

**TOWNSHIP OF MIDDLETOWN
BUCKS COUNTY, PENNSYLVANIA**

FINANCIAL STATEMENTS

DECEMBER 31, 2011

TOWNSHIP OF MIDDLETOWN

GENERAL PURPOSE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

TABLE OF CONTENTS

Independent Auditors' Report	3-4
Management's Discussion and Analysis	5-18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	19-20
Statement of Activities.....	21-22
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	23
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Assets	24
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – State Highway Aid Fund	28
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Investment Fund	29
Statement of Net Assets - Proprietary Funds	30
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	32
Statement of Fiduciary Net Assets - Fiduciary Funds	33
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	34
Notes to Financial Statements	35-71
Required Supplementary Information:	
Schedule of Funding Progress - Police Pension Plan	73
Schedule of Funding Progress - Non Uniform Pension Plan.....	74
Schedule of Funding Progress - Other Post Employment Benefits	75
Notes to Supplementary Schedules.....	76

Combining and Individual Fund Statements and Schedules:	
Major Governmental Funds	78
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – Debt Service Fund.....	79
Non-Major Governmental Funds.....	80-81
Combining Balance Sheet - Nonmajor Governmental Funds.....	82-83
Combining Statement of Revenues, Expenditures and Changes in Fund	
Balances - Nonmajor Governmental Funds.....	84-85
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – General Street Lighting Fund.....	86
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – Fire Protection Fund	87
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – Park and Recreation Fund.....	88
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – Ambulance and Rescue Fund.....	89
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – Road Machinery Fund.....	90
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – Fire Hydrant Fund.....	91
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – G.O. Bond Issue of 2008 Fund	92
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – G.O. Bond Issue of 2011 Fund	93
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – Capital Reserve Fund.....	94
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – Curb/Road Revolving Fund	95
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – Contingency Fund.....	96
Proprietary Funds.....	97
Schedule of Revenues, Expenses, and Changes in Fund Balances –	
Budget and Actual – Country Club Fund	98
Schedule of Revenues, Expenses, and Changes in Fund Balances –	
Budget and Actual – Farm Fund	99
Fiduciary Funds.....	100
Combining Statement of Net Assets – Fiduciary Funds.....	101
Combining Statement of Revenues, Expenses and Changes in Fund Net	
Assets – Fiduciary Funds.....	102
Statement of Changes in Assets and Liabilities – Township Escrow Funds	103



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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Middletown Township, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Middletown, Pennsylvania, as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of other auditors, provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, 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, 2011 and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund, state highway aid fund, and the investment fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18, and the historical trend information on pages 73 through 76 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Middletown's, Bucks County, Pennsylvania, financial statements as a whole. The combining and individual nonmajor fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



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

July 25, 2012

**Middletown Township
Bucks County, Pennsylvania**

**Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Fiscal Year Ended December 31, 2011**

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, 2011. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the independent auditor's opinion letter, the notes to the basic financial statements, and the financial statements themselves to enhance their understanding of the Township's financial performance.

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

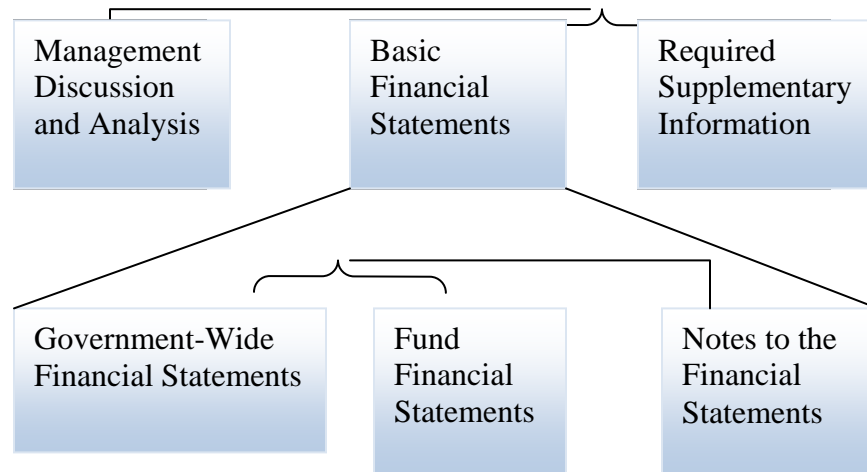
The remaining statements are fund financial statements which focus on the government's major governmental and enterprise funds. Governmental fund financials are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental funds statements 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 Styers 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 Assets on pages 19-20 includes all of the government's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. To assess the overall health of the Township, you need to consider additional non-financial factors, such as changes in the property tax base or the condition of Township infrastructure.

The Statement of Activities on pages 21-22 reports how the Township's net assets have changed during the current fiscal year. It accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. It also reports depreciation. An important purpose of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues provided by the Township's taxpayers. This is accomplished by displaying expenses net of program revenue, allocating program revenue to the particular expense categories they offset. General revenues, such as taxes, are reported separately.

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

- *Governmental activities* – All of the Township’s basic services are included here financed by taxes, fees, contributions and grants.
- *Business type activities* – The Middletown Country Club Fund and the Styers Farm Fund are included here recovering their costs through user fees and charges.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Some funds are required by state law and by bond requirements. Within the basic financial statements, fund financial statements focus on the Township’s most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

Governmental Funds – Most of the Township’s activities are reported in governmental funds, which focus on the determination of financial position and changes in financial position, not on income determination. They are reported on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The focus of these statements is to provide a detailed short-term view of the Township’s operations and the services it provides. It reports on the use of spendable resources during the year and the balances of spendable resources available at the end of the year. This information helps the reader determine whether there are sufficient resources that can be spent in the near future to finance the Township’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds is reconciled in the financial statements on page 24 and 26.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 35 through 71 of this report.

Financial Analysis of the Township as a Whole

Net assets may serve, over time, as a useful indicator of a government's financial position. In Middletown Township, assets exceed liabilities by \$69,700,761 and \$70,260,891 at the close of the years ended December 31, 2011 and 2010, respectively.

The following table provides a summary of the Township's net assets at December 31, 2011 and December 31, 2010:

Table 1
Summary of Net Assets
For the Years Ending 12/31/11 and 12/31/10
(Government-Wide)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 51,457,362	\$ 53,600,121	\$ 404,861	\$ 432,542	\$ 51,862,223	\$ 54,032,663
Capital Assets	52,040,688	51,455,105	4,896,640	4,492,127	56,937,328	55,947,232
Total Assets	<u>\$ 103,498,050</u>	<u>\$ 105,055,226</u>	<u>\$ 5,301,501</u>	<u>\$ 4,924,669</u>	<u>\$ 108,799,551</u>	<u>\$ 109,979,895</u>
Current and Other Liabilities	\$ 3,708,772	\$ 3,991,235	\$ 499,247	\$ 545,147	\$ 4,208,019	\$ 4,536,382
Long-Term Liabilities	30,088,517	30,803,100	288,154	351,525	30,376,671	31,154,625
Total Liabilities	<u>\$ 33,797,289</u>	<u>\$ 34,794,335</u>	<u>\$ 787,401</u>	<u>\$ 896,672</u>	<u>\$ 34,584,690</u>	<u>\$ 35,691,007</u>
Net Assets						
Investment in Capital Assets, net of related debt	\$ 25,986,662	\$ 18,225,583	\$ 4,545,115	\$ 4,492,127	\$ 30,531,777	\$ 22,717,710
Restricted	1,920,553	5,098,898	-	-	1,920,553	5,098,898
Unrestricted	41,793,546	46,936,410	(31,015)	(464,130)	41,762,531	46,472,280
Total Net Assets	<u>\$ 69,700,761</u>	<u>\$ 70,260,891</u>	<u>\$ 4,514,100</u>	<u>\$ 4,027,997</u>	<u>\$ 74,214,861</u>	<u>\$ 74,288,888</u>

The current assets of the Township are comprised primarily of cash, short-term investments, and accounts receivable. The largest portion of the current assets balance is made up of cash and investments held by the Investment Fund (\$38.5 million in 2011). The Township's capital assets are comprised of land, buildings, machinery & equipment, and infrastructure, net of accumulated depreciation. The Township uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Recent capital asset additions are discussed later in this report and in Note D to the Basic Financial Statements.

Current liabilities consist primarily of accounts payable, various accruals and the current portion of long term liabilities. Long-term liabilities include principal balances owed on various General Obligation Bonds and notes, and accrued sick and severance pay. The outstanding principal on the 2008, 2009, 2010 and 2011 bond issues make up \$28,090,000 of the liabilities balance at year end 2011. Debt administration is discussed later in this report and in Note E to the Basic Financial Statements.

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

Governmental Activities decreased the Township's net assets by \$560,130 during the current fiscal year. This is an improvement over the 2010 decrease in net assets of \$948,329, and is indicative of a continued effort by the Township to control costs while increasing revenues.

Business-type Activities increased the Township's net assets by \$307,432 during the current fiscal year. These activities are comprised of the Middletown Country Club and the Styer's Farm. This increase is favorable to the 2010 decrease in net assets of \$7,867 and reflects the capital improvements made to the Country Club amounting to \$495,470 funded by the 2008 Bond Issue.

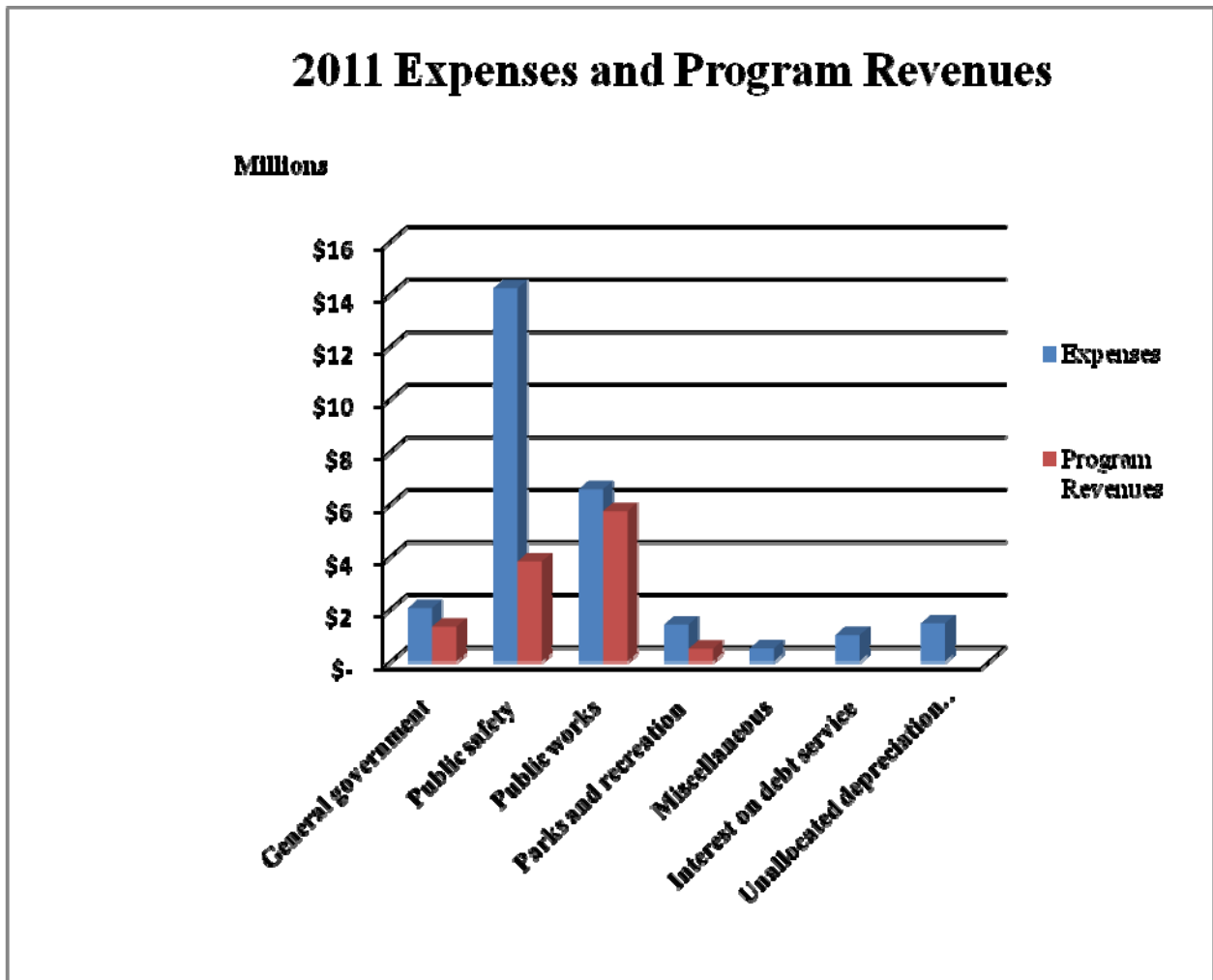
The result of this year's operations as a whole are reported in the Statement of Activities on page 21-22. All expenses are reported in the first column. Specific charges, grants, and contributions that directly relate to specific expense categories are netted against them to determine the final amount of the Township's activities that are supported by other general revenues, primarily Property Taxes and Other Taxes (Act 511 Taxes). Basically, the Statement shows which Township expenses are funded by specific program revenues and the balance of expenses left to be funded by tax revenues.

Table 2 takes the information from the Statement of Activities and rearranges it slightly by showing the Township's total revenues for the year ended December 31, 2011 compared to December 31, 2010.

Table 2
Changes in Net Assets
For the Years Ending 12/31/11 and 12/31/10
(Government-Wide)

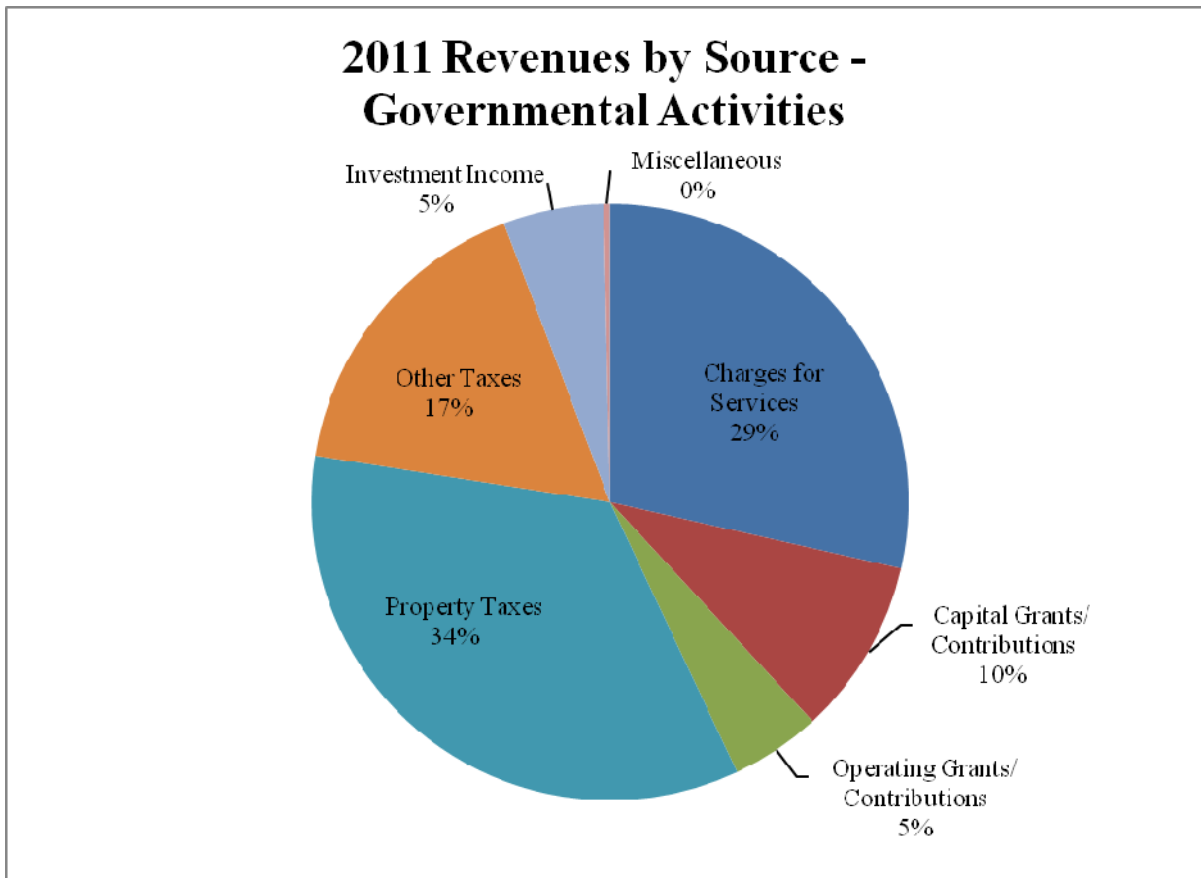
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,687,632	\$ 7,400,084	\$ 224,434	\$ 182,000	\$ 7,912,066	\$ 7,582,084
Operating Grants/ Contributions	2,573,581	2,192,687	-	-	2,573,581	2,192,687
Capital Grants/ Contributions	1,308,528	-	-	-	1,308,528	-
General Revenues:						
Property Taxes	9,281,766	9,246,523	-	-	9,281,766	9,246,523
Other Taxes	4,499,405	4,419,632	-	-	4,499,405	4,419,632
Investment Income and Rent	1,467,986	1,168,697	33	4,804	1,468,019	1,173,501
Miscellaneous	88,549	7,285	-	-	88,549	7,285
Total Revenues	\$ 26,907,447	\$ 24,434,908	\$ 224,467	\$ 186,804	\$ 27,131,914	\$ 24,621,712
Expenses:						
General Government	\$ 2,037,179	\$ 2,023,182	\$ -	\$ -	\$ 2,037,179	\$ 2,023,182
Public Safety	14,210,367	12,218,168	-	-	14,210,367	12,218,168
Public Works	6,566,282	6,719,377	-	-	6,566,282	6,719,377
Parks and Recreation	1,416,404	1,825,931	-	-	1,416,404	1,825,931
Miscellaneous	506,105	672,637	-	-	506,105	672,637
Debt Service Interest	1,013,702	1,168,279	13,874	16,993	1,027,576	1,185,272
Unallocated Depreciation on Infrastructure	1,457,537	1,455,222	-	-	1,457,537	1,455,222
Business-Type Activities	-	-	163,162	158,315	163,162	158,315
Total Expenses	\$ 27,207,576	\$ 26,082,796	\$ 177,036	\$ 175,308	\$ 27,384,612	\$ 26,258,104
Change in Net Assets before transfers	\$ (300,129)	\$ (1,647,888)	\$ 47,431	\$ 11,496	\$ (252,698)	\$ (1,636,392)
Special item - Capital Assets from Private Purpose Trust Transfers, net						
	-	680,196	-	-	-	680,196
	(260,001)	19,363	260,001	(19,363)	-	-
Change in Net Assets	(560,130)	(948,329)	307,432	(7,867)	(252,698)	(956,196)
Net Assets-beginning of year	70,260,891	71,209,220	4,027,997	4,035,864	74,288,888	75,245,084
Prior Period Adjustments	-	-	178,671	-	178,671	-
Net Assets-end of year	\$ 69,700,761	\$ 70,260,891	\$ 4,514,100	\$ 4,027,997	\$ 74,214,861	\$ 74,288,888

The following chart shows the Government-wide sources of expenses and related program revenues for the year ended December 31, 2011:



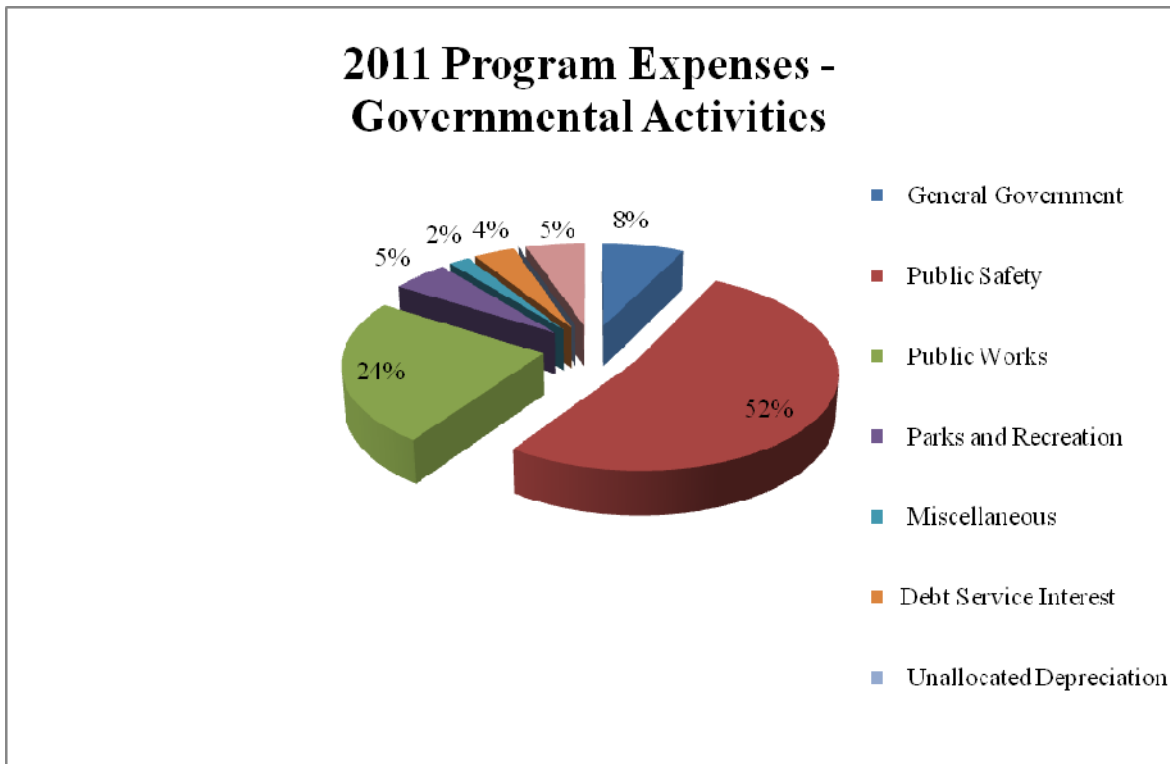
General revenues are required to support the programs. As reflected in the above chart program expenses exceed program revenues in all areas. General government expenses exceed program revenues by \$706,493 public safety by \$10,393,075, public works by \$635,537, and park and recreations by \$925,386.

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2011:



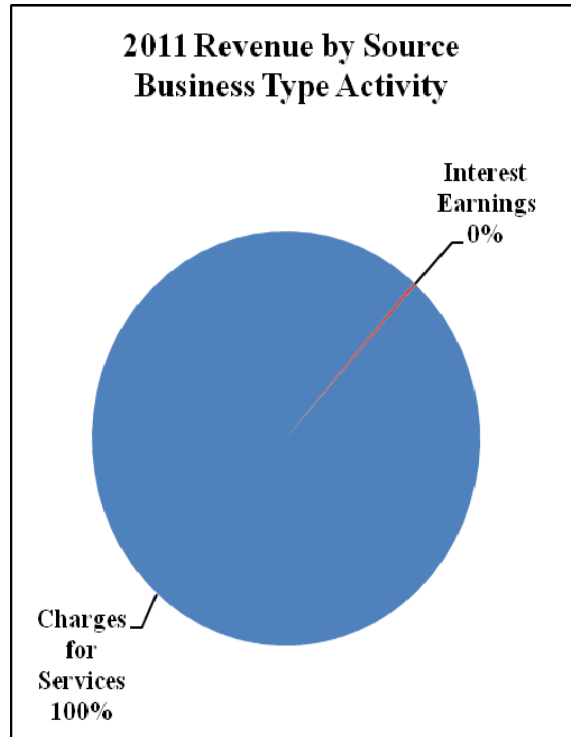
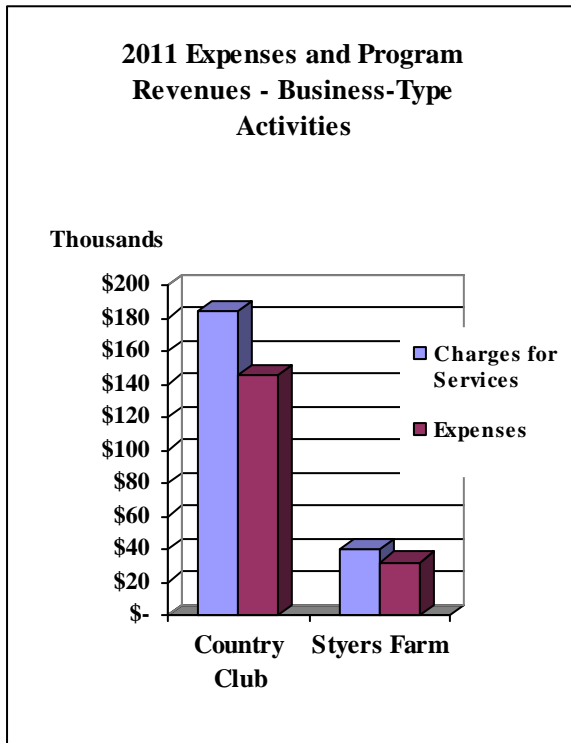
Of the total Government-wide revenues of \$26,907,447, the greatest share came from Property Taxes with revenues of \$9,281,766. The second largest revenue source is Charges for Services with revenues of \$7,687,632, primarily made up of fees for solid waste collection in the amount of \$4,383,733. Other Taxes include the Township's Act 511 taxes such as the Occupational Privilege, Per Capita, Real Estate Transfer, Mercantile, Amusement, and Mechanical Device Taxes with combined revenues of \$4,499,405. Operating and Capital Grants and Contributions brought in \$3,882,109. Investment income and rents improved to 60% of 2008 levels, netting the Township \$1,467,986. Miscellaneous Income and Net Transfers comprise the balance of the 2011 revenues for governmental activities.

The following chart shows the Government-wide sources of program expenses for the year ended December 31, 2011:



The largest share of expenditures in 2011 were related to Public Safety, a broad category including police protection, animal control, school crossing guards, fire marshal's services, code enforcement, planning and zoning, and emergency management. Public Safety expenses totaled \$14,210,367 for 2011. Public Works expenses include items such as solid waste collection expenses, general road maintenance, repairs to tools and machinery, construction and rebuilding of storm sewers and guide rails, operation and maintenance of traffic signals, street signs, and snow removal. Public Works expenses totaled \$6,566,282 for 2011. General Government expenses of \$2,037,179 make up the third largest segment of 2011 expenses. This category covers the costs of staffing, benefits, and other administrative costs and ancillary expenses. Parks and Recreation expenses of \$1,416,404 fund the operation and maintenance of our Township parks, park buildings, and park equipment as well as administrative costs and Township recreation programs. Depreciation expenses of \$1,457,537, Debt Service Interest of \$1,013,702, and Miscellaneous expenses of \$506,105 primarily insurance expense, round out the 2011 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, 2011:



Business-type Activities increased the Township’s net assets by \$307,432 during the current fiscal year. The Middletown Country Club revenues totaled \$184,434 with offsetting expenses of \$131,240 for an operating income of \$53,194. After non-operating expense, which consists of interest expense of \$13,874 offset by interest income of \$31, the result is an income before transfers of \$39,351. The Styer’s Farm revenues totaled \$40,000 for the year with offsetting expenses of \$31,922 for an operating income of \$8,078. After investment income for the fund of \$2, the result is an income before transfers of \$8,080. The overall increase in net assets is attributable to the transfer of capital improvements to the country club of \$495,470 funded by the 2008 bond fund and transferred to the Country Club fund.

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 \$49,258,426 which represents a decrease of \$2,726,647 from the previous year. The largest components of this decrease is in the Capital Projects Funds, specifically the GOB 2008 Issue Fund, and the Capital Reserve Fund, representing investment spending in Capital Projects of the bond fund, and budgeted capital additions in the capital reserve fund for the year. The other significant decrease is in the Investment Fund, caused by a shortfall in revenue against budgeted transfers.

The Township implemented GASB Statement No. 54 in 2011. This required a re-examination of the fund balances and categorization according to the level of constraint placed upon them. The new terminology is used throughout this report and the financial statements. It also required the Township to review its fund structure to be certain that the uses of funds were appropriate under new fund definitions. As a result, there was one change to the fund structure; the Investment Fund was changed from a capital projects fund type to a special revenue fund.

Of the \$49,258,426 combined fund balance total, \$2,614 is non-spendable, and represents a prepaid expense. Restricted fund balance, which represents the amounts that are stipulated to be spent for specific purposes total \$1,920,553 (or 3.9%). These constraints are placed either by external parties or enabling legislation. Restricted fund balance includes \$5,212 for public safety, \$697,091 for public works, \$843,909 for debt service, and \$374,341 for transportation impact. Committed fund balance, which represents amounts that can only be used for the specific purposed determined by a formal action of the Township's highest level of decision making authority, the Board of Supervisors. Committed fund balance totals \$40,441,705 (or 82.1%) includes \$441,705 for culture and recreation, and the \$40,000,000 Investment Fund principal for emergency reserve.

In addition, assignments totaling \$4,157,530 (or 8.4%) include \$1,262,101 to supplement the budgeted transfers from the investment fund. A residual fund balance of \$2,895,429 in the Capital Reserve fund is also categorized as assigned.

The residual fund balance in the General Fund, categorized as unassigned, represents fund balance that has not been restricted or assigned to specific purposes with the General Fund. These monies are available for expenditure. At December 31, 2011, this fund balance is \$2,736,024 (or 5.6%). The general fund is the primary operating fund of Middletown Township. This fund balance represents 15.3% of total general fund expenditures. During 2011, the general fund balance increased by \$670,230, significantly better than the deficit planned in the 2011 budget. This is a result of a continued effort to control expenditures, and better performance in revenue than planned.

The investment fund has a total fund balance of \$41,262,101 at fiscal year end, a decrease of \$527,498 from the prior year. This is the result of lower than anticipated investment earnings of the Township's investment portfolios.

The state highway aid fund has a total fund balance of \$643,976 at fiscal year end, and accounts for the revenue received for liquid fuels monies, which are restricted to use as stipulated by the Commonwealth of Pennsylvania.

The debt service fund has a total fund balance of \$81,772. All revenues derived from the real estate tax levy of the Debt Service Fund are used to pay interest and principal on indebtedness incurred by the Township through bond issues and interfund loans. The 2011 budget provides for a real estate tax rate of 5.30 mills for the fund; a decrease of .70 mills over 2010.

The Township of Middletown's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets of the Country Club fund is \$49,868 at year end 2011. The total net assets are \$2,288,014. The Municipal Golf Course Capital Improvement Program which had been delayed due to economic conditions was completed in 2011 at a capitalized cost of \$495,470. The Country Club is supported completely by non-tax revenues.

The unrestricted net assets of the Styer's Farm fund is a net deficit of \$80,883 at year end 2011. The total net assets are \$2,306,969. The property is a valuable asset to the Township and management continues to strive to improve the financial reserves of the fund.

The General Fund Budget

During the year there was a \$12,035 increase in budgeted expenditures and transfers, with an offsetting \$12,000 increase in budgeted revenue, thereby increasing net expenditures and transfers by \$35 between the original and final amended budget.

Supplemental appropriations were made to the following expenditure accounts:

Emergency Management- Hurricane Expense, \$40,000;
Emergency Management- Salary- DPW, \$40,000;
Permanent Transfer – Debt Service, \$230,000;
Health & Sanitation – Residential Collection, \$12,000;

Supplemental appropriations were possible because of General Fund Expense Savings to budget, and higher than anticipated revenue, and additional appropriation to revenue to the following account:

Sanitation Fees- Penalties & Interest, \$12,000.

A schedule showing the Townships original and final budget amount compared with amounts actually paid and received is provided on page 27.

Capital Assets

At December 31, 2011, the Township had \$56,937,328 invested in a broad range of capital assets, including land, land improvements, buildings, building improvements, machinery & equipment and infrastructure.

Capital asset purchases totaled \$3,866,736 during the 2011 fiscal year as follows:

Land Improvements - \$1,094,092; Building and improvements - \$1,314,647; Machinery and equipment - \$598,885; and Infrastructure - \$859,112.

Land improvements include site improvements to Beechwood, Simmons, and Veterans Memorial parks.

Building and building improvements are comprised of the renovations to the Middletown Community Center, and the Middletown Country Club, the North Station Training facility, and the Municipal Center security system.

Infrastructure expenditures are comprised of the 2011 Road Repaving Program, the Flowers Mill – Gables Ct Road Paving Program, the 2011 Drainage Improvement Program, and the Township Line Road Paving Program.

Machinery and equipment capital asset additions include: six 2011 Ford Crown Victoria police vehicles, Mobile Computers, Tasers, and Bullet Proof Vests for the Police Department; a 2011 International Dump Truck, Road Salt Brine System, and a Backup Generator System for DPW; and High Visibility Jackets for the EMTs.

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

Debt Administration

As of January 1, 2011, the Township had total outstanding long-term debt of \$33,957,553 (principal only). Obligations of the Township include general obligation bond and notes, the Middletown Country Club Note, accrued vacation, sick and severance pay for specific employees and other post retirement benefit liabilities for police. The outstanding long-term debt balance at December 31, 2011 is \$32,468,444 (principal only).

Moody's Investor Services affirmed and recalibrated the Middletown Township's general obligation bond (GOB) rating from Aa3 to Aa2 on April 23, 2010. The Aa2 rating reflects the Township's ample reserve levels, sizable mature tax base and favorable debt position. Moody's Investors Service expects the Township reserve levels to remain ample despite a substantial budgeted use of General Fund balance. They believe that the Township will continue to experience full valuation growth, due mostly to market value appreciation. Furthermore, on July 29, 2011, Standard and Poor's Ratings Services reaffirmed its AA+ bond rating for Middletown Township bonds. Both of these ratings are clear indications of the sound financial condition of the Township. The Township's debt position is expected to remain favorable, reflecting a modest direct debt burden, no additional borrowing plans and an average amortization rate.

The Middletown Country Club note has an outstanding balance of \$351,525 at December 31, 2011. Principal payments of \$59,690 were made during the year. Compensated absences reflect a balance of \$1,107,126 in earned vacation, vested sick pay and vested severance pay as of December 31, 2011. The net decrease in compensated absences is \$25,086 for the year. Other Post Employment Benefits has an outstanding liability of \$2,927,365 at December 31, 2011.

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

Currently Known Facts, Decisions, and Conditions:

The Middletown Township Financial Advisory Committee (FAC) was established to serve as an advisor to the Middletown Township Board of Supervisors, Township Manager and Finance Director on matters pertaining to issues of financial impact. This seven-member committee meets monthly and serves in an advisory capacity on items such as investments, debt management, and capital improvement funding alternatives.

In 2011, the Township submitted three (3) applications for Project Funding to the Bucks County Redevelopment Authority (RDA) for 2012 Pennsylvania Gaming Revenue Grants and partnered in one (1) additional application with surrounding municipalities. RDA Funding approval was received for all four project applications submitted, totaling \$842,574. The grants are for 2012 projects, benefiting the Middletown Community as a whole, including the Fire Company, Emergency Squad, Police Department and the Township. A Summary follows:

Project	Description	RDA Approved Grant Amount
Langhorne Middletown Fire Company	100' Tower Ladder Truck	\$400,000
Middletown Township EMS	Emergency Management – Fire Police Vehicle	109,230
Middletown Dept of Public Works	Dump Trucks with Plows	145,844
Middletown Police Dept (in partnership with surrounding municipalities)	Emergency Responder Radio Replacement Program (estimated Middletown portion)	187,500
	Total	<u>\$842,574</u>

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

Contacting the Township's Financial Management

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

TOWNSHIP OF MIDDLETOWN

STATEMENT OF NET ASSETS

December 31, 2011

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 11,490,831	\$ 219,069	\$ 11,709,900
Investments	38,490,432	-	38,490,432
Taxes receivable, net of allowance of \$2,403	269,353	-	269,353
Special assessments receivable, net of allowance of \$1,522	84,250	-	84,250
Accounts receivable, net of allowance of \$188,388	243,742	160,792	404,534
Revenue receivable	143,939	-	143,939
Due from other governments	109,786	-	109,786
Debt issuance costs	372,415	-	372,415
Other assets	252,614	25,000	277,614
Total Current Assets	<u>51,457,362</u>	<u>404,861</u>	<u>51,862,223</u>
Capital Assets (net of accumulated depreciation)			
Land	7,305,253	3,355,000	10,660,253
Construction in progress	118,854	-	118,854
Land improvements	6,196,248	648,439	6,844,687
Buildings and building improvements	19,944,676	1,451,495	21,396,171
Machinery and equipment	9,481,377	691,199	10,172,576
Infrastructure	64,236,198	-	64,236,198
Accumulated depreciation	<u>(55,241,918)</u>	<u>(1,249,493)</u>	<u>(56,491,411)</u>
Total Capital Assets (net)	<u>52,040,688</u>	<u>4,896,640</u>	<u>56,937,328</u>
TOTAL ASSETS	<u>\$ 103,498,050</u>	<u>\$ 5,301,501</u>	<u>\$ 108,799,551</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 1,114,218	\$ 39,387	\$ 1,153,605
Accrued salaries and benefits	304,715	-	304,715
Unearned revenue	21,326	12,250	33,576
Deposits and refunds	273,910	-	273,910
Internal balances	(384,239)	384,239	-
Due to other governments	77,057	-	77,057
Accrued interest payable	272,630	-	272,630
Other liabilities	753	-	753
Bonds payable, current maturity	1,940,000	63,371	2,003,371
Compensated absences, current maturity	88,402	-	88,402
Total Current Liabilities	<u>3,708,772</u>	<u>499,247</u>	<u>4,208,019</u>
Long-term Liabilities			
Bonds payable, net of current maturity	26,142,428	288,154	26,430,582
Compensated absences, net of current maturity	1,018,724	-	1,018,724
Other post-employment benefits	2,927,365	-	2,927,365
Total Long-term Liabilities	<u>30,088,517</u>	<u>288,154</u>	<u>30,376,671</u>
Total Liabilities	<u>33,797,289</u>	<u>787,401</u>	<u>34,584,690</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	25,986,662	4,545,115	30,531,777
Restricted for:			
Public safety	5,212	-	5,212
Public works	697,091	-	697,091
Transportation impact fee	374,341	-	374,341
Debt service	843,909	-	843,909
Unrestricted	41,793,546	(31,015)	41,762,531
Total Net Assets	<u>69,700,761</u>	<u>4,514,100</u>	<u>74,214,861</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 103,498,050</u>	<u>\$ 5,301,501</u>	<u>\$ 108,799,551</u>

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

TOWNSHIP OF MIDDLETOWN

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 2,037,179	\$ 1,064,445	\$ 138,052	\$ 128,189
Public safety	14,210,367	1,699,843	1,346,156	771,293
Public works	6,566,282	4,656,230	998,189	276,326
Parks and recreation	1,416,404	267,114	91,184	132,720
Miscellaneous	506,105	-	-	-
Debt service interest	1,013,702	-	-	-
Unallocated depreciation expense	1,457,537	-	-	-
Total Governmental Activities	27,207,576	7,687,632	2,573,581	1,308,528
Business -Type Activities				
Country Club	131,240	184,434	-	-
Farm Fund	31,922	40,000	-	-
Total Business-Type Activities	163,162	224,434	-	-
Total Primary Government	\$ 27,370,738	\$ 7,912,066	\$ 2,573,581	\$ 1,308,528

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

Change in Net Assets

Net Assets - Beginning (restated)
 Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (706,493)	\$ -	\$ (706,493)
(10,393,075)	-	(10,393,075)
(635,537)	-	(635,537)
(925,386)	-	(925,386)
(506,105)	-	(506,105)
(1,013,702)	(13,874)	(1,027,576)
(1,457,537)	-	(1,457,537)
<u>(15,637,835)</u>	<u>(13,874)</u>	<u>(15,651,709)</u>
-	53,194	53,194
-	8,078	8,078
-	61,272	61,272
<u>(15,637,835)</u>	<u>47,398</u>	<u>(15,590,437)</u>
9,281,766	-	9,281,766
1,279,984	-	1,279,984
988,502	-	988,502
1,114,116	-	1,114,116
714,933	-	714,933
225,038	-	225,038
176,832	-	176,832
1,467,986	33	1,468,019
88,549	-	88,549
(260,001)	260,001	-
<u>15,077,705</u>	<u>260,034</u>	<u>15,337,739</u>
(560,130)	307,432	(252,698)
<u>70,260,891</u>	<u>4,206,668</u>	<u>74,467,559</u>
<u>\$ 69,700,761</u>	<u>\$ 4,514,100</u>	<u>\$ 74,214,861</u>

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

TOWNSHIP OF MIDDLETOWN

BALANCE SHEET -
GOVERNMENTAL FUNDS

December 31, 2011

	<u>General</u>	<u>State Highway Aid</u>	<u>Investment Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 3,275,971	\$ 1,063,740	\$ 2,776,488	\$ 65,569	\$ 4,309,063	\$ 11,490,831
Investments	-	-	38,490,432	-	-	38,490,432
Receivables						
Taxes receivable, net of allowance of \$2,403	118,676	-	-	79,474	71,203	269,353
Special assessments, net of allowance of \$1,522	74,554	-	-	-	9,696	84,250
Accounts receivable	269,368	-	15,875	-	11,050	296,293
Allowance for doubtful accounts	(52,551)	-	-	-	-	(52,551)
Revenue receivable	142,027	-	-	1,912	-	143,939
Prepaid items	-	-	-	-	2,614	2,614
Deposit	-	-	250,000	-	-	250,000
Advances to other funds	-	-	-	-	400,163	400,163
Due from other funds	164,628	18,687	-	19,434	158,606	361,355
Due from other governments	109,786	-	-	-	-	109,786
Total Assets	<u>\$ 4,102,459</u>	<u>\$ 1,082,427</u>	<u>\$ 41,532,795</u>	<u>\$ 166,389</u>	<u>\$ 4,962,395</u>	<u>\$ 51,846,465</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts payable	\$ 619,118	\$ 311,811	\$ -	\$ 5,143	\$ 178,146	\$ 1,114,218
Accrued salaries and benefits	272,231	9,501	-	-	22,983	304,715
Deferred revenue	268,105	-	14,250	79,474	78,278	440,107
Deposits and refunds	82,943	-	190,967	-	-	273,910
Due to other funds	96,534	116,386	-	-	148,435	361,355
Due to other governments	11,580	-	65,477	-	-	77,057
Advances from other funds	15,924	-	-	-	-	15,924
Other liabilities	-	753	-	-	-	753
Total Liabilities	<u>1,366,435</u>	<u>438,451</u>	<u>270,694</u>	<u>84,617</u>	<u>427,842</u>	<u>2,588,039</u>
<u>Fund Balances</u>						
<u>Nonspendable:</u>						
Prepaid items	-	-	-	-	2,614	2,614
<u>Restricted:</u>						
Public safety	-	-	-	-	5,212	5,212
Public works	-	643,976	-	-	53,115	697,091
Transportation impact fee	-	-	-	-	374,341	374,341
Debt service	-	-	-	81,772	762,137	843,909
<u>Committed:</u>						
Culture and recreation	-	-	-	-	441,705	441,705
Emergency reserve	-	-	40,000,000	-	-	40,000,000
<u>Assigned:</u>						
Operations	-	-	1,262,101	-	-	1,262,101
Capital projects	-	-	-	-	2,895,429	2,895,429
Unassigned	2,736,024	-	-	-	-	2,736,024
Total Fund Balances	<u>2,736,024</u>	<u>643,976</u>	<u>41,262,101</u>	<u>81,772</u>	<u>4,534,553</u>	<u>49,258,426</u>
 <u>TOTAL LIABILITIES AND FUND BALANCES</u>	 <u>\$ 4,102,459</u>	 <u>\$ 1,082,427</u>	 <u>\$ 41,532,795</u>	 <u>\$ 166,389</u>	 <u>\$ 4,962,395</u>	 <u>\$ 51,846,465</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 ASSETS

December 31, 2011

TOTAL GOVERNMENTAL FUND BALANCES		\$ 49,258,426
Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds.		
Cost of capital assets	\$ 107,282,606	
Accumulated depreciation	<u>(55,241,918)</u>	52,040,688
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		418,781
Costs associated with the issuance of governmental long-term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide statement.		372,415
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	(272,630)	
Bonds and notes payable	(28,090,000)	
Bond discount, premiums, gains or losses	7,572	
Compensated absences	(1,107,126)	
Other post employment benefits obligation	<u>(2,927,365)</u>	<u>(32,389,549)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 69,700,761</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, 2011

	<u>General</u>	<u>State Highway Aid</u>	<u>Investment Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes:						
Property	\$ 3,956,732	\$ -	\$ -	\$ 2,764,330	\$ 2,494,124	\$ 9,215,186
Amusement	1,279,984	-	-	-	-	1,279,984
Local service	988,502	-	-	-	-	988,502
Mercantile	1,114,116	-	-	-	-	1,114,116
Real estate transfer	714,933	-	-	-	-	714,933
Parking transaction	225,038	-	-	-	-	225,038
Per Capita	136,412	-	-	-	-	136,412
Mechanical devices	40,420	-	-	-	-	40,420
Fees, licenses and permits	1,153,411	-	-	-	119,628	1,273,039
Fines and forfeitures	187,463	-	-	-	-	187,463
Investment income and rent	80,833	631	795,922	900	23,089	901,375
Intergovernmental revenues	917,074	870,121	-	-	1,716,530	3,503,725
Charges for services	5,953,804	-	-	-	273,326	6,227,130
Contributions private sources	45,551	-	-	-	130,352	175,903
Gain (loss) on investments	-	-	566,611	-	-	566,611
Other	439	19,651	2,026	-	66,433	88,549
Total Revenues	<u>16,794,712</u>	<u>890,403</u>	<u>1,364,559</u>	<u>2,765,230</u>	<u>4,823,482</u>	<u>26,638,386</u>
Expenditures						
Current:						
General government	1,521,318	-	42,057	26,064	301,477	1,890,916
Public safety	10,638,198	-	-	-	2,677,878	13,316,076
Public works	5,234,537	1,004,757	-	-	757,663	6,996,957
Parks and recreation	-	-	-	-	1,267,795	1,267,795
Miscellaneous	506,105	-	-	-	-	506,105
Debt service:						
Principal	-	-	-	2,271,627	-	2,271,627
Interest	-	-	-	1,009,464	26,463	1,035,927
Paid to fiscal agent	-	-	-	-	71,522	71,522
Capital outlay/development	-	-	-	-	1,846,092	1,846,092
Total Expenditures	<u>17,900,158</u>	<u>1,004,757</u>	<u>42,057</u>	<u>3,307,155</u>	<u>6,948,890</u>	<u>29,203,017</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,105,446)</u>	<u>(114,354)</u>	<u>1,322,502</u>	<u>(541,925)</u>	<u>(2,125,408)</u>	<u>(2,564,631)</u>
Other Financing Sources (Uses)						
Proceeds from refunding bonds	-	-	-	-	8,560,000	8,560,000
Bond premiums and discounts	-	-	-	-	(34,881)	(34,881)
Payment to refunded bond escrow agent	-	-	-	-	(8,427,134)	(8,427,134)
Transfers in	2,005,676	-	-	267,434	128,387	2,401,497
Transfers out	(230,000)	-	(1,850,000)	(47,706)	(533,792)	(2,661,498)
Total Other Financing Sources (Uses)	<u>1,775,676</u>	<u>-</u>	<u>(1,850,000)</u>	<u>219,728</u>	<u>(307,420)</u>	<u>(162,016)</u>
Net Change in Fund Balance	670,230	(114,354)	(527,498)	(322,197)	(2,432,828)	(2,726,647)
Fund Balance - Beginning	2,065,794	758,330	41,789,599	403,969	6,967,381	51,985,073
Fund Balance - Ending	<u>\$ 2,736,024</u>	<u>\$ 643,976</u>	<u>\$ 41,262,101</u>	<u>\$ 81,772</u>	<u>\$ 4,534,553</u>	<u>\$ 49,258,426</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, 2011

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ (2,726,647)
<p>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.</p>		
Capital outlay	3,168,785	
Depreciation expense	<u>(2,785,683)</u>	383,102
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		271,067
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Refunding bonds issued	(8,560,000)	
Debt refunded	8,427,134	
Debt issuance costs	71,522	
Debt premiums and discounts	34,881	
Amortization of issuance costs, premiums and discounts	(32,797)	
Repayment of debt	<u>2,271,627</u>	2,212,367
<p>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.</p>		
Compensated absences	25,086	
Other post employment benefits	(780,127)	
Interest expense	<u>55,022</u>	<u>(700,019)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ (560,130)</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, 2011

	GENERAL FUND			
	<u>Budgeted Amounts</u>		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property	\$ 3,953,479	\$ 3,953,479	\$ 3,956,732	\$ 3,253
Amusement	1,100,000	1,100,000	1,279,984	179,984
Local service	900,000	900,000	988,502	88,502
Mercantile	920,000	920,000	1,114,116	194,116
Real estate transfer	800,000	800,000	714,933	(85,067)
Parking transaction	200,000	200,000	225,038	25,038
Per Capita	136,100	136,100	136,412	312
Mechanical devices	40,000	40,000	40,420	420
Fees, licenses and permits	1,005,000	1,005,000	1,153,411	148,411
Investment income and rent	90,500	90,500	80,833	(9,667)
Intergovernmental revenues	608,469	608,469	917,074	308,605
Fines and forfeitures	210,000	210,000	187,463	(22,537)
Charges for services	5,621,647	5,633,647	5,953,804	320,157
Contributions private sources	37,500	37,500	45,551	8,051
Other	217	217	439	222
Total Revenues	<u>15,622,912</u>	<u>15,634,912</u>	<u>16,794,712</u>	<u>1,159,800</u>
Expenditures				
Current:				
General government	1,761,392	1,761,392	1,521,318	240,074
Public safety	11,513,141	11,463,176	10,638,198	824,978
Public works	5,347,438	5,359,438	5,234,537	124,901
Miscellaneous	695,000	515,000	506,105	8,895
Total Expenditures	<u>19,316,971</u>	<u>19,099,006</u>	<u>17,900,158</u>	<u>1,198,848</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,694,059)</u>	<u>(3,464,094)</u>	<u>(1,105,446)</u>	<u>2,358,648</u>
Other Financing Sources (Uses)				
Transfers in	3,020,676	3,020,676	2,005,676	(1,015,000)
Transfers out	-	(230,000)	(230,000)	-
Total Other Financing Sources (Uses)	<u>3,020,676</u>	<u>2,790,676</u>	<u>1,775,676</u>	<u>(1,015,000)</u>
Net Change in Fund Balance	(673,383)	(673,418)	670,230	1,343,648
Fund Balance - Beginning	2,065,794	2,065,794	2,065,794	-
Fund Balance - Ending	<u>\$ 1,392,411</u>	<u>\$ 1,392,376</u>	<u>\$ 2,736,024</u>	<u>\$ 1,343,648</u>

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

TOWNSHIP OF MIDDLETOWN

STATE HIGHWAY AID FUND

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

For the Year Ended December 31, 2011

	<u>STATE HIGHWAY</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 849,194	\$ 849,194	\$ 870,121	\$ 20,927
Investment income and rent	5,500	5,500	631	(4,869)
Miscellaneous	-	-	19,651	19,651
Total Revenues	<u>854,694</u>	<u>854,694</u>	<u>890,403</u>	<u>35,709</u>
Expenditures				
Current:				
Public works	<u>966,259</u>	<u>966,259</u>	<u>1,004,757</u>	<u>(38,498)</u>
Total Expenditures	<u>966,259</u>	<u>966,259</u>	<u>1,004,757</u>	<u>(38,498)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(111,565)</u>	<u>(111,565)</u>	<u>(114,354)</u>	<u>(2,789)</u>
Net Change in Fund Balance	(111,565)	(111,565)	(114,354)	(2,789)
Fund Balance - Beginning	<u>758,330</u>	<u>758,330</u>	<u>758,330</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 646,765</u>	<u>\$ 646,765</u>	<u>\$ 643,976</u>	<u>\$ (2,789)</u>

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

TOWNSHIP OF MIDDLETOWN

INVESTMENT FUND

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

For the Year Ended December 31, 2011

	<u>INVESTMENT FUND</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>ACTUAL</u>	
Revenues				
Investment income and rent	\$ 1,500,000	\$ 1,500,000	\$ 795,922	\$ (704,078)
Gain (loss) on investments	-	-	566,611	566,611
Miscellaneous	-	-	2,026	2,026
Total Revenues	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,364,559</u>	<u>(135,441)</u>
Expenditures				
Current:				
General government	40,000	40,000	42,057	(2,057)
Total Expenditures	<u>40,000</u>	<u>40,000</u>	<u>42,057</u>	<u>(2,057)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,460,000</u>	<u>1,460,000</u>	<u>1,322,502</u>	<u>(137,498)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(2,850,000)	(2,850,000)	(1,850,000)	1,000,000
Total Other Financing Sources (Uses)	<u>(2,850,000)</u>	<u>(2,850,000)</u>	<u>(1,850,000)</u>	<u>1,000,000</u>
Net Change in Fund Balance	(1,390,000)	(1,390,000)	(527,498)	862,502
Fund Balance - Beginning	41,789,599	41,789,599	41,789,599	-
Fund Balance - Ending	<u>\$ 40,399,599</u>	<u>\$ 40,399,599</u>	<u>\$ 41,262,101</u>	<u>\$ 862,502</u>

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

TOWNSHIP OF MIDDLETOWN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2011

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 111,427	\$ 107,642	\$ 219,069
Accounts receivable	<u>160,566</u>	<u>226</u>	<u>160,792</u>
Total Current Assets	<u>271,993</u>	<u>107,868</u>	<u>379,861</u>
Noncurrent			
Land	1,155,000	2,200,000	3,355,000
Land improvements	648,439	-	648,439
Building and building improvements	1,314,178	137,317	1,451,495
Furniture and equipment	691,199	-	691,199
Other assets	25,000	-	25,000
Less accumulated depreciation	<u>(1,219,145)</u>	<u>(30,348)</u>	<u>(1,249,493)</u>
Total capital assets (net of accumulated depreciation)	<u>2,614,671</u>	<u>2,306,969</u>	<u>4,921,640</u>
Total Assets	<u>\$ 2,886,664</u>	<u>\$ 2,414,837</u>	<u>\$ 5,301,501</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ -	\$ 39,387	\$ 39,387
Deferred revenues	12,250	-	12,250
Advances to other funds	234,875	149,364	384,239
Notes payable, current maturity	<u>63,371</u>	<u>-</u>	<u>63,371</u>
Total Current Liabilities	<u>310,496</u>	<u>188,751</u>	<u>499,247</u>
Noncurrent			
Note payable, less current maturities	<u>288,154</u>	<u>-</u>	<u>288,154</u>
Total Liabilities	<u>598,650</u>	<u>188,751</u>	<u>787,401</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	2,238,146	2,306,969	4,545,115
Unrestricted	<u>49,868</u>	<u>(80,883)</u>	<u>(31,015)</u>
Total Net Assets	<u>2,288,014</u>	<u>2,226,086</u>	<u>4,514,100</u>
Total Liabilities and Net Assets	<u>\$ 2,886,664</u>	<u>\$ 2,414,837</u>	<u>\$ 5,301,501</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 ASSETS
PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	<u>Country Club</u>	<u>Farm Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services			
Licensing fees	\$ 184,434	\$ 40,000	\$ 224,434
Total Operating Revenues	<u>184,434</u>	<u>40,000</u>	<u>224,434</u>
Operating Expenses			
Park and recreation	43,925	28,280	72,205
Depreciation	<u>87,315</u>	<u>3,642</u>	<u>90,957</u>
Total Operating Expenses	<u>131,240</u>	<u>31,922</u>	<u>163,162</u>
Operating Income (Loss)	<u>53,194</u>	<u>8,078</u>	<u>61,272</u>
Nonoperating Revenues (Expense)			
Interest income	31	2	33
Interest expense	<u>(13,874)</u>	<u>-</u>	<u>(13,874)</u>
Total Nonoperating Revenues (Expense)	<u>(13,843)</u>	<u>2</u>	<u>(13,841)</u>
Income (Loss) before Transfers	39,351	8,080	47,431
Transfers out	<u>272,690</u>	<u>(12,689)</u>	<u>260,001</u>
Changes in Net Assets	312,041	(4,609)	307,432
Total Net Assets - Beginning	<u>1,975,973</u>	<u>2,230,695</u>	<u>4,206,668</u>
Total Net Assets - Ending	<u>\$ 2,288,014</u>	<u>\$ 2,226,086</u>	<u>\$ 4,514,100</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, 2011

	Proprietary Fund Types		
	Country Club	Farm Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 228,357	\$ 54,149	\$ 282,506
Cash paid to suppliers	(70,030)	9,132	(60,898)
Net cash provided by (used in) operating activities	<u>158,327</u>	<u>63,281</u>	<u>221,608</u>
Cash flows from non-capital financing activities			
Payments to interfund balances	(34,784)	(26,105)	(60,889)
Transfers to other funds	(44,108)	(12,689)	(56,797)
Net cash provided by (used in) non-capital financing activities	<u>(78,892)</u>	<u>(38,794)</u>	<u>(117,686)</u>
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(59,690)	-	(59,690)
Interest paid on long-term debt	(13,874)	-	(13,874)
Net cash provided by (used in) capital and related financing activities	<u>(73,564)</u>	<u>-</u>	<u>(73,564)</u>
Cash flows from investing activities			
Earnings on investments	31	2	33
Net cash provided by (used in) investing activities	<u>31</u>	<u>2</u>	<u>33</u>
Net increase (decrease) in cash and cash equivalents	5,902	24,489	30,391
Beginning cash and cash equivalents	105,525	83,153	188,678
Ending cash and cash equivalents	<u>\$ 111,427</u>	<u>\$ 107,642</u>	<u>\$ 219,069</u>

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

Net operating income (loss)	\$ 53,194	\$ 8,078	\$ 61,272
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation	87,315	3,642	90,957
Changes in assets and liabilities			
(Increase) decrease in receivables	43,923	14,148	58,071
Increase (decrease) in accounts payables	-	37,413	37,413
Increase (decrease) in other payables	(26,105)	-	(26,105)
Net adjustments	<u>105,133</u>	<u>55,203</u>	<u>160,336</u>
Cash provided (used) by operating activities	<u>\$ 158,327</u>	<u>\$ 63,281</u>	<u>\$ 221,608</u>

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

TOWNSHIP OF MIDDLETOWN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2011

	Pension Trust and Other Employee Benefit Trust Funds	Private Purpose Trusts	Agency Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,457,548	\$ 772,592	\$ 1,553,608
Receivables:			
Accrued interest	131,498	-	-
Investments, at fair value:			
U.S. government obligations	4,547,982	-	-
Government sponsored mortgages	208,166		
Corporate obligations	1,377,177	-	-
Municipal obligations	2,059,909	-	-
Mortgages	1,137,674		
Foreign obligations	241,954	-	-
Stock equities	16,902,743	-	-
Total investments	<u>26,475,605</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 28,064,651</u>	<u>\$ 772,592</u>	<u>\$ 1,553,608</u>
<u>LIABILITIES</u>			
Deposits and refunds	\$ -	\$ -	\$ 1,251,572
Due to other governments	-	109,786	-
Other liabilities	102	-	302,036
Total Liabilities	<u>102</u>	<u>109,786</u>	<u>1,553,608</u>
<u>NET ASSETS</u>			
Held in trust for:			
Pension benefits	27,782,811	-	-
Other post employment benefits	281,738	-	-
Fire company district	-	662,806	-
Total Net Assets	<u>\$ 28,064,549</u>	<u>\$ 662,806</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 ASSETS
FIDUCIARY FUNDS

For the Year Ended December 31, 2011

	Pension Trust and Other Employee Benefit <u>Trust Funds</u>	Private Purpose <u>Trusts</u>
Additions		
Contributions		
Employee contributions	\$ 373,741	\$ -
Township contributions	895,700	325,145
State aid	766,711	-
Insurance proceeds	59,349	-
Total Contributions	<u>2,095,501</u>	<u>325,145</u>
Investment Income		
Net appreciation (depreciation) in fair value of investments	462,430	-
Interest and dividend income	927,501	247
Total investment earnings	<u>1,389,931</u>	<u>247</u>
Total Additions	<u>3,485,432</u>	<u>325,392</u>
Deductions		
Benefits	2,327,188	-
Administrative expenses	314,892	-
Total Deductions	<u>2,642,080</u>	<u>-</u>
Net Increase (Decrease)	843,352	325,392
Net Assets Held in Trust for Pension		
Beginning of Year	<u>27,221,197</u>	<u>337,414</u>
End of Year	<u>\$ 28,064,549</u>	<u>\$ 662,806</u>

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

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

A. Summary of Significant Accounting Policies

Nature of Entity

Middletown Township, County of Bucks, Commonwealth of Pennsylvania, (the "Township") was founded in 1692. The Township is a second class township and is governed by an elected board of five supervisors and a board-appointed Township Manager. Middletown covers approximately 19.016 square miles in Lower Bucks County and has a population of 44,141, per the 2000 U.S. Census.

Middletown Township provides a full range of municipal services. These services include police protection, fire protection, park and recreation activities, highway maintenance and reconstruction operations, solid waste collection, and general administrative services. The major accounting principles and practices followed by the Township are presented to assist the reader in understanding the financial statements and accompanying notes to financial statements. The accounting principles and practices and format of the financial statements are presented in conformity with accounting principles generally accepted in the United States, as applicable to governmental units.

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

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole excluding fiduciary activities such as the trust and agency funds. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged for services.

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.

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, 2011

A. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

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 and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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 are recognized when grantor eligibility requirements are met.

Governmental fund financial statements reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Property taxes levied but collected beyond 60 days after year-end are recorded as deferred revenue to be recognized as revenue when the taxes are collected. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation – Fund Accounting and Measurement Focus

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following is a description of the fund types used by the Township in the accompanying basic financial statements.

Governmental Fund Types

Governmental Funds are those through which the majority of governmental functions of the Township are financed. The acquisition, use and balances of the expendable financial resources and the related liabilities (except those accounted for in the Proprietary Funds) are accounted for through Governmental Funds.

The government reports the following major governmental funds:

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

The *state highway aid fund* is used to account for revenues derived from state liquid fuels tax, and federal and state grants, which are legally restricted to expenditures for specific purposes.

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

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

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

A. Summary of Significant Accounting Policies (Continued)

Special Revenue Funds – These funds account for revenues derived from real estate taxes or other specific revenue sources, including state liquid fuels tax, federal and state grants, program fees and assessments that are legally restricted to expenditures for specific purposes. The Funds reported as major funds in this category are the State Highway Aid Fund and the Investment Fund. The remaining funds are classified as non-major funds in the balance sheet of governmental funds. Funds included in this category are:

Parks and Recreation Fund	Fire Hydrant Fund
General Street Lighting Fund	Fire Protection Fund
Ambulance and Rescue Squad Fund	Road Machinery

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds). The funds are classified as non-major funds in the balance sheet of governmental funds. Funds included in this category are:

Capital Projects – 2008 Bond Issue	Capital Reserve Fund
Capital Projects – 2011 Bond Fund	Curb/Road Revolving Fund
Community Development Fund	Contingency Fund

Proprietary Fund Types

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

The government reports the following major proprietary funds:

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

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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

A. Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

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

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

Non-uniformed Pension Plan
Police Pension Plan

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

Private-Purpose Trust Funds - This fund is used to account for the resources reserved exclusively for the purpose of funding the Township's volunteer fire companies' apparatus replacement plan. The fund included in this category is:

Fire Companies Fund

Agency Funds - This fund is used to account for subdivision/land development, shade tree, water/sewer, and all other types of escrows held by the Township in a custodial capacity. The fund included in this category is:

Township Escrows

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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.

Operating income 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. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating 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.

The Governmental Accounting Standards Board ("GASB") is the accepted standards-setting body for establishing government accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards recognizes three fund categories and two account groups as appropriate for the accounting and reporting of the financial position and results of operations in accordance with generally accepted accounting principles. The Township has adopted these disclosures.

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. The Code requires that budgets be legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. The Township maintains legal budgetary control by the broad categories of revenue and expenditures prescribed in a chart of accounts established by the Commonwealth. The legal level of budgetary control is at the fund level.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

A. Summary of Significant Accounting Policies (Continued)

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 between the broad account categories. During the year, the Township did not materially amend the budget in such a manner that would require disclosure under GASB codification section 2300.108.

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, 2011, expenditures exceeded appropriations in the category of public works of the state highway aid fund, and general government in the investment fund, by a total of \$38,498 and \$2,057, respectively. These over expenditures were funded by greater than anticipated revenues and accumulated fund balance.

Use of Estimates

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

Cash Equivalents and Investments

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

Receivables

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

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

A. Summary of Significant Accounting Policies (Continued)

Millage rates approved in the 2011 budget:

	<u>Mills</u>
General Fund	7.4850
Highway Lighting	0.9880
Fire Protection	1.3750
Park and Recreation	1.6200
Ambulance and Rescue	0.3950
Debt Service	5.3000
Fire Hydrant	0.1070
Road Machinery	<u>0.3000</u>
	<u>17.5700</u>

Assessment receivables for streetlights and solid waste collection are recognized when billed. The elected tax collector bills all current year assessments for streetlights and solid waste. The collection of all delinquent assessments is the responsibility of the Township. No discounts are given on assessments.

Accounts receivable includes all invoices owed by other governments, individuals and private enterprises for services rendered and/or materials supplied. Revenue is recognized when the invoice is prepared.

Capital Assets and Depreciation

The Township's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with a cost of \$5,000 or more as purchases and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 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.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

A. Summary of Significant Accounting Policies (Continued)

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

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.

Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt—This category groups all capital assets, including infrastructure, into one component of net assets. 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 assets—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.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

A. Summary of Significant Accounting Policies (Continued)

Net Assets (continued)

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

Fund Balance

Effective January 1, 2011, the Township adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Township has evaluated the use of its various funds under the criteria set forth in GASB Statement 54 and has made changes as needed to classifications. As prescribed by GASB Statement No. 54, 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 and ordinance).

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

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

A. Summary of Significant Accounting Policies (Continued)

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

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

Interfund Transfers

In connection with its operations, the Township affects a variety of transactions among funds to finance operations. The basic financial statements reflect such transactions as transfers, both in the fund receiving the subsidy as revenue and the fund paying the subsidy as an expenditure.

Other Post Employment Benefits (“OPEB”) Other than Pensions

The Township provides post employment benefits other than pensions for police officers. A liability for the amount is reported in the government-wide financial statements based on an actuarial valuation.

B. Deposits and Investments

The Township has several checking accounts. However, most checks are disbursed from two concentration accounts. Although the monies from several funds are combined in each concentration account, separate records are maintained for cash balances to show the portion of the concentration account belonging to each fund.

Under Section 3204(d) of the Second Class Township Code of the Commonwealth of Pennsylvania, the Township is authorized to invest its funds in the following:

- United States Treasury bills.
- Short-term obligations of the United States Government or its agencies or instrumentalities. Section 3204(d) (2).

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

B. Deposits and Investments (Continued)

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

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

B. Deposits and Investments (Continued)

As of December 31, 2011, the Township had the following investments:

	<u>Fair</u> <u>Value</u>	<u>Moody's</u> <u>Rating</u>	<u>Maturity</u> <u>(Years)</u>
GOVERNMENTAL ACTIVITIES			
Externally Pooled Investments (PLGIT)	\$ 7,082,082	AAAm	Not applicable
PA Treasury Invest Community Pool	11,976	AAAm	Not applicable
U.S. Government Obligations	37,364,646	Aaa - AAA	0.33
Certificates of Deposit	<u>1,125,786</u>	Not applicable	5.00
	<u>\$ 45,584,490</u>		
FIDUCIARY FUNDS			
U.S. Government Obligations	\$ 4,547,982	Aaa - AAA	0.55
Government Sponsored Mortgages	208,166	Aaa - AAA	2.45
Corporate Obligations	1,377,177	A2 - AAA	0.72
Municipal Obligations	2,059,909	A1 - AAA	1.49
Mortgages	1,137,674	Aaa - AAA	2.67
Foreign Obligations	241,954	AA1	3.00
Stock Equities	<u>16,902,743</u>	Not applicable	
	<u>26,475,605</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, 2011, \$10,869,578 of the Township's bank balance of \$11,709,900 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name.

A portion of the Township's funds are invested in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated AAA by a nationally recognized statistical rating organization, and is subject to an independent annual audit. These deposits are considered cash equivalents because of their short maturity dates and are included above.

Custodial Credit Risk-Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The risk of default is eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed above.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

B. Deposits and Investments (Continued)

Credit Risk - is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Township complies with the provisions of the Pennsylvania Second Class Township Code, 53 P.S. 68204 related to the types of investments permitted for Township funds. Also, the Township pre-qualifies the financial institutions, brokers/dealers, intermediaries and advisors with which the Township does business with related to investment decisions. The investment portfolio is diversified so that potential losses on individual securities will be minimized. The ratings for investments are disclosed in the chart on the previous page.

Concentration of Credit Risk - is the concentration of investments in anyone single user of debt securities presents a greater risk for loss in the event the issuer fails on its obligations. The Township's policy is to diversify the investment portfolio by security type and institution. No more than 50% of the Township's total investment portfolio managed by one investment manager will be invested in a single security type or with a single financial institution with the exception of US. Treasury Securities and authorized pools. At December 31, 2011, the Township did not have any singular investment that exceeded 5% of the total investments.

Interest Rate Risk - is the risk that changes in interest rates will adversely affect an investment's value. In accordance with its investment policy, the Township invests operating funds primarily in short-term securities, money market mutual funds or similar investments. Also, the Township structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The weighted average maturities are disclosed in the chart on the previous page.

Escrow cash deposits and investments

The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2011, \$1,553,608 represents the balance of these monies held in escrow.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

C. Receivables

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

	<u>General</u>	Investment <u>Fund</u>	Debt <u>Service</u>	Country <u>Club</u>	Farm <u>Fund</u>	Pension Trust <u>Funds</u>	Nonmajor and Other <u>Funds</u>	<u>Total</u>
Receivables:								
Taxes receivable	\$ 120,142	\$ -	\$ 79,474	\$ -	\$ -	\$ -	\$ 72,140	\$ 271,756
Special assessment	76,076	-	-	-	-	-	9,696	85,772
Accounts receivable	269,368	15,875	-	160,566	226	-	11,050	457,085
Accrued interest	-	-	-	-	-	131,498	-	131,498
Revenue receivable	<u>142,027</u>	<u>-</u>	<u>1,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,939</u>
Gross Receivables	607,613	15,875	81,386	160,566	226	131,498	92,886	1,090,050
Less: allowance for uncollectibles	<u>(55,539)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(937)</u>	<u>(56,476)</u>
Net Total Receivables	<u>\$ 552,074</u>	<u>\$ 15,875</u>	<u>\$ 81,386</u>	<u>\$ 160,566</u>	<u>\$ 226</u>	<u>\$ 131,498</u>	<u>\$ 91,949</u>	<u>\$ 1,033,574</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

D. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Primary Government	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,305,253	\$ -	\$ -	\$ 7,305,253
Construction in progress	-	118,854	-	118,854
Total capital assets, not being depreciated	<u>7,305,253</u>	<u>118,854</u>	<u>-</u>	<u>7,424,107</u>
Capital assets, being depreciated:				
Land improvements	5,221,010	975,238	-	6,196,248
Building and building improvements	19,125,499	819,177	-	19,944,676
Machinery and equipment	8,904,945	598,885	(22,453)	9,481,377
Infrastructure	63,377,086	859,112	-	64,236,198
Total capital assets being depreciated	<u>96,628,540</u>	<u>3,252,412</u>	<u>(22,453)</u>	<u>99,858,499</u>
Less accumulated depreciation for:				
Land improvements	2,142,448	291,516	-	2,433,964
Building and building improvements	3,548,730	421,274	-	3,970,004
Machinery and equipment	5,631,987	615,356	(22,453)	6,224,890
Infrastructure	41,155,523	1,457,537	-	42,613,060
Total accumulated depreciation	<u>52,478,688</u>	<u>2,785,683</u>	<u>(22,453)</u>	<u>55,241,918</u>
Total capital assets, being depreciated, net	<u>44,149,852</u>	<u>466,729</u>	<u>-</u>	<u>44,616,581</u>
Governmental activities capital assets, net	<u>\$ 51,455,105</u>	<u>\$ 585,583</u>	<u>\$ -</u>	<u>\$ 52,040,688</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,355,000	\$ -	\$ -	\$ 3,355,000
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>3,355,000</u>	<u>-</u>	<u>-</u>	<u>3,355,000</u>
Capital assets, being depreciated:				
Land improvements	648,439	-	-	648,439
Building and building improvements	956,025	495,470	-	1,451,495
Furniture and equipment	691,199	-	-	691,199
Total capital assets being depreciated	<u>2,295,663</u>	<u>495,470</u>	<u>-</u>	<u>2,791,133</u>
Less accumulated depreciation for:				
Land improvements	328,258	32,422	-	360,680
Building and building improvements	293,071	29,925	-	322,996
Furniture and equipment	537,207	28,610	-	565,817
Total accumulated depreciation	<u>1,158,536</u>	<u>90,957</u>	<u>-</u>	<u>1,249,493</u>
Total capital assets, being depreciated, net	<u>1,137,127</u>	<u>404,513</u>	<u>-</u>	<u>1,541,640</u>
Business-type activities capital assets, net	<u>\$ 4,492,127</u>	<u>\$ 404,513</u>	<u>\$ -</u>	<u>\$ 4,896,640</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

D. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 246,696
Public safety	490,568
Public works	322,513
Parks and recreation	268,369
Subtotal	1,328,146
Unallocated expense	1,457,537
Total depreciation expense-governmental activities	\$ 2,785,683
Business-type activities:	
Country Club	\$ 87,315
Farm Fund	3,642
Total depreciation expense-business-type activities	\$ 90,957

E. Bond and Other Long-Term Debt

General Obligation Bonds, Series 2011

In August of 2011, Middletown Township issued General Obligation ("G.O.") bonds in the amount of \$8,560,000 to advance refund the Township's G.O. bond Series 2006 and G.O. Note Series 2000 and to pay the costs of issuing the bonds. As a result, the refunded debt is considered to be defeased and the liability has been removed from the governmental activities column of the statement of net asset. The refunding resulted in a cash flow savings of \$542,948 and a present value economic gain of \$555,868.

The bonded debt is comprised of serially numbered bonds. Interest is payable February 15 and August 15 until maturity. Interest rates range from 1.00% to 3.625%.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

No interest or principal were paid in 2011. Principal and interest payments will be made until maturity in 2026 as follows:

Year Ending December 31	Principal	Interest	Total
2012	\$ 45,000	\$ 228,138	\$ 273,138
2013	500,000	242,538	742,538
2014	540,000	230,038	770,038
2015	560,000	216,538	776,538
2016	565,000	202,538	767,538
2017-2021	3,020,000	811,575	3,831,575
2022-2026	3,330,000	357,188	3,687,188
Total	<u>\$ 8,560,000</u>	<u>\$ 2,288,553</u>	<u>\$ 10,848,553</u>

General Obligation Bonds, Series 2010

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

The bonded debt is comprised of serially numbered bonds. Interest is payable April 15 and October 15 until maturity. Interest rates range from 2.00% to 2.625%. Interest of \$104,381 and principal of \$885,000 were paid in 2011. Principal and interest payments will be made until maturity in 2017 as follows:

Year Ending December 31	Principal	Interest	Total
2012	\$ 895,000	\$ 86,681	\$ 981,681
2013	920,000	68,781	988,781
2014	615,000	50,381	665,381
2015	625,000	38,081	663,081
2016	635,000	25,581	660,581
2017	400,000	10,500	410,500
Total	<u>\$ 4,090,000</u>	<u>\$ 280,005</u>	<u>\$ 4,370,005</u>

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

General Obligation Bonds, Series 2009

In June of 2009, Middletown Township issued G.O. bonds in the amount of \$7,830,000 to currently refund the Township's G.O. bonds, Series 2004 and to pay the costs of issuing the bonds.

The bonded debt is comprised of serially numbered bonds. Interest is payable April 15 and October 15 until maturity. Interest rates range from 2.00% to 3.750%. Interest of \$215,393 and principal of \$610,000 were paid in 2011. Principal and interest payments will be made until maturity in 2020 as follows:

Year Ending December 31	Principal	Interest	Total
2012	\$ 625,000	\$ 200,143	\$ 825,143
2013	640,000	184,518	824,518
2014	655,000	168,518	823,518
2015	675,000	152,470	827,470
2016	695,000	125,470	820,470
2017-2020	<u>3,020,000</u>	<u>273,325</u>	<u>3,293,325</u>
Total	<u>\$ 6,310,000</u>	<u>\$ 1,104,444</u>	<u>\$ 7,414,444</u>

General Obligation Bonds, Series 2008

In April of 2008, Middletown Township issued G.O. bonds in the amount of \$10,000,000 to pay for the costs of certain capital projects including the reconstructing, repairing and curb improvements in Levittown, improvements to the community center building, improvements to the country club, reconstruction of Beachwood Park, and Simmons Memorial Park.

The bonded debt is comprised of serially numbered bonds. Interest is payable February 15 and August 15 until maturity. Interest rates range from 3.35% to 4.25%. Interest of \$354,725 and principal of \$365,000 were paid in 2011. Principal and interest payments will be made until maturity in 2029 as follows:

Year Ending December 31	Principal	Interest	Total
2012	\$ 375,000	\$ 345,783	\$ 720,783
2013	385,000	335,658	720,658
2014	395,000	324,685	719,685
2015	405,000	312,638	717,638
2016	420,000	299,475	719,475
2017-2021	2,335,000	1,259,030	3,594,030
2022-2026	2,830,000	766,811	3,596,811
2027-2029	<u>1,985,000</u>	<u>166,720</u>	<u>2,151,720</u>
Total	<u>\$ 9,130,000</u>	<u>\$ 3,810,800</u>	<u>\$ 12,940,800</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011, the principal amount of the bonds outstanding but considered defeased totaled approximately \$9,128,800. Accordingly, such defeased obligations do not appear as liabilities on the balance sheet as of December 31, 2011.

Penn Vest Loan

The Township borrowed funds from the Pennsylvania Infrastructure Investment Authority in order to finance the construction of a storm water system. Loan proceeds, limited to \$674,475, are payable in monthly installments including interest at 2.842% per annum for the first 75 months (including the 15 month construction period) and 3.552% per month for the remaining loan term. The loan is payable over twenty years.

During 2011, the loan was refinanced with the 2011 bond issuance.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

Middletown County Club Note

As of December 31, 2011, the outstanding principal balance of the note payable for the purchase of the Middletown Country Club was \$351,524. The note is payable in monthly installments based on a thirty-year amortization schedule through November 2017, with interest accruing at a variable rate. The variable rate in effect at December 31, 2011 was .907%. The principal payment in 2011 was \$59,690. A schedule of the Township's debt service requirements is as follows:

Year Ending December 31	Principal	Interest	Total
2012	\$ 63,371	\$ 10,546	\$ 73,917
2013	67,279	8,645	75,924
2014	71,427	6,626	78,053
2015	75,833	4,483	80,316
2016	73,615	2,208	75,823
Total	<u>\$ 351,525</u>	<u>\$ 32,508</u>	<u>\$ 384,033</u>

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 and notes payable					
G.O. Bonds 2011	\$ -	\$ 8,560,000	\$ -	\$ 8,560,000	\$ 45,000
G.O. Bonds 2010	4,975,000	-	(885,000)	4,090,000	895,000
G.O. Bonds 2009	6,920,000	-	(610,000)	6,310,000	625,000
G.O. Bonds 2008	9,495,000	-	(365,000)	9,130,000	375,000
G.O. Bonds 2006	8,540,000	-	(8,540,000)	-	-
Penn Vest Loan	298,761	-	(298,761)	-	-
Subtotal	30,228,761	8,560,000	(10,698,761)	28,090,000	1,940,000
Deferred amounts:					
For issuance premiums	130,592	94,113	(23,349)	201,356	-
For issuance discounts	(92,465)	(128,994)	60,038	(161,421)	-
On refunding	-	(51,161)	3,654	(47,507)	-
Total bonds payable	30,266,888	8,473,958	(10,658,418)	28,082,428	1,940,000
Compensated absences	1,132,212	-	(25,086)	1,107,126	88,402
Net OPEB obligation	2,147,238	780,127	-	2,927,365	-
Governmental activity					
Long-term liabilities	<u>\$ 33,546,338</u>	<u>\$ 9,254,085</u>	<u>\$ (10,683,504)</u>	<u>\$ 32,116,919</u>	<u>\$ 2,028,402</u>
Business-type activities:					
Middletown Country Club Note	\$ 411,215	\$ -	\$ (59,690)	\$ 351,525	\$ 63,371

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

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 1,940,000	\$ 860,745	\$ 63,371	\$ 10,546
2013	2,445,000	831,494	67,279	8,645
2014	2,205,000	773,621	71,427	6,626
2015	2,265,000	719,726	75,833	4,483
2016	2,315,000	653,064	73,615	2,208
2017-2021	8,775,000	2,354,430	-	-
2022-2026	6,160,000	1,123,998	-	-
2027-2029	1,985,000	166,720	-	-
Total	<u>\$ 28,090,000</u>	<u>\$ 7,483,798</u>	<u>\$ 351,525</u>	<u>\$ 32,508</u>

F. Middletown Country Club Lease Agreement

The Township has entered into a lease agreement on May 24, 2008, with an independent management company, Agro Golf Corporation, to operate the property which is known as the Middletown Country Club through December 31, 2023. The terms of the agreement state that the Township receives 2% of total gross receipts over \$1,500,000 but not to exceed \$3,000,000 and 4% of total gross receipts over \$3,000,000. An additional fixed rental increase of \$37,434 per year has been set, due to capital improvements to the building, to be used towards paying down debt service. The Township maintains a fund that records the general fixed assets acquired at the time of purchase, the general long-term debt obligation for the purchase, the debt service payments and the revenues generated from the lease agreement. Revenue generated from this lease has been designated to repay the obligations financed. The management company is solely responsible for the day-to-day operations of the Country Club and exclusively responsible for administration of its fiscal affairs.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

G. Employee Retirement System

Plan Descriptions:

Police Pension Plan

All of the Township's full-time police officers participate in the Police Pension Plan, a single employer, defined benefit pension plan. Township Ordinance 80-1 established the plan on January 15, 1980. The plan has been subsequently amended by ordinances 86-49, 88-15,91-24,96-02 and 03-06. The fund was originally established pursuant to the Act of May 29, 1956, P.L. 1804, as amended. The plan is administered by the Township.

All full-time members of the police force are required to join the Police Pension Plan upon employment. Benefits vest after 12 years of service. Police employees who retire at or after age 50 with 25 years of service are entitled to a retirement benefit, payable monthly for life, in an amount equal to 50 percent of their average monthly pay during their last 36 months of employment, plus a service increment benefit of \$600 per year for each full year of service in excess of 25 years. Benefits are also subject to annual cost of living increases until the original benefit has increased by a maximum of 25% effective January 1, 2004. The plan also provides death, disability, survivor and late retirement benefits. The Commonwealth of Pennsylvania Acts governing the pension plan are the "Municipal Pension Plan Funding Standard and Recovery Act" of December 18, 1984, P.L. 1005, No. 205, and the "Municipal Police Pension Law Act" of May 29, 1956, P.L. 1804, No. 600, as amended (commonly known as "Act 600").

Effective January 1, 2003, a Deferred Retirement Option Plan ("DROP") is available to the Township's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the above paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Township up to a maximum of 96 months.

Police officers are required to contribute five and three-quarters percent of their annual salary to the plan. The balance of the plan's funding requirements are met by state aid and, if necessary, by Township contributions. The obligation of the officers and the Township to contribute to the Police Pension Plan is established by state law.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

G. Employee Retirement System (Continued)

Nonuniformed Pension Plan

All Township full-time nonuniformed employees are required to join the Nonuniformed Pension Plan, a single-employer, cash balance, defined benefit pension plan, after their special review period. Township Ordinance 88-1 established the current plan on January 26, 1998. Ordinances 91-8 and 91-34 have subsequently amended the plan. The plan is administered by the Township. Employee benefits vest after 5 years of service. Employees who retire at or after age 62 and the completion of 30 years of service, or at or after age 65 and the completion of 5 years of service, whichever is earlier, are entitled to receive their total account balance under the plan in a lump-sum payment.

Alternatively, employees may elect to receive a monthly annuity that is actuarially equivalent to the lump-sum payment. Effective January 1, 2003, employees contribute five percent of annual base pay to their account each year.

The Township's contribution to the plan is equal to seven percent of each employee's annual base pay per year. This amount is credited to the employee's account. In addition, all contributions and credits are credited with interest at the rate of six percent per annum.

The plan also provides death, disability, and early and late retirement benefits. The plan also provides certain minimum benefit guarantees for participants in the plan prior to its January 1, 1988, amendment. The Plan was amended in 2004 to provide for an Early Retirement Incentive Program. To be eligible, a participant must be age 60 with 20 years of service.

The establishment and operation of a nonuniformed pension plan in the Commonwealth of Pennsylvania is within the discretionary powers of the local governing bodies. However, the plan is affected to some degree by the provisions of the "Municipal Pension Plan Funding Standard and Recovery Act" of December 18, 1984, PL 1005, No. 205, which governs the distribution and use of state pension aid.

As noted, employees are required to contribute five percent of their annual base salary to the plan. The balance of the plan's funding requirements is met by state aid and, if necessary, by Township contributions. The obligation of the employees and Township to contribute to the Non-uniformed Pension Plan is established by state law.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

G. Employee Retirement System (Continued)

The following summarizes financial information of the police pension plan and non-uniformed pension plan as of and for the year ended December 31, 2011.

Combining Statement of Net Assets	Police Pension Fund	Non-Uniform Pension Fund	Total
Assets			
Cash and cash equivalents	\$ 1,014,457	\$ 161,251	\$ 1,175,708
Interest receivable	110,638	20,860	131,498
Investments, at fair value:			-
U.S. government obligations	3,760,828	787,154	4,547,982
Government sponsored mortgages	170,479	37,687	208,166
Corporate obligations	1,158,092	219,085	1,377,177
Municipal obligations	1,716,846	343,063	2,059,909
Mortgages	952,729	184,945	1,137,674
Foreign obligations	204,317	37,637	241,954
Stock equities	<u>14,105,523</u>	<u>2,797,220</u>	<u>16,902,743</u>
Total Assets	<u>23,193,909</u>	<u>4,588,902</u>	<u>27,782,811</u>
Net assets held in trust for pension benefits and other programs	<u>\$ 23,193,909</u>	<u>\$ 4,588,902</u>	<u>\$ 27,782,811</u>
Combining Statement of Changes in Net Assets	Police Pension Fund	Non-Uniform Pension Fund	Total
Additions			
Contributions			
Employee contributions	\$ 263,542	\$ 110,199	\$ 373,741
Township contributions	846,767	-	846,767
State Aid	655,756	110,955	766,711
Insurance proceeds	59,349	-	59,349
Total Contributions	<u>1,825,414</u>	<u>221,154</u>	<u>2,046,568</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	366,323	96,107	462,430
Interest and dividends	772,279	155,152	927,431
Total investment earnings	<u>1,138,602</u>	<u>251,259</u>	<u>1,389,861</u>
Net investment income	<u>1,138,602</u>	<u>251,259</u>	<u>1,389,861</u>
Total Additions	<u>2,964,016</u>	<u>472,413</u>	<u>3,436,429</u>
Deductions			
Benefits	2,219,347	107,841	2,327,188
Administrative expenses	254,027	54,865	308,892
Total Deductions	<u>2,473,374</u>	<u>162,706</u>	<u>2,636,080</u>
Net Increase	490,642	309,707	800,349
Net Assets Held in Trust for Pension			
Beginning of Year	<u>22,703,267</u>	<u>4,279,195</u>	<u>26,982,462</u>
End of Year	<u>\$ 23,193,909</u>	<u>\$ 4,588,902</u>	<u>\$ 27,782,811</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

G. Employee Retirement System (Continued)

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

Summary of Significant Accounting Policies and Plan Assets

The Plan's financial statements are prepared using the accrual basis of accounting. The method used to value assets in the actuarial updates is the fair value method. Both pension plans record their assets at fair value. This results in the net gains and net unrealized gains both being included on the statement of changes in plan net assets in the line net appreciation in fair value of investments. Employee and employer contributions are recognized as revenues in the period in which employee services were performed. Benefits are recognized when due and payable in accordance with the terms of the plan.

The plans do not issue separate financial statements.

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

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

Funding Policy

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$766,711 for the pension for the year ended December 31, 2011.

	Police	Nonuniformed	Total
Township contributions	\$ 846,767	\$ -	\$ 846,767
Employee contributions	263,542	110,199	373,741
State aid	655,756	110,955	766,711
	\$ 1,766,065	\$ 221,154	\$ 1,987,219

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

G. Employee Retirement System (Continued)

Annual Pension Cost and Net Pension Obligation

The two plans' annual pension cost and net pension obligation as of January 1, 2011 (date of latest actuarial valuation), were:

	<u>Police</u>	<u>Non-Uniform</u>
Annual required contribution	\$ 1,502,523	\$ 110,955
Interest on net pension obligation	-	-
Adjustments to annual required contribution	-	-
Annual pension cost	1,502,523	110,955
Contributions made	(1,502,523)	(110,955)
Increase (decrease) in net pension obligation	-	-
Net pension obligation (asset) at beginning of year	-	-
Net pension obligation (asset) at end of year	\$ -	\$ -

Three- Year Trend Information

<u>Police</u>				<u>Net</u>
Fiscal Year	Annual	Percentage	Pension	
<u>Ending</u>	<u>Cost (APC)</u>	<u>of APC</u>	<u>Obligation</u>	<u>(Asset)</u>
		<u>Contributed</u>		
12/31/2009	\$ 785,798	100%	\$ -	-
12/31/2010	764,346	100%	-	-
12/31/2011	1,502,523	100%	-	-

Non-Uniform

12/31/2009	\$ 80,530	100%	\$ -	-
12/31/2010	78,255	100%	-	-
12/31/2011	110,955	100%	-	-

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

G. Employee Retirement System (Continued)

Funded Status and Funding Progress

As of January 1, 2011, the latest valuation date, both plans had unfunded actuarial accrued liabilities as follows:

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

Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the following assumptions:

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

There were no significant changes in actuarial assumptions for either Plan in 2011.

Schedule of Funding Progress

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

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

H. Deferred Compensation Plan

The Township offers all of its employees the option to participate in a Deferred Compensation Plan (the "Plan") created in accordance with the Internal Revenue Code Section 457. The plan permits each employee to defer a flat dollar amount of his or her salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Township's responsibility is to administer the plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the individuals enrolled in the plan and are not subject to the claims of the Township's general creditors. Participants' rights under the plan are equal to the fair value of the deferred account for each participant.

Investments are managed by the plan trustees ("ICMA") under various investment options. Each participant makes the investment plan choice. The Township's opinion is that it has no liability for losses under the plan but does have the responsibility of due care that would be required of an ordinary prudent investor.

On December 17, 1996, the Township passed Resolution 96-42R effective January 1, 1997. This resolution established the Deferred Compensation Plan as a Trust for the exclusive benefit of the Plan participants and their beneficiaries, and that the assets could not be diverted to any other purpose. This resolution was passed to comply with amendments to the Internal Revenue Code. The activity of the Plan is not recorded in the financial statements.

I. Post Employment Benefits Other Than Pensions

Plan Description:

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

The plan does not issue a separate financial statement.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Post Employment Benefits Other Than Pensions (Continued)

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

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

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

Funding Policy

Contribution requirements are negotiated between the Township and union representatives. The Township contributes 100 percent of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2011, the Township contributed \$48,993 to the plan, in addition to the premiums paid directly. The insurance premiums paid directly for December 31, 2011 was \$46,281. Plan members are not required to contribute to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Post Employment Benefits Other Than Pensions (Continued)

The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the Retiree Health Plan:

	<u>OPEB</u>
Annual required contribution	\$ 912,295
Interest on net OPEB obligation	84,574
Adjustments to annual required contribution	(170,461)
Annual OPEB cost	826,408
Contributions made	(46,281)
Increase in net OPEB obligation	780,127
Net pension obligation (asset) at beginning of year	2,147,238
Net pension obligation (asset) at end of year	\$ 2,927,365

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2011 and the preceding fiscal years were as follows:

<u>OPEB</u>	Annual	Percentage	Net
Fiscal Year	OPEB	of Annual	Pension
<u>Ending</u>	<u>Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>
		<u>Contributed</u>	<u>(Asset)</u>
12/31/2009	\$ 783,225	0%	\$ 1,400,969
12/31/2010	774,281	18%	2,147,238
12/31/2011	826,408	12%	2,927,365

Funded Status and Funding Progress

As of January 1, 2011, the funded status and progress as of the date of the most recent actuarial valuation was as follows:

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

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

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Post Employment Benefits Other Than Pensions (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

The following simplifying assumptions were made:

Retirement age for active employees

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

Marital status

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

Mortality

Life expectancies were based on mortality tables from the GA 1983 table, which is based on the mortality of the general population.

Turnover

Three percent of members with less than ten years of services are expected to be terminated each year.

Health care cost trend rate

Based on the current premium rates, health insurance premiums are assumed to increase by 12% in 2011, decreasing 1 % per year to an ultimate rate of 6% in 2014 and later years. Vision care premiums are assumed to increase 5% per year.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Post Employment Benefits Other Than Pensions (Continued)

Payroll growth rate

The expected long-term payroll growth rate was assumed to be 5.0% per year.

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of 4 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2011, was thirty years.

Actuarial assumptions were based on the following:

- Economic assumptions - the discount rate and health care cost trend rates.
- Benefit assumptions - the initial per capita cost rates for medical and vision coverage.
- Demographic assumptions - the probabilities of retiring, dying, election (participation rates) and coverage levels.

The actuarial cost method is the way that unfunded plan costs are allocated over the future years, including the current year. The actuarial valuation uses the Entry Age Normal Actuarial Cost Method. Under this method, the normal cost and actuarial accrued liability are determined on an individual basis. The unfunded actuarial accrued liability is determined as the excess of the actuarial accrued liability over the actuarial value of assets. If the actuarial accrued liability exceeds the actuarial value of plan assets, the unfunded actuarial accrued liability is amortized over future years as part of the annual contribution requirement. The amortization amounts are determined based on the source of each piece of the unfunded accrued liability (*e.g. actuarial gains and losses, plan amendments, changes in assumptions, etc.*) If the actuarial value of assets exceeds the actuarial accrued liability, 10% of this excess is used to reduce the plan's financial requirement.

J. Interfund Advances and Transfers

Interfund Advances

The Township has established a Contingency Fund with monies remaining from the 1978 bond issue. The Contingency Fund pays for capital projects and/or lends money to other Township funds for capital projects/equipment. These monies are loaned in accordance with a Board of Supervisors approved resolution. The resolution includes a payment schedule and a stated interest rate based on market conditions. For monies loaned to Governmental or Capital Projects Funds, the long-term liability is recorded in the fund. Real estate taxes are used for the repayment of the interfund advance.

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

J. Interfund Advances and Transfers (Continued)

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

The liability for these loans is reflected in the fund stated below. The receivables are recorded in the Contingency Fund. The interfund payables outstanding as of December 31, 2011, the annual installment (principal plus interest) and the scheduled maturities are as follows:

	<u>Balance</u> <u>1/1/2011</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Due within</u> <u>One year</u>
Governmental Funds					
Flood 1996	\$ 31,295	\$ -	\$ (15,371)	\$ 15,924	\$ 15,924

The following summary reflects the changes in the interfund loans that are recorded in the Enterprise Funds for the year ended December 31, 2011.

	<u>Balance</u> <u>1/1/2011</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Due within</u> <u>One year</u>
Proprietary Funds					
Country Club Fund	\$ 295,764	\$ -	\$ (60,889)	\$ 234,875	\$ -
Farm Fund	149,364	-	-	149,364	-
	<u>\$ 445,128</u>	<u>\$ -</u>	<u>\$ (60,889)</u>	<u>\$ 384,239</u>	<u>\$ -</u>

The liability for these loans is reflected in the Proprietary Funds. The receivable is recorded in the Contingency Fund. The Country Club loans are recorded in the Middletown Country Club Fund. The interfund payables outstanding as of December 31, 2011, the annual installment (principal plus interest) and the scheduled maturities are as follows:

	<u>Original</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Installment</u>	<u>Final Due</u> <u>Date</u>	<u>Outstanding</u> <u>12/31/2011</u>	<u>Outstanding</u> <u>12/31/2010</u>
Governmental Funds						
General Fund						
Flood 1996	\$ 300,000	3.60%	\$ 14,837	6/30/2012	\$ 15,924	\$ 31,295
Capital Projects Fund						
Curb/road	109,370	0.00%	-	Repayment based on assessment	-	-
Total interfund payables for Governmental Fund Types					<u>\$ 15,924</u>	<u>\$ 31,295</u>

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

J. Interfund Advances and Transfers (Continued)

Proprietary Funds

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

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Annual Installment</u>	<u>Final Due Date</u>	<u>Outstanding 12/31/2011</u>	<u>Outstanding 12/31/2010</u>
Proprietary Funds						
Farm Fund	\$ 214,764	0.00%	\$ -		<u>\$ 149,364</u>	<u>\$ 149,364</u>
Country Club Loan	313,550	3.60%	16,368	12/1/2015	74,310	91,274
Country Club Pool Loan	133,208	3.60%	9,000	12/1/2011	-	7,209
Country Club Irrigation Loan	500,000	3.60%	35,440	6/1/2015	<u>160,565</u>	<u>197,281</u>
					<u>234,875</u>	<u>295,764</u>
Total interfund payables for Proprietary Fund Types					<u>\$ 384,239</u>	<u>\$ 445,128</u>
Total interfund payable All fund types					<u>\$ 400,163</u>	<u>\$ 476,423</u>

Interfund Transfers

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

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 2,005,676	\$ 230,000
Investment	-	1,850,000
Debt Service	267,434	47,706
Other Governmental Funds	128,387	533,792
Country Club	316,798	44,108
Farm Fund	-	12,689
Total	<u>\$ 2,718,295</u>	<u>\$ 2,718,295</u>

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

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

J. Interfund Advances and Transfers (Continued)

Due From/To Other Funds

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
General Fund	\$ 164,628	\$ 96,534
State Highway Aid	18,687	116,386
Debt Service	19,434	-
Other Governmental Funds	<u>158,606</u>	<u>148,435</u>
Total	<u>\$ 361,355</u>	<u>\$ 361,355</u>

Interfund balances are primarily the result of:

- (1) to reimburse for expenditures

K. Risk Management

The Township is exposed to various risks of loss related to third-party liability claims, damage to and loss of Township-owned property, errors and omissions by public officials, and injuries to employees. As a method of protection against the risk, the Township purchases commercial insurance coverage. The 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, 2011.

The Township established a partial self-insured risk management program for health insurance. Premiums are paid directly to the insurance company for a 80/20 insurance plan. The 20% of health insurance costs (employee deductibles) not covered by the insurance plan are paid by the Township, if costs are incurred. The maximum exposure for these costs in 2011 was \$513,000. The actual total charges for the deductibles in 2011 were \$332,504.

TOWNSHIP OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

L. Litigation

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

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

M. Subsequent Events

Management has evaluated subsequent events that occurred after the balance sheet date but before July 25, 2012, the date the financial statements were available to be issued. No items were determined by management that requires disclosure.

N. New Accounting Pronouncements

Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions, was issued in February 2009. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. GASB Statement No. 54 is effective for financial statements for fiscal years beginning after June 15, 2010. Certain prior year fund balance amounts have been restated to reflect the provisions of this pronouncement.

O. Prior Period Adjustment

A prior period adjustment was made to the financial statements to capitalize building improvements made to the Middletown Country Club. The net effect increased Net Assets by \$178,671 on the Government-wide and Proprietary fund statements.

REQUIRED

SUPPLEMENTARY INFORMATION

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - POLICE PENSION PLAN

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Percentage Contributed</u>
2006	\$ 591,820	\$ 591,820	100%
2007	605,161	605,161	100%
2008	660,750	660,750	100%
2009	785,798	785,798	100%
2010	764,346	764,346	100%
2011	1,502,523	1,502,523	100%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - NON UNIFORM PENSION PLAN

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND OTHER CONTRIBUTING ENTITIES

Calendar Year	Annual Required Contribution	Contributions from Employer	Percentage Contributed
2006	\$ 93,044	\$ 93,044	100%
2007	86,193	86,193	100%
2008	103,038	103,038	104%
2009	80,530	80,530	100%
2010	78,255	78,255	100%
2011	110,955	110,955	100%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Percentage Contributed</u>
2008	\$ 795,202	\$ -	0%
2009	795,202	189,435	24%
2010	795,202	48,933	6%
2011	912,295	95,214	10%

See accompanying notes to supplementary schedules.

TOWNSHIP OF MIDDLETOWN

NOTES TO SUPPLEMENTARY SCHEDULES

December 31, 2011

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

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

Information for the Other Post Employment Benefits is as follows:

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

health insurance premiums are assumed to increase by 12% . in 2011, decreasing 1 % per year to an ultimate rate of 6% in 2014 and later years. Vision care premiums are assumed to increase 5% per year.

SUPPLEMENTARY INFORMATION

MIDDLETOWN TOWNSHIP

MAJOR GOVERNMENTAL FUNDS

General Fund - The General Fund is the principal fund of the Township, which accounts for all financial transactions except those required to be accounted for in other funds. This fund is reported as a major fund. (Budget is presented in the Fund Financial Statements).

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

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

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

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2011

	DEBT SERVICE			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 2,737,559	\$ 2,737,559	\$ 2,764,330	\$ 26,771
Investment income and rent	5,000	5,000	900	(4,100)
Other	-	-	-	-
Total Revenues	<u>2,742,559</u>	<u>2,742,559</u>	<u>2,765,230</u>	<u>22,671</u>
Expenditures				
Current:				
General government	25,500	25,500	26,064	(564)
Debt service				
Principal	2,180,089	2,280,089	2,271,627	8,462
Interest	<u>925,533</u>	<u>1,025,533</u>	<u>1,009,464</u>	<u>16,069</u>
Total Expenditures	<u>3,131,122</u>	<u>3,331,122</u>	<u>3,307,155</u>	<u>23,967</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(388,563)</u>	<u>(588,563)</u>	<u>(541,925)</u>	<u>46,638</u>
Other Financing Sources (Uses)				
Transfers in	45,000	245,000	267,434	22,434
Transfers out	<u>(32,000)</u>	<u>(32,000)</u>	<u>(47,706)</u>	<u>(15,706)</u>
Total Other Financing Sources (Uses)	<u>13,000</u>	<u>213,000</u>	<u>219,728</u>	<u>6,728</u>
Net Change in Fund Balance	(375,563)	(375,563)	(322,197)	53,366
Fund Balance - Beginning	<u>403,969</u>	<u>403,969</u>	<u>403,969</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 28,406</u>	<u>\$ 28,406</u>	<u>\$ 81,772</u>	<u>\$ 53,366</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.

MIDDLETOWN TOWNSHIP

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

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

General Obligation Bond Issue of 2008 Fund - This fund is used to account for the costs of reconstruction, repairing and curb improvements in Levittown, improvements to the community center building, improvements to the country club, reconstruction of Beachwood Park and Simmons Memorial Park. This fund was established by issuance of \$10,000,000 in G.O. bonds in 2008.

General Obligation Bond Issue of 2011 Fund - This fund is used to account for the refinancing of the G.O. Bond Series 2006 and G.O. Note Series 2000. These were financed by the issuance of \$8,560,000 in G.O. bonds in 2011.

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

Capital Reserve Fund - This fund is maintained for anticipated capital expenditures. The monies accumulated in this fund are expended at the discretion of the Board of Supervisors for purposes involving the construction, purchase, lease to own, or replacement of or addition to municipal buildings, equipment, land, recreation facilities, parks, playgrounds, machinery, motor vehicles, infrastructure, or other capital assets or capital improvements. These expenditures are financed by the transportation and recreation impact fees paid by developers, as well as proceeds from the nonresidential building permit privilege tax.

Curb/Road Revolving Fund - This fund is used to account for the costs of permanent street, curb and sidewalk improvements prior to the collection of such costs and expenses by assessments from the property owners adjoining or abutting such improvements.

Contingency Fund - This fund was established to extend interfund advances to fund capital purchases.

TOWNSHIP OF MIDDLETOWN

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	<u>Special Revenue</u>						<u>Total</u>
	<u>General Street Lighting</u>	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Ambulance and Rescue</u>	<u>Road Machinery</u>	<u>Fire Hydrant</u>	
<u>ASSETS</u>							
Current Assets							
Cash and cash equivalents	\$ 65,046	\$ -	\$ 458,902	\$ -	\$ 74,887	\$ 8,504	\$ 607,339
Taxes receivable, net	14,382	20,853	24,560	5,522	4,505	1,381	71,203
Special assessments receivable	-	-	-	-	-	-	-
Accounts receivable	9,377	602	720	196	124	31	11,050
Prepaid items	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Due from other funds	3,614	5,037	11,135	1,447	1,098	391	22,722
Total Assets	<u>\$ 92,419</u>	<u>\$ 26,492</u>	<u>\$ 495,317</u>	<u>\$ 7,165</u>	<u>\$ 80,614</u>	<u>\$ 10,307</u>	<u>\$ 712,314</u>
<u>LIABILITIES AND FUND EQUITY</u>							
Current Liabilities							
Accounts payable	\$ 33,122	\$ 21	\$ 12,084	\$ 21	\$ 63,250	\$ 5,755	\$ 114,253
Accrued salaries and benefits	4,658	-	12,430	-	-	-	17,088
Due to other funds	-	3,717	4,538	1,484	-	-	9,739
Deferred revenue	14,383	20,852	24,560	5,521	4,505	1,381	71,202
Total Liabilities	<u>52,163</u>	<u>24,590</u>	<u>53,612</u>	<u>7,026</u>	<u>67,755</u>	<u>7,136</u>	<u>212,282</u>
Fund balances							
Nonspendable-prepaid items	-	-	-	-	-	-	-
Restricted:							
Public safety	-	1,902	-	139	-	3,171	5,212
Public works	40,256	-	-	-	12,859	-	53,115
Transportation impact fee	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Committed:							
Culture and recreation	-	-	441,705	-	-	-	441,705
Assigned:							
Capital projects	-	-	-	-	-	-	-
Total Fund Equity	<u>40,256</u>	<u>1,902</u>	<u>441,705</u>	<u>139</u>	<u>12,859</u>	<u>3,171</u>	<u>500,032</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 92,419</u>	<u>\$ 26,492</u>	<u>\$ 495,317</u>	<u>\$ 7,165</u>	<u>\$ 80,614</u>	<u>\$ 10,307</u>	<u>\$ 712,314</u>

Capital Projects							Total Nonmajor Governmental Funds
<u>GOB Issue of 2008</u>	<u>GOB Issue of 2011</u>	<u>Community Development</u>	<u>Capital Reserve</u>	<u>Curb/Road Revolving</u>	<u>Contingency</u>	<u>Total</u>	
\$ 667,496	\$ -	\$ 109,699	\$ 2,805,837	\$ 117,698	\$ 994	\$ 3,701,724	\$ 4,309,063
-	-	-	-	-	-	-	71,203
-	-	-	-	9,696	-	9,696	9,696
-	-	-	-	-	-	-	11,050
-	-	-	2,614	-	-	2,614	2,614
-	-	-	-	-	400,163	400,163	400,163
<u>118,854</u>	<u>-</u>	<u>17,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,884</u>	<u>158,606</u>
<u>\$ 786,350</u>	<u>\$ -</u>	<u>\$ 126,729</u>	<u>\$ 2,808,451</u>	<u>\$ 127,394</u>	<u>\$ 401,157</u>	<u>\$ 4,250,081</u>	<u>\$ 4,962,395</u>
\$ 18,318	\$ -	\$ 5,063	\$ 40,512	\$ -	\$ -	\$ 63,893	\$ 178,146
5,895	-	-	-	-	-	5,895	22,983
-	-	121,666	17,030	-	-	138,696	148,435
-	-	-	-	7,076	-	7,076	78,278
<u>24,213</u>	<u>-</u>	<u>126,729</u>	<u>57,542</u>	<u>7,076</u>	<u>-</u>	<u>215,560</u>	<u>427,842</u>
-	-	-	2,614	-	-	2,614	2,614
-	-	-	-	-	-	-	5,212
-	-	-	-	-	-	-	53,115
-	-	-	374,341	-	-	374,341	374,341
762,137	-	-	-	-	-	762,137	762,137
-	-	-	-	-	-	-	441,705
-	-	-	2,373,954	120,318	401,157	2,895,429	2,895,429
<u>762,137</u>	<u>-</u>	<u>-</u>	<u>2,750,909</u>	<u>120,318</u>	<u>401,157</u>	<u>4,034,521</u>	<u>4,534,553</u>
<u>\$ 786,350</u>	<u>\$ -</u>	<u>\$ 126,729</u>	<u>\$ 2,808,451</u>	<u>\$ 127,394</u>	<u>\$ 401,157</u>	<u>\$ 4,250,081</u>	<u>\$ 4,962,395</u>

TOWNSHIP OF MIDDLETOWN

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

	<u>Special Revenue</u>						
	<u>General</u>						
	<u>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>Total</u>
Revenues							
Property taxes	\$ 513,308	\$ 717,439	\$ 845,246	\$ 206,059	\$ 156,528	\$ 55,544	\$ 2,494,124
Fees, licenses and permits	-	-	-	-	-	-	-
Investment income and rent	114	151	9,066	55	84	12	9,482
Intergovernmental revenues	-	644,247	-	-	-	-	644,247
Charges for services	6,212	-	267,114	-	-	-	273,326
Contributions private sources	-	-	32,816	-	-	-	32,816
Other	-	-	231	-	-	-	231
Total Revenues	<u>519,634</u>	<u>1,361,837</u>	<u>1,154,473</u>	<u>206,114</u>	<u>156,612</u>	<u>55,556</u>	<u>3,454,226</u>
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Public safety	-	1,577,490	-	280,136	-	48,959	1,906,585
Public works	454,596	-	-	-	22	-	454,618
Parks and recreation	-	-	1,099,565	-	-	-	1,099,565
Debt service							
Interest	-	-	-	-	-	-	-
Fiscal agent fees	-	-	-	-	-	-	-
Capital outlays/development	-	-	-	-	209,415	-	209,415
Total Expenditures	<u>454,596</u>	<u>1,577,490</u>	<u>1,099,565</u>	<u>280,136</u>	<u>209,437</u>	<u>48,959</u>	<u>3,670,183</u>
Excess (Deficiency) of Revenues Over Expenditures	65,038	(215,653)	54,908	(74,022)	(52,825)	6,597	(215,957)
Other Financing Sources (Uses)							
Proceeds from refunding bonds	-	-	-	-	-	-	-
Bond premiums and discounts	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Operating transfers in	-	-	128,387	-	-	-	128,387
Operating transfers out	(17,000)	(5,000)	(20,000)	(3,500)	(1,200)	(1,000)	(47,700)
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(5,000)</u>	<u>108,387</u>	<u>(3,500)</u>	<u>(1,200)</u>	<u>(1,000)</u>	<u>80,687</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses)	48,038	(220,653)	163,295	(77,522)	(54,025)	5,597	(135,270)
Fund Balance - Beginning	(7,782)	222,555	278,410	77,661	66,884	(2,426)	635,302
Fund Balance - Ending	<u>\$ 40,256</u>	<u>\$ 1,902</u>	<u>\$ 441,705</u>	<u>\$ 139</u>	<u>\$ 12,859</u>	<u>\$ 3,171</u>	<u>\$ 500,032</u>

Capital Projects							Total
GOB Issue of 2008	GOB Issue of 2011	Community Development	Capital Reserve	Curb/Road Revolving	Contingency	Total	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,494,124
-	-	-	119,628	-	-	119,628	119,628
651	-	-	1,407	12	11,537	13,607	23,089
-	-	1,072,283	-	-	-	1,072,283	1,716,530
-	-	-	-	-	-	-	273,326
-	-	-	97,536	-	-	97,536	130,352
<u>30,000</u>	-	-	<u>36,202</u>	-	-	<u>66,202</u>	<u>66,433</u>
<u>30,651</u>	-	<u>1,072,283</u>	<u>254,773</u>	<u>12</u>	<u>11,537</u>	<u>1,369,256</u>	<u>4,823,482</u>
-	-	128,189	173,288	-	-	301,477	301,477
-	-	771,293	-	-	-	771,293	2,677,878
-	-	40,081	262,964	-	-	303,045	757,663
-	-	132,720	35,510	-	-	168,230	1,267,795
-	26,463	-	-	-	-	26,463	26,463
-	71,522	-	-	-	-	71,522	71,522
<u>1,477,740</u>	-	-	<u>158,937</u>	-	-	<u>1,636,677</u>	<u>1,846,092</u>
<u>1,477,740</u>	<u>97,985</u>	<u>1,072,283</u>	<u>630,699</u>	-	-	<u>3,278,707</u>	<u>6,948,890</u>
(1,447,089)	(97,985)	-	(375,926)	12	11,537	(1,909,451)	(2,125,408)
-	8,560,000	-	-	-	-	8,560,000	8,560,000
-	(34,881)	-	-	-	-	(34,881)	(34,881)
-	(8,427,134)	-	-	-	-	(8,427,134)	(8,427,134)
-	-	-	-	-	-	-	128,387
<u>(301,092)</u>	-	-	-	-	<u>(185,000)</u>	<u>(486,092)</u>	<u>(533,792)</u>
<u>(301,092)</u>	<u>97,985</u>	-	-	-	<u>(185,000)</u>	<u>(388,107)</u>	<u>(307,420)</u>
(1,748,181)	-	-	(375,926)	12	(173,463)	(2,297,558)	(2,432,828)
<u>2,510,318</u>	-	-	<u>3,126,835</u>	<u>120,306</u>	<u>574,620</u>	<u>6,332,079</u>	<u>6,967,381</u>
<u>\$ 762,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,750,909</u>	<u>\$ 120,318</u>	<u>\$ 401,157</u>	<u>\$ 4,034,521</u>	<u>\$ 4,534,553</u>

MIDDLETOWN TOWNSHIP

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

For the Year Ended December 31, 2011

	GENERAL STREET LIGHTING FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 512,786	\$ 512,786	\$ 513,308	\$ 522
Investment income and rent	300	300	114	(186)
Charges for services	<u>5,000</u>	<u>5,000</u>	<u>6,212</u>	<u>1,212</u>
Total Revenues	<u>518,086</u>	<u>518,086</u>	<u>519,634</u>	<u>1,548</u>
Expenditures				
Current:				
Public works	<u>488,981</u>	<u>488,981</u>	<u>454,596</u>	<u>34,385</u>
Total Expenditures	<u>488,981</u>	<u>488,981</u>	<u>454,596</u>	<u>34,385</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>29,105</u>	<u>29,105</u>	<u>65,038</u>	<u>35,933</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	<u>(17,000)</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>-</u>
Net Change in Fund Balance	12,105	12,105	48,038	35,933
Fund Balance - Beginning	<u>(7,782)</u>	<u>(7,782)</u>	<u>(7,782)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,323</u>	<u>\$ 4,323</u>	<u>\$ 40,256</u>	<u>\$ 35,933</u>

MIDDLETOWN TOWNSHIP

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

For the Year Ended December 31, 2011

	<u>FIRE PROTECTION</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 715,810	\$ 715,810	\$ 717,439	\$ 1,629
Investment income and rent	1,800	1,800	151	(1,649)
Intergovernmental revenues	<u>429,629</u>	<u>643,629</u>	<u>644,247</u>	<u>618</u>
Total Revenues	<u>1,147,239</u>	<u>1,361,239</u>	<u>1,361,837</u>	<u>598</u>
Expenditures				
Current:				
Public safety	<u>1,141,139</u>	<u>1,578,693</u>	<u>1,577,490</u>	<u>1,203</u>
Total Expenditures	<u>1,141,139</u>	<u>1,578,693</u>	<u>1,577,490</u>	<u>1,203</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>6,100</u>	<u>(217,454)</u>	<u>(215,653)</u>	<u>1,801</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net Change in Fund Balance	1,100	(222,454)	(220,653)	1,801
Fund Balance - Beginning	<u>222,555</u>	<u>222,555</u>	<u>222,555</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 223,655</u>	<u>\$ 101</u>	<u>\$ 1,902</u>	<u>\$ 1,801</u>

MIDDLETOWN TOWNSHIP

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

For the Year Ended December 31, 2011

	<u>PARK AND RECREATION</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 842,820	\$ 842,820	\$ 845,246	\$ 2,426
Investment income and rent	7,000	7,000	9,066	2,066
Charges for services	246,600	246,600	267,114	20,514
Contributions private sources	25,500	25,500	32,816	7,316
Miscellaneous	-	-	231	231
Total Revenues	<u>1,121,920</u>	<u>1,121,920</u>	<u>1,154,473</u>	<u>32,553</u>
Expenditures				
Current:				
Parks and recreation	<u>1,386,228</u>	<u>1,386,228</u>	<u>1,099,565</u>	<u>286,663</u>
Total Expenditures	<u>1,386,228</u>	<u>1,386,228</u>	<u>1,099,565</u>	<u>286,663</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(264,308)</u>	<u>(264,308)</u>	<u>54,908</u>	<u>319,216</u>
Other Financing Sources (Uses)				
Transfers in	128,387	128,387	128,387	-
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>108,387</u>	<u>108,387</u>	<u>108,387</u>	<u>-</u>
Net Change in Fund Balance	(155,921)	(155,921)	163,295	319,216
Fund Balance - Beginning	<u>278,410</u>	<u>278,410</u>	<u>278,410</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 122,489</u>	<u>\$ 122,489</u>	<u>\$ 441,705</u>	<u>\$ 319,216</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, 2011

	AMBULANCE AND RESCUE			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 205,771	\$ 205,771	\$ 206,059	\$ 288
Investment income and rent	600	600	55	(545)
Total Revenues	<u>206,371</u>	<u>206,371</u>	<u>206,114</u>	<u>(257)</u>
Expenditures				
Current:				
Public safety	<u>202,871</u>	<u>280,534</u>	<u>280,136</u>	<u>398</u>
Total Expenditures	<u>202,871</u>	<u>280,534</u>	<u>280,136</u>	<u>398</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>3,500</u>	<u>(74,163)</u>	<u>(74,022)</u>	<u>141</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Net Change in Fund Balance	-	(77,663)	(77,522)	141
Fund Balance - Beginning	<u>77,661</u>	<u>77,661</u>	<u>77,661</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 77,661</u>	<u>\$ (2)</u>	<u>\$ 139</u>	<u>\$ 141</u>

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2011

	ROAD MACHINERY			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 155,022	\$ 155,022	\$ 156,528	\$ 1,506
Investment income and rent	350	350	84	(266)
Total Revenues	<u>155,372</u>	<u>155,372</u>	<u>156,612</u>	<u>1,240</u>
Expenditures				
Current:				
Public safety	25	25	22	3
Capital outlay	<u>142,500</u>	<u>212,500</u>	<u>209,415</u>	<u>3,085</u>
Total Expenditures	<u>142,525</u>	<u>212,525</u>	<u>209,437</u>	<u>3,088</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>12,847</u>	<u>(57,153)</u>	<u>(52,825)</u>	<u>4,328</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Net Change in Fund Balance	11,647	(58,353)	(54,025)	4,328
Fund Balance - Beginning	<u>66,884</u>	<u>66,884</u>	<u>66,884</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 78,531</u>	<u>\$ 8,531</u>	<u>\$ 12,859</u>	<u>\$ 4,328</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, 2011

	FIRE HYDRANT			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 55,795	\$ 55,795	\$ 55,544	\$ (251)
Investment income and rent	60	60	12	(48)
Total Revenues	<u>55,855</u>	<u>55,855</u>	<u>55,556</u>	<u>(299)</u>
Expenditures				
Current:				
Public safety	52,429	52,429	48,959	3,470
Total Expenditures	<u>52,429</u>	<u>52,429</u>	<u>48,959</u>	<u>3,470</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>3,426</u>	<u>3,426</u>	<u>6,597</u>	<u>3,171</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(1,000)	(1,000)	(1,000)	-
Total Other Financing Sources (Uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
Net Change in Fund Balance	2,426	2,426	5,597	3,171
Fund Balance - Beginning	<u>(2,426)</u>	<u>(2,426)</u>	<u>(2,426)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,171</u>	<u>\$ 3,171</u>

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2011

	<u>GENERAL OBLIGATION BOND ISSUE OF 2008</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income and rent	\$ 2,000	\$ 2,000	\$ 651	\$ (1,349)
Other	-	-	30,000	30,000
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>30,651</u>	<u>28,651</u>
Expenditures				
Current:				
Capital outlay	2,682,000	2,682,000	1,477,740	1,204,260
Total Expenditures	<u>2,682,000</u>	<u>2,682,000</u>	<u>1,477,740</u>	<u>1,204,260</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(2,680,000)</u>	<u>(2,680,000)</u>	<u>(1,447,089)</u>	<u>1,232,911</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(301,092)	(301,092)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(301,092)</u>	<u>(301,092)</u>
Net Change in Fund Balance	(2,680,000)	(2,680,000)	(1,748,181)	931,819
Fund Balance - Beginning	<u>2,510,318</u>	<u>2,510,318</u>	<u>2,510,318</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (169,682)</u>	<u>\$ (169,682)</u>	<u>\$ 762,137</u>	<u>\$ 931,819</u>

TOWNSHIP OF MIDDLETOWN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL - G.O. BOND ISSUE OF 2011 FUND

For the Year Ended December 31, 2011

	<u>GENERAL OBLIGATION BOND ISSUE OF 2011</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income and rent	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current:				
Debt service	-	-	-	-
Interest	-	-	26,463	(26,463)
Fiscal agent fees	-	-	71,522	(71,522)
Total Expenditures	<u>-</u>	<u>-</u>	<u>97,985</u>	<u>(97,985)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>-</u>	<u>-</u>	<u>(97,985)</u>	<u>(97,985)</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	-	-	8,560,000	8,560,000
Bond premiums and discounts	-	-	(34,881)	(34,881)
Refunded bonds	-	-	(8,427,134)	(8,427,134)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>97,985</u>	<u>97,985</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2011

	CAPITAL RESERVE			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ -	\$ -	\$ 119,628	\$ 119,628
Investment income and rent	5,000	5,000	1,407	(3,593)
Contributions private sources	155,000	155,000	97,536	(57,464)
Other	-	-	36,202	36,202
Total Revenues	<u>160,000</u>	<u>160,000</u>	<u>254,773</u>	<u>94,773</u>
Expenditures				
Current:				
General government	320,500	320,500	173,288	147,212
Public safety	-	-	-	-
Public works	467,200	467,200	262,964	204,236
Parks and recreation	692,000	692,000	35,510	656,490
Capital outlay	<u>293,000</u>	<u>293,000</u>	<u>158,937</u>	<u>134,063</u>
Total Expenditures	<u>1,772,700</u>	<u>1,772,700</u>	<u>630,699</u>	<u>1,142,001</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(1,612,700)</u>	<u>(1,612,700)</u>	<u>(375,926)</u>	<u>1,236,774</u>
Net Change in Fund Balance	(1,612,700)	(1,612,700)	(375,926)	1,236,774
Fund Balance - Beginning	<u>3,126,835</u>	<u>3,126,835</u>	<u>3,126,835</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,514,135</u>	<u>\$ 1,514,135</u>	<u>\$ 2,750,909</u>	<u>\$ 1,236,774</u>

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2011

	<u>CURB/ROAD REVOLVING</u>			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income and rent	\$ 425	\$ 425	\$ 12	\$ (413)
Special assessment	-	-	-	-
Total Revenues	<u>425</u>	<u>425</u>	<u>12</u>	<u>(413)</u>
Expenditures				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>425</u>	<u>425</u>	<u>12</u>	<u>(413)</u>
Net Change in Fund Balance	425	425	12	(413)
Fund Balance - Beginning	<u>120,306</u>	<u>120,306</u>	<u>120,306</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 120,731</u>	<u>\$ 120,731</u>	<u>\$ 120,318</u>	<u>\$ (413)</u>

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2011

	CONTINGENCY			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Investment income and rent	\$ 12,000	\$ 12,000	\$ 11,537	\$ (463)
Total Revenues	<u>12,000</u>	<u>12,000</u>	<u>11,537</u>	<u>(463)</u>
Expenditures				
Current:				
General government	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>12,000</u>	<u>12,000</u>	<u>11,537</u>	<u>(463)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(185,000)</u>	<u>15,000</u>
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(185,000)</u>	<u>15,000</u>
Net Change in Fund Balance	(188,000)	(188,000)	(173,463)	14,537
Fund Balance - Beginning	<u>574,620</u>	<u>574,620</u>	<u>574,620</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 386,620</u>	<u>\$ 386,620</u>	<u>\$ 401,157</u>	<u>\$ 14,537</u>

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

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2011

	COUNTRY CLUB			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Operating Revenues				
Charges for services				
Licensing fees	\$ 150,000	\$ 150,000	\$ 184,434	\$ 34,434
Rent	-	-	-	-
Total Operating Revenues	150,000	150,000	184,434	34,434
Operating Expenses				
Park and recreation	45,424	45,424	43,925	1,499
Depreciation	80,000	80,000	87,315	(7,315)
Total Operating Expenses	125,424	125,424	131,240	(5,816)
Operating Income (Loss)	24,576	24,576	53,194	28,618
Nonoperating Revenues (Expense)				
Interest income	500	500	31	(469)
Refunds	45,000	45,000	-	(45,000)
Interest expense	(11,902)	(11,902)	(13,874)	(1,972)
Total Nonoperating Revenues (Expense)	33,598	33,598	(13,843)	(47,441)
Income (Loss) before Transfers	58,174	58,174	39,351	(18,823)
Transfers out	(51,674)	(51,674)	(44,108)	7,566
Changes in Net Assets	6,500	6,500	(4,757)	(11,257)
Total Net Assets - Beginning	1,975,973	1,975,973	1,975,973	-
Total Net Assets - Ending	\$ 1,982,473	\$ 1,982,473	\$ 1,971,216	\$ (11,257)

TOWNSHIP OF MIDDLETOWN

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

For the Year Ended December 31, 2011

	FARM FUND			Variance with Final Budget
	Original	Final	ACTUAL	
Operating Revenues				
Charges for services				
Licensing fees	\$ 41,000	\$ 41,000	\$ 40,000	\$ (1,000)
Rent	6,300	6,300	-	(6,300)
Total Operating Revenues	<u>47,300</u>	<u>47,300</u>	<u>40,000</u>	<u>(7,300)</u>
Operating Expenses				
Park and recreation	12,331	31,331	28,280	3,051
Depreciation	3,650	3,650	3,642	8
Total Operating Expenses	<u>15,981</u>	<u>34,981</u>	<u>31,922</u>	<u>3,059</u>
Operating Income (Loss)	<u>31,319</u>	<u>12,319</u>	<u>8,078</u>	<u>(4,241)</u>
Nonoperating Revenues (Expense)				
Interest income	250	250	2	(248)
Total Nonoperating Revenues (Expense)	<u>250</u>	<u>250</u>	<u>2</u>	<u>(248)</u>
Income (Loss) before Transfers	31,569	12,569	8,080	(4,489)
Transfers out	<u>(12,689)</u>	<u>(12,689)</u>	<u>(12,689)</u>	<u>-</u>
Changes in Net Assets	18,880	(120)	(4,609)	(4,489)
Total Net Assets - Beginning	<u>2,230,695</u>	<u>2,230,695</u>	<u>2,230,695</u>	<u>-</u>
Total Net Assets - Ending	<u>\$ 2,249,575</u>	<u>\$ 2,230,575</u>	<u>\$ 2,226,086</u>	<u>\$ (4,489)</u>

FIDUCIARY FUNDS

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

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

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

The *Fire Company District* fund is used to account for the resources reserved exclusively for the purpose of funding the Township's volunteer fire companies' apparatus replacement plan.

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

TOWNSHIP OF MIDDLETOWN
COMBINING STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

December 31, 2011

	Pension and Other Employee Benefit Trust Plans				Private Purpose Trusts	Agency Funds	Total Fiduciary Funds
	Police Pension	Non-Uniform Pension	Health Care Trust Fund	Total	Fire Company District	Township Escrow	
<u>ASSETS</u>							
Cash and cash equivalents	\$ 1,014,457	\$ 161,251	\$ 281,840	\$ 1,457,548	\$ 772,592	\$ 1,553,608	\$ 3,783,748
Receivables:							
Accrued interest	110,638	20,860	-	131,498	-	-	131,498
Investments, at fair value:							
U.S. government obligations	3,760,828	787,154	-	4,547,982	-	-	4,547,982
Government sponsored mortgages	170,479	37,687	-	208,166	-	-	208,166
Corporate obligations	1,158,092	219,085	-	1,377,177	-	-	1,377,177
Municipal obligations	1,716,846	343,063	-	2,059,909	-	-	2,059,909
Mortgages	952,729	184,945	-	1,137,674	-	-	1,137,674
Foreign obligations	204,317	37,637	-	241,954	-	-	241,954
Stock equities	14,105,523	2,797,220	-	16,902,743	-	-	16,902,743
Total investments	<u>22,068,814</u>	<u>4,406,791</u>	<u>-</u>	<u>26,475,605</u>	<u>-</u>	<u>-</u>	<u>26,475,605</u>
Total Assets	<u>23,193,909</u>	<u>4,588,902</u>	<u>281,840</u>	<u>28,064,651</u>	<u>772,592</u>	<u>1,553,608</u>	<u>30,390,851</u>
<u>LIABILITIES</u>							
Deposits and refunds	-	-	-	-	-	1,251,572	1,251,572
Due to other governments	-	-	-	-	109,786	-	109,786
Other liabilities	-	-	102	102	-	302,036	302,138
Total Liabilities	<u>-</u>	<u>-</u>	<u>102</u>	<u>102</u>	<u>109,786</u>	<u>1,553,608</u>	<u>1,663,496</u>
<u>NET ASSETS</u>							
Held in trust for:							
Pension benefits	23,193,909	4,588,902	-	27,782,811	-	-	27,782,811
Other post employment benefits	-	-	281,738	281,738	-	-	281,738
Fire company district	-	-	-	-	662,806	-	662,806
Total Net Assets	<u>\$ 23,193,909</u>	<u>\$ 4,588,902</u>	<u>\$ 281,738</u>	<u>\$ 28,064,549</u>	<u>\$ 662,806</u>	<u>\$ -</u>	<u>\$ 28,727,355</u>

TOWNSHIP OF MIDDLETOWN

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

FIDUCIARY FUNDS

For the Year Ended December 31, 2011

	Pension and Other Employee Benefit Trust Plans				Private	Total
	Police Pension	Non-Uniform Pension	Health Care Offset Fund	Total	Purpose Trust Fire Company District	
Additions						
Contributions						
Member contributions	\$ 263,542	\$ 110,199	\$ -	\$ 373,741	\$ -	\$ 373,741
Employer contributions	846,767	-	48,933	895,700	325,145	1,220,845
State aid	655,756	110,955	-	766,711	-	766,711
Insurance proceeds	59,349	-	-	59,349	-	59,349
Total Contributions	<u>1,825,414</u>	<u>221,154</u>	<u>48,933</u>	<u>2,095,501</u>	<u>325,145</u>	<u>2,420,646</u>
Investment Income						
Net appreciation (depreciation) in fair value of investments	366,323	96,107	-	462,430	-	462,430
Interest and dividends	772,279	155,152	70	927,501	247	927,748
Total Investment Earnings	<u>1,138,602</u>	<u>251,259</u>	<u>70</u>	<u>1,389,931</u>	<u>247</u>	<u>1,390,178</u>
Total Additions	<u>2,964,016</u>	<u>472,413</u>	<u>49,003</u>	<u>3,485,432</u>	<u>325,392</u>	<u>3,810,824</u>
Deductions						
Benefits	2,219,347	107,841	-	2,327,188	-	2,327,188
Administrative expenses	254,027	54,865	6,000	314,892	-	314,892
Total Deductions	<u>2,473,374</u>	<u>162,706</u>	<u>6,000</u>	<u>2,642,080</u>	<u>-</u>	<u>2,642,080</u>
Net Increase	490,642	309,707	43,003	843,352	325,392	1,168,744
Net Assets Held in Trust						
Beginning of Year	<u>22,703,267</u>	<u>4,279,195</u>	<u>238,735</u>	<u>27,221,197</u>	<u>337,414</u>	<u>27,558,611</u>
End of Year	<u>\$ 23,193,909</u>	<u>\$ 4,588,902</u>	<u>\$ 281,738</u>	<u>\$ 28,064,549</u>	<u>\$ 662,806</u>	<u>\$ 28,727,355</u>

TOWNSHIP OF MIDDLETOWN

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-
TOWNSHIP ESCROW FUNDS

For the Year Ended December 31, 2011

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2011</u>
Assets:				
Cash and cash equivalents	\$ 1,761,665	\$ 407,929	\$ (615,986)	\$ 1,553,608
Total Assets	<u>\$ 1,761,665</u>	<u>\$ 407,929</u>	<u>\$ (615,986)</u>	<u>\$ 1,553,608</u>
Liabilities:				
Accounts payable	\$ 84,216	\$ 423,159	\$ (507,375)	\$ -
Customer deposits	1,320,178	409,871	(478,477)	1,251,572
Accumulated interest	<u>357,271</u>	<u>903</u>	<u>(56,138)</u>	<u>302,036</u>
Total Liabilities	<u>\$ 1,761,665</u>	<u>\$ 833,933</u>	<u>\$ (1,041,990)</u>	<u>\$ 1,553,608</u>