270,383	1,536,905
Corporate obligations	2,371,891	547,256	2,919,147
Municipal obligations	2,532,383	543,267	3,075,650
Mortgages	1,908,482	422,978	2,331,460
Foreign obligations	255,188	28,763	283,951
Partnerships traded	78,966	16,948	95,914
Stock equities	19,704,811	4,180,402	23,885,213
Total Assets	<u>33,620,487</u>	<u>7,063,710</u>	<u>40,684,197</u>
Net position restricted for pension benefits	<u>\$ 33,620,487</u>	<u>\$ 7,063,710</u>	<u>\$ 40,684,197</u>

Combining Statement of Changes in Net Position	Police Pension Fund	Non-Uniform Pension Fund	Total
Additions			
Contributions			
Employee contributions	\$ 269,788	\$ 123,849	\$ 393,637
Township contributions	2,120,121	47,092	2,167,213
State Aid	343,220	156,356	499,576
Insurance proceeds	79,037	-	79,037
Total Contributions	<u>2,812,166</u>	<u>327,297</u>	<u>3,139,463</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	1,978,438	422,660	2,401,098
Interest and dividends	937,290	206,719	1,144,009
Total investment earnings	<u>2,915,728</u>	<u>629,379</u>	<u>3,545,107</u>
Net investment income	<u>2,915,728</u>	<u>629,379</u>	<u>3,545,107</u>
Total Additions	<u>5,727,894</u>	<u>956,676</u>	<u>6,684,570</u>
Deductions			
Benefits	2,274,990	122,292	2,397,282
Administrative expenses	276,760	74,620	351,380
Total Deductions	<u>2,551,750</u>	<u>196,912</u>	<u>2,748,662</u>
Net Increase	3,176,144	759,764	3,935,908
Net Position Restricted for Pension Benefits			
Beginning of Year	<u>30,444,343</u>	<u>6,303,946</u>	<u>36,748,289</u>
End of Year	<u>\$ 33,620,487</u>	<u>\$ 7,063,710</u>	<u>\$ 40,684,197</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

G. Employee Retirement Systems (Continued)

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

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	\$ 2,463,341	\$ 203,448
Interest on net pension obligation	-	-
Adjustments to annual required contribution	-	-
Annual pension cost	2,463,341	203,448
Contributions made	(2,463,341)	(203,448)
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>Contributed</u>	<u>(Asset)</u>
12/31/2012	\$ 1,501,534	100%	\$ -
12/31/2013	2,509,929	100%	-
12/31/2014	2,463,341	100%	-
<u>Non-Uniform</u>			
12/31/2012	\$ 118,830	100%	\$ -
12/31/2013	176,779	100%	-
12/31/2014	203,448	100%	-

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

G. Employee Retirement Systems (Continued)

Funded Status and Funding Progress

As of January 1, 2014, the latest valuation date, both plans had unfunded actuarial accrued liabilities as follows:

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
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, 2014 actuarial valuation using the following assumptions:

	Police	Non-Uniform
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 2014.

Schedule of Funding Progress

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

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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, 2014

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, 2014.

Combining Statement of Net Position	<u>OPEB</u>
Assets: Cash and cash equivalents	\$ 422,693
Less: Liabilities	<u>(102)</u>
Net position restricted for pension benefits	<u>\$ 422,591</u>
Combining Statement of Changes in Net Position	
Additions	
Contributions: Township	\$ 50,000
Investment Income: Interest	<u>143</u>
Total Additions	<u>50,143</u>
Deductions	
Administrative Expenses	<u>8,500</u>
Net Increase	41,643
Net Position Restricted for Pension Benefits	
Beginning of Year	<u>380,948</u>
End of Year	<u>\$ 422,591</u>

Membership of the plan consisted of the following at January 1, 2014 (the date of the latest actuarial valuation):

	<u>OPEB</u>
Retirees and beneficiaries currently receiving benefits	50
Terminated employees entitled to benefits but not yet receiving them	-
Active plan members	<u>52</u>
Total membership	<u>102</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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 2014, the Township contributed \$50,000 to the plan, in addition to the premiums paid directly. The insurance premiums paid directly for December 31, 2014 was \$61,087. 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	\$ 507,072
Interest on net OPEB obligation	179,971
Adjustments to annual required contribution	(260,195)
Annual OPEB cost	426,848
Contributions made	(135,627)
Increase in net OPEB obligation	291,221
Net OPEB obligation (asset) at beginning of year	4,499,306
Net OPEB obligation (asset) at end of year	\$ 4,790,527

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 2014 and the preceding fiscal years were as follows:

	<u>OPEB</u>		Percentage		Net
Fiscal Year	Annual	Annual	of Annual	Annual	OPEB
<u>Ending</u>	<u>Cost</u>	<u>OPEB</u>	<u>OPEB Cost</u>	<u>Contributed</u>	<u>Obligation</u>
					<u>(Asset)</u>
12/31/2012	\$ 860,080	7%	7%	\$ 3,730,830	
12/31/2013	845,749	9%	9%	4,499,306	
12/31/2014	426,848	32%	32%	4,790,527	

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

I. Post Employment Benefits Other Than Pensions (Continued)

Funded Status and Funding Progress

As of January 1, 2014, 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	\$ -	\$ 5,202,395	\$ 5,202,395	0.0%	\$ 5,418,282	96.02%

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, 2014, the date of the latest actuarial valuation, the assumptions were:

	OPEB
Date of actuarial valuation	1/1/2014
Investment rate of return	4%
Projected salary increases	5%
Inflation rate	3%
Cost method	Entry Age Normal
Amortization method	Level % Open
Amortization period	30 years

Health care cost trend rate

Health insurance premiums are assumed to increase by 6% per year. For dental and vision coverage, premiums are assumed to increase 5% per year.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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 rates from the RP-2000 table, blended rates for small employer, 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 payrolls on an open basis. The remaining amortization period at January 1, 2014, 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, 2014

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, 2014.

	<u>Balance</u> <u>1/1/2014</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Due within</u> <u>One year</u>
Proprietary Funds					
Country Club Fund	\$ 121,610	\$ -	\$ (59,725)	\$ 61,885	\$ 61,885
Farm Fund	149,364	-	-	149,364	-
	<u>\$ 270,974</u>	<u>\$ -</u>	<u>\$ (59,725)</u>	<u>\$ 211,249</u>	<u>\$ 61,885</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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 12/31/2013</u>	<u>Outstanding 12/31/2014</u>
Proprietary Funds						
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	38,489	19,590
Country Club Irrigation Loan	500,000	3.60%	35,440	6/1/2015	<u>83,121</u>	<u>42,295</u>
					<u>121,610</u>	<u>61,885</u>
Total interfund payables for Proprietary Fund Types					<u>\$ 270,974</u>	<u>\$ 211,249</u>
Total interfund payable All fund types					<u>\$ 270,974</u>	<u>\$ 211,249</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	\$ 162,063	\$ -
Debt Service	49,912	32,000
Other Governmental Funds	10,000	120,700
Country Club	-	56,586
Farm Fund	-	<u>12,689</u>
Total	<u>\$ 221,975</u>	<u>\$ 221,975</u>

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

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

J. Interfund Advances and Transfers (Continued)

Due From/To Other Funds

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 227,214	\$ 82,560
State Highway Aid	601	154,649
Debt Service	21,731	-
Other Governmental Funds	1,085,361	1,098,398
Farm Fund	700	-
Total	<u>\$ 1,335,607</u>	<u>\$ 1,335,607</u>

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

K. Risk Management

The Township is exposed to various risks of loss related to third-party liability claims, damage to and loss of Township-owned property, errors and omissions by public officials, and injuries to employees. As a method of protection against the risk, the Township purchases commercial insurance coverage.

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

- For the Non-Police Employees, in the 2014-2015 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 2014-2015 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, 2014. The maximum exposure for these costs in 2014-2015 plan year was \$521,000. The total actual charges incurred by the Township for these deductibles in 2014 were \$363,611. There were no outstanding or unpaid claims at year end.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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 for release. No items were determined by management that requires recognition or disclosure.

N. *New Accounting Pronouncements*

GASB Statement No. 67 – *Financial Reporting for Pension Plans* was issued in June 2012. This Statement is effective for fiscal year beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans through enhanced note disclosures and schedules of required supplementary information. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*. As a result of implementing this Statement, the pension disclosures and required supplementary information schedules for pensions in this financial statement have been expanded to include the new requirements.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* was issued in June 2012. This Statement is effective for fiscal years beginning after June 15, 2014. The objective of this Statement is to measure and recognize liabilities, deferred outflows of resources, deferred inflows or resources, and expense/expenditures for defined benefit pension plans that more closely match the benefits attributable to the employees' periods of service. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 50, *Pension Disclosures*. This Statement will be implemented in 2015.

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
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%
2014	2,463,341	2,463,341	100%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
POLICE PENSION PLAN

	<u>2014</u>
Total pension liability	
Service cost	\$ 1,194,091
Interest	3,285,767
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,975,510)</u>
Net change in total pension liability	2,504,348
Total pension liability - beginning	<u>43,603,891</u>
Total pension liability - ending (a)	<u>\$ 46,108,239</u>
Plan fiduciary net position	
Contributions - employer	\$ 2,463,341
Contributions - employee	280,895
Net investment income	2,967,160
Benefit payments, including refunds of employee contributions	(1,975,510)
Administrative expense	(276,760)
Other	<u>-</u>
Net change in plan fiduciary net position	3,459,126
Plan fiduciary net position - beginning	<u>33,220,891</u>
Plan fiduciary net position - ending (b)	<u>\$ 36,680,017</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 9,428,222</u>
Plan fiduciary net position as a percentage of the total pension liability	79.6%
Covered-employee payroll	\$ 4,252,730
Township's net pension liability as a percentage of covered-employee payroll	221.7%

Notes to Schedule:

Change in benefit terms: None since 1/1/2013

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 2,463,341	\$ 2,509,929	\$ 1,501,534	\$ 1,502,523	\$ 764,346
Contributions in relation to the actuarially determined contribution	<u>2,463,341</u>	<u>2,509,929</u>	<u>1,501,534</u>	<u>1,502,523</u>	<u>764,346</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 4,252,730	 \$ 4,252,730	 \$ 4,275,718	 \$ 4,275,718	 \$ 4,437,594
		(1)	(1)	(1)	(1)
Contributions as a percentage of covered-employee payroll	57.9%	59.0%	35.1%	35.1%	17.2%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial valuation date:	1/1/2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - Closed
Remaining amortization period	10 years
Asset valuation method	The actuarial value of assets, with the exception of the DROP accounts, is calculated as the expected value of assets, based on the actuarially assumed rate of return on investments. The actuarial value of assets determined under this method is generally limited by Act 205 funding rules to 20% above or below the market value of assets. The DROP accounts are carried at market value for actuarial valuation purposes.
Inflation	Not Applicable
Salary increases	4.5%
Investment rate of return	7.5%
Retirement age	Normal Retirement Age, or on the valuation date if later
Mortality	RP2000 Table

Change in benefit terms: None since 1/1/2013

(1) - covered employee payroll taken from 1/1/2005 through 1/1/2013 actuarial valuations

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 785,798	\$ 660,750	\$ 605,161	\$ 591,820	\$ 580,746
<u>785,798</u>	<u>660,750</u>	<u>605,161</u>	<u>591,820</u>	<u>580,746</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,437,594	\$ 4,144,680	\$ 4,144,680	\$ 4,006,249	\$ 4,042,630
(1)	(1)	(1)	(1)	(1)
17.7%	15.9%	14.6%	14.8%	14.4%

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

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
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%
2014	203,448	203,448	100%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS –
NON UNIFORM PENSION PLAN

	<u>2014</u>
Total pension liability	
Service cost	\$ 206,812
Interest	513,290
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(122,292)</u>
Net change in total pension liability	597,810
Total pension liability - beginning	<u>6,698,202</u>
Total pension liability - ending (a)	<u>\$ 7,296,012</u>
Plan fiduciary net position	
Contributions - employer	\$ 203,448
Contributions - employee	128,673
Net investment income	626,530
Benefit payments, including refunds of employee contributions	(122,292)
Administrative expense	(74,620)
Other	<u>-</u>
Net change in plan fiduciary net position	761,739
Plan fiduciary net position - beginning	<u>6,279,302</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,041,041</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 254,971</u>
Plan fiduciary net position as a percentage of the total pension liability	96.5%
Covered-employee payroll	\$ 2,674,421
Township's net pension liability as a percentage of covered-employee payroll	9.5%

Notes to Schedule:

Change in benefit terms: None since 1/1/2013

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – NON UNIFORM PENSION PLAN

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 203,448	\$ 176,779	\$ 118,830	\$ 110,955	\$ 78,255
Contributions in relation to the actuarially determined contribution	<u>203,448</u>	<u>176,779</u>	<u>118,830</u>	<u>110,955</u>	<u>78,255</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,161,128	\$ 2,161,128	\$ 2,279,174	\$ 2,279,174	\$ 2,043,051
		(1)	(1)	(1)	(1)
Contributions as a percentage of covered-employee payroll	9.4%	8.2%	5.2%	4.9%	3.8%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial valuation date:	1/1/2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - Closed
Remaining amortization period	10 years
Asset valuation method	Gains and losses (compared to the expected return) are recognized evenly over five years; however, the actuarial value of assets may not be less than 80% nor more than 120% of market value
Inflation	Not Applicable
Salary increases	4.5%
Investment rate of return	7.5%
Retirement age	Normal Retirement Age, or on the valuation date if later
Mortality	RP2000 Table

Change in benefit terms: None since 1/1/2013

(1) - covered employee payroll taken from 1/1/2005 through 1/1/2013 actuarial valuations

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 80,530	\$ 103,038	\$ 86,193	\$ 93,044	\$ 64,651
<u>80,530</u>	<u>103,038</u>	<u>86,193</u>	<u>93,044</u>	<u>64,651</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,043,051	\$ 1,977,643	\$ 1,977,643	\$ 1,948,307	\$ 1,948,307
(1)	(1)	(1)	(1)	(1)
3.9%	5.2%	4.4%	4.8%	3.3%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	<u>2014</u>
Non - Uniform	
Annual money-weighted rate of return, net of investment expense	7.5%
Police	
Annual money-weighted rate of return, net of investment expense	7.5%

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS

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
1/1/2008	\$ -	\$ 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%
1/1/2014	-	5,202,395	5,202,395	0.00%	5,418,282	96.02%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
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%
2014	507,072	135,627	27%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

NOTES TO SUPPLEMENTARY SCHEDULES

December 31, 2014

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	1/1/2014
Investment rate of return	4%
Projected salary increases	5%
Inflation rate	3%
Cost method	Entry Age Normal
Amortization method	Level % Open
Amortization period	30 years

Health insurance premiums are assumed to increase by 6% per year. For dental and vision coverages, premium rates 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 \$39,000,000 is committed by the Board of Supervisors for use in a state of emergency. (Budget is presented in the Fund Financial Statements).

General Obligation Bond Issue of 2014 - This fund accounts for revenues received from the bond issuance that are legally restricted to expenditures for specific purposes.

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.

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – GENERAL OBLIGATION BOND
ISSUE OF 2014 FUND

For the Year Ended December 31, 2014

	<u>GENERAL OBLIGATION BOND ISSUE OF 2014</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	\$ -	\$ -	\$ 286	\$ 286
Total Revenues	<u>-</u>	<u>-</u>	<u>286</u>	<u>286</u>
Expenditures				
Current:				
Capital outlays/development	<u>2,500,000</u>	<u>2,500,000</u>	<u>1,853,301</u>	<u>(646,699)</u>
Total Expenditures	<u>2,500,000</u>	<u>2,500,000</u>	<u>1,853,301</u>	<u>(646,699)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>(1,853,015)</u>	<u>(646,413)</u>
Other Financing Sources (Uses)				
Issuance of refunding bonds	2,500,000	2,500,000	9,820,000	7,320,000
Bond premiums and discounts	-	-	371,694	371,694
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>(5,190,642)</u>	<u>(5,190,642)</u>
Total Other Financing Sources (Uses)	<u>2,500,000</u>	<u>2,500,000</u>	<u>5,001,052</u>	<u>2,501,052</u>
Net Change in Fund Balance	-	-	3,148,037	1,854,639
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,148,037</u>	<u>\$ 1,854,639</u>

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2014

	<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	\$ 2,828,742	\$ 2,828,742	\$ 2,864,252	\$ 35,510
Investment income and rent	800	800	905	105
Total Revenues	<u>2,829,542</u>	<u>2,829,542</u>	<u>2,865,157</u>	<u>35,615</u>
Expenditures				
Current:				
General government	7,030	7,030	14,301	(7,271)
Debt service				
Principal	1,815,000	1,815,000	1,820,000	(5,000)
Interest	658,949	658,949	649,734	9,215
Total Expenditures	<u>2,480,979</u>	<u>2,480,979</u>	<u>2,484,035</u>	<u>(3,056)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>348,563</u>	<u>348,563</u>	<u>381,122</u>	<u>32,559</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	366,475	366,475	399,034	32,559
Fund Balance - Beginning	<u>251,633</u>	<u>251,633</u>	<u>251,633</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 618,108</u>	<u>\$ 618,108</u>	<u>\$ 650,667</u>	<u>\$ 32,559</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, 2014

	<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	\$ 278,107	\$ -	\$ 221,720	\$ -	\$ 228,968	\$ 24,546	\$ 36,696	\$ 790,037
Receivables (net of allowance for uncollectibles)	12,448	36,683	21,389	6,515	3,173	925	-	81,133
Prepaid items	-	21,780	-	-	-	-	-	21,780
Advances to other funds	-	-	-	-	-	-	-	-
Due from other funds	3,943	5,488	43,962	1,576	1,197	427	-	56,593
Total Assets	<u>\$ 294,498</u>	<u>\$ 63,951</u>	<u>\$ 287,071</u>	<u>\$ 8,091</u>	<u>\$ 233,338</u>	<u>\$ 25,898</u>	<u>\$ 36,696</u>	<u>\$ 949,543</u>
<u>LIABILITIES</u>								
Accounts payable	\$ 24,513	\$ 38	\$ 19,937	\$ 2,016	\$ 60,067	\$ 13,222	\$ -	\$ 119,793
Accrued salaries and benefits	2,661	-	21,524	-	-	-	-	24,185
Due to other funds	14,290	37,497	3,707	-	-	-	-	55,494
Total Liabilities	<u>41,464</u>	<u>37,535</u>	<u>45,168</u>	<u>2,016</u>	<u>60,067</u>	<u>13,222</u>	<u>-</u>	<u>199,472</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Unavailable revenue:								
property taxes	11,958	16,445	19,395	4,058	3,064	885	-	55,805
special assessments	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>11,958</u>	<u>16,445</u>	<u>19,395</u>	<u>4,058</u>	<u>3,064</u>	<u>885</u>	<u>-</u>	<u>55,805</u>
<u>FUND BALANCES</u>								
Nonspendable:								
Prepaid items	-	21,780	-	-	-	-	-	21,780
Long-term interfund advances	-	-	-	-	-	-	-	-
Restricted:								
Street lighting	241,076	-	-	-	-	-	-	241,076
Ambulance and rescue	-	-	-	2,017	-	-	-	2,017
Road machinery	-	-	-	-	170,207	-	-	170,207
Fire hydrant	-	-	-	-	-	11,791	-	11,791
Police forfeiture	-	-	-	-	-	-	36,696	36,696
Transportation impact fee	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Committed:								
Park and recreation	-	-	222,508	-	-	-	-	222,508
Assigned:								
Capital projects	-	-	-	-	-	-	-	-
Unassigned	-	(11,809)	-	-	-	-	-	(11,809)
Total Fund Balances	<u>241,076</u>	<u>9,971</u>	<u>222,508</u>	<u>2,017</u>	<u>170,207</u>	<u>11,791</u>	<u>36,696</u>	<u>694,266</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 294,498</u>	<u>\$ 63,951</u>	<u>\$ 287,071</u>	<u>\$ 8,091</u>	<u>\$ 233,338</u>	<u>\$ 25,898</u>	<u>\$ 36,696</u>	<u>\$ 949,543</u>

Community Development	Capital Reserve	Curb/Road Revolving	Contingency	Total	Total Nonmajor Governmental Funds
\$ -	\$ 503,210	\$ 40	\$ 812	\$ 504,062	\$ 1,294,099
1,028,654	-	3,656	-	1,032,310	1,113,443
-	-	-	-	-	21,780
-	-	-	211,249	211,249	211,249
57	1,028,711	-	-	1,028,768	1,085,361
<u>\$1,028,711</u>	<u>\$1,531,921</u>	<u>\$ 3,696</u>	<u>\$ 212,061</u>	<u>\$ 2,776,389</u>	<u>\$ 3,725,932</u>
\$ -	\$ 98,497	\$ -	\$ -	\$ 98,497	\$ 218,290
-	-	-	-	-	24,185
<u>1,028,711</u>	<u>14,193</u>	<u>-</u>	<u>-</u>	<u>1,042,904</u>	<u>1,098,398</u>
<u>1,028,711</u>	<u>112,690</u>	<u>-</u>	<u>-</u>	<u>1,141,401</u>	<u>1,340,873</u>
-	-	-	-	-	55,805
-	-	3,656	-	3,656	3,656
-	-	3,656	-	3,656	59,461
-	-	-	-	-	21,780
-	-	-	211,249	211,249	211,249
-	-	-	-	-	241,076
-	-	-	-	-	2,017
-	-	-	-	-	170,207
-	-	-	-	-	11,791
-	-	-	-	-	36,696
-	374,341	-	-	374,341	374,341
-	-	-	-	-	-
-	-	-	-	-	222,508
-	1,044,890	40	812	1,045,742	1,045,742
-	-	-	-	-	(11,809)
-	<u>1,419,231</u>	<u>40</u>	<u>212,061</u>	<u>1,631,332</u>	<u>2,325,598</u>
<u>\$1,028,711</u>	<u>\$1,531,921</u>	<u>\$ 3,696</u>	<u>\$ 212,061</u>	<u>\$ 2,776,389</u>	<u>\$ 3,725,932</u>

TOWNSHIP OF MIDDLETOWN

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2014

	Special Revenue							Total
	General Street Lighting	Fire Protection	Parks and Recreation	Ambulance and Rescue	Road Machinery	Fire Hydrant	Police Forfeiture	
Revenues								
Property taxes	\$ 520,097	\$ 723,789	\$ 852,742	\$ 208,027	\$ 158,130	\$ 56,432	\$ -	\$ 2,519,217
Investment income and rent	207	132	16,009	49	165	17	14	16,593
Intergovernmental revenues	-	391,997	-	-	-	-	-	391,997
Charges for services	5,516	-	295,655	-	-	-	-	301,171
Contributions private sources	-	-	23,230	-	-	-	-	23,230
Other	-	-	143	-	-	-	-	143
Total Revenues	<u>525,820</u>	<u>1,115,918</u>	<u>1,187,779</u>	<u>208,076</u>	<u>158,295</u>	<u>56,449</u>	<u>14</u>	<u>3,252,351</u>
Expenditures								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	1,116,492	-	203,440	-	53,252	-	1,373,184
Public works	435,092	-	-	-	175,103	-	-	610,195
Parks and recreation	-	-	1,231,143	-	-	-	-	1,231,143
Debt Service								
Principal	-	-	-	-	-	-	-	-
Capital outlays/development	-	-	-	-	-	-	-	-
Total Expenditures	<u>435,092</u>	<u>1,116,492</u>	<u>1,231,143</u>	<u>203,440</u>	<u>175,103</u>	<u>53,252</u>	<u>-</u>	<u>3,214,522</u>
Excess (Deficiency) of Revenues Over Expenditures	90,728	(574)	(43,364)	4,636	(16,808)	3,197	14	37,829
Other Financing Sources (Uses)								
Issuance of refunding bonds	-	-	-	-	-	-	-	-
Bond premiums and discounts	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
Transfers in	-	-	10,000	-	-	-	-	10,000
Transfers out	(17,000)	(5,000)	(20,000)	(3,500)	(1,200)	(1,000)	-	(47,700)
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(5,000)</u>	<u>(10,000)</u>	<u>(3,500)</u>	<u>(1,200)</u>	<u>(1,000)</u>	<u>-</u>	<u>(37,700)</u>
Net Change in Fund Balance	73,728	(5,574)	(53,364)	1,136	(18,008)	2,197	14	129
Fund Balance - Beginning	<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>
Fund Balance - Ending	<u>\$ 241,076</u>	<u>\$ 9,971</u>	<u>\$ 222,508</u>	<u>\$ 2,017</u>	<u>\$ 170,207</u>	<u>\$ 11,791</u>	<u>\$ 36,696</u>	<u>\$ 694,266</u>

<u>Community Development</u>	<u>Capital Reserve</u>	<u>Curb/Road Revolving</u>	<u>Contingency</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,519,217
-	468	-	4,079	4,547	21,140
1,280,000	90,000	-	-	1,370,000	1,761,997
-	-	-	-	-	301,171
-	7,500	-	-	7,500	30,730
-	-	-	-	-	143
<u>1,280,000</u>	<u>97,968</u>	<u>-</u>	<u>4,079</u>	<u>1,382,047</u>	<u>4,634,398</u>
-	43,818	-	-	43,818	43,818
-	14,708	-	-	14,708	1,387,892
-	222,120	-	-	222,120	832,315
-	123,852	-	-	123,852	1,354,995
25,034	-	-	-	25,034	25,034
<u>1,254,966</u>	<u>640,850</u>	<u>-</u>	<u>-</u>	<u>1,895,816</u>	<u>1,895,816</u>
<u>1,280,000</u>	<u>1,045,348</u>	<u>-</u>	<u>-</u>	<u>2,325,348</u>	<u>5,539,870</u>
-	(947,380)	-	4,079	(943,301)	(905,472)
-	640,850	-	-	640,850	640,850
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	10,000
-	(10,000)	-	(63,000)	(73,000)	(120,700)
-	<u>630,850</u>	<u>-</u>	<u>(63,000)</u>	<u>567,850</u>	<u>530,150</u>
-	(316,530)	-	(58,921)	(375,451)	(375,322)
-	<u>1,735,761</u>	<u>40</u>	<u>270,982</u>	<u>2,006,783</u>	<u>2,700,920</u>
<u>\$ -</u>	<u>\$ 1,419,231</u>	<u>\$ 40</u>	<u>\$ 212,061</u>	<u>\$ 1,631,332</u>	<u>\$ 2,325,598</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, 2014

	<u>GENERAL STREET LIGHTING FUND</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 510,028	\$ 510,028	\$ 520,097	\$ 10,069
Investment income and rent	130	130	207	77
Charges for services	5,714	5,714	5,516	(198)
Total Revenues	<u>515,872</u>	<u>515,872</u>	<u>525,820</u>	<u>9,948</u>
Expenditures				
Current:				
Public works	493,554	493,554	435,092	58,462
Total Expenditures	<u>493,554</u>	<u>493,554</u>	<u>435,092</u>	<u>58,462</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>22,318</u>	<u>22,318</u>	<u>90,728</u>	<u>68,410</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	5,318	5,318	73,728	68,410
Fund Balance - Beginning	167,348	167,348	167,348	-
Fund Balance - Ending	<u>\$ 172,666</u>	<u>\$ 172,666</u>	<u>\$ 241,076</u>	<u>\$ 68,410</u>

MIDDLETOWN TOWNSHIP

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

For the Year Ended December 31, 2014

	<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	\$ 713,820	\$ 713,820	\$ 723,789	\$ 9,969
Investment income and rent	90	90	132	42
Intergovernmental revenues	417,611	417,611	391,997	(25,614)
Total Revenues	<u>1,131,521</u>	<u>1,131,521</u>	<u>1,115,918</u>	<u>(15,603)</u>
Expenditures				
Current:				
Public safety	<u>1,126,521</u>	<u>1,126,521</u>	<u>1,116,492</u>	<u>10,029</u>
Total Expenditures	<u>1,126,521</u>	<u>1,126,521</u>	<u>1,116,492</u>	<u>10,029</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,000</u>	<u>5,000</u>	<u>(574)</u>	<u>(5,574)</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	-	-	(5,574)	(5,574)
Fund Balance - Beginning	<u>15,545</u>	<u>15,545</u>	<u>15,545</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 15,545</u>	<u>\$ 15,545</u>	<u>\$ 9,971</u>	<u>\$ (5,574)</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, 2014

	<u>PARK AND RECREATION</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 842,293	\$ 842,293	\$ 852,742	\$ 10,449
Investment income and rent	9,265	9,265	16,009	6,744
Charges for services	271,000	271,000	295,655	24,655
Contributions private sources	20,500	20,500	23,230	2,730
Miscellaneous	-	-	143	143
Total Revenues	<u>1,143,058</u>	<u>1,143,058</u>	<u>1,187,779</u>	<u>44,721</u>
Expenditures				
Current:				
Parks and recreation	<u>1,352,371</u>	<u>1,352,371</u>	<u>1,231,143</u>	<u>121,228</u>
Total Expenditures	<u>1,352,371</u>	<u>1,352,371</u>	<u>1,231,143</u>	<u>121,228</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(209,313)</u>	<u>(209,313)</u>	<u>(43,364)</u>	<u>165,949</u>
Other Financing Sources (Uses)				
Transfers in	70,000	70,000	10,000	(60,000)
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>(10,000)</u>	<u>(60,000)</u>
Net Change in Fund Balance	(159,313)	(159,313)	(53,364)	105,949
Fund Balance - Beginning	<u>275,872</u>	<u>275,872</u>	<u>275,872</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 116,559</u>	<u>\$ 116,559</u>	<u>\$ 222,508</u>	<u>\$ 105,949</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, 2014

	<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	\$ 205,453	\$ 205,453	\$ 208,027	\$ 2,574
Investment income and rent	40	40	49	9
Total Revenues	<u>205,493</u>	<u>205,493</u>	<u>208,076</u>	<u>2,583</u>
Expenditures				
Current:				
Public safety	<u>204,993</u>	<u>204,993</u>	<u>203,440</u>	<u>1,553</u>
Total Expenditures	<u>204,993</u>	<u>204,993</u>	<u>203,440</u>	<u>1,553</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>500</u>	<u>500</u>	<u>4,636</u>	<u>4,136</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	(3,000)	(3,000)	1,136	4,136
Fund Balance - Beginning	<u>881</u>	<u>881</u>	<u>881</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (2,119)</u>	<u>\$ (2,119)</u>	<u>\$ 2,017</u>	<u>\$ 4,136</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, 2014

	<u>ROAD MACHINERY</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 156,010	\$ 156,010	\$ 158,130	\$ 2,120
Investment income and rent	50	50	165	115
Total Revenues	<u>156,060</u>	<u>156,060</u>	<u>158,295</u>	<u>2,235</u>
Expenditures				
Current:				
Public works	<u>215,555</u>	<u>215,555</u>	<u>175,103</u>	<u>40,452</u>
Total Expenditures	<u>215,555</u>	<u>215,555</u>	<u>175,103</u>	<u>40,452</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(59,495)</u>	<u>(59,495)</u>	<u>(16,808)</u>	<u>42,687</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Net Change in Fund Balance	(60,695)	(60,695)	(18,008)	42,687
Fund Balance - Beginning	<u>188,215</u>	<u>188,215</u>	<u>188,215</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 127,520</u>	<u>\$ 127,520</u>	<u>\$ 170,207</u>	<u>\$ 42,687</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, 2014

	FIRE HYDRANT			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 55,697	\$ 55,697	\$ 56,432	\$ 735
Investment income and rent	15	15	17	2
Total Revenues	<u>55,712</u>	<u>55,712</u>	<u>56,449</u>	<u>737</u>
Expenditures				
Current:				
Public safety	54,582	54,582	53,252	1,330
Total Expenditures	<u>54,582</u>	<u>54,582</u>	<u>53,252</u>	<u>1,330</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,130</u>	<u>1,130</u>	<u>3,197</u>	<u>2,067</u>
Other Financing Sources (Uses)				
Transfers out	(1,000)	(1,000)	(1,000)	-
Total Other Financing Sources (Uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
Net Change in Fund Balance	130	130	2,197	2,067
Fund Balance - Beginning	9,594	9,594	9,594	-
Fund Balance - Ending	<u>\$ 9,724</u>	<u>\$ 9,724</u>	<u>\$ 11,791</u>	<u>\$ 2,067</u>

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2014

	POLICE FORFEITURE			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Investment income and rent	\$ -	\$ -	\$ 14	\$ 14
Total Revenues	-	-	14	14
Expenditures				
Current:				
Public safety	36,026	36,026	-	36,026
Total Expenditures	36,026	36,026	-	36,026
Excess (Deficiency) of Revenues Over Expenditures	(36,026)	(36,026)	14	36,040
Fund Balance - Beginning	36,682	36,682	36,682	-
Fund Balance - Ending	\$ 656	\$ 656	\$ 36,696	\$ 36,040

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2014

	<u>COMMUNITY DEVELOPMENT</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues	\$ 1,521,867	\$ -	\$ 1,280,000	\$ 1,280,000
Total Revenues	<u>1,521,867</u>	<u>-</u>	<u>1,280,000</u>	<u>1,280,000</u>
Expenditures				
Debt Service				
Principal	-	-	25,034	(25,034)
Capital outlays/development	<u>1,521,867</u>	<u>-</u>	<u>1,254,966</u>	<u>(1,254,966)</u>
Total Expenditures	<u>1,521,867</u>	<u>-</u>	<u>1,280,000</u>	<u>(1,280,000)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, 2014

	<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	\$ -	\$ (20,000)
Investment income and rent	400	400	468	68
Intergovernmental revenues	-	-	90,000	90,000
Contributions private sources	55,000	55,000	7,500	(47,500)
Total Revenues	<u>75,400</u>	<u>75,400</u>	<u>97,968</u>	<u>22,568</u>
Expenditures				
Current:				
General government	-	-	43,818	(43,818)
Public safety	-	-	14,708	(14,708)
Public works	-	-	222,120	(222,120)
Parks and recreation	-	-	123,852	(123,852)
Capital outlays/development	2,820,633	2,820,633	640,850	2,179,783
Total Expenditures	<u>2,820,633</u>	<u>2,820,633</u>	<u>1,045,348</u>	<u>1,775,285</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,745,233)</u>	<u>(2,745,233)</u>	<u>(947,380)</u>	<u>1,797,853</u>
Other Financing Sources (Uses)				
Proceeds from county loan	642,000	642,000	640,850	1,150
Transfers out	(10,000)	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	<u>632,000</u>	<u>632,000</u>	<u>630,850</u>	<u>1,150</u>
Net Change in Fund Balance	(2,113,233)	(2,113,233)	(316,530)	1,796,703
Fund Balance - Beginning	1,735,761	1,735,761	1,735,761	-
Fund Balance - Ending	<u>\$ (377,472)</u>	<u>\$ (377,472)</u>	<u>\$ 1,419,231</u>	<u>\$ 1,796,703</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, 2014

	<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				
Special assessments	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Expenditures				
Current:				
General	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>
Net Change in Fund Balance	-	-	-	(4,000)
Fund Balance - Beginning	<u>40</u>	<u>40</u>	<u>40</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 40</u>	<u>\$ 40</u>	<u>\$ 40</u>	<u>\$ (4,000)</u>

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2014

	<u>CONTINGENCY</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income and rent	\$ 4,100	\$ 4,100	\$ 4,079	\$ (21)
Total Revenues	<u>4,100</u>	<u>4,100</u>	<u>4,079</u>	<u>(21)</u>
Other Financing Sources (Uses)				
Transfers in	2,000	2,000	-	(2,000)
Transfers out	<u>(65,800)</u>	<u>(65,800)</u>	<u>(63,000)</u>	<u>2,800</u>
Total Other Financing Sources (Uses)	<u>(63,800)</u>	<u>(63,800)</u>	<u>(63,000)</u>	<u>800</u>
Net Change in Fund Balance	(59,700)	(59,700)	(58,921)	779
Fund Balance - Beginning	<u>270,982</u>	<u>270,982</u>	<u>270,982</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 211,282</u>	<u>\$ 211,282</u>	<u>\$ 212,061</u>	<u>\$ 779</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, 2014

	COUNTRY CLUB			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 199,912	\$ 199,912	\$ 201,259	\$ 1,347
Total Operating Revenues	199,912	199,912	201,259	1,347
Operating Expenses				
Park and recreation	47,408	47,408	45,944	1,464
Depreciation	80,989	80,989	80,989	-
Total Operating Expenses	128,397	128,397	126,933	1,464
Operating Income (Loss)	71,515	71,515	74,326	2,811
Nonoperating Revenues (Expense)				
Interest income	40	40	51	11
Interest expense	(7,092)	(7,092)	(5,897)	1,195
Total Nonoperating Revenues (Expense)	(7,052)	(7,052)	(5,846)	1,206
Income (Loss) before Transfers	64,463	64,463	68,480	4,017
Transfers out	(56,586)	(56,586)	(56,586)	-
Changes in Net Position	7,877	7,877	11,894	4,017
Total Net Position - Beginning	2,298,133	2,298,133	2,298,133	-
Total Net Position - Ending	\$ 2,306,010	\$ 2,306,010	\$ 2,310,027	\$ 4,017

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2014

	FARM FUND			Variance with Final Budget
	Budgeted Amounts		ACTUAL	
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Rent	8,400	8,400	8,400	-
Total Operating Revenues	<u>48,400</u>	<u>48,400</u>	<u>48,400</u>	<u>-</u>
Operating Expenses				
Park and recreation	21,082	21,082	17,551	3,531
Depreciation	<u>3,642</u>	<u>3,642</u>	<u>9,205</u>	<u>(5,563)</u>
Total Operating Expenses	<u>24,724</u>	<u>24,724</u>	<u>26,756</u>	<u>(2,032)</u>
Income (Loss) before Transfers	23,676	23,676	21,644	(2,032)
Transfers out	<u>(12,689)</u>	<u>(12,689)</u>	<u>(12,689)</u>	<u>-</u>
Changes in Net Position	10,987	10,987	8,955	(2,032)
Total Net Position - Beginning	<u>2,254,289</u>	<u>2,254,289</u>	<u>2,254,289</u>	<u>-</u>
Total Net Position - Ending	<u>\$ 2,265,276</u>	<u>\$ 2,265,276</u>	<u>\$ 2,263,244</u>	<u>\$ (2,032)</u>

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 *Non-Uniformed 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, 2014

	<u>Pension and Other Employee Benefit Trust Funds</u>			
	<u>Police Pension</u>	<u>Non-Uniformed Pension</u>	<u>Health Care Trust Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,825,768	\$ 462,517	\$ 422,693	\$ 3,710,978
Accrued interest	102,899	21,827	-	124,726
Investments, at fair value:				
U.S. government obligations	2,573,577	569,369	-	3,142,946
Government sponsored mortgages	1,266,522	270,383	-	1,536,905
Corporate obligations	2,371,891	547,256	-	2,919,147
Municipal obligations	2,532,383	543,267	-	3,075,650
Mortgages	1,908,482	422,978	-	2,331,460
Foreign obligations	255,188	28,763	-	283,951
Partnership traded	78,966	16,948	-	95,914
Stock equities	<u>19,704,811</u>	<u>4,180,402</u>	<u>-</u>	<u>23,885,213</u>
Total investments	<u>30,691,820</u>	<u>6,579,366</u>	<u>-</u>	<u>37,271,186</u>
Total Assets	<u>33,620,487</u>	<u>7,063,710</u>	<u>422,693</u>	<u>41,106,890</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	33,620,487	7,063,710	-	40,684,197
Other post employment benefits	<u>-</u>	<u>-</u>	<u>422,591</u>	<u>422,591</u>
Total Net Position	<u>\$ 33,620,487</u>	<u>\$ 7,063,710</u>	<u>\$ 422,591</u>	<u>\$ 41,106,788</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, 2014

	Pension and Other Employee Benefit Trust Funds			
	Police Pension	Non-Uniformed Pension	Health Care Offset Fund	Total
Additions				
Contributions				
Member contributions	\$ 269,788	\$ 123,849	\$ -	\$ 393,637
Employer contributions	2,120,121	47,092	50,000	2,217,213
State aid	343,220	156,356	-	499,576
Insurance proceeds	79,037	-	-	79,037
Total Contributions	<u>2,812,166</u>	<u>327,297</u>	<u>50,000</u>	<u>3,189,463</u>
Investment Income				
Net appreciation (depreciation) in fair value of investments	1,978,438	422,660	-	2,401,098
Interest and dividends	937,290	206,719	143	1,144,152
Total Investment Income	<u>2,915,728</u>	<u>629,379</u>	<u>143</u>	<u>3,545,250</u>
Total Additions	<u>5,727,894</u>	<u>956,676</u>	<u>50,143</u>	<u>6,734,713</u>
Deductions				
Benefits	2,274,990	122,292	-	2,397,282
Administrative expenses	276,760	74,620	8,500	359,880
Total Deductions	<u>2,551,750</u>	<u>196,912</u>	<u>8,500</u>	<u>2,757,162</u>
Change in Net Position	3,176,144	759,764	41,643	3,977,551
Net Position - Restricted:				
Beginning of Year	<u>30,444,343</u>	<u>6,303,946</u>	<u>380,948</u>	<u>37,129,237</u>
End of Year	<u>\$ 33,620,487</u>	<u>\$ 7,063,710</u>	<u>\$ 422,591</u>	<u>\$ 41,106,788</u>

TOWNSHIP OF MIDDLETOWN

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-
TOWNSHIP ESCROW FUNDS

For the Year Ended December 31, 2014

	Balance January 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2014</u>
Assets:				
Cash and cash equivalents	\$ 1,726,703	\$ 393,098	\$ (384,506)	\$ 1,735,295
Total Assets	<u>\$ 1,726,703</u>	<u>\$ 393,098</u>	<u>\$ (384,506)</u>	<u>\$ 1,735,295</u>
Liabilities:				
Accounts payable	\$ -	\$ 427,441	\$ (384,506)	\$ 42,935
Customer deposits	1,423,333	392,645	(427,441)	1,388,537
Accumulated interest	<u>303,370</u>	<u>453</u>	<u>-</u>	<u>303,823</u>
Total Liabilities	<u>\$ 1,726,703</u>	<u>\$ 820,539</u>	<u>\$ (811,947)</u>	<u>\$ 1,735,295</u>

STATISTICAL SECTION

TOWNSHIP OF MIDDLETOWN

STATISTICAL SECTION

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

Contents	Page
Financial Trends	
These schedules contain trend information that may assist the reader in assessing the government's current financial performance by placing it in historical perspective.	124
Revenue Capacity	
These schedules contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.	132
Debt Capacity	
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.	138
Economic & Demographic Information	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the government's financial activities take place.	143
Operating Information	
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.	146

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 2013.

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

(accrual basis of accounting)

	Fiscal Year			
	<u>2014</u>	<u>2013</u>	<u>2012 (1)</u>	<u>2011 (1)</u>
Governmental Activities				
Net Investment in Capital Assets	\$ 25,418,215	\$ 27,310,114	\$ 25,404,239	\$ 25,986,662
Restricted	5,261,567	1,564,188	1,327,400	1,920,553
Unrestricted (Deficit)	37,233,398	36,083,354	38,952,787	41,793,546
Total Governmental Activities Net Position	<u>\$ 67,913,180</u>	<u>\$ 64,957,656</u>	<u>\$ 65,684,426</u>	<u>\$ 69,700,761</u>
Business-Type Activities				
Net Investment in Capital Assets	\$ 4,584,428	\$ 4,603,195	\$ 4,517,529	\$ 4,545,115
Restricted	-	-	-	-
Unrestricted (Deficit)	(11,157)	(50,773)	16,242	(31,015)
Total Business-Type Activities Net Position	<u>\$ 4,573,271</u>	<u>\$ 4,552,422</u>	<u>\$ 4,533,771</u>	<u>\$ 4,514,100</u>
Primary Government				
Net Investment in Capital Assets	\$ 30,002,643	\$ 31,913,309	\$ 29,921,768	\$ 30,531,777
Restricted	5,261,567	1,564,188	1,327,400	1,920,553
Unrestricted (Deficit)	37,222,241	36,032,581	38,969,029	41,762,531
Total Primary Government Net Position	<u>\$ 72,486,451</u>	<u>\$ 69,510,078</u>	<u>\$ 70,218,197</u>	<u>\$ 74,214,861</u>

Source: Middletown Township Financial Statements

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

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 18,225,583	\$ 19,932,022	\$ 13,853,185	\$ 22,552,941	\$ 6,996,862	\$ 19,318,796
5,098,898	9,774,983	15,103,727	5,186,616	9,831,370	3,226,818
46,936,410	42,002,215	44,736,617	44,733,314	53,630,677	47,616,459
<u>\$ 70,260,891</u>	<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>
\$ 4,492,127	\$ 4,105,739	\$ 4,147,236	\$ 4,181,370	\$ 4,134,183	\$ 4,092,058
-	-	-	-	-	-
(464,130)	(69,875)	(116,091)	(90,552)	(131,796)	(142,807)
<u>\$ 4,027,997</u>	<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>
\$ 22,717,710	\$ 23,537,761	\$ 18,000,421	\$ 26,734,311	\$ 11,131,045	\$ 23,410,854
5,098,898	9,774,983	15,103,727	5,186,616	9,831,370	3,226,818
46,472,280	41,932,340	44,620,526	44,642,762	53,498,881	47,473,652
<u>\$ 74,288,888</u>	<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>

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

	Fiscal Year			
	2014	2013	2012 (1)	2011
Expenses				
Governmental Activities:				
General Government	\$ 2,225,838	\$ 2,137,408	\$ 2,290,625	\$ 2,037,179
Public Safety	14,439,009	14,458,162	14,580,986	14,210,367
Public Works	7,037,369	6,731,336	6,251,378	6,566,282
Parks and Recreation	1,548,355	1,531,902	1,803,802	1,416,404
Miscellaneous	545,085	533,375	537,043	506,105
Capital Outlay/Development	-	-	-	-
Interest on Long-Term Debt	642,361	661,242	1,069,783	1,013,702
Unallocated Depreciation Expense	1,505,894	1,400,047	1,502,025	1,457,537
Total Governmental Activities Expense	<u>27,943,911</u>	<u>27,453,472</u>	<u>28,035,642</u>	<u>27,207,576</u>
Business-Type Activities				
Proprietary Funds (combined)	-	-	-	-
Country Club	132,830	139,416	137,397	145,114
Farm Fund	26,756	22,115	19,719	31,922
Total Business-Type Activities Expenses	<u>159,586</u>	<u>161,531</u>	<u>157,116</u>	<u>177,036</u>
Total Primary Government Expenses	<u>\$ 28,103,497</u>	<u>\$ 27,615,003</u>	<u>\$ 28,192,758</u>	<u>\$ 27,384,612</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 1,172,293	\$ 1,156,671	\$ 1,102,349	\$ 1,064,445
Public Safety	2,289,733	2,015,858	1,863,345	1,699,843
Public Works	4,857,941	4,903,774	4,474,867	4,656,230
Parks and Recreation	295,655	271,754	251,285	267,114
Operating Grants and Contributions	2,001,065	2,153,603	1,829,443	2,573,581
Capital Grants and Contributions	1,352,466	1,926,838	527,153	1,308,528
Total Governmental Activities Program Revs.	<u>11,969,153</u>	<u>12,428,498</u>	<u>10,048,442</u>	<u>11,569,741</u>
Business-Type Activities				
Charges for Services:				
Proprietary Funds (combined)	-	-	-	-
Country Club	201,259	203,105	196,912	184,434
Farm Fund	40,000	40,000	40,000	40,000
Operating Grants and Contributions	-	-	-	-
Total Business-Type Activities Program Revs.	<u>241,259</u>	<u>243,105</u>	<u>236,912</u>	<u>224,434</u>
Total Primary Government Program Revenues	<u>\$ 12,210,412</u>	<u>\$ 12,671,603</u>	<u>\$ 10,285,354</u>	<u>\$ 11,794,175</u>
Net (Expense)/Revenue				
Governmental Activities:	\$ (15,974,758)	\$ (15,024,974)	\$ (17,987,200)	\$ (15,637,835)
Business-Type Activities	81,673	81,574	79,796	47,398
Total Primary Government Net Expense	<u>\$ (15,893,085)</u>	<u>\$ (14,943,400)</u>	<u>\$ (17,907,404)</u>	<u>\$ (15,590,437)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes	\$ 9,218,570	\$ 9,309,514	\$ 9,303,772	\$ 9,281,766
Earned Income Tax	4,080,744	-	-	-
Other Taxes	4,893,608	4,697,360	4,513,623	4,499,405
Investment Income	655,107	104,391	435,806	1,467,986
Sale of Capital Assets	-	19,604	-	-
Miscellaneous	12,978	98,060	20,804	88,549
Special item-Capital assets from Private Purpose Trust	-	-	-	-
Transfers, net	69,275	69,275	69,275	(260,001)
Proceeds from Debt Restructuring	-	-	-	-
Total Governmental Activities	<u>18,930,282</u>	<u>14,298,204</u>	<u>14,343,280</u>	<u>15,077,705</u>
Business-Type Activities:				
Investment Income	8,451	6,352	9,150	33
Transfers, net	(69,275)	(69,275)	(69,275)	260,001
Total Business-Type Activities	<u>(60,824)</u>	<u>(62,923)</u>	<u>(60,125)</u>	<u>260,034</u>
Total Primary Government General Revenues and Other	<u>\$ 18,869,458</u>	<u>\$ 14,235,281</u>	<u>\$ 14,283,155</u>	<u>\$ 15,337,739</u>
Change in Net Position				
Governmental Activities	\$ 2,955,524	\$ (726,770)	\$ (3,643,920)	\$ (560,130)
Business-Type Activities	20,849	18,651	19,671	307,432
Total Primary Government Change in Net Position	<u>\$ 2,976,373</u>	<u>\$ (708,119)</u>	<u>\$ (3,624,249)</u>	<u>\$ (252,698)</u>

Source: Middletown Township Financial Statements

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

	Fiscal Year					
2010	2009	2008	2007	2006	2005	
\$ 2,023,182	\$ 1,895,527	\$ 2,477,349	\$ 2,436,600	\$ 2,742,439	\$ 2,335,557	
12,218,168	12,190,862	10,354,328	10,531,545	10,128,030	9,377,597	
6,719,377	6,615,980	5,733,310	5,804,239	5,629,525	5,414,221	
1,825,931	1,402,496	1,231,572	1,439,713	1,450,437	1,204,899	
672,637	695,397	763,240	742,180	889,862	859,733	
-	-	-	-	-	-	
1,168,279	1,365,635	1,048,713	1,037,432	972,446	857,813	
1,455,222	1,433,205	1,439,857	1,396,024	1,286,762	990,810	
<u>26,082,796</u>	<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>	
-	-	-	-	-	-	
138,839	155,435	179,165	182,254	188,371	182,630	
36,469	11,853	29,815	20,007	20,046	22,375	
<u>175,308</u>	<u>167,288</u>	<u>208,980</u>	<u>202,261</u>	<u>208,417</u>	<u>205,005</u>	
<u>\$ 26,258,104</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>	
\$ 1,017,264	\$ 1,003,736	\$ 1,945,023	\$ 1,730,396	\$ 5,512,149	\$ 5,216,448	
1,678,755	1,403,982	916,340	707,009	1,013,401	883,905	
4,451,210	4,483,431	3,861,084	3,726,137	6,659	32,559	
252,855	242,338	229,942	230,336	199,872	178,112	
2,192,687	2,054,509	2,218,492	2,172,304	2,454,442	3,661,481	
-	-	-	-	-	-	
<u>9,592,771</u>	<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>	
-	-	-	-	-	-	
147,000	147,000	154,049	236,265	248,622	225,565	
35,000	35,000	35,000	35,000	35,000	35,000	
-	-	-	-	-	-	
<u>182,000</u>	<u>182,000</u>	<u>189,049</u>	<u>271,265</u>	<u>283,622</u>	<u>260,565</u>	
<u>\$ 9,774,771</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>	
\$ (16,490,025)	\$ (16,411,106)	\$ (13,877,488)	\$ (14,821,551)	\$ (13,912,978)	\$ (11,068,125)	
6,692	14,713	(19,931)	69,004	75,205	55,560	
<u>\$ (16,483,333)</u>	<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>	
\$ 9,246,523	\$ 8,602,678	\$ 7,892,013	\$ 7,095,159	\$ 5,882,089	\$ 5,013,201	
-	-	-	-	-	-	
4,419,632	4,001,130	4,713,317	5,082,209	5,109,646	3,914,290	
1,168,697	488,609	2,419,102	2,626,401	2,870,316	1,611,271	
3,477	11,989	-	-	-	-	
3,808	85,688	29,439	1,848,864	318,381	(329,725)	
680,196	613,127	-	-	-	-	
19,363	123,576	44,275	31,435	29,382	276,983	
-	-	-	-	-	-	
<u>15,541,696</u>	<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>	
4,804	9,369	4,533	9,271	7,313	9,120	
(19,363)	(19,363)	(44,275)	(31,435)	(29,382)	(276,983)	
<u>(14,559)</u>	<u>(9,994)</u>	<u>(39,742)</u>	<u>(22,164)</u>	<u>(22,069)</u>	<u>(267,863)</u>	
<u>\$ 15,527,137</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>	
\$ (948,329)	\$ (2,484,309)	\$ 1,220,658	\$ 1,862,517	\$ 296,836	\$ (582,105)	
(7,867)	4,719	(59,673)	46,840	53,136	(212,303)	
<u>\$ (956,196)</u>	<u>\$ (2,479,590)</u>	<u>\$ 1,160,985</u>	<u>\$ 1,909,357</u>	<u>\$ 349,972</u>	<u>\$ (794,408)</u>	

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

	Fiscal Year			
	2014 (A)	2013 (A)	2012 (A)	2011 (A)
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, undesignated	-	-	-	-
Non-spendable	23,301	-	-	-
Restricted	98,695	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	3,907,662	2,081,418	2,803,476	2,736,024
Total General Fund	<u>\$ 4,029,658</u>	<u>\$ 2,081,418</u>	<u>\$ 2,803,476</u>	<u>\$ 2,736,024</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, designated for, reported in:	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Project Funds	-	-	-	-
Non-spendable	233,029	270,974	335,147	402,777
Restricted	5,162,872	1,564,188	1,327,400	1,920,553
Committed	39,222,508	39,275,872	40,369,420	40,441,705
Assigned	1,696,999	1,513,937	2,032,396	3,757,367
Unassigned	(11,809)	-	-	-
Total all Other Governmental Funds	<u>\$ 46,303,599</u>	<u>\$ 42,624,971</u>	<u>\$ 44,064,363</u>	<u>\$ 46,522,402</u>
Total Governmental Funds	<u>\$ 50,333,257</u>	<u>\$ 44,706,389</u>	<u>\$ 46,867,839</u>	<u>\$ 49,258,426</u>

Source: Middletown Township Financial Statements

(A) New Fund Balance Classifications per GASB 54

Fiscal Year					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,065,794	768,709	1,621,983	1,886,762	2,133,463	1,739,957
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,065,794</u>	<u>\$ 768,709</u>	<u>\$ 1,621,983</u>	<u>\$ 1,886,762</u>	<u>\$ 2,133,463</u>	<u>\$ 1,739,957</u>
\$ 1,912,720	\$ 2,040,292	\$ 7,679,482	\$ 2,254,030	\$ 2,383,381	\$ 2,417,204
-	-	-	-	-	-
1,393,632	1,433,418	1,057,201	1,057,203	1,269,890	1,012,340
46,612,927	50,165,700	51,745,306	51,204,947	51,182,443	45,600,846
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 49,919,279</u>	<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>\$ 51,985,073</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>

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

	Fiscal Year			
	2014	2013	2012	2011
Revenues				
Taxes (Non Earned Income Tax)	\$ 14,197,451	\$ 13,924,356	\$ 13,770,774	\$ 13,714,591
Earned Income Tax	4,080,744	-	-	-
Licenses and Permits	1,074,378	1,344,030	1,227,716	1,273,039
Fines and Forfeits	124,174	175,359	169,122	187,463
Investment Income and Rent	742,632	902,852	939,391	901,375
Intergovernmental Revenues	3,310,410	3,503,743	2,281,729	3,503,725
Charges for Services	7,417,070	6,827,850	6,295,008	6,227,130
Special Assessment	-	818	-	-
Contribution Private Source	68,155	576,698	74,867	175,903
Gain/(Loss) on Investments	(87,525)	(798,461)	(503,585)	566,611
Other	12,978	98,060	20,804	88,549
Total Revenues	<u>30,940,467</u>	<u>26,555,305</u>	<u>24,275,826</u>	<u>26,638,386</u>
Expenditures				
General Government	2,012,237	1,948,999	1,789,113	1,890,916
Public Safety	13,577,125	13,278,438	11,892,467	13,316,076
Public Works	7,291,449	6,870,433	6,704,136	6,996,957
Parks and Recreation	1,354,995	1,334,010	1,356,337	1,267,795
Miscellaneous Expenditures	545,085	533,375	537,043	506,105
Capital Outlay/Development	3,749,117	2,094,767	1,664,283	1,846,092
Debt Service				
Principal	1,845,034	2,060,000	1,940,000	2,271,627
Interest	649,734	685,612	852,309	1,035,927
Other Charges	-	-	153,063	71,522
Total Expenditures	<u>31,024,776</u>	<u>28,805,634</u>	<u>26,888,751</u>	<u>29,203,017</u>
Excess of Revenues Over (Under) Expenditures	<u>(84,309)</u>	<u>(2,250,329)</u>	<u>(2,612,925)</u>	<u>(2,564,631)</u>
Other Financing Sources (Uses)				
Issuance of Refunding Bonds	10,460,850	-	8,925,000	8,560,000
Premium on Bond Issuance	371,694	-	150,892	-
Discount on Bond Issuance	-	-	-	(34,881)
Payment to Refunded Bonds Escrow Agent	(5,190,642)	-	(8,922,829)	(8,427,134)
Proceeds from Debt Restructuring	-	-	-	-
Bond Refinancing Expenses	-	-	-	-
Sale of Capital Assets	-	19,604	-	-
Transfers In	221,975	1,522,275	1,538,975	2,401,497
Transfers Out	(152,700)	(1,453,000)	(1,469,700)	(2,661,498)
Total Other Financing Sources (Uses)	<u>5,711,177</u>	<u>88,879</u>	<u>222,338</u>	<u>(162,016)</u>
Prior Period Adjustment	-	-	-	-
Net Change in Fund Balances	<u>\$ 5,626,868</u>	<u>\$ (2,161,450)</u>	<u>\$ (2,390,587)</u>	<u>\$ (2,726,647)</u>
Debt Service as a Percentage of Non Capital Expenditures	9.15%	10.28%	11.07%	12.09%

Source: Middletown Township Financial Statements

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 13,701,196	\$ 12,376,900	\$ 12,485,790	\$ 11,939,159	\$ 10,837,542	\$ 9,022,988
-	-	-	-	-	-
1,076,871	1,104,066	1,232,017	1,226,708	1,065,459	871,321
227,958	206,120	218,243	204,530	191,205	168,544
764,214	1,376,938	2,470,867	2,636,968	2,880,943	1,624,536
2,369,267	1,881,926	2,034,827	1,858,751	2,087,531	2,842,287
6,093,799	5,802,550	5,558,483	5,178,180	5,324,263	4,828,022
1,456	610	1,995	13,300	246,766	420,033
145,253	144,678	181,665	311,553	365,661	797,259
404,483	(890,769)	2,419,102	1,791,035	257,858	(378,688)
3,658	103,680	13,208	21,829	36,731	64,431
<u>24,788,155</u>	<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>
1,770,342	1,643,678	2,477,349	2,222,705	5,754,868	2,637,074
11,095,416	11,147,885	10,333,884	10,185,597	9,964,353	9,289,930
6,403,942	6,296,113	5,733,310	5,584,836	5,359,786	5,502,477
1,614,937	1,241,482	1,231,572	1,308,995	2,291,955	2,472,278
672,637	695,397	763,240	742,180	889,862	877,513
2,226,965	6,081,833	7,318,891	3,122,175	682,097	358,058
2,004,214	1,632,251	1,684,566	1,691,971	1,308,620	1,036,238
1,090,249	1,223,019	1,067,171	981,799	786,680	580,476
25,706	21,829	25,602	36,920	21,790	-
<u>26,904,408</u>	<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>(2,116,253)</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>
5,620,000	7,830,000	10,000,000	-	10,000,000	8,325,000
-	78,123	-	-	-	34,926
-	-	-	-	(64,500)	-
(5,557,439)	(7,750,000)	-	-	-	(8,214,931)
-	-	-	-	-	-
(62,561)	(119,953.00)	-	-	-	-
3,627	19,189	-	5,000	-	-
2,949,063	2,063,276	1,945,176	1,864,739	2,672,270	3,047,336
(3,259,483)	(1,939,700)	(2,224,758)	(1,818,948)	(2,642,888)	(2,986,410)
<u>(306,793)</u>	<u>180,935</u>	<u>9,720,418</u>	<u>50,791</u>	<u>9,964,882</u>	<u>205,921</u>
-	-	-	-	-	236,427
<u>\$ (2,423,046)</u>	<u>\$ (7,695,853)</u>	<u>\$ 5,701,030</u>	<u>\$ (644,374)</u>	<u>\$ 6,198,830</u>	<u>\$ (2,050,963)</u>
12.54%	11.95%	11.87%	11.92%	10.21%	8.19%

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

Year	Property Taxes	Earned Income Tax	Amusement Tax	Local Services Tax	Mercantile Tax	Real Estate Transfer Tax
2014	\$ 9,303,843	\$ 4,080,744	\$ 1,321,125	\$ 1,106,985	\$ 1,024,321	\$ 1,035,953
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

Source: Middletown Township Financial Statements

<u>Parking Tax</u>	<u>Per Capita Taxes</u>	<u>Mechanical Device Tax</u>	<u>Total</u>
\$ 226,091	\$ 142,633	\$ 36,500	\$ 18,278,195
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

**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>
2014	\$ 613,100,780	\$ 85,434,250	\$ 527,666,530	\$ 6,620,958,747	9.26%	17.57
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

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 Millage	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		
2014	12.125	5.445	17.57	18.29750	4.90250	23.20000	152.00	192.77000
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

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, 2014			December 31, 2005		
		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%	\$ 25,348,110	1	4.81%
800 (Eight) Trenton Assoc	Apartment Complex	4,368,800	2	0.58%	4,368,800	3	0.83%
Jefferson Woods	Residential Community	4,157,100	3	0.83%	-	-	0.00%
Shoppes at Flowers Mills	Shopping Center	3,631,820	4	0.54%	2,731,320	5	0.52%
Saint Mary Hospital	Healthcare	3,232,800	5	0.69%	-	-	0.00%
Home Properties	Real Estate Investment	3,043,530	6	0.61%	1,924,400	9	0.37%
Attleboro Associates	Retirement & Assisted Living	2,842,720	7	0.54%	2,861,160	4	0.54%
TLC Reedman L P	Auto Dealership	2,831,800	8	0.54%	-	-	0.00%
Bucks Co BP Investors LLC	Real Estate Investment	2,490,680	9	0.47%	-	-	0.00%
Guttman	Real Estate Investment	2,331,110	10	0.44%	2,310,080	6	0.44%
Pennswood Village	Retirement Community	-	-	-	4,652,680	2	0.88%
Weissenberger	Apartment Complex	-	-	-	2,029,280	7	0.39%
Liberty Properties LTD	Real Estate Development	-	-	-	1,956,760	8	0.37%
Summit Square Assoc	Retail Complex	-	-	-	1,820,000	10	0.35%

(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 \$527,666,530

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

(4) Information derived from Bucks County, PA Real Estate Assessment Roll; Total Taxable Assessed Valuation is \$526,948,040

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
2014	\$ 9,271,102	\$ 9,152,233	98.72%	\$ -	9,152,233	98.72%
2013	9,269,654	9,125,700	98.45%	71,498	9,197,198	99.22%
2012	9,303,787	9,158,419	98.44%	142,801	9,301,220	99.97%
2011	9,297,511	9,125,921	98.15%	162,941	9,288,862	99.91%
2010	9,298,317	9,157,257	98.48%	138,476	9,295,733	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%	172,879	7,855,195	99.98%
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%	210,578	5,962,587	100.00%
2005	5,142,063	5,043,265	98.08%	98,773	5,142,038	100.00%

**TOWNSHIP OF MIDDLETOWN
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2014	2013	2012	2011
Debt Limit	\$ 61,310,078	\$ 61,322,492	\$ 61,765,324	\$ 61,709,397
Total Net Debt Applicable to Limit	26,564,333	24,008,367	26,195,077	28,008,228
Legal Debt Margin	<u>\$ 34,745,745</u>	<u>\$ 37,314,125</u>	<u>\$ 35,570,247</u>	<u>\$ 33,701,169</u>
 Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	 43.33%	 39.15%	 42.41%	 45.39%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 527,666,530
Add back: exempt real property	85,434,250
Total assessed value	<u>\$ 613,100,780</u>
 Debt limit (10% of total assessed value)	 \$ 61,310,078
Debt applicable to limit:	
General obligation bonds	27,215,000
Less: Amount set aside for repayment of general obligation debt	(650,667)
Total net debt applicable to limit	26,564,333
Legal debt margin	<u>\$ 34,745,745</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					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 61,439,591	\$ 61,505,359	\$ 61,523,713	\$ 61,069,298	\$ 60,702,488	\$ 60,391,336
29,526,031	31,396,921	33,161,341	24,613,190	26,156,085	17,649,913
<u>\$ 31,913,560</u>	<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>
48.06%	51.05%	53.90%	40.30%	43.09%	29.23%

**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			
2014	\$ 27,669,635	\$ 615,816	\$ 149,448	\$ 28,434,899	1.75%	\$ 625
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

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)
2014	\$ 28,434,899	\$ 650,667	\$ 27,784,232	0.42%	\$ 611
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

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, 2014

<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)	\$ 94,864,167	67.51%	\$ 64,042,799
Bucks County (3)	<u>290,482,000</u>	6.54%	(4) <u>18,997,523</u>
Sub-Total, Overlapping Debt	385,346,167		83,040,322
Township of Middletown (1)	<u>28,285,451</u>	100.00%	<u>28,285,451</u>
Total	<u>\$ 413,631,618</u>		<u>\$ 111,325,773</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, 2014 based on ratio of Middletown Township's assessed valuation (see Schedule 5) to Bucks County's 2014 assessed valuation of \$8,066,329,970 (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 (3)</u>
2014	45,478	\$ 1,624,292	\$ 35,716	42.6	8,413	4.80%
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%

Sources:

(1) American Fact Finder, 2013 American Community Survey; and US Census Bureau (2013 and prior)

(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	Type of Business	December 31, 2014 (1)			December 31, 2005 (2)		
		Employees	Rank	Percentage of Total Township Employment (2)	Employees	Rank	Percentage of Total Township Employment (3)
SeaWorld Parks & Entertainment	Entertainment/Theme Park	1,372	1	5.47%	1,629	3	6.22%
St Mary Medical Center	Healthcare	1,278	2	5.09%	2,983	1	11.39%
Neshaminy School District	Education	1,116	3	4.45%	1,888	2	7.21%
Woods Services, Inc.	Education	928	4	3.70%	-	-	0.00%
Giant Food Stores LLC	Retail	485	5	1.93%	-	-	0.00%
Pennswood Village	Retirement Community	412	6	1.64%	463	8	1.77%
George School	Education	367	7	1.46%	-	-	0.00%
Macy's Retail Holdings, Inc.	Retail	333	8	1.33%	697	5	2.66%
Target Corporation	Retail	292	9	1.16%	-	-	0.00%
Reedman-Toll LP	Retail/Automotive	279	10	1.11%	637	6	2.43%
ICT Group, Inc.	Communication Services	-	-	0%	848	4	3.24%
Lenox	Retail	-	-	0%	581	7	2.22%
Abercrombie & Fitch, Inc.	Retail	-	-	0%	404	9	1.54%
McCafferty Ford Sales, Inc.	Retail/Automotive	-	-	0%	366	10	1.40%
Total		<u>6,862</u>		<u>27.34%</u>	<u>10,496</u>		

(1) Information provided by Keystone Collections Group

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

(3) Information derived from Commonwealth of PA, Department of Labor & Industry; Total Midd Twp. Civilian Labor Force is 25,100 (2014) and 26,200 (2005)

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Administration	3.0	3.0	3.0	2.0	2.0	2.0	2.0	3.0	3.0	4.5
Finance	5.0	5.0	5.0	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	1.0
Police										
Police Officers	51.0	51.0	48.0	50.0	52.0	52.0	53.0	53.0	52.0	53.0
Police Civilians (1)	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Public Works										
Administration	3.0	3.0	2.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Maintenance/Labor	12.0	11.0	11.0	11.0	13.0	13.0	13.0	13.0	12.0	11.0
Summer/Seasonal	3.0	4.0	4.0	4.0	6.0	6.0	4.0	4.0	4.0	4.0
Community Services										
Administration	1.0	1.0	1.0	1.0	1.0	1.0	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	1.0	1.0
Custodial/Labor (2)	-	-	-	0.5	0.5	0.5	2.0	2.0	2.0	2.0
Emergency Services										
Officers/Inspectors	4.0	4.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	2.5
Administration	1.0	1.0	1.0	1.0	1.0	1.0	1.5	1.5	1.5	1.0
Parks & Recreation										
Administration	4.0	4.0	3.0	3.0	3.0	4.0	4.0	3.5	3.5	3.0
Equipment Operation/Labor	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0
Summer Rec/Seasonal	24.0	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.0
Misc Program Facilitators	8.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Licenses, Inspections & Zoning	7.0	7.0	6.5	5.0	5.5	5.5	5.5	5.5	5.5	7.0
Totals	<u>148.0</u>	<u>146.5</u>	<u>141.0</u>	<u>142.5</u>	<u>149.0</u>	<u>149.0</u>	<u>151.0</u>	<u>151.5</u>	<u>149.5</u>	<u>149.0</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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Government (1)				
Building Inspections Conducted	3,008	2,678	2,666	2,519
Plumbing Inspections Conducted	758	595	539	476
Building Permits Issued	810	880	786	759
Plumbing Permits Issued	395	310	226	218
Electrical Permits Issued	482	370	281	300
Residential Value of Construction/Issued Permits	13,822,476	12,303,222	8,120,371	8,581,482
Commercial Value of Construction/Issued Permits	21,928,028	53,381,440	18,057,473	53,376,259
Police (2)				
Criminal Arrests	918	535	760	895
Traffic Citations	2,713	1,015	1,265	3,024
Accident Reports	1,761	1,789	1,763	2,003
Parking Violations	105	71	72	381
Animal Control Cases Investigated	549	507	501	622
Animal Control Warnings Issued	35	25	20	20
Animal Control Prosecutions Instituted	21	13	18	29
Parks & Recreation (3)				
Recreation Program Participants	15,800	15,822	11,050	7,641
Program Sessions Offered	380	378	376	404
Public Works (4)				
Roads Resurfaced (linear feet) by DPW	19,483	5,270	-	-
Number of Trees Removed/Trimmed	156	297	230	112
Number of Signs Repaired/Installed	103	95	96	94
Number of Drainage/Storm Drains Unclogged	72	56	145	120
Number of Repaired Potholes	2,228	647	607	438
Number of Repaired Sinkholes	32	84	64	67
Emergency Services (5)				
Total Estimated Emergency Fire Calls	2,000	1,000	1,081	1,142
Residential Fires	22	10	14	30
Business/Industrial Fires	2	2	3	2
Fire Investigations Conducted	917	193	207	29
Hazardous Materials/Petroleum Spill Calls	42	46	64	40
Mechanical Inspections Conducted	250	242	247	235
Fire Safety Inspections Conducted	1,825	1,604	1,634	1,612

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					
2010	2009	2008	2007	2006	2005
2,672	2,818	2,922	2,850	3,121	2,988
484	668	700	494	679	969
853	795	924	793	987	941
233	235	286	250	257	344
324	260	364	354	433	452
12,819,482	10,655,114	23,051,941	11,160,481	16,568,803	12,722,066
31,916,655	7,902,476	29,882,882	43,828,263	151,193,962	58,218,296
776	1,538	1,857	1,900	1,644	1,457
2,632	2,377	4,168	4,806	4,597	3,621
1,856	2,075	1,971	2,055	2,009	2,109
95	122	115	121	156	221
626	446	631	721	764	803
37	27	34	42	53	46
30	25	10	27	33	64
8,751	7,650	8,427	7,319	7,800	7,376
392	394	356	357	311	296
-	1,468	-	5,755	134	5,037
131	88	81	98	137	85
99	163	167	306	224	175
22	90	80	110	105	75
570	644	265	391	375	380
38	35	64	98	55	75
1,850	1,902	992	997	1,178	1,093
17	11	39	46	50	35
3	2	1	12	31	22
214	309	275	291	40	35
54	7	97	93	17	17
197	164	181	386	478	451
1,570	1,508	1,412	1,322	1,525	1,159

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

<u>Function/Program</u>	Fiscal Year			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</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	46	45	50
Trained Canines	4	4	4	2
Parks & Recreation (3)				
Number of Recreation Facilities	19.0	19.0	19.0	19.0
Acreage of Park Land	142.0	142.0	142.0	141.5
Acreage of Greenbelts/Open Space	529.0	529.0	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	6
Vehicle Units	31	31	32	32

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					
2010	2009	2008	2007	2006	2005
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	50
3	4	4	4	4	4
19.0	19.0	18.0	18.0	18.0	18.0
141.5	141.5	136.5	136.5	136.5	136.5
518.0	518.0	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	24	23	23	23
7	7	7	7	7	7
2	1	1	1	1	1
1	1	1	1	1	1
8	8	7	7	7	5
28	28	25	25	25	25