

TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended December 31, 2017

TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2017

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

Brian Shapiro
Director of Finance

TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2017

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INTRODUCTORY SECTION



TOWNSHIP OF MIDDLETOWN

June 25, 2018

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, 2017 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 2015. 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 100 of the 1,100 police departments in Pennsylvania have achieved this accreditation. Currently the Police Department has fifty-six (56) police officers, along with six (6) full time and nineteen (15) 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 District currently operates seven elementary schools, three middle schools, and one high school in a K-4, 5-8, and 9-12 configuration. 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

Middletown Township remained committed throughout 2017 to providing excellent service and maintaining efficiency across the organization. Each department offered strong contributions toward making Middletown a great community of which residents can be proud. The Township took several great steps to increase revenues, decrease expenditures, and increase efficiency throughout 2017. Township staff worked diligently to secure more than \$1 million in grants to fund a wide range of projects, including vehicle purchases, facility improvements, and educational programs. Cost reduction efforts include delaying spending, consolidation of positions as employees retire, and upgrading infrastructure to more energy efficient technology. To make the Township run efficiently, staff continued implementing new procedures and software systems that will increase performance and save time on routine tasks. These efforts were continued from 2016 and will continue into 2018 as well.

The Township also continues its focus on intergovernmental cooperation by participating in the Regional Streetlight Procurement Program which brought together 35 municipalities to upgrade their outdoor lighting to LED technology. The program will produce savings on energy and maintenance without any upfront costs, and it won an award through the PA Department of Community and Economic Development. Installation of the new lighting finished in 2017, and the measurement and verification will continue through 2018. Additionally, the Township continues its commitment to the Bucks County Consortium of Municipalities, which brings together municipalities from throughout the County to resolve common issues, make joint bids of products and services, and develop policies that benefit local governments in the region.

Commercial construction dominated the projects that were completed or proposed to the Board of Supervisors throughout 2017. Car Max completed construction of a new facility on Lincoln Highway. A Starbucks and an AT&T Store were started in 2016 and completed in 2017. Permits were also received for several restaurants in the Lincoln Plaza Shopping Center and along Lincoln Highway. Residential construction within the Township mostly comprised of individual homes. Six homes were built in 2016, but no major residential projects were proposed to the Board of Supervisors.

The Township, itself, completed many construction projects aimed at improving infrastructure throughout the community. The 2017 Road Improvement Program repaved nearly 9 miles across 34 roads. Since 2014, the Township has invested \$9 million to repair or rebuild 55 miles of roadway. The Township also completed several stormwater projects to improve drainage throughout the community. Township staff and consultants have also begun planning several traffic improvement projects that, in the coming years, will add turn lanes, widen roads, and improve traffic signals.

The Township has agreements with both Sesame Place and Oxford Valley Mall to provide a safe experience for residents visiting these two highly visible landmarks in the community. Sesame Place required a security detail of nearly 1,600 hours in 2017 for which the park paid \$140,000 to the Township. Simon Property Group, who owns Oxford Valley Mall, provides the Township with access to the mall common areas and security room as well as the resources needed for the additional security needs in and around the mall area. Simon paid approximately \$180,000 in 2017 to cover the costs of an additional officer and overtime.

The Police Department continued their strong focus on community engagement in 2017. The Bike Patrol launched in 2017 was expanded to include more officers in 2017, making officers more visible and approachable throughout the community. The Department launched an electronic kiosk in the Municipal Center to make services more easily accessible to the public. The Community Relations Officer organized several events that improved the quality of life in the Township. Shop with A Cop paired disadvantaged children with an officer who would accompany them while shopping for holiday gifts for their families. Each child received a gift card from a sponsor to assist them in shopping. Coffee with A Cop offered the opportunity for residents to meet the officers who keep them safe. National Night Out was a block party with hundreds of participants at the Municipal Center to celebrate the Police Department's connections and partnership with the community.

The Police Department also participates in specific programs that provide the Township revenue while keeping the community safe. They continued their participation in the "Click It or Ticket" seat belt usage program as well as the Pennsylvania Aggressive Driving program which targets high accident areas. The Department also participates in the Live Scan booking system that links their database to that of the Pennsylvania State Police, the FBI, the district court system, and national crime databases. Participating in Live Scan allows the Department to better process suspects and provide service to neighboring police departments. The Department received over \$51,000 for participation in the program.

The Fire Marshal's Office performed many important safety functions throughout 2017. Staff completed annual fire inspections of all commercial businesses in the Township. They also performed inspections of fire detection and suppression systems to keep those working in commercial settings safe. As in previous years, communication and education regarding fire prevention was among the Office's accomplishments. Staff ran programs for businesses, daycares and schools, and elderly communities to make those places safer. They also participated in community events such as Public Safety Day at the Oxford Valley Mall. Members of the Fire Marshal's Office also frequently visit neighborhoods to inspect or provide smoke detectors to residents, and they partnered with sponsors through Operation 6abc Save A Life to donate and install smoke detectors to families in need. Their dedication and efforts have made Middletown a safer community.

The Parks & Recreation Department provided programs and community events throughout the year. Earth Day, the Holiday Open House, and the Middletown at the Mall Summer Expo were free events that provided entertainment and recreation for visitors. The annual 4th of July Parade served thousands of participants and spectators. The Department, along with the Environmental Advisory Committee, also continued or implemented several environmental sustainability and education programs, including a Community Garden, a recycling program, and the annual tree planting with trees subsidized through the PA DCNR TreeVitalize Program. They also made great strides in removing the trees affected by emerald ash borers. The Department also ran successful programs throughout the year, and summer recreation continued its increase in children enrolled. In total, Parks & Recreation events and programs served approximately 13,000 residents.

The Township continued its commitment to connecting with residents throughout the year. The Middletown Township website provides valuable information to residents, businesses, and visitors while providing an up-to-date newsfeed of what is happening throughout the community. The Township also maintains multiple social media accounts to provide updates on general news, events and programs, and police alerts. The Manager's Office also sends out a monthly eNews to inform subscribers about important news and events. In addition to electronic means, several events provided opportunities for interaction between residents and Township staff and officials. Township staff hosted residents at open houses, visited schools as part of Local Government Month, and offered education and entertainment at Middletown at the Mall.

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 little cost to the Township. Bank fees have been eliminated from the Township budget altogether. Interest is paid on the net 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 \$40.0 million as of December 31, 2017.

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, 2017 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 unmodified opinion for the year ended December 31, 2017.

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, 2015. That year was the twelfth 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 2017 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, Building and Planning, and Parks and Recreation Departments, the Fire Marshal's Office, the Police Department, and the Department of Public Works have my sincere appreciation for their contributions.

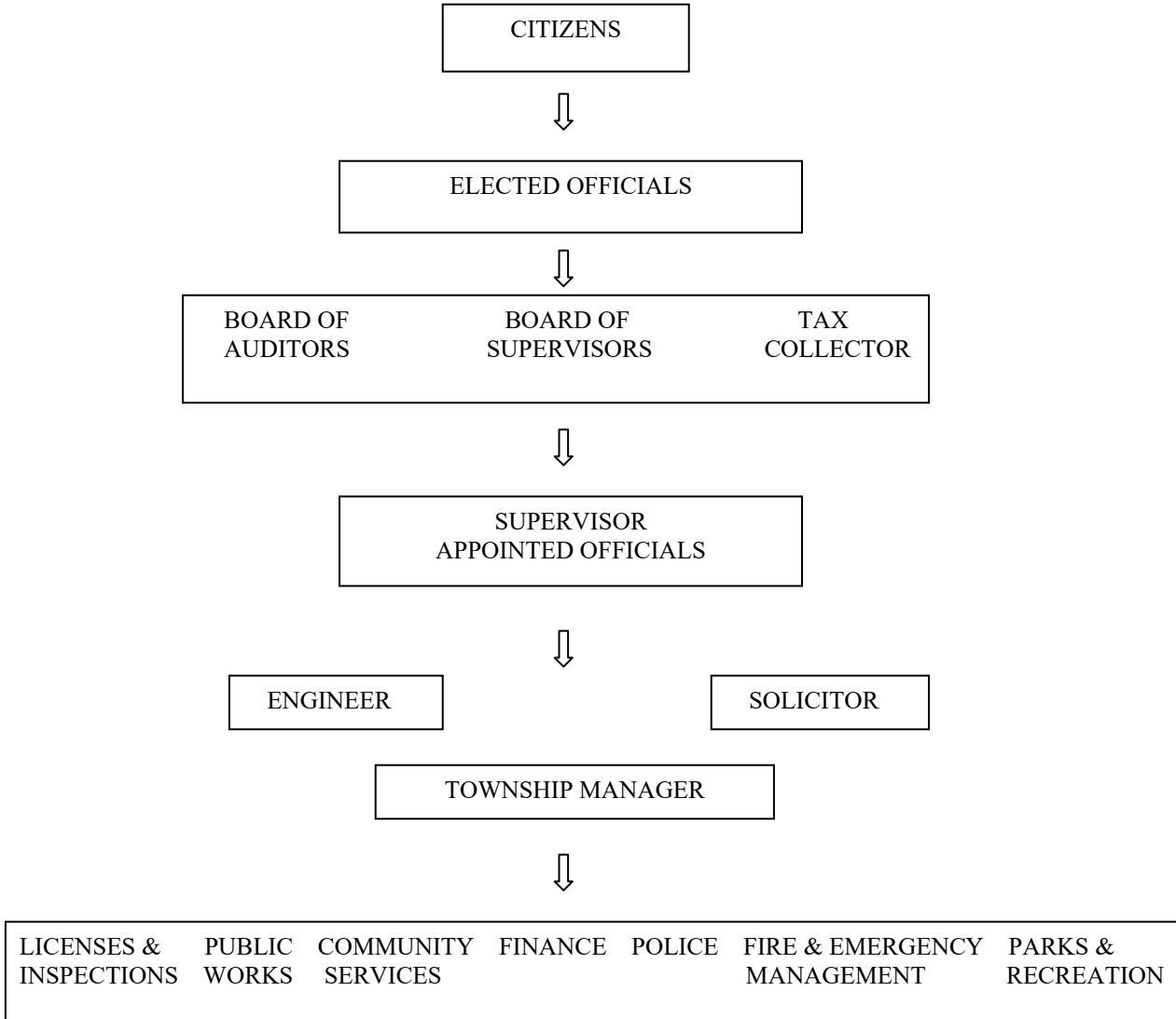
I would also like to thank the Board of Supervisors for their support and continued interest in the financial operations of the Township. Without their support, the preparation of this report would not have been possible.

Respectfully submitted,

Brian Shapiro
Director of Finance and Human Resources

TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA
ORGANIZATIONAL CHART

December 31, 2017



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, 2017

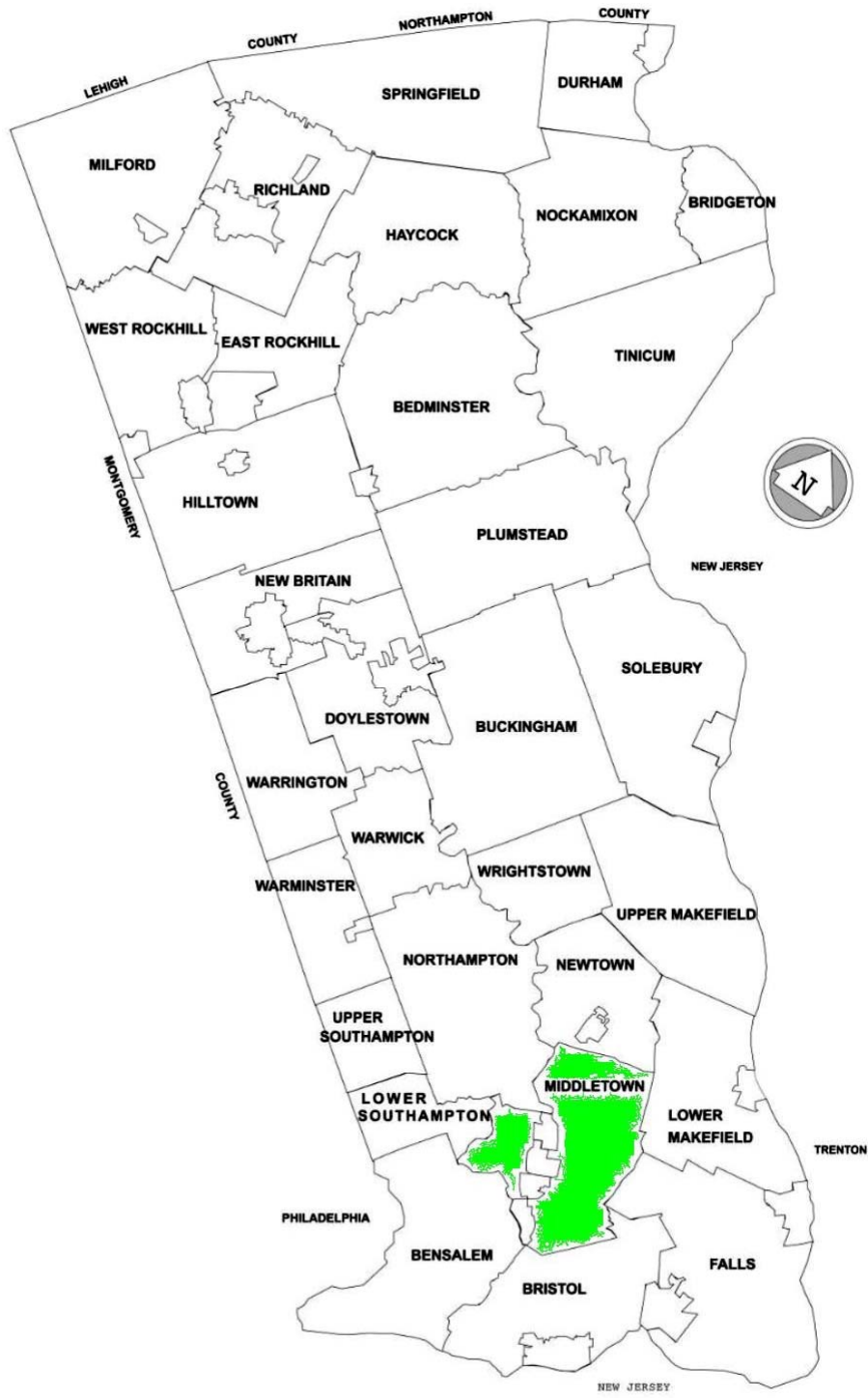
2017 BOARD OF SUPERVISORS

Thomas Gallagher, Chairperson
William Oettinger, Vice Chairperson
H. George Leonhauser, Secretary
Amy Strouse, Member
Tom Tosti, Member

EXECUTIVE OFFICIALS

Stephanie Teoli Kuhls, Township Manager
Joseph Pizzo, Esq., Township Solicitor
Larry Young, P.E., Township Engineer
Joseph Bartorilla, Chief of Police
Pat Duffy, P.E., Director of Building and Zoning
Deborah Lamanna, Director of Parks, Recreation and Community Services
James McGuire, Fire Marshal
Brian Shapiro, 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, 2016

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



936 Easton Rd., PO Box 754, Warrington, PA 18976 | 173 S. Broad St., Lansdale, PA 19446
252 W. Swamp Rd., Unit 9, Doylestown, PA 18901 | 130 Almshouse Rd., Suite 201A, Richboro, PA 18954
24 Arnett Ave., Suite 111, Lambertville, NJ 08530
215-345-6272 | www.bbco-cpa.com

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Middletown Township, Pennsylvania

Report on the Financial Statements

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, 2017, 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.

Auditors' 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 auditors' 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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, state highway aid fund, and the investment fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19, and the historical trend information on pages 82 through 87 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 non-major 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 non-major 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

Warrington, PA
June 25, 2018

**Middletown Township
Bucks County, Pennsylvania**

**Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Fiscal Year Ended December 31, 2017**

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, 2017. 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 Governmental Accounting Standards is the government-wide financial statements, which are comprised of the Statement of Net Position and Statement of Activities. These statements report all of the assets, liabilities, revenues, and expenses of the Township. They are prepared using the economic resources measurement focus and the accrual basis of accounting. The government-wide financials provide both long-term and short-term information about the Township's overall financial status.

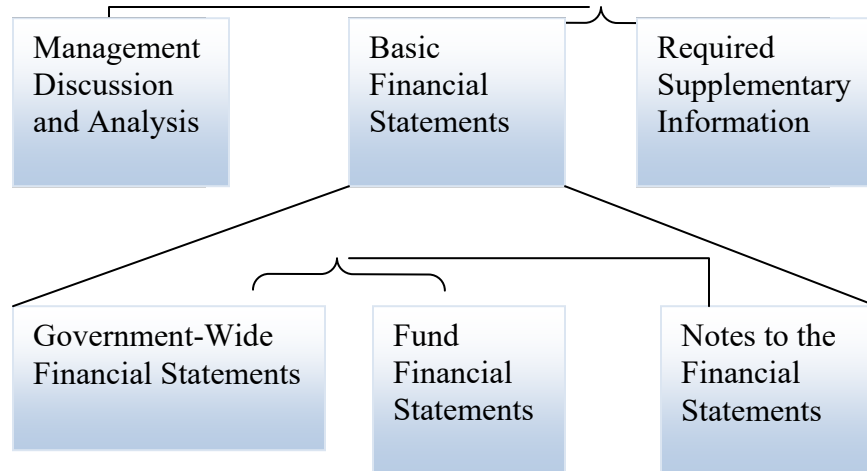
The remaining statements are fund financial statements which focus on the government's major governmental and enterprise funds. Governmental fund financials are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental funds statements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

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

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

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

Figure 1
Required Components of
Middletown Township’s Financial Report



Government-Wide Statements

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

The Statement of Net Position on pages 21-22 includes all of the government’s assets and liabilities, with the difference reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. To assess the overall health of the Township, you need to consider additional non-financial factors, such as changes in the property tax base or the condition of Township infrastructure.

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

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

- *Governmental activities* – All of the Township’s basic services are included here financed by taxes, fees, contributions and grants.
- *Business type activities* – The Middletown Country Club Fund and the 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 25 and 26.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 38 through 80 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 \$75,613,981 and \$70,622,648 at the close of the years ended December 31, 2017 and 2016, respectively.

The following table provides a summary of the Township's Net Position at December 31, 2017 and December 31, 2016:

Table 1
Summary of Net Position
For the Years Ending 12/31/17 and 12/31/16
(Government-Wide)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 65,559,653	\$ 62,786,306	\$ 326,263	\$ 264,867	\$ 65,885,916	\$ 63,051,173
Capital Assets	<u>52,978,366</u>	<u>52,089,198</u>	<u>4,533,441</u>	<u>4,587,669</u>	<u>57,511,807</u>	<u>56,676,867</u>
Total Assets	118,538,019	114,875,504	4,859,704	4,852,536	123,397,723	119,728,040
Deferred Outflows	<u>2,821,555</u>	<u>2,791,774</u>	-	-	<u>2,821,555</u>	<u>2,791,774</u>
Current and Other Liabilities	3,799,070	3,633,701	187,578	187,607	3,986,648	3,821,308
Long-Term Liabilities	<u>40,427,609</u>	<u>41,354,292</u>	-	-	<u>40,427,609</u>	<u>41,354,292</u>
Total Liabilities	44,226,679	44,987,993	187,578	187,607	44,414,257	45,175,600
Deferred Inflows	<u>1,518,914</u>	<u>2,056,637</u>	<u>12,250</u>	<u>3,250</u>	<u>1,531,164</u>	<u>2,059,887</u>
Net Position						
Net investment in capital assets	26,596,566	24,373,891	4,533,441	4,587,669	31,130,007	28,961,560
Restricted	1,577,538	1,911,173	-	-	1,577,538	1,911,173
Unrestricted	<u>47,439,877</u>	<u>44,337,584</u>	<u>126,435</u>	<u>74,010</u>	<u>47,566,312</u>	<u>44,411,594</u>
Total Net Position	<u>\$ 75,613,981</u>	<u>\$ 70,622,648</u>	<u>\$ 4,659,876</u>	<u>\$ 4,661,679</u>	<u>\$ 80,273,857</u>	<u>\$ 75,284,327</u>

The current assets of the Township are comprised primarily of cash, short-term investments, and accounts receivable. The largest portion of the current assets balance is made up of cash and investments held by the Investment Fund (\$40.0 million in 2017). Government Activities Current Assets increased by \$2,773,347 during 2017, a result of continuing signs of an improving economy and the improved cash position created by the impact of the Earned Income Tax. 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 \$165,369 during 2017, primarily a result of an increase in accrued interest and bonds payable. Long-term liabilities include principal balances owed on various General Obligation Bonds and notes, and accrued sick and severance pay, and Net Pension Liability. The outstanding principal on the 2010, 2012, 2014 and 2016 bond issues make up \$24,440,000 of the liabilities balance at year end 2017. Debt administration is discussed later in this report and in Note E to the Basic Financial Statements. Net Pension Liability, a new reporting requirement for 2015 per GASB 68, makes up \$9,279,008 of Long-term Liabilities at year end 2017.

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 25-26, 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 \$4,991,333 during the current fiscal year. Business-type Activities decreased the Township's Net Position by \$1,803 during the current fiscal year. These activities are comprised of the Middletown Country Club and the Styer's Farm.

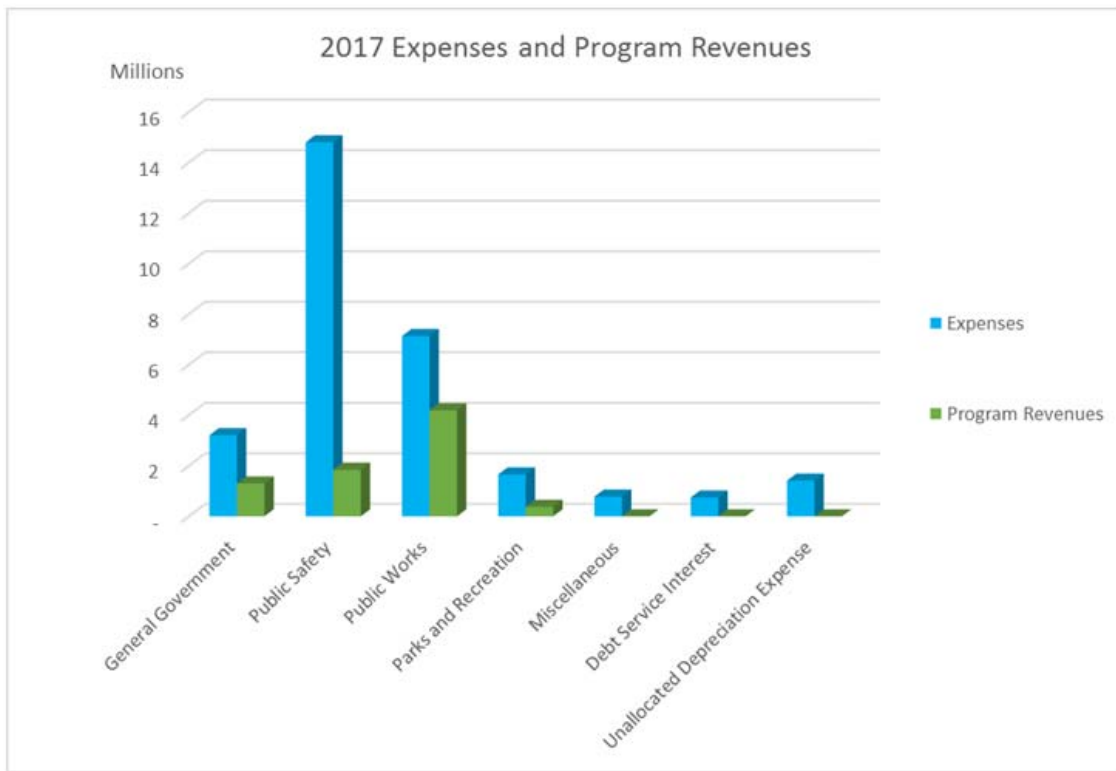
The result of this year's operations as a whole are reported in the Statement of Activities on page 23-24. All expenses are reported in the first column. Specific charges, grants, and contributions that directly relate to specific expense categories are netted against them to determine the final amount of the Township's activities that are supported by other general revenues, primarily Property Taxes, 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, 2017 compared to December 31, 2016.

Table 2
Changes in Net Position
For the Years Ending 12/31/17 and 12/31/16
(Government-Wide)

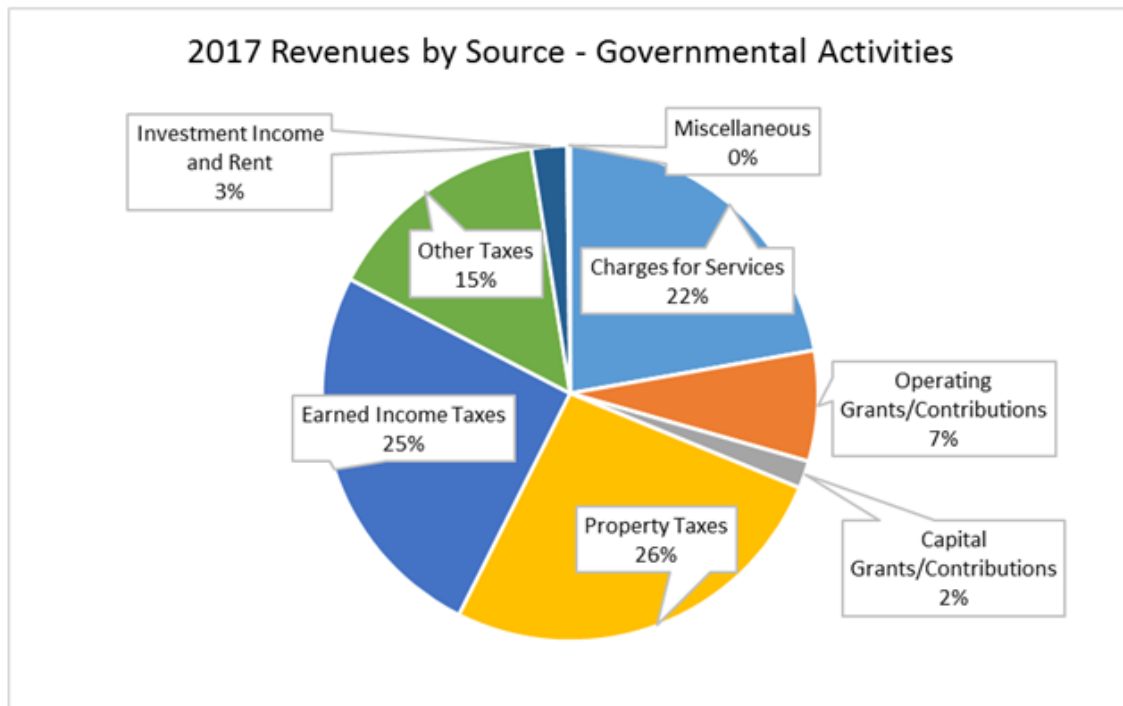
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 7,718,393	\$ 7,869,981	\$ 71,588	\$ 135,888	\$ 7,789,981	\$ 8,005,869
Operating grants and contributions	2,505,896	2,309,100	-	-	2,505,896	2,309,100
Capital grants and contributions	623,981	999,815	-	-	623,981	999,815
General revenues:						
Property taxes	9,097,522	9,286,265	-	-	9,097,522	9,286,265
Earned income taxes	8,753,759	7,727,374	-	-	8,753,759	7,727,374
Other taxes	5,335,482	5,373,874	-	-	5,335,482	5,373,874
Investment income and rent	637,245	659,084	8,085	9,132	645,330	668,216
Miscellaneous	66,042	59,791	-	-	66,042	59,791
Total Revenues	34,738,320	34,285,284	79,673	145,020	34,817,993	34,430,304
Expenses:						
General government	3,210,992	2,587,626	-	-	3,210,992	2,587,626
Public safety	14,804,088	14,831,228	-	-	14,804,088	14,831,228
Public works	7,133,831	7,160,207	-	-	7,133,831	7,160,207
Parks and recreation	1,657,438	1,654,905	-	-	1,657,438	1,654,905
Miscellaneous	783,218	461,240	-	-	783,218	461,240
Debt service interest	745,549	675,204	-	-	745,549	675,204
Unallocated depreciation on infrastructure	1,411,871	1,469,685	-	-	1,411,871	1,469,685
Business-type activities - Country Club	-	-	52,653	66,596	52,653	66,596
Business-type activities - Styer's Farm	-	-	28,823	15,775	28,823	15,775
Total Expenses	29,746,987	28,840,095	81,476	82,371	29,828,463	28,922,466
Change in Net Position before transfers	4,991,333	5,445,189	(1,803)	62,649	4,989,530	5,507,838
Transfers, net	-	19,363	-	(19,363)	-	-
Change in Net Position	4,991,333	5,464,552	(1,803)	43,286	4,989,530	5,507,838
Net Position - Beginning of Year (restated)	70,622,648	65,158,096	4,661,679	4,618,393	75,284,327	69,776,489
Net Position - End of Year	\$ 75,613,981	\$ 70,622,648	\$ 4,659,876	\$ 4,661,679	\$ 80,273,857	\$ 75,284,327

The following chart shows the Government-wide sources of expenses and related program revenues for the year ended December 31, 2017:



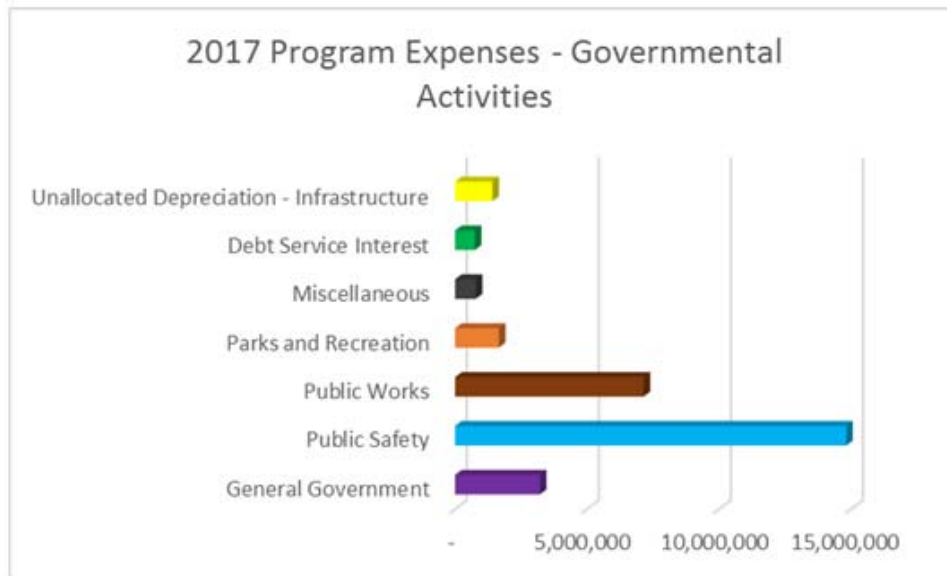
General revenues are required to support the programs. As reflected in the above chart program expenses exceeded program revenues in all areas. General government expenses exceeded program revenues by \$1,674,432, public safety by \$11,713,819, public works by \$1,373,517, and park and recreations by \$1,196,311.

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2017



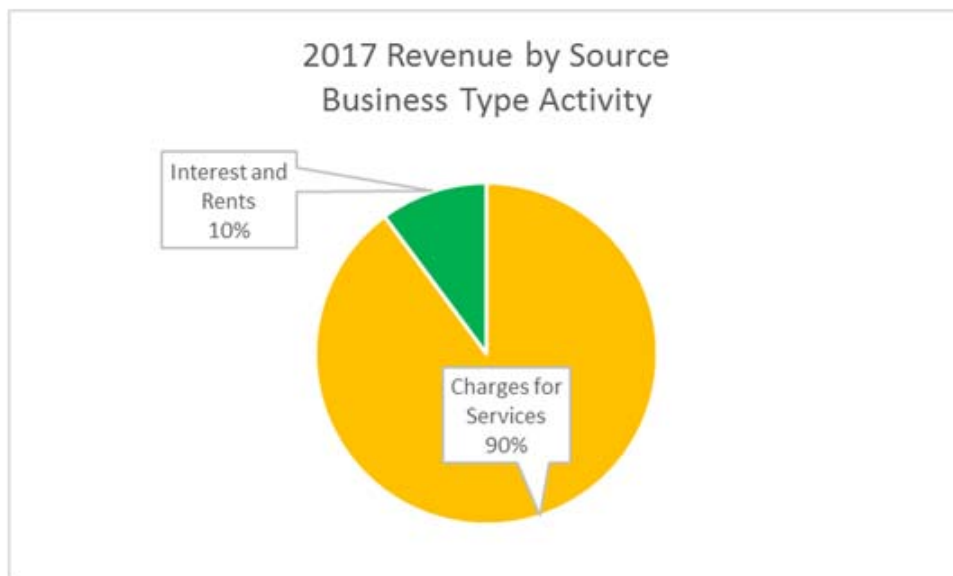
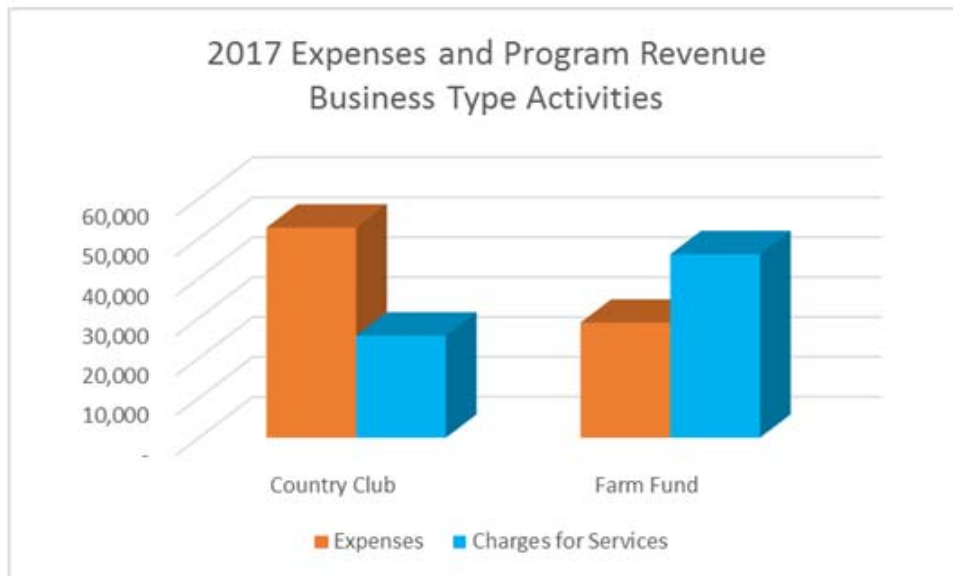
Of the total Government-wide revenues of \$34,738,320, the greatest share came from Property Taxes with revenues of \$9,097,522. The second largest revenue source is Earned Income Taxes with revenues of \$8,753,759. Other Taxes include the Township's Act 511 taxes such as the Local Services, Per Capita, Real Estate Transfer, Mercantile, Amusement, Mechanical Device Taxes, and Parking Fees had combined revenues of \$5,335,482. Operating and Capital Grants and Contributions brought in \$2,505,896. Investment income and rents netted the Township \$637,245. Miscellaneous Income and Sale of Assets, amounting to \$66,042, comprise the balance of the 2017 revenues for governmental activities.

The following chart shows the Government-wide sources of program expenses for the year ended December 31, 2017.



The largest share of expenses in 2017 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 \$14,804,088 for 2017. 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 \$7,133,831 for 2017. Parks and Recreation expenses of \$1,657,438 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 \$3,210,992 make up the third largest segment of 2017 expenses. This category covers the costs of staffing, benefits, and other administrative costs and ancillary expenses. Depreciation expenses of \$1,411,871, Debt Service Interest of \$745,549, and Miscellaneous expenses of \$783,218 primarily insurance expense, round out the 2017 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, 2017:



Business-type Activities decreased the Township’s Net Position by \$1,803 during the current fiscal year. The Middletown Country Club revenues totaled \$25,604 with offsetting expenses of \$52,653 for an operating loss of \$27,049. The Styer’s Farm revenues totaled \$45,984 for the year with offsetting expenses of \$28,823 for an operating income, and income before transfers of \$17,161.

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 \$61,283,272 which represents an increase of \$2,522,935 from the previous year. The largest components of this increase are the General Fund, where the operating revenue exceeded operating expenditures, and the Capital Reserve Fund which received a transfer of \$2,500,000 from the General Fund allowing the fund to grow its Fund Balance.

The investment fund has a total fund balance of \$40,794,344 at fiscal year end, an increase of \$362,499 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 capital reserve fund has a total fund balance of \$8,713,931 at year end, which is a \$1,150,260 increase from the prior year. Funding is provided for by transfers from the General Fund, RDA grant monies, federal and state grants and bond issuances. The township maintains a five-year capital plan that is used as a guide to determine the level of funding that is needed in this fund.

The debt service fund has a total fund balance of \$443,585, a decrease of \$355,643 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 2017 budget provided for a real estate tax rate of 5.145 mills for the fund.

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 \$205,588 at year end 2017. The total Net Position is \$2,363,163. 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 \$79,153 at year end 2017. The total Net Position is \$2,296,713. 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 2017 Budget on December 11, 2016, which included the continuation of a 17.570 millage rate for real estate taxes and an earned income tax at 0.5%.

During the year, the Township transferred \$2,500,000 from the General Fund to the Capital Fund, which was funded by increased revenue from the earned income tax, which was funded by a decrease to fund balance thereby increasing net expenditures by \$2,500,000. 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 \$2,481,337 primarily due to higher than expected taxes, most notably the earned income tax which exceeded budget by \$1,549,759 in its fourth year; other taxes in total exceeded budget by \$634,982; and inspection fees exceeded budget by \$109,665. Other Financing Sources were lower than budget as the transfer from the General Fund to the Capital Fund was considered due to the higher than revenue mentioned above.

General Fund Expenditures were lower than the budgeted amounts by \$260,418 as a result of management's continued efforts to control costs, and postpone expenses where possible. Savings to budget, primarily in payroll and benefits costs, were realized in the public safety amounting to \$99,377, and general government \$89,475.

A schedule showing the Townships original and final budget amount compared with amounts actually paid and received is provided on page 31.

Capital Assets

At December 31, 2017, the Township had \$57,511,807 invested in a broad range of capital assets (net), including land, land improvements, buildings, building improvements, machinery & equipment and infrastructure.

Capital asset purchases totaled \$3,581,587 during the 2017 fiscal year as follows:

Machinery and Equipment - \$785,869, Infrastructure - \$1,671,744, Land Improvements \$6,943, and Construction in Progress - \$1,117,031.

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

Debt Administration

As of January 1, 2017, the Township had total outstanding long-term debt of \$43,610,369 (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 pension liability (restated) and other post-retirement benefit liabilities for police. The outstanding long-term debt balance at December 31, 2017 is \$42,812,698 (principal only).

Standard and Poor's Ratings Services reaffirmed its AA+ long term rating and stable outlook for Middletown Township bonds on August 5, 2016. 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.

Compensated absences reflect a balance of \$1,654,973 in earned vacation, vested sick pay and vested severance pay as of December 31, 2017. Compensated Absences increased \$79,678 for the year. Pension Liability totaled \$9,279,008, and Other Post-Employment Benefits has an outstanding liability of \$5,403,152 at December 31, 2017.

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

2018 Budget Overview

This 2018 Budget includes \$31,971,750 in operating expenditures over thirteen governmental funds, reflecting a 6.59% increase from the 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 thirteen governmental funds include costs to provide typical governmental functions. The 2018 General Fund Budget includes expenditures of \$19,350,200 which represents a 6.65% increase over the 2017 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 four years to address this imbalance as the Administration has emphasized a culture of cost containment and ongoing review of revenue enhancement.

General Fund Revenue Budget

- **Real Estate Tax:** The 2018 Middletown Township Real Estate Tax is based on an anticipated total assessed value of \$531,036,470. The proposed rate of 17.570 mills reflects no change from the 2017 rate.
- **Earned Income Tax:** An Earned Income Tax was implemented in 2014 at a rate of 0.5% of earned income on resident and non-resident workers. It is estimated that this tax will generate \$6,900,000 during the 2018 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 \$1,100,000 in 2018.
- **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 \$1,025,000 in revenues in 2018.
- **Amusement Tax:** The Amusement tax levies a tax equal to 5% of eligible admission prices to certain places of amusement, entertainment or recreation. In 2018, \$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 \$9,832,000. This category is significantly impacted by salary and benefit costs for the Township’s police force. In December of 2017, there are currently 57 officers in the department, which is equal to budget.
- The contribution required to the Police Pension fund has increased dramatically over the past seven years from \$764,346 in 2010 to \$2,900,000 in 2018.
- Other significant expenditure categories in the 2018 General Fund include Administration at \$1,076,500; Public Works at \$1,303,000; Building & Planning at \$722,000 and Fire Protection/Emergency Management at \$565,500.

The complete 2018 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 2017, the Township submitted eleven (11) applications for Project Funding totaling \$1,453,753 to the Bucks County Redevelopment Authority (RDA) for 2018 Pennsylvania Gaming Revenue Grants. RDA approval for full, and/or partial funding, was received for five (5) of the project applications submitted, totaling \$423,245. The grants are for 2018 projects, benefiting the Middletown Community as a whole. A Summary follows:

2017 Pennsylvania Municipal Grant Program Awards

<u>Project</u>	<u>Description</u>	<u>RDA Approved Grant Amount</u>
Middletown Township Police Department	Records Management System	\$139,043
Middletown Township Public Works	Vehicles	\$83,609
Penndel Fire Company	Fire Station Modernization	\$125,000
Penndel-Middletown Emergency Squad	Remount of Ambulance	\$48,613
Penndel-Middletown Emergency Squad	Oxygen Generation System	\$26,980
Total		<u><u>\$423,245</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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 21,954,281	\$ 300,488	\$ 22,254,769
Investments	38,891,447	-	38,891,447
Receivables (net of allowance for uncollectibles)	4,323,243	775	4,324,018
Other assets	390,682	25,000	415,682
Total Current Assets	65,559,653	326,263	65,885,916
Capital Assets (net of accumulated depreciation)			
Land	8,327,435	3,355,000	11,682,435
Construction in progress	1,117,031	-	1,117,031
Land improvements	6,586,051	655,382	7,241,433
Buildings and building improvements	20,375,524	1,562,765	21,938,289
Machinery and equipment	11,674,035	691,199	12,365,234
Infrastructure	75,365,948	-	75,365,948
Accumulated depreciation	(70,467,658)	(1,730,905)	(72,198,563)
Total Capital Assets (net)	52,978,366	4,533,441	57,511,807
 TOTAL ASSETS	 118,538,019	 4,859,704	 123,397,723
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized deferred loss on refunding	93,765	-	93,765
Differences between expected and actual experience on pension plan liability	278,541	-	278,541
Change in assumptions	270,890	-	270,890
Net difference between projected and actual earnings on pension plan investments	2,178,359	-	2,178,359
Total Deferred Outflows of Resources	\$ 2,821,555	\$ -	\$ 2,821,555

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 563,011	\$ 38,214	\$ 601,225
Accrued salaries and benefits	218,797	-	218,797
Deposits and refunds	333,456	-	333,456
Internal balances	(149,364)	149,364	-
Due to other governments	102,406	-	102,406
Accrued interest payable	345,675	-	345,675
Bonds payable, current maturity	2,095,000	-	2,095,000
Notes payable, current maturity	186,125	-	186,125
Compensated absences, current maturity	103,964	-	103,964
Total Current Liabilities	<u>3,799,070</u>	<u>187,578</u>	<u>3,986,648</u>
Long-term Liabilities			
Bonds payable, net of current maturity	23,090,583	-	23,090,583
Notes payable, net of current maturity	1,103,857	-	1,103,857
Compensated absences, net of current maturity	1,551,009	-	1,551,009
Net pension liability	9,279,008	-	9,279,008
Other post-employment benefits	5,403,152	-	5,403,152
Total Long-term Liabilities	<u>40,427,609</u>	<u>-</u>	<u>40,427,609</u>
TOTAL LIABILITIES	<u>44,226,679</u>	<u>187,578</u>	<u>44,414,257</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred revenue - special assessments	16,595	12,250	28,845
Differences between expected and actual experience on pension plan liability	<u>1,502,319</u>	<u>-</u>	<u>1,502,319</u>
Total Deferred Inflows of Resources	<u>1,518,914</u>	<u>12,250</u>	<u>1,531,164</u>
<u>NET POSITION</u>			
Net investment in capital assets	26,596,566	4,533,441	31,130,007
Restricted for:			
Street lighting	403,234	-	403,234
Road machinery	187,149	-	187,149
Fire and ambulance	55,375	-	55,375
Police	216,621	-	216,621
Streets and highway	271,574	-	271,574
Debt service	443,585	-	443,585
Unrestricted	<u>47,439,877</u>	<u>126,435</u>	<u>47,566,312</u>
Total Net Position	<u>\$ 75,613,981</u>	<u>\$ 4,659,876</u>	<u>\$ 80,273,857</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, 2017

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government				
Governmental Activities:				
General government	\$ 3,210,992	\$ 1,300,998	\$ 235,562	\$ -
Public safety	14,804,088	1,843,514	812,245	434,510
Public works	7,133,831	4,196,856	1,373,987	189,471
Parks and recreation	1,657,438	377,025	84,102	-
Miscellaneous	783,218	-	-	-
Debt service interest	745,549	-	-	-
Unallocated depreciation expense	1,411,871	-	-	-
Total Governmental Activities	29,746,987	7,718,393	2,505,896	623,981
Business - Type Activities				
Country Club	52,653	25,604	-	-
Farm Fund	28,823	45,984	-	-
Total Business - Type Activities	81,476	71,588	-	-
 Total Primary Government	 \$ 29,828,463	 \$ 7,789,981	 \$ 2,505,896	 \$ 623,981

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
 Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning (restated)

Net Position - Ending

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,674,432)	\$ -	\$ (1,674,432)
(11,713,819)	-	(11,713,819)
(1,373,517)	-	(1,373,517)
(1,196,311)	-	(1,196,311)
(783,218)	-	(783,218)
(745,549)	-	(745,549)
(1,411,871)	-	(1,411,871)
(18,898,717)	-	(18,898,717)
-	(27,049)	(27,049)
-	17,161	17,161
-	(9,888)	(9,888)
(18,898,717)	(9,888)	(18,908,605)
9,097,522	-	9,097,522
8,753,759	-	8,753,759
1,333,653	-	1,333,653
1,091,284	-	1,091,284
1,177,552	-	1,177,552
1,334,379	-	1,334,379
227,193	-	227,193
171,421	-	171,421
637,245	8,085	645,330
54,816	-	54,816
11,226	-	11,226
23,890,050	8,085	23,898,135
4,991,333	(1,803)	4,989,530
70,622,648	4,661,679	75,284,327
\$ 75,613,981	\$ 4,659,876	\$ 80,273,857

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

TOWNSHIP OF MIDDLETOWN

BALANCE SHEET -
GOVERNMENTAL FUNDS

December 31, 2017

	<u>General</u>	<u>Investment Fund</u>	<u>Capital Reserve</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,429,883	\$ 1,916,653	\$ 8,696,147
Investments	-	38,891,447	-
Receivables (net of allowance for uncollectibles)	1,084,313	6,939	229,670
Prepaid items	138,734	-	-
Deposit	-	250,000	-
Advances to other funds	-	-	-
Total Assets	<u>\$ 10,652,930</u>	<u>\$ 41,065,039</u>	<u>\$ 8,925,817</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 173,021	\$ -	\$ 211,886
Accrued salaries and benefits	217,311	-	-
Deposits and refunds	142,488	190,968	-
Due to other governments	36,929	65,477	-
Total Liabilities	<u>569,749</u>	<u>256,445</u>	<u>211,886</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	348,881	-	-
Unavailable revenue - special assessments	-	14,250	-
Total Deferred Inflows of Resources	<u>348,881</u>	<u>14,250</u>	<u>-</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Prepaid items	138,734	-	-
Restricted:			
Street lighting	-	-	-
Road machinery	-	-	-
Fire and ambulance	-	-	-
Police	179,739	-	-
Streets and highways	-	-	-
Debt service	-	-	-
Committed:			
Culture and recreation	-	-	-
Emergency reserve	-	39,000,000	-
Other post employment benefits	473,358	-	-
Assigned:			
Operations	-	1,794,344	-
Capital projects	-	-	8,713,931
Unassigned	8,942,469	-	-
Total Fund Balances	<u>9,734,300</u>	<u>40,794,344</u>	<u>8,713,931</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,652,930</u>	<u>\$ 41,065,039</u>	<u>\$ 8,925,817</u>

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 452,140	\$ 1,459,458	\$ 21,954,281
-	-	38,891,447
28,631	184,690	1,534,243
-	1,948	140,682
-	-	250,000
-	149,364	149,364
<u>\$ 480,771</u>	<u>\$ 1,795,460</u>	<u>\$ 62,920,017</u>
\$ 10,784	\$ 167,320	\$ 563,011
-	1,486	218,797
-	-	333,456
-	-	102,406
<u>10,784</u>	<u>168,806</u>	<u>1,217,670</u>
26,402	27,197	402,480
-	2,345	16,595
<u>26,402</u>	<u>29,542</u>	<u>419,075</u>
-	-	138,734
-	403,234	403,234
-	187,149	187,149
-	55,375	55,375
-	36,882	216,621
-	271,574	271,574
443,585	-	443,585
-	485,092	485,092
-	-	39,000,000
-	-	473,358
-	-	1,794,344
-	157,806	8,871,737
-	-	8,942,469
<u>443,585</u>	<u>1,597,112</u>	<u>61,283,272</u>
<u>\$ 480,771</u>	<u>\$ 1,795,460</u>	<u>\$ 62,920,017</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, 2017

TOTAL GOVERNMENTAL FUND BALANCES \$ 61,283,272

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

Cost of capital assets	\$ 123,446,024	
Accumulated depreciation	<u>(70,467,658)</u>	52,978,366

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	402,480	
Earned income tax receivables	<u>2,789,000</u>	3,191,480

Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Net difference between projected and actual earnings on pension plan investments	2,178,359	
Differences between expected and actual experience on pension plan liability	278,541	
Change in assumptions	270,890	
Differences between expected and actual experience on pension plan liability	<u>(1,502,319)</u>	1,225,471

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	(345,675)	
Bonds and notes payable	(25,729,982)	
Unamortized bond premiums	(745,583)	
Unamortized deferred loss on refunding	93,765	
Compensated absences	(1,654,973)	
Net pension liability	(9,279,008)	
Other post employment benefits obligation	<u>(5,403,152)</u>	<u>(43,064,608)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 75,613,981

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, 2017

	<u>General</u>	<u>Investment Fund</u>	<u>Capital Reserve</u>	<u>Debt Service Fund</u>
Revenues				
Taxes:				
Property	\$ 3,765,377	\$ -	\$ -	\$ 2,663,029
Earned income	8,349,759	-	-	-
Amusement	1,333,653	-	-	-
Local service	1,091,284	-	-	-
Mercantile	1,177,552	-	-	-
Real estate transfer	1,334,379	-	-	-
Parking transaction	227,193	-	-	-
Per Capita	138,561	-	-	-
Mechanical devices	32,860	-	-	-
Fees, licenses and permits	1,186,665	-	15,548	-
Fines and forfeitures	144,157	-	-	-
Investment income and rent	148,879	706,656	40,627	6,936
Intergovernmental revenues	754,926	-	638,981	-
Charges for services	5,938,567	-	-	-
Contributions private sources	51,897	-	-	-
Gain (loss) on investments	-	(303,097)	-	-
Other	26,128	-	87,576	-
Total Revenues	<u>25,701,837</u>	<u>403,559</u>	<u>782,732</u>	<u>2,669,965</u>
Expenditures				
Current:				
General government	2,350,975	41,060	-	780
Public safety	13,177,077	-	-	-
Public works	5,662,125	-	-	-
Parks and recreation	10,887	-	-	-
Miscellaneous	783,218	-	-	-
Debt service:				
Principal	-	-	-	2,352,014
Interest	-	-	-	671,254
Paid to fiscal agent	-	-	-	1,560
Capital outlay/development	-	-	2,122,519	-
Total Expenditures	<u>21,984,282</u>	<u>41,060</u>	<u>2,122,519</u>	<u>3,025,608</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,717,555</u>	<u>362,499</u>	<u>(1,339,787)</u>	<u>(355,643)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	8,205	-	-	-
Issuance of long term notes	-	-	-	-
Transfers in	-	-	2,523,889	-
Transfers out	(2,500,000)	-	(33,842)	-
Total Other Financing Sources (Uses)	<u>(2,491,795)</u>	<u>-</u>	<u>2,490,047</u>	<u>-</u>
Net Change in Fund Balance	1,225,760	362,499	1,150,260	(355,643)
Fund Balance - Beginning (Restated)	8,508,540	40,431,845	7,563,671	799,228
Fund Balance - Ending	<u>\$ 9,734,300</u>	<u>\$ 40,794,344</u>	<u>\$ 8,713,931</u>	<u>\$ 443,585</u>

Other Governmental Funds	Total Governmental Funds
\$ 2,742,247	\$ 9,170,653
-	8,349,759
-	1,333,653
-	1,091,284
-	1,177,552
-	1,334,379
-	227,193
-	138,561
-	32,860
-	1,202,213
-	144,157
37,244	940,342
1,619,936	3,013,843
378,049	6,316,616
3,763	55,660
-	(303,097)
1,486	115,190
<u>4,782,725</u>	<u>34,340,818</u>
-	2,392,815
1,395,889	14,572,966
3,088,437	8,750,562
1,288,666	1,299,553
-	783,218
-	2,352,014
-	671,254
-	1,560
-	2,122,519
<u>5,772,992</u>	<u>32,946,461</u>
<u>(990,267)</u>	<u>1,394,357</u>
3,725	11,930
1,116,648	1,116,648
33,842	2,557,731
<u>(23,889)</u>	<u>(2,557,731)</u>
<u>1,130,326</u>	<u>1,128,578</u>
140,059	2,522,935
<u>1,457,053</u>	<u>58,760,337</u>
<u>\$ 1,597,112</u>	<u>\$ 61,283,272</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, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,522,935

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	\$ 3,574,644	
Depreciation expense	<u>(2,684,772)</u>	889,872

The effect of sale of capital assets is to decrease Net Position (704)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 386,276

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 position. 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	(1,116,648)	
Debt refunded	-	
Note issued	-	
Amortization of premiums, discounts, and losses	98,175	
Repayment of debt	<u>2,352,014</u>	1,333,541

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	(79,678)	
Net pension liability and deferred items	334,970	
Net other postemployment benefits obligation	(224,969)	
Interest expense	<u>(170,910)</u>	<u>(140,587)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,991,333

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, 2017

	GENERAL FUND			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property	\$ 3,787,500	\$ 3,787,500	\$ 3,765,377	\$ (22,123)
Earned income	6,800,000	6,800,000	8,349,759	1,549,759
Amusement	1,300,000	1,300,000	1,333,653	33,653
Local service	975,000	975,000	1,091,284	116,284
Mercantile	1,025,000	1,025,000	1,177,552	152,552
Real estate transfer	1,000,000	1,000,000	1,334,379	334,379
Parking transaction	225,000	225,000	227,193	2,193
Per Capita	139,000	139,000	138,561	(439)
Mechanical devices	36,500	36,500	32,860	(3,640)
Fees, licenses and permits	1,077,000	1,077,000	1,186,665	109,665
Investment income and rent	98,500	98,500	148,879	50,379
Intergovernmental revenues	651,000	651,000	754,926	103,926
Fines and forfeitures	138,000	138,000	144,157	6,157
Charges for services	5,924,000	5,924,000	5,938,567	14,567
Contributions private sources	44,000	44,000	51,897	7,897
Other	-	-	26,128	26,128
Total Revenues	<u>23,220,500</u>	<u>23,220,500</u>	<u>25,701,837</u>	<u>2,481,337</u>
Expenditures				
Current:				
General government	2,261,500	2,261,500	2,350,975	(89,475)
Public safety	13,077,700	13,077,700	13,177,077	(99,377)
Public works	5,581,000	5,581,000	5,662,125	(81,125)
Parks and recreation	13,500	13,500	10,887	2,613
Miscellaneous	1,311,000	1,311,000	783,218	527,782
Total Expenditures	<u>22,244,700</u>	<u>22,244,700</u>	<u>21,984,282</u>	<u>260,418</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>975,800</u>	<u>975,800</u>	<u>3,717,555</u>	<u>2,741,755</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	5,000	5,000	8,205	3,205
Transfers out	-	-	(2,500,000)	(2,500,000)
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>5,000</u>	<u>(2,491,795)</u>	<u>(2,496,795)</u>
Net Change in Fund Balance	980,800	980,800	1,225,760	244,960
Fund Balance - Beginning (Restated)	8,508,540	8,508,540	8,508,540	-
Fund Balance - Ending	<u>\$ 9,489,340</u>	<u>\$ 9,489,340</u>	<u>\$ 9,734,300</u>	<u>\$ 244,960</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, 2017

	<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	\$ 651,000	\$ 651,000	\$ 706,656	\$ 55,656
Gain (loss) on investments	-	-	(303,097)	(303,097)
Total Revenues	<u>651,000</u>	<u>651,000</u>	<u>403,559</u>	<u>(247,441)</u>
Expenditures				
Current:				
General government	<u>45,000</u>	<u>45,000</u>	<u>41,060</u>	<u>3,940</u>
Total Expenditures	<u>45,000</u>	<u>45,000</u>	<u>41,060</u>	<u>3,940</u>
Net Change in Fund Balance	606,000	606,000	362,499	(243,501)
Fund Balance - Beginning	<u>40,431,845</u>	<u>40,431,845</u>	<u>40,431,845</u>	-
Fund Balance - Ending	<u>\$ 41,037,845</u>	<u>\$ 41,037,845</u>	<u>\$ 40,794,344</u>	<u>\$ (243,501)</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, 2017

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 192,838	\$ 107,650	\$ 300,488
Accounts receivable	-	775	775
Other assets	25,000	-	25,000
Total Current Assets	<u>217,838</u>	<u>108,425</u>	<u>326,263</u>
Noncurrent			
Land	1,148,057	2,206,943	3,355,000
Land improvements	655,382	-	655,382
Building and building improvements	1,314,179	248,586	1,562,765
Furniture and equipment	691,199	-	691,199
Less accumulated depreciation	<u>(1,651,242)</u>	<u>(79,663)</u>	<u>(1,730,905)</u>
Total capital assets (net of accumulated depreciation)	<u>2,157,575</u>	<u>2,375,866</u>	<u>4,533,441</u>
Total Assets	<u>\$ 2,375,413</u>	<u>\$ 2,484,291</u>	<u>\$ 4,859,704</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ -	\$ 38,214	\$ 38,214
Advances to other funds	-	149,364	149,364
Total Current Liabilities	<u>-</u>	<u>187,578</u>	<u>187,578</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred revenue - special assessments	12,250	-	12,250
Total deferred inflows of resources	<u>12,250</u>	<u>-</u>	<u>12,250</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,157,575	2,375,866	4,533,441
Unrestricted	<u>205,588</u>	<u>(79,153)</u>	<u>126,435</u>
Total Net Position	<u>2,363,163</u>	<u>2,296,713</u>	<u>4,659,876</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,375,413</u>	<u>\$ 2,484,291</u>	<u>\$ 4,859,704</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, 2017

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services			
Licensing fees	\$ 25,604	\$ 45,984	\$ 71,588
Rent	-	7,000	7,000
Total Operating Revenues	<u>25,604</u>	<u>52,984</u>	<u>78,588</u>
Operating Expenses			
Park and recreation	334	19,971	20,305
Depreciation	<u>52,319</u>	<u>8,852</u>	<u>61,171</u>
Total Operating Expenses	<u>52,653</u>	<u>28,823</u>	<u>81,476</u>
Operating Income (Loss)	<u>(27,049)</u>	<u>24,161</u>	<u>(2,888)</u>
Nonoperating Revenues (Expense)			
Interest income	<u>751</u>	<u>334</u>	<u>1,085</u>
Total Nonoperating Revenues (Expense)	<u>751</u>	<u>334</u>	<u>1,085</u>
Changes in Net Position	(26,298)	24,495	(1,803)
Total Net Position - Beginning	<u>2,389,461</u>	<u>2,272,218</u>	<u>4,661,679</u>
Total Net Position - Ending	<u>\$ 2,363,163</u>	<u>\$ 2,296,713</u>	<u>\$ 4,659,876</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, 2017

	<u>Proprietary Fund Types</u>		
	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 25,604	\$ 52,921	\$ 78,525
Cash paid to employees	311	311	622
Cash paid to suppliers	<u>8,263</u>	<u>(20,219)</u>	<u>(11,956)</u>
Net cash provided by (used in) operating activities	<u>34,178</u>	<u>33,013</u>	<u>67,191</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	<u>-</u>	<u>(6,943)</u>	<u>(6,943)</u>
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(6,943)</u>	<u>(6,943)</u>
Cash flows from investing activities			
Earnings on investments	<u>751</u>	<u>334</u>	<u>1,085</u>
Net cash provided by (used in) investing activities	<u>751</u>	<u>334</u>	<u>1,085</u>
Net increase (decrease) in cash and cash equivalents	34,929	26,404	61,333
Beginning cash and cash equivalents	<u>157,909</u>	<u>81,246</u>	<u>239,155</u>
Ending cash and cash equivalents	<u>\$ 192,838</u>	<u>\$ 107,650</u>	<u>\$ 300,488</u>

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

Net operating income (loss)	<u>\$ (27,049)</u>	<u>\$ 24,161</u>	<u>\$ (2,888)</u>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation	52,319	8,852	61,171
Changes in assets and liabilities			
(Increase) decrease in receivables	-	(63)	(63)
Increase (decrease) in payables	(92)	63	(29)
Increase (decrease) in deferred revenues	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Net adjustments	<u>61,227</u>	<u>8,852</u>	<u>70,079</u>
Cash provided (used) by operating activities	<u>\$ 34,178</u>	<u>\$ 33,013</u>	<u>\$ 67,191</u>

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

TOWNSHIP OF MIDDLETOWN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2017

	<u>Pension Trust Funds</u>	<u>Agency Funds Township Escrow</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,219,839	\$ 1,809,410
Prepaid expenses	242,877	-
Receivables:		
Accrued interest	145,825	-
Other receivables	52,691	-
Total Receivables	<u>198,516</u>	<u>-</u>
Investments, at fair value:		
Certificate of Deposit	200,228	-
U.S. government obligations	5,379,122	-
Government sponsored mortgages	1,197,294	-
Corporate obligations	5,999,171	-
Municipal obligations	4,617,207	-
Mortgages	2,119,484	-
Mutual funds-debt	1,170,104	-
Stock equities	23,776,948	-
Foreign obligations	515,278	-
Partnership traded	157,535	-
Total investments	<u>45,132,371</u>	<u>-</u>
Total Assets	<u>\$ 50,793,603</u>	<u>\$ 1,809,410</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 59,911	\$ -
Deposits and refunds	-	316,491
Other liabilities	-	1,492,919
Total Liabilities	<u>59,911</u>	<u>1,809,410</u>
 <u>NET POSITION</u>		
Net Position - Restricted for:		
Pension benefits	<u>50,733,692</u>	<u>-</u>
Total Net Position	<u>\$ 50,733,692</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, 2017

	<u>Pension</u> <u>Trust Funds</u>
Additions	
Contributions	
Employee contributions	\$ 565,967
Township contributions	1,894,131
State aid	628,591
Insurance proceeds	<u>26,346</u>
Total Contributions	<u>3,115,035</u>
Investment Income	
Net appreciation (depreciation) in fair value of investments	3,815,293
Interest and dividend income	<u>1,122,048</u>
Total investment earnings	<u>4,937,341</u>
Total Additions	<u>8,052,376</u>
Deductions	
Benefits	2,363,178
Administrative expenses	<u>415,143</u>
Total Deductions	<u>2,778,321</u>
Change in Net Position	5,274,055
Net Position - Restricted for Pension Benefits:	
Beginning of Year (Restated)	<u>45,459,637</u>
End of Year	<u>\$ 50,733,692</u>

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

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

A. Summary of Significant Accounting Policies

Nature of Entity

Middletown Township, County of Bucks, Commonwealth of Pennsylvania, (the "Township") was founded in 1792. 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 19.017 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, 2017

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, 2017

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 30 days of the end of the fiscal year. Property taxes levied but collected beyond 30 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 *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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

A. Summary of Significant Accounting Policies (Continued)

The *Capital Reserve 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.

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 Fund reported as major funds in this category is 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 Fund	Police Forfeiture Fund
Ambulance and Rescue Squad Fund	State Highway Aid 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 reported as major funds in this category are the Community Development Fund and the Capital Reserve Fund. The remaining funds are classified as non-major funds in the balance sheet of governmental funds. Funds included in this category are:

Curb/Road Revolving Fund	GOB Issue Fund	Contingency Fund
Community Development		

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

A. Summary of Significant Accounting Policies (Continued)

Proprietary Fund Types

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

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

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

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, 2017

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, 2017

A. Summary of Significant Accounting Policies (Continued)

Budgetary Accounting Controls

In accordance with provisions of Public Law of the Commonwealth of Pennsylvania, commonly known as the Second Class Township Code, the Township prepares and adopts a budget on or before December 31 for the following calendar year for all funds. The Code requires that budgets be legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. The appropriated budgets are prepared by fund, function, and department. The legal level of budgetary control is at the fund level.

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

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

Excess of expenditures over appropriations: For the year ended December 31, 2017, expenditures exceeded budget in the General Fund in the categories of general government, public safety, public works, and transfers out in the amount of \$89,475, \$99,377, \$81,125, \$2,500,000, respectively. The excess expenditure was funded by greater than anticipated revenues.

Deficit Net Assets – A deficit unrestricted net assets exists for the Farm fund of \$79,153. This deficit was caused by capital purchases. The deficit will be eliminated over the next few years by anticipated revenues.

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, 2017

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 lienied 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 2017 budget:

	<u>Mills</u>
General Fund	7.1250
Highway Lighting	0.9880
Fire Protection	1.5450
Park and Recreation	1.9200
Ambulance and Rescue	0.4400
Debt Service	5.1450
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 capital assets are recorded at estimated fair market value at the date of donation. Donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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, 2017

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, 2017

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, 2017

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, 2017

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 has the following items that qualify for reporting in this category:

1. *Unamortized deferred loss on refunding* is 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.
2. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.
3. *Change in assumptions* is reported in the government-wide statement of net position. A net difference results when actuarial assumptions are changed. This amount is deferred and amortized over a five year period.
4. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five year period.

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 Township has the following types of items that qualify for reporting in this category:

1. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

A. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (continued)

2. *Deferred revenue - special assessments* is reported in the government-wide statement. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
3. *Unavailable revenue - property taxes, Unavailable revenue – special assessments* are reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and 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).
- 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).

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

B. Deposits and Investments (Continued)

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

As of December 31, 2017, the Township had the following investments:

		Moody's <u>Rating</u>	Maturity <u>(Years)</u>
GOVERNMENTAL ACTIVITIES			
Externally Pooled Investments (PLGIT)	\$ 9,338,481	AAAm	3.46
PA Treasury Invest Community Pool	12,149	AAAm	0
U.S. Government Obligations	25,937,896	AAA	7
Foreign Obligations	5,101,090	AAA	0.79
Certificates of Deposit	<u>7,852,461</u>	Not applicable	1
	<u>\$ 48,242,077</u>		
FIDUCIARY FUNDS			
Certificates of Deposit	\$ 200,228	Not applicable	1
U.S. Government Obligations	5,379,122	Aaa-AAA	2.82
Government Sponsored Mortgages	1,197,294	A1-Aaa	19
Corporate Obligations	5,999,171	Ba2-A3	9.54
Municipal Obligations	4,617,207	A1-Aaa	5.27
Mortgages	2,119,484	Aaa-AAA	18.98
Mutual Funds-Debt	1,170,104	Not applicable	Not applicable
Foreign Obligations	515,278	Aa2	8
Partnership Traded	157,535	Not applicable	Not applicable
Stock Equities	<u>23,776,948</u>	Not applicable	Not applicable
	<u>\$ 45,132,371</u>		

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

B. Deposits and Investments (Continued)

Fair Value Measurements - The Township categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2017:

	Fair <u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
GOVERNMENTAL ACTIVITIES				
U.S. Government Obligations	\$ 37,209,186	\$ 37,209,186	\$ -	\$ -
Foreign Obligations	783,016	783,016	-	-
	<u>\$ 37,992,202</u>	<u>\$ 37,992,202</u>	<u>\$ -</u>	<u>\$ -</u>
FIDUCIARY FUNDS				
U.S. Government Obligations	\$ 5,379,122	\$ 5,379,122	\$ -	\$ -
Government Sponsored Mortgages	1,197,294	1,197,294	-	-
Corporate Obligations	5,999,171	5,999,171	-	-
Municipal Obligations	4,617,207	4,617,207	-	-
Mortgages	2,119,484	2,119,484	-	-
Mutual Funds-Debt	1,170,104	1,170,104	-	-
Foreign Obligations	515,278	515,278	-	-
Partnership Traded	157,535	157,535	-	-
Stock Equities	23,776,948	23,776,948	-	-
	<u>\$ 44,932,143</u>	<u>\$ 44,932,143</u>	<u>\$ -</u>	<u>\$ -</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, 2017, the Township's bank balance was \$22,254,769. Of that balance, \$21,470,356 was exposed to custodial credit risk: \$13,778,977 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 \$7,691,379 was uncollateralized.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

B. Deposits and Investments (Continued)

Investment Pool - The Township has carrying deposits in external investment pools, held with PLGIT Bank. These deposits are considered cash equivalents because of their short maturity dates and are included in the carrying amount of deposits disclosed above. These deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The investment in the pool is the same as the value of the pool shares and is reported at amortized cost, which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The Township can withdraw funds from the external investment pool without limitation or fees upon adequate notice. The investment pool was rated AAAM by Standard & Poor's and has average maturities of less than 30 days. The Investment Pool operates in accordance with appropriate state laws and regulations.

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.

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, 2017, the Township did not have any singular investment that exceeded 5% of the total investments.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

B. Deposits and Investments (Continued)

Interest Rate Risk - is the risk that changes in interest rates will adversely affect an investment's value. In accordance with its investment policy, the Township invests operating funds primarily in short-term securities, money market mutual funds or similar investments. Also, the Township structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. 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, 2017, \$1,809,410 represents the balance of these monies held in escrow.

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>	Investment <u>Fund</u>	Capital <u>Reserve</u>	Debt <u>Service</u>	Farm <u>Fund</u>	Pension Trust <u>Funds</u>	Nonmajor and Other <u>Funds</u>	<u>Total</u>
Receivables:								
Taxes receivable	\$ 37,743	\$ -	\$ -	\$ 26,402	\$ -	\$ -	\$ 51,691	\$ 115,836
Special assessment	141,787	-	-	-	-	-	2,345	144,132
Accounts receivable	1,173,186	6,939	229,670	2,229	775	-	130,654	1,543,453
Accrued interest	-	-	-	-	-	145,825	-	145,825
Other receivables	-	-	-	-	-	52,691	-	52,691
Gross Receivables	1,352,716	6,939	229,670	28,631	775	198,516	184,690	2,001,937
Less: allowance for uncollectibles	(268,403)	-	-	-	-	-	-	(268,403)
Net Total Receivables	<u>\$ 1,084,313</u>	<u>\$ 6,939</u>	<u>\$ 229,670</u>	<u>\$ 28,631</u>	<u>\$ 775</u>	<u>\$ 198,516</u>	<u>\$ 184,690</u>	<u>\$ 1,733,534</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

D. Capital Assets

Capital asset activity for the year ended December 31, 2017 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>-</u>	<u>1,117,031</u>	<u>-</u>	<u>1,117,031</u>
Total capital assets, not being depreciated	<u>8,327,435</u>	<u>1,117,031</u>	<u>-</u>	<u>9,444,466</u>
Capital assets, being depreciated:				
Land improvements	6,586,051	-	-	6,586,051
Building and building improvements	20,375,524	-	-	20,375,524
Machinery and equipment	10,992,250	785,869	(104,084)	11,674,035
Infrastructure	<u>73,694,204</u>	<u>1,671,744</u>	<u>-</u>	<u>75,365,948</u>
Total capital assets being depreciated	<u>111,648,029</u>	<u>2,457,613</u>	<u>(104,084)</u>	<u>114,001,558</u>
Less accumulated depreciation for:				
Land improvements	3,934,128	253,071	-	4,187,199
Building and building improvements	6,100,223	392,507	-	6,492,730
Machinery and equipment	7,566,603	626,537	(103,380)	8,089,760
Infrastructure	<u>50,285,312</u>	<u>1,412,657</u>	<u>-</u>	<u>51,697,969</u>
Total accumulated depreciation	<u>67,886,266</u>	<u>2,684,772</u>	<u>(103,380)</u>	<u>70,467,658</u>
Total capital assets, being depreciated, net	<u>43,761,763</u>	<u>(227,159)</u>	<u>(704)</u>	<u>43,533,900</u>
Governmental activities capital assets, net	<u>\$ 52,089,198</u>	<u>\$ 889,872</u>	<u>\$ (704)</u>	<u>\$ 52,978,366</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	6,943	-	655,382
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>6,943</u>	<u>-</u>	<u>2,909,346</u>
Less accumulated depreciation for:				
Land improvements	516,590	23,313	-	539,903
Building and building improvements	494,876	34,499	-	529,375
Furniture and equipment	<u>658,268</u>	<u>3,359</u>	<u>-</u>	<u>661,627</u>
Total accumulated depreciation	<u>1,669,734</u>	<u>61,171</u>	<u>-</u>	<u>1,730,905</u>
Total capital assets, being depreciated, net	<u>1,232,669</u>	<u>(54,228)</u>	<u>-</u>	<u>1,178,441</u>
Business-type activities capital assets, net	<u>\$ 4,587,669</u>	<u>\$ (54,228)</u>	<u>\$ -</u>	<u>\$ 4,533,441</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

D. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 222,812
Public safety	411,031
Public works	373,598
Parks and recreation	<u>265,460</u>
Subtotal	1,272,901
Unallocated expense	<u>1,411,871</u>
Total depreciation expense-governmental activities	<u>\$ 2,684,772</u>
Business-type activities:	
Country Club	\$ 52,319
Farm Fund	<u>8,852</u>
Total depreciation expense-business-type activities	<u>\$ 61,171</u>

E. Bond and Other Long-Term Debt

General Obligation Bonds, Series 2016

In 2016, Middletown Township issued General Obligation ("G.O.") bonds in the amount of \$9,490,000 to currently refund the Township's G.O. bond Series 2011, 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 these financial statements. The refunding resulted in a loss on defeasance of \$49,177, a cash flow savings over the life of the new debt of \$4,235,888, and an economic present value gain of \$3,172,688. The bonded debt is comprised of serially numbered bonds. Interest is payable February 15 and August 15 until maturity. Interest rates range from 2.00% to 5.00%. No interest or principal was paid in 2017. 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>
2018	\$ 545,000	\$ 357,200	\$ 902,200
2019	565,000	419,250	984,250
2020	590,000	391,000	981,000
2021	580,000	361,500	941,500
2022	610,000	133,000	743,000
2023-2027	<u>6,040,000</u>	<u>408,900</u>	<u>6,448,900</u>
Total	<u>\$ 8,930,000</u>	<u>\$ 2,070,850</u>	<u>\$ 11,000,850</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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. 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%. Principal and interest payments will be made until maturity in 2025 as follows:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 985,000	\$ 205,818	\$ 1,190,818
2019	1,030,000	166,417	1,196,417
2020	1,070,000	125,218	1,195,218
2021	1,135,000	103,818	1,238,818
2022	1,155,000	81,118	1,236,118
2023-2025	<u>2,645,000</u>	<u>97,344</u>	<u>2,742,344</u>
Total	<u>\$ 8,020,000</u>	<u>\$ 779,733</u>	<u>\$ 8,799,733</u>

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%. 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>
2018	\$ 565,000	\$ 152,763	\$ 717,763
2019	575,000	141,463	716,463
2020	585,000	133,700	718,700
2021	590,000	124,925	714,925
2022	600,000	114,600	714,600
2023-2027	3,195,000	382,605	3,577,605
2028-2029	<u>1,380,000</u>	<u>51,320</u>	<u>1,431,320</u>
Total	<u>\$ 7,490,000</u>	<u>\$ 1,101,376</u>	<u>\$ 8,591,376</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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. Interest rates range from 2.00% to 2.625%. This bond was paid off in 2017.

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, 2017, the balance outstanding for the General Obligation Bond, Series 2011 that was advanced refunded and defeased was \$5,765,000.

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, 2017, the outstanding principal balance of the note payable for the purchase of the radio equipment was \$465,349. The note is payable in annual installments based on a eight-year amortization schedule through July 2022, with interest accruing at a 1.5% per annum. A schedule of the Township's debt service requirements is as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 91,497	\$ 5,628	\$ 97,125
2019	92,869	4,256	97,125
2020	<u>73,295</u>	<u>2,863</u>	<u>76,158</u>
Total	<u>\$ 257,661</u>	<u>\$ 12,747</u>	<u>\$ 270,408</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

LED Note

In 2017, Middletown Township obtained a \$1,306,448 draw-down note to purchase LED street lights for the Township. As of December 31, 2017, the outstanding principal balance of the note was \$1,032,321. The note is payable in monthly installments based on a twelve-year repayment schedule, with interest of 2.6%. A schedule of the Township's debt service requirements are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 94,628	\$ 34,780	\$ 129,408
2019	97,457	29,198	126,655
2020	100,372	26,730	127,102
2021	103,373	26,035	129,408
2022	106,464	21,064	127,528
2023-2027	392,219	64,645	456,864
2028-2029	137,808	5,112	142,920
Total	<u>\$ 1,032,321</u>	<u>\$ 207,564</u>	<u>\$ 1,239,885</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

Long-Term Liabilities Summary

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

Governmental activities:	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Bonds payable					
G.O. Bonds 2016	\$ 9,490,000	\$ -	\$ (560,000)	\$ 8,930,000	\$ 545,000
G.O. Bonds 2014	8,575,000	-	(555,000)	8,020,000	985,000
G.O. Bonds 2012	8,035,000	-	(545,000)	7,490,000	565,000
G.O. Bonds 2010	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>
Subtotal	26,500,000	-	(2,060,000)	24,440,000	2,095,000
Deferred amounts:					
For issuance premiums	<u>855,867</u>	<u>-</u>	<u>(110,284)</u>	<u>745,583</u>	<u>-</u>
Total bonds payable	27,355,867	-	(2,170,284)	25,185,583	2,095,000
Notes payable	465,348	1,116,648	(292,014)	1,289,982	186,125
Compensated absences	1,575,295	1,488,198	(1,408,520)	1,654,973	103,964
Net pension liability	9,035,676	5,606,427	(5,363,095)	9,279,008	-
Net OPEB obligation	<u>5,178,183</u>	<u>468,553</u>	<u>(243,584)</u>	<u>5,403,152</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 43,610,369</u>	<u>\$ 8,679,826</u>	<u>\$ (9,477,497)</u>	<u>\$ 42,812,698</u>	<u>\$ 2,385,089</u>
Business-type activities:					
Middletown Country Club Note	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 liability, and net OPEB obligations are generally liquidated by the general fund.

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

Year Ending December 31	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,281,125	\$ 756,189
2019	2,360,326	760,584
2020	2,418,667	679,511
2021	2,408,373	616,278
2022	2,471,464	349,782
2023-2027	12,272,219	953,494
2028-2029	<u>1,517,808</u>	<u>56,432</u>
Total	<u>\$ 25,729,982</u>	<u>\$ 4,172,270</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

F. Middletown Country Club Lease Agreement

The Township 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 (Proprietary Fund Type: Country Club 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, 2017. 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, 2017

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, 2017, 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)	59	20
Inactive employees entitled to benefits but not yet receiving them	1	7
Active employees	<u>48</u>	<u>48</u>
	<u>108</u>	<u>75</u>

(1) Police: includes 8 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, 2017

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, 2017

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, 2017

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% 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, 2017

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 \$628,591 for the pension for the year ended December 31, 2017.

	<u>Police</u>	<u>Non-Uniformed</u>	<u>Total</u>
Township contributions	\$ 1,894,131	\$ -	\$ 1,894,131
Employee contributions	424,418	141,549	565,967
State aid	439,444	189,147	628,591
Insurance proceeds	26,346	-	26,346
	\$ 2,784,339	\$ 330,696	\$ 3,115,035

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, 2017, the annual money-weighted rate of return on Plan investments, net of investment expense was 10.22% for Non-Uniform and 10.34% 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, 2017 were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 50,494,320	\$ 9,518,380
Plan fiduciary net position	(42,093,739)	(8,639,953)
Net pension liability	\$ 8,400,581	\$ 878,427

Plan fiduciary net position as a		
percentage of the total pension liability	83%	91%

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

G. Employee Retirement Systems (Continued)

Actuarial Assumptions: The total pension liability in the January 1, 2017 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%	2.5%	
Salary Increases	4.5%	4.5%	(including inflation)
Investment Rate of Return	7.0%	7.0%	(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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2016.

The net pension liability for Police was measured as of December 31, 2017 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017.

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%	6.00%
Mid/Small Cap	7.00%	7.00%
International Stocks	5.00%	6.00%
Bonds	40.00%	3.50%
Cash	<u>3.00%</u>	1.50%
	<u>100.00%</u>	

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
<u>Police Pension Plan</u>			
Balance at December 31, 2016	\$ 45,971,248	\$ 37,649,525	\$ 8,321,723
Changes for the year:			
Service cost	1,357,815	-	1,357,815
Interest	3,403,148	-	3,403,148
Change of benefit terms	-	-	-
Differences between expected and actual experience	(468,675)	-	(468,675)
Change of assumptions	2,343,901	-	2,343,901
Contributions - employer	-	2,359,921	(2,359,921)
Contributions - employee	-	424,418	(424,418)
Net investment income	-	4,100,522	(4,100,522)
Benefit payments, including refunds of employee contributions	(2,113,117)	(2,113,117)	-
Administrative expense	-	(327,530)	327,530
Other changes	-	-	-
Net Changes	<u>4,523,072</u>	<u>4,444,214</u>	<u>78,858</u>
Balance at December 31, 2017	<u>\$ 50,494,320</u>	<u>\$ 42,093,739</u>	<u>\$ 8,400,581</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

G. Employee Retirement Systems (Continued)

	Increase (Decrease)		
	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
<u>Non-Uniformed Pension Plan</u>			
Balance at December 31, 2016	\$ 8,497,978	\$ 7,784,025	\$ 713,953
Changes for the year:			
Service cost	214,587	-	214,587
Interest	630,877	-	630,877
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	424,999	-	424,999
Contributions - employer	-	189,147	(189,147)
Contributions - employee	-	141,549	(141,549)
Net investment income	-	862,906	(862,906)
Benefit payments, including refunds of employee contributions	(250,061)	(250,061)	-
Administrative expense	-	(87,613)	87,613
Other changes	-	-	-
Net Changes	<u>1,020,402</u>	<u>855,928</u>	<u>164,474</u>
Balance at December 31, 2017	<u>\$ 9,518,380</u>	<u>\$ 8,639,953</u>	<u>\$ 878,427</u>

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 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 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease <u>(6%)</u>	Current Discount <u>Rate (7%)</u>	1% Increase <u>(8%)</u>
Net pension liability			
Police	\$ 14,012,623	\$ 8,400,581	\$ 3,705,873
Non-Uniformed	1,875,036	878,427	32,562

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

G. Employee Retirement Systems (Continued)

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2017, the Township recognized pension expense of \$1,821,493 for Police Pension and \$392,605 for Non-Uniformed Pension. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ -	\$ 1,409,798
Change in assumptions	261,463	-
Net difference between projected and actual earnings on pension plan investments	<u>1,833,247</u>	<u>-</u>
Total	<u>\$ 2,094,710</u>	<u>\$ 1,409,798</u>
 <u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ 278,541	\$ 92,521
Change in assumptions	9,427	-
Net difference between projected and actual earnings on pension plan investments	<u>345,112</u>	<u>-</u>
Total	<u>\$ 633,080</u>	<u>\$ 92,521</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Police</u>	<u>Non-Uniformed</u>
2018	\$ (50,168)	\$ 145,713
2019	476,010	176,754
2020	308,634	149,446
2021	(49,564)	43,082
2022	-	25,564
Total	<u>\$ 684,912</u>	<u>\$ 540,559</u>

Payable to the Pension Plan: For the year ended December 31, 2017, there was no amount payable for contributions to the pension plan.

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, 2017, the DROP account balance of \$2,048,008 is held by the plan pursuant to the DROP.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

G. Employee Retirement Systems (Continued)

The following summarizes financial information of the Police Pension Plan and the Non-Uniform Pension Plan as of and for the year ended December 31, 2017.

<u>Combining Statement of Net Position</u>			
	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,389,412	\$ 830,427	\$ 5,219,839
Prepaid expenses	220,937	21,940	242,877
Accrued interest	121,566	24,259	145,825
Other receivables	52,691	-	52,691
Investments, at fair value:			
Certificate of deposit	140,160	60,068	200,228
U.S. government obligations	4,460,367	918,755	5,379,122
Government sponsored mortgages	1,036,179	161,115	1,197,294
Corporate obligations	5,071,403	927,768	5,999,171
Municipal obligations	3,863,787	753,420	4,617,207
Mortgages	1,579,958	539,526	2,119,484
Mutual fund-debt	1,048,323	121,781	1,170,104
Stock equities	19,569,660	4,207,288	23,776,948
Foreign obligations	422,952	92,326	515,278
Partnerships traded	129,746	27,789	157,535
Total Assets	<u>42,107,141</u>	<u>8,686,462</u>	<u>50,793,603</u>
 Net position restricted for pension benefits	 <u>\$ 42,107,141</u>	 <u>\$ 8,686,462</u>	 <u>\$ 50,793,603</u>

<u>Combining Statement of Changes in Net Position</u>			
	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total</u>
Additions			
Contributions			
Member contributions	\$ 424,418	\$ 141,549	\$ 565,967
Employer contributions	1,894,131	-	1,894,131
State Aid	439,444	189,147	628,591
Insurance proceeds	26,346	-	26,346
Total Contributions	<u>2,784,339</u>	<u>330,696</u>	<u>3,115,035</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	3,182,101	633,192	3,815,293
Interest and dividends	918,421	203,627	1,122,048
Total investment earnings	<u>4,100,522</u>	<u>836,819</u>	<u>4,937,341</u>
Total Additions	<u>6,884,861</u>	<u>1,167,515</u>	<u>8,052,376</u>
Deductions			
Benefits	2,113,117	250,061	2,363,178
Administrative expenses	327,530	87,613	415,143
Total Deductions	<u>2,440,647</u>	<u>337,674</u>	<u>2,778,321</u>
 Net Increase	 4,444,214	 829,841	 5,274,055
Net Position Restricted for Pension Benefits			
Beginning of Year (Restated)	37,649,525	7,810,112	45,459,637
End of Year	<u>\$ 42,093,739</u>	<u>\$ 8,639,953</u>	<u>\$ 50,733,692</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 defined benefit 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. A trust was not established.

The plan does not issue a separate financial statement.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

I. Post Employment Benefits Other Than Pensions (Continued)

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

Membership of the plan consisted of the following at January 1, 2017 (the date of the latest actuarial valuation):

	<u>OPEB</u>
Retirees and beneficiaries currently receiving benefits	48
Terminated employees entitled to benefits but not yet receiving them	-
Active plan members	<u>55</u>
Total membership	<u>103</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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. The insurance premiums paid directly for December 31, 2017 was \$112,718. 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:

	<u>OPEB</u>
Annual required contribution	\$ 560,881
Interest on net OPEB obligation	207,127
Adjustments to annual required contribution	(299,455)
Annual OPEB cost	468,553
Contributions made	(243,584)
Increase in net OPEB obligation	224,969
Net OPEB obligation (asset) at beginning of year	5,178,183
Net OPEB obligation (asset) at end of year	\$ 5,403,152

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 2017 and the preceding fiscal years were as follows:

<u>OPEB</u>	Annual	Percentage	Net
Fiscal Year	OPEB	of Annual	OPEB
<u>Ending</u>	<u>Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>
		<u>Contributed</u>	<u>(Asset)</u>
12/31/2015	\$ 347,145	51%	\$ 5,036,069
12/31/2016	417,279	66%	5,178,183
12/31/2017	468,553	52%	5,403,152

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Post Employment Benefits Other Than Pensions (Continued)

Funded Status and Funding Progress

As of January 1, 2017, 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>	UAAAL as a Percentage of Covered <u>Payroll</u>
OPEB	\$ -	\$ 5,255,681	\$ 5,255,681	0.0%	\$ 6,231,602	84.34%

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, 2017, the date of the latest actuarial valuation, the assumptions were:

	OPEB
Date of actuarial valuation	1/1/2017
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

Medical insurance premiums are assumed to decrease gradually from 5.6% in 2016 to about 5.3% in 2020 and leveling off until 2045 before decreasing to 3.9% in 2075 and later years.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

I. Post Employment Benefits Other Than Pensions (Continued)

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

Retirement age for active employees

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

Marital status

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

Mortality

Life expectancies were based on mortality tables from the 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, 2017, 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, 2017

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, 2017.

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Due within</u> <u>One year</u>
Proprietary Funds					
Farm Fund	\$ 149,364	\$ -	\$ -	\$ 149,364	\$ -

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 12/30/2016</u>	<u>Outstanding 12/31/2017</u>
Proprietary Funds						
Farm Fund	\$ 214,764	0.00%	\$ -	Not Stated	\$ 149,364	\$ 149,364

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	\$ -	\$ 2,500,000
Capital Reserve	2,523,889	33,842
Other Governmental Funds	<u>33,842</u>	<u>23,889</u>
Total	<u>\$ 2,557,731</u>	<u>\$ 2,557,731</u>

Interfund transfers are primarily the result of:
(1) to permanently move resources

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 2017-2018 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 2017-2018 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, 2017. The maximum exposure for these costs in 2017-2018 plan year was \$448,000. The total actual charges incurred by the Township for these deductibles in 2017 were \$334,423. There were no outstanding or unpaid claims at year end.

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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

M. Subsequent Events

Management has evaluated subsequent events that occurred after the balance sheet date but before June 25, 2018, the date the financial statements were available for release. No items were determined by management that requires recognition or disclosure.

N. Prior Year Restated

The beginning fund balance and net position in the General Fund, Governmental Activities, and the Pension and Other Post Employment Benefits columns have been restated to as follows.

	<u>General Fund</u>	Governmental <u>Activities</u>	Pension and Other Post Employment <u>Benefits</u>
Beginning Balance as previously reported, December 31, 2016	\$ 8,037,158	\$ 69,605,610	\$ 43,720,108
Move OPEB assets to General Fund - no trust document	471,382	471,382	(471,382)
Correction for over depreciated capital assets	-	545,656	-
Add in DROP Police Pension Plan assets	-	-	2,210,911
Beginning Balance as restated, December 31, 2016	<u>\$ 8,508,540</u>	<u>\$ 70,622,648</u>	<u>\$ 45,459,637</u>

REQUIRED

SUPPLEMENTARY INFORMATION

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 1,357,815	\$ 1,193,316	\$ 1,276,152	\$ 1,194,091
Interest	3,403,148	3,402,855	3,290,244	3,285,767
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(468,675)	(1,161,644)	(2,173,755)	-
Changes of assumptions	2,343,901	-	-	-
Benefit payments, including refunds of employee contributions	<u>(2,113,117)</u>	<u>(3,282,729)</u>	<u>(2,681,430)</u>	<u>(1,975,510)</u>
Net change in total pension liability	4,523,072	151,798	(288,789)	2,504,348
Total pension liability - beginning	<u>45,971,248</u>	<u>45,819,450</u>	<u>46,108,239</u>	<u>43,603,891</u>
Total pension liability - ending (a)	<u>\$ 50,494,320</u>	<u>\$ 45,971,248</u>	<u>\$ 45,819,450</u>	<u>\$ 46,108,239</u>
 Plan fiduciary net position				
Contributions - employer	\$ 2,359,921	\$ 2,350,510	\$ 2,285,033	\$ 2,463,341
Contributions - employee	424,418	305,677	287,846	280,895
Net investment income	4,100,522	1,514,854	792,419	2,967,160
Benefit payments, including refunds of employee contributions	(2,113,117)	(3,282,729)	(2,681,430)	(1,975,510)
Administrative expense	(327,530)	(301,410)	(301,262)	(276,760)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	4,444,214	586,902	382,606	3,459,126
 Plan fiduciary net position - beginning	<u>37,649,525</u>	<u>37,062,623</u>	<u>36,680,017</u>	<u>33,220,891</u>
Plan fiduciary net position - ending (b)	<u>\$ 42,093,739</u>	<u>\$ 37,649,525</u>	<u>\$ 37,062,623</u>	<u>\$ 36,680,017</u>
 Township's net pension liability - ending (a)-(b)	<u>\$ 8,400,581</u>	<u>\$ 8,321,723</u>	<u>\$ 8,756,827</u>	<u>\$ 9,428,222</u>
 Plan fiduciary net position as a percentage of the total pension liability	83.4%	81.9%	80.9%	79.6%
 Covered-employee payroll	\$ 5,275,475	\$ 5,275,475	\$ 4,899,227	\$ 4,252,730
 Net pension liability as a percentage of covered payroll	159.2%	157.7%	178.7%	221.7%
 Annual money-weighted return, net of investment expenses	10.34%	4.29%	2.23%	9.18%

Notes to Schedule:

Change in benefit terms: None since 1/1/2015

Change in assumptions: The discount rate used decreased from 7.5% to 7% for 2017

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.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2008	\$ 660,750	\$ 660,750	\$ -	\$ 4,437,593	14.89%
2009	785,798	785,798	-	4,331,359	18.14%
2010	764,346	764,346	-	4,275,718	17.88%
2011	1,502,523	1,502,523	-	4,584,456	32.77%
2012	1,501,534	1,501,534	-	4,252,730	35.31%
2013	2,509,929	2,509,929	-	4,575,677	54.85%
2014	2,463,341	2,463,341	-	4,544,552	54.20%
2015	2,285,033	2,285,033	-	4,899,227	46.64%
2016	2,350,510	2,350,510	-	5,275,475	44.56%
2017	2,359,921	2,359,921	-	5,805,841	40.65%

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	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - Closed
Remaining amortization period	9 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	3%
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

Notes to Schedule:

Change in benefit terms and assumptions: None since 1/1/2015

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 214,587	\$ 146,617	\$ 176,804	\$ 206,812
Interest	630,877	568,224	533,592	513,290
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	446,337	(232,708)	-
Changes of assumptions	424,999	-	-	-
Benefit payments, including refunds of employee contributions	<u>(250,061)</u>	<u>(185,814)</u>	<u>(251,086)</u>	<u>(122,292)</u>
Net change in total pension liability	1,020,402	975,364	226,602	597,810
Total pension liability - beginning	<u>8,497,978</u>	<u>7,522,614</u>	<u>7,296,012</u>	<u>6,698,202</u>
Total pension liability - ending (a)	<u>\$ 9,518,380</u>	<u>\$ 8,497,978</u>	<u>\$ 7,522,614</u>	<u>\$ 7,296,012</u>
 Plan fiduciary net position				
Contributions - employer	\$ 189,147	\$ 310,501	\$ 308,202	\$ 203,448
Contributions - employee	141,549	126,027	121,892	128,673
Net investment income	862,906	307,760	166,261	626,530
Benefit payments, including refunds of employee contributions	(250,061)	(185,814)	(251,086)	(122,292)
Administrative expense	(87,613)	(80,228)	(80,531)	(74,620)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	855,928	478,246	264,738	761,739
 Plan fiduciary net position - beginning	<u>7,784,025</u>	<u>7,305,779</u>	<u>7,041,041</u>	<u>6,279,302</u>
Plan fiduciary net position - ending (b)	<u>\$ 8,639,953</u>	<u>\$ 7,784,025</u>	<u>\$ 7,305,779</u>	<u>\$ 7,041,041</u>
 Township's net pension liability - ending (a)-(b)	<u>\$ 878,427</u>	<u>\$ 713,953</u>	<u>\$ 216,835</u>	<u>\$ 254,971</u>
 Plan fiduciary net position as a percentage of the total pension liability	90.8%	91.6%	97.1%	96.5%
 Covered-employee payroll	\$ 3,345,279	\$ 2,837,674	\$ 2,759,135	\$ 2,674,421
 Net pension liability as a percentage of covered payroll	26.3%	25.2%	7.9%	9.5%
 Annual money-weighted return, net of investment expenses	10.22%	4.23%	2.36%	9.18%

Notes to Schedule:

Change in benefit terms: None since 1/1/2015

Change in assumptions: The discount rate used decreased from 7.5% to 7% for 2017

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.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – NON-UNIFORM PENSION PLAN

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>a Percentage of Covered Payroll</u>
2008	\$ 103,038	\$ 103,038	\$ -	\$ 2,043,051	5.04%
2009	80,530	80,530	-	2,121,982	3.80%
2010	78,255	78,255	-	2,279,174	3.43%
2011	110,955	110,955	-	2,286,682	4.85%
2012	118,830	118,830	-	2,161,128	5.50%
2013	176,779	176,779	-	2,613,421	6.76%
2014	203,448	203,448	-	2,674,421	7.61%
2015	308,202	308,202	-	2,759,135	11.17%
2016	310,501	310,501	-	2,837,674	10.94%
2017	189,147	189,147	-	3,345,279	5.65%

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:

Valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - Closed
Remaining amortization period	9 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	3%
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

Notes to Schedule:

Change in benefit terms and assumptions: None since 1/1/2015

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
1/1/2011	\$ -	\$ 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%
1/1/2017	-	5,255,681	5,255,681	0.00%	6,231,602	84.34%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2012	\$ 912,295	\$ 56,615	6%
2013	912,295	77,272	8%
2014	507,072	135,627	27%
2015	507,072	176,114	35%
2016	507,072	275,165	54%
2017	560,881	243,584	43%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN
NOTES TO SUPPLEMENTARY SCHEDULES

December 31, 2017

Information for the Other Post Employment Benefits is as follows:

	<u>OPEB</u>
Date of actuarial valuation	1/1/2017
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

Medical premiums are assumed to decrease gradually from 5.6% in 2016 to about 5.3% in 2020 and leveling off until 2045 before decreasing to 3.9% in 2075 and later years.

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).

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).

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.

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 - CAPITAL RESERVE FUND

For the Year Ended December 31, 2017

	CAPITAL RESERVE			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ -	\$ -	\$ 15,548	\$ 15,548
Investment income and rent	-	-	40,627	40,627
Intergovernmental revenues	1,769,613	1,769,613	638,981	(1,130,632)
Other	-	-	87,576	87,576
Total Revenues	<u>1,769,613</u>	<u>1,769,613</u>	<u>782,732</u>	<u>(986,881)</u>
Expenditures				
Capital outlays/development	<u>5,978,473</u>	<u>5,978,473</u>	<u>2,122,519</u>	<u>3,855,954</u>
Total Expenditures	<u>5,978,473</u>	<u>5,978,473</u>	<u>2,122,519</u>	<u>3,855,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,208,860)</u>	<u>(4,208,860)</u>	<u>(1,339,787)</u>	<u>2,869,073</u>
Other Financing Sources (Uses)				
Transfers in	-	-	2,523,889	(2,523,889)
Transfers out	<u>-</u>	<u>-</u>	<u>(33,842)</u>	<u>33,842</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,490,047</u>	<u>(2,490,047)</u>
Net Change in Fund Balance	(4,208,860)	(4,208,860)	1,150,260	5,359,120
Fund Balance - Beginning	<u>7,563,671</u>	<u>7,563,671</u>	<u>7,563,671</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,354,811</u>	<u>\$ 3,354,811</u>	<u>\$ 8,713,931</u>	<u>\$ 5,359,120</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, 2017

	<u>DEBT SERVICE</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 2,735,000	\$ 2,735,000	\$ 2,663,029	\$ (71,971)
Investment income and rent	1,500	1,500	6,936	5,436
Total Revenues	<u>2,736,500</u>	<u>2,736,500</u>	<u>2,669,965</u>	<u>(66,535)</u>
Expenditures				
Current:				
General government	-	-	780	(780)
Debt service:				
Principal	2,200,000	2,200,000	2,352,014	(152,014)
Interest	641,236	641,236	671,254	(30,018)
Paid to fiscal agent	-	-	1,560	(1,560)
Total Expenditures	<u>2,841,236</u>	<u>2,841,236</u>	<u>3,025,608</u>	<u>(184,372)</u>
Net Change in Fund Balance	(104,736)	(104,736)	(355,643)	(250,907)
Fund Balance - Beginning	<u>799,228</u>	<u>799,228</u>	<u>799,228</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 694,492</u>	<u>\$ 694,492</u>	<u>\$ 443,585</u>	<u>\$ (250,907)</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. (There is no board approved budget for this fund).

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.

MIDDLETOWN TOWNSHIP

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

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

General Obligation Bond Issue Fund - This fund accounts for revenues received from the bond issuance that are legally restricted to expenditures for specific purposes. (There is no board approved budget for this fund).

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).

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. (There is no board approved budget for this fund).

Contingency Fund - This fund was established to extend interfund advances to fund capital purchases. (There is no board approved budget for this fund).

TOWNSHIP OF MIDDLETOWN

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2017

	<u>Special Revenue</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>State Highway Aid</u>
<u>ASSETS</u>								
Cash and cash equivalents	\$ 415,948	\$ -	\$ 499,085	\$ -	\$ 197,344	\$ 22,323	\$ 36,882	\$ 279,434
Receivables (net of allowance for uncollectibles)	12,011	134,692	20,090	11,193	3,212	1,147	-	-
Prepaid items	-	-	1,948	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 427,959</u>	<u>\$ 134,692</u>	<u>\$ 521,123</u>	<u>\$ 11,193</u>	<u>\$ 200,556</u>	<u>\$ 23,470</u>	<u>\$ 36,882</u>	<u>\$ 279,434</u>
<u>LIABILITIES</u>								
Accounts payable	\$ 19,525	\$ 95,452	\$ 24,822	\$ 1,890	\$ 11,867	\$ 5,904	\$ -	\$ 7,860
Accrued salaries and benefits	130	-	1,356	-	-	-	-	-
Total Liabilities	<u>19,655</u>	<u>95,452</u>	<u>26,178</u>	<u>1,890</u>	<u>11,867</u>	<u>5,904</u>	<u>-</u>	<u>7,860</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Unavailable revenue:								
property taxes	5,070	7,928	9,853	2,258	1,540	548	-	-
special assessments	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>5,070</u>	<u>7,928</u>	<u>9,853</u>	<u>2,258</u>	<u>1,540</u>	<u>548</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>								
Restricted:								
Street lighting	403,234	-	-	-	-	-	-	-
Road machinery	-	-	-	-	187,149	-	-	-
Fire and ambulance	-	31,312	-	7,045	-	17,018	-	-
Police	-	-	-	-	-	-	36,882	-
Streets and highways	-	-	-	-	-	-	-	271,574
Committed:								
Park and recreation	-	-	485,092	-	-	-	-	-
Assigned:								
Capital projects	-	-	-	-	-	-	-	-
Total Fund Balances	<u>403,234</u>	<u>31,312</u>	<u>485,092</u>	<u>7,045</u>	<u>187,149</u>	<u>17,018</u>	<u>36,882</u>	<u>271,574</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 427,959</u>	<u>\$ 134,692</u>	<u>\$ 521,123</u>	<u>\$ 11,193</u>	<u>\$ 200,556</u>	<u>\$ 23,470</u>	<u>\$ 36,882</u>	<u>\$ 279,434</u>

Capital Projects						Total Non-major Governmental Funds
<u>Total</u>	<u>GOB Issue</u>	<u>Community Development</u>	<u>Curb/Road Revolving</u>	<u>Contingency</u>	<u>Total</u>	
\$ 1,451,016	\$ -	\$ -	\$ 7,631	\$ 811	\$ 8,442	\$ 1,459,458
182,345	-	-	2,345	-	2,345	184,690
1,948	-	-	-	-	-	1,948
-	-	-	-	149,364	149,364	149,364
<u>\$ 1,635,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,976</u>	<u>\$ 150,175</u>	<u>\$ 160,151</u>	<u>\$ 1,795,460</u>
\$ 167,320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,320
1,486	-	-	-	-	-	1,486
<u>168,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,806</u>
27,197	-	-	-	-	-	27,197
-	-	-	2,345	-	2,345	2,345
<u>27,197</u>	<u>-</u>	<u>-</u>	<u>2,345</u>	<u>-</u>	<u>2,345</u>	<u>29,542</u>
403,234	-	-	-	-	-	403,234
187,149	-	-	-	-	-	187,149
55,375	-	-	-	-	-	55,375
36,882	-	-	-	-	-	36,882
271,574	-	-	-	-	-	271,574
485,092	-	-	-	-	-	485,092
-	-	-	7,631	150,175	157,806	157,806
<u>1,439,306</u>	<u>-</u>	<u>-</u>	<u>7,631</u>	<u>150,175</u>	<u>157,806</u>	<u>1,597,112</u>
<u>\$ 1,635,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,976</u>	<u>\$ 150,175</u>	<u>\$ 160,151</u>	<u>\$ 1,795,460</u>

TOWNSHIP OF MIDDLETOWN

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

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	<u>Special Revenue</u>							
	<u>General</u>							
	<u>Street</u>	<u>Fire</u>	<u>Parks and</u>	<u>Ambulance</u>	<u>Road</u>		<u>Police</u>	<u>State</u>
	<u>Lighting</u>	<u>Protection</u>	<u>Recreation</u>	<u>and Rescue</u>	<u>Machinery</u>	<u>Fire Hydrant</u>	<u>Forfeiture</u>	<u>Highway Aid</u>
Revenues								
Property taxes	\$ 511,306	\$ 799,317	\$ 993,271	\$ 227,619	\$ 155,327	\$ 55,407	\$ -	\$ -
Investment income and rent	2,214	1,708	20,319	163	758	144	144	5,142
Intergovernmental revenues	-	337,801	4,965	-	-	-	-	1,277,170
Charges for services	1,024	-	377,025	-	-	-	-	-
Contributions private sources	-	-	3,763	-	-	-	-	-
Other	1,486	-	-	-	-	-	-	-
Total Revenues	<u>516,030</u>	<u>1,138,826</u>	<u>1,399,343</u>	<u>227,782</u>	<u>156,085</u>	<u>55,551</u>	<u>144</u>	<u>1,282,312</u>
Expenditures								
Current								
Public safety	-	1,120,364	-	222,215	-	53,310	-	-
Public works	1,574,206	-	-	-	40,913	-	-	1,473,318
Parks and recreation	-	-	1,288,666	-	-	-	-	-
Total Expenditures	<u>1,574,206</u>	<u>1,120,364</u>	<u>1,288,666</u>	<u>222,215</u>	<u>40,913</u>	<u>53,310</u>	<u>-</u>	<u>1,473,318</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,058,176)	18,462	110,677	5,567	115,172	2,241	144	(191,006)
Other Financing Sources (Uses)								
Proceeds from sale of capital assets	3,705	20	-	-	-	-	-	-
Issuance of long term notes	1,116,648	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,120,353</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	62,177	18,482	110,677	5,567	115,172	2,241	144	(191,006)
Fund Balance - Beginning	341,057	12,830	374,415	1,478	71,977	14,777	36,738	462,580
Fund Balance - Ending	<u>\$ 403,234</u>	<u>\$ 31,312</u>	<u>\$ 485,092</u>	<u>\$ 7,045</u>	<u>\$ 187,149</u>	<u>\$ 17,018</u>	<u>\$ 36,882</u>	<u>\$ 271,574</u>

Capital Projects						Total Non-major Governmental Funds
Total	GOB Issue	Community Development	Curb/Road Revolving	Contingency	Total	
\$ 2,742,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,742,247
30,592	-	-	6,651	1	6,652	37,244
1,619,936	-	-	-	-	-	1,619,936
378,049	-	-	-	-	-	378,049
3,763	-	-	-	-	-	3,763
1,486	-	-	-	-	-	1,486
<u>4,776,073</u>	<u>-</u>	<u>-</u>	<u>6,651</u>	<u>1</u>	<u>6,652</u>	<u>4,782,725</u>
1,395,889	-	-	-	-	-	1,395,889
3,088,437	-	-	-	-	-	3,088,437
<u>1,288,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,288,666</u>
<u>5,772,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,772,992</u>
(996,919)	-	-	6,651	1	6,652	(990,267)
3,725	-	-	-	-	-	3,725
1,116,648	-	-	-	-	-	1,116,648
-	-	33,842	-	-	33,842	33,842
<u>-</u>	<u>(23,889)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,889)</u>	<u>(23,889)</u>
<u>1,120,373</u>	<u>(23,889)</u>	<u>33,842</u>	<u>-</u>	<u>-</u>	<u>9,953</u>	<u>1,130,326</u>
123,454	(23,889)	33,842	6,651	1	16,605	140,059
<u>1,315,852</u>	<u>23,889</u>	<u>(33,842)</u>	<u>980</u>	<u>150,174</u>	<u>141,201</u>	<u>1,457,053</u>
<u>\$ 1,439,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,631</u>	<u>\$ 150,175</u>	<u>\$ 157,806</u>	<u>\$ 1,597,112</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, 2017

	<u>GENERAL STREET LIGHTING FUND</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 521,000	\$ 521,000	\$ 511,306	\$ (9,694)
Investment income and rent	500	500	2,214	1,714
Charges for services	4,000	4,000	1,024	(2,976)
Other	-	-	1,486	1,486
Total Revenues	<u>525,500</u>	<u>525,500</u>	<u>516,030</u>	<u>(9,470)</u>
Expenditures				
Current:				
Public works	<u>515,500</u>	<u>515,500</u>	<u>1,574,206</u>	<u>(1,058,706)</u>
Total Expenditures	<u>515,500</u>	<u>515,500</u>	<u>1,574,206</u>	<u>(1,058,706)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,000</u>	<u>10,000</u>	<u>(1,058,176)</u>	<u>(1,068,176)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	3,705	3,705
Proceeds from long term notes	<u>-</u>	<u>-</u>	<u>1,116,648</u>	<u>1,116,648</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,120,353</u>	<u>1,120,353</u>
Net Change in Fund Balance	10,000	10,000	62,177	52,177
Fund Balance - Beginning	<u>341,057</u>	<u>341,057</u>	<u>341,057</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 351,057</u>	<u>\$ 351,057</u>	<u>\$ 403,234</u>	<u>\$ 52,177</u>

MIDDLETOWN TOWNSHIP

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

For the Year Ended December 31, 2017

	<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	\$ 814,500	\$ 814,500	\$ 799,317	\$ (15,183)
Investment income and rent	500	500	1,708	1,208
Intergovernmental revenues	380,000	380,000	337,801	(42,199)
Total Revenues	<u>1,195,000</u>	<u>1,195,000</u>	<u>1,138,826</u>	<u>(56,174)</u>
Expenditures				
Current:				
Public safety	1,176,000	1,176,000	1,120,364	55,636
Total Expenditures	<u>1,176,000</u>	<u>1,176,000</u>	<u>1,120,364</u>	<u>55,636</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>19,000</u>	<u>19,000</u>	<u>18,462</u>	<u>(538)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	20	20
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>
Net Change in Fund Balance	19,000	19,000	18,482	(518)
Fund Balance - Beginning	<u>12,830</u>	<u>12,830</u>	<u>12,830</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 31,830</u>	<u>\$ 31,830</u>	<u>\$ 31,312</u>	<u>\$ (518)</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, 2017

	<u>PARK AND RECREATION</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 1,013,000	\$ 1,013,000	\$ 993,271	\$ (19,729)
Investment income and rent	18,000	18,000	20,319	2,319
Intergovernmental revenues	-	-	4,965	4,965
Charges for services	340,000	340,000	377,025	37,025
Contributions private sources	-	-	3,763	3,763
Miscellaneous	-	-	-	-
Total Revenues	<u>1,371,000</u>	<u>1,371,000</u>	<u>1,399,343</u>	<u>28,343</u>
Expenditures				
Current:				
Parks and recreation	<u>1,286,000</u>	<u>1,286,000</u>	<u>1,288,666</u>	<u>(2,666)</u>
Total Expenditures	<u>1,286,000</u>	<u>1,286,000</u>	<u>1,288,666</u>	<u>(2,666)</u>
Net Change in Fund Balance	85,000	85,000	110,677	25,677
Fund Balance - Beginning	<u>374,415</u>	<u>374,415</u>	<u>374,415</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 459,415</u>	<u>\$ 459,415</u>	<u>\$ 485,092</u>	<u>\$ 25,677</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, 2017

	<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	\$ 233,000	\$ 233,000	\$ 227,619	\$ (5,381)
Investment income and rent	500	500	163	(337)
Total Revenues	<u>233,500</u>	<u>233,500</u>	<u>227,782</u>	<u>(5,718)</u>
Expenditures				
Current:				
Public safety	230,500	230,500	222,215	8,285
Total Expenditures	<u>230,500</u>	<u>230,500</u>	<u>222,215</u>	<u>8,285</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,000</u>	<u>3,000</u>	<u>5,567</u>	<u>2,567</u>
Other Financing Sources (Uses)				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	3,000	3,000	5,567	2,567
Fund Balance - Beginning	1,478	1,478	1,478	-
Fund Balance - Ending	<u>\$ 4,478</u>	<u>\$ 4,478</u>	<u>\$ 7,045</u>	<u>\$ 2,567</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, 2017

	<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	\$ 157,500	\$ 157,500	\$ 155,327	\$ (2,173)
Investment income and rent	500	500	758	258
Total Revenues	<u>158,000</u>	<u>158,000</u>	<u>156,085</u>	<u>(1,915)</u>
Expenditures				
Current:				
Public works	<u>158,500</u>	<u>158,500</u>	<u>40,913</u>	<u>117,587</u>
Total Expenditures	<u>158,500</u>	<u>158,500</u>	<u>40,913</u>	<u>117,587</u>
Net Change in Fund Balance	(500)	(500)	115,172	115,672
Fund Balance - Beginning	<u>71,977</u>	<u>71,977</u>	<u>71,977</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 71,477</u>	<u>\$ 71,477</u>	<u>\$ 187,149</u>	<u>\$ 115,672</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, 2017

	<u>FIRE HYDRANT</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 56,000	\$ 56,000	\$ 55,407	\$ (593)
Investment income and rent	500	500	144	(356)
Total Revenues	<u>56,500</u>	<u>56,500</u>	<u>55,551</u>	<u>(949)</u>
Expenditures				
Current:				
Public safety	55,500	55,500	53,310	2,190
Total Expenditures	<u>55,500</u>	<u>55,500</u>	<u>53,310</u>	<u>2,190</u>
Net Change in Fund Balance	1,000	1,000	2,241	1,241
Fund Balance - Beginning	<u>14,777</u>	<u>14,777</u>	<u>14,777</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 15,777</u>	<u>\$ 15,777</u>	<u>\$ 17,018</u>	<u>\$ 1,241</u>

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – STATE HIGHWAY AID FUND

For the Year Ended December 31, 2017

	<u>STATE HIGHWAY AID</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 1,252,000	\$ 1,252,000	\$ 1,277,170	\$ 25,170
Investment income and rent	500	500	5,142	4,642
Total Revenues	<u>1,252,500</u>	<u>1,252,500</u>	<u>1,282,312</u>	<u>29,812</u>
Expenditures				
Current:				
Public works	<u>1,360,000</u>	<u>1,360,000</u>	<u>1,473,318</u>	<u>(113,318)</u>
Total Expenditures	<u>1,360,000</u>	<u>1,360,000</u>	<u>1,473,318</u>	<u>(113,318)</u>
Net Change in Fund Balance	(107,500)	(107,500)	(191,006)	(83,506)
Fund Balance - Beginning	<u>462,580</u>	<u>462,580</u>	<u>462,580</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 355,080</u>	<u>\$ 355,080</u>	<u>\$ 271,574</u>	<u>\$ (83,506)</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 Styer's Orchard, Inc, and Styer's 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, 2017

	COUNTRY CLUB			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 125,000	\$ 125,000	\$ 25,604	\$ (99,396)
Total Operating Revenues	125,000	125,000	25,604	(99,396)
 Operating Expenses				
Park and recreation	-	-	334	(334)
Depreciation	65,000	65,000	52,319	12,681
Total Operating Expenses	65,000	65,000	52,653	12,347
 Operating Income (Loss)	60,000	60,000	(27,049)	(87,049)
 Nonoperating Revenues (Expense)				
Interest income	500	500	751	251
Total Nonoperating Revenues (Expense)	500	500	751	251
 Changes in Net Position	60,500	60,500	(26,298)	(86,798)
Total Net Position - Beginning	2,389,461	2,389,461	2,389,461	-
Total Net Position - Ending	\$ 2,449,961	\$ 2,449,961	\$ 2,363,163	\$ (86,798)

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2017

	FARM FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 24,000	\$ 24,000	\$ 45,984	\$ 21,984
Rent	8,500	8,500	7,000	(1,500)
Total Operating Revenues	32,500	32,500	52,984	20,484
Operating Expenses				
Park and recreation	7,000	7,000	19,971	(12,971)
Depreciation	9,000	9,000	8,852	148
Total Operating Expenses	16,000	16,000	28,823	(12,823)
Operating Income (Loss)	16,500	16,500	24,161	7,661
Nonoperating Revenues (Expense)				
Interest income	500	500	334	(166)
Total Nonoperating Revenues (Expense)	500	500	334	(166)
Changes in Net Position	17,000	17,000	24,495	7,495
Total Net Position - Beginning	2,272,218	2,272,218	2,272,218	-
Total Net Position - Ending	\$ 2,289,218	\$ 2,289,218	\$ 2,296,713	\$ 7,495

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 Funds

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

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 PLANS

December 31, 2017

	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Non-Uniformed Pension</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,389,412	\$ 830,427	\$ 5,219,839
Prepaid expenses	220,937	21,940	242,877
Receivables:			
Accrued interest	121,566	24,259	145,825
Other receivables	52,691	-	52,691
Total receivables	<u>174,257</u>	<u>24,259</u>	<u>198,516</u>
Investments, at fair value:			
Certificate of Deposit	140,160	60,068	200,228
U.S. government obligations	4,460,367	918,755	5,379,122
Government sponsored mortgages	1,036,179	161,115	1,197,294
Corporate obligations	5,071,403	927,768	5,999,171
Municipal obligations	3,863,787	753,420	4,617,207
Mortgages	1,579,958	539,526	2,119,484
Mutual funds-debt	1,048,323	121,781	1,170,104
Stock equities	19,569,660	4,207,288	23,776,948
Foreign obligations	422,952	92,326	515,278
Partnership traded	129,746	27,789	157,535
Total investments	<u>37,322,535</u>	<u>7,809,836</u>	<u>45,132,371</u>
Total Assets	<u>42,107,141</u>	<u>8,686,462</u>	<u>50,793,603</u>
<u>LIABILITIES</u>			
Accounts payable	13,402	46,509	59,911
Total Liabilities	<u>13,402</u>	<u>46,509</u>	<u>59,911</u>
<u>NET POSITION</u>			
Net Position - Restricted for:			
Pension benefits	42,093,739	8,639,953	50,733,692
Total Net Position	<u>\$ 42,093,739</u>	<u>\$ 8,639,953</u>	<u>\$ 50,733,692</u>

TOWNSHIP OF MIDDLETOWN

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

FIDUCIARY FUNDS – PENSION PLANS

For the Year Ended December 31, 2017

	Pension Trust Funds		
	Police Pension	Non-Uniformed Pension	Total
Additions			
Contributions			
Member contributions	\$ 424,418	\$ 141,549	\$ 565,967
Employer contributions	1,894,131	-	1,894,131
State aid	439,444	189,147	628,591
Insurance proceeds	26,346	-	26,346
Total Contributions	<u>2,784,339</u>	<u>330,696</u>	<u>3,115,035</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	3,182,101	633,192	3,815,293
Interest and dividends	918,421	203,627	1,122,048
Total Investment Income	<u>4,100,522</u>	<u>836,819</u>	<u>4,937,341</u>
Total Additions	<u>6,884,861</u>	<u>1,167,515</u>	<u>8,052,376</u>
Deductions			
Benefits	2,113,117	250,061	2,363,178
Administrative expenses	327,530	87,613	415,143
Total Deductions	<u>2,440,647</u>	<u>337,674</u>	<u>2,778,321</u>
Change in Net Position	4,444,214	829,841	5,274,055
Net Position - Restricted:			
Beginning of Year (Restated)	<u>37,649,525</u>	<u>7,810,112</u>	<u>45,459,637</u>
End of Year	<u>\$ 42,093,739</u>	<u>\$ 8,639,953</u>	<u>\$ 50,733,692</u>

TOWNSHIP OF MIDDLETOWN

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-
TOWNSHIP ESCROW FUNDS

For the Year Ended December 31, 2017

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2017</u>
Assets:				
Cash and cash equivalents	\$ 1,760,826	\$ 2,158,537	\$ (2,109,953)	\$ 1,809,410
Total Assets	<u>\$ 1,760,826</u>	<u>\$ 2,158,537</u>	<u>\$ (2,109,953)</u>	<u>\$ 1,809,410</u>
Liabilities:				
Accounts payable	\$ (66,662)	\$ 214,145	\$ (147,483)	\$ -
Customer deposits	(1,383,380)	330,929	(440,467)	(1,492,918)
Accumulated interest	<u>(310,784)</u>	<u>-</u>	<u>(5,708)</u>	<u>(316,492)</u>
Total Liabilities	<u>\$ (1,760,826)</u>	<u>\$ 545,074</u>	<u>\$ (593,658)</u>	<u>\$ (1,809,410)</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 governments' current financial performance by placing it in historical perspective.	114
Revenue Capacity	
These schedules contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.	122
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.	128
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.	133
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.	136

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. Middletown Township implemented GASB 34 in 2003, and GASB 54 in 2011.

TOWNSHIP OF MIDDLETOWN
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities				
Net Investment in Capital Assets	\$ 26,596,566	\$ 23,828,235	\$ 27,249,325	\$ 25,418,215
Restricted	1,577,538	1,911,173	2,988,968	5,261,567
Unrestricted (Deficit)	<u>47,439,877</u>	<u>43,866,202</u>	<u>32,178,421</u>	<u>37,233,398</u>
Total Governmental Activities Net Position	<u>\$ 75,613,981</u>	<u>\$ 69,605,610</u>	<u>\$ 62,416,714</u>	<u>\$ 67,913,180</u>
Business-Type Activities				
Net Investment in Capital Assets	\$ 4,533,441	\$ 4,587,669	\$ 4,583,797	\$ 4,584,428
Restricted	-	-	-	-
Unrestricted (Deficit)	<u>126,435</u>	<u>74,010</u>	<u>34,596</u>	<u>(11,157)</u>
Total Business-Type Activities Net Position	<u>\$ 4,659,876</u>	<u>\$ 4,661,679</u>	<u>\$ 4,618,393</u>	<u>\$ 4,573,271</u>
Primary Government				
Net Investment in Capital Assets	\$ 31,130,007	\$ 28,415,904	\$ 31,833,122	\$ 30,002,643
Restricted	1,577,538	1,911,173	2,988,968	5,261,567
Unrestricted (Deficit)	<u>47,566,312</u>	<u>43,940,212</u>	<u>32,213,017</u>	<u>37,222,241</u>
Total Primary Governmental Net Position	<u>\$ 80,273,857</u>	<u>\$ 74,267,289</u>	<u>\$ 67,035,107</u>	<u>\$ 72,486,451</u>

Source: Middletown Township Financial Statements

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

<u>2013</u>	<u>2012 (1)</u>	<u>2011 (1)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 27,310,114	\$ 25,404,239	\$ 25,986,662	\$ 18,225,583	\$ 19,932,022	\$ 13,853,185
1,564,188	1,327,400	1,920,553	5,098,898	9,774,983	15,103,727
<u>36,083,354</u>	<u>38,952,787</u>	<u>41,793,546</u>	<u>46,936,410</u>	<u>42,002,215</u>	<u>44,736,617</u>
<u>\$ 64,957,656</u>	<u>\$ 65,684,426</u>	<u>\$ 69,700,761</u>	<u>\$ 70,260,891</u>	<u>\$ 71,709,220</u>	<u>\$ 73,693,529</u>
\$ 4,603,195	\$ 4,517,529	\$ 4,545,115	\$ 4,492,127	\$ 4,105,739	\$ 4,147,236
-	-	-	-	-	-
<u>(50,773)</u>	<u>16,242</u>	<u>(31,015)</u>	<u>(464,130)</u>	<u>(69,875)</u>	<u>(116,091)</u>
<u>\$ 4,552,422</u>	<u>\$ 4,533,771</u>	<u>\$ 4,514,100</u>	<u>\$ 4,027,997</u>	<u>\$ 4,035,864</u>	<u>\$ 4,031,145</u>
\$ 31,913,309	\$ 29,921,768	\$ 30,531,777	\$ 22,717,710	\$ 24,037,761	\$ 18,000,421
1,564,188	1,327,400	1,920,553	5,098,898	9,774,983	15,103,727
<u>36,032,581</u>	<u>38,969,029</u>	<u>41,762,531</u>	<u>46,472,280</u>	<u>41,932,340</u>	<u>44,620,526</u>
<u>\$ 69,510,078</u>	<u>\$ 70,218,197</u>	<u>\$ 74,214,861</u>	<u>\$ 74,288,888</u>	<u>\$ 75,745,084</u>	<u>\$ 77,724,674</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses				
Governmental Activities				
General Government	\$ 3,210,992	\$ 2,587,626	\$ 2,438,963	\$ 2,225,838
Public Safety	14,804,088	14,831,228	14,108,744	14,439,009
Public Works	7,133,831	7,160,207	6,827,774	7,037,369
Parks and Recreation	1,657,438	1,654,905	1,702,967	1,548,355
Miscellaneous	783,218	461,240	499,666	545,085
Capital Outlay/Development	-	-	-	-
Interest on Long-Term Debt	745,549	675,204	756,506	642,361
Unallocated Depreciation Expense	1,411,871	2,015,341	1,606,967	1,505,894
Total Governmental Activities Expense	<u>\$ 29,746,987</u>	<u>\$ 29,385,751</u>	<u>\$ 27,941,587</u>	<u>\$ 27,943,911</u>
Business-Type Activities				
Proprietary Funds (combined)				
Country Club	\$ 52,653	\$ 66,596	\$ 117,966	\$ 132,830
Farm Fund	28,823	15,775	16,524	26,756
Total Business-Type Activities Expenses	<u>\$ 81,476</u>	<u>\$ 82,371</u>	<u>\$ 134,490</u>	<u>\$ 159,586</u>
Total Primary Government Expenses	<u>\$ 29,828,463</u>	<u>\$ 29,468,122</u>	<u>\$ 28,076,077</u>	<u>\$ 28,103,497</u>
Program Revenues				
Governmental Activities				
Charges for Service				
General Government	\$ 1,300,998	\$ 1,309,286	\$ 1,206,141	\$ 1,172,293
Public Safety	1,843,514	2,032,447	2,246,331	2,289,733
Public Works	4,196,856	4,188,247	4,189,076	4,857,941
Parks and Recreation	377,025	340,001	338,152	295,655
Operating Grants and Contributions	2,505,896	2,309,100	2,122,112	2,001,065
Capital Grants and Contributions	623,981	999,815	762,846	1,352,466
Total Governmental Activities Program Revenues	<u>\$ 10,848,270</u>	<u>\$ 11,178,896</u>	<u>\$ 10,864,658</u>	<u>\$ 11,969,153</u>
Business-Type Activities				
Charges for Services				
Proprietary Funds (combined)				
Country Club	\$ 25,604	\$ 125,888	\$ 201,138	\$ 201,259
Farm Fund	45,984	10,000	40,000	40,000
Operating Grants and Contributions	-	-	-	-
Total Business-Type Activities Program Revenues	<u>\$ 71,588</u>	<u>\$ 135,888</u>	<u>\$ 241,138</u>	<u>\$ 241,259</u>
Total Primary Government Program Revenues	<u>\$ 10,919,858</u>	<u>\$ 11,314,784</u>	<u>\$ 11,105,796</u>	<u>\$ 12,210,412</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (18,898,717)	\$ (18,206,855)	\$ (17,076,929)	\$ (15,974,758)
Business-Type Activities	(9,888)	53,517	106,648	81,673
Total Primary Government Net Expense	<u>\$ (18,908,605)</u>	<u>\$ (18,153,338)</u>	<u>\$ (16,970,281)</u>	<u>\$ (15,893,085)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property Taxes	\$ 9,097,522	\$ 9,286,265	\$ 9,264,596	\$ 9,218,570
Earned Income Tax	8,753,759	7,727,374	6,783,852	4,080,744
Other Taxes	5,335,482	5,373,874	4,946,763	4,893,608
Investment Income	637,245	659,084	174,227	655,107
Sale of Capital Assets	11,226	4,995	69,798	-
Miscellaneous	54,816	54,796	495,175	12,978
Special item-Capital assets from Private Purpose Trust	-	-	-	-
Transfers, net	-	19,363	15,370	69,275
Proceeds, from Debt Restructuring	-	-	-	-
Total Governmental Activities	<u>\$ 23,890,050</u>	<u>\$ 23,125,751</u>	<u>\$ 21,749,781</u>	<u>\$ 18,930,282</u>
Business-Type Activities				
Investment Income	\$ 8,085	\$ 9,132	\$ 7,749	\$ 8,451
Transfers, net	-	(19,363)	(69,275)	(69,275)
Total Business-Type Activities	<u>\$ 8,085</u>	<u>\$ (10,231)</u>	<u>\$ (61,526)</u>	<u>\$ (60,824)</u>
Total Primary Government General Revenues and Other	<u>\$ 23,898,135</u>	<u>\$ 23,115,520</u>	<u>\$ 21,688,255</u>	<u>\$ 18,869,458</u>
Change in Net Position				
Governmental Activities	\$ 4,991,333	\$ 4,918,896	\$ 4,672,852	\$ 2,955,524
Business-Type Activities	(1,803)	43,286	45,122	20,849
Total Primary Government Change in Net Position	<u>\$ 4,989,530</u>	<u>\$ 4,962,182</u>	<u>\$ 4,717,974</u>	<u>\$ 2,976,373</u>

Source: Middletown Township Financial Statements

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

Fiscal Year						
2013	2012 (1)	2011 (1)	2010	2009	2008	
\$ 2,137,408	\$ 2,290,625	\$ 2,037,179	\$ 2,023,182	\$ 1,895,527	\$ 2,477,349	
14,458,162	14,580,986	14,210,367	12,218,168	12,190,862	10,354,328	
6,731,336	6,251,378	6,566,282	6,719,377	6,615,980	5,733,310	
1,531,902	1,803,802	1,416,404	1,825,931	1,402,496	1,231,572	
533,375	537,043	506,105	672,637	695,397	763,240	
-	-	-	-	-	-	
661,242	1,069,783	1,013,702	1,168,279	1,365,635	1,048,713	
1,400,047	1,502,025	1,457,537	1,455,222	1,433,205	1,439,857	
<u>\$ 27,453,472</u>	<u>\$ 28,035,642</u>	<u>\$ 27,207,576</u>	<u>\$ 26,082,796</u>	<u>\$ 25,599,102</u>	<u>\$ 23,048,369</u>	
\$ 139,416	\$ 137,397	\$ 145,114	\$ 138,839	\$ 155,435	\$ 179,165	
22,115	19,719	31,922	36,469	11,853	29,815	
<u>\$ 161,531</u>	<u>\$ 157,116</u>	<u>\$ 177,036</u>	<u>\$ 175,308</u>	<u>\$ 167,288</u>	<u>\$ 208,980</u>	
<u>\$ 27,615,003</u>	<u>\$ 28,192,758</u>	<u>\$ 27,384,612</u>	<u>\$ 26,258,104</u>	<u>\$ 25,766,390</u>	<u>\$ 23,257,349</u>	
\$ 1,156,671	\$ 1,102,349	\$ 1,064,445	\$ 1,017,264	\$ 1,003,736	\$ 1,945,023	
2,015,858	1,863,345	1,699,843	1,678,755	1,403,982	916,340	
4,903,774	4,474,867	4,656,230	4,451,210	4,483,431	3,861,084	
271,754	251,285	267,114	252,855	242,338	229,942	
2,153,603	1,829,443	2,573,581	2,192,687	2,054,509	2,218,492	
1,926,838	527,153	1,308,528	-	-	-	
<u>\$ 12,428,498</u>	<u>\$ 10,048,442</u>	<u>\$ 11,569,741</u>	<u>\$ 9,592,771</u>	<u>\$ 9,187,996</u>	<u>\$ 9,170,881</u>	
\$ 203,105	\$ 196,912	\$ 184,434	\$ 147,000	\$ 147,000	\$ 154,049	
40,000	40,000	40,000	35,000	35,000	35,000	
-	-	-	-	-	-	
<u>\$ 243,105</u>	<u>\$ 236,912</u>	<u>\$ 224,434</u>	<u>\$ 182,000</u>	<u>\$ 182,000</u>	<u>\$ 189,049</u>	
<u>\$ 12,671,603</u>	<u>\$ 10,285,354</u>	<u>\$ 11,794,175</u>	<u>\$ 9,774,771</u>	<u>\$ 9,369,996</u>	<u>\$ 9,359,930</u>	
\$ (15,024,974)	\$ (17,987,200)	\$ (15,637,835)	\$ (16,490,025)	\$ (16,411,106)	\$ (13,877,488)	
81,574	79,796	47,398	6,692	14,712	(19,931)	
<u>\$ (14,943,400)</u>	<u>\$ (17,907,404)</u>	<u>\$ (15,590,437)</u>	<u>\$ (16,483,333)</u>	<u>\$ (16,396,394)</u>	<u>\$ (13,897,419)</u>	
\$ 9,309,514	\$ 9,303,772	\$ 9,281,766	\$ 9,246,523	\$ 8,602,678	\$ 7,892,013	
-	-	-	-	-	-	
4,697,360	4,513,623	4,499,405	4,419,632	4,001,130	4,713,317	
104,391	435,806	1,467,986	1,168,697	488,609	2,419,102	
19,604	-	-	3,477	11,989	-	
98,060	20,804	85,549	3,808	85,688	29,439	
-	-	-	680,196	613,127	-	
69,275	69,275	(260,001)	19,363	123,576	44,275	
-	-	-	-	-	-	
<u>14,298,204</u>	<u>14,343,280</u>	<u>15,074,705</u>	<u>15,541,696</u>	<u>13,926,797</u>	<u>15,098,146</u>	
\$ 6,352	\$ 9,150	\$ 33	\$ 4,804	\$ 9,369	\$ 4,533	
(69,275)	(69,275)	260,001	(19,363)	(19,363)	(44,275)	
<u>\$ (62,923)</u>	<u>\$ (60,125)</u>	<u>\$ 260,034</u>	<u>\$ (14,559)</u>	<u>\$ (9,994)</u>	<u>\$ (39,742)</u>	
<u>\$ 14,235,281</u>	<u>\$ 14,283,155</u>	<u>\$ 15,334,739</u>	<u>\$ 15,527,137</u>	<u>\$ 13,916,803</u>	<u>\$ 15,058,404</u>	
\$ (726,770)	\$ (3,643,920)	\$ (563,130)	\$ (948,329)	\$ (2,484,309)	\$ 1,220,658	
18,651	19,671	307,432	(7,867)	4,718	(59,673)	
<u>\$ (708,119)</u>	<u>\$ (3,624,249)</u>	<u>\$ (255,698)</u>	<u>\$ (956,196)</u>	<u>\$ (2,479,591)</u>	<u>\$ 1,160,985</u>	

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

	<u>2017 (A)</u>	<u>2016 (A)</u>	<u>2015 (A)</u>	<u>2014 (A)</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, undesignated	-	-	-	-
Non-spendable	138,734	7,343	34,252	23,301
Restricted	179,739	146,619	108,516	98,695
Committed	473,358	-	-	-
Assigned	-	-	-	-
Unassigned	<u>8,942,469</u>	<u>7,883,196</u>	<u>5,359,161</u>	<u>3,907,662</u>
Total General Fund	<u>\$ 9,734,300</u>	<u>\$ 8,037,158</u>	<u>\$ 5,501,929</u>	<u>\$ 4,029,658</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, designated for, reported in:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Non-spendable	-	-	153,476	233,029
Restricted	1,397,799	1,729,234	2,880,452	5,162,872
Committed	39,485,092	39,374,415	39,298,484	39,222,508
Assigned	10,666,081	9,146,670	3,522,787	1,696,999
Unassigned	<u>-</u>	<u>1,478</u>	<u>(224)</u>	<u>(11,809)</u>
Total all Other Governmental Funds	<u>\$ 51,548,972</u>	<u>\$ 50,251,797</u>	<u>\$ 45,854,975</u>	<u>\$ 46,303,599</u>
Total Governmental Funds	<u>\$ 61,283,272</u>	<u>\$ 58,288,955</u>	<u>\$ 51,356,904</u>	<u>\$ 50,333,257</u>

Source: Middletown Township Financial Statements

(A) New Fund Balance Classifications per GASB 54

Fiscal Year						
<u>2013 (A)</u>	<u>2012 (A)</u>	<u>2011 (A)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	2,065,794	768,709	1,621,983	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,081,418</u>	<u>2,803,476</u>	<u>2,736,024</u>	-	-	-	-
<u>\$ 2,081,418</u>	<u>\$ 2,803,476</u>	<u>\$ 2,736,024</u>	<u>\$ 2,065,794</u>	<u>\$ 768,709</u>	<u>\$ 1,621,983</u>	
\$ -	\$ -	\$ -	\$ 1,912,720	\$ 2,040,292	\$ 7,679,482	
-	-	-	1,393,632	1,433,418	1,057,201	
-	-	-	46,612,927	50,165,700	51,745,306	
270,974	335,147	402,777	-	-	-	
1,564,188	1,327,400	1,920,553	-	-	-	
39,275,872	40,369,420	40,441,705	-	-	-	
1,513,937	2,032,396	3,757,367	-	-	-	
-	-	-	-	-	-	
<u>\$ 42,624,971</u>	<u>\$ 44,064,363</u>	<u>\$ 46,522,402</u>	<u>\$ 49,919,279</u>	<u>\$ 53,639,410</u>	<u>\$ 60,481,989</u>	
<u>\$ 44,706,389</u>	<u>\$ 46,867,839</u>	<u>\$ 49,258,426</u>	<u>\$ 51,985,073</u>	<u>\$ 54,408,119</u>	<u>\$ 62,103,972</u>	

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenue				
Taxes (Non Earned Income Tax)	\$ 14,506,135	\$ 14,676,114	\$ 14,342,779	\$ 14,197,451
Earned Income Tax	8,349,759	7,612,374	6,783,852	4,080,744
Licenses and Permits	1,202,213	1,174,602	1,096,372	1,074,378
Fines and Forfeits	144,157	138,439	147,825	124,174
Interest and Rents	940,342	781,998	760,385	742,632
Intergovernmental Revenues	3,013,843	3,314,314	2,829,295	3,310,410
Charges for Services	6,316,616	6,525,032	6,735,503	7,417,070
Special Assessment	-	-	-	-
Contribution Private Source	55,660	19,208	55,497	68,155
Gain/(Loss) on Investments	(303,097)	(122,914)	(265,210)	(87,525)
Miscellaneous Revenues	<u>115,190</u>	<u>62,097</u>	<u>131,790</u>	<u>12,978</u>
Total Revenues	<u>\$ 34,340,818</u>	<u>\$ 34,181,264</u>	<u>\$ 32,618,088</u>	<u>\$ 30,940,467</u>
Expenditures				
General Government	\$ 2,392,815	\$ 2,375,974	\$ 2,301,468	\$ 2,012,237
Public Safety	14,572,966	14,333,335	13,965,246	13,577,125
Public Works	8,750,562	7,343,296	6,367,050	7,291,449
Parks and Recreation	1,299,553	1,302,579	1,294,579	1,354,995
Miscellaneous Expenditures	783,218	461,240	499,666	545,085
Capital Outlay/Development	2,122,519	2,159,501	4,582,602	3,749,117
Debt Service				
Principal	2,352,014	2,045,180	1,961,826	1,845,034
Interest	671,254	658,549	706,649	649,734
Other Charges	<u>1,560</u>	<u>153,525</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 32,946,461</u>	<u>\$ 30,833,179</u>	<u>\$ 31,679,086</u>	<u>\$ 31,024,776</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 1,394,357</u>	<u>\$ 3,348,085</u>	<u>\$ 939,002</u>	<u>\$ (84,309)</u>
Other Financing Sources (Uses)				
Issuance of refunding Bonds	\$ 1,116,648	\$ 9,490,000	\$ -	\$ 10,460,850
Premium on Bond Issuance	-	505,056	-	371,694
Discount on Bond Issuance	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	(6,435,448)	-	(5,190,642)
Proceeds from Debt Restructuring	-	-	-	-
Bond Refinancing Expenses	-	-	-	-
Sale of Capital Assets	11,930	4,995	15,370	-
Transfers In	2,557,731	2,099,063	2,822,775	221,975
Transfers Out	<u>(2,557,731)</u>	<u>(2,079,700)</u>	<u>(2,753,500)</u>	<u>(152,700)</u>
Total other Financing Sources (Uses)	<u>\$ 1,128,578</u>	<u>\$ 3,583,966</u>	<u>\$ 84,645</u>	<u>\$ 5,711,177</u>
Prior Period Adjustment	-	-	-	-
Net Change in Fund Balances	<u>\$ 2,522,935</u>	<u>\$ 6,932,051</u>	<u>\$ 1,023,647</u>	<u>\$ 5,626,868</u>
Debt Service as a Percentage of Non Capital Expenditures	8.54%	8.14%	7.42%	7.06%

Source: Middletown Township Financial Statements

Fiscal Year						
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$	13,924,356	\$ 13,770,774	\$ 13,714,591	\$ 13,701,196	\$ 12,376,900	\$ 12,485,790
	-	-	-	-	-	-
	1,344,030	1,227,716	1,273,039	1,076,871	1,104,066	1,232,017
	175,359	169,122	187,463	227,958	206,120	218,243
	902,852	939,391	901,375	764,214	1,376,938	2,470,867
	3,503,743	2,281,729	3,503,725	2,369,267	1,881,926	2,034,827
	6,827,850	6,295,008	6,227,130	6,093,799	5,802,550	5,558,483
	818	-	-	1,456	610	1,995
	576,698	74,867	175,903	145,253	144,678	181,665
	(798,461)	(503,585)	566,611	404,483	(890,769)	2,419,102
	98,060	20,804	88,549	3,658	103,680	13,208
	<u>\$ 26,555,305</u>	<u>\$ 24,275,826</u>	<u>\$ 26,638,386</u>	<u>\$ 24,788,155</u>	<u>\$ 22,106,699</u>	<u>\$ 26,616,197</u>
\$	1,948,999	\$ 1,789,113	\$ 1,890,916	\$ 1,770,342	\$ 1,643,678	\$ 2,477,349
	13,278,438	11,892,467	13,316,076	11,095,416	11,147,885	10,333,884
	6,870,433	6,704,136	6,996,957	6,403,942	6,296,113	5,733,310
	1,334,010	1,356,337	1,267,795	1,614,937	1,241,482	1,231,572
	533,375	537,043	506,105	672,637	695,397	763,240
	2,094,767	1,664,283	1,846,092	2,226,965	6,081,833	7,318,891
	2,060,000	1,940,000	2,271,627	2,004,214	1,632,251	1,684,566
	685,612	852,309	1,035,927	1,090,249	1,223,019	1,067,171
	-	153,063	71,522	25,706	21,829	25,602
	<u>\$ 28,805,634</u>	<u>\$ 26,888,751</u>	<u>\$ 29,203,017</u>	<u>\$ 26,904,408</u>	<u>\$ 29,983,487</u>	<u>\$ 30,635,585</u>
\$	<u>(2,250,329)</u>	<u>\$ (2,612,925)</u>	<u>\$ (2,564,631)</u>	<u>\$ (2,116,253)</u>	<u>\$ (7,876,788)</u>	<u>\$ (4,019,388)</u>
\$	-	\$ 8,925,000	\$ 8,560,000	\$ 5,620,000	\$ 7,830,000	\$ 10,000,000
	-	150,892	-	-	78,123	-
	-	-	(34,881)	-	-	-
	-	(8,922,829)	(8,427,134)	(5,557,439)	(7,750,000)	-
	-	-	-	-	-	-
	-	-	-	(62,561)	(119,953)	-
	19,604	-	-	3,627	19,189	-
	1,522,275	1,538,975	2,401,497	2,949,063	2,063,276	1,945,176
	(1,453,000)	(1,469,700)	(2,661,498)	(3,259,483)	(1,939,700)	(2,224,758)
	<u>\$ 88,879</u>	<u>\$ 222,338</u>	<u>\$ (162,016)</u>	<u>\$ (306,793)</u>	<u>\$ 180,935</u>	<u>\$ 9,720,418</u>
	-	-	-	-	-	-
	<u>\$ (2,161,450)</u>	<u>\$ (2,390,587)</u>	<u>\$ (2,726,647)</u>	<u>\$ (2,423,046)</u>	<u>\$ (7,695,853)</u>	<u>\$ 5,701,030</u>
	8.70%	9.64%	10.22%	10.62%	7.92%	11.80%

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
2017	\$ 9,170,653	\$ 8,349,759	\$ 1,333,653	\$ 1,091,284	\$ 1,177,552	\$ 1,334,379
2016	9,302,240	7,612,374	1,447,720	1,129,355	1,046,011	1,258,149
2015	9,291,064	6,783,852	1,379,123	983,936	1,116,110	1,137,327
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

Parking Tax	Per Capita Tax	Mechanical Device Tax	Total
\$ 227,193	\$ 138,561	\$ 32,860	\$ 22,855,894
312,160	146,119	34,360	22,288,488
260,992	139,627	34,600	21,126,631
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

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

Year	Real Property Assessed Value (1)	Less: Tax Exempt Property	Total Taxable Assessed Value	Estimated Actual Values of Real Property	Ratio of Total Assesed Value to Total Estimated Actual Value (2)	Middletown Township Municipal Millage Rate
2017	\$ 618,097,790	\$ 87,061,320	\$ 531,036,470	\$ 5,670,621,927	10.90%	17.57
2016	617,101,220	86,559,600	530,541,620	5,342,867,706	11.55%	17.57
2015	616,397,560	86,323,950	530,073,610	6,964,944,181	8.85%	17.57
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	5,964,602,231	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

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

TOWNSHIP OF MIDDLETOWN
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(rate per \$1,000 of assessed value)

Year	Direct Rates			Overlapping Rates			Neshaminy School District	Total Direct & Overlapping Millage Rates
	Township of Middletown			Bucks County, PA				
	Operating Millage	Debt Service Millage	Total Township Millage	Operating Millage	Debt Service Millage	Total County Millage	Total Millage	
2017	12.42500	5.14500	17.57000	18.28150	4.91850	24.45000	155.80000	197.82000
2016	12.42500	5.14500	17.57000	17.84870	5.35130	23.20000	152.00000	192.77000
2015	12.42500	5.14500	17.57000	18.32020	4.87980	23.20000	152.00000	192.77000
2014	12.12500	5.44500	17.57000	18.29750	4.90250	23.20000	152.00000	192.77000
2013	12.12500	5.44500	17.57000	18.79630	4.40370	23.20000	152.00000	192.77000
2012	12.12500	5.44500	17.57000	18.79630	4.40370	23.20000	152.00000	192.77000
2011	12.27000	5.30000	17.57000	17.58870	4.35341	21.94211	152.00000	191.51211
2010	11.57000	6.00000	17.57000	17.58870	4.35341	21.94211	152.00000	191.51211
2009	11.46000	4.38000	15.84000	17.58870	4.35341	21.94211	152.00000	189.78211
2008	11.46000	3.38000	14.84000	17.58870	4.35341	21.94211	148.60000	185.38211
2007	9.73000	3.61000	13.34000	17.10766	4.83445	21.94211	148.60000	183.88211

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

Sources: Middletown Township, Bucks County Board of Assessments, Neshaminy School District

**TOWNSHIP OF MIDDLETOWN
PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type of Business	December 31, 2017				December 31, 2007			
		Taxable Assessed		Percentage of Total		Taxable Assessed		Percentage of Total	
		Value (1)	Rank	Assessed Valuation		Value (1)	Rank	Assessed Valuation	
				(2)				(3)	
McStome, Inc. (Kravco)	Commercial Development	18,117,330	1	3.41%					
St. Mary Medical Center	Healthcare	4,565,800	2	0.86%					
800 (Eight) Trenton Assoc LP	Apartment Complex	4,368,800	3	0.82%	4,368,800	2	0.82%		
Jefferson Woods	Residential Community	4,157,100	4	0.78%	4,157,100	3	0.78%		
Home Prop Racquet Club	Apartment Complex	3,872,000	5	0.73%					
Shoppes at Flowers Mills	Shopping Center	3,607,060	6	0.68%	2,731,320	5	0.51%		
TLC Reedman LP	Auto Dealership	2,813,360	7	0.53%					
Attleboro Associates	Retirement & Assisted Living	2,797,300	8	0.53%	2,861,160	4	0.54%		
Bucks Co BP Investors LLC	Real Estate Investment	2,490,680	9	0.47%					
Guttman & Reider	Real Estate Investment	2,331,110	10	0.44%	2,310,080	8	0.43%		
Pennswood Village	Retirement Community								
Middletown Trace Apts	Apartment Complex								
McStome, Inc. (Kravco)	Commercial Development				2,453,760	6	0.46%		
McStome, Inc. (Kravco)	Commercial Development				2,438,360	7	0.46%		
McStome, Inc. (Kravco)	Commercial Development				2,240,000	9	0.42%		
Westover Companies	Apartment Complex				2,029,280	10	0.38%		

(1) Information provided by Middletown Township Tax Collector

(2) Information provided by Bucks County, PA Real Estate Assessment Roll. Total Assessed Valuation is \$531,036,470

(3) Information obtain from Middletown Township 2006 CAFR. Total Assessed Valuation is \$532,427,760

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

Year	Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 9,330,311	\$ 9,062,316	97.13%	\$ 108,337	\$ 9,170,653	98.29%
2016	9,321,616	9,230,852	99.03%	119,395	9,350,247	100.31%
2015	9,313,395	9,196,842	98.75%	-	9,196,842	98.75%
2014	9,271,102	9,152,233	98.72%	76,136	9,228,369	99.54%
2013	9,269,654	9,125,700	98.45%	131,923	9,257,623	99.87%
2012	9,303,787	9,158,419	98.44%	144,083	9,302,502	99.99%
2011	9,297,511	9,125,921	98.15%	163,334	9,289,255	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%

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

TOWNSHIP OF MIDDLETOWN
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt Limit	\$ 61,809,779	\$ 61,710,122	\$ 61,639,756	\$ 613,100,778
Total Net Debt Applicable to Limit	24,883,585	27,299,228	24,578,721	26,564,333
Legal Debt Margin	<u>\$ 36,926,194</u>	<u>\$ 34,410,894</u>	<u>\$ 37,061,035</u>	<u>\$ 586,536,445</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	40.26%	44.24%	39.87%	4.33%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value	\$ 531,036,470
Add Back: Exempt Real Property	<u>87,061,320</u>
Total Assessed Value	<u>\$ 618,097,790</u>
Debt Limit (10% of Total Assessed Value)	\$ 61,809,779
Debt Applicable to Limit	
General Obligation Bonds	\$ 24,440,000
Less: Amount set aside for repayment of General Obligation Debt	<u>(443,585)</u>
Total Net Debt Applicable to Limit	<u>\$ 24,883,585</u>
Legal Debt Margin	<u>\$ 36,926,194</u>

Note: Under state finance law, Middletown Township's outstanding General Obligation Debt should not exceed 10 percent (10%) 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.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 61,322,492	\$ 61,765,324	\$ 61,709,397	\$ 61,439,591	\$ 61,505,359	\$ 61,523,713
24,008,367	26,195,077	28,008,228	29,526,031	31,396,921	33,161,341
<u>\$ 37,314,125</u>	<u>\$ 35,570,247</u>	<u>\$ 33,701,169</u>	<u>\$ 31,913,560</u>	<u>\$ 30,108,438</u>	<u>\$ 28,362,372</u>
39.15%	42.41%	45.39%	48.06%	51.05%	53.90%

**TOWNSHIP OF MIDDLETOWN
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Year	Governmental Activities		Business-Type	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Term Loan	Activities Term Loan			
2017	\$ 25,185,583	\$ 1,289,982	\$ -	\$ 26,475,565	1.60%	\$ 583
2016	27,355,867	465,348	-	27,821,215	1.68%	\$ 612
2015	25,707,756	555,529	73,615	26,336,900	1.55%	580
2014	27,669,635	615,816	149,448	28,434,899	1.75%	625
2013	24,447,431	-	220,875	24,668,306	1.54%	543
2012	26,529,949	-	288,154	26,818,103	1.68%	590
2011	28,129,935	-	351,525	28,481,460	1.83%	627
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	2.74%	691
2008	32,851,376	350,226	520,390	33,721,992	2.85%	720
2007	24,635,002	399,795	570,268	25,605,065	2.15%	542

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

**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	Per Capita
2017	\$ 25,185,583	\$ 443,585	\$ 24,741,998	0.44%	545
2016	27,355,867	799,228	26,556,639	0.50%	584
2015	25,781,371	1,209,796	24,571,575	0.35%	541
2014	28,434,899	650,667	27,784,232	0.42%	611
2013	24,668,306	251,633	24,416,673	0.36%	537
2012	26,818,103	124,923	26,693,180	0.40%	587
2011	28,481,460	81,772	28,399,688	0.41%	625
2010	30,678,103	403,969	30,274,134	0.45%	646
2009	32,241,612	423,079	31,818,533	0.53%	681
2008	33,721,992	183,659	33,538,333	0.53%	716
2007	25,605,065	366,810	25,238,255	0.45%	534

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

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

TOWNSHIP OF MIDDLETOWN
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 DECEMBER 31, 2017

Government Unit	Gross Outstanding Debt	Percentage Applicable to Middletown Township	Amount Applicable to Middletown Township
Township of Middletown (1)	\$ 26,475,565	100.00%	\$ 26,475,565
Neshaminy School District (2)	\$ 132,130,132	67.51%	\$ 89,201,052
Bucks County (3)	<u>244,344,000</u>	6.54%	<u>15,980,098</u>
Sub-Total Overlapping Debt	\$ 376,474,132		\$ 105,181,150
Total	\$ 402,949,697		\$ 131,656,715

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) Township of Middletown Records
- (2) Neshaminy School District
- (3) County of Bucks

(4) Proportion share of Bucks County's existing debt as of December 31, 2017 based on ratio of Middletown Township's assessed valuation (see Schedule 5) to Bucks County's 2017 assessed valuation of \$8,104,154,000 (source, Bucks County Assessments). Percentage is found by taking the total taxable assessed value/assessed valuation

TOWNSHIP OF MIDDLETOWN
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Year	Population (1)	Personal Income (thousand of dollars)	Per Capita Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
2017	45,436	\$ 1,653,461	36,391	42.5	8,718	4.20%
2016	45,436	1,653,461	36,391	42.5	8,562	4.50%
2015	45,438	1,698,745	37,386	43.1	8,456	4.50%
2014	45,479	1,624,292	35,716	42.6	8,413	4.80%
2013	45,436	1,600,074	35,216	42.6	8,356	5.80%
2012	45,436	1,600,074	35,216	42.6	8,517	7.20%
2011	45,436	1,555,592	34,237	42.6	8,568	7.20%
2010	46,882	1,596,332	34,050	42.3	8,802	7.30%
2009	46,693	1,177,271	25,213	37.8	8,658	7.50%
2008	46,868	1,181,683	25,213	37.8	8,839	6.00%
2007	47,259	1,191,541	25,213	37.8	8,994	4.10%

Sources

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

(2) Neshaminy School District

(3) PA Department of Labor & Industry, Center for Workforce Information and Analysis - as of 12/31 for Bucks County

**TOWNSHIP OF MIDDLETOWN
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	Type of Business	December 31, 2017 (1)			December 31, 2007 (2)		
		Employees	Rank	Percentage of Total Township Employment (2)	Employees	Rank	Percentage of Total Township Employment (3)
St Mary Medical Center	Hospital	2,224	1	27.50%	2,701	1	10.19%
SeaWorld Parks & Entertainment	Entertainment/Theme Park	1,315	2	16.26%			
Neshaminy School District	Education	1,059	3	13.09%	1,677	4	6.33%
Woods Services, Inc.	Education	974	4	12.04%	1,863	2	
Giant Food Stores, LLC	Retail	464	5	5.74%			
Pennswood Village	Retirement Community	436	6	5.39%			
George School	Education	405	7	5.01%			
Reedman-Toll Autoworld	Retail/Automotive	351	8	4.34%	493	10	1.86%
T-M Automotive Inc.	Automotive	281	9	3.47%			
Langhorne Physician Services	Medical	268	10	3.31%			
Busch Entertainment Corp	Entertainment/Theme Park				1,699	3	6.41%
ICT Group Inc.	Communications Services				1,065	5	4.02%
Abercrombie & Fitch, Inc.	Retail				748	6	2.82%
Bucks County Regional Realty	Real Estate				704	7	2.66%
Macy's Retail Holding Inc.	Retail				667	8	2.52%
Target Stores	Retail				514	9	1.94%
Total		7,777		27.69%	12,131		45.78%

(1) Information provided by Keystone Collections Group

(2) Information provided by Berkheimer Tax Administrator, Total Middletown Civilian Labor Force is 28,088

(3) Commonwealth of PA, Department of Labor & Industry, Total Middletown Township Civilian Labor Force is 26,500

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

	Fiscal Year										
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government											
Administration	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	4.0
Finance	5.0	5.0	5.0	5.0	5.0	5.0	5.5	5.5	5.5	5.5	5.5
Personal	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Police											
Police Officers	57.0	56.0	54.0	51.0	51.0	48.0	50.0	52.0	52.0	53.0	53.0
Police Civilians (1)	15.5	13.0	13.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Public Works											
Administration	2.0	2.5	2.5	3.0	3.0	2.5	3.5	3.5	3.5	3.5	3.5
Maintenance/Labor	15.5	12.5	12.5	12.0	11.0	11.0	11.0	13.0	13.0	13.0	13.0
Summer/Seasonal	4.0	3.0	3.0	3.0	4.0	4.0	4.0	6.0	6.0	4.0	4.0
Community Services											
Administration	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0
Custodial/Labor (2)	-	-	-	-	-	-	0.5	0.5	0.5	2.0	2.0
Emergency Services											
Officers/Inspectors	4.5	3.0	3.0	3.0	3.0	2.5	2.5	3.5	3.5	3.5	3.5
Administration	1.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.5	1.5
Parks & Recreation											
Administration	3.5	3.0	3.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0	3.5
Equipment Operator/Labor	3.5	3.5	3.5	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Summer Rec/Seasonal	22.5	22.0	22.0	24.0	24.5	24.5	24.5	24.5	24.5	24.5	24.5
Misc. Program Facilitators	6.0	8.0	8.0	8.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Licenses, Inspections & Zoning	<u>7.0</u>	<u>5.0</u>	<u>5.0</u>	<u>7.0</u>	<u>7.0</u>	<u>6.5</u>	<u>5.0</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>
Totals	<u>151.0</u>	<u>144.5</u>	<u>142.5</u>	<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>

Source: Middletown Township

Method: Using 1.0 for each full time employee and 0.50 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>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Emergency Services				
Estimated Emergency Fire Calls	1,467	2,000	2,000	2,000
Residential Fires	26	22	27	22
Business/Industrial Fires	6	2	2	2
Fire Investigations Conducted	339	917	342	917
Hazardous Materials/Petroleum Spill Calls	50	42	51	42
Mechanical Inspections Conducted	267	250	312	250
Fire Safety Inspections Conducted	1,886	1,825	1,911	1,825
General Government				
Building Inspections Conducted	940	1,223	1,426	3,008
Plumbing Inspections Conducted	550	498	629	758
Building Permits Issued	467	574	628	810
Plumbing Permits Issued	278	266	312	395
Electrical Permits Issued	490	547	421	482
Residential Value of Construction/Issued Permits	10,000,000	6,319,299	13,131,173	13,822,476
Commercial Value of Construction/Issued Permits	13,000,000	17,316,835	22,327,057	21,928,028
Parks & Recreation				
Recreation Program Participants	12,519	15,718	15,531	15,800
Program Sessions Offered	344	371	356	380
Police				
Criminal Arrests	14	1,073	1,071	918
Traffic Citations	3,697	2,952	3,677	2,713
Accident Reports	1,787	1,718	1,740	1,761
Parking Violations	120	194	407	105
Animal Control Cases Investigated	146	491	418	549
Animal Control Warnings Issued	74	25	16	35
Animal Control Prosecutions Instituted	23	16	13	21
Public Works				
Roads Resurfaced (linear feet)	47,520	48,500	61,900	19,483
Trees Removed/Trimmed	133	409	96	156
Signs Repaired/Installed	129	235	234	103
Drainage/Storm Drains Unclogged	66	79	77	72
Potholes Repaired	603	540	1,712	2,228
Sinkholes Repaired	20	25	40	32

	Fiscal Year					
<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	
1,000	1,081	1,142	1,850	1,902	992	
10	14	30	17	11	39	
2	3	2	3	2	1	
193	207	29	214	309	275	
46	64	40	54	7	97	
242	247	235	197	164	181	
1,604	1,634	1,612	1,570	4,508	1,412	
2,678	2,666	2,519	2,672	2,818	2,922	
595	539	476	484	668	700	
880	786	759	853	795	924	
310	226	218	233	235	286	
370	281	300	324	260	364	
12,303,222	8,120,371	8,581,482	12,819,482	10,655,114	23,051,941	
53,381,440	18,057,473	53,376,259	31,916,655	7,902,476	29,882,882	
15,822	11,050	7,641	8,751	7,650	7,427	
378	376	404	392	394	356	
535	760	895	776	1,538	1,857	
1,015	1,265	3,024	2,632	2,377	4,168	
1,789	1,763	2,003	1,856	2,075	1,971	
71	72	381	95	122	115	
507	501	622	626	446	631	
25	20	20	37	27	34	
13	18	29	30	25	10	
5,270	-	-	-	1,468	-	
297	230	112	131	88	81	
95	96	94	99	163	167	
56	145	120	22	90	80	
647	607	438	570	644	265	
84	64	67	38	35	64	

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

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Emergency Services				
Fire Stations	6	6	6	6
Vehicle Units	31	31	31	31
General Government				
Square Footage Occupied	56,122	56,122	56,122	56,122
Inspection Vehicles	2	2	2	2
Other Departmental Vehicles	1	1	1	1
Parks & Recreation				
Number of Recreation Facilities	19	19	19	19
Acreage of Park Land	142.00	142.00	142.00	142.00
Acreage of Greenbelts/Open Space	529	529	529	529
Police				
Stations	1	1	1	1
Patrol Units	-	45	45	46
Trained Canines	4	4	4	4
Public Works				
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

Fiscal Year					
<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
6	6	6	8	8	7
31	32	32	28	28	25
56,122	56,122	56,122	56,122	56,122	56,122
2	2	2	2	2	2
1	1	1	1	1	1
19	19	19	19	19	18
142.00	142.00	141.50	141.50	141.50	136.50
529	518	518	518	518	523
1	1	1	1	1	1
46	45	50	50	50	50
4	4	2	3	4	4
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	24	24	24
7	7	7	7	7	7
2	2	2	2	1	1
1	1	1	1	1	1