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**TOWNSHIP OF MIDDLETOWN**

**BASIC FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2023**

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TOWNSHIP OF MIDDLETOWN

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## INDEPENDENT AUDITOR'S REPORT

June 12, 2024

Members of Council  
Township of Middletown  
Lima, Pennsylvania

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Middletown ("the Township"), Lima, Pennsylvania, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements 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 Township as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Middletown Township Sewer Authority, a blended component unit, which represent 98.3%, 97.1%, and 94.6%, respectively, of the assets, net position, and operating revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Middletown Township Sewer Authority, is based solely on the report of the other auditors.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audit contained in *Government Auditing*

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*Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

The Township's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.

Members of Council  
Township of Middletown

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the schedule of changes in the Township's net pension liability, investment returns, and related ratios – non-uniformed pension plan, schedule of Township contributions – non-uniformed pension plan, notes to schedule of Township contributions- non-uniformed pension plan, schedule of changes in the Township's net pension liability, investment returns, and related ratios – sewer authority plan, schedule of Township contributions – sewer authority plan, and notes to schedule of Township contributions – sewer authority plan on pages 58 through 61 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 the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2024, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

TOWNSHIP OF MIDDLETOWN  
LIMA, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
DECEMBER 31, 2023

Introduction

Our discussion and analysis of the financial performance of the Township of Middletown ("the Township"), Lima, Pennsylvania, provides an overview of the Township's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the Township's financial statements, which begin on page 14.

Financial Highlights

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the calendar year by \$62,111,412 (net position). Of this amount, \$8,508,173 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The Township's total net position increased by \$5,427,214 from 2023 to 2022.
- As of December 31, 2023, the Township's governmental (general, capital projects, and special revenue) funds reported combined ending fund balances of \$15,901,054, an increase of \$1,168,190 as compared to the prior year.
- The Township's governmental activities have outstanding general obligation bonds totaling \$21,760,000.
- The net pension asset and liability reported is the difference between the total pension liability and the assets available to fund that liability. The Township's financial statements include two pension plans, the Township plan and the Sewer Authority plan. The Township's pension plan had a net pension liability of \$121,151 compared to a net pension liability of \$353,161 for the prior year. The Sewer Authority's pension plan had a net pension liability of \$137,032 compared to a net pension asset of \$21,030 for the prior year.
- The Township's real estate tax rate remained the same in 2023. Of the 49 municipalities in Delaware County, only six had lower property tax rates than the Township did in 2023.

Overview of the Financial Statements

Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities and subsequent changes in the Township's financial position, and also includes currently known facts that may have a significant impact on the Township's financial position now and in the foreseeable future.

GASB Statement No. 34 establishes the required elements of the general purpose external financial report as:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Entity-wide Financial Statements
  - Fund Financial Statements
  - Notes to the Financial Statements

TOWNSHIP OF MIDDLETOWN  
LIMA, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2023

- Required Supplementary Information (other than MD&A)

The Township's basic financial statements are comprised of three components: 1) entity-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements.

**Entity-wide Financial Statements** – The entity-wide financial statements provide a broad overview of the Township's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Township's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future calendar periods (e.g., uncollected taxes).

Both of the entity-wide financial statements distinguish functions of the Township that are supported principally by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- *Governmental Activities* – The majority of the Township's basic services are reported here, including financial support for the volunteer fire companies and library, plus general administration, building and zoning enforcement, public works, and park operations. Business taxes, building permits, property taxes, intergovernmental revenues, and franchise fees finance most of these activities.
- *Business-type Activities* – The Township charges fees to customers to help it recover all or most of the cost of certain services it provides. The Township sewer and recreation activities are reported here. The Township also includes a separate legal entity in its report - the Middletown Township Sewer Authority ("the Sewer Authority"). The Sewer Authority is considered a blended component unit and is included with the business-type activities. Although legally separate, the Sewer Authority is important because the Township is financially accountable for it and, therefore, it has been included as an integral part of the primary government.

**Fund Financial Statements** – An analysis of the Township's major funds provides detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by state law and some by bond covenants. However, the Township Council also establishes many other funds to help it control and manage money for particular purposes (special revenue funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (capital projects funds). The Township's three kinds of funds - governmental, proprietary, and fiduciary - use different accounting approaches.

TOWNSHIP OF MIDDLETOWN  
LIMA, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2023

- *Governmental Funds* – Most of the Township's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in reconciliations on pages 17 and 19.
- *Proprietary Funds* – When the Township charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the entity-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.
- *Fiduciary Funds* – The Township is the trustee, or fiduciary, responsible for certain assets, such as the employee pension fund, that - because of a trust arrangement - can be used only for the trust beneficiaries. All the Township's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to Basic Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found beginning on page 29 of this report.

Financial Analysis of the Government as a Whole

The statement of net position and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer the question, "How did the Township do financially during 2023?" These statements include all assets and deferred accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and the changes in them during the year. This change in net position is important because it informs the reader, for the Township as a whole, whether the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors; some financial, some not. Nonfinancial factors could include changes in the Township's property tax base and the condition of the Township's assets.

TOWNSHIP OF MIDDLETOWN  
LIMA, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2023

Table 1 below shows the net position of the Township's governmental and business-type activities. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$62,111,412 at December 31, 2023. This is an increase of \$5,427,214 from the previous year.

**Table 1**  
**Net Position**  
**December 31, 2023 and 2022**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>ASSETS AND DEFERRED</b>						
<b>OUTFLOWS OF RESOURCES</b>						
Current assets	\$ 16,453,157	\$ 15,175,564	\$ 14,301,321	\$ 13,517,197	\$ 30,754,478	\$ 28,692,761
Other assets	-	-	1,389,409	1,359,358	1,389,409	1,359,358
Capital and other assets	45,590,740	43,466,826	24,359,043	26,272,432	69,949,783	68,379,900
Right-to-use lease asset		2,235		-	-	2,235
Lease receivable	649,195	657,816		-	649,195	657,816
Net pension asset	-	-	-	21,030	-	21,030
Deferred loss on refunding	-	-	-	-	-	-
Deferred outflows - pension	855,219	943,799	67,919	287,588	923,138	1,231,387
<b>TOTAL ASSETS AND DEFERRED</b>						
<b>OUTFLOWS OF RESOURCES</b>	<u>\$ 63,548,311</u>	<u>\$ 60,246,240</u>	<u>\$ 40,117,692</u>	<u>\$ 40,098,247</u>	<u>\$ 103,666,003</u>	<u>\$100,344,487</u>
<b>LIABILITIES AND DEFERRED</b>						
<b>INFLOWS OF RESOURCES</b>						
Current liabilities	\$ 2,081,786	\$ 1,942,948	\$ 4,500,526	\$ 4,200,231	\$ 6,582,312	\$ 6,143,179
Long-term liabilities	21,935,627	23,561,805	11,875,575	12,608,253	33,811,202	36,170,058
Deferred inflows - pension	442,093	392,998	-	213,458	442,093	606,456
Bond refinance	-	-	65,088	69,933	65,088	69,933
Lease receivable	653,896	670,663	-	-	653,896	670,663
<b>TOTAL LIABILITIES AND</b>						
<b>DEFERRED INFLOWS</b>						
<b>OF RESOURCES</b>	<u>25,113,402</u>	<u>26,568,414</u>	<u>16,441,189</u>	<u>17,091,875</u>	<u>41,554,591</u>	<u>43,660,289</u>
<b>NET POSITION</b>						
Net investment in capital assets	22,453,244	18,932,362	12,174,043	11,958,074	34,627,287	30,890,436
Restricted	13,529,943	10,640,045	5,446,009	5,341,991	18,975,952	15,982,036
Unrestricted	2,451,722	4,105,419	6,056,451	5,706,307	8,508,173	9,811,726
<b>TOTAL NET POSITION</b>	<u>38,434,909</u>	<u>33,677,826</u>	<u>23,676,503</u>	<u>23,006,372</u>	<u>62,111,412</u>	<u>56,684,198</u>
<b>TOTAL LIABILITIES, DEFERRED</b>						
<b>INFLOWS OF RESOURCES,</b>						
<b>AND NET POSITION</b>	<u>\$ 63,548,311</u>	<u>\$ 60,246,240</u>	<u>\$ 40,117,692</u>	<u>\$ 40,098,247</u>	<u>\$ 103,666,003</u>	<u>\$100,344,487</u>

TOWNSHIP OF MIDDLETOWN  
LIMA, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2023

The Township's total net position includes \$34,627,287, or 55.8% of the total, net investment in capital assets (land, buildings, and equipment), less any related debt which is still outstanding, and adding any unspent bond proceeds which were issued for future capital projects. The Township uses these capital assets to provide services to residents and to preserve open space for recreational and environmental purposes; consequently, they are not available for future spending as cash, and the resources needed to repay the debt must be provided from other sources. Cash and investments represent most of the current and other assets of the Township.

Business-type activities net position increased \$670,131 from 2022 to 2023 due to an increase in current assets. Depreciable capital assets, net of accumulated depreciation, decreased \$1,913,389 from the prior year due to ongoing depreciation and less current year additions.

Total assets for governmental activities increased due to an increase in cash balances and capital asset additions. Although tax rates were not raised, total revenues increased primarily due to new development and increased business activity in the Township. Expenses increased due to ongoing road projects, increased culture, and recreation expenses, including expenses for the transition revitalization investment district ("TRID"). The total net position in the governmental activities reflected an increase of \$4,757,083 from 2022 to 2023 due to the factors described above.

**Table 2**  
**Changes in Net Position**  
**For the Years Ended December 31, 2023 and 2022**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues:						
Charges for services	\$ 2,290,861	\$ 1,986,338	\$ 5,786,897	\$ 5,362,206	\$ 8,077,758	\$ 7,348,544
Operating grants/contributions	785,080	707,020	-	-	785,080	707,020
Capital grants/contributions	305,186	-	521,545	2,321,950	826,731	2,321,950
General revenues:						
Taxes:						
Real estate taxes	2,490,854	1,510,302	-	-	2,490,854	1,510,302
Real estate transfer taxes	891,222	1,232,183	-	-	891,222	1,232,183
Mercantile taxes	381,049	678,232	-	-	381,049	678,232
Local services tax	401,266	386,176	-	-	401,266	386,176
Business privilege taxes	1,435,841	1,530,595	-	-	1,435,841	1,530,595
Franchise fees	270,799	270,240	-	-	270,799	270,240
Fines and forfeits	16,247	9,097	-	-	16,247	9,097
Investment earnings	853,008	339,071	205,853	35,922	1,058,861	374,993
Grants and contributions not restricted to specific programs	1,541,345	2,097,049	-	-	1,541,345	2,097,049
Miscellaneous	163,509	60,768	-	-	163,509	60,768
<b>TOTAL REVENUES</b>	<b>11,826,267</b>	<b>10,807,071</b>	<b>6,514,295</b>	<b>7,720,078</b>	<b>18,340,562</b>	<b>18,527,149</b>

TOWNSHIP OF MIDDLETOWN  
LIMA, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2023

**Table 2**  
**Changes in Net Position**  
**For the Years Ended December 31, 2023 and 2022**

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
(cont'd)						
EXPENSES						
General government	1,050,660	551,819	-	-	1,050,660	551,819
Public safety	2,626,374	1,344,216	-	-	2,626,374	1,344,216
Public works	1,080,358	1,696,046	-	-	1,080,358	1,696,046
Health and welfare	31,077	29,719	-	-	31,077	29,719
Culture and parks	1,651,014	705,365	-	-	1,651,014	705,365
Interest expense	629,701	1,688,804	-	-	629,701	1,688,804
Recreation	-	-	339,384	372,083	339,384	372,083
Sewer	-	-	5,504,780	5,389,969	5,504,780	5,389,969
TOTAL EXPENSES	<u>7,069,184</u>	<u>6,015,969</u>	<u>5,844,164</u>	<u>5,762,052</u>	<u>12,913,348</u>	<u>11,778,021</u>
CHANGE IN NET POSITION	4,757,083	4,791,102	670,131	1,958,026	5,427,214	6,749,128
NET POSITION, BEGINNING OF YEAR	<u>33,677,826</u>	<u>28,886,724</u>	<u>23,006,372</u>	<u>21,048,346</u>	<u>56,684,198</u>	<u>49,935,070</u>
NET POSITION, END OF YEAR	<u>\$ 38,434,909</u>	<u>\$ 33,677,826</u>	<u>\$ 23,676,503</u>	<u>\$ 23,006,372</u>	<u>\$ 62,111,412</u>	<u>\$ 56,684,198</u>

*Governmental Activities:*

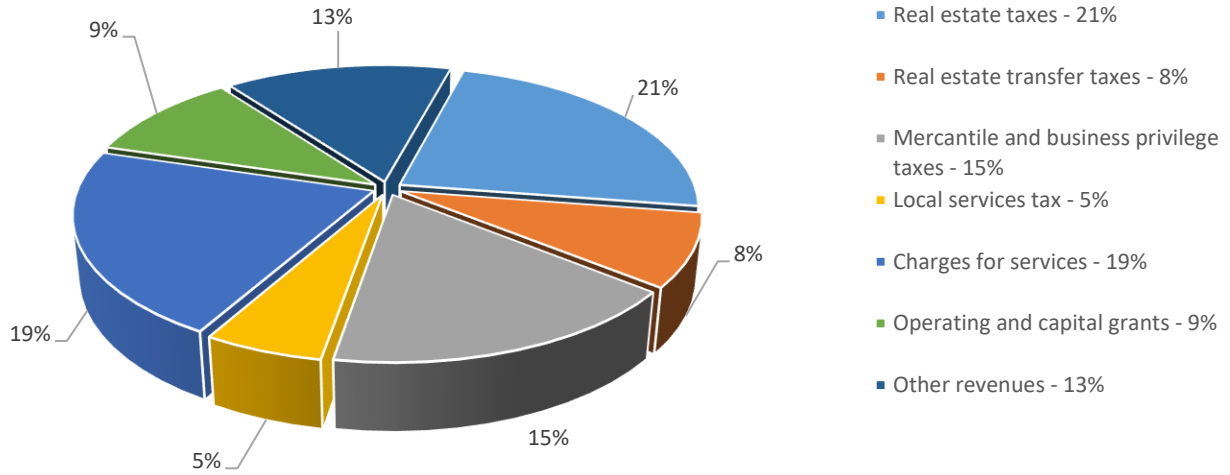
The cost of all governmental activities in 2023 was \$7,069,184. The amount that the Township's various taxing groups financed for these activities through Township property tax, local service tax, mercantile tax, business privilege tax, and real estate transfer taxes was \$5,600,232. Other costs were paid by those who directly benefited from the programs (\$2,290,861) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$1,090,266). The decrease in the change in net position from \$4,791,102 in 2022 to \$4,757,083 in 2023 was attributable mainly due to an increase in expenditures due to inflation that outweighed the uptick in tax revenues due to growth.

As indicated by governmental program expenses, general government accounts for approximately 15% of the total expenses of the Township's governmental activities. Public safety and public works account for approximately 37% and 15%, respectively, of total expenses for 2023.

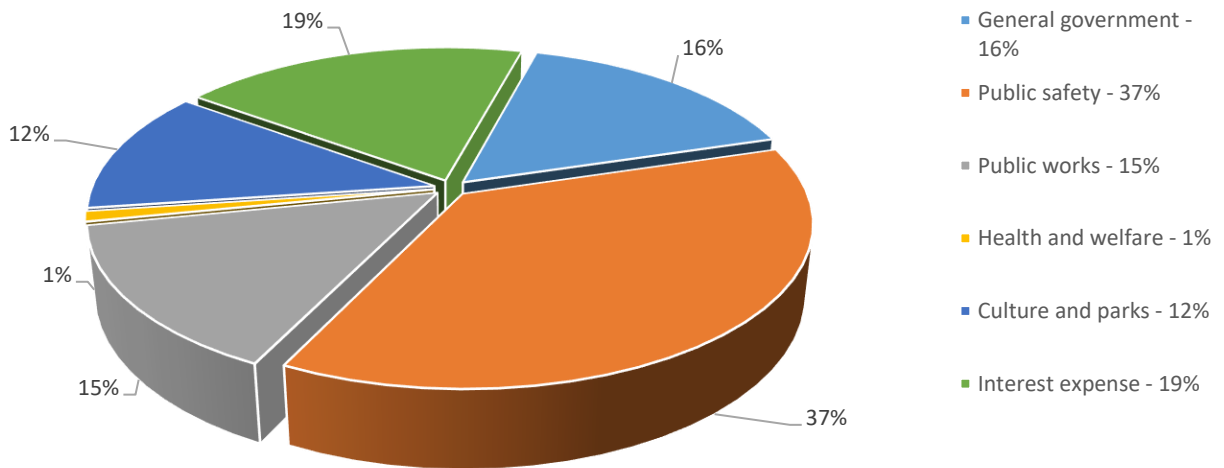
Real estate taxes, mercantile taxes, business privilege taxes, and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. As identified below, real estate taxes account for approximately 21% of total governmental revenues. Mercantile and business privilege taxes and operating and capital grants provide approximately 15% and 9% of governmental revenues, respectively. The Township relies on these revenues to furnish the quality of life to citizens and businesses to which the Township Council has always been committed.

TOWNSHIP OF MIDDLETOWN  
LIMA, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2023

**REVENUES BY SOURCE - GOVERNMENTAL  
ACTIVITIES**



**EXPENSES BY SOURCE - GOVERNMENTAL  
ACTIVITIES**



TOWNSHIP OF MIDDLETOWN  
LIMA, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2023

*Business-type Activities:*

Business-type activities (Recreation Fund and Sewer Authority) increased the Township's net position by \$670,131. Total charges for services for the Sewer Authority activities increased from 2022, while the Township's Parks and Recreation Department has emphasized children's programming as opposed to group bus trips.

The Sewer Authority is a municipal corporation created by the Township in 1966 under the Pennsylvania Municipality Authorities Act of 1945, as amended, for the purpose of financing, engineering, and building the public sanitary sewer system that currently serves 8,098 Equivalent Dwelling Units ("EDUs"). The system includes approximately 90 miles of collection pipelines and 18 pumping stations, which handle about 1.67 million gallons per day. The Sewer Authority is a blended component unit of the Township. The Sewer Authority increased charges for services in the current year related to sewer system upgrades.

Total current assets of the Sewer Authority in the amount of \$13,615,487 (including \$6,323,080 of restricted assets), with total current liabilities of \$4,498,985, represent a favorable asset to debt ratio of 3.03:1.

Financial Analysis of the Township's Funds

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the Township's governmental funds reporting 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2023, the Township's governmental funds reported combined ending balances of \$15,901,054, an increase of \$1,168,190 as compared to the prior year. Restricted fund balances are depicted on the balance sheet on page 16 and include funds that have been earmarked for community improvements, fire apparatus replacement, highways and streets, and debt service.

- The Capital Projects Fund provided funding for debt service, capital improvements, or other unique expenditures which are not normal operating or maintenance-type expenditures reportable within the General Fund or other governmental funds. Major revenue sources for the capital projects funds are interest and tax money which are transferred in from other funds to be used for debt service payments and fire apparatus equipment.
- Special revenue funds are maintained to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The major revenue source is allocated property taxes.

TOWNSHIP OF MIDDLETOWN  
LIMA, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2023

**Proprietary Funds** – The Township's proprietary funds (Recreation and Sewer Authority) provide the same type of information found in the entity-wide financial statements, but in more detail. Factors contributing to the finances of these funds have already been discussed in the section outlining the Township's business-type activities.

General Fund Budgetary Highlights

The budget for the General Fund anticipated revenues and other financing sources exceeding expenditures and other financing uses by \$33,022. Based on actual figures, expenditures and other financing uses exceeded revenues and other financing sources thus the existing fund balance decreased by \$1,721,708.

Capital Assets and Debt Administration

**Capital Assets** – The Township's investment in capital assets as of December 31, 2023 amounts to \$69,949,783 net of accumulated depreciation (\$45,590,740 for the governmental activities and \$24,359,043 for the business-type activities) versus \$68,379,900 for 2022. The investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, vehicles, and land improvements.

**Table 3  
Capital Assets**

	<u>2023</u>	<u>2022</u>
<b>GOVERNMENTAL ACTIVITIES:</b>		
Land	\$ 25,888,611	\$ 25,888,611
Construction-in-progress	1,504,691	8,679,155
Buildings and improvements	20,034,394	12,691,280
Machinery and equipment	5,177,207	4,225,144
Right to use Assets	-	46,943
Total capital assets	<u>52,604,903</u>	<u>51,531,133</u>
Less accumulated depreciation	<u>(7,014,163)</u>	<u>(8,062,072)</u>
Capital assets, net of depreciation	<u>\$ 45,590,740</u>	<u>\$ 43,469,061</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>		
Land	\$ 436,157	\$ 432,757
Construction-in-progress	1,117,975	770,747
Collection system	47,602,755	47,337,275
Machinery and equipment	69,443	69,443
Total capital assets	<u>49,226,330</u>	<u>48,610,222</u>
Less accumulated depreciation	<u>(24,867,287)</u>	<u>(23,697,148)</u>
Capital assets, net of depreciation	<u>\$ 24,359,043</u>	<u>\$ 24,913,074</u>

TOWNSHIP OF MIDDLETOWN  
LIMA, PENNSYLVANIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
DECEMBER 31, 2023

The following major capital assets in the governmental funds were acquired during the current fiscal year.

- HVAC and roofing updates to the Roosevelt Community Center
- Fire Truck
- 3 other vehicles

**Long-term Debt** – At December 31, 2023, the Township's governmental activities had \$21,760,000 in bonds outstanding compared to \$23,070,000 last year. The Township's business-type activities had \$12,185,000 in bonds outstanding compared to \$12,995,000 last year. Additional information about the Township's long-term debt can be found in Note 5 on pages 41 - 44 of this report.

Economic Factors

- The Township continues to maintain a diversified revenue base from which municipal operations can be supported by a variety of tax revenues, which is expected to continue in future periods barring a broad economic downturn.
- Interest earned from the Township's investments was more than in 2022. Due to the legislative limits on the type of investments the Township is permitted to own, interest earned is closely correlated with federal fund rates.
- The Township was awarded a state grant that will provide \$1,000,000 to the Township from the Commonwealth of Pennsylvania due to the purchase of the Sleighton Park expanding project.
- The Township was awarded a TRID fund grant that will provide \$350,000 to the Township per year from the Commonwealth of Pennsylvania annually until 2032 that will finance trail, pedestrian access, and other improvements related to the Middletown Station project. The annual grant is used towards the debt service on the bond that was taken out to finance the project.

All these factors were considered in preparing the Township's budget for the 2024 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Township of Middletown's finances to the citizens of the Township of Middletown and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to Vince Visoskas, Finance Director, Township of Middletown, 27 North Pennell Road, Media, PA 19063.

**TOWNSHIP OF MIDDLETOWN  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023  
(With Summarized Comparative Data for December 31, 2022)**

	Governmental Activities	Business-type Activities	Totals	
			2023	2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 12,704,221	\$ 6,027,954	\$ 18,732,175	\$ 17,077,266
Investments	3,369,200	-	3,369,200	3,503,317
Accounts and other receivables	137,279	1,823,002	1,960,281	1,580,278
Taxes receivable	233,836	-	233,836	253,867
Lease receivable	8,621	-	8,621	8,292
Prepaid expenses	-	127,285	127,285	89,077
<b>Total Current Assets</b>	<b>16,453,157</b>	<b>7,978,241</b>	<b>24,431,398</b>	<b>22,512,097</b>
<b>Restricted Assets:</b>				
Cash and cash equivalents - restricted	-	6,323,080	6,323,080	6,180,664
<b>Total Restricted Assets</b>	<b>-</b>	<b>6,323,080</b>	<b>6,323,080</b>	<b>6,180,664</b>
<b>Noncurrent Assets:</b>				
Investments	-	1,389,409	1,389,409	1,359,358
Land	25,888,611	436,157	26,324,768	26,321,368
Construction-in-progress	1,504,691	1,117,975	2,622,666	9,449,902
Depreciable capital assets, net	18,197,438	22,804,911	41,002,349	32,608,630
Right-to-use lease assets, net	-	-	-	2,235
Lease receivable	649,195	-	649,195	657,816
Net pension asset	-	-	-	21,030
<b>Total Noncurrent Assets</b>	<b>46,239,935</b>	<b>25,748,452</b>	<b>71,988,387</b>	<b>70,420,339</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension	855,219	67,919	923,138	1,231,387
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>855,219</b>	<b>67,919</b>	<b>923,138</b>	<b>1,231,387</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 63,548,311</b>	<b>\$ 40,117,692</b>	<b>\$ 103,666,003</b>	<b>\$ 100,344,487</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts payable and other current liabilities	\$ 469,516	\$ 338,099	\$ 807,615	\$ 717,682
Unearned revenue	-	2,763,922	2,763,922	2,526,688
Accrued interest payable	160,561	52,945	213,506	210,463
General obligation bonds payable, net	1,451,709	824,258	2,275,967	2,195,967
Lease liability	-	-	-	2,494
Other current liabilities	-	19,030	19,030	18,622
<b>Total Current Liabilities</b>	<b>2,081,786</b>	<b>3,998,254</b>	<b>6,080,040</b>	<b>5,671,916</b>
<b>Current Liabilities Payable from Restricted Assets:</b>				
Developers' escrow	-	502,272	502,272	471,263
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>-</b>	<b>502,272</b>	<b>502,272</b>	<b>471,263</b>
<b>Noncurrent Liabilities:</b>				
General obligation bonds payable, net	21,685,787	11,738,543	33,424,330	35,700,297
Compensated absences	128,689	-	128,689	116,600
Net pension liability	121,151	137,032	258,183	353,161
<b>Total Noncurrent Liabilities</b>	<b>21,935,627</b>	<b>11,875,575</b>	<b>33,811,202</b>	<b>36,170,058</b>
<b>TOTAL LIABILITIES</b>	<b>24,017,413</b>	<b>16,376,101</b>	<b>40,393,514</b>	<b>42,313,237</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension	442,093	-	442,093	606,456
Bond refinance	-	65,088	65,088	69,933
Lease receivable	653,896	-	653,896	670,663
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,095,989</b>	<b>65,088</b>	<b>1,161,077</b>	<b>1,347,052</b>
<b>NET POSITION:</b>				
Net investment in capital assets	22,453,244	12,174,043	34,627,287	30,890,436
<b>Restricted:</b>				
Capital reserve	10,602,050	5,446,009	16,048,059	13,108,046
Fire apparatus	546,510	-	546,510	546,510
Highways and streets	836,608	-	836,608	754,809
Debt service	1,544,775	-	1,544,775	1,572,671
Unrestricted	2,451,722	6,056,451	8,508,173	9,811,726
<b>TOTAL NET POSITION</b>	<b>38,434,909</b>	<b>23,676,503</b>	<b>62,111,412</b>	<b>56,684,198</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 63,548,311</b>	<b>\$ 40,117,692</b>	<b>\$ 103,666,003</b>	<b>\$ 100,344,487</b>

The accompanying notes are an integral part of these financial statements.



**TOWNSHIP OF MIDDLETOWN  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2023  
(With Summarized Comparative Data for December 31, 2022)**

	General	Capital Projects	Special Revenue Tax Fund	Highway Aid Fund	Totals	
					2023	2022
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,574,630	\$ 9,292,983	\$ -	\$ 836,608	\$ 12,704,221	\$ 11,253,023
Investments	-	3,369,200	-	-	3,369,200	3,503,317
Accounts receivable	92,360	44,919	-	-	137,279	157,065
Taxes receivable	55,231	-	178,605	-	233,836	253,867
Due from other funds	117,496	-	222,882	-	340,378	379,964
<b>TOTAL ASSETS</b>	<b>\$ 2,839,717</b>	<b>\$ 12,707,102</b>	<b>\$ 401,487</b>	<b>\$ 836,608</b>	<b>\$ 16,784,914</b>	<b>\$ 15,547,236</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 380,788	\$ 75,760	\$ 12,968	\$ -	\$ 469,516	\$ 374,735
Due to other funds	13,852	-	326,526	-	340,378	379,964
<b>TOTAL LIABILITIES</b>	<b>394,640</b>	<b>75,760</b>	<b>339,494</b>	<b>-</b>	<b>809,894</b>	<b>754,699</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue	73,966	-	-	-	73,966	59,673
<b>FUND BALANCES:</b>						
<b>Restricted:</b>						
Capital reserve	-	10,602,050	-	-	10,602,050	7,766,055
Fire apparatus	-	546,510	-	-	546,510	546,510
Highways and streets	-	-	-	836,608	836,608	754,809
Debt service	-	1,482,782	61,993	-	1,544,775	1,572,671
Assigned for future expenditures	1,500,000	-	-	-	1,500,000	1,500,000
Unassigned	871,111	-	-	-	871,111	2,592,819
<b>TOTAL FUND BALANCES</b>	<b>2,371,111</b>	<b>12,631,342</b>	<b>61,993</b>	<b>836,608</b>	<b>15,901,054</b>	<b>14,732,864</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,839,717</b>	<b>\$ 12,707,102</b>	<b>\$ 401,487</b>	<b>\$ 836,608</b>	<b>\$ 16,784,914</b>	<b>\$ 15,547,236</b>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023**

TOTAL GOVERNMENTAL FUND BALANCES \$ 15,901,054

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 45,590,740

Some of the Township's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 73,966

Some assets and liabilities are not due, receivable, or payable in the current period and, therefore, are not reported in the funds. Those items consist of:

Lease receivable	\$ 657,816	
Interest payable	(160,561)	
Compensated absences	(128,689)	
General obligation bonds payable, net	(23,137,496)	
Net pension liability	<u>(121,151)</u>	(22,890,081)

Deferred inflows and outflows related to the Township's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes of benefit terms, and changes of assumptions. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows of resources - pensions	855,219	
Deferred inflows of resources - pensions	(442,093)	
Deferred inflows of resources - lease receivable	<u>(653,896)</u>	<u>(240,770)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 38,434,909

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(With Summarized Comparative Data for the Year Ended December 31, 2022)**

	General	Capital Projects	Special Revenue Tax Fund	Highway Aid Fund	Totals	
					2023	2022
<b>REVENUES</b>						
Taxes	\$ 3,438,331	\$ -	\$ 2,147,608	\$ -	\$ 5,585,939	\$ 6,179,932
Licenses and permits	1,902,178	-	-	-	1,902,178	1,620,498
Fines, forfeits, and costs	16,247	-	-	-	16,247	9,097
Interest, dividends, and rents	308,805	482,430	-	53,298	844,533	330,393
Intergovernmental revenues	309,396	1,533,972	-	483,057	2,326,425	2,804,069
Contributions	-	305,186	-	-	305,186	-
Charges for services/fees	648,982	10,500	-	-	659,482	636,080
Miscellaneous revenue	24,632	-	6,677	760	32,069	34,768
<b>TOTAL REVENUES</b>	<u>6,648,571</u>	<u>2,332,088</u>	<u>2,154,285</u>	<u>537,115</u>	<u>11,672,059</u>	<u>11,614,837</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,698,318	624,017	-	-	2,322,335	1,831,530
Public safety	1,360,219	936,369	97,845	-	2,394,433	1,427,039
Health and welfare	30,061	-	-	-	30,061	27,538
Public works	1,324,140	301,595	-	473,916	2,099,651	1,614,515
Culture and parks	1,120,733	437,943	-	-	1,558,676	638,865
Insurance, employee benefits, payroll taxes	332,934	-	-	-	332,934	368,809
Debt service:						
Principal	2,494	1,310,000	-	-	1,312,494	1,274,706
Interest and other charges	5,489	719,370	-	-	724,859	1,770,063
<b>TOTAL EXPENDITURES</b>	<u>5,874,388</u>	<u>4,329,294</u>	<u>97,845</u>	<u>473,916</u>	<u>10,775,443</u>	<u>8,953,065</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>774,183</u>	<u>(1,997,206)</u>	<u>2,056,440</u>	<u>63,199</u>	<u>896,616</u>	<u>2,661,772</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	185,000	4,717,869	-	-	4,902,869	4,104,723
Transfers out	(2,817,039)	-	(2,085,830)	-	(4,902,869)	(4,104,723)
Proceeds from sale of capital assets	1,480	111,360	-	18,600	131,440	26,000
Refund of prior year expenditures	135,060	5,595	1,494	-	142,149	130,584
Refund of prior year revenue	(392)	(1,623)	-	-	(2,015)	(83,206)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,495,891)</u>	<u>4,833,201</u>	<u>(2,084,336)</u>	<u>18,600</u>	<u>271,574</u>	<u>73,378</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,721,708)</u>	<u>2,835,995</u>	<u>(27,896)</u>	<u>81,799</u>	<u>1,168,190</u>	<u>2,735,150</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>4,092,819</u>	<u>9,795,347</u>	<u>89,889</u>	<u>754,809</u>	<u>14,732,864</u>	<u>11,997,714</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 2,371,111</u>	<u>\$ 12,631,342</u>	<u>\$ 61,993</u>	<u>\$ 836,608</u>	<u>\$ 15,901,054</u>	<u>\$ 14,732,864</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,168,190

Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense. This is the effect of these differences:

Capital outlays	\$ 2,897,864	
Loss on disposal of assets	(12,910)	
Depreciation expense	<u>(763,275)</u>	2,121,679

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 22,768

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 1,312,494

Governmental funds report the effect of bond premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. 86,709

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 the governmental funds:

Compensated absences	(12,089)	
Accrued interest payable	<u>8,449</u>	(3,640)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the changes in the actuarially determined net pension liability, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 48,883

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,757,083

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN**  
**BUDGETARY COMPARISON STATEMENT - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original Appropriated Budget	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Taxes:				
Real estate - current (1)	\$ 272,500	\$ 272,500	\$ 313,190	\$ 40,690
Real estate - interims	1,500	1,500	15,763	14,263
Real estate - transfer	750,000	750,000	891,222	141,222
Mercantile taxes	653,800	653,800	381,049	(272,751)
Local services tax	300,000	300,000	401,266	101,266
Business privilege taxes	1,350,000	1,350,000	1,435,841	85,841
Licenses and permits	1,284,900	1,284,900	1,902,178	617,278
Fines, forfeits, and costs	6,750	6,750	16,247	9,497
Interest, dividends, and rents	127,100	127,100	308,805	181,705
Intergovernmental revenues	215,250	215,250	309,396	94,146
Charges for services/fees	598,000	598,000	648,982	50,982
Miscellaneous revenue	15,000	15,000	24,632	9,632
<b>TOTAL REVENUES</b>	<b>5,574,800</b>	<b>5,574,800</b>	<b>6,648,571</b>	<b>1,073,771</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
Township Council	442,450	442,450	267,268	175,182
Office of Manager	464,950	464,950	425,117	39,833
Financial administration	463,602	463,602	435,319	28,283
Tax collection	62,250	62,250	55,770	6,480
Legal services	93,500	93,500	108,745	(15,245)
Engineering	372,600	372,600	215,594	157,006
Building and grounds	249,798	249,798	190,505	59,293
Total General Government	2,149,150	2,149,150	1,698,318	450,832
Public safety:				
Fire protection	538,123	538,123	637,877	(99,754)
Code enforcement	704,682	704,682	697,654	7,028
Planning and zoning	26,375	26,375	15,143	11,232
Emergency management	8,500	8,500	123	8,377
Animal control	6,728	6,728	9,422	(2,694)
Total Public Safety	1,284,408	1,284,408	1,360,219	(75,811)
Health and welfare	30,300	30,300	30,061	239

Continued on next page.

**TOWNSHIP OF MIDDLETOWN  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original Appropriated Budget	Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Favorable (Unfavorable) Variance
EXPENDITURES (cont'd)				
Public works:				
Recycling operations	563,220	563,220	653,712	(90,492)
Highway general services	639,674	639,674	548,484	91,190
Snow and ice removal	7,000	7,000	1,990	5,010
Signs and signals	47,050	47,050	74,553	(27,503)
Street lighting	1,200	1,200	-	1,200
Tools, machinery, and equipment	46,200	46,200	29,888	16,312
Highway maintenance and repair	62,750	62,750	15,513	47,237
Total Public Works	<u>1,367,094</u>	<u>1,367,094</u>	<u>1,324,140</u>	<u>42,954</u>
Culture and parks:				
Recreation	-	-	148,379	(148,379)
Parks	15,175	15,175	722,354	(707,179)
Library	250,000	250,000	250,000	-
Total Culture and Parks	<u>265,175</u>	<u>265,175</u>	<u>1,120,733</u>	<u>(855,558)</u>
Nondepartmental:				
Insurance, employee benefits, and payroll taxes	437,751	437,751	332,934	104,817
Interest and other charges	2,900	2,900	7,983	(5,083)
Total Nondepartmental	<u>440,651</u>	<u>440,651</u>	<u>340,917</u>	<u>99,734</u>
TOTAL EXPENDITURES	<u>5,536,778</u>	<u>5,536,778</u>	<u>5,874,388</u>	<u>(337,610)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>38,022</u>	<u>38,022</u>	<u>774,183</u>	<u>736,161</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	185,000	185,000
Transfers out	-	-	(2,817,039)	(2,817,039)
Proceeds from sale of capital assets	-	-	1,480	1,480
Refund of prior year expenditures	(5,000)	(5,000)	135,060	140,060
Refund of prior year revenues	-	-	(392)	(392)
TOTAL OTHER FINANCING USES	<u>(5,000)</u>	<u>(5,000)</u>	<u>(2,495,891)</u>	<u>(2,490,891)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 33,022</u>	<u>\$ 33,022</u>	<u>(1,721,708)</u>	<u>\$ (1,754,730)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>4,092,819</u>	
FUND BALANCE, END OF YEAR			<u>\$ 2,371,111</u>	

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN  
BUDGETARY COMPARISON STATEMENT - SPECIAL REVENUE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes:			
Real estate	\$ 2,196,008	\$ 2,147,608	\$ (48,400)
Miscellaneous revenue	<u>          -</u>	<u>          6,677</u>	<u>          6,677</u>
TOTAL REVENUES	<u>2,196,008</u>	<u>2,154,285</u>	<u>(41,723)</u>
EXPENDITURES			
Public safety tax distribution	<u>          96,119</u>	<u>          97,845</u>	<u>          (1,726)</u>
TOTAL EXPENDITURES	<u>          96,119</u>	<u>          97,845</u>	<u>          (1,726)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,099,889</u>	<u>2,056,440</u>	<u>(43,449)</u>
OTHER FINANCING USES			
Operating transfer out	(2,099,889)	(2,085,830)	14,059
Refund of prior year expenditures	<u>          -</u>	<u>          1,494</u>	<u>          1,494</u>
TOTAL OTHER FINANCING USES	<u>(2,099,889)</u>	<u>(2,084,336)</u>	<u>          15,553</u>
NET CHANGE IN FUND BALANCE	<u>\$          -</u>	(27,896)	<u>\$ (27,896)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>          89,889</u>	
FUND BALANCE, END OF YEAR		<u>\$        61,993</u>	

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN  
BUDGETARY COMPARISON STATEMENT - HIGHWAY AID FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original and Final Appropriated Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES</b>			
Interest, dividends, and rents	\$ -	\$ 53,298	\$ 53,298
Intergovernmental revenues	537,637	483,057	(54,580)
Miscellaneous revenue	-	760	760
<b>TOTAL REVENUES</b>	<b>537,637</b>	<b>537,115</b>	<b>(522)</b>
<b>EXPENDITURES</b>			
Current:			
Snow and ice	45,000	-	45,000
Signs and signals	29,000	29,433	(433)
Street lighting	7,500	7,538	(38)
Construction and rebuilding	25,875	-	25,875
Capital outlay	430,262	436,945	(6,683)
<b>TOTAL EXPENDITURES</b>	<b>537,637</b>	<b>473,916</b>	<b>63,721</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>63,199</b>	<b>63,199</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets and equipment	-	18,600	18,600
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>18,600</b>	<b>18,600</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>81,799</b>	<b>\$ 81,799</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>754,809</b>	
<b>FUND BALANCE, END OF YEAR</b>		<b>\$ 836,608</b>	

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2023**  
**(With Summarized Comparative Data for December 31, 2022)**

	Enterprise Funds		Totals	
	Recreation Fund	Sewer Authority	2023	2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 685,834	\$ 5,342,120	\$ 6,027,954	\$ 5,824,243
Accounts receivable	-	1,823,002	1,823,002	1,423,213
Prepaid expenses	-	127,285	127,285	89,077
Total Current Assets	<u>685,834</u>	<u>7,292,407</u>	<u>7,978,241</u>	<u>7,336,533</u>
Restricted Assets:				
Cash and cash equivalents, restricted	-	6,323,080	6,323,080	6,180,664
Total Restricted Assets	<u>-</u>	<u>6,323,080</u>	<u>6,323,080</u>	<u>6,180,664</u>
Noncurrent Assets:				
Investments	-	1,389,409	1,389,409	1,359,358
Land	-	436,157	436,157	432,757
Construction-in-progress	-	1,117,975	1,117,975	770,747
Depreciable capital assets, net	-	22,804,911	22,804,911	23,709,570
Net pension asset	-	-	-	21,030
Total Noncurrent Assets	<u>-</u>	<u>25,748,452</u>	<u>25,748,452</u>	<u>26,293,462</u>
<b>TOTAL ASSETS</b>	<u>685,834</u>	<u>39,363,939</u>	<u>40,049,773</u>	<u>39,810,659</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	-	67,919	67,919	287,588
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 685,834</u>	<u>\$ 39,431,858</u>	<u>\$ 40,117,692</u>	<u>\$ 40,098,247</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ 1,541	\$ 336,558	\$ 338,099	\$ 342,947
Unearned revenue	-	2,763,922	2,763,922	2,526,688
Other current liabilities	-	19,030	19,030	18,622
Total Current Liabilities	<u>1,541</u>	<u>3,119,510</u>	<u>3,121,051</u>	<u>2,888,257</u>
Current Liabilities Payable from Restricted Assets:				
Developers' escrow	-	502,272	502,272	471,263
Bonds payable	-	824,258	824,258	799,258
Accrued liabilities	-	52,945	52,945	41,453
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>1,379,475</u>	<u>1,379,475</u>	<u>1,311,974</u>
Noncurrent Liabilities:				
Bonds payable	-	11,738,543	11,738,543	12,562,801
Net pension liability	-	137,032	137,032	45,452
Total Noncurrent Liabilities	<u>-</u>	<u>11,875,575</u>	<u>11,875,575</u>	<u>12,608,253</u>
<b>TOTAL LIABILITIES</b>	<u>1,541</u>	<u>16,374,560</u>	<u>16,376,101</u>	<u>16,808,484</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension	-	-	-	213,458
Bond refinance	-	65,088	65,088	69,933
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>65,088</u>	<u>65,088</u>	<u>283,391</u>
<b>NET POSITION:</b>				
Net investment in capital assets	-	12,174,043	12,174,043	11,958,074
Restricted for capital projects	-	5,446,009	5,446,009	5,341,991
Unrestricted	684,293	5,372,158	6,056,451	5,706,307
<b>TOTAL NET POSITION</b>	<u>684,293</u>	<u>22,992,210</u>	<u>23,676,503</u>	<u>23,006,372</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 685,834</u>	<u>\$ 39,431,858</u>	<u>\$ 40,117,692</u>	<u>\$ 40,098,247</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(With Summarized Comparative Data for the Year Ended December 31, 2022)**

	Enterprise Funds		Totals	
	Recreation Fund	Sewer Authority	2023	2022
<b>OPERATING REVENUES</b>				
Sewer rents	\$ -	\$ 5,416,813	\$ 5,416,813	\$ 4,731,470
Trip revenue	177,716	-	177,716	142,203
Contributions	135,512	-	135,512	409,665
Miscellaneous revenue	-	56,856	56,856	78,868
<b>TOTAL OPERATING REVENUES</b>	<b>313,228</b>	<b>5,473,669</b>	<b>5,786,897</b>	<b>5,362,206</b>
<b>OPERATING EXPENSES</b>				
Treatment service	-	2,574,271	2,574,271	2,380,914
Pump and sewer line maintenance	-	582,530	582,530	638,552
Trip costs	136,740	-	136,740	120,884
Recreation program	202,644	-	202,644	251,199
Administrative and general	-	919,749	919,749	733,713
Depreciation	-	1,170,139	1,170,139	1,153,277
<b>TOTAL OPERATING EXPENSES</b>	<b>339,384</b>	<b>5,246,689</b>	<b>5,586,073</b>	<b>5,278,539</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(26,156)</b>	<b>226,980</b>	<b>200,824</b>	<b>83,667</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	1,969	203,884	205,853	35,922
Tapping fee income	-	521,545	521,545	2,321,950
Bond issuance cost	-	-	-	(164,679)
Interest expense	-	(258,091)	(258,091)	(318,834)
<b>TOTAL NONOPERATING REVENUES</b>	<b>1,969</b>	<b>467,338</b>	<b>469,307</b>	<b>1,874,359</b>
<b>CHANGE IN NET POSITION</b>	<b>(24,187)</b>	<b>694,318</b>	<b>670,131</b>	<b>1,958,026</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>708,480</b>	<b>22,297,892</b>	<b>23,006,372</b>	<b>21,048,346</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 684,293</b>	<b>\$ 22,992,210</b>	<b>\$ 23,676,503</b>	<b>\$ 23,006,372</b>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(With Summarized Comparative Data for the Year Ended December 31, 2022)**

	Enterprise Funds		Totals	
	Recreation Fund	Sewer Authority	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash receipts from customers	\$ 177,716	\$ 5,311,034	\$ 5,488,750	\$ 5,260,041
Cash receipts from contributions and recreation fees in lieu	135,592	-	135,592	409,585
Cash payments to employees for services	(27,224)	(441,335)	(468,559)	(598,299)
Cash payments to vendors for goods and services	(274,712)	(3,601,337)	(3,876,049)	(3,494,069)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>11,372</b>	<b>1,268,362</b>	<b>1,279,734</b>	<b>1,577,258</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Tapping fee income	-	521,545	521,545	2,321,950
Purchases of capital assets	-	(604,614)	(604,614)	(738,343)
Bond proceeds	-	-	-	7,705,000
Bond issuance costs	-	-	-	(164,679)
Bond principal payments	-	(770,000)	(770,000)	(8,630,000)
Bond interest payments	-	(287,349)	(287,349)	(87,835)
Developer escrow activity	-	31,009	31,009	41,127
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>(1,109,409)</b>	<b>(1,109,409)</b>	<b>447,220</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
(Purchase) sale of investments	-	(30,051)	(30,051)	(2,886)
Investment earnings	1,969	203,884	205,853	35,922
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1,969</b>	<b>173,833</b>	<b>175,802</b>	<b>33,036</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>13,341</b>	<b>332,786</b>	<b>346,127</b>	<b>2,057,514</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>672,493</b>	<b>11,332,414</b>	<b>12,004,907</b>	<b>9,947,393</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 685,834</b>	<b>\$ 11,665,200</b>	<b>\$ 12,351,034</b>	<b>\$ 12,004,907</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 685,834</b>	<b>\$ 5,342,120</b>	<b>\$ 6,027,954</b>	<b>\$ 5,824,243</b>
<b>CASH AND CASH EQUIVALENTS - RESTRICTED</b>	<b>-</b>	<b>6,323,080</b>	<b>6,323,080</b>	<b>6,180,664</b>
	<b>\$ 685,834</b>	<b>\$ 11,665,200</b>	<b>\$ 12,351,034</b>	<b>\$ 12,004,907</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (26,156)	\$ 226,980	\$ 200,824	\$ 83,667
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	1,170,139	1,170,139	1,153,277
Decrease (Increase) in assets:				
Accounts receivable	80	(399,869)	(399,789)	(55,515)
Prepaid items	-	(38,208)	(38,208)	(8,363)
Net pension asset	-	-	-	103,862
Deferred outflows - pension	139,409	80,260	219,669	(82,702)
Increase (Decrease) in liabilities:				
Accounts payable	1,541	(17,883)	(16,342)	112,556
Unearned revenues	-	237,234	237,234	362,935
Other liabilities	-	408	408	146
Accrued liabilities	-	11,492	11,492	(74,501)
Net pension liability	(45,452)	158,062	112,610	(108,427)
Deferred inflows - pension	(58,050)	(155,408)	(213,458)	20,390
Deferred inflows - bond refinance	-	(4,845)	(4,845)	69,933
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 11,372</b>	<b>\$ 1,268,362</b>	<b>\$ 1,279,734</b>	<b>\$ 1,577,258</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital asset purchases in accounts payable and accrued liabilities	\$ -	\$ 20,985	\$ 20,985	\$ 9,491

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2023**

	Pension Trust Fund	Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 101,696	\$ 820,441
Investments, at fair value:		
Equities and options	2,631,448	-
Fixed income securities	1,634,975	-
Accrued interest and dividends	334	-
<b>TOTAL ASSETS</b>	<b>\$ 4,368,453</b>	<b>\$ 820,441</b>
 <b>LIABILITIES</b>		
Accounts payable	\$ -	500
<b>TOTAL LIABILITIES</b>	-	500
 <b>NET POSITION</b>		
Restricted for developers	-	819,941
Net position restricted for pension	4,368,453	-
<b>TOTAL NET POSITION</b>	4,368,453	819,941
 <b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,368,453</b>	<b>\$ 820,441</b>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MIDDLETOWN  
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Pension Trust Fund	Custodial Funds
ADDITIONS		
Contributions:		
Employer	\$ 37,157	\$ -
State aid	104,902	-
Developer	-	763,024
Total Contributions	142,059	763,024
Investments:		
Realized gain on sale of investments	15,203	-
Net depreciation in fair value of investments	435,119	-
Interest and investment earnings	118,310	1,221
Net investment Income	568,632	1,221
 TOTAL ADDITIONS	 710,691	 764,245
 DEDUCTIONS		
Benefits paid	336,971	-
Administrative expenses	19,957	-
Developer expenses	-	571,529
 TOTAL DEDUCTIONS	 356,928	 571,529
 CHANGE IN NET POSITION	 353,763	 192,716
 NET POSITION RESTRICTED		
Beginning of year	4,014,690	627,225
End of year	\$ 4,368,453	\$ 819,941

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Middletown ("the Township") complies with accounting principles generally accepted in the United States of America ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

For financial reporting purposes, the primary government of the Township includes all departments and agencies, bureaus, boards, commissions, and certain authorities that make up the Township's legal entity. The Township's reporting entity includes an authority that is a component unit, which is a legally separate organization for which the Township's elected officials are financially accountable.

The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Blended Component Unit

The Township of Middletown Sewer Authority ("the Sewer Authority") was created by the Township to finance the construction and acquisition of certain sewer-related facilities. The facilities were leased under agreements dated May 1, 1968, February 1, 1978, and October 1, 1984, which were canceled and superseded by an agreement dated October 16, 2014, to the Township, which is obligated to pay minimum lease rentals to the Sewer Authority. Such rental proceeds are to be used to fulfill the obligations of the Sewer Authority under its trust indentures. Under an operating agreement with the Township dated August 11, 2014, the Sewer Authority operates and maintains a Township sewerage collection system in compliance with the terms of the leases, treatment agreement, and various other agreements.

The Sewer Authority is considered a blended component unit and is shown in the financial statements as part of the primary government proprietary funds. The Sewer Authority is audited by other auditors, whose report dated January 30, 2024 is publicly available through the offices of the Township. The Sewer Authority's fiscal year end is April 30.

Basis of Presentation

*Entity-wide Financial Statements*

The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

those that are considered business-type. These statements exclude fiduciary activities such as pension and custodial funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on their use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from special revenue and capital projects funds and the restrictions on their use.

*Fund Financial Statements*

Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The four major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

The Township 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.

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- The **Capital Projects Fund** accounts for the resources accumulated for future capital projects.
- The **Special Revenue Tax Fund** accounts for the real estate tax receipts and the transfer of such receipts to the fire department and debt service.
- The **Highway Aid Fund** accounts for receipts from the Commonwealth of Pennsylvania Motor License Fund (gasoline tax distribution) and the approved expenditures of such monies for highway purposes.

The Township reports the following proprietary funds:

- The **Recreation Fund** accounts for the revenue and expenses of recreation trips and various recreational programs.
- The **Sewer Authority** accounts for the activities of the Township of Middletown Sewer Authority, a blended component unit of the Township. The Sewer Authority operates the sewage treatment plant, sewage pumping stations, and collection systems.

*Governmental Funds*

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds of the Township include the general fund, capital projects fund, special revenue tax fund, and the highway aid fund.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days from year end and available to pay obligations of the current period). This includes investment earnings, real estate transfer taxes, and certain fees for services. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, in accordance with GAAP, certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

*Proprietary Funds*

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds.

The Township's only proprietary funds are enterprise funds. These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are sewer fees, trip revenue, and contributions. Operating expenses for the Township's enterprise funds include sewer disposal, supplies, administrative costs, depreciation, trip, and recreational program costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Fiduciary Funds*

**Trust and Custodial Funds** – Trust and custodial funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

governments, and other funds. These include pension trust and custodial funds. Pension trust and custodial funds are accounted for in essentially the same manner as proprietary funds since the measurement of the periodic net income and the determination of capital maintenance are critical.

Budgets

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the general fund, the special revenue tax fund, and the highway aid fund. All annual appropriations lapse at fiscal year end.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted Assets

Restricted assets include developers' escrow deposits pledged to the payment of costs incurred by the Township on behalf of developers as well as bond proceeds restricted for capital projects.

Investments

Investments consist of money market mutual funds, certificates of deposit, the pooled investment programs held by the Pennsylvania Treasurer's Program for Local Governments ("PLGIT"). The Township's pension funds also invest in mutual funds.

The pooled investment programs are recorded at amortized cost, while all other investments are recorded at fair value. In establishing the fair value of investments, the Township uses the following hierarchy. The lowest level of valuation available is used for all investments.

*Level 1* – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

*Level 2* – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment (net of salvage value) of the Township are depreciated using the straight-line method over the following estimated useful lives:

Improvements	10 - 40 years
Buildings	15 - 30 years
Machinery and equipment	3 - 20 years
Collection system	30 - 40 years
Right-to-use asset	5 years

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category. Certain changes to the net pension asset and net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows of resources in the entity-wide and proprietary fund statements of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has three items that qualify for reporting in this category. Certain changes to the net

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

pension asset and liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred inflows of resources on the entity-wide and proprietary fund statements of net position. The lease receivable is reflected as deferred inflows of resources on the entity-wide statements. The governmental funds report deferred inflows of resources from unavailable revenue from property taxes. These amounts are reported on the general fund balance sheet and recognized as a deferred inflow of resources in the period that the amounts become available.

Compensated Absences

Full-time employees are granted sick and vacation benefits in varying amounts to specified maximums. Upon retirement, employees are paid for all unused vacation time with no payment for unused sick time. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. Historically, the general fund has been responsible for liquidation of compensated absences associated with governmental activities.

Long-term Obligations

In the entity-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are reported as a direct deduction from or in addition to the face amount of the bond. Bond issuance costs are expensed when incurred.

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 and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Fund Balance

Fund balances of the governmental funds are classified, as applicable, as follows:

*Nonspendable* – amounts that cannot be spent because they are in nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

*Restricted* – amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

*Committed* – amounts limited by Board policy (e.g., future anticipated costs). These constraints can be removed or changed by equal levels of action. Action or constraint resources should occur prior to fiscal year end.

*Assigned* – amounts that are intended for a particular purpose such as future benefits funding or segregation of an amount intended to be used at some time in the future. Amounts may be assigned by the Township Manager or the Director of Finance.

*Unassigned* – amounts available for consumption or not restricted in any manner.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Township considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

*Net Investment in Capital Assets* – the Township’s investment in capital assets plus any unspent funding from debt borrowings, reduced by accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets.

*Restricted* – represents construction funds under the Trust Indenture earmarked for future capital projects, as well as other amounts limited by external parties or legislation.

*Unrestricted* – amounts available for consumption or not restricted in any manner.

Real Estate Taxes

For 2023, the following tax was levied on assessed value of real estate:

General purposes	-	0.122 mills
Fire protection	-	0.093 mills
Debt service	-	0.795 mills
Total	-	1.010 mills

The tax collection calendar is as follows:

Initial billing	-	February 1
Discount period	-	February 1 - March 31
Face period	-	April 1 - May 31
Penalty period	-	June 1 and thereafter
Lien date	-	December 31

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. Presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

NOTE 2 DEPOSITS AND INVESTMENTS

*Deposits*

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2023, the carrying amount of the Township's deposits was \$25,875,696, and the bank balance was \$25,934,187 (exclusive of the pension funds). Of the bank balance, \$756,250 was covered by federal depository insurance. Deposits in excess of the Federal Depository Insurance Corporation's ("FDIC") limit of \$250,000 per financial institution are collateralized under Pennsylvania Act 72, where financial institutions pledge collateral on a pooled basis to secure public deposits in excess of the FDIC insurance limits. Of the Township's deposits, \$7,220,427 was covered by collateral pledged under Act 72. The remaining \$17,957,510 of cash deposits of the Township are in PLGIT. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT acts like money market mutual funds in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized rating organization, and is subject to an independent annual audit. At December 31, 2023, PLGIT was rated AAAM by Standard & Poor's.

*Investments*

Statutes authorize the Township to invest in obligations of the U.S. Treasury; agencies and instrumentalities; deposits in savings accounts or time deposits; or share amounts of institutions

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund. The Township also is authorized to invest in obligations of the United States of America or any of its instrumentalities or agencies backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities. Additionally, the Township may invest in 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 the authorized investments for Township funds. Other permissible investments include commercial paper securities, bankers' acceptances, and negotiable certificates of deposit.

As of December 31, 2023, excluding the pension funds (see Note 7), the Township had the following investments:

	Investment	Fair Value Level 2
<i>Measured at fair value</i>		
Money Market	\$ 889,262	\$ 889,262
Negotiable certificates of deposit, less than one year	500,147	500,147
	1,389,409	\$ 1,389,409
<i>Measured at amortized cost</i>		
Investments in 2a7-like investment pools:		
PLGIT	3,369,200	
Total Investments	\$ 4,758,609	

Custodial Credit Risk

For an investment, custodial credit risk 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 security that are in the possession of an outside party. As of December 31, 2023, none of the Township's investments were subject to custodial credit risk.

Interest Rate Risk

The Township's investment policy limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2023, \$500,147 of certificates of deposit had maturities less than one year.

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated/amortized:				
Land	\$25,888,611	\$ -	\$ -	\$25,888,611
Construction-in-progress	<u>8,679,155</u>	<u>2,124,857</u>	<u>9,299,321</u>	<u>1,504,691</u>
Total Capital Assets Not Being Depreciated/Amortized	<u>34,567,766</u>	<u>2,124,857</u>	<u>9,299,321</u>	<u>27,393,302</u>
Capital assets being depreciated/amortized:				
Improvements	10,168,483	283,662	240,614	10,211,531
Buildings	2,522,797	8,299,403	999,337	9,822,863
Machinery and equipment	4,225,144	1,489,263	537,200	5,177,207
Right-to-use assets	<u>46,493</u>	<u>-</u>	<u>46,493</u>	<u>-</u>
Total Capital Assets Being Depreciated/Amortized	<u>16,963,367</u>	<u>10,072,328</u>	<u>1,824,094</u>	<u>25,211,601</u>
Less accumulated depreciation/amortization for:				
Improvements	3,569,154	377,096	233,773	3,712,477
Buildings	1,671,184	44,051	997,313	717,922
Machinery and equipment	2,777,026	339,893	533,155	2,583,764
Right-to-use assets	<u>44,708</u>	<u>2,235</u>	<u>46,943</u>	<u>-</u>
Total accumulated depreciation/amortization	<u>8,062,072</u>	<u>763,275</u>	<u>1,811,184</u>	<u>7,014,163</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>8,901,295</u>	<u>9,309,053</u>	<u>12,910</u>	<u>18,197,438</u>
Governmental Activities Capital Assets, Net	<u>\$43,469,061</u>	<u>\$11,433,910</u>	<u>\$ 9,312,231</u>	<u>\$45,590,740</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated/amortized:				
Land	\$ 432,757	\$ 3,400	\$ -	\$ 436,157
Construction-in-progress	<u>770,747</u>	<u>382,074</u>	<u>34,846</u>	<u>1,117,975</u>
Total Capital Assets Not Being Depreciated/Amortized	<u>1,203,504</u>	<u>385,474</u>	<u>34,846</u>	<u>1,554,132</u>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated/ amortized:				
Collection system	47,337,275	265,480	-	47,602,755
Machinery and equipment	<u>69,443</u>	<u>-</u>	<u>-</u>	<u>69,443</u>
Total Capital Assets Being Depreciated/ Amortized	<u>47,406,718</u>	<u>265,480</u>	<u>-</u>	<u>47,672,198</u>
Less accumulated depreciation/ amortization	<u>23,697,148</u>	<u>1,170,139</u>	<u>-</u>	<u>24,867,287</u>
Total Capital Assets Being Depreciated/ Amortized, Net	<u>23,709,570</u>	<u>(904,659)</u>	<u>-</u>	<u>22,804,911</u>
Business-type Activities Capital Assets, Net	<u>\$25,402,511</u>	<u>\$ (519,185)</u>	<u>\$ 34,846</u>	<u>\$24,913,074</u>

Depreciation/Amortization expense was charged to functions/programs of the Township as follows:

Governmental Activities:

General government	\$ 158,088
Public safety	160,691
Public works	339,893
Culture and parks	<u>104,603</u>

Total Depreciation/Amortization Expense – Governmental Activities	<u>\$ 763,275</u>
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All of the depreciation/amortization expense in the business-type activities was charged to the sewer function.

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The balance of short-term interfund receivables/payables at December 31, 2023 was as follows:

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 117,496	\$ 13,852
Special Revenue Tax Fund	<u>222,882</u>	<u>326,526</u>
	<u>\$ 340,378</u>	<u>\$ 340,378</u>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

Interfund balances represent temporary loans recorded at year end as a result of the tax collection billing cycle. The balances are repaid shortly after year end.

The composition of interfund transfers for the year ended December 31, 2023 is as follows:

<u>Transfer Out:</u>		<u>Transfers In:</u>	
General Fund	\$ 2,817,039	General Fund	\$ 185,000
Special Revenue Tax Fund	<u>2,085,830</u>	Capital Projects Fund	<u>4,717,869</u>
	<u>\$ 4,902,869</u>		<u>\$ 4,902,869</u>

Transfers represent funds set aside for the anticipation of future capital needs and to fund current debt service.

NOTE 5 LONG-TERM DEBT

General Obligation Bonds

During 2019, the Township issued \$8,680,000 of General Obligation Bonds dated June 10, 2019. The bonds mature November 1, 2032, with interest payable semi-annually at rates ranging from 2% to 4%. The bonds were issued to provide funds to finance the costs of renovating a vacant elementary school into a township community center which will include the Middletown Free Library and Middletown Township Historical Society. The schedule of future principal maturities and annual interest at December 31, 2023 is as follows:

<u>Maturity Year</u>	<u>Principal</u>	<u>Annual Interest</u>
2024	\$ 765,000	\$ 193,050
2025	795,000	170,825
2026	800,000	149,400
2027	840,000	124,800
2028	860,000	95,000
2029 - 2032	<u>1,945,000</u>	<u>124,700</u>
Totals	<u>\$ 6,005,000</u>	<u>\$ 857,775</u>

During 2019, the Township issued \$6,385,000 of General Obligation Bonds dated September 9, 2019. The bonds mature August 1, 2035, with interest payable semi-annually at rates ranging

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

from 2% to 4%. The bonds were issued to be used towards the refunding of the Township's General Obligation Bonds, Series of 2014 for the purpose of reducing the debt service that would otherwise be payable on the 2014 bonds. The schedule of future principal maturities and annual interest at December 31, 2023 is as follows:

<u>Maturity Year</u>	<u>Principal</u>	<u>Annual Interest</u>
2024	\$ 365,000	\$ 119,170
2025	380,000	104,570
2026	400,000	89,370
2027	395,000	81,370
2028	405,000	73,470
2029 - 2033	2,190,000	240,704
2034 - 2035	950,000	31,224
Totals	<u>\$ 5,085,000</u>	<u>\$ 739,878</u>

During 2020, the Township issued \$11,310,000 of General Obligation Bonds dated November 10, 2020. The bonds mature November 10, 2050, with interest payable semi-annually at rates ranging from 2% to 4%. The bonds were issued to provide funds to finance the purchase of land for recreational purposes, the development of Smedley Park, and the costs of renovating a vacant elementary school into a township community center which will include the Middletown Free Library and Middletown Township Historical Society. The schedule of future principal maturities and annual interest at December 31, 2023 is as follows:

<u>Maturity Year</u>	<u>Principal</u>	<u>Annual Interest</u>
2024	\$ 235,000	\$ 348,700
2025	235,000	346,350
2026	235,000	344,000
2027	240,000	341,650
2028	240,000	339,250
2029 - 2033	1,700,000	1,589,850
2034 - 2038	3,345,000	1,182,150
2039 - 2043	1,925,000	721,200
2044 - 2048	2,055,000	344,400
2049 - 2050	460,000	18,400
Totals	<u>\$ 10,670,000</u>	<u>\$ 5,575,950</u>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

Advanced Refunding

The Township has defeased its 2010 General Obligation Bond Series. The defeased bonds are not included in the Township's financial statements, as they are being held in escrow by the paying agent until their final maturity. At December 31, 2023, \$4,740,000 of defeased bonds related to the 2010 bond issue is outstanding.

Revenue Bonds

The Sewer Authority issued \$9,805,000 of Guaranteed Sewer Revenue Bonds, Series of 2016, for the purpose of funding capital projects such as the Chester Creek Inceptor, building lines for treatment plant at the DELCORA plant, certain other capital improvements, and payment for the costs of issuing the bonds. Principal payments on the bonds are paid annually on October 1 of each year, interest is paid semi-annually on April 1 and October 1 of each year. This bond issue was refinanced on July 19, 2021.

On September 16, 2019, the Sewer Authority issued \$5,900,000 of Guaranteed Sewer Revenue Bonds, Series of 2019, for the purpose of refunding the 2014 Bond Issue and for payment of the costs of issuing the bonds. Principal payments on the bonds are paid annually on October 1<sup>st</sup> of each year, interest is paid semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup> of each year.

On July 19, 2021, the Sewer Authority issued \$7,705,000 of Guaranteed Sewer Revenue Bonds, Series of 2021, for the purpose of refunding the 2016 Bond Issue and for payment of the costs of issuing the bonds. Principal payments on the bonds are paid annually on October 1<sup>st</sup> of each year, interest is paid semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup> of each year.

With respect to the 2016 and 2019 bond issuances, the Sewer Authority received a premium of \$93,495 and \$113,218, respectively, which will be amortized over the lives of the bond issues. For the year, the premium amortization was \$29,258 and is reflected against interest expense in the accompanying statement of revenues, expenses, and changes in net position - proprietary funds. Amortization will be approximately \$30,000 each of the next five years.

The schedule of future principal maturities and annual interest at April 30, 2023 is as follows:

<u>Maturity Year</u>	<u>Principal</u>	<u>Annual Interest</u>
2024	\$ 795,000	\$ 265,219
2025	825,000	237,269
2026	850,000	212,194
2027	870,000	190,244
2028	895,000	170,194
2029 - 2033	4,740,000	572,644
2034 - 2038	3,210,000	113,484
Totals	<u>\$ 12,185,000</u>	<u>\$ 1,761,247</u>

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

Lease Obligations

The Township had previously entered into a lease agreement for office equipment. The lease has been capitalized (see Note 3) and has subsequently retired.

Presented below is a summary of minimum lease payments to maturity by year:

Changes in Long-term Liabilities

A schedule of the changes in long-term liabilities is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$23,070,000	\$ -	\$(1,310,000)	\$21,760,000	\$ 1,365,000
Premium	1,464,205	-	(86,709)	1,377,496	86,709
Net	24,534,205	-	(1,369,709)	23,137,496	1,451,709
Compensated absences	116,600	12,089	-	128,689	-
Lease obligations	2,494	-	(2,494)	-	-
Net pension liability	307,709	-	(186,558)	121,151	-
Governmental Activities, Long-term Liabilities	<u>\$24,961,008</u>	<u>\$ 12,089</u>	<u>\$(1,558,761)</u>	<u>\$23,387,336</u>	<u>\$ 1,451,709</u>
Business-type Activities:					
Revenue bonds	\$12,995,000	\$ -	\$(770,000)	\$12,185,000	\$ 795,000
Premium	407,059	-	(29,258)	377,801	29,258
Net	13,362,059	-	(799,258)	12,562,801	824,258
Net pension liability	45,452	91,580	-	137,032	-
Business-type Activities Long-term Liabilities	<u>\$13,407,511</u>	<u>\$ 91,580</u>	<u>\$(799,258)</u>	<u>\$12,699,833</u>	<u>\$ 799,258</u>

NOTE 6 FUND BALANCE

As of December 31, 2023, fund balances are composed of the following:

	General Fund	Capital Projects	Special Revenue Tax Fund	Highway Aid Fund	Total Government Funds
Restricted:					
Capital reserve	\$ -	\$10,602,050	\$ -	\$ -	\$ 10,602,050
Fire apparatus	-	546,510	-	-	546,510
Highway and streets	-	-	-	836,608	836,608
Debt service	-	1,482,782	61,993	-	1,544,775

TOWNSHIP OF MIDDLETOWN

NOTES TO FINANCIAL STATEMENTS

NOTE 6 FUND BALANCE (cont'd)

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Special Revenue Tax Fund</u>	<u>Highway Aid Fund</u>	<u>Total Government Funds</u>
(cont'd)					
Assigned for future expenditures	1,500,000	-	-	-	1,500,000
Unassigned	<u>871,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>871,111</u>
Total Fund Balance	<u>\$ 2,371,111</u>	<u>\$12,631,342</u>	<u>\$ 61,993</u>	<u>\$ 836,608</u>	<u>\$15,901,054</u>

NOTE 7 TOWNSHIP DEFINED BENEFIT PENSION PLAN

Plan Description

The Township contributes to a public employee retirement system ("PERS") for its employees hired before January 1, 2019. Full-time employees hired after that date are covered by a defined contribution retirement plan. The PERS is a single employer PERS administered by a committee comprised of the Township Council and key Township employees. The assets of the PERS are held and invested by investment brokers under direction of an independent investment advisor.

Detailed information about the plan's fiduciary net position is available in the separately issued Township of Middletown Non-Uniformed Pension Plan financial report.

Plan Membership

At December 31, 2023, pension plan membership consisted of the following:

Active employees	12
Retirees and beneficiaries currently receiving benefits	23
Vested terminated members	<u>2</u>
Total	<u>37</u>

Benefit Provisions

The following table provides information concerning types of covered employees and benefit provisions for the Township's PERS:

Covered employees	Regular, full-time employees with one year of employment; full-time requirement, 1,000 hours or more annually
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TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 7 TOWNSHIP DEFINED BENEFIT PENSION PLAN (cont'd)

Benefit vesting	After three years of service, 20%, increasing by 20% to 100% after seven years of service
Normal retirement date	First day of the month coincident with or next following participant's 65 <sup>th</sup> birthday and completion of five years of service
Annual retirement benefit	Monthly retirement benefits are equal to 2.2% of the average monthly compensation multiplied by the years of benefit service up to a maximum of 15 years. Average monthly compensation means the average of an employee's monthly compensation over the highest five-consecutive-year period out of the final 10 years of employment.
Provision for early retirement	Yes, at age 55 with 15 years of service. The early retirement benefit is equal to the actuarial equivalent of the pension accrued to date of retirement.
Provision for late retirement	No
Provision for preretirement death benefit	Yes
Required employee contributions	None

The benefit provisions of the Township's PERS are established by Township resolution.

Contributions

The Township's employees are not required to contribute to the PERS. Pennsylvania Law Act 205 of 1984 ("Act 205") requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. The state provides an allocation of funds (distribution of foreign casualty insurance premium taxes) which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contribution must be funded by the employer in accordance with Act 205.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 7 TOWNSHIP DEFINED BENEFIT PENSION PLAN (cont'd)

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the plan and paid from pension funds.

Deposits and Investments

*Deposits*

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2023, the carrying amount of the Township of Middletown Non-Uniformed Pension Plan's deposits was \$101,696, which is equal to the deposits in a money market fund held by the trustee of the plan in the Township's name. None of this balance was subject to custodial credit risk.

*Investments*

The investment objective of the Township of Middletown Non-Uniformed Pension Plan is to maintain a balanced portfolio comprised of equity and fixed income, as such is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2023, the Township of Middletown Non-Uniformed Pension Plan had the following investments with fair values and maturities as noted:

	Fair Value	Level 1
Mutual funds - equities and options	\$ 2,631,448	\$ 2,631,448
Mutual funds - fixed income	1,634,975	1,634,975
TOTAL	\$ 4,266,423	\$ 4,266,423

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Money-weighted Rate of Return

For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was (14.60)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 7 TOWNSHIP DEFINED BENEFIT PENSION PLAN (cont'd)

Net Pension Asset

The net pension asset was measured at December 31, 2023, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2023. No significant events or changes in assumptions occurred between the valuation date and the end of the year. The components of the net pension asset of the Township at December 31, 2023 was as follows:

Total pension liability	\$ 4,489,604
Plan fiduciary net position	<u>(4,368,453)</u>
Plan fiduciary net position	
Township's net pension liability	<u>\$ 121,151</u>
Plan fiduciary net position as a percentage of the total pension liability	97.30%

The Township's change in total pension liability, plan fiduciary net position, and net pension liability (asset) for the year ended December 31, 2023 were as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at December 31, 2022	<u>\$ 4,367,852</u>	<u>\$ 4,014,690</u>	<u>\$ 353,162</u>
Changes for the year:			
Service cost	86,687	-	86,687
Interest	314,882	-	314,882
Change for experience	(39,616)	-	(39,616)
Change for experience	96,770	-	96,770
Benefit payments	(336,971)	(336,971)	-
Employer contributions	-	37,157	(37,157)
State contributions	-	104,902	(104,902)
Administrative expenses	-	(19,957)	19,957
Net investment income	-	568,632	(568,632)
Net Changes	<u>121,752</u>	<u>353,763</u>	<u>(232,011)</u>
Balance at December 31, 2023	<u>\$ 4,489,604</u>	<u>\$ 4,368,453</u>	<u>\$ 121,151</u>

Actuarial Methods and Assumptions

The total pension liability in the January 1, 2023 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 7 TOWNSHIP DEFINED BENEFIT PENSION PLAN (cont'd)

Inflation	3.0%
Salary increases	5.0%, average, including inflation
Investment rate of return	7.25% including inflation

Net Pension Asset, Pension Expense, and Deferred Inflows and Outflows of Resources

For the year ended December 31, 2023, the Township recognized pension expense of \$80,310. At December 31, 2023, the Township reported deferred outflows and inflows of resources related to the pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ -	\$ 77,920
Net difference between projected and actual investment earnings	742,642	364,173
Net difference due to changes of assumptions	<u>112,577</u>	<u>-</u>
	<u>\$ 855,219</u>	<u>\$ 442,093</u>

These amounts will be reported as deferred outflows and inflows of resources related to the pension and will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	
2024	\$ 107,143
2025	151,417
2026	196,070
2027	<u>(41,504)</u>
	<u>\$ 413,126</u>

Mortality rates were based on the PubG-2010 Mortality Table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

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

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 7 TOWNSHIP DEFINED BENEFIT PENSION PLAN (cont'd)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	65.0%	5.5 - 7.5%
Fixed income	35.0%	1.0 - 3.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of unfunded liability.

Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the plan, calculated using the discount rate of 7.25%, as well as what the plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan's net pension liability (asset)	\$ 549,129	\$ 121,151	\$ (249,408)

NOTE 8 SEWER AUTHORITY DEFINED BENEFIT PENSION PLAN

Plan Description

The Sewer Authority maintains a single employer defined benefit pension plan and participates in the Pennsylvania Municipal Retirement System ("PMRS"), an agent multiple employer public employees' retirement system administered by the Pennsylvania Municipal Retirement Board. PMRS acts as a common investment and administrative agent for participating municipal pension plans. The agent maintains each municipality's accounts separately with that municipality's contributions and related employees' contributions. The assets may only be used for payment of benefits to members of the plan.

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 SEWER AUTHORITY DEFINED BENEFIT PENSION PLAN (cont'd)

PMRS issues a separate publicly available Annual Comprehensive Financial Report which can be obtained by contacting the PMRS accounting office at 1010 North 7th Street, Suite 301, Harrisburg, PA 17102-1400.

Plan Membership

As of December 31, 2021 (the date of the latest actuarial valuation), pension plan membership consisted of the following:

Active employees	4
Retirees and beneficiaries currently receiving benefits	5
Vested terminated members	<u>-</u>
Total	<u>9</u>

Benefit Provisions

The following table provides information concerning types of covered employees and benefit provisions for the Township's PERS:

Covered employees	All regular, full-time employees
Benefit vesting	100% after five years of service
Normal retirement date	Age 65 and the completion of five years of service
Annual retirement benefit	Equal to 2% of final salary multiplied by total years of credited service, not to exceed 40% of final salary. Final salary is the average annual compensation paid during the member's highest five consecutive years of employment.
Provision for early retirement	Separation from employment upon attainment of age 55 with 15 years of credited service with a reduced benefit entitlement.

Contributions

The plan does not require employee contributions. An actuarially determined contribution is a contribution amount determined in accordance with Actuarial Standards of Practice. The actuarially determined contribution provided is based upon the plan's minimum municipal obligation ("MMO") as defined in Pennsylvania Act 205 of 1984 ("Act 205"). The MMO is based upon the plan's biennial actuarial valuation. Any funding requirements established by the MMO

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 SEWER AUTHORITY DEFINED BENEFIT PENSION PLAN (cont'd)

in excess of required employee contributions must be paid by the municipality in accordance with Act 205. The MMO for the year ended April 30, 2023 amounted to \$57,316.

Net Pension Liability (Asset)

The net pension liability (asset) as of the measurement date of December 31, 2022 was as follows:

Total pension liability	\$ 1,125,323
Plan fiduciary net position	<u>(988,291)</u>
Net pension liability (asset)	<u>\$ 137,032</u>
Plan fiduciary net position as a percentage of the total pension liability	87.82%

The changes in the net pension liability (asset) are as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at December 31, 2021	\$ 1,047,600	\$ 1,068,630	\$ (21,030)
Service cost	39,294	-	39,294
Interest	55,488	-	55,488
Changes in assumptions	-	-	-
Differences between expected and actual experience	43,676	-	43,676
Contributions – employer	-	97,136	(97,136)
Contributions – employee	-	180	(180)
PMRS investment income	-	49,527	(49,527)
Net investment income	-	(163,650)	163,650
Benefit payments	(60,735)	(60,735)	-
Administrative expenses	-	(2,797)	2,797
Net Changes	<u>77,723</u>	<u>(80,339)</u>	<u>158,062</u>
Balance at December 31, 2022	<u>\$ 1,125,323</u>	<u>\$ 988,291</u>	<u>\$ 137,032</u>

Pension Expense and Deferred Outflows of Resources

For the year ended April 30, 2023, the Sewer Authority recognized pension expense of \$82,914. At April 30, 2023, the Sewer Authority reported deferred outflows and (inflows) of resources related to the pension plan from the following sources:

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 SEWER AUTHORITY DEFINED BENEFIT PENSION PLAN (cont'd)

Net difference between expected and actual experience	\$ 44,604
Change in assumptions	9,944
Net difference in projected and actual investment earnings	13,371
	\$ 67,919

The amounts above will be reported as deferred outflows of resources related to the pension and will be recognized in pension expense as follows:

Year Ended December 31,

2024	\$ 14,527
2025	9,377
2026	11,285
2027	32,730
	\$ 67,919

Actuarial Methods and Assumptions

The total pension liability measured as of December 31, 2022 was determined using the following economic assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age
Amortization period	Level dollar based upon the amortization periods in Act 205
Asset valuation method	Based on municipal reserves
Discount rate	5.25%
Inflation rate	2.8%
Salary increases	Age related scale with merit and inflation component
COLA increases	2.8% for those eligible for a COLA
Pre-retirement mortality	Males – RP-2000 Non-Annuitant Male Table projected 15 years with Scale AA Females – RP-2000 Non-Annuitant Female Table projected 15 years with Scale AA, setback 5 years
Post-retirement mortality	Males – RP-2000 Non-Annuitant Male Table projected 5 years with Scale AA Females – RP-2000 Non-Annuitant Female Table projected 10 years with Scale AA

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 SEWER AUTHORITY DEFINED BENEFIT PENSION PLAN (cont'd)

Mortality rates were based on the RP-2000 Table for Males and Females. This table does not include projected mortality improvements.

The PMRS System's long-term expected rate of return was determined using a building block method in which best estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. There are four steps to this method:

1. Expected future real rates of return are based primarily on the 20-year historic nominal rates of return as reflected by applicable return indexes and may be adjusted for specific asset classes.
2. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce real rates of return.
3. The real rates of return are further adjusted by weighting each asset class using the PMRS portfolio target asset allocations.
4. These weighted real rates of return are then subjected to probability simulation to understand the likelihood of success in achieving various portfolio return levels.

The target allocation and best estimates of real rates of return for each asset class are summarized in the following table:

	Target Allocation	Nominal Rate of Return	Long-term Expected Real Rate of Return
Domestic equities (large cap)	25%	7.5%	5.0%
Domestic equities (small cap)	8%	8.2%	5.7%
International equities (developed markets)	14%	7.6%	5.1%
International equities (emerging markets)	3%	8.0%	5.5%
Real estate	10%	7.4%	4.9%
Global equities	5%	7.0%	4.5%
Timber	5%	6.5%	4.0%
Cash	1%	2.2%	(0.3)%
Fixed income (core investment grade)	24%	4.6%	2.1%
Fixed income (opportunistic credit)	5%	8.0%	5.5%
<b>Total</b>	<b>100%</b>	<b>7.4%</b>	<b>4.9%</b>

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 SEWER AUTHORITY DEFINED BENEFIT PENSION PLAN (cont'd)

Based on the four-part analysis, the Board established the plan's long-term expected rate of return at 7.4%.

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumes that the employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed period.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Sewer Authority, calculated using the discount rate of 5.25%, as well as what the Sewer Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Plan's net pension liability	\$ 254,742	\$ 137,032	\$ 35,304

NOTE 9 RESTRICTED ASSETS

The Sewer Authority maintains a developer escrow account for amounts received under the terms of Sanitary Sewer Agreements between the Sewer Authority and various developers. The escrowed amounts represent security payment of costs and expenses incurred by the Sewer Authority pursuant to the terms of the agreements. Restricted assets consist of the proceeds from the bond issue that are maintained in separate trust accounts. A schedule of the purposes for which cash and cash equivalents are held in the restricted assets of the fund at April 30, 2023 is shown below:

Cash - developers' escrow	\$	502,272		
Cash - capital projects		5,820,808		
Total		\$ 6,323,080		

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 10 EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2023, expenditures over appropriations were as follows:

	<u>General Fund</u>	<u>Special Revenue Tax Fund</u>	<u>Special Revenue Highway Aid Fund</u>
General Government:			
Legal services	\$ 15,245	\$ -	\$ -
Public Safety:			
Fire protection	99,754	-	-
Animal control	2,694	-	-
Public safety tax distribution	-	1,726	-
Public Works:			
Recycling operations	90,492	-	-
Signs and signals	27,503	-	433
Street lighting	-	-	38
Culture and parks			
Recreation	148,379	-	-
Parks	707,179	-	-
Nondepartmental:			
Interest and other charges	5,083	-	-
Capital outlay	-	-	6,683

The noted overages for the General Fund were absorbed by revenues exceeding budgeted amounts. The noted overages for the Special Tax Revenue Fund were absorbed by the utilization of fund balance. The noted overages for the highway Aid Fund were absorbed by other expenditure categories coming in under budget.

NOTE 11 COMMITMENTS

The Township is engaged in several projects under formal agreements. The commitments under the contracts are as follows:

	<u>Project Amount</u>	<u>Completed as of 12/31/2023</u>	<u>Commitments</u>
Sunny Brae Basin Rehabilitation	\$ 1,100,963	\$ 1,053,311	\$ 47,652
2022 Road Improvement Program	345,836	253,512	92,324

In addition, the Township has incurred costs in the amount of \$197,868 not under formal contracts as of December 31, 2023.

TOWNSHIP OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS

NOTE 11 COMMITMENTS (cont'd)

The Sewer Authority's construction-in-progress of \$1,117,975 represents costs incurred by the Sewer Authority for in-process activities designed to expand, replace, or extend useful lives of existing sewer lines.

NOTE 12 LEASE RECEIVABLE

The Township has entered into a communication tower lease agreement, which is expected to provide the following future minimum receipts:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 8,621	\$ 21,379	\$ 30,000
2025	8,901	21,099	30,000
2026	9,190	20,810	30,000
2027	9,433	20,567	30,000
2028	9,769	20,204	30,000
2029 - 2033	53,910	96,090	150,000
2034 - 2038	63,315	86,685	150,000
2039 - 2043	74,294	75,706	150,000
2044 - 2048	87,177	62,823	150,000
2049 - 2053	102,295	47,705	150,000
2054 - 2058	120,034	29,966	150,000
2059 - 2062	110,850	9,150	120,000
Totals	<u>\$ 657,816</u>	<u>\$ 512,184</u>	<u>\$ 1,170,000</u>

NOTE 13 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through June 12, 2024, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF MIDDLETOWN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY, INVESTMENT RETURNS,  
AND RELATED RATIOS - NON-UNIFORMED PENSION PLAN**

	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<b>TOTAL PENSION LIABILITY</b>										
Service cost	\$ 86,687	\$ 87,900	\$ 83,714	\$ 80,424	\$ 76,594	\$ 53,782	\$ 51,221	\$ 71,479	\$ 68,075	\$ 82,391
Interest cost	314,882	315,516	308,998	307,247	300,063	280,217	270,730	263,861	251,697	240,836
Change for experience	(39,616)	-	(59,843)	-	(69,283)	-	(200,530)	-	(26,197)	-
Changes of assumptions	96,770	-	-	-	210,976	-	158,833	-	-	-
Benefit payments	(336,971)	(309,080)	(310,947)	(304,562)	(264,833)	(202,956)	(193,084)	(170,503)	(151,471)	(124,334)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>121,752</b>	<b>94,336</b>	<b>21,922</b>	<b>83,109</b>	<b>253,517</b>	<b>131,043</b>	<b>87,170</b>	<b>164,837</b>	<b>142,104</b>	<b>198,893</b>
<b>TOTAL PENSION LIABILITY, BEGINNING OF YEAR</b>	<b>4,367,853</b>	<b>4,273,517</b>	<b>4,251,595</b>	<b>4,168,486</b>	<b>3,914,969</b>	<b>3,783,926</b>	<b>3,696,756</b>	<b>3,531,919</b>	<b>3,389,815</b>	<b>3,190,922</b>
<b>TOTAL PENSION LIABILITY, END OF YEAR</b>	<b>\$ 4,489,605</b>	<b>\$ 4,367,853</b>	<b>\$ 4,273,517</b>	<b>\$ 4,251,595</b>	<b>\$ 4,168,486</b>	<b>\$ 3,914,969</b>	<b>\$ 3,783,926</b>	<b>\$ 3,696,756</b>	<b>\$ 3,531,919</b>	<b>\$ 3,389,815</b>
<b>PLAN FIDUCIARY NET POSITION</b>										
Contributions:										
Employer	\$ 37,157	\$ 107,506	\$ 110,000	\$ 74,303	\$ 11,286	\$ 11,031	\$ 7,433	\$ 10,140	\$ 43,218	\$ 39,803
State aid	104,902	-	-	78,781	75,598	69,659	58,472	72,355	74,496	73,581
Net investment income (loss)	568,632	(864,258)	582,628	671,869	738,199	(205,924)	562,773	226,322	26,991	186,883
Benefit payments	(336,971)	(309,080)	(310,947)	(304,562)	(264,833)	(202,956)	(193,084)	(170,503)	(151,471)	(124,334)
Administrative expenses	(19,957)	-	(24,528)	(21,330)	(20,168)	(24,270)	(26,722)	(23,065)	(30,129)	(30,902)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>353,763</b>	<b>(1,065,832)</b>	<b>357,153</b>	<b>499,061</b>	<b>540,082</b>	<b>(352,460)</b>	<b>408,872</b>	<b>115,249</b>	<b>(36,895)</b>	<b>145,031</b>
<b>PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR</b>	<b>4,014,692</b>	<b>5,080,524</b>	<b>4,723,371</b>	<b>4,224,310</b>	<b>3,684,228</b>	<b>4,036,688</b>	<b>3,627,816</b>	<b>3,512,567</b>	<b>3,549,462</b>	<b>3,404,431</b>
<b>PLAN FIDUCIARY NET POSITION, END OF YEAR</b>	<b>\$ 4,368,455</b>	<b>\$ 4,014,692</b>	<b>\$ 5,080,524</b>	<b>\$ 4,723,371</b>	<b>\$ 4,224,310</b>	<b>\$ 3,684,228</b>	<b>\$ 4,036,688</b>	<b>\$ 3,627,816</b>	<b>\$ 3,512,567</b>	<b>\$ 3,549,462</b>
<b>TOWNSHIP'S NET PENSION LIABILITY (ASSET)</b>	<b>\$ 121,150</b>	<b>\$ 353,161</b>	<b>\$ (807,007)</b>	<b>\$ (471,776)</b>	<b>\$ (55,824)</b>	<b>\$ 230,741</b>	<b>\$ (252,762)</b>	<b>\$ 68,940</b>	<b>\$ 19,352</b>	<b>\$ (159,647)</b>
Plan fiduciary net position as a percentage of total pension liability	97.30%	91.91%	118.88%	111.10%	101.34%	94.11%	106.68%	98.14%	99.45%	104.71%
Covered employee payroll	\$ 936,161	\$ 936,254	\$ 973,734	\$ 940,576	\$ 918,163	\$ 974,781	\$ 900,679	\$ 815,636	\$ 939,871	\$ 1,037,255
Township's net pension liability (asset) as a percentage of covered payroll	12.94%	37.72%	-82.88%	-50.16%	-6.08%	23.67%	-28.06%	8.45%	2.06%	-15.39%
Annual money-weighted rate of return, net of investment expense	14.60%	-17.01%	12.69%	15.93%	20.28%	-5.14%	15.68%	9.88%	5.05%	5.46%

**Notes to Schedule:**

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWNSHIP OF MIDDLETOWN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWNSHIP CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN**

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2013	\$ 111,976	\$ 111,976	\$ -	\$ 1,048,026	10.68%
2014	113,384	113,384	-	1,037,255	10.93%
2015	117,714	117,714	-	939,871	12.52%
2016	72,495	82,495	(10,000)	815,636	10.11%
2017	55,905	65,905	(10,000)	900,679	7.32%
2018	65,710	80,690	(14,980)	974,781	8.28%
2019	86,884	86,884	-	918,163	9.46%
2020	123,205	153,084	(29,879)	940,676	16.27%
2021	107,452	110,000	(2,548)	973,734	11.30%
2022	97,765	107,506	(9,741)	936,254	11.48%
2023	97,227	142,059	(44,832)	936,161	15.17%

\* Not available due to biennially required Act 205 report.

**Notes to Schedule:**

*Valuation Date:* January 1, 2023

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

*Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.50%
Retirement age	Normal retirement age
Mortality	PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

**TOWNSHIP OF MIDDLETOWN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY, INVESTMENT RETURNS,  
AND RELATED RATIOS - SEWER AUTHORITY PLAN**

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
<b>TOTAL PENSION LIABILITY</b>									
Service cost	\$ 39,294	\$ 37,821	\$ 36,424	\$ 33,931	\$ 34,002	\$ 25,421	\$ 25,763	\$ 21,252	\$ 11,753
Interest cost	55,488	53,790	47,175	46,035	46,607	45,814	44,046	42,840	40,111
Changes of assumptions	-	-	39,782	-	-	-	19,822	11,583	-
Difference between actual and expected experience	43,676	-	61,945	-	(30,703)	-	47,747	-	44,996
Benefit payments	<u>(60,735)</u>	<u>(60,735)</u>	<u>(60,735)</u>	<u>(60,735)</u>	<u>(60,735)</u>	<u>(68,575)</u>	<u>(61,920)</u>	<u>(54,692)</u>	<u>(58,751)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	77,723	30,876	124,591	19,231	(10,829)	2,660	75,458	20,983	38,109
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>1,047,600</u>	<u>1,016,724</u>	<u>892,133</u>	<u>872,902</u>	<u>883,731</u>	<u>881,071</u>	<u>805,613</u>	<u>784,630</u>	<u>746,521</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$ 1,125,323</u>	<u>\$ 1,047,600</u>	<u>\$ 1,016,724</u>	<u>\$ 892,133</u>	<u>\$ 872,902</u>	<u>\$ 883,731</u>	<u>\$ 881,071</u>	<u>\$ 805,613</u>	<u>\$ 784,630</u>
<b>PLAN FIDUCIARY NET POSITION</b>									
Contributions:									
Employer	\$ 97,316	\$ 95,678	\$ 48,389	\$ 47,003	\$ 27,701	\$ 25,222	\$ 11,339	\$ 6,787	\$ 3,885
Net investment income (loss)	(114,123)	152,559	121,549	138,912	(64,593)	119,386	55,720	(1,419)	27,373
Benefit payments	(60,735)	(60,735)	(60,735)	(60,735)	(60,735)	(68,575)	(61,920)	(54,692)	(58,751)
Administrative expenses	<u>(2,797)</u>	<u>(2,747)</u>	<u>(1,889)</u>	<u>(1,496)</u>	<u>(1,834)</u>	<u>(1,876)</u>	<u>(2,100)</u>	<u>(1,821)</u>	<u>(1,715)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(80,339)	184,755	107,314	123,684	(99,461)	74,157	3,039	(51,145)	(29,208)
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>1,068,630</u>	<u>883,875</u>	<u>776,561</u>	<u>652,877</u>	<u>752,338</u>	<u>678,181</u>	<u>675,142</u>	<u>726,287</u>	<u>755,495</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 988,291</u>	<u>\$ 1,068,630</u>	<u>\$ 883,875</u>	<u>\$ 776,561</u>	<u>\$ 652,877</u>	<u>\$ 752,338</u>	<u>\$ 678,181</u>	<u>\$ 675,142</u>	<u>\$ 726,287</u>
SEWER AUTHORITY'S NET PENSION LIABILITY (ASSET)	<u>\$ 137,032</u>	<u>\$ (21,030)</u>	<u>\$ 132,849</u>	<u>\$ 115,572</u>	<u>\$ 220,025</u>	<u>\$ 131,393</u>	<u>\$ 202,890</u>	<u>\$ 130,471</u>	<u>\$ 58,343</u>
Plan fiduciary net position as a percentage of total pension liability	87.82%	102.01%	86.93%	87.05%	74.79%	85.13%	76.97%	83.80%	92.56%
Covered employee payroll	\$ 302,087	\$ 290,760	\$ 290,609	\$ 270,717	\$ 274,987	\$ 205,590	\$ 214,515	\$ 188,607	\$ 164,044
Sewer Authority's net pension liability as a percentage of covered payroll	45.36%	-7.23%	45.71%	42.69%	80.01%	63.91%	94.58%	69.18%	35.57%

**Notes to Schedule:**

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWNSHIP OF MIDDLETOWN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWNSHIP CONTRIBUTIONS - SEWER AUTHORITY PLAN**

Year Ended April 30,	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2015	\$ 3,725	\$ 3,885	\$ (160)	\$ 164,044	2.37%
2016	6,767	6,787	(20)	188,607	3.60%
2017	11,319	11,339	(20)	214,515	5.29%
2018	25,222	25,222	-	205,590	12.27%
2019	27,681	27,701	(20)	274,987	10.07%
2020	47,003	47,003	-	270,717	17.36%
2021	48,389	48,389	-	290,609	16.65%
2022	55,678	95,678	(40,000)	290,760	32.91%
2023	57,316	97,316	(40,000)	302,087	32.21%

**Notes to Schedule:**

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

*Valuation Date:* December 31, 2022

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

*Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial cost method	Entry age
Amortization method	Level dollar based upon the amortization periods in Act 205
Asset valuation method	Based upon the municipal reserves
Discount rate	5.25%
Inflation	2.20%
Salary increases	Age related scale with merit and inflation component
COLA Increases	2.20%
Pre-retirement mortality	Males - RP2000 Non-Annuitant Male table projected 15 years with scale AA, Females - RP2000 Non-Annuitant Female table projected 15 years with scale AA, setback five years
Post-retirement mortality	Males - RP2000 Non-Annuitant Male table projected 5 years with scale AA, Females - RP2000 Non-Annuitant Female table projected 10 years with scale AA

## OTHER REPORT



INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

June 12, 2024

Members of Council  
Township of Middletown  
Lima, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Middletown ("the Township"), Middletown, Pennsylvania, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 12, 2024. Our report includes a reference to other auditors who audited the financial statements of the Middletown Township Sewer Authority ("the Sewer Authority"), as described in our report on the Township's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Sewer Authority were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

Members of Council  
Township of Middletown

detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP