

TOWNSHIP OF
MIDDLETOWN
BUCKS COUNTY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended December 31, 2019



TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2019

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

Mega Bhandary
Director of Finance

TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2019

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INTRODUCTORY SECTION

June 12, 2020

To the Board of Supervisors and the Citizens of the Township of Middletown:

The Comprehensive Annual Financial Report (CAFR) of the Township of Middletown, County of Bucks, Commonwealth of Pennsylvania, for the year ended December 31, 2019 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, December 2015 and December 2018. 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 twenty-seven (27) 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 SeaWorld Parks & Entertainment 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 2019 to providing excellent service and maintaining efficiency across the organization. Each department contributed toward making Middletown Township a great community residents can be proud of. Two significant financial goals were achieved in 2019, as Middletown Township was awarded the Distinguished Budget Presentation Award by Government Finance Officers Association (GFOA) and Moody's issued the township an "Aaa" credit rating. The Distinguished Budget Award represents a commitment by the Board of Supervisors and staff to meet the highest principles of governmental budgeting and places Middletown Township in an elite group of governmental agencies to achieve this recognition. The November 2019 "Aaa" credit rating by Moody's is also a reflection of sound fiscal management and will provide Middletown with efficient access to capital markets for debt issuance. Middletown Township is the only township in Bucks County to have an "Aaa" credit rating by Moody's and is one of 10 townships in Pennsylvania to achieve this credit rating.

The Township took several great steps to increase revenues, decrease expenditures, and increase efficiency throughout 2019. Township staff worked diligently to secure more than \$990.8 thousand in grants to fund a wide range of projects, including vehicle purchases, facility improvements, and educational programs. Cost reduction efforts include delaying spending, reorganization of departments 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 2020 as well.

In 2018, the Township secured a grant to update its Comprehensive Plan in 2019. The Comprehensive Plan has been completed and takes an in-depth look at natural and community resources, as well as resources shared across municipalities. 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. The Township collaborates with neighbors and peer municipalities to gather comparable information, connections, and resources. Additionally, the Township also collaborates Commonwealth agencies with elected Commonwealth and Congressional representatives to advocate for changes to public policy. The Township also went to bid for its pension management for the first time in over twenty years in an effort to reduce administrative expenses, evaluate fund performance, and more routine performance updates. In early 2019, the Board of Supervisors reappointed the incumbent, Stifel Nicolaus. Through the bidding process, the Township secured a lower management rate and more frequent reporting. Additionally, the Township Pension Committee became more formalized in structure and purpose.

Commercial construction dominated the projects that were completed or proposed to the Board of Supervisors throughout 2019. Most commercial construction is occurring on or around the Business Route 1 commercial corridor. Several restaurants in the Lincoln Plaza Shopping Center and along Lincoln Highway are under construction. A few large retail anchor spaces are transitioning to new businesses in this area, including a four-story hotel and a car wash open for business at the location of the former Toys-R-Us building. The Oxford Valley Mall has also started the development of a multi-family residential community. Other residential construction within the Township mostly comprised of individual homes. A few moderate and major residential projects are expected to be proposed to the Board of Supervisors in 2020.

The Township, itself, completed many construction projects aimed at improving infrastructure throughout the community. The 2019 Road Improvement Program repaved 3 miles of Township roads. Since 2014, the Township has invested over \$11 million to repair or rebuild 64 miles of roadway. The Township also completed several storm water projects to improve drainage throughout the community. Township staff and consultants have also been working with the Pennsylvania Department of Transportation (PennDOT), 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 1,550 hours in 2019 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 \$162,000 in 2019 to cover the costs of an additional officer and overtime.

The Police Department continued their strong focus on community engagement in 2019. The Middletown Township Police Department has a total of 54 officers, as well as two K9 officers. The Police Department hosted large community events including National Night Out, Shop with a Cop, back to school events, and coffee with a cop. 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. Additionally, the Police Department replaced several vehicles largely with grant funding, as well as upgraded their Mobile Data Terminals (MDT's).

The Fire Marshal's Office performed many important safety functions throughout 2019. Staff completed annual fire inspections of all commercial businesses in the Township, and inspections of over 4,000 apartments in the Township, made easier through updated fire inspection software. The Fire Marshal's Office completed their first full year of their established partnership with the area fire companies to improve daytime emergency response by operating Fire Engine 244 out of their office. They also performed inspections of fire detection and suppression systems to keep those working in commercial settings. 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. 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, the Middletown at the Mall Summer Expo, and four successful Beer Gardens were free events that provided entertainment and recreation for visitors. As one of 18 Township events, the annual 4th of July Parade served thousands of participants and spectators. The Department also ran successful programs throughout the year, and summer recreation continued its increase in children enrolled. The Department also built a new 8,600 square foot concrete skate park at the Middletown Community Park with intergovernmental and private partnerships.

The Township continued its commitment to connecting with residents throughout the year. The Middletown Township website has also been updated and now provides better navigation and even more 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 e-News 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, offered education and entertainment at Middletown at the Mall, and hosted several Citizen Summer School programs covering topics of internet privacy, sustainability, energy efficiency, and teenage risk factors.

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. 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 \$45.5 million as of December 31, 2019. In 2018, the Township began transitioning funds from investment management firms into certificate of deposit (CD) bank accounts with approved banks that routinely offer competitive rates.

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, 2019 is the firm Bee, Bergvall & Co., Certified Public Accountants. The independent auditor's report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is included in the Financial Section of this report. They have issued an unqualified opinion for the year ended December 31, 2019.

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, 2018. That year was the fifteenth 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.

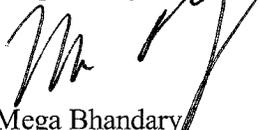
A Certificate of Achievement is valid for a period of one year only. The Township believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we intend to submit it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The publication of this CAFR continues to reinforce the accountability of Middletown Township to the taxpayers of the community. The preparation of the 2019 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.

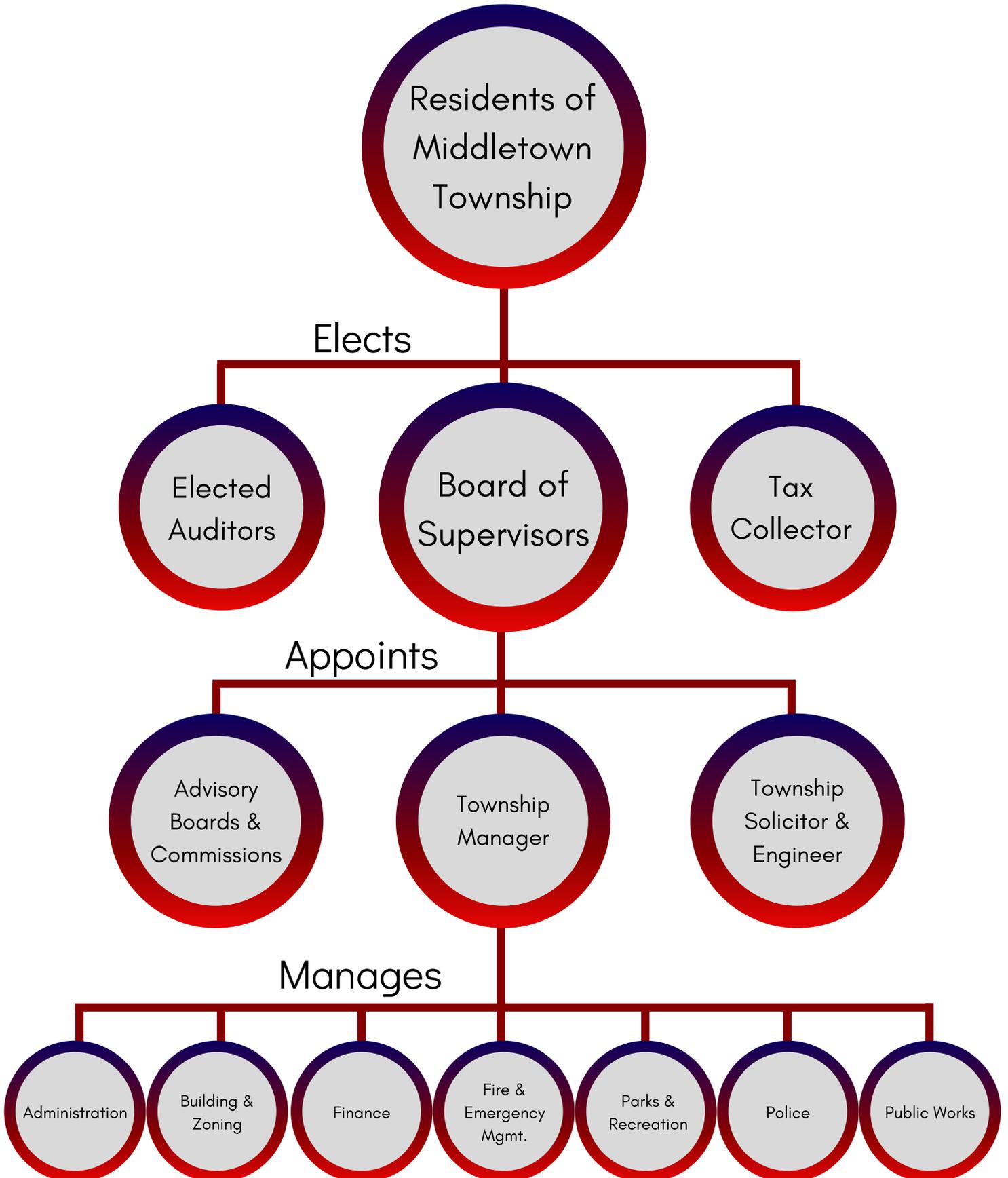
I would also like to thank the Board of Supervisors for their support and continued interest in the financial operations of the Township. Without their support, the preparation of this report would not have been possible.

Respectfully submitted,



Mega Bhandary
Director of Finance

TOWNSHIP OF MIDDLETOWN BUCKS COUNTY, PA ORGANIZATIONAL CHART



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

December 31, 2019

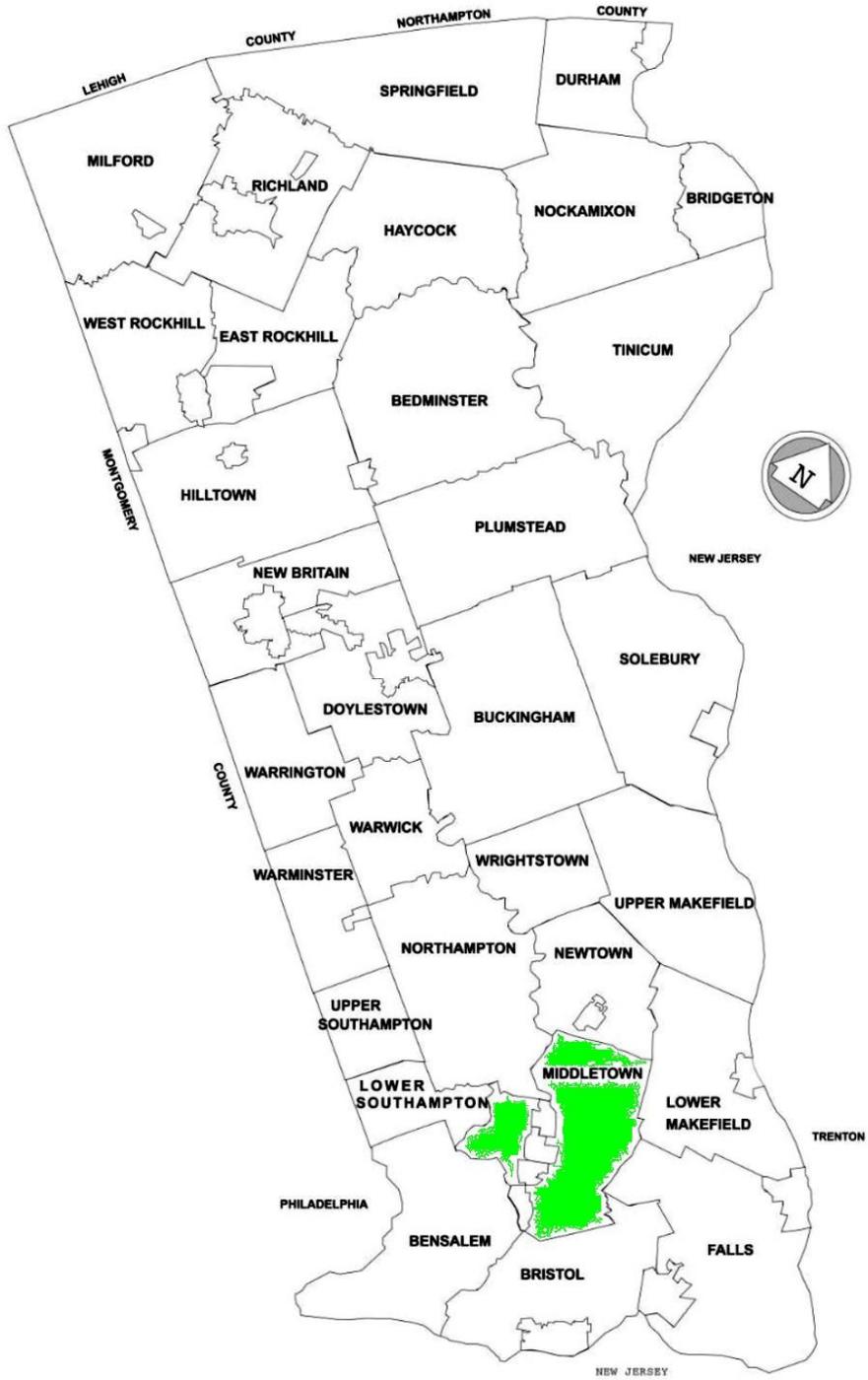
2019 BOARD OF SUPERVISORS

Tom Tosti, Chairperson
Mike Ksiazek, Vice Chairperson
Amy Strouse, Secretary
Douglas Downing, Member
H. George Leonhauser, Member

EXECUTIVE OFFICIALS

Stephanie Teoli Kuhls, Township Manager
James Esposito, Esq., Township Solicitor
Isaac Kessler, P.E., Township Engineer
Joseph Bartorilla, Chief of Police
Pat Duffy, P.E., Director of Building and Zoning
Paul Kopera, Director of Parks, Recreation and Community Services
James McGuire, Fire Marshal
Mega Bhandary, Director of Finance
Eric Gartenmayer, 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, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



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130 Almshouse Rd. Suite 201A, Richboro, PA 18954 | 24 Arnett Ave. Suite 111, Lambertville, NJ 08530
215-343-2727 | 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, 2019, 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.

Emphasis of Matter

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. As a result, economic uncertainties have arisen that could negatively impact the Township finances including investment income. The potential impact is unknown at this time. Our opinion is not modified with respect to this matter.

Prior year net position was restated by \$1,053,560 to properly reflect the value of capital assets. The effect was to decrease beginning capital assets and net position by that amount. There was no effect on modified accrual fund balance. Our opinion is not modified with respect to this matter.

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, 2019 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 6 through 20, and the historical trend information on pages 80 through 84 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 12, 2020

Middletown Township
Bucks County, Pennsylvania

Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Fiscal Year Ended December 31, 2019

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, 2019. 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.

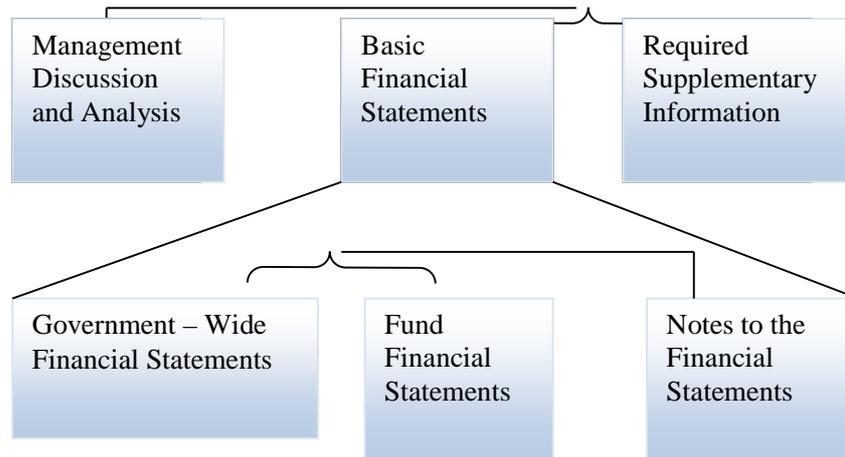
The remaining statements are fund financial statements which focus on the government's major governmental and enterprise funds. Governmental fund financials are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental funds statements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

The Statement of Activities on pages 24 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 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 36 through 77 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 \$78,922,108 and \$76,500,194 at the close of the years ended December 31, 2019 and 2018, respectively.

The following table provides a summary of the Township's Net Position at December 31, 2019 and December 31, 2018:

Table 1
Summary of Net Position
For the Years Ending 12/31/19 and 12/31/18
(Government-Wide)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 65,114,349	\$ 64,896,125	\$ 461,955	\$ 412,515	\$ 65,576,304	\$ 65,308,640
Capital Assets	54,112,697	53,825,780	4,411,404	4,472,154	58,524,101	58,297,934
Total Assets	119,227,046	118,721,905	4,873,359	4,884,669	124,100,405	123,606,574
Deferred Outflows	2,805,177	7,893,808	-	-	2,805,177	7,893,808
Current and Other Liabilities	3,832,927	4,210,674	187,067	187,438	4,019,994	4,398,112
Long-Term Liabilities	38,751,773	45,246,101	-	-	38,751,773	45,246,101
Total Liabilities	42,584,700	49,456,775	187,067	187,438	42,771,767	49,644,213
Deferred Inflows	525,415	658,744	12,250	12,250	537,665	670,994
Net Position						
Net investment in capital assets	32,405,615	29,623,723	4,411,404	4,472,154	36,817,019	34,095,877
Restricted	2,078,243	1,662,743	-	-	2,078,243	1,662,743
Unrestricted	44,438,250	45,213,728	262,638	212,827	44,700,888	45,426,555
Total Net Position	\$ 78,922,108	\$ 76,500,194	\$ 4,674,042	\$ 4,684,981	\$ 83,596,150	\$ 81,185,175

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 (\$43.2 million in 2019). Government Activities Current Assets, cash and cash equivalents, increased by \$218,224 during 2019. 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 decreased by \$377,747 during 2019, primarily a result of a decrease in accrued expenses and interest. 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 2012, 2014 and 2016 bond issues make up \$20,175,000 of the liabilities balance at year end 2019. Debt administration is discussed later in this report and in Note E to the Basic Financial Statements. Net Pension Liability and OPEB Liability make up \$11,777,564 and \$5,563,739, respectively, of Long-term Liabilities at year end 2019.

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

Governmental Activities increased the Township's Net Position by \$2,421,914 during the current fiscal year. Business-type Activities decreased the Township's Net Position by \$10,939 during the current fiscal year. These activities are comprised of the Middletown Country Club and the Styer's Farm.

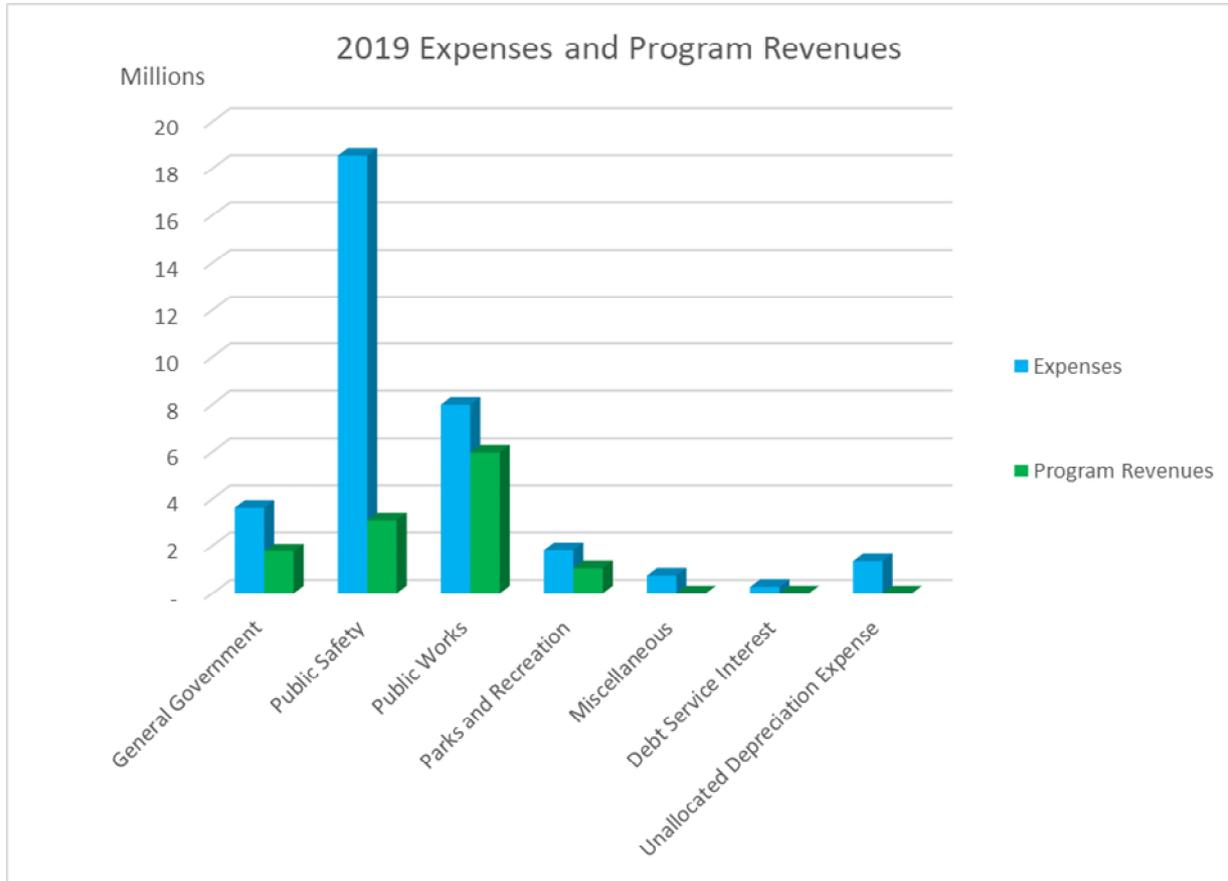
The result of this year's operations as a whole are reported in the Statement of Activities on page 24-25. All expenses are reported in the first column. Specific charges, grants, and contributions that directly relate to specific expense categories are netted against them to determine the final amount of the Township's activities that are supported by other general revenues, primarily Property Taxes, Earned Income and Other Taxes (Act 511 Taxes). Basically, the Statement shows which Township expenses are funded by specific program revenues and the balance of expenses left to be funded by tax revenues.

Table 2 takes the information from the Statement of Activities and rearranges it slightly by showing the Township's total revenues for the year ended December 31, 2019 compared to December 31, 2018.

Table 2
Changes in Net Position
For the Years Ending 12/31/18 and 12/31/17
(Government-Wide)

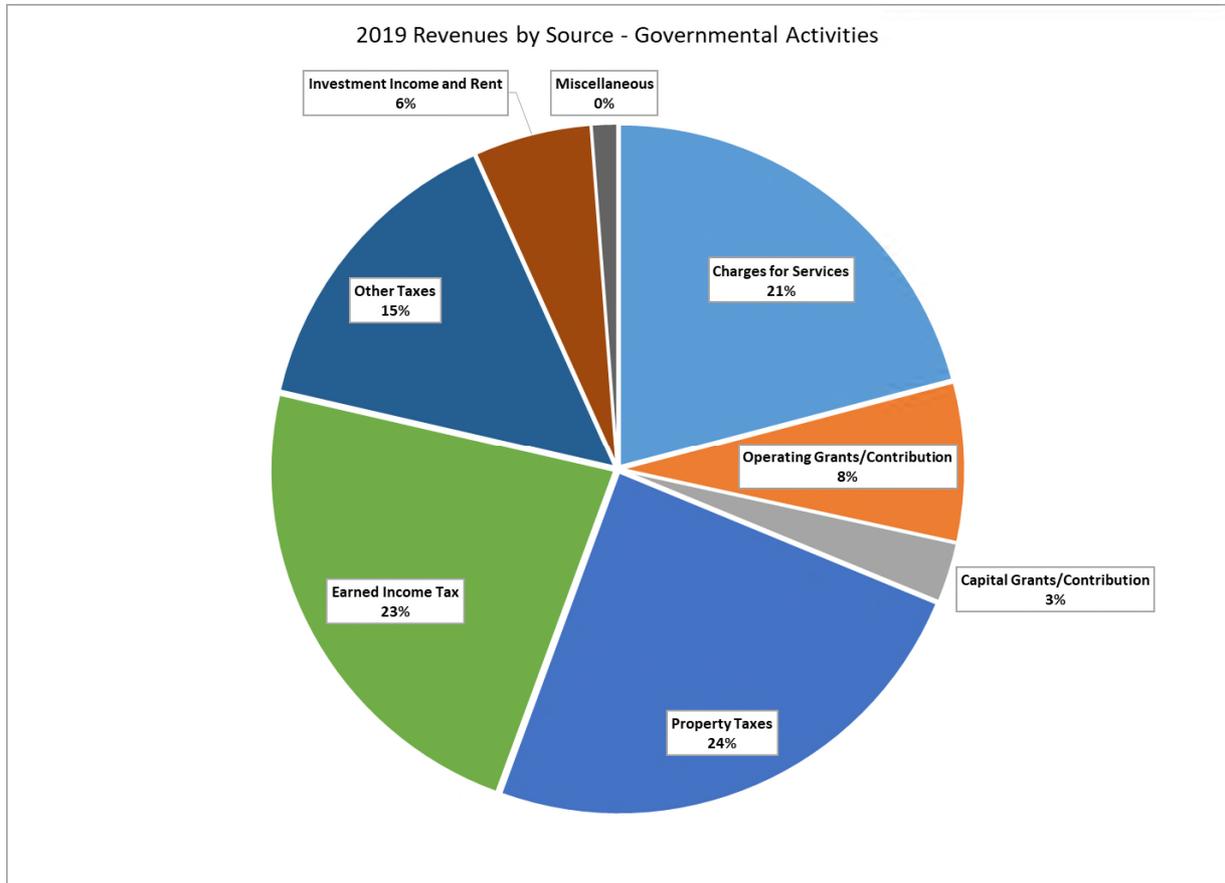
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 7,884,460	\$ 7,969,446	\$ 85,156	\$ 76,756	\$ 7,969,616	\$ 8,046,202
Operating grants and contributions	2,857,017	2,559,634	-	-	2,857,017	2,559,634
Capital grants and contributions	1,065,838	248,796	-	-	1,065,838	248,796
General revenues:						
Property taxes	9,178,658	9,095,679	-	-	9,178,658	9,095,679
Earned income taxes	8,701,147	7,103,427	-	-	8,701,147	7,103,427
Other taxes	5,538,712	5,692,299	-	-	5,538,712	5,692,299
Investment income and rent	2,079,183	986,755	4,962	10,561	2,084,145	997,316
Miscellaneous	456,837	103,847	-	-	456,837	103,847
Total Revenues	37,761,852	33,759,883	90,118	87,317	37,851,970	33,847,200
Expenses:						
General government	3,623,549	3,572,791	-	-	3,623,549	3,572,791
Public safety	18,539,577	17,621,754	-	-	18,539,577	17,621,754
Public works	7,978,282	6,294,955	-	-	7,978,282	6,294,955
Parks and recreation	1,810,919	1,586,510	-	-	1,810,919	1,586,510
Miscellaneous	736,849	1,729,885	-	-	736,849	1,729,885
Debt service interest	270,896	655,904	-	-	270,896	655,904
Unallocated depreciation on infrastructure	1,326,306	1,411,871	-	-	1,326,306	1,411,871
Business-type activities - Country Club	-	-	88,129	52,319	88,129	52,319
Business-type activities - Styer's Farm	-	-	12,928	9,893	12,928	9,893
Total Expenses	34,286,378	32,873,670	101,057	62,212	34,387,435	32,935,882
Change in Net Position before transfers	3,475,474	886,213	(10,939)	25,105	3,464,535	911,318
Transfers, net	-	-	-	-	-	-
Change in Net Position	3,475,474	886,213	(10,939)	25,105	3,464,535	911,318
Net Position - Beginning of Year (restated)	75,446,634	75,613,981	4,684,981	4,659,876	80,131,615	80,273,857
Net Position - End of Year	\$ 78,922,108	\$ 76,500,194	\$ 4,674,042	\$ 4,684,981	\$ 83,596,150	\$ 81,185,175

The following chart shows the Government-wide sources of expenses and related program revenues for the year ended December 31, 2019:



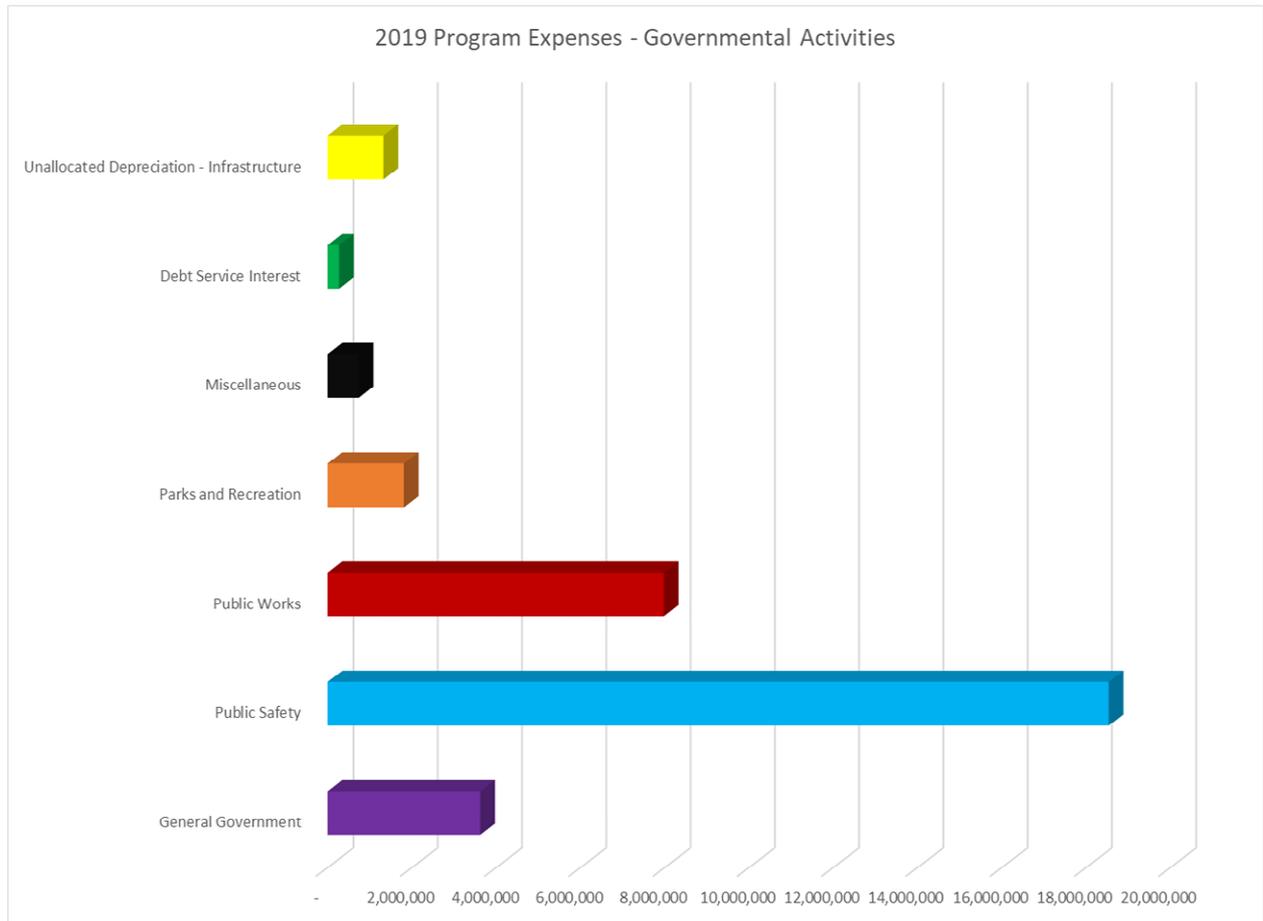
General revenues are required to support the programs. As reflected in the above chart program expenses exceeded program revenues in all areas. General government expenses exceeded program revenues by \$1,872,345, public safety by \$15,486,655, public works by \$2,011,270, and park and recreations by \$774,742.

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2019:



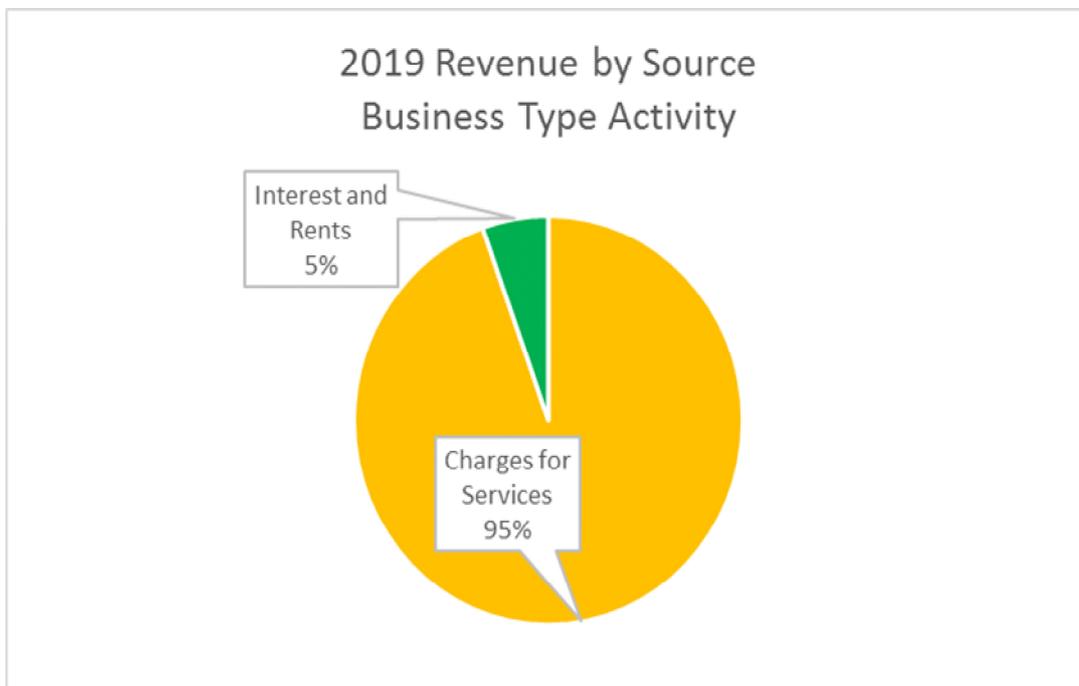
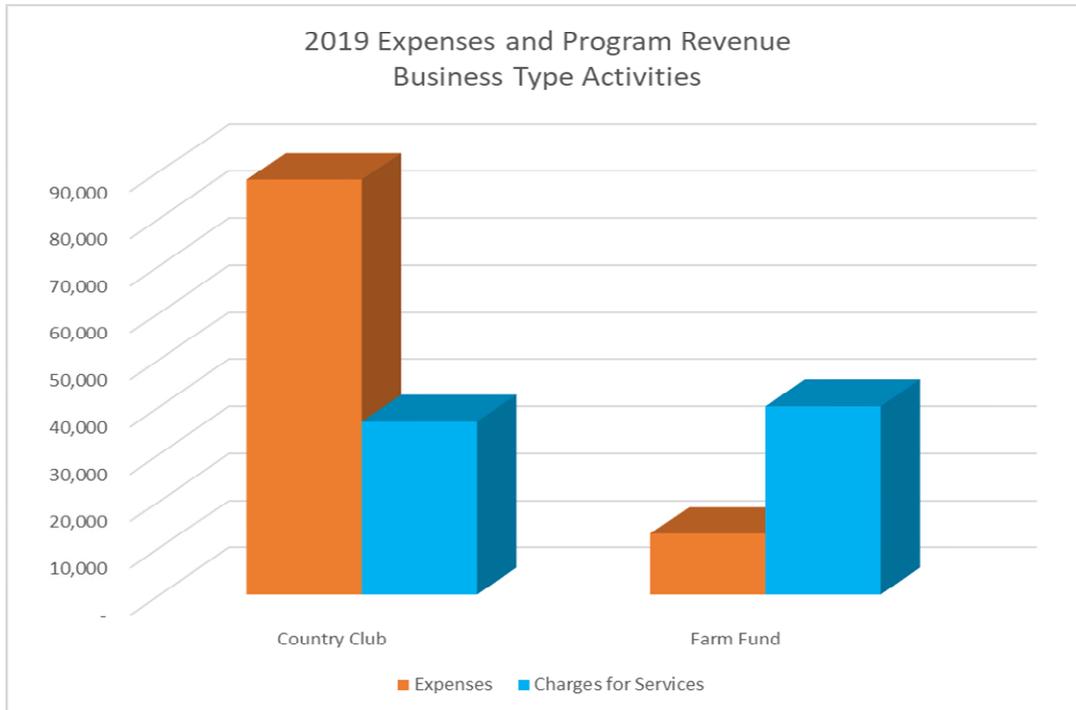
Of the total Government-wide revenues of \$37,761,852, the greatest share came from Property Taxes with revenues of \$9,178,658. The second largest revenue source is Earned Income Taxes with revenues of \$8,701,147. The Third largest revenue source is Charges for Services with revenues of \$7,884,460. 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 \$5,538,712. Operating and Capital Grants and Contributions brought in \$3,922,855. Investment income and rents netted the Township \$2,079,183. Miscellaneous Income amounting to \$456,837, comprise the balance of the 2019 revenues for governmental activities.

The following chart shows the Government-wide sources of program expenses for the year ended December 31, 2019.



The largest share of expenses in 2019 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 \$18,539,577 for 2019. 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 \$7,978,282 for 2019. Parks and Recreation expenses of \$1,810,919 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 \$3,623,549 make up the third largest segment of 2019 expenses. This category covers the costs of staffing, benefits, and other administrative costs and ancillary expenses. Depreciation expenses of \$1,326,306, Debt Service Interest of \$270,896, and Miscellaneous expenses of \$736,849 primarily insurance expense, round out the 2019 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, 2019:



Business-type Activities decreased the Township’s Net Position by \$10,939 during the current fiscal year. The Middletown Country Club revenues totaled \$36,756 with offsetting expenses of \$88,129 for an operating loss of (\$51,373). The Styer’s Farm revenues totaled \$48,400 for the year with offsetting expenses of \$12,928 for an operating income of \$35,472.

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 \$61,579,803 which represents an increase of \$160,869 from the previous year. The largest component of this increase was the Investment Fund.

The investment fund has a total fund balance of \$43,157,703 at fiscal yearend, an increase of \$1,681,410 from the prior year. This large increase is due to an increase in interest revenue.

The capital reserve fund has a total fund balance of \$6,873,440 at year end, which is a \$2,920,944 decrease from the prior year. Expenses superseded incoming funding. Funding is provided for by RDA grant monies, federal and state grants and note and lease 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 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 \$247,501 at year end 2019. The total Net Position is \$2,300,975. The Country Club is supported completely by non-tax revenues.

The unrestricted Net Position of the Styer's Farm fund is a net gain of \$15,137 at year end 2019. The total Net Position is \$2,373,067. 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 2019 Budget on December 3, 2018, 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's General Fund grew due to the stability of incoming earned income tax as well as a balance in expenses. 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 \$2,731,155 primarily due to higher than expected taxes, most notably the earned income tax which exceeded budget by \$1,415,147 in its sixth year; intergovernmental revenues exceeded budget by \$346,602; and other revenue exceeded budget by \$332,443. Other Financing Sources were overall also higher than budget.

General Fund Expenditures were higher than the budgeted amounts by \$1,798,248 as a result of higher than expected Tax and fees associated with that, Public Safety and Employer Paid Benefit costs.

A schedule showing the Townships original and final budget amount compared with amounts actually paid and received is provided on page 29.

Capital Assets

At December 31, 2019, the Township had \$58,524,101 invested in a broad range of capital assets (net), including land, land improvements, buildings, building improvements, machinery & equipment and infrastructure.

Capital asset increases totaled \$5,526,885 during the 2019 fiscal year as follows: Construction in Progress - \$58,096, Land Improvements - \$842,568, Building and Building Improvements - \$240,661, Machinery and Equipment - \$811,841, Infrastructure - \$3,573,719.

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

Debt Administration

As of January 1, 2019, the Township had total outstanding long-term debt of \$47,759,431 (principal only). Obligations of the Township include general obligation bond and notes, leases, accrued vacation, sick and severance pay for specific employees and pension liability and other post-retirement benefit liabilities for police. The outstanding long-term debt balance at December 31, 2019 is \$41,244,952 (principal only).

Moody's Investor Service Incorporation assigned an Aaa long term rating and stable outlook for Middletown Township bonds on November 15, 2019. Furthermore, Moody's Investor Services Aaa rating reflects the township's robust and stable financial position, bolstered by its longstanding "rainy day fund" reserve, as well as its strong management. The Aaa rating also incorporates the township's large and diverse tax base with its close proximity to Philadelphia. The Aaa rating also speaks to the township's modest leverage, inclusive of debt and pension liabilities, as well as its manageable fixed costs.

Compensated absences reflect a balance of \$2,127,020 in earned vacation, vested sick pay and vested severance pay as of December 31, 2019. Compensated Absences increased \$175,175 for the year. Pension Liability totaled \$11,777,564, and Other Post-Employment Benefits has an outstanding liability of \$5,563,739 at December 31, 2019.

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

2020 Budget Overview

This 2020 Budget includes \$34,986,715 in operating expenditures over thirteen governmental funds, reflecting an 8.4% increase from the 2019. 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 2020 General Fund Budget includes expenditures of \$21,805,600 which represents a 9.9% increase over the 2019 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 2020 Middletown Township Real Estate Tax is based on an anticipated total assessed value of \$516,693,171. The proposed rate of 17.570 mills reflects no change from the 2019 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 \$7,850,000 during the 2020 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 \$1,600,000 in 2020.
- **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 \$1,175,000 in revenues in 2020.
- **Amusement Tax:** The Amusement tax levies a tax equal to 5% of eligible admission prices to certain places of amusement, entertainment or recreation. In 2020, \$1,392,000 is anticipated in revenue from this source.

General Fund – Expenditure Budget

- The primary expenditure category in the General Fund is Police Protection at \$11,123,000. This category is significantly impacted by salary and benefit costs for the Township’s police force. In December of 2019, there are currently 59 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 \$3,412,000 in 2020.
- Other significant expenditure categories in the 2020 General Fund include Administration at \$1,143,100; Public Works at \$1,344,300; Building & Planning at \$877,900 and Fire Protection/Emergency Management at \$667,450.

The complete 2020 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 2019, the Township submitted nine (4) applications for Project Funding totaling \$485,521 to the Bucks County Redevelopment Authority (RDA) for 2020 Pennsylvania Gaming Revenue Grants. The grants are for 2020 projects, benefiting the Middletown Community as a whole. A Summary follows:

2020 Pennsylvania Municipal Grant Program Awards

<u>Project</u>	<u>Description</u>	<u>RDA Approved Grant Amount</u>
Middletown Township Police Department	Police Vehicles	\$238,593
Middletown Township Public Works Department	Public Works Vehicles	\$101,928
Penndel-Middletown Emergency Squad	Heart Monitors	\$105,000
Langhorne-Middletown Fire Company	SCBA Replacement	\$40,000
Total		<u><u>\$485,521</u></u>

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. As a result, economic uncertainties have arisen that could negatively impact the Township finances including investment income. The potential impact is unknown at this time. Middletown Township continues to monitor the impact and will make decisions best suited for its community.

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, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 20,716,557	\$ 435,588	\$ 21,152,145
Investments	40,190,161	-	40,190,161
Receivables (net of allowance for uncollectibles)	3,926,018	1,367	3,927,385
Other assets	281,613	25,000	306,613
Total Current Assets	<u>65,114,349</u>	<u>461,955</u>	<u>65,576,304</u>
Capital Assets (net of accumulated depreciation)			
Land	8,327,435	3,355,000	11,682,435
Depreciable capital assets, net	45,785,262	1,056,404	46,841,666
Total Capital Assets (net)	<u>54,112,697</u>	<u>4,411,404</u>	<u>58,524,101</u>
Total Assets	<u>119,227,046</u>	<u>4,873,359</u>	<u>124,100,405</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized deferred loss on refunding	69,547	-	69,547
Police Pension related	2,178,323	-	2,178,323
Non-Uniformed Pension related	557,307	-	557,307
Total Deferred Outflows of Resources	<u>2,805,177</u>	<u>-</u>	<u>2,805,177</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 122,032,223</u>	<u>\$ 4,873,359</u>	<u>\$ 126,905,582</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 432,227	\$ 37,703	\$ 469,930
Accrued salaries and benefits	310,392	-	310,392
Deposits and refunds	353,007	-	353,007
Internal balances	(149,364)	149,364	-
Due to other governments	92,155	-	92,155
Accrued interest payable	301,331	-	301,331
Bonds payable, current maturity	2,245,000	-	2,245,000
Notes payable, current maturity	102,112	-	102,112
Leases payable, current maturity	27,858	-	27,858
Compensated absences, current maturity	118,209	-	118,209
Total Current Liabilities	<u>3,832,927</u>	<u>187,067</u>	<u>4,019,994</u>
Long-term Liabilities			
Bonds payable, net of current maturity	18,474,065	-	18,474,065
Notes payable, net of current maturity	867,872	-	867,872
Leases payable, net of current maturity	59,722	-	59,722
Compensated absences, net of current maturity	2,008,811	-	2,008,811
Net pension liability	11,777,564	-	11,777,564
Other post-employment benefits liability	5,563,739	-	5,563,739
Total Long-term Liabilities	<u>38,751,773</u>	<u>-</u>	<u>38,751,773</u>
Total Liabilities	<u>42,584,700</u>	<u>187,067</u>	<u>42,771,767</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - special assessments	16,595	12,250	28,845
Police Pension related	217,667	-	217,667
Non-Uniformed Pension related	64,420	-	64,420
OPEB related	226,733	-	226,733
Total Deferred Inflows of Resources	<u>525,415</u>	<u>12,250</u>	<u>537,665</u>
NET POSITION			
Net investment in capital assets	32,405,615	4,411,404	36,817,019
Restricted for:			
Street lighting	873,559	-	873,559
Road machinery	277,505	-	277,505
Fire and ambulance	71,926	-	71,926
Police	286,029	-	286,029
Streets and highway	344,325	-	344,325
Transportation impact fee	2,250	-	2,250
Park and recreation	51,250	-	51,250
Debt service	171,399	-	171,399
Unrestricted	<u>44,438,250</u>	<u>262,638</u>	<u>44,700,888</u>
Total Net Position	<u>78,922,108</u>	<u>4,674,042</u>	<u>83,596,150</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 122,032,223</u>	<u>\$ 4,873,359</u>	<u>\$ 126,905,582</u>

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

TOWNSHIP OF MIDDLETOWN

BALANCE SHEET -
GOVERNMENTAL FUNDS

December 31, 2019

	<u>General</u>	<u>Investment Fund</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 8,519,353	\$ 2,786,630	\$ 6,901,790	\$ 2,508,784	\$ 20,716,557
Investments	-	40,190,161	-	-	40,190,161
Receivables (net of allowance for uncollectibles)	1,149,985	201,607	308,282	86,144	1,746,018
Prepaid items	11,951	-	-	19,662	31,613
Deposit	-	250,000	-	-	250,000
Advances to other funds	-	-	-	149,364	149,364
Total Assets	<u>\$ 9,681,289</u>	<u>\$ 43,428,398</u>	<u>\$ 7,210,072</u>	<u>\$ 2,763,954</u>	<u>\$ 63,083,713</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 51,201	\$ -	\$ 336,632	\$ 44,394	\$ 432,227
Accrued salaries and benefits	294,746	-	-	15,646	310,392
Deposits and refunds	162,039	190,968	-	-	353,007
Due to other governments	26,678	65,477	-	-	92,155
Total Liabilities	<u>534,664</u>	<u>256,445</u>	<u>336,632</u>	<u>60,040</u>	<u>1,187,781</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes	34,125	-	-	47,919	82,044
Unavailable revenue - special assessments	217,490	14,250	-	2,345	234,085
Total Deferred Inflows of Resources	<u>251,615</u>	<u>14,250</u>	<u>-</u>	<u>50,264</u>	<u>316,129</u>
<u>FUND BALANCES</u>					
Nonspendable:					
Prepaid items	11,951	-	-	-	11,951
Restricted:					
Street lighting	-	-	-	878,291	878,291
Road machinery	-	-	-	278,942	278,942
Fire and ambulance	-	-	-	79,838	79,838
Police	248,397	-	-	37,632	286,029
Streets and highways	-	-	-	344,325	344,325
Transportation impact fee	-	-	2,250	-	2,250
Park and recreation	-	-	51,250	-	51,250
Debt service	-	-	-	196,041	196,041
Committed:					
Culture and recreation	-	-	-	683,065	683,065
Other post employment benefits	462,211	-	-	-	462,211
Assigned:					
Operations	-	4,157,703	-	-	4,157,703
Emergency reserve	-	39,000,000	-	-	39,000,000
Capital projects	-	-	6,819,940	155,516	6,975,456
Unassigned	8,172,451	-	-	-	8,172,451
Total Fund Balances	<u>8,895,010</u>	<u>43,157,703</u>	<u>6,873,440</u>	<u>2,653,650</u>	<u>61,579,803</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,681,289</u>	<u>\$ 43,428,398</u>	<u>\$ 7,210,072</u>	<u>\$ 2,763,954</u>	<u>\$ 63,083,713</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, 2019

TOTAL GOVERNMENTAL FUND BALANCES		\$ 61,579,803
Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds.		
Cost of capital assets	\$ 130,111,585	
Accumulated depreciation	<u>(75,998,888)</u>	54,112,697
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	299,534	
Earned income tax receivables	<u>2,180,000</u>	2,479,534
Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflow of resources for Police Pension	2,178,323	
Deferred outflow of resources for Non-Uniformed Pension	557,307	
Deferred inflow of resources for Police Pension	(217,667)	
Deferred inflow of resources for Non-Uniformed Pension	(64,420)	
Deferred inflow of resources for OPEB	<u>(226,733)</u>	2,226,810
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	(301,331)	
Bonds, notes, and leases payable	(21,232,564)	
Unamortized bond premiums	(544,065)	
Unamortized deferred loss on refunding	69,547	
Compensated absences	(2,127,020)	
Net pension liability	(11,777,564)	
Other post employment benefits liability	<u>(5,563,739)</u>	<u>(41,476,736)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 78,922,108</u>

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, 2019

	<u>General</u>	<u>Investment Fund</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes:					
Property	\$ 3,771,026	\$ -	\$ -	\$ 5,480,064	\$ 9,251,090
Earned income	8,415,147	-	-	-	8,415,147
Amusement	1,460,447	-	-	-	1,460,447
Local service	1,059,490	-	-	-	1,059,490
Mercantile	1,154,769	-	-	-	1,154,769
Real estate transfer	1,346,119	-	-	-	1,346,119
Parking transaction	320,961	-	-	-	320,961
Per Capita	147,446	-	-	-	147,446
Mechanical devices	49,480	-	-	-	49,480
Fees, licenses and permits	1,113,055	-	-	-	1,113,055
Fines and forfeitures	118,540	-	-	-	118,540
Investment income and rent	189,419	1,122,921	109,227	60,376	1,481,943
Intergovernmental revenues	1,124,602	-	990,838	1,700,544	3,815,984
Charges for services	6,134,061	-	-	462,648	6,596,709
Contributions private sources	2,150	-	-	10,026	12,176
Gain (loss) on investments	-	597,640	-	-	597,640
Other	332,443	-	22,040	-	354,483
Total Revenues	<u>26,739,155</u>	<u>1,720,561</u>	<u>1,122,105</u>	<u>7,713,658</u>	<u>37,295,479</u>
Expenditures					
Current:					
General government	2,827,503	39,151	-	780	2,867,434
Public safety	15,859,881	-	-	1,421,150	17,281,031
Public works	6,352,920	-	-	1,509,502	7,862,422
Parks and recreation	10,136	-	-	1,440,804	1,450,940
Miscellaneous	736,849	-	-	-	736,849
Debt service:					
Principal	18,590	-	11,828	2,309,993	2,340,411
Interest	219	-	1,782	560,178	562,179
Paid to fiscal agent	-	-	-	1,560	1,560
Capital outlay/development	-	-	4,029,439	2,345	4,031,784
Total Expenditures	<u>25,806,098</u>	<u>39,151</u>	<u>4,043,049</u>	<u>7,246,312</u>	<u>37,134,610</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>933,057</u>	<u>1,681,410</u>	<u>(2,920,944)</u>	<u>467,346</u>	<u>160,869</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	159,600	159,600
Transfers out	(30,000)	-	-	(129,600)	(159,600)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balance	903,057	1,681,410	(2,920,944)	497,346	160,869
Fund Balance - Beginning	7,991,953	41,476,293	9,794,384	2,156,304	61,418,934
Fund Balance - Ending	<u>\$ 8,895,010</u>	<u>\$ 43,157,703</u>	<u>\$ 6,873,440</u>	<u>\$ 2,653,650</u>	<u>\$ 61,579,803</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, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$	160,869
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	\$	4,278,936	
Depreciation expense		<u>(2,938,459)</u>	1,340,477
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			269,724
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.			
Amortization of premiums, discounts, and losses		88,650	
Forgiveness of debt		124,946	
Repayment of debt		<u>2,399,377</u>	2,612,973
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		(175,175)	
Net pension liability and deferred items		(769,533)	
Other postemployment benefits liability		(109,088)	
Interest expense		<u>145,227</u>	<u>(908,569)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			\$ <u>3,475,474</u>

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

TOWNSHIP OF MIDDLETOWN

GENERAL FUND

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

For the Year Ended December 31, 2019

	GENERAL FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property	\$ 3,760,000	\$ 3,760,000	\$ 3,771,026	\$ 11,026
Earned income	7,000,000	7,000,000	8,415,147	1,415,147
Amusement	1,300,000	1,300,000	1,460,447	160,447
Local service	1,000,000	1,000,000	1,059,490	59,490
Mercantile	1,100,000	1,100,000	1,154,769	54,769
Real estate transfer	1,150,000	1,150,000	1,346,119	196,119
Parking transaction	225,000	225,000	320,961	95,961
Per Capita	135,000	135,000	147,446	12,446
Mechanical devices	32,000	32,000	49,480	17,480
Fees, licenses and permits	1,172,000	1,172,000	1,113,055	(58,945)
Investment income and rent	132,500	132,500	189,419	56,919
Intergovernmental revenues	778,000	778,000	1,124,602	346,602
Fines and forfeitures	155,000	155,000	118,540	(36,460)
Charges for services	6,066,500	6,066,500	6,134,061	67,561
Contributions private sources	2,000	2,000	2,150	150
Other	-	-	332,443	332,443
Total Revenues	24,008,000	24,008,000	26,739,155	2,731,155
Expenditures				
Current:				
General government	2,297,000	2,297,000	2,827,503	(530,503)
Public safety	14,669,350	14,669,350	15,859,881	(1,190,531)
Public works	5,755,000	5,755,000	6,352,920	(597,920)
Parks and recreation	2,500	2,500	10,136	(7,636)
Miscellaneous	1,284,000	1,284,000	736,849	547,151
Debt service:				
Principal	-	-	18,590	(18,590)
Interest	-	-	219	(219)
Total Expenditures	24,007,850	24,007,850	25,806,098	(1,798,248)
Excess (Deficiency) of Revenues Over Expenditures	150	150	933,057	932,907
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	5,000	5,000	-	(5,000)
Transfers out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	(25,000)	(25,000)	(30,000)	(5,000)
Net Change in Fund Balance	(24,850)	(24,850)	903,057	927,907
Fund Balance - Beginning	7,991,953	7,991,953	7,991,953	-
Fund Balance - Ending	\$ 7,967,103	\$ 7,967,103	\$ 8,895,010	\$ 927,907

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, 2019

	<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	\$ 651,500	\$ 651,500	\$ 1,122,921	\$ 471,421
Gain (loss) on investments	-	-	597,640	597,640
Total Revenues	<u>651,500</u>	<u>651,500</u>	<u>1,720,561</u>	<u>1,069,061</u>
Expenditures				
Current:				
General government	<u>45,000</u>	<u>45,000</u>	<u>39,151</u>	<u>5,849</u>
Total Expenditures	<u>45,000</u>	<u>45,000</u>	<u>39,151</u>	<u>5,849</u>
Net Change in Fund Balance	606,500	606,500	1,681,410	1,074,910
Fund Balance - Beginning	<u>41,476,293</u>	<u>41,476,293</u>	<u>41,476,293</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 42,082,793</u>	<u>\$ 42,082,793</u>	<u>\$ 43,157,703</u>	<u>\$ 1,074,910</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, 2019

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 234,751	\$ 200,837	\$ 435,588
Accounts receivable	-	1,367	1,367
Other assets	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Current Assets	<u>259,751</u>	<u>202,204</u>	<u>461,955</u>
Capital Assets (net of accumulated depreciation)			
Land	1,155,000	2,200,000	3,355,000
Depreciable capital assets, net	<u>898,474</u>	<u>157,930</u>	<u>1,056,404</u>
Total capital assets (net)	<u>2,053,474</u>	<u>2,357,930</u>	<u>4,411,404</u>
Total Assets	<u>\$ 2,313,225</u>	<u>\$ 2,560,134</u>	<u>\$ 4,873,359</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ -	\$ 37,703	\$ 37,703
Advances to other funds	<u>-</u>	<u>149,364</u>	<u>149,364</u>
Total Current Liabilities	<u>-</u>	<u>187,067</u>	<u>187,067</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred revenue - special assessments	<u>12,250</u>	<u>-</u>	<u>12,250</u>
Total deferred inflows of resources	<u>12,250</u>	<u>-</u>	<u>12,250</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,053,474	2,357,930	4,411,404
Unrestricted	<u>247,501</u>	<u>15,137</u>	<u>262,638</u>
Total Net Position	<u>2,300,975</u>	<u>2,373,067</u>	<u>4,674,042</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,313,225</u>	<u>\$ 2,560,134</u>	<u>\$ 4,873,359</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, 2019

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services			
Licensing fees	\$ 36,756	\$ 40,000	\$ 76,756
Rent	-	8,400	8,400
Total Operating Revenues	<u>36,756</u>	<u>48,400</u>	<u>85,156</u>
Operating Expenses			
Park and recreation	36,348	3,960	40,308
Depreciation	<u>51,781</u>	<u>8,968</u>	<u>60,749</u>
Total Operating Expenses	<u>88,129</u>	<u>12,928</u>	<u>101,057</u>
Operating Income (Loss)	<u>(51,373)</u>	<u>35,472</u>	<u>(15,901)</u>
Nonoperating Revenues (Expense)			
Interest income	<u>2,946</u>	<u>2,016</u>	<u>4,962</u>
Total Nonoperating Revenues (Expense)	<u>2,946</u>	<u>2,016</u>	<u>4,962</u>
Changes in Net Position	(48,427)	37,488	(10,939)
Total Net Position - Beginning	<u>2,349,402</u>	<u>2,335,579</u>	<u>4,684,981</u>
Total Net Position - Ending	<u>\$ 2,300,975</u>	<u>\$ 2,373,067</u>	<u>\$ 4,674,042</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, 2019

	<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	\$ 36,756	\$ 48,145	\$ 84,901
Cash paid to employees	-	-	-
Cash paid to suppliers	<u>(36,348)</u>	<u>(4,331)</u>	<u>(40,679)</u>
Net cash provided by (used in) operating activities	<u>408</u>	<u>43,814</u>	<u>44,222</u>
Cash flows from investing activities			
Earnings on investments	<u>2,946</u>	<u>2,016</u>	<u>4,962</u>
Net cash provided by (used in) investing activities	<u>2,946</u>	<u>2,016</u>	<u>4,962</u>
Net increase (decrease) in cash and cash equivalents	3,354	45,830	49,184
Beginning cash and cash equivalents	<u>231,397</u>	<u>155,007</u>	<u>386,404</u>
Ending cash and cash equivalents	<u>\$ 234,751</u>	<u>\$ 200,837</u>	<u>\$ 435,588</u>

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

Net operating income (loss)	\$ (51,373)	\$ 35,472	\$ (15,901)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation	51,781	8,968	60,749
Changes in assets and liabilities			
(Increase) decrease in receivables	-	(255)	(255)
Increase (decrease) in payables	<u>-</u>	<u>(371)</u>	<u>(371)</u>
Net adjustments	<u>51,781</u>	<u>8,342</u>	<u>60,123</u>
Cash provided (used) by operating activities	<u>\$ 408</u>	<u>\$ 43,814</u>	<u>\$ 44,222</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, 2019

	Pension <u>Trust Funds</u>	<u>Agency Funds</u> Township <u>Escrow</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,038,345	\$ 1,502,408
Prepaid expenses	274,771	-
Receivables:		
Contributions receivable	3,608,442	-
Accrued interest	157,333	-
Other receivables	<u>13,402</u>	<u>-</u>
Total Receivables	<u>170,735</u>	<u>-</u>
Investments, at fair value:		
U.S. government obligations	6,248,509	-
Government sponsored mortgages	657,865	-
Corporate obligations	7,082,799	-
Municipal obligations	3,424,230	-
Mortgages	5,682,473	-
Mutual funds-equity	756,746	-
Mutual funds-debt	1,765,188	-
Stock equities	23,277,815	-
Foreign obligations	536,114	-
Real estate securities	9,274	-
Partnership traded	<u>109,000</u>	<u>-</u>
Total investments	<u>49,550,013</u>	<u>-</u>
Total Assets	<u>\$ 53,033,864</u>	<u>\$ 1,502,408</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 80,717	\$ -
Deposits and refunds	-	338,561
Other liabilities	<u>-</u>	<u>1,163,847</u>
Total Liabilities	<u>80,717</u>	<u>1,502,408</u>
<u>NET POSITION</u>		
Net Position - Restricted for:		
Pension benefits	<u>56,561,589</u>	<u>-</u>
Total Net Position	<u>\$ 56,561,589</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, 2019

	<u>Pension</u> <u>Trust Funds</u>
Additions	
Contributions	
Employee contributions	\$ 565,536
Employer contributions	2,860,849
State aid	<u>747,593</u>
Total Contributions	<u>4,173,978</u>
Investment Income	
Net appreciation (depreciation) in fair value of investments	5,413,795
Interest and dividend income	<u>1,143,661</u>
Total investment earnings	<u>6,557,456</u>
Total Additions	<u>10,731,434</u>
Deductions	
Benefits	3,055,957
Administrative expenses	<u>444,575</u>
Total Deductions	<u>3,500,532</u>
Change in Net Position	7,230,902
Net Position - Restricted for Pension Benefits:	
Beginning of Year	<u>49,330,687</u>
End of Year	<u>\$ 56,561,589</u>

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

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

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, 2019

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, 2019

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.

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	Contingency Fund
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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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

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, 2019

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, 2019, expenditures exceeded budget in the General Fund in all categories, except for miscellaneous, in the total amount of \$1,798,248. The excess expenditures were funded by greater than anticipated revenues and fund balance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents and Investments

The Township considers all highly liquid investments with maturities of 90 days or less from the date of purchase to be cash equivalents. All investments of the Township are stated at fair value.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

A. Summary of Significant Accounting Policies (Continued)

Receivables

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

Millage rates approved in the 2019 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, 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, 2019

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, 2019

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, 2019

A. Summary of Significant Accounting Policies (Continued)

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.

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.

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, 2019

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 and OPEB 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, 2019

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).

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

B. Deposits and Investments (Continued)

- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision. Section 3204(d)(4).
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in authorized investments for Township funds listed above. Section 3204(d)(5).
- Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation, the Pennsylvania Savings Association Insurance Corporation or their successor agencies to the extent that such accounts are so insured; however, for any amounts above the insured maximum, such certificates of deposit shall be collateralized by a pledge or assignment of assets of the institution, and such collateral may include loans (including interest in pools of loans) secured by first mortgage liens on real property. Certificates of Deposit purchased from commercial banks shall be limited to an amount equal to twenty percent of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations or savings banks shall be limited to an amount equal to twenty percent of an institution's assets minus liabilities. Section 3204(d)(6).
- Any investments authorized by 20 Pa.C.S. Ch.73 (relating to fiduciaries investments) are authorized investments for pension and retirement funds. Section 3204(d)(7). The board of supervisors may permit assets pledged as collateral under Subsection (d)(3) relating to deposits in savings accounts or time deposits, to be pooled in accordance with the Act of August 6, 1971 (P.L. 281, No. 72).

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 that include quoted prices for similar assets in active markets and inputs that are observable for the asset, either directly, or indirectly, for substantially the full term of the financial instrument. Fair values of these instruments are estimated using pricing models, quoted pricing models, quoted prices of securities with similar characteristics, or discounted cash flows; Level 3 inputs are significant unobservable inputs, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

B. Deposits and Investments (Continued)

The Township has the following recurring fair value measurements as of December 31, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Maturity (Years)</u>
GOVERNMENTAL ACTIVITIES			
Externally Pooled Investments (PLGIT)	\$ 10,857,158	\$ 10,857,158	2.18
PA Treasury Invest Community Pool	12,658	12,658	0
U.S. Government Obligations	22,342,177	22,342,177	4.47
Foreign Obligations	5,867,511	5,867,511	0.41
Certificates of Deposit	<u>11,980,473</u>	Not applicable	0.31
	<u>\$ 51,059,977</u>		
FIDUCIARY FUNDS			
U.S. Government Obligations	\$ 6,248,509	6,248,509	6.70
Government Sponsored Mortgages	657,865	657,865	13.43
Corporate Obligations	7,082,799	7,082,799	15.93
Municipal Obligations	3,424,230	3,424,230	4.25
Mortgages	5,682,473	5,682,473	22.45
Mutual Funds-Equity	756,746	756,746	Not applicable
Mutual Funds-Debt	1,765,188	1,765,188	Not applicable
Foreign Obligations	23,277,815	23,277,815	6.01
Partnership Traded	536,114	536,114	Not applicable
Real Estate Securities	9,274	9,274	Not applicable
Stock Equities	<u>109,000</u>	109,000	Not applicable
	<u>\$ 49,550,013</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, 2019, the Township's bank balance was \$22,967,297. Of that balance, \$22,704,639 was exposed to custodial credit risk: \$15,870,262 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 \$6,834,377 was uncollateralized.

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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

B. Deposits and Investments (Continued)

Investment Pool (Continued) - 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 as follows:

	<u>Fair Value</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>		
		AAAm	Aaa-A3	Baa1-B3	Not rated
GOVERNMENTAL ACTIVITIES					
Externally Pooled Investments (PLGIT)	\$ 10,857,158	\$ 10,857,158	\$ -	\$ -	\$ -
PA Treasury Invest Community Pool	12,658	12,658	-	-	-
U.S. Government Obligations	22,342,177	-	16,371,310	-	5,970,867
Foreign Obligations	5,867,511	-	5,867,511	-	-
	<u>\$ 39,079,504</u>	<u>\$ 10,869,816</u>	<u>\$ 22,238,821</u>	<u>\$ -</u>	<u>\$ 5,970,867</u>
FIDUCIARY FUNDS					
Government Sponsored Mortgages	\$ 657,865	\$ -	\$ -	\$ -	\$ 657,865
Corporate Obligations	7,082,799	-	4,289,084	1,522,261	1,271,454
Municipal Obligations	3,424,230	-	1,563,030	-	1,861,200
Mortgages	5,682,473	-	5,682,473	-	-
Foreign Obligations	23,277,815	-	23,277,815	-	-
	<u>\$ 40,125,182</u>	<u>\$ -</u>	<u>\$ 34,812,402</u>	<u>\$ 1,522,261</u>	<u>\$ 3,790,519</u>

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, 2019, the Township had 2 bond investments that individually each exceeded 5% of the total investments.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

B. Deposits and Investments (Continued)

Foreign Current Risk – all investments are denominated in U.S. dollars.

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, 2019, \$1,502,408 represents the balance of these monies held in escrow.

C. Receivables

Amounts are aggregated into a single account receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables as of year end for the government's individual major funds and non major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Investment Fund</u>	<u>Capital Reserve</u>	<u>Farm Fund</u>	<u>Pension Trust Funds</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Taxes receivable	\$ 871,968	\$ -	\$ -	\$ -	\$ -	\$ 50,026	\$ 921,994
Special assessment	59,568	-	-	-	-	-	59,568
Accounts receivable	225,100	4,235	308,282	1,367	-	36,118	575,102
Contributions	-	-	-	-	3,608,442	-	3,608,442
Accrued interest	-	197,372	-	-	157,333	-	354,705
Other receivables	-	-	-	-	13,402	-	13,402
Gross Receivables	1,156,636	201,607	308,282	1,367	3,779,177	86,144	5,533,213
Less: allowance for uncollectibles	(6,651)	-	-	-	-	-	(6,651)
Net Total Receivables	<u>\$ 1,149,985</u>	<u>\$ 201,607</u>	<u>\$ 308,282</u>	<u>\$ 1,367</u>	<u>\$ 3,779,177</u>	<u>\$ 86,144</u>	<u>\$ 5,526,562</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

D. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,327,435	\$ -	\$ -	\$ 8,327,435
Construction in progress	1,189,853	58,096	(1,247,949)	-
Total capital assets, not being depreciated	<u>9,517,288</u>	<u>58,096</u>	<u>(1,247,949)</u>	<u>8,327,435</u>
Capital assets, being depreciated:				
Land improvements	6,586,051	842,568	-	7,428,619
Building and building improvements	20,553,647	240,661	-	20,794,308
Machinery and equipment	12,293,088	811,841	-	13,104,929
Infrastructure	76,882,575	3,573,719	-	80,456,294
Total capital assets being depreciated	<u>116,315,361</u>	<u>5,468,789</u>	<u>-</u>	<u>121,784,150</u>
Less accumulated depreciation for:				
Land improvements	4,440,271	242,479	-	4,682,750
Building and building improvements	6,885,237	421,719	-	7,306,956
Machinery and equipment	8,538,277	774,804	-	9,313,081
Infrastructure	53,196,644	1,499,457	-	54,696,101
Total accumulated depreciation	<u>73,060,429</u>	<u>2,938,459</u>	<u>-</u>	<u>75,998,888</u>
Total capital assets, being depreciated, net	<u>43,254,932</u>	<u>2,530,330</u>	<u>-</u>	<u>45,785,262</u>
Governmental activities capital assets, net	<u>\$ 52,772,220</u>	<u>\$ 2,588,426</u>	<u>\$ (1,247,949)</u>	<u>\$ 54,112,697</u>
	Beginning Balance	Increases	Decreases	Ending Balance
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	655,382	-	-	655,382
Building and building improvements	1,562,765	-	-	1,562,765
Furniture and equipment	691,199	-	-	691,199
Total capital assets being depreciated	<u>2,909,346</u>	<u>-</u>	<u>-</u>	<u>2,909,346</u>
Less accumulated depreciation for:				
Land improvements	563,332	22,892	-	586,224
Building and building improvements	563,278	33,901	-	597,179
Furniture and equipment	665,583	3,956	-	669,539
Total accumulated depreciation	<u>1,792,193</u>	<u>60,749</u>	<u>-</u>	<u>1,852,942</u>
Total capital assets, being depreciated, net	<u>1,117,153</u>	<u>(60,749)</u>	<u>-</u>	<u>1,056,404</u>
Business-type activities capital assets, net	<u>\$ 4,472,153</u>	<u>\$ (60,749)</u>	<u>\$ -</u>	<u>\$ 4,411,404</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

D. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 273,134
Public safety	493,240
Public works	588,010
Parks and recreation	<u>257,769</u>
Subtotal	1,612,153
Unallocated expense	<u>1,326,306</u>
Total depreciation expense-governmental activities	<u>\$ 2,938,459</u>
Business-type activities:	
Country club	\$ 51,781
Farm fund	<u>8,968</u>
Total depreciation expense-business-type activities	<u>\$ 60,749</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. 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 2019. 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>
2020	\$ 590,000	\$ 391,000	\$ 981,000
2021	580,000	361,500	941,500
2022	610,000	133,000	743,000
2023	630,000	120,800	750,800
2024	640,000	108,200	748,200
2025-2027	<u>4,770,000</u>	<u>179,900</u>	<u>4,949,900</u>
Total	<u>\$ 7,820,000</u>	<u>\$ 1,294,400</u>	<u>\$ 9,114,400</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,170,000	58,018	1,228,018
2024	1,200,000	32,863	1,232,863
2025	<u>275,000</u>	<u>6,463</u>	<u>281,463</u>
Total	<u>\$ 6,005,000</u>	<u>\$ 407,498</u>	<u>\$ 6,412,498</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:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 585,000	\$ 133,700	\$ 718,700
2021	590,000	124,925	714,925
2022	600,000	114,600	714,600
2023	615,000	102,600	717,600
2024	625,000	90,300	715,300
2025-2029	<u>3,335,000</u>	<u>241,025</u>	<u>3,576,025</u>
Total	<u>\$ 6,350,000</u>	<u>\$ 807,150</u>	<u>\$ 7,157,150</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Defeased Debt

The Township has prior series bonds which are considered to be defeased, since all future debt service payments on these bonds will be paid from an irrevocable trust by an escrow agent. The trust invests exclusively in government securities. At December 31, 2019, the balance outstanding for the General Obligation Bond, Series 2011 that was advanced refunded and defeased was \$4,555,000.

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. 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. This note was paid off during 2019.

LED Note

In 2018, Middletown Township obtained a \$1,306,448 draw-down note to purchase LED street lights for the Township. In 2019, an additional \$189,800 was drawn down. 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:

Year Ending December 31	Principal	Interest	Total
2020	\$ 102,112	\$ 24,990	\$ 127,102
2021	105,165	24,243	129,408
2022	108,310	19,219	127,529
2023	111,548	17,859	129,407
2024	114,884	14,524	129,408
2025-2028	<u>427,965</u>	<u>25,453</u>	<u>453,418</u>
Total	<u>\$ 969,984</u>	<u>\$ 126,288</u>	<u>\$ 1,096,272</u>

Capital Leases

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 139,146
Less: Accumulated depreciation	<u>(13,202)</u>
Total	<u>\$ 125,944</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

	Governmental Activities
Year Ending December 31,	
2020	\$ 27,858
2021	24,934
2022	16,938
2023	17,850
Total minimum lease payments	87,580
Less: amount representing interest	(10,341)
Present value of minimum lease payments	\$ 77,239

Long-Term Liabilities Summary

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable					
G.O. Bonds 2016	\$ 8,385,000	\$ -	\$ (575,000)	\$ 7,810,000	\$ 585,000
G.O. Bonds 2014	7,035,000	-	(1,030,000)	6,005,000	1,070,000
G.O. Bonds 2012	6,925,000	-	(565,000)	6,360,000	590,000
Subtotal	22,345,000	-	(2,170,000)	20,175,000	2,245,000
Deferred amounts:					
For issuance premiums	644,824	-	(100,759)	544,065	-
Total bonds payable	22,989,824	-	(2,270,759)	20,719,065	2,245,000
Notes payable	1,293,889	-	(323,905)	969,984	102,112
Capital leases	117,998	-	(30,418)	87,580	27,858
Compensated absences	1,951,845	1,559,225	(1,384,050)	2,127,020	118,209
Net pension liability	15,724,491	6,419,275	(10,366,202)	11,777,564	-
Net OPEB obligation	5,681,384	517,188	(634,833)	5,563,739	-
Governmental activity					
Long-term liabilities	\$ 47,759,431	\$ 8,495,688	\$ (15,010,167)	\$ 41,244,952	\$ 2,493,179

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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,347,112	\$ 674,908
2021	2,410,165	614,486
2022	2,473,310	347,937
2023	2,526,548	299,277
2024	2,579,884	245,887
2025-2028	8,807,965	452,841
Total	\$ 21,144,984	\$ 2,635,336

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 amount of \$36,756 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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019. 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.

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 nine 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, 2019, 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)	60	25
Inactive employees entitled to benefits but not yet receiving them	3	8
Active employees	<u>49</u>	<u>48</u>
	<u>112</u>	<u>81</u>

(1) Police: includes 7 DROP members

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Employee Retirement Systems (Continued)

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.

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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Employee Retirement Systems (Continued)

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.

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's 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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Employee Retirement Systems (Continued)

Benefits Provided - Non-Uniformed Pension Plan (continued)

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.

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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Employee Retirement Systems (Continued)

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.

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 \$747,593 for the pension for the year ended December 31, 2019.

	<u>Police</u>	<u>Non-Uniformed</u>	<u>Total</u>
Township contributions	\$ 2,756,306	\$ 104,543	\$ 2,860,849
Employee contributions	415,045	150,491	565,536
State aid	488,224	259,369	747,593
	<u>\$ 3,659,575</u>	<u>\$ 514,403</u>	<u>\$ 4,173,978</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Employee Retirement Systems (Continued)

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, 2019, the annual money-weighted rate of return on Plan investments, net of investment expense was 12.74% for Police and 13.32% for Non-Uniformed. 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, 2019 were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 57,648,490	\$ 10,690,663
Plan fiduciary net position	<u>(47,293,512)</u>	<u>(9,268,077)</u>
Net pension liability	<u>\$ 10,354,978</u>	<u>\$ 1,422,586</u>
Plan fiduciary net position as a percentage of the total pension liability	82%	87%

Actuarial Assumptions: The total pension liability in the January 1, 2019 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	2.5%	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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Employee Retirement Systems (Continued)

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2018.

The net pension liability for the Police and Non-Uniformed Pension plans was measured as of December 31, 2019 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. There were no changes to benefit terms or assumptions since the valuation date.

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>	Target <u>Allocation</u>	Long-term Expected Rate <u>of Return</u>
Domestic Stocks		
Large Cap	45.00%	5.00%
Mid/Small Cap	7.00%	6.00%
International Stocks	5.00%	5.50%
Bonds	40.00%	2.25%
Cash	<u>3.00%</u>	1.50%
	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7% 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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Employee Retirement Systems (Continued)

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<u>Police Pension Plan</u>			
Balance at December 31, 2018	\$ 54,866,142	\$ 41,233,268	\$ 13,632,874
Changes for the year:			
Service cost	1,588,734	-	1,588,734
Interest	3,858,568	-	3,858,568
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	3,244,530	(3,244,530)
Contributions - employee	-	415,045	(415,045)
Net investment income	-	5,416,335	(5,416,335)
Benefit payments, including refunds of employee contributions	(2,664,954)	(2,664,954)	-
Administrative expense	-	(350,712)	350,712
Net Changes	<u>2,782,348</u>	<u>6,060,244</u>	<u>(3,277,896)</u>
Balance at December 31, 2019	<u>\$ 57,648,490</u>	<u>\$ 47,293,512</u>	<u>\$ 10,354,978</u>

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<u>Non-Uniformed Pension Plan</u>			
Balance at December 31, 2018	\$ 10,189,129	\$ 8,097,512	\$ 2,091,617
Changes for the year:			
Service cost	259,685	-	259,685
Interest	712,288	-	712,288
Change of benefit terms	-	-	-
Differences between expected and actual experience	(79,436)	-	(79,436)
Change of assumptions	-	-	-
Contributions - employer	-	363,912	(363,912)
Contributions - employee	-	150,491	(150,491)
Net investment income	-	1,141,122	(1,141,122)
Benefit payments, including refunds of employee contributions	(391,003)	(391,003)	-
Administrative expense	-	(93,957)	93,957
Net Changes	<u>501,534</u>	<u>1,170,565</u>	<u>(669,031)</u>
Balance at December 31, 2019	<u>\$ 10,690,663</u>	<u>\$ 9,268,077</u>	<u>\$ 1,422,586</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Employee Retirement Systems (Continued)

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	\$ 16,614,629	\$ 10,354,978	\$ 5,112,221
Non-Uniformed	2,532,016	1,422,586	475,471

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2019, the Township recognized pension expense of \$3,729,132 for Police Pension and \$652,184 for Non-Uniformed Pension. At December 31, 2019, 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	\$ 923,751	\$ 217,667
Change in assumptions	811,939	-
Net difference between projected and actual earnings on pension plan investments	442,633	-
Total	<u>\$ 2,178,323</u>	<u>\$ 217,667</u>
<u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ 336,937	\$ 64,420
Change in assumptions	185,338	-
Net difference between projected and actual earnings on pension plan investments	35,032	-
Total	<u>\$ 557,307</u>	<u>\$ 64,420</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Employee Retirement Systems (Continued)

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

Year Ended <u>December 31:</u>	<u>Police</u>	<u>Non-Uniformed</u>
2020	\$ 1,087,653	\$ 277,410
2021	729,455	171,046
2022	645,041	153,528
2023	(501,493)	(104,741)
2024	-	(4,356)
Total	<u>\$ 1,960,656</u>	<u>\$ 492,887</u>

Payable to the Pension Plan: For the year ended December 31, 2019, the amount of contributions payable was \$3,244,530 and \$363,912 to the Police Pension Plan and Non-Uniformed Pension Plan, respectively.

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, 2019, the DROP account balance of \$3,249,537 is held by the plan pursuant to the DROP.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019.

	<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	\$ 2,755,535	\$ 282,810	\$ 3,038,345
Prepaid expenses	240,989	33,782	274,771
Contributions receivable	3,244,530	363,912	3,608,442
Accrued interest	126,418	30,915	157,333
Other receivables	-	13,402	13,402
Investments, at fair value:			
U.S. government obligations	5,341,517	906,992	6,248,509
Government sponsored mortgages	531,438	126,427	657,865
Corporate obligations	5,899,955	1,182,844	7,082,799
Municipal obligations	2,619,473	804,757	3,424,230
Mortgages	4,624,625	1,057,848	5,682,473
Mutual fund-equity	756,746	-	756,746
Mutual fund-debt	1,470,192	294,996	1,765,188
Stock equities	19,156,468	4,121,347	23,277,815
Foreign obligations	440,007	96,107	536,114
Real estate securities	9,274	-	9,274
Partnerships traded	89,747	19,253	109,000
Total Assets	<u>47,306,914</u>	<u>9,335,392</u>	<u>56,642,306</u>
Liabilities: Accounts payable	<u>13,402</u>	<u>67,315</u>	<u>80,717</u>
Net position restricted for pension benefits	<u>\$ 47,293,512</u>	<u>\$ 9,268,077</u>	<u>\$ 56,561,589</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			
Employee contributions	\$ 415,045	\$ 150,491	\$ 565,536
Employer contributions	2,756,306	104,543	2,860,849
State Aid	488,224	259,369	747,593
Insurance proceeds	-	-	-
Total Contributions	<u>3,659,575</u>	<u>514,403</u>	<u>4,173,978</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	4,478,674	935,121	5,413,795
Interest and dividends	937,661	206,000	1,143,661
Total investment earnings	<u>5,416,335</u>	<u>1,141,121</u>	<u>6,557,456</u>
Total Additions	<u>9,075,910</u>	<u>1,655,524</u>	<u>10,731,434</u>
Deductions			
Benefits	2,664,954	391,003	3,055,957
Administrative expenses	350,618	93,957	444,575
Total Deductions	<u>3,015,572</u>	<u>484,960</u>	<u>3,500,532</u>
Change in Net Position	6,060,338	1,170,564	7,230,902
Net Position Restricted for Pension Benefits			
Beginning of Year	41,233,174	8,097,513	49,330,687
End of Year	<u>\$ 47,293,512</u>	<u>\$ 9,268,077</u>	<u>\$ 56,561,589</u>

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

G. Employee Retirement Systems (Continued)

	<u>Combining Pension Information</u>		
	<u>Police Pension Fund</u>	<u>Non-Uniform Pension Fund</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 923,751	\$ 336,937	\$ 1,260,688
Changes in assumptions	811,939	185,338	997,277
Net differences between projected and actual earnings on pension plan investments	<u>442,633</u>	<u>35,032</u>	<u>477,665</u>
Total Deferred Outflows of Resources	<u>\$ 2,178,323</u>	<u>\$ 557,307</u>	<u>\$ 2,735,630</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	217,667	64,420	\$ 282,087
Changes in assumptions	-	-	-
Net differences between projected and actual earnings on pension plan investments	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>\$ 217,667</u>	<u>\$ 64,420</u>	<u>\$ 282,087</u>
Pension Expense	<u>\$ 484,602</u>	<u>\$ 284,931</u>	<u>\$ 769,533</u>

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.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

H. Deferred Compensation Plan (Continued)

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. Other Post Employment Benefits

The Township sponsors a single-employer defined benefit post-employment plan (the Plan, OPEB) for eligible employees of the Township. The Plan was established and is governed by the provisions of the collective bargaining agreement between the Township and the police officers, to provide continuation of medical and vision insurance for employees who retire from the Middletown Township Police Pension Plan. The plan is funded on a pay-as-you-go basis and there is no irrevocable trust established for the plan. The most recent valuation was as of January 1, 2019.

The plan does not issue a separate financial statement.

Membership of the plan consisted of the following at December 31, 2019 (the date of the latest actuarial valuation):

	<u>OPEB</u>
Inactive employees (or their beneficiaries)	
currently receiving benefits	16
Inactive employees entitled to benefits	
but not yet receiving them	0
Active employees	<u>55</u>
	<u>71</u>

Eligibility: 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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

I. Other Post Employment Benefits (Continued)

Benefits Provided: The Township provides limited reimbursement for post-retirement health benefits to police officers. Upon meeting the eligibility requirements, the Plan will pay the premiums for the retired member's coverage under the medical insurance program available to active Township officers. Vision coverage is payable for the retired officer and spouse for the remainder of their lifetimes. Medical and dental coverages are payable to the retired officer, including coverage under the Township's medical insurance and a reimbursement of the \$3,000 annual deductible under the medical insurance. The length and amount of medical and dental coverage is based on the number of hours of unused sick leave accumulated at retirement, based on the Township's coverage schedule.

Contributions: Employees do not contribute to the plan during their active service. Members who retire and are receiving postretirement benefits under the plan are required to pay a percentage of premiums, based up on the number of sick leave hours at retirement. The percentages are established, and may be amended, by the collective bargaining agreement between the Township and police officers. The medical premiums for retired members are paid from the Township's General Fund monthly as they come due.

Net OPEB Liability

The Township's net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>OPEB</u>
Inflation	2.50%
Salary Increases	5.0% (including inflation)
Investment Rate of Return	4.0% (net of OPEB plan investment expense, including inflation)
Healthcare Cost Trend Rates	Medical trend rates 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. For dental and vision coverages, premium rates are assumed to increase by 5% per year.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

I. Other Post Employment Benefits (Continued)

Mortality rates were based on the RP-2000 Mortality tables for healthy males and females, using blended rates for small employers.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study from the period January 1, 2017 to December 31, 2018.

The net OPEB liability was measured as of December 31, 2019 and the total OPEB liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Discount Rate: The discount rate used to measure the total OPEB liability was 4 percent, based upon 20-year AA/Aa municipal bond rates, for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods.

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<u>OPEB Plan</u>			
Balance at December 31, 2018	\$ 5,681,384	\$ -	\$ 5,681,384
Changes for the year:			
Service cost	296,193	-	296,193
Interest	220,995	-	220,995
Change of benefit terms	-	-	-
Differences between expected and actual experience	(270,588)	-	(270,588)
Change of assumptions	-	-	-
Contributions - employer	-	364,245	(364,245)
Benefit payments, including refunds of employee contributions	(364,245)	(364,245)	-
Net Changes	(117,645)	-	(117,645)
Balance at December 31, 2019	<u>\$ 5,563,739</u>	<u>\$ -</u>	<u>\$ 5,563,739</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability calculated using the discount rate of 4 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3 percent) or one percentage point higher (5 percent) than the current rate:

	1% Decrease (3%)	Current Discount Rate (4%)	1% Increase (5%)
Net OPEB liability	\$ 5,988,544	\$ 5,563,739	\$ 5,181,513

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

I. Other Post Employment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Township, as well as what the Township’s total OPEB liability would be if it were calculated using healthcare cost trend rates 1-percentage-point lower (4.6% decreasing to 2.9%) or 1 – percentage-point higher (6.6% decreasing to 4.9%) than the current healthcare cost trend rates:

	1% Decrease Valuation Rates	Healthcare Cost Trend Valuation Rates	1% Increase Valuation Rates
Net OPEB liability	\$ 5,054,861	\$ 5,563,739	\$ 6,147,161

OPEB Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2019, the actuarial determined expense for the OPEB Plan was \$473,333. At December 31, 2019, the Township reported no deferred outflows and inflows of resources related to OPEB.

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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

J. Interfund Advances and Transfers (Continued)

The following summary reflects the changes for the year ended December 31, 2019.

	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Due within</u> <u>One year</u>
Proprietary Funds					
Farm Fund	\$ 149,364	\$ -	\$ -	\$ 149,364	\$ -

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</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Installment</u>	<u>Final Due</u> <u>Date</u>	<u>Outstanding</u> <u>12/31/2018</u>	<u>Outstanding</u> <u>12/31/2019</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	\$ -	\$ 30,000
Other Governmental Funds	159,600	129,600
Total	<u>\$ 159,600</u>	<u>\$ 159,600</u>

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

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 2018-2019 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 6.5%, 9%, or 11.5% depending on base pay level. The Township has set up a Section 125 plan for this.
- For the 2018-2019 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, 2019. The maximum exposure for these costs in 2018-2019 plan year was \$447,440. The total actual charges incurred by the Township for these deductibles in 2019 were \$334,187. 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, 2019

M. Subsequent Events

Management has evaluated subsequent events that occurred after the balance sheet date but before May 31, 2020, the date the financial statements were available for release. No items were determined by management that requires recognition.

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. As a result, economic uncertainties have arisen that could negatively impact the Township finances including investment income. The potential impact is unknown at this time.

N. Restated Net Position

Prior year net position was restated by \$1,053,560 to properly reflect the value of capital assets. The effect was to decrease beginning capital assets and net position by that amount. There was no effect on modified accrual fund balance.

	Governmental <u>Activities</u>
Beginning Net Position	\$ 77,553,754
Reclassify capital assets	<u>(1,053,560)</u>
Restated Net Position	<u>\$ 76,500,194</u>

O. New Accounting Pronouncements

GASB Codification Section L20, Leases (GASB 87): GASB 87 substantially changes current accounting procedures regarding lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. GASB 87 establishes a right-of-use (“ROU”) model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with term of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current accounting procedures, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. This Statement is expected to have an implementation date for fiscal years beginning after December 15, 2019.

REQUIRED

SUPPLEMENTARY INFORMATION

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 1,588,734	\$ 1,348,542	\$ 1,357,815	\$ 1,193,316	\$ 1,276,152	\$ 1,194,091
Interest	3,858,568	3,553,433	3,403,148	3,402,855	3,290,244	3,285,767
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	1,628,905	(468,675)	(1,161,644)	(2,173,755)	-
Changes of assumptions	-	-	2,343,901	-	-	-
Benefit payments, including refunds of employee contributions	<u>(2,664,954)</u>	<u>(2,159,058)</u>	<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	2,782,348	4,371,822	4,523,072	151,798	(288,789)	2,504,348
Total pension liability - beginning	<u>54,866,142</u>	<u>50,494,320</u>	<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>\$ 57,648,490</u>	<u>\$ 54,866,142</u>	<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	\$ 3,244,530	\$ 2,938,145	\$ 2,359,921	\$ 2,350,510	\$ 2,285,033	\$ 2,463,341
Contributions - employee	415,045	366,990	424,418	305,677	287,846	280,895
Net investment income	5,416,335	(1,664,963)	4,100,522	1,514,854	792,419	2,967,160
Benefit payments, including refunds of employee contributions	(2,664,954)	(2,159,058)	(2,113,117)	(3,282,729)	(2,681,430)	(1,975,510)
Administrative expense	<u>(350,712)</u>	<u>(341,585)</u>	<u>(327,530)</u>	<u>(301,410)</u>	<u>(301,262)</u>	<u>(276,760)</u>
Net change in plan fiduciary net position	6,060,244	(860,471)	4,444,214	586,902	382,606	3,459,126
Plan fiduciary net position - beginning	<u>41,233,268</u>	<u>42,093,739</u>	<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>\$ 47,293,512</u>	<u>\$ 41,233,268</u>	<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>\$ 10,354,978</u>	<u>\$ 13,632,874</u>	<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	82.0%	75.2%	83.4%	81.9%	80.9%	79.6%
Covered payroll	\$ 6,512,632	\$ 6,202,893	\$ 5,805,841	\$ 5,275,475	\$ 4,899,227	\$ 4,252,730
Net pension liability as a percentage of covered payroll	159.0%	219.8%	144.7%	157.7%	178.7%	221.7%
Annual money-weighted return, net of investment expenses	12.74%	-4.80%	10.34%	4.29%	2.23%	9.18%

Notes to Schedule:

Change in benefit terms: None since 1/1/2019

Change in assumptions: None since 1/1/2019

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>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
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	-	4,252,730	57.92%
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%
2018	2,938,145	2,938,145	-	6,202,893	47.37%
2019	3,244,530	3,244,530	-	6,512,632	49.82%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two 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	1/1/2017
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. 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:	None since 1/1/2017
Change in assumptions:	The amortization period decreased from 9 years to 8 years in 2017 The investment rate of return decreased from 7.5% to 7% in 2017 The inflation rate decreased from 3% to 2.5% in 2018

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 259,685	\$ 213,140	\$ 214,587	\$ 146,617	\$ 176,804	\$ 206,812
Interest	712,288	661,443	630,877	568,224	533,592	513,290
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(79,436)	360,830	-	446,337	(232,708)	-
Changes of assumptions	-	-	424,999	-	-	-
Benefit payments, including refunds of employee contributions	(391,003)	(564,664)	(250,061)	(185,814)	(251,086)	(122,292)
Net change in total pension liability	501,534	670,749	1,020,402	975,364	226,602	597,810
Total pension liability - beginning	<u>10,189,129</u>	<u>9,518,380</u>	<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>\$ 10,690,663</u>	<u>\$ 10,189,129</u>	<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	\$ 363,912	\$ 310,213	\$ 189,147	\$ 310,501	\$ 308,202	\$ 203,448
Contributions - employee	150,491	148,817	141,549	126,027	121,892	128,673
Net investment income	1,141,122	(350,052)	862,906	307,760	166,261	626,530
Benefit payments, including refunds of employee contributions	(391,003)	(564,664)	(250,061)	(185,814)	(251,086)	(122,292)
Administrative expense	(93,957)	(86,755)	(87,613)	(80,228)	(80,531)	(74,620)
Net change in plan fiduciary net position	1,170,565	(542,441)	855,928	478,246	264,738	761,739
Plan fiduciary net position - beginning	<u>8,097,512</u>	<u>8,639,953</u>	<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>\$ 9,268,077</u>	<u>\$ 8,097,512</u>	<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>\$ 1,422,586</u>	<u>\$ 2,091,617</u>	<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	86.7%	79.5%	90.8%	91.6%	97.1%	96.5%
Covered payroll	\$ 3,953,754	\$ 3,248,014	\$ 3,345,279	\$ 2,837,674	\$ 2,759,135	\$ 2,674,421
Net pension liability as a percentage of covered payroll	36.0%	64.4%	26.3%	25.2%	7.9%	9.5%
Annual money-weighted return, net of investment expenses	13.32%	-4.98%	10.22%	4.23%	2.36%	9.18%

Notes to Schedule:

Change in benefit terms: None since 1/1/2019

Change in assumptions: None since 1/1/2019

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>Contribution as a Percentage of Covered Payroll</u>
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%
2018	301,213	310,213	(9,000)	3,248,014	9.55%
2019	363,912	363,912	-	3,953,754	9.20%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1, two 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	1/1/2017
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:	None since 1/1/2017
Change in assumptions:	The amortization period decreased from 9 years to 8 years in 2017 The investment rate of return decreased from 7.5% to 7% in 2017 The inflation rate decreased from 3% to 2.5% in 2018

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS –
OTHER POST-EMPLOYMENT BENEFITS

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 296,193	\$ 265,570
Interest	220,995	224,388
Changes of benefit terms	-	-
Differences between expected and actual experience	(270,588)	-
Changes of assumptions	-	-
Benefit payments (including premium subsidies)	<u>(364,245)</u>	<u>(305,407)</u>
Net change in total OPEB liability	(117,645)	184,551
Total OPEB liability - beginning	<u>5,681,384</u>	<u>5,496,833</u>
Total OPEB liability - ending (a)	<u>\$ 5,563,739</u>	<u>\$ 5,681,384</u>
Plan fiduciary net position		
Contributions - employer (including premium subsidies)	\$ 364,245	\$ 305,407
Contributions - employee	-	-
Net investment income	-	-
Benefit payments (including premium subsidies)	(364,245)	(305,407)
Administrative expense	-	-
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>
Township's net OPEB liability - ending (a)-(b)	<u>\$ 5,563,739</u>	<u>\$ 5,681,384</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
Covered payroll	\$ 7,348,493	\$ 7,339,439
Net OPEB liability as a percentage of covered payroll	75.7%	77.4%
Annual money-weighted return, net of investment expenses	Not Applicable	Not Applicable

Notes to Schedule:

Change in benefit terms: None since 1/1/2019

Change in assumptions: Remaining amortization period decreased from 30 to 29 years

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 – OTHER POST-EMPLOYMENT BENEFITS

<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>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2010	\$ 795,202	\$ 48,933	\$ 746,269	\$ 3,437,807	(1) 1.42%
2011	912,295	46,281	866,014	4,875,716	(1) 0.95%
2012	912,295	56,615	855,680	4,875,716	(1) 1.16%
2013	912,295	77,272	835,023	4,875,716	(1) 1.58%
2014	507,072	135,627	371,445	5,418,285	(1) 2.50%
2015	507,072	176,114	330,958	5,418,285	(1) 3.25%
2016	507,072	275,165	231,907	5,418,285	(1) 5.08%
2017	560,881	243,584	317,297	5,418,285	(1) 4.50%
2018	560,881	305,407	255,474	7,339,439	4.16%
2019	607,695	364,245	243,450	7,348,493	4.96%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of January 1 of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Remaining amortization period	29 years
Asset valuation method	Not Applicable
Inflation	2.5%
Healthcare cost trend rates	Medical trend rates 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. For dental and vision coverages, premium rates are assumed to increase by 5% per year.
Projected salary increases	5%, including inflation
Investment rate of return	4%, including inflation
Retirement age	Officers are assumed to retire at their normal retirement date, or on the valuation date, if later
Mortality	RP-2000 Table, blended rates for small employer

Change in benefit terms: None since 1/1/2019

Change in assumptions: Remaining amortization period decreased from 30 to 29 years

(1) source: actuarial valuations 1/1/2009 to 1/1/2017

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 originally derived from the sale of the water and sewer operations, the principal investment from the proceeds of \$39,000,000, and the annual inflows of investment earnings, are committed by the Board of Supervisors for use in a state of emergency. The annual inflows of resources to this fund are investment earnings. (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.

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2019

	<u>CAPITAL RESERVE</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 7,500	\$ 7,500	\$ -	\$ (7,500)
Investment income and rent	45,000	45,000	109,227	64,227
Intergovernmental revenues	1,434,475	1,434,475	990,838	(443,637)
Other	-	-	22,040	22,040
Total Revenues	<u>1,486,975</u>	<u>1,486,975</u>	<u>1,122,105</u>	<u>(364,870)</u>
Expenditures				
Debt service				
Principal	-	-	11,828	(11,828)
Interest	-	-	1,782	(1,782)
Capital outlays/development	<u>5,434,292</u>	<u>5,434,292</u>	<u>4,029,439</u>	<u>1,404,853</u>
Total Expenditures	<u>5,434,292</u>	<u>5,434,292</u>	<u>4,043,049</u>	<u>1,391,243</u>
Net Change in Fund Balance	(3,947,317)	(3,947,317)	(2,920,944)	1,026,373
Fund Balance - Beginning	<u>9,794,384</u>	<u>9,794,384</u>	<u>9,794,384</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 5,847,067</u>	<u>\$ 5,847,067</u>	<u>\$ 6,873,440</u>	<u>\$ 1,026,373</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.

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).

Debt Service Funds

Debt Service Funds are used to account for the payment of principal and interest on certain debt.

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

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2019

	<u>Special Revenue</u>								<u>Capital Projects</u>			Debt Service	Total Non-major Governmental Funds	
	General Street Lighting	Fire Protection	Parks and Recreation	Ambulance and Rescue	Road Machinery	Fire Hydrant	Police Forfeiture	State Highway Aid	Total	Curb/Road Revolving	Contingency			Total
<u>ASSETS</u>														
Cash and cash equivalents	\$ 877,945	\$ 14,483	\$ 704,213	\$ 10,368	\$ 278,304	\$ 19,354	\$ 37,632	\$ 362,241	\$ 2,304,540	\$ 7,686	\$ 811	\$ 8,497	\$ 195,747	\$ 2,508,784
Receivables (net of allowance for uncollectibles)	5,687	10,748	16,664	14,496	2,075	754	-	-	50,424	-	-	-	35,720	86,144
Prepaid items	-	19,662	-	-	-	-	-	-	19,662	-	-	-	-	19,662
Advances to other funds	-	-	-	-	-	-	-	-	-	-	149,364	149,364	-	149,364
Total Assets	<u>\$ 883,632</u>	<u>\$ 44,893</u>	<u>\$ 720,877</u>	<u>\$ 24,864</u>	<u>\$ 280,379</u>	<u>\$ 20,108</u>	<u>\$ 37,632</u>	<u>\$ 362,241</u>	<u>\$ 2,374,626</u>	<u>\$ 7,686</u>	<u>\$ 150,175</u>	<u>\$ 157,861</u>	<u>\$ 231,467</u>	<u>\$ 2,763,954</u>
<u>LIABILITIES</u>														
Accounts payable	\$ 393	\$ -	\$ 20,002	\$ 2,115	\$ -	\$ -	\$ -	\$ 11,100	\$ 33,610	\$ -	\$ -	\$ -	\$ 10,784	\$ 44,394
Accrued salaries and benefits	216	-	8,614	-	-	-	-	6,816	15,646	-	-	-	-	15,646
Total Liabilities	<u>609</u>	<u>-</u>	<u>28,616</u>	<u>2,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,916</u>	<u>49,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,784</u>	<u>60,040</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>														
Unavailable revenue:														
property taxes	4,732	7,400	9,196	-	1,437	512	-	-	23,277	-	-	-	24,642	47,919
special assessments	-	-	-	-	-	-	-	-	-	2,345	-	2,345	-	2,345
Total deferred inflows of resources	<u>4,732</u>	<u>7,400</u>	<u>9,196</u>	<u>-</u>	<u>1,437</u>	<u>512</u>	<u>-</u>	<u>-</u>	<u>23,277</u>	<u>2,345</u>	<u>-</u>	<u>2,345</u>	<u>24,642</u>	<u>50,264</u>
<u>FUND BALANCES</u>														
Restricted:														
Street lighting	878,291	-	-	-	-	-	-	-	878,291	-	-	-	-	878,291
Road machinery	-	-	-	-	278,942	-	-	-	278,942	-	-	-	-	278,942
Fire and ambulance	-	37,493	-	22,749	-	19,596	-	-	79,838	-	-	-	-	79,838
Police	-	-	-	-	-	-	37,632	-	37,632	-	-	-	-	37,632
Streets and highways	-	-	-	-	-	-	-	344,325	344,325	-	-	-	-	344,325
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	196,041	196,041
Committed:														
Park and recreation	-	-	683,065	-	-	-	-	-	683,065	-	-	-	-	683,065
Assigned:														
Capital projects	-	-	-	-	-	-	-	-	-	5,341	150,175	155,516	-	155,516
Total Fund Balances	<u>878,291</u>	<u>37,493</u>	<u>683,065</u>	<u>22,749</u>	<u>278,942</u>	<u>19,596</u>	<u>37,632</u>	<u>344,325</u>	<u>2,302,093</u>	<u>5,341</u>	<u>150,175</u>	<u>155,516</u>	<u>196,041</u>	<u>2,653,650</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 883,632</u>	<u>\$ 44,893</u>	<u>\$ 720,877</u>	<u>\$ 24,864</u>	<u>\$ 280,379</u>	<u>\$ 20,108</u>	<u>\$ 37,632</u>	<u>\$ 362,241</u>	<u>\$ 2,374,626</u>	<u>\$ 7,686</u>	<u>\$ 150,175</u>	<u>\$ 157,861</u>	<u>\$ 231,467</u>	<u>\$ 2,763,954</u>

TOWNSHIP OF MIDDLETOWN

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

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	<u>Special Revenue</u>									<u>Capital Projects</u>			<u>Debt Service</u>	<u>Total Non-major Governmental Funds</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>Total</u>	<u>Curb/Road Revolving</u>	<u>Contingency</u>	<u>Total</u>		
Revenues														
Property taxes	\$ 518,340	\$ 810,573	\$ 1,007,358	\$ 230,820	\$ 157,406	\$ 56,156	\$ -	\$ -	\$ 2,780,653	\$ -	\$ -	\$ -	\$ 2,699,411	\$ 5,480,064
Investment income and rent	11,598	-	22,320	173	2,688	440	449	8,718	46,386	-	-	-	13,990	60,376
Intergovernmental revenues	-	327,657	-	-	-	-	-	1,372,887	1,700,544	-	-	-	-	1,700,544
Charges for services	-	-	462,648	-	-	-	-	-	462,648	-	-	-	-	462,648
Contributions private sources	-	-	7,681	-	-	-	-	-	7,681	2,345	-	2,345	-	10,026
Total Revenues	529,938	1,138,230	1,500,007	230,993	160,094	56,596	449	1,381,605	4,997,912	2,345	-	2,345	2,713,401	7,713,658
Expenditures														
Current														
General government	-	-	-	-	-	-	-	-	-	-	-	-	780	780
Public safety	-	1,136,897	-	228,405	-	55,848	-	-	1,421,150	-	-	-	-	1,421,150
Public works	269,810	-	-	-	-	-	-	1,237,347	1,507,157	2,345	-	2,345	-	1,509,502
Parks and recreation	-	-	1,440,804	-	-	-	-	-	1,440,804	-	-	-	-	1,440,804
Debt Service														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	2,309,993	2,309,993
Interest	-	-	-	-	-	-	-	-	-	-	-	-	560,178	560,178
Fiscal agent fees	-	-	-	-	-	-	-	-	-	-	-	-	1,560	1,560
Capital outlays/development	-	-	-	-	-	-	-	-	-	2,345	-	2,345	-	2,345
Total Expenditures	269,810	1,136,897	1,440,804	228,405	-	55,848	-	1,237,347	4,369,111	4,690	-	4,690	2,872,511	7,246,312
Excess (Deficiency) of Revenues Over Expenditures	260,128	1,333	59,203	2,588	160,094	748	449	144,258	628,801	(2,345)	-	(2,345)	(159,110)	467,346
Other Financing Sources (Uses)														
Transfers in	-	30,000	-	-	-	-	-	-	30,000	-	-	-	129,600	159,600
Transfers out	(129,600)	-	-	-	-	-	-	-	(129,600)	-	-	-	-	(129,600)
Total Other Financing Sources (Uses)	(129,600)	30,000	-	-	-	-	-	-	(99,600)	-	-	-	129,600	30,000
Net Change in Fund Balance	130,528	31,333	59,203	2,588	160,094	748	449	144,258	529,201	(2,345)	-	(2,345)	(29,510)	497,346
Fund Balance - Beginning	747,763	6,160	623,862	20,161	118,848	18,848	37,183	200,067	1,772,892	7,686	150,175	157,861	225,551	2,156,304
Fund Balance - Ending	\$ 878,291	\$ 37,493	\$ 683,065	\$ 22,749	\$ 278,942	\$ 19,596	\$ 37,632	\$ 344,325	\$ 2,302,093	\$ 5,341	\$ 150,175	\$ 155,516	\$ 196,041	\$ 2,653,650

MIDDLETOWN TOWNSHIP

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

For the Year Ended December 31, 2019

	<u>GENERAL STREET LIGHTING FUND</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 520,000	\$ 520,000	\$ 518,340	\$ (1,660)
Investment income and rent	3,000	3,000	11,598	8,598
Charges for services	500	500	-	(500)
Other	500	500	-	(500)
Total Revenues	<u>524,000</u>	<u>524,000</u>	<u>529,938</u>	<u>5,938</u>
Expenditures				
Current:				
Public works	<u>386,000</u>	<u>386,000</u>	<u>269,810</u>	<u>116,190</u>
Total Expenditures	<u>386,000</u>	<u>386,000</u>	<u>269,810</u>	<u>116,190</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>138,000</u>	<u>138,000</u>	<u>260,128</u>	<u>122,128</u>
Other Financing Sources (Uses)				
Transfers out	<u>(129,600)</u>	<u>(129,600)</u>	<u>(129,600)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(129,600)</u>	<u>(129,600)</u>	<u>(129,600)</u>	<u>-</u>
Net Change in Fund Balance	8,400	8,400	130,528	122,128
Fund Balance - Beginning	<u>747,763</u>	<u>747,763</u>	<u>747,763</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 756,163</u>	<u>\$ 756,163</u>	<u>\$ 878,291</u>	<u>\$ 122,128</u>

MIDDLETOWN TOWNSHIP

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

For the Year Ended December 31, 2019

	FIRE PROTECTION			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 811,500	\$ 811,500	\$ 810,573	\$ (927)
Investment income and rent	1,000	1,000	-	(1,000)
Intergovernmental revenues	380,000	380,000	327,657	(52,343)
Total Revenues	1,192,500	1,192,500	1,138,230	(54,270)
Expenditures				
Current:				
Public safety	1,213,000	1,213,000	1,136,897	76,103
Total Expenditures	1,213,000	1,213,000	1,136,897	76,103
Excess (Deficiency) of Revenues Over Expenditures	(20,500)	(20,500)	1,333	21,833
Other Financing Sources (Uses)				
Transfers in	30,000	30,000	30,000	-
Total Other Financing Sources (Uses)	30,000	30,000	30,000	-
Net Change in Fund Balance	9,500	9,500	31,333	21,833
Fund Balance - Beginning	6,160	6,160	6,160	-
Fund Balance - Ending	\$ 15,660	\$ 15,660	\$ 37,493	\$ 21,833

MIDDLETOWN TOWNSHIP

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

For the Year Ended December 31, 2019

	<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	\$ 1,009,500	\$ 1,009,500	\$ 1,007,358	\$ (2,142)
Investment income and rent	43,500	43,500	22,320	(21,180)
Charges for services	360,500	360,500	462,648	102,148
Contributions private sources	5,000	5,000	7,681	2,681
Total Revenues	<u>1,418,500</u>	<u>1,418,500</u>	<u>1,500,007</u>	<u>81,507</u>
Expenditures				
Current:				
Parks and recreation	<u>1,319,500</u>	<u>1,319,500</u>	<u>1,440,804</u>	<u>(121,304)</u>
Total Expenditures	<u>1,319,500</u>	<u>1,319,500</u>	<u>1,440,804</u>	<u>(121,304)</u>
Net Change in Fund Balance	99,000	99,000	59,203	(39,797)
Fund Balance - Beginning	<u>623,862</u>	<u>623,862</u>	<u>623,862</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 722,862</u>	<u>\$ 722,862</u>	<u>\$ 683,065</u>	<u>\$ (39,797)</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, 2019

	AMBULANCE AND RESCUE			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 232,000	\$ 232,000	\$ 230,820	\$ (1,180)
Investment income and rent	500	500	173	(327)
Total Revenues	232,500	232,500	230,993	(1,507)
Expenditures				
Current:				
Public safety	230,000	230,000	228,405	1,595
Total Expenditures	230,000	230,000	228,405	1,595
Net Change in Fund Balance	2,500	2,500	2,588	88
Fund Balance - Beginning	20,161	20,161	20,161	-
Fund Balance - Ending	\$ 22,661	\$ 22,661	\$ 22,749	\$ 88

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2019

	<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	\$ 157,406	\$ (94)
Investment income and rent	<u>1,000</u>	<u>1,000</u>	<u>2,688</u>	<u>1,688</u>
Total Revenues	<u>158,500</u>	<u>158,500</u>	<u>160,094</u>	<u>1,594</u>
Expenditures				
Current:				
Public works	<u>255,000</u>	<u>255,000</u>	<u>-</u>	<u>255,000</u>
Total Expenditures	<u>255,000</u>	<u>255,000</u>	<u>-</u>	<u>255,000</u>
Net Change in Fund Balance	(96,500)	(96,500)	160,094	256,594
Fund Balance - Beginning	<u>118,848</u>	<u>118,848</u>	<u>118,848</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 22,348</u>	<u>\$ 22,348</u>	<u>\$ 278,942</u>	<u>\$ 256,594</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, 2019

	<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	\$ 55,500	\$ 55,500	\$ 56,156	\$ 656
Investment income and rent	500	500	440	(60)
Total Revenues	<u>56,000</u>	<u>56,000</u>	<u>56,596</u>	<u>596</u>
Expenditures				
Current:				
Public safety	<u>55,000</u>	<u>55,000</u>	<u>55,848</u>	<u>(848)</u>
Total Expenditures	<u>55,000</u>	<u>55,000</u>	<u>55,848</u>	<u>(848)</u>
Net Change in Fund Balance	1,000	1,000	748	(252)
Fund Balance - Beginning	<u>18,848</u>	<u>18,848</u>	<u>18,848</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 19,848</u>	<u>\$ 19,848</u>	<u>\$ 19,596</u>	<u>\$ (252)</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, 2019

	<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	\$ 1,336,500	\$ 1,336,500	\$ 1,372,887	\$ 36,387
Investment income and rent	<u>5,000</u>	<u>5,000</u>	<u>8,718</u>	<u>3,718</u>
Total Revenues	<u>1,341,500</u>	<u>1,341,500</u>	<u>1,381,605</u>	<u>40,105</u>
Expenditures				
Current:				
Public works	<u>1,581,000</u>	<u>1,581,000</u>	<u>1,237,347</u>	<u>343,653</u>
Total Expenditures	<u>1,581,000</u>	<u>1,581,000</u>	<u>1,237,347</u>	<u>343,653</u>
Net Change in Fund Balance	(239,500)	(239,500)	144,258	383,758
Fund Balance - Beginning	<u>200,067</u>	<u>200,067</u>	<u>200,067</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (39,433)</u>	<u>\$ (39,433)</u>	<u>\$ 344,325</u>	<u>\$ 383,758</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, 2019

	<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	\$ 2,695,000	\$ 2,695,000	\$ 2,699,411	\$ 4,411
Investment income and rent	<u>7,500</u>	<u>7,500</u>	<u>13,990</u>	<u>6,490</u>
Total Revenues	<u>2,702,500</u>	<u>2,702,500</u>	<u>2,713,401</u>	<u>10,901</u>
Expenditures				
Current:				
General government	-	-	780	(780)
Debt service				
Principal	2,263,000	2,263,000	2,309,993	(46,993)
Interest	493,500	493,500	560,178	(66,678)
Paid to fiscal agent	<u>2,000</u>	<u>2,000</u>	<u>1,560</u>	<u>440</u>
Total Expenditures	<u>2,758,500</u>	<u>2,758,500</u>	<u>2,872,511</u>	<u>(114,011)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(56,000)</u>	<u>(56,000)</u>	<u>(159,110)</u>	<u>(103,110)</u>
Other Financing Sources (Uses)				
Transfers in	<u>129,600</u>	<u>129,600</u>	<u>129,600</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>129,600</u>	<u>129,600</u>	<u>129,600</u>	<u>-</u>
Net Change in Fund Balance	73,600	73,600	(29,510)	(103,110)
Fund Balance - Beginning	<u>225,551</u>	<u>225,551</u>	<u>225,551</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 299,151</u>	<u>\$ 299,151</u>	<u>\$ 196,041</u>	<u>\$ (103,110)</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, 2019

	COUNTRY CLUB			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 51,000	\$ 51,000	\$ 36,756	\$ (14,244)
Total Operating Revenues	51,000	51,000	36,756	(14,244)
Operating Expenses				
Park and recreation	175,000	175,000	36,348	138,652
Depreciation	65,000	65,000	51,781	13,219
Total Operating Expenses	240,000	240,000	88,129	151,871
Operating Income (Loss)	(189,000)	(189,000)	(51,373)	137,627
Nonoperating Revenues (Expense)				
Interest income	1,000	1,000	2,946	1,946
Total Nonoperating Revenues (Expense)	1,000	1,000	2,946	1,946
Changes in Net Position	(188,000)	(188,000)	(48,427)	139,573
Total Net Position - Beginning	2,349,402	2,349,402	2,349,402	-
Total Net Position - Ending	\$ 2,161,402	\$ 2,161,402	\$ 2,300,975	\$ 139,573

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2019

	FARM FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 45,000	\$ 45,000	\$ 40,000	\$ (5,000)
Rent	8,500	8,500	8,400	(100)
Total Operating Revenues	53,500	53,500	48,400	(5,100)
Operating Expenses				
Park and recreation	5,000	5,000	3,960	1,040
Depreciation	9,000	9,000	8,968	32
Total Operating Expenses	14,000	14,000	12,928	1,072
Operating Income (Loss)	39,500	39,500	35,472	(4,028)
Nonoperating Revenues (Expense)				
Interest income	500	500	2,016	1,516
Total Nonoperating Revenues (Expense)	500	500	2,016	1,516
Changes in Net Position	40,000	40,000	37,488	(2,512)
Total Net Position - Beginning	2,335,579	2,335,579	2,335,579	-
Total Net Position - Ending	\$ 2,375,579	\$ 2,375,579	\$ 2,373,067	\$ (2,512)

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, 2019

	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Non-Uniformed Pension</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,755,535	\$ 282,810	\$ 3,038,345
Prepaid expenses	240,989	33,782	274,771
Receivables:			
Contributions	3,244,530	363,912	3,608,442
Accrued interest	126,418	30,915	157,333
Other receivables	-	13,402	13,402
Total receivables	<u>126,418</u>	<u>44,317</u>	<u>170,735</u>
Investments, at fair value:			
U.S. government obligations	5,341,517	906,992	6,248,509
Government sponsored mortgages	531,438	126,427	657,865
Corporate obligations	5,899,955	1,182,844	7,082,799
Municipal obligations	2,619,473	804,757	3,424,230
Mortgages	4,624,625	1,057,848	5,682,473
Mutual funds-equity	756,746	-	756,746
Mutual funds-debt	1,470,192	294,996	1,765,188
Stock equities	19,156,468	4,121,347	23,277,815
Foreign obligations	440,007	96,107	536,114
Real estate securities	9,274	-	9,274
Partnership traded	89,747	19,253	109,000
Total investments	<u>40,939,442</u>	<u>8,610,571</u>	<u>49,550,013</u>
Total Assets	<u>44,062,384</u>	<u>8,971,480</u>	<u>53,033,864</u>
<u>LIABILITIES</u>			
Accounts payable	<u>13,402</u>	<u>67,315</u>	<u>80,717</u>
Total Liabilities	<u>13,402</u>	<u>67,315</u>	<u>80,717</u>
<u>NET POSITION</u>			
Net Position - Restricted for:			
Pension benefits	<u>47,293,512</u>	<u>9,268,077</u>	<u>56,561,589</u>
Total Net Position	<u>\$ 47,293,512</u>	<u>\$ 9,268,077</u>	<u>\$ 56,561,589</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, 2019

	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Non-Uniformed Pension</u>	<u>Total</u>
Additions			
Contributions			
Member contributions	\$ 415,045	\$ 150,491	\$ 565,536
Employer contributions	2,756,306	104,543	2,860,849
State aid	488,224	259,369	747,593
Total Contributions	<u>3,659,575</u>	<u>514,403</u>	<u>4,173,978</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	4,478,674	935,121	5,413,795
Interest and dividends	937,661	206,000	1,143,661
Total Investment Income	<u>5,416,335</u>	<u>1,141,121</u>	<u>6,557,456</u>
Total Additions	<u>9,075,910</u>	<u>1,655,524</u>	<u>10,731,434</u>
Deductions			
Benefits	2,664,954	391,003	3,055,957
Administrative expenses	350,618	93,957	444,575
Total Deductions	<u>3,015,572</u>	<u>484,960</u>	<u>3,500,532</u>
Change in Net Position	6,060,338	1,170,564	7,230,902
Net Position - Restricted:			
Beginning of Year	<u>41,233,174</u>	<u>8,097,513</u>	<u>49,330,687</u>
End of Year	<u>\$ 47,293,512</u>	<u>\$ 9,268,077</u>	<u>\$ 56,561,589</u>

TOWNSHIP OF MIDDLETOWN

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-
TOWNSHIP ESCROW FUNDS

For the Year Ended December 31, 2019

	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2019</u>
Assets:				
Cash and cash equivalents	\$ 1,568,062	\$ 324,140	\$ (389,794)	\$ 1,502,408
Total Assets	<u>\$ 1,568,062</u>	<u>\$ 324,140</u>	<u>\$ (389,794)</u>	<u>\$ 1,502,408</u>
Liabilities:				
Accounts payable	\$ 6,294	\$ 389,794	\$ (396,088)	\$ -
Customer deposits	1,235,434	388,843	(460,431)	1,163,847
Accumulated interest	<u>326,334</u>	<u>12,228</u>	<u>-</u>	<u>338,561</u>
Total Liabilities	<u>\$ 1,568,062</u>	<u>\$ 790,865</u>	<u>\$ (856,519)</u>	<u>\$ 1,502,408</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.	108
Revenue Capacity	
These schedules contain information that may assist the reader in assessing the viability of the government's most significant local revenue sources.	114
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.	119
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.	123
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.	125

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									
	2019	2018	2017	2016	2015 (2)	2014	2013	2012 (1)	2011	2010
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 32,405,615	\$ 29,623,723	\$ 26,596,566	\$ 23,828,235	\$ 27,249,325	\$ 25,418,215	\$ 27,310,114	\$ 25,404,239	\$ 25,986,662	\$ 18,225,583
Restricted	2,078,243	1,662,743	1,577,538	1,911,173	2,988,968	5,261,567	1,564,188	1,327,400	1,920,553	5,098,898
Unrestricted	<u>44,438,250</u>	<u>45,213,728</u>	<u>47,439,877</u>	<u>43,866,202</u>	<u>32,178,421</u>	<u>37,233,398</u>	<u>36,083,354</u>	<u>38,952,787</u>	<u>41,793,546</u>	<u>46,936,410</u>
Total Governmental Activities Net Position	<u>\$ 78,922,108</u>	<u>\$ 76,500,194</u>	<u>\$ 75,613,981</u>	<u>\$ 69,605,610</u>	<u>\$ 62,416,714</u>	<u>\$ 67,913,180</u>	<u>\$ 64,957,656</u>	<u>\$ 65,684,426</u>	<u>\$ 69,700,761</u>	<u>\$ 70,260,891</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 4,411,404	\$ 4,472,154	\$ 4,533,441	\$ 4,587,669	\$ 4,583,797	\$ 4,584,428	\$ 4,603,195	\$ 4,517,529	\$ 4,545,115	\$ 4,492,127
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted (Deficit)	<u>262,638</u>	<u>212,827</u>	<u>126,435</u>	<u>74,010</u>	<u>34,596</u>	<u>(11,157)</u>	<u>(50,773)</u>	<u>16,242</u>	<u>(31,015)</u>	<u>(464,130)</u>
Total Business-Type Activities Net Position	<u>\$ 4,674,042</u>	<u>\$ 4,684,981</u>	<u>\$ 4,659,876</u>	<u>\$ 4,661,679</u>	<u>\$ 4,618,393</u>	<u>\$ 4,573,271</u>	<u>\$ 4,552,422</u>	<u>\$ 4,533,771</u>	<u>\$ 4,514,100</u>	<u>\$ 4,027,997</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 36,817,019	\$ 34,095,877	\$ 31,130,007	\$ 28,415,904	\$ 31,833,122	\$ 30,002,643	\$ 31,913,309	\$ 29,921,768	\$ 30,531,777	\$ 22,717,710
Restricted	2,078,243	1,662,743	1,577,538	1,911,173	2,988,968	5,261,567	1,564,188	1,327,400	1,920,553	5,098,898
Unrestricted	<u>44,700,888</u>	<u>45,426,555</u>	<u>47,566,312</u>	<u>43,940,212</u>	<u>32,213,017</u>	<u>37,222,241</u>	<u>36,032,581</u>	<u>38,969,029</u>	<u>41,762,531</u>	<u>46,472,280</u>
Total Primary Governmental Net Position	<u>\$ 83,596,150</u>	<u>\$ 81,185,175</u>	<u>\$ 80,273,857</u>	<u>\$ 74,267,289</u>	<u>\$ 67,035,107</u>	<u>\$ 72,486,451</u>	<u>\$ 69,510,078</u>	<u>\$ 70,218,197</u>	<u>\$ 74,214,861</u>	<u>\$ 74,288,888</u>

Source: Middletown Township Financial Statements

- (1) GASB Statement No 65 was implemented in 2012, a prior period adjustment was made to the 2011 net position balance in the financial statements.
(2) GASB Statement No 68 was implemented in 2015, a prior period adjustment was made to the 2014 net position balance in the financial statements.

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

	Fiscal Year									
	2019	2018	2017	2016	2015 (2)	2014	2013	2012 (1)	2011	2010
Expenses										
Governmental Activities										
General Government	\$ 3,623,549	\$ 3,572,791	\$ 3,210,992	\$ 2,587,626	\$ 2,438,963	\$ 2,225,838	\$ 2,137,408	\$ 2,290,625	\$ 2,037,179	\$ 2,023,182
Public Safety	18,539,577	17,621,754	14,804,088	14,831,228	14,108,744	14,439,009	14,458,162	14,580,986	14,210,367	12,218,168
Public Works	7,978,282	6,294,955	7,133,831	7,160,207	6,827,774	7,037,369	6,731,336	6,251,378	6,566,282	6,719,377
Parks and Recreation	1,810,919	1,586,510	1,657,438	1,654,905	1,702,967	1,548,355	1,531,902	1,803,802	1,416,404	1,825,931
Miscellaneous	736,849	1,729,885	783,218	461,240	499,666	545,085	533,375	537,043	506,105	672,637
Capital Outlay/Development	-	-	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	270,896	655,904	745,549	675,204	756,506	642,361	661,242	1,069,783	1,013,702	1,168,279
Unallocated Depreciation Expense	<u>1,326,306</u>	<u>1,411,871</u>	<u>1,411,871</u>	<u>2,015,341</u>	<u>1,606,967</u>	<u>1,505,894</u>	<u>1,400,047</u>	<u>1,502,025</u>	<u>1,457,537</u>	<u>1,455,222</u>
Total Governmental Activities Expense	\$ 34,286,378	\$ 32,873,670	\$ 29,746,987	\$ 29,385,751	\$ 27,941,587	\$ 27,943,911	\$ 27,453,472	\$ 28,035,642	\$ 27,207,576	\$ 26,082,796
Business-Type Activities										
Proprietary Funds (combined)										
Country Club	\$ 88,129	\$ 52,319	\$ 52,653	\$ 66,596	\$ 117,966	\$ 132,830	\$ 139,416	\$ 137,397	\$ 145,114	\$ 138,839
Farm Fund	<u>12,928</u>	<u>9,893</u>	<u>28,823</u>	<u>15,775</u>	<u>16,524</u>	<u>26,756</u>	<u>22,115</u>	<u>19,719</u>	<u>31,922</u>	<u>36,469</u>
Total Business-Type Activities Expenses	\$ 101,057	\$ 62,212	\$ 81,476	\$ 82,371	\$ 134,490	\$ 159,586	\$ 161,531	\$ 157,116	\$ 177,036	\$ 175,308
Total Primary Government Expenses	\$ 34,387,435	\$ 32,935,882	\$ 29,828,463	\$ 29,468,122	\$ 28,076,077	\$ 28,103,497	\$ 27,615,003	\$ 28,192,758	\$ 27,384,612	\$ 26,258,104
Program Revenues										
Governmental Activities										
Charges for Service										
General Government	\$ 1,221,640	\$ 1,254,790	\$ 1,300,998	\$ 1,309,286	\$ 1,206,141	\$ 1,172,293	\$ 1,156,671	\$ 1,102,349	\$ 1,064,445	\$ 1,017,264
Public Safety	2,018,866	2,091,087	1,843,514	2,032,447	2,246,331	2,289,733	2,015,858	1,863,345	1,699,843	1,678,755
Public Works	4,181,306	4,203,416	4,196,856	4,188,247	4,189,076	4,857,941	4,903,774	4,474,867	4,656,230	4,451,210
Parks and Recreation	462,648	420,153	377,025	340,001	338,152	295,655	271,754	251,285	267,114	252,855
Operating Grants and Contributions	2,857,017	2,559,634	2,505,896	2,309,100	2,122,112	2,001,065	2,153,603	1,829,443	2,573,581	2,192,687
Capital Grants and Contributions	<u>1,065,838</u>	<u>248,796</u>	<u>623,981</u>	<u>999,815</u>	<u>762,846</u>	<u>1,352,466</u>	<u>1,926,838</u>	<u>527,153</u>	<u>1,308,528</u>	<u>-</u>
Total Governmental Activities Program Revenues	\$ 11,807,315	\$ 10,777,876	\$ 10,848,270	\$ 11,178,896	\$ 10,864,658	\$ 11,969,153	\$ 12,428,498	\$ 10,048,442	\$ 11,569,741	\$ 9,592,771
Business-Type Activities										
Charges for Services										
Proprietary Funds (combined)										
Country Club	\$ 36,756	\$ 36,756	\$ 25,604	\$ 125,888	\$ 201,138	\$ 201,259	\$ 203,105	\$ 196,912	\$ 184,434	\$ 147,000
Farm Fund	40,000	40,000	45,984	10,000	40,000	40,000	40,000	40,000	40,000	35,000
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	\$ 76,756	\$ 76,756	\$ 71,588	\$ 135,888	\$ 241,138	\$ 241,259	\$ 243,105	\$ 236,912	\$ 224,434	\$ 182,000
Total Primary Government Program Revenues	\$ 11,884,071	\$ 10,854,632	\$ 10,919,858	\$ 11,314,784	\$ 11,105,796	\$ 12,210,412	\$ 12,671,603	\$ 10,285,354	\$ 11,794,175	\$ 9,774,771
Net (Expense)/Revenue										
Governmental Activities	\$ (22,479,063)	\$ (22,095,794)	\$ (18,898,717)	\$ (18,206,855)	\$ (17,076,929)	\$ (15,974,758)	\$ (15,024,974)	\$ (17,987,200)	\$ (15,637,835)	\$ (16,490,025)
Business-Type Activities	<u>(24,301)</u>	<u>14,544</u>	<u>(9,888)</u>	<u>53,517</u>	<u>106,648</u>	<u>81,673</u>	<u>81,574</u>	<u>79,796</u>	<u>47,398</u>	<u>6,692</u>
Total Primary Government Net Expense	\$ (22,503,364)	\$ (22,081,250)	\$ (18,908,605)	\$ (18,153,338)	\$ (16,970,281)	\$ (15,893,085)	\$ (14,943,400)	\$ (17,907,404)	\$ (15,590,437)	\$ (16,483,333)

(continued)

General Revenues and Other Changes in Net Position	Fiscal Year									
	2019	2018	2017	2016	2015 (2)	2014	2013	2012 (1)	2011	2010
Governmental Activities										
Property Taxes	\$ 9,178,658	\$ 9,095,679	\$ 9,097,522	\$ 9,286,265	\$ 9,264,596	\$ 9,218,570	\$ 9,309,514	\$ 9,303,772	\$ 9,281,766	\$ 9,246,523
Earned Income Tax	8,701,147	7,103,427	8,753,759	7,727,374	6,783,852	4,080,744	-	-	-	-
Other Taxes	5,538,712	5,692,299	5,335,482	5,373,874	4,946,763	4,893,608	4,697,360	4,513,623	4,499,405	4,419,632
Investment Income	2,079,183	986,755	637,245	659,084	174,227	655,107	104,391	435,806	1,467,986	1,168,697
Sale of Capital Assets	-	6,700	11,226	4,995	69,798	-	19,604	-	-	3,477
Miscellaneous	456,837	97,147	54,816	54,796	495,175	12,978	98,060	20,804	85,549	3,808
Special item-Capital assets from Private Purpose Trust	-	-	-	-	-	-	-	-	-	680,196
Transfers, net	-	-	-	19,363	15,370	69,275	69,275	69,275	(260,001)	19,363
Proceeds, from Debt Restructuring	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	\$ 25,954,537	\$ 22,982,007	\$ 23,890,050	\$ 23,125,751	\$ 21,749,781	18,930,282	14,298,204	14,343,280	15,074,705	15,541,696
Business-Type Activities										
Investment Income	\$ 13,362	\$ 10,561	\$ 8,085	\$ 9,132	\$ 7,749	\$ 8,451	\$ 6,352	\$ 9,150	\$ 33	\$ 4,804
Transfers, net	-	-	-	(19,363)	(69,275)	(69,275)	(69,275)	(69,275)	260,001	(19,363)
Total Business-Type Activities	\$ 13,362	\$ 10,561	\$ 8,085	\$ (10,231)	\$ (61,526)	\$ (60,824)	\$ (62,923)	\$ (60,125)	\$ 260,034	\$ (14,559)
Total Primary Government General Revenues and Other	\$ 25,967,899	\$ 22,992,568	\$ 23,898,135	\$ 23,115,520	\$ 21,688,255	\$ 18,869,458	\$ 14,235,281	\$ 14,283,155	\$ 15,334,739	\$ 15,527,137
Change in Net Positon										
Governmental Activities	\$ 3,475,474	\$ 886,213	\$ 4,991,333	\$ 4,918,896	\$ 4,672,852	\$ 2,955,524	\$ (726,770)	\$ (3,643,920)	\$ (563,130)	\$ (948,329)
Business-Type Activities	(10,939)	25,105	(1,803)	43,286	45,122	20,849	18,651	19,671	307,432	(7,867)
Total Primary Government Change in Net Positon	\$ 3,464,535	\$ 911,318	\$ 4,989,530	\$ 4,962,182	\$ 4,717,974	\$ 2,976,373	\$ (708,119)	\$ (3,624,249)	\$ (255,698)	\$ (956,196)

Source: Middletown Township Financial Statements

(1) GASB Statement No 65 was implemented in 2012

(2) GASB Statement No 68 was implemented in 2015

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

	Fiscal Year									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 (A)</u>	<u>2010</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, undesignated	-	-	-	-	-	-	-	-	-	2,065,794
Non-spendable	11,951	45,458	138,734	7,343	34,252	23,301	-	-	-	-
Restricted	248,397	225,492	179,739	146,619	108,516	98,695	-	-	-	-
Committed	462,211	466,955	473,358	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>8,172,451</u>	<u>7,254,048</u>	<u>8,942,469</u>	<u>7,883,196</u>	<u>5,359,161</u>	<u>3,907,662</u>	<u>2,081,418</u>	<u>2,803,476</u>	<u>2,736,024</u>	-
Total General Fund	<u>\$ 8,895,010</u>	<u>\$ 7,991,953</u>	<u>\$ 9,734,300</u>	<u>\$ 8,037,158</u>	<u>\$ 5,501,929</u>	<u>\$ 4,029,658</u>	<u>\$ 2,081,418</u>	<u>\$ 2,803,476</u>	<u>\$ 2,736,024</u>	<u>\$ 2,065,794</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,912,720
Unreserved, designated for, reported in:										
Special Revenue Funds	-	-	-	-	-	-	-	-	-	1,393,632
Capital Projects Funds	-	-	-	-	-	-	-	-	-	46,612,927
Non-spendable	-	-	-	-	153,476	233,029	270,974	335,147	402,777	-
Restricted	1,868,569	1,478,081	1,397,799	1,729,234	2,880,452	5,162,872	1,564,188	1,327,400	1,920,553	-
Committed	683,065	623,862	39,485,092	39,374,415	39,298,484	39,222,508	39,275,872	40,369,420	40,441,705	-
Assigned	50,133,159	51,325,038	10,666,081	9,146,670	3,522,787	1,696,999	1,513,937	2,032,396	3,757,367	-
Unassigned	-	-	-	1,478	(224)	(11,809)	-	-	-	-
Total all Other Governmental Funds	<u>\$ 52,684,793</u>	<u>\$ 53,426,981</u>	<u>\$ 51,548,972</u>	<u>\$ 50,251,797</u>	<u>\$ 45,854,975</u>	<u>\$ 46,303,599</u>	<u>\$ 42,624,971</u>	<u>\$ 44,064,363</u>	<u>\$ 46,522,402</u>	<u>\$ 49,919,279</u>
Total Governmental Funds	<u>\$ 61,579,803</u>	<u>\$ 61,418,934</u>	<u>\$ 61,283,272</u>	<u>\$ 58,288,955</u>	<u>\$ 51,356,904</u>	<u>\$ 50,333,257</u>	<u>\$ 44,706,389</u>	<u>\$ 46,867,839</u>	<u>\$ 49,258,426</u>	<u>\$ 51,985,073</u>

Source: Middletown Township Financial Statements

(A) New Fund Balance Classifications per GASB 54

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenue										
Taxes (Non Earned Income Tax)	\$ 14,789,802	\$ 14,930,159	\$ 14,506,135	\$ 14,676,114	\$ 14,342,779	\$ 14,197,451	\$ 13,924,356	\$ 13,770,774	\$ 13,714,591	\$ 13,701,196
Earned Income Tax	8,415,147	7,998,427	8,349,759	7,612,374	6,783,852	4,080,744	-	-	-	-
Licenses and Permits	1,113,055	1,184,179	1,202,213	1,174,602	1,096,372	1,074,378	1,344,030	1,227,716	1,273,039	1,076,871
Fines and Forfeits	118,540	131,869	144,157	138,439	147,825	124,174	175,359	169,122	187,463	227,958
Interest and Rents	1,481,943	1,216,075	940,342	781,998	760,385	742,632	902,852	939,391	901,375	764,214
Intergovernmental Revenues	3,815,984	2,636,604	3,013,843	3,314,314	2,829,295	3,310,410	3,503,743	2,281,729	3,503,725	2,369,267
Charges for Services	6,596,709	6,597,887	6,316,616	6,525,032	6,735,503	7,417,070	6,827,850	6,295,008	6,227,130	6,093,799
Special Assessment	-	-	-	-	-	-	818	-	-	1,456
Contribution Private Source	12,176	12,404	55,660	19,208	55,497	68,155	576,698	74,867	175,903	145,253
Gain/(Loss) on Investments	597,640	(229,320)	(303,097)	(122,914)	(265,210)	(87,525)	(798,461)	(503,585)	566,611	404,483
Miscellaneous Revenues	354,483	256,569	115,190	62,097	131,790	12,978	98,060	20,804	88,549	3,658
Total Revenues	\$ 37,295,479	\$ 34,734,853	\$ 34,340,818	\$ 34,181,264	\$ 32,618,088	\$ 30,940,467	\$ 26,555,305	\$ 24,275,826	\$ 26,638,386	\$ 24,788,155
Expenditures										
General Government	\$ 2,867,434	\$ 2,479,540	\$ 2,392,815	\$ 2,375,974	\$ 2,301,468	\$ 2,012,237	\$ 1,948,999	\$ 1,789,113	\$ 1,890,916	\$ 1,770,342
Public Safety	17,281,031	16,259,206	14,572,966	14,333,335	13,965,246	13,577,125	13,278,438	11,892,467	13,316,076	11,095,416
Public Works	7,862,422	8,121,254	8,750,562	7,343,296	6,367,050	7,291,449	6,870,433	6,704,136	6,996,957	6,403,942
Parks and Recreation	1,450,940	1,313,849	1,299,553	1,302,579	1,294,579	1,354,995	1,334,010	1,356,337	1,267,795	1,614,937
Miscellaneous Expenditures	736,849	1,729,885	783,218	461,240	499,666	545,085	533,375	537,043	506,105	672,637
Capital Outlay/Development	4,031,784	2,085,391	2,122,519	2,159,501	4,582,602	3,749,117	2,094,767	1,664,283	1,846,092	2,226,965
Debt Service										
Principal	2,340,411	2,284,868	2,352,014	2,045,180	1,961,826	1,845,034	2,060,000	1,940,000	2,271,627	2,004,214
Interest	562,179	641,331	671,254	658,549	706,649	649,734	685,612	852,309	1,035,927	1,090,249
Other Charges	1,560	2,340	1,560	153,525	-	-	-	153,063	71,522	25,706
Total Expenditures	\$ 37,134,610	\$ 34,917,664	\$ 32,946,461	\$ 30,833,179	\$ 31,679,086	\$ 31,024,776	\$ 28,805,634	\$ 26,888,751	\$ 29,203,017	\$ 26,904,408
Excess of Revenues Over (Under) Expenditures	\$ 160,869	\$ (182,811)	\$ 1,394,357	\$ 3,348,085	\$ 939,002	\$ (84,309)	\$ (2,250,329)	\$ (2,612,925)	\$ (2,564,631)	\$ (2,116,253)
Other Financing Sources (Uses)										
Issuance of refunding Bonds	\$ -	\$ -	\$ 1,116,648	\$ 9,490,000	\$ -	\$ 10,460,850	\$ -	\$ 8,925,000	\$ 8,560,000	\$ 5,620,000
Premium on Bond Issuance	-	-	-	505,056	-	371,694	-	150,892	-	-
Discount on Bond Issuance	-	-	-	-	-	-	-	-	(34,881)	-
Payment to Refunded Bonds Escrow Agent	-	-	-	(6,435,448)	-	(5,190,642)	-	(8,922,829)	(8,427,134)	(5,557,439)
Bond Refinancing Expenses	-	-	-	-	-	-	-	-	-	(62,561)
Sale of Capital Assets	-	6,700	11,930	4,995	15,370	-	19,604	-	-	3,627
Issuance of Long Term Notes and Leases	-	311,773	-	-	-	-	-	-	-	-
Transfers In	159,600	2,500,000	2,557,731	2,099,063	2,822,775	221,975	1,522,275	1,538,975	2,401,497	2,949,063
Transfers Out	(159,600)	(2,500,000)	(2,557,731)	(2,079,700)	(2,753,500)	(152,700)	(1,453,000)	(1,469,700)	(2,661,498)	(3,259,483)
Total other Financing Sources (Uses)	\$ -	\$ 318,473	\$ 1,128,578	\$ 3,583,966	\$ 84,645	\$ 5,711,177	\$ 88,879	\$ 222,338	\$ (162,016)	\$ (306,793)
Net Change in Fund Balances	\$ 160,869	\$ 135,662	\$ 2,522,935	\$ 6,932,051	\$ 1,023,647	\$ 5,626,868	\$ (2,161,450)	\$ (2,390,587)	\$ (2,726,647)	\$ (2,423,046)
Debt Service as a Percentage of Non Capital Expenditures	8.48%	9.15%	10.10%	9.66%	9.20%	8.74%	10.54%	11.66%	12.81%	13.01%

Source: Middletown Township Financial Statements

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	Parking Tax	Per Capita Tax	Mechanical Device Tax	Total
2019	\$ 9,251,090	\$ 8,415,147	\$ 1,460,447	\$ 1,059,490	\$ 1,154,769	\$ 1,346,119	\$ 320,961	\$ 147,446	\$ 49,480	\$ 23,204,949
2018	9,237,860	7,998,427	1,364,243	1,111,139	1,158,235	1,568,242	327,151	131,509	31,780	22,928,586
2017	9,170,653	8,349,759	1,333,653	1,091,284	1,177,552	1,334,379	227,193	138,561	32,860	22,855,894
2016	9,302,240	7,612,374	1,447,720	1,129,355	1,046,011	1,258,149	312,160	146,119	34,360	\$ 22,288,488
2015	9,291,064	6,783,852	1,379,123	983,936	1,116,110	1,137,327	260,992	139,627	34,600	21,126,631
2014	9,303,843	4,080,744	1,321,125	1,106,985	1,024,321	1,035,953	226,091	142,633	36,500	18,278,195
2013	9,226,996	-	1,265,984	1,038,831	1,032,229	960,778	214,177	146,035	39,326	13,924,356
2012	9,257,151	-	1,310,544	891,077	1,045,067	850,232	238,155	141,588	36,960	13,770,774
2011	9,215,186	-	1,279,984	988,502	1,114,116	714,933	225,038	136,412	40,420	13,714,591
2010	9,273,614	-	1,288,175	953,403	1,025,104	720,569	247,386	141,815	43,180	13,693,246

Source: Middletown Township Financial Statements

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
2019	\$ 615,689,467	\$ 84,992,107	\$ 530,697,360	\$ 6,077,882,204	10.13%	17.57
2018	618,665,160	87,427,210	531,237,950	6,746,621,156	9.17%	17.57
2017	618,097,790	86,610,530	531,487,260	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	528,103,540	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

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 Millage	Total Direct & Overlapping Millage Rates
	Township of Middletown			Bucks County, PA				
	Operating Millage	Debt Service Millage	Total Township Millage	Operating Millage	Debt Service Millage	Total County Millage		
2019	12.42500	5.14500	17.57000	19.08960	5.36040	24.45000	163.10000	205.12000
2018	12.42500	5.14500	17.57000	19.08960	5.36040	24.45000	159.50000	201.52000
2017	12.42500	5.14500	17.57000	19.53150	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

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, 2019			December 31, 2010		
		Taxable Assessed Value (1)	Rank	Percentage of Total Assessed Valuation (2)	Taxable Assessed Value (1)	Rank	Percentage of Total Assessed Valuation (3)
McStome, Inc. (Kravco)	Commercial Development	17,642,830	1	3.32%	21,042,460	1	3.98%
St. Mary Medical Center Healthcare	Healthcare	4,565,800	2	0.86%			
800 (Eight) Trenton Assoc LP	Apartment Complex	4,368,800	3	0.82%	4,368,800	3	0.83%
Harper's Crossing Owner LLC (Jefferson Woods)	Residential Community	4,157,100	4	0.78%	4,157,100	4	0.79%
Shoppes at Flowers Mills	Shopping Center	3,585,060	5	0.68%	3,227,200	6	0.61%
Attleboro Associates Retirement & Assisted Living	Retirement & Assisted Living	2,797,300	6	0.53%	2,861,160	7	0.54%
Reedman Toll	Auto Dealership	2,617,520	7	0.49%	3,381,520	5	0.64%
Busch Entertainment Corp/Sesame Place Inc.	Commercial Development	2,422,050	8	0.46%			
Arepil BC Industrial LLC (Cabot Blvd./Wheeler Way)	Equipment	2,413,950	9	0.45%			
Guttman (Langhorne Square Shopping Center)	Shopping Center	2,331,110	10	0.44%	2,310,080	8	0.44%

(1) Information provided by Middletown Township Tax Collector. Multiple Parcels now grouped together

(2) Information provided by Bucks County, PA Real Estate Assessment Roll. Total Assessed Valuation is \$530,697,360

(3) Information obtain from Middletown Township 2010 CAFR. Total Assessed Valuation is \$529,215,470

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
2019	\$ 9,324,353	\$ 9,162,825	98.27%	\$ 88,265	\$ 9,251,090	99.21%
2018	9,333,851	9,119,887	97.71%	117,973	9,237,860	98.97%
2017	9,338,231	9,062,316	97.05%	108,337	9,170,653	98.21%
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%

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt Limit	\$ 61,568,947	\$ 61,892,412	\$ 61,809,779	\$ 61,710,122	\$ 61,639,756	\$ 613,100,778	\$ 61,322,492	\$ 61,765,324	\$ 61,709,397	\$ 61,439,591
Total Net Debt Applicable to Limit	20,346,399	22,545,909	24,883,585	27,299,228	24,578,721	26,564,333	24,008,367	26,195,077	28,008,228	29,526,031
Legal Debt Margin	<u>\$ 41,222,548</u>	<u>\$ 39,346,503</u>	<u>\$ 36,926,194</u>	<u>\$ 34,410,894</u>	<u>\$ 37,061,035</u>	<u>\$ 586,536,445</u>	<u>\$ 37,314,125</u>	<u>\$ 35,570,247</u>	<u>\$ 33,701,169</u>	<u>\$ 31,913,560</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	33.05%	36.43%	40.26%	44.24%	39.87%	4.33%	39.15%	42.41%	45.39%	48.06%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed Value	\$ 530,697,360
Add Back: Exempt Real Property	<u>84,992,107</u>
Total Assessed Value	<u>\$ 615,689,467</u>
Debt Limit (10% of Total Assessed Value)	\$ 61,568,947
Debt Applicable to Limit	
General Obligation Bonds	\$ 20,175,000
Less: Amount set aside for repayment of General Obligation Debt	<u>\$ (171,399)</u>
Total Net Debt Applicable to Limit	<u>\$ 20,346,399</u>
Legal Debt Margin	<u>\$ 41,222,548</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.

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			
2019	\$ 20,719,065	\$ 1,057,564	\$ -	\$ 21,776,629	1.32%	\$ 479
2018	22,989,824	1,411,887	-	24,401,711	1.48%	537
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

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
2019	\$ 20,719,065	\$ 171,399	\$ 20,547,666	0.34%	452
2018	22,989,824	200,909	22,788,915	0.34%	502
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

(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, 2019

Government Unit	Gross Outstanding Debt	Percentage Applicable to Middletown Township	Amount Applicable to Middletown Township
Township of Middletown (1)	\$ 21,776,629	100.00%	\$ 21,776,629
Neshaminy School District (2)	132,554,436	67.51%	89,487,500
Bucks County (3)	<u>297,140,135</u>	63.64%	<u>189,105,509</u>
Sub-Total Overlapping Debt	429,694,571		278,593,009
Total	\$ 451,471,200		\$ 300,369,638

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, 2019 based on ratio of Middletown Township's assessed valuation (see Schedule 5) to Bucks County's 2019 assessed valuation of \$8,338,809,770 (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)
2019	45,436	\$ 1,653,461	36,391	42.5	9,037	3.80%
2018	45,436	1,653,461	36,391	42.5	8,826	3.80%
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%

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, 2019 (1)			December 31, 2010		
		Employees	Rank	Percentage of Total Township Employment (2)	Employees	Rank	Percentage of Total Township Employment (3)
St Mary Medical Center	Hospital	2,733	1	8.72%	2,456	1	9.67%
Woods Services, Inc.	Education	1,947	2	6.21%	1,698	2	6.69%
SeaWorld Parks & Entertainment	Entertainment/Theme Park	1,726	3	5.50%			
BMG Circle of Life LLC		1,243	4	3.96%			
Neshaminy School District	Education	1,007	5	3.21%	1,382	4	5.44%
Amazon.com Services Inc	Retail	945	6	3.01%			
Reedman-Toll Autoworld	Retail/Automotive	569	7	1.81%	328	8	1.29%
Amazon.com Dedc LLC	Retail	508	8	1.62%			
Pennswood Village	Retirement Community	476	9	1.52%	419	6	1.65%
George School	Education	430	10	1.37%			
David Davis Enterprises, Inc.	Retail/Automotive						
Busch Entertainment Corp	Entertainment/Theme Park				1,650	3	6.50%
ICT Group Inc.	Communication Services						
Macy's Retail Holding Inc.	Retail				280	9	1.10%
Attleboro Nursing Home	Retirement Community						
Total		11,584		36.94%	8,213		32.33%

(1) Information provided by Keystone Collections Group

(2) Information provided by Berkheimer Tax Administrator, Total Middletown Civilian Labor Force is 31,357

(3) Commonwealth of PA, Department of Labor & Industry, Total Middletown Township Civilian Labor Force is 25,400

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

	Fiscal Year									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Government										
Administration	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0
Finance	5.0	4.5	5.0	5.0	5.0	5.0	5.0	5.0	5.5	5.5
Personal	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Police										
Police Officers	59.0	59.0	57.0	56.0	54.0	51.0	51.0	48.0	50.0	52.0
Police Civilians (1)	17.5	15.5	15.5	13.0	13.0	16.0	16.0	16.0	16.0	16.0
Public Works										
Administration	2.5	2.5	2.0	2.5	2.5	3.0	3.0	2.5	3.5	3.5
Maintenance/Labor	15.5	16.5	15.5	12.5	12.5	12.0	11.0	11.0	11.0	13.0
Summer/Seasonal	5.0	5.0	4.0	3.0	3.0	3.0	4.0	4.0	4.0	6.0
Community Services										
Administration	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Custodial/Labor (2)	-	-	-	-	-	-	-	-	0.5	0.5
Emergency Services										
Officers/Inspectors (3)	8.50	7.75	4.5	3.0	3.0	3.0	3.0	2.5	2.5	3.5
Administration	-	-	1.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0
Parks & Recreation										
Administration	4.5	4.5	3.5	3.0	3.0	4.0	4.0	3.0	3.0	3.0
Equipment Operator/Labor	3.5	3.5	3.5	3.5	3.5	4.0	4.0	4.0	4.0	4.0
Summer Rec/Seasonal	23.0	23.0	22.5	22.0	22.0	24.0	24.5	24.5	24.5	24.5
Misc. Program Facilitators	4.0	4.0	6.0	8.0	8.0	8.0	6.0	6.0	6.0	6.0
Licenses, Inspections & Zoning	<u>8.0</u>	<u>7.0</u>	<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>
Totals	<u>161.00</u>	<u>156.75</u>	<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>

Source: Middletown Township Department Records

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

(3) One part-time per diem fire officer/inspector is calculated at 0.25 FTES

**TOWNSHIP OF MIDDLETOWN
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Emergency Services										
Emergency Fire Calls	988	1,543	1,467	2,000	2,000	2,000	1,000	1,081	1,142	1,850
Residential Fires	15	22	26	22	27	22	10	14	30	17
Business/Industrial Fires	9	2	6	2	2	2	2	3	2	3
Fire Investigations Conducted	112	374	339	917	342	917	193	207	29	214
Hazardous Materials/Petroleum Spill Calls	3	49	50	42	51	42	46	64	40	54
Mechanical Inspections Conducted	150	235	267	250	312	250	242	247	235	197
Fire Safety Inspections Conducted	7,726	1,979	1,886	1,825	1,911	1,825	1,604	1,634	1,612	1,570
General Government										
Building Inspections Conducted	1,438	1,080	940	1,223	1,426	3,008	2,678	2,666	2,519	2,672
Plumbing Inspections Conducted	241	600	550	498	629	758	595	539	476	484
Building Permits Issued	444	536	467	574	628	810	880	786	759	853
Plumbing Permits Issued	249	340	278	266	312	395	310	226	218	233
Electrical Permits Issued	461	625	490	547	421	482	370	281	300	324
Residential Value of Construction/Issued Permits	23,507,509	9,700,000	10,000,000	6,319,299	13,131,173	13,822,476	12,303,222	8,120,371	8,581,482	12,819,482
Commercial Value of Construction/Issued Permits	1,839,251	1,200,000	13,000,000	17,316,835	22,327,057	21,928,028	53,381,440	18,057,473	53,376,259	31,916,655
Parks & Recreation										
Recreation Program Participants	13,840	13,599	12,519	15,718	15,531	15,800	15,822	11,050	7,641	8,751
Program Sessions Offered	336	318	344	371	356	380	378	376	404	392
Police										
Criminal Arrests	831	761	914	1,073	1,071	918	535	760	895	776
Traffic Citations	3,637	3,091	3,697	2,952	3,677	2,713	1,015	1,265	3,024	2,632
Accident Reports	1,697	1,775	1,787	1,718	1,740	1,761	1,789	1,763	2,003	1,856
Parking Violations	104	177	120	194	407	105	71	72	381	95
Animal Control Cases Investigated	464	304	146	491	418	549	507	501	622	626
Animal Control Warnings Issued	142	80	74	25	16	35	25	20	20	37
Animal Control Prosecutions Instituted	39	27	23	16	13	21	13	18	29	30
Public Works										
Roads Resurfaced (linear feet)	18,195	36,000	47,520	48,500	61,900	19,483	5,270	-	-	-
Trees Removed/Trimmed	125	75	133	409	96	156	297	230	112	131
Signs Repaired/Installed	100	82	129	235	234	103	95	96	94	99
Drainage/Storm Drains Unclogged	65	38	66	79	77	72	56	145	120	22
Potholes Repaired	420	653	603	540	1,712	2,228	647	607	438	570
Sinkholes Repaired	21	11	20	25	40	32	84	64	67	38

Source: Middletown Township Department Records

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

<u>Function/Program</u>	Fiscal Year									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Emergency Services										
Fire Stations	6	6	6	6	6	6	6	6	6	8
Vehicle Units	31	31	31	31	31	31	31	32	32	28
General Government										
Square Footage Occupied	56,122	56,122	56,122	56,122	56,122	56,122	56,122	56,122	56,122	56,122
Inspection Vehicles	2	2	2	2	2	2	2	2	2	2
Other Departmental Vehicles	2	2	1	1	1	1	1	1	1	1
Parks & Recreation										
Number of Recreation Facilities	19	19	19	19	19	19	19	19	19	19
Acreage of Park Land	142.00	142.00	142.00	142.00	142.00	142.00	142.00	142.00	141.50	141.50
Acreage of Greenbelts/Open Space	529	529	529	529	529	529	529	518	518	518
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	50	47	47	45	45	46	46	45	50	50
Trained Canines	4	4	4	4	4	4	4	4	2	3
Public Works										
Municipal Street (Lane Miles)	137.77	137.77	137.77	137.77	137.77	137.77	137.77	137.77	137.77	137.77
Streetlights	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Public Service Vehicles	26	25	24	24	24	24	24	24	24	24
Off-Road Equipment	8	8	7	7	7	7	7	7	7	7
Office Garage Complex	2	2	2	2	2	2	2	2	2	2
Salt Storage Buildings	1	1	1	1	1	1	1	1	1	1

Source: Middletown Township Department Records