

MIDDLE SMITHFIELD TOWNSHIP
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

MIDDLE SMITHFIELD TOWNSHIP
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As at December 31, 2019

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BUSINESS ADVISORS & CERTIFIED PUBLIC ACCOUNTANTS

John J. Riley, CPA [Founder/1969-2012]

Paul V. Conforti, CPA

Scott A. Miller, CPA, CFE, CVA

Mary R. Frantz, SHRM-SCP

Debra A. Borger, CPA, CGFM

Olga Rivenbark, CPA

Mail: P.O. Box 1049, Stroudsburg, PA 18360

Office: 1290 N. 9th Street, Stroudsburg, PA 18360

(570) 424-0667

Fax: (888)-839-8616

www.rileyandcompany.com

e-mail: info@rileyandcompany.com

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Middle Smithfield Township
East Stroudsburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Middle Smithfield Township, Monroe County, Pennsylvania, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and adverse audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-Type Activities	Unmodified
General Fund	Unmodified
Liquid Fuels Fund	Unmodified
Sewer Fund	Unmodified
Golf Fund	Unmodified

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets related to governmental activities that should be reported in the statement of net position and, accordingly, has not recorded depreciation expense on those assets in the statement of activities. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the Township's governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities, as reported in the statements of net position and activities, has not been determined.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the statements of net position and activities referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Middle Smithfield Township, Monroe County, Pennsylvania, as of December 31, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Reporting Entity

The Pension Fund financial statements have not been included in the Township's financial statements due to the reporting policies of its Pension Administrator, Pennsylvania Municipal Retirement System. Accounting principles generally accepted in the United States of America require that the Pension Fund be presented as a fiduciary fund included in Middle Smithfield Township's basic financial statements. The amounts that would have been reported in the Pension Fund statement of fiduciary net position and statement of changes in fiduciary net position, have not been determined.

Adverse Opinion on the Reporting Entity

In our opinion, because of the omission of the information described in the "Basis for Adverse Opinion" on Reporting Entity paragraph, the financial position of the Pension Fund as of December 31, 2019 and the changes in financial position thereof for the year then ended are not presented fairly in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements for the Business Type Activities, General Fund, Liquid Fuels Fund, Sewer Fund, and Golf Fund present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Middle Smithfield Township, Monroe County, Pennsylvania, as of and for the year ended December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison in Schedules 1 and 2 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise basic financial statements of Middle Smithfield Township. The pension information in Schedule 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Middle Smithfield Township
Page Five

The pension information in Schedule 3 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Riley and Company, Inc.

Stroudsburg, PA
June 22, 2020

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MIDDLE SMITHFIELD TOWNSHIP
Statement of Net Position
As at December 31, 2019

Exhibit A
Page 1

	Governmental Activities	Business- Type Activities	Total
Assets:			
Current Assets:			
Cash and equivalents	\$3,082,323	\$881,032	\$3,963,355
Restricted cash	3,183,809	255,033	3,438,842
Accounts receivable - Net	0	1,013,104	1,013,104
Taxes receivable	335,312	0	335,312
Due from joint venture	143,333	0	143,333
Inventory	0	4,365	4,365
Prepaid expenses	<u>112,305</u>	<u>0</u>	<u>112,305</u>
Total Current Assets	6,857,082	2,153,534	9,010,616
Capital Assets:			
Land	686,793	2,981,271	3,668,064
Construction in progress	1,329,794	0	1,329,794
Right of way	0	7,500	7,500
Furniture and equipment	0	248,213	248,213
Sewer system	0	11,782,038	11,782,038
Machinery and equipment	1,172,658	247,272	1,419,930
Vehicles	1,280,010	0	1,280,010
Buildings and building improvements	2,255,785	2,992,697	5,248,482
Purchased capacity	0	7,061,196	7,061,196
Golf cart paths	0	160,026	160,026
Park improvements	156,354	0	156,354
Less: Accumulated depreciation	<u>(2,512,111)</u>	<u>(10,301,859)</u>	<u>(12,813,970)</u>
Total Capital Assets	4,369,283	15,178,354	19,547,637
Other Assets:			
Due from other funds	3,442,728	(3,442,728)	0
Liquor license	0	3,163	3,163
Total Other Assets	3,442,728	(3,439,565)	3,163
Total Assets	14,669,093	13,892,323	28,561,416
Deferred Outflows of Resources:			
Deferred loss on refunding	\$0	\$177,568	\$177,568

MIDDLE SMITHFIELD TOWNSHIP
Statement of Net Position
As at December 31, 2019

Exhibit A
Page 2

	Governmental Activities	Business- Type Activities	Total
Liabilities:			
Current Liabilities:			
Accounts payable	\$35,672	\$0	\$35,672
Due on capital assets	91,441	0	91,441
Accrued interest on bonds	0	52,414	52,414
Current portion of long-term debt	190,225	256,577	446,802
Prepaid user fees	0	27,325	27,325
Accrued payroll and taxes payable	44,750	23,968	68,718
Unearned grant revenue	220,129	0	220,129
Customer security deposits	<u>133,517</u>	<u>8,177</u>	<u>141,694</u>
Total Current Liabilities	<u>715,734</u>	<u>368,461</u>	<u>1,084,195</u>
Long-Term Liabilities			
Bonds and notes payable	<u>2,623,396</u>	<u>8,125,140</u>	<u>10,748,536</u>
Total Liabilities	<u>3,339,130</u>	<u>8,493,601</u>	<u>11,832,731</u>
Deferred Inflows of Resources:			
Deferred rental revenue	1,000,000	0	1,000,000
Net Position:			
Net investment in capital assets	4,095,068	6,796,637	10,891,705
Restricted	220,930	255,033	475,963
Unrestricted	<u>6,013,965</u>	<u>(1,475,380)</u>	<u>4,538,585</u>
Total Net Position	<u>\$10,329,963</u>	<u>\$5,576,290</u>	<u>\$15,906,253</u>

MIDDLE SMITHFIELD TOWNSHIP
 Statement of Activities
 For the Year Ended December 31, 2019

						Exhibit B	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	(\$1,222,289)	\$116,479	\$7,024	\$0	(\$1,098,786)	\$0	(\$1,098,786)
Public safety	(726,636)	141,654	87,064	0	(497,918)	0	(497,918)
Public works - sanitation	(209,576)	18,630	0	6,309	(184,637)	0	(184,637)
Public works - highways and streets	(2,231,300)	0	676,582	62,072	(1,492,646)	0	(1,492,646)
Other public works enterprises	(27,604)	0	0	0	(27,604)	0	(27,604)
Culture and recreation	(88,631)	4,549	0	0	(84,082)	0	(84,082)
Interest on long-term debt	(49,242)	0	0	0	(49,242)	0	(49,242)
Insurance	(81,995)	0	0	0	(81,995)	0	(81,995)
Community and economic development	(75,746)	0	3,400	0	(72,346)	0	(72,346)
Total Governmental Activities	(4,713,019)	281,312	774,070	68,381	(3,589,256)	0	(3,589,256)
Business-Type Activities:							
Sanitation	(2,152,738)	2,169,195	0	143,114	0	159,571	159,571
Golf	(676,680)	173,362	0	0	0	(503,318)	(503,318)
Total Business-Type Activities	(2,829,418)	2,342,557	0	143,114	0	(343,747)	(343,747)
Total Primary Government	(\$7,542,437)	\$2,623,869	\$774,070	\$211,495	(3,589,256)	(343,747)	(3,933,003)
General Revenues:							
Real estate taxes				2,349,637		0	2,349,637
Earned income taxes				1,484,909		0	1,484,909
Franchise taxes				247,577		0	247,577
Interest and rents				115,495	19,102	134,597	
Other				107,584	0	107,584	
Total General Revenues				4,305,202	19,102		4,324,304
Change in Net Position				715,946	(324,645)	391,301	
Net Position at Beginning of Year				9,614,017	5,900,935	15,514,952	
Net Position at End of Year				\$10,329,963	\$5,576,290	\$15,906,253	

The "Notes to Financial Statements" are an integral part of these statements and should be in conjunction therewith.

MIDDLE SMITHFIELD TOWNSHIP
Balance Sheet
Governmental Funds
As at December 31, 2019

Exhibit C

	General Fund	Liquid Fuels Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$3,082,323	\$188,846	\$3,271,169
Restricted cash	2,774,733	220,230	2,994,963
Due from other funds	3,442,728	0	3,442,728
Taxes receivable	69,357	0	69,357
Due from joint venture	143,333	0	143,333
Prepaid expenses	112,305	0	112,305
 Total Assets	 \$9,624,779	 \$409,076	 \$10,033,855
 Liabilities:			
Accounts payable	109,982	\$17,131	\$127,113
Customer security deposits	133,517	0	133,517
Accrued payroll and taxes payable	44,750	0	44,750
Unearned grant revenue	0	220,129	220,129
 Total Liabilities	 288,249	 237,260	 525,509
 Fund Balances:			
Restricted	2,679,961	171,816	2,851,777
Unassigned	6,656,569	0	6,656,569
 Total Fund Balances	 9,336,530	 171,816	 9,508,346
 Total Liabilities and Fund Balances	 \$9,624,779	 \$409,076	 \$10,033,855

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith.

MIDDLE SMITHFIELD TOWNSHIP
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As at December 31, 2019

Exhibit D

Total Fund Balances - Governmental Funds		\$9,508,346
Amounts reported for governmental activities in the statement of net position are different because:		
Real estate taxes receivable in excess of sixty days are reported as receivable on the Statement of Net Position but not on the Governmental Funds Balance Sheet:		
Accounts receivable	332,572	
Allowance for doubtful accounts	<u>(66,617)</u>	265,955
Capital assets, net of accumulated depreciation, are reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet		
		4,369,283
Long-term debt is reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet		(2,813,621)
Deferred rental revenue is not recorded on the Governmental Funds Balance Sheet		<u>(1,000,000)</u>
Net Position - Governmental Activities		<u>\$10,329,963</u>

MIDDLE SMITHFIELD TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2019

Exhibit E
Page 1

	General Fund	Liquid Fuels Fund	Total Governmental Funds
Revenues:			
Taxes	\$3,818,064	\$0	\$3,818,064
Licenses and permits	247,577	0	247,577
Fines and forfeits	2,760	0	2,760
Interest, rents, and royalties	111,718	3,777	115,495
Intergovernmental	253,900	570,370	824,270
Charges for services	296,733	0	296,733
Unclassified operating revenues	<u>1,010,329</u>	<u>0</u>	<u>1,010,329</u>
 Total Revenues	 <u>5,741,081</u>	 <u>574,147</u>	 <u>6,315,228</u>
 Expenditures:			
General government	2,291,116	0	2,291,116
Public safety	690,200	0	690,200
Public works - sanitation	132,720	0	132,720
Public works - highways and streets	1,187,506	512,865	1,700,371
Public works - other services	27,604	0	27,604
Culture and recreation	72,051	0	72,051
Community development	48,263	0	48,263
Debt service	222,968	43,942	266,910
Employee benefits and taxes	778,349	0	778,349
Insurance	<u>81,995</u>	<u>0</u>	<u>81,995</u>
 Total Expenditures	 <u>5,532,772</u>	 <u>556,807</u>	 <u>6,089,579</u>
 Excess (Deficiency) of Revenues over Expenditures	 <u>\$208,309</u>	 <u>\$17,340</u>	 <u>\$225,649</u>

The "Notes to Financial Statements" are an integral part of these
 statements and should be read in conjunction therewith.

MIDDLE SMITHFIELD TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2019

Exhibit E
Page 2

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total Governmental Funds</u>
Other Financing Sources(Uses):			
Proceeds of long-term debt	\$2,640,000	\$0	\$2,640,000
Refunds of prior year expenditures	46,195	39,060	85,255
Proceeds of sale of capital assets	<u>12,000</u>	<u>0</u>	<u>12,000</u>
 Total Other Financing Sources and Uses	 <u>2,698,195</u>	 <u>39,060</u>	 <u>2,737,255</u>
 Net Change in Fund Balances	 2,906,504	 56,400	 2,962,904
 Fund Balances at Beginning of Year	 <u>6,430,026</u>	 <u>115,416</u>	 <u>6,545,442</u>
 Fund Balances at End of Year	 <u>\$9,336,530</u>	 <u>\$171,816</u>	 <u>\$9,508,346</u>

MIDDLE SMITHFIELD TOWNSHIP
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
 Balances of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2019

Exhibit F

Net Change in Fund Balances - Total Governmental Funds	\$2,962,904
Amounts reported for governmental activities in the statement of activities are different because:	
Real estate taxes receivable in excess of sixty days are reported as revenues on the Statement of Activities but not on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.	16,482
Depreciation is reported as an expense on the Statement of Activities but not on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.	(287,314)
Debt principal payments are reported as expenditures on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances but not on the Statement of Activities.	218,503
Expenditures for capital assets are reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances but not on the Statement of Activities.	1,457,031
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, the issuance of debt increases long-term liabilities in the Statement of Net Position but does not affect the Statement of Activities.	(2,640,000)
An allowance for doubtful accounts is recorded on the government-wide statements to estimate the amount of taxes receivable that will not be collected. The change in the allowance is recorded as bad debt expense on the Statement of Activities.	(10,825)
The capital contribution from Eastern Monroe Public Library is recorded as revenue on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. On the government-wide statements it is recorded as deferred rental revenue and will be amortized over the life of the lease. See Note 9 for more information.	(1,000,000)
Bond discount is recorded on the Government-wide Statement of Net Position and amortized over the life of the bond.	(835)
Change in Net Position - Governmental Activities	<u>\$715,946</u>

MIDDLE SMITHFIELD TOWNSHIP
Statement of Net Position - Proprietary Funds
As at December 31, 2019

Exhibit G
Page 1

	Sewer	Golf	Total
Assets:			
Current Assets:			
Cash and equivalents	\$876,056	\$4,976	\$881,032
Restricted cash	255,033	0	255,033
Accounts receivable - Net	994,740	18,364	1,013,104
Inventory	0	4,365	4,365
Prepaid expenses	0	0	0
Total Current Assets	2,125,829	27,705	2,153,534
Capital Assets:			
Land	52,732	2,928,539	2,981,271
Right of way	7,500	0	7,500
Construction in progress	0	0	0
Furniture and equipment	0	248,213	248,213
Sewer system	11,782,038	0	11,782,038
Machinery and equipment	94,772	152,500	247,272
Buildings and building improvements	0	2,992,697	2,992,697
Purchased capacity	7,061,196	0	7,061,196
Golf cart paths	0	160,026	160,026
Less: Accumulated depreciation	(9,429,643)	(872,216)	(10,301,859)
Total Capital Assets	9,568,595	5,609,759	15,178,354
Other Assets:			
Liquor license	0	3,163	3,163
Total Assets	11,694,424	5,640,627	17,335,051
Deferred Outflows of Resources:			
Deferred loss on refunding	\$177,568	\$0	\$177,568

MIDDLE SMITHFIELD TOWNSHIP
 Statement of Net Position - Proprietary Funds
 As at December 31, 2019

Exhibit G
 Page 2

	Sewer	Golf	Total
Liabilities:			
Current Liabilities:			
Accrued interest on bonds	\$52,414	\$0	\$52,414
Current portion of long-term debt	256,813	(236)	256,577
Prepaid user fees	26,325	1,000	27,325
Accrued payroll and taxes payable	23,748	220	23,968
Due from/(to) Golf Fund	(73,708)	3,516,436	3,442,728
Customer security deposits	8,177	0	8,177
 Total Current Liabilities	 293,769	 3,517,420	 3,811,189
 Long-Term Liabilities			
Bonds and notes payable	7,818,230	306,910	8,125,140
 Total Liabilities	 8,111,999	 3,824,330	 11,936,329
 Net Position:			
Net investment in capital assets	1,493,552	5,303,085	6,796,637
Restricted	255,033	0	255,033
Unrestricted	2,011,408	(3,486,788)	(1,475,380)
 Total Net Position	 \$3,759,993	 \$1,816,297	 \$5,576,290

MIDDLE SMITHFIELD TOWNSHIP
 Statement of Revenues, Expenditures and Changes in Net Position
 Proprietary Funds
 For the Year Ended December 31, 2019

Exhibit H
 Page 1

	Sewer	Golf	Total
Operating Revenues:			
Connection fees	\$150,500	\$0	\$150,500
User fees	2,018,695	0	2,018,695
Cart and green fees	0	108,410	108,410
Food and beverage sales	0	31,186	31,186
Memberships	0	19,273	19,273
Miscellaneous	0	5,396	5,396
Pro shop sales	0	9,097	9,097
Rents and royalties	0	18,920	18,920
 Total Revenues	 2,169,195	 192,282	 2,361,477
 Operating Expenses:			
Administration	38,221	4,712	42,933
Advertising and marketing	0	6,729	6,729
Contractual services	243,115	0	243,115
Depreciation	695,682	86,406	782,088
Engineering	105,365	0	105,365
Food and beverage purchases	0	20,419	20,419
Golf cart lease	0	49,794	49,794
Other	4,342	24,345	28,687
Pro shop supplies	0	5,301	5,301
Professional services	21,073	8,417	29,490
Rent	24,000	0	24,000
Repairs and maintenance	142,816	121,438	264,254
Supplies	231,042	5,145	236,187
Utilities	86,607	59,583	146,190
Vehicle fuel	0	11,331	11,331
Personal services	60,745	262,451	323,196
Bad debt expense	152,433	0	152,433
 Total Operating Expenses	 1,805,441	 666,071	 2,471,512
 Income (Loss) from Operations	 \$363,754	 (\$473,789)	 (\$110,035)

The "Notes to Financial Statements" are an integral part of these
 statements and should be read in conjunction therewith.

MIDDLE SMITHFIELD TOWNSHIP
 Statement of Revenues, Expenditures and Changes in Net Position
 Proprietary Funds
 For the Year Ended December 31, 2019

Exhibit H
 Page 2

	Sewer	Golf	Total
Non-operating Revenues (Expenses):			
Interest earnings	\$0	\$182	\$182
Capital grants	143,114	0	143,114
Fiscal agent fees	(11,743)	0	(11,743)
Debt interest	<u>(335,554)</u>	<u>(10,609)</u>	<u>(346,163)</u>
Total Other Financing Sources and Uses	<u>(204,183)</u>	<u>(10,427)</u>	<u>(214,610)</u>
Net Change in Fund Balances	159,571	(484,216)	(324,645)
Fund Balances at Beginning of Year	<u>3,600,422</u>	<u>2,300,513</u>	<u>5,900,935</u>
Fund Balances at End of Year	<u>\$3,759,993</u>	<u>\$1,816,297</u>	<u>\$5,576,290</u>

MIDDLE SMITHFIELD TOWNSHIP
Statement of Cash Flows
For the Year Ended December 31, 2019

Exhibit I
Page 1

	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash received for services	\$1,925,079	\$195,212	\$2,120,291
Cash paid to suppliers for goods and services	(896,581)	(292,485)	(1,189,066)
Cash paid to employees	<u>(37,118)</u>	<u>0</u>	<u>(37,118)</u>
 Net Cash Provided (Used) By Operating Activities	 <u>991,380</u>	 <u>(97,273)</u>	 <u>894,107</u>
Cash Flows from Investing Activities:			
Interest earnings	0	182	182
Loans from other funds	0	220,000	220,000
Repayment of loans from other funds	<u>(2,663)</u>	<u>0</u>	<u>(2,663)</u>
 Net Cash Provided by (Used) by Investing Activities	 <u>(2,663)</u>	 <u>220,182</u>	 <u>217,519</u>
Cash Flows from Capital and Related Financing Activities:			
Payments to purchase capital assets	(202,407)	(152,500)	(354,907)
Payment of interest and fiscal agent fees	(212,423)	(10,356)	(222,779)
Principal payments on long-term debt	(270,000)	0	(270,000)
State capital grant	<u>143,114</u>	<u>0</u>	<u>143,114</u>
 Net Cash Provided (Used) by Capital and Related Financing Activities	 <u>(541,716)</u>	 <u>(162,856)</u>	 <u>(704,572)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 447,001	 (39,947)	 407,054
Cash and Cash Equivalents at Beginning of Year	<u>684,088</u>	<u>44,923</u>	<u>729,011</u>
 Cash and Cash Equivalents at End of Year	 <u>\$1,131,089</u>	 <u>\$4,976</u>	 <u>\$1,136,065</u>

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith.

MIDDLE SMITHFIELD TOWNSHIP
Statement of Cash Flows
For the Year Ended December 31, 2019

Exhibit I
Page 2

	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) By Operating Activities:			
Net income (loss) from operations			
	\$363,754	(\$473,789)	(\$110,035)
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:			
Depreciation	695,682	86,406	782,088
Noncash staffing costs	0	262,451	262,451
Noncash operating costs	0	8,552	8,552
Bad debts	152,433	0	152,433
Change in consumer accounts receivable	(244,116)	3,743	(240,373)
Change in other assets	0	2,746	2,746
Change in deferred revenue	0	(813)	(813)
Change in trade accounts payable	<u>23,627</u>	<u>13,431</u>	<u>37,058</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$991,380</u>	<u>(\$97,273)</u>	<u>\$894,107</u>
Cash and Cash Equivalents	\$876,056	\$4,976	\$881,032
Restricted Cash	<u>255,033</u>	<u>0</u>	<u>255,033</u>
Total Cash and Cash Equivalents	<u>\$1,131,089</u>	<u>\$4,976</u>	<u>\$1,136,065</u>
Supplemental Disclosure of Noncash Financing Activities:			
Noncash proceeds of long-term debt	<u>\$6,015,000</u>	<u>\$0</u>	<u>\$6,015,000</u>
Noncash principal payments on long-term debt	<u>\$5,865,000</u>	<u>\$0</u>	<u>\$5,865,000</u>
Noncash payment of interest and bond costs	<u>\$150,000</u>	<u>\$0</u>	<u>\$150,000</u>
Noncash loan from General Fund	<u>\$0</u>	<u>\$271,003</u>	<u>\$271,003</u>

The "Notes to Financial Statements" are an integral part of these statements and should be read in conjunction therewith.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

Page 1

Note 1: Summary of Significant Accounting Policies:

Middle Smithfield Township was established in 1794 and operates as a second-class township in Monroe County, Pennsylvania, using a Board of Supervisors as its governing body.

The accounting and reporting policies of the Township relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (US GAAP) applicable to state and local governments. US GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units, and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the Township are described below.

Reporting Entity

These financial statements report on all of the services provided by the Township to residents and businesses within its boundaries. Township services provided include public safety, highways and streets, planning and zoning, recreation and community services, and general administrative services. The criteria for including organizations as component units within the Township's reporting entity, as set forth in GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in its own name)
- The Township holds the corporate powers of the organization
- The Township appoints a voting majority of the organization's board
- The Township is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Township
- There is fiscal dependency by the organization on the Township

Based on the aforementioned criteria, Middle Smithfield Township has no component units.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

Page 2

Note 1: Summary of Significant Accounting Policies: (Continued)

Basis of Presentation

Government Wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the activities of the Township. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and other obligations. The Township's net position is reported in three parts - net investment in capital assets; restricted; and unrestricted. The restricted component of net position utilizes restricted resources to finance qualifying activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

Page 3

Note 1: Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements (Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Township has elected to present other funds as major funds, which either had debt outstanding or specific community focus. The non-major funds, if any, are combined in one column in the fund financial statements.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources.

The Township has the following major governmental funds:

General Fund

The General Fund is the main operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid through the General Fund.

Liquid Fuels Fund

The Liquid Fuels Fund is a special revenue fund that accounts for state highway funds received and expenditures for qualified highway expenses.

Proprietary Funds

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

Page 4

Note 1: Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The Township has the following major proprietary funds:

Sewer Fund

The Township took over sewer operations from the former Middle Smithfield Township Municipal Authority in December 2009. The Township now administers the operation of the sewer facilities.

Golf Fund

On February 12, 2010, the Township assumed the operations of the golf course and restaurant located in Country Club of the Poconos at Big Ridge. The Township acquired the related assets pertaining to the operation of the Golf Course and Country Club, and the remaining undeveloped lands located within the Planned Residential Development.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and which are therefore not available to support Township programs. The reporting focus is on net position and changes in net position. The fiduciary funds are reported using accounting principles similar to proprietary funds.

The Township has the following fiduciary fund:

Non-uniform Pension Plan - Accounts for contributions by the Township and its employees to the Township's employee pension plan. Benefit payments and plan administration expenses are paid from this fund.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

Page 5

Note 1: Summary of Significant Accounting Policies: (Continued)

Fiduciary Funds (Continued)

The Township's fiduciary fund is not presented in the government-wide financial statements. Since by definition these assets are being held for the benefit of third parties, such as pension participants, and cannot be used to address activities or obligations of the government, this fund is not incorporated into the government-wide statements. It is also not presented as in the fund financial statements due to the current year financial information not being available in time for audit procedures to be performed.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when the liability has matured and will be payable shortly after year-end.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

Page 6

Note 1: Summary of Significant Accounting Policies: (Continued)

Policy for Applying Post - November 30, 1989 FASB Pronouncements

The Township's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Township has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Township has chosen not to do so.

Budgetary Control

The cash basis of accounting is used for budgetary purposes, which differs from generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. At least 30 days prior to budget adoption, the Township prepares a proposed budget for the ensuing year.
2. Notification of the proposed budget and hearings on it are held by the Township prior to adoption.
3. Prior to December 31st, the budget is legally enacted by the Township and the tax levy ordinance is adopted.
4. The Township, during the budget year, is authorized to modify the budget through either budget transfers or supplemental appropriations.
5. The budget lapses at the end of the year.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

Page 7

Note 1: Summary of Significant Accounting Policies: (Continued)

Interfund Balances

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as due to and from other funds.

Interfund balances at December 31, 2019 are as follows:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Sewer Fund	General Fund	\$14,366
Golf Fund	General Fund	\$3,428,362
Golf Fund	Sewer Fund	\$88,074

The balances due from the Golf Fund to the General Fund and the Sewer Fund are not expected to be paid back within the next year. These interfund balances are a result of loaning the Golf Fund monies for operations and payments on debt.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds.

For governmental activities, as reported in the government-wide financial statements, only property, plant and equipment have been reported as capital assets. The Township has not reported the historical cost of general infrastructure assets, such as roads, bridges, drainage systems, etc. as capital assets in the governmental activities financial statements. While the Township has not historically reported the value of these assets in its statement of net position, it has established a maintenance program whereby all Township roads will be resurfaced, either by paving or tar and chip, every 10 years. At the same time, drainage and related improvements will be made as needed. Each year the Township intends to perform improvements on 7-8 miles of the 78 miles of road that it is responsible for.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

Page 8

Note 1: Summary of Significant Accounting Policies: (Continued)

Capital Assets (Continued)

Capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Repairs and maintenance costs that do not significantly extend the life of an asset are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized have an original cost of \$500 or more and useful lives of more than one year.

Depreciation has been calculated on each class of depreciable property based on their estimated useful lives using the straight-line method.

Estimated useful lives are as follows:

Buildings	50 years
Improvements	25-50 years
Vehicles and transportation equipment	5-7 years
Machinery and equipment	5-7 years

Amortization of capital assets acquired under capital leases is included in depreciation expense.

Allowance for Uncollectible Accounts

The allowance for doubtful accounts is based on management's collection experience.

Use of Estimates

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

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

Page 9

Note 1: Summary of Significant Accounting Policies: (Continued)

Statement of Cash Flows

The Township adopted GASB Statement 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". For purposes of reporting cash flows, all highly liquid investments (including restricted assets) with original maturities of three months or less are considered to be cash equivalents.

Equity Classification - Government-Wide Financial Statements

Equity is reported as net position and displayed in three components for government-wide presentation:

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Equity Classification - Governmental Fund Financial Statements

In the fund financial statements, the Township reports fund balance classifications in accordance with the provisions of GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The following are the Township's fund balance categories:

Non-Spendable - Not in spendable form or legally or contractually required to remain intact.

Restricted - Externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. Restricted fund balance on the General Fund represents monies that must be spent on the Community Center and Library project.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 1: Summary of Significant Accounting Policies: (Continued)

Equity Classification - Governmental Fund Financial Statements (Continued)

Committed – Can only be used for specific purposes pursuant to constraints by formal action of the highest level of decision-making authority. The Township's Committed Fund Balance is fund balance reporting required by the Township Supervisors, either because of a Township Policy or in the Township Policy Manual, or because of motions that passed at Board meetings.

Assigned - Constrained by intent to be used for a specific purpose. The Township's Assigned Fund Balance is fund balance reporting under the direction of authorized Township Personnel.

Unassigned - Residual classification of the Township's general fund and includes all spendable amounts not contained in the other classifications.

No minimum fund balance policies have been established.

When both restricted and unrestricted resources are available for use in funds other than the General Fund, it is the Township's policy to first use unrestricted resources - committed, and assigned - in order as needed, and then use externally restricted resources. For the General Fund, the Township's policy is to first use externally restricted resources and then use unrestricted resources - committed, assigned, and unassigned - in order as needed.

Note 2: Cash and Cash Equivalents:

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be recovered. The Township's policy for minimizing credit risk for bank balances exceeding the Federal Deposit Insurance Corporation's insured limits relies upon the Pennsylvania Pledge Act 72 (72 P.S. section 3836-1 et seq.). Act 72 requires the financial institution to pool collateral for all of its government deposits in addition to having the collateral held by an approved custodian in the institution's name. At year-end, deposits in excess of FDIC coverage totaled \$3,855,897.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 2: Cash and Cash Equivalents: (Continued)

Credit Risk

The Township is permitted to invest funds in U.S. Treasury Bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized Investment Trust Companies and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law. Accordingly, the Township is not subject to credit risk.

The Township maintains deposits with PLGIT. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. The Township treats PLGIT deposits as cash equivalents on the statement of net position and fund balance sheets.

Foreign Currency Risk

The Township was not exposed to foreign currency risk during the year.

Restricted Cash

The Township has restricted cash accounts relating to monies held in the General Fund, Liquid Fuels Fund, and Sewer Fund. Restricted funds in the General Fund consist of proceeds of the 2019 bond issue, and monies restricted for the Cultural Center and Library project. Liquid Fuels Fund holds the Liquid Fuels Funding provided by Pennsylvania which is restricted to use for road related expenditures. Restricted funds in the Sewer Fund consist of proceeds of debt that are restricted for use by the debt agreement.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 3: Accounts Receivable:

At December 31, 2019 accounts receivable were as follows:

	<u>Sewer</u>	<u>Golf</u>	<u>Total</u>
Accounts Receivable	\$1,669,714	\$18,364	\$1,688,078
Less: Allowance for Uncollectible			
Accounts	<u>(674,974)</u>	<u>0</u>	<u>(674,974)</u>
Accounts Receivable Net of			
Allowance for Uncollectible			
Accounts	<u>\$994,740</u>	<u>\$18,364</u>	<u>\$1,013,104</u>

Note 4: Property Taxes:

Based upon an assessed valuation provided by Monroe County (\$213,729,160 in 2019), the Township bills and collects its own property taxes through an elected tax collector. The schedule for property taxes levied as follows:

March 1	Levy Date
March 1 through April 30	2% Discount Period
May 1 through June 30	Face Payment Period
July 1 through December 31	10% Penalty Period
January 1 (following year)	Lien Date

The Township's tax rate for all purposes for 2019 was 9.5 mills (\$9.50 per \$100 of assessed valuation).

At December 31, 2019 taxes receivable on the government-wide financial statements were as follows:

Taxes Receivable	\$401,929
Less: Allowance for Uncollectible Accounts	<u>(66,617)</u>
Taxes Receivable Net of Allowance of	
Uncollectible Accounts	<u>\$335,312</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 5: Capital Assets:

A summary of the changes in governmental activities capital assets are as follows:

	<u>Balance</u> <u>1/1/19</u>	<u>Plus</u> <u>Additions</u>	<u>Less</u> <u>Disposals</u>	<u>Balance</u> <u>12/31/19</u>
Land	\$686,793	\$0	\$0	\$686,793
Buildings	2,168,548	87,237	0	2,255,785
Vehicles	1,301,781	40,000	(61,771)	1,280,010
Machinery and Equipment	1,196,543	0	(23,885)	1,172,658
Park improvements	156,354	0	0	156,354
Less: Accumulated Depreciation	<u>(2,310,453)</u>	<u>(287,314)</u>	<u>85,656</u>	<u>(2,512,111)</u>
Total	<u>\$3,199,566</u>	<u>(\$160,077)</u>	<u>\$0</u>	<u>\$3,039,489</u>

Depreciation expense of \$185,561, \$45,070, \$51,027, and \$5,656 was charged to governmental activities in the Public Works – Highway, General Government, Public Works – Sanitation, and Recreation departments, respectively.

Management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. See Note 1 for more information.

A summary of the changes in business-type activities capital assets are as follows:

Sewer Fund:

	<u>Balance</u> <u>1/1/19</u>	<u>Plus</u> <u>Additions</u>	<u>Less</u> <u>Disposals</u>	<u>Balance</u> <u>12/31/19</u>
Land	\$52,732	\$0	\$0	\$52,732
Construction in Progress	0	0	0	0
Machinery and Equipment	94,772	0	0	94,772
Purchased Capacity	7,061,196	0	0	7,061,196
Right of Way	7,500	0	0	7,500
Sewer System	11,579,631	202,407	0	11,782,038
Less: Accumulated Depreciation	<u>(8,733,961)</u>	<u>(695,682)</u>	<u>0</u>	<u>(9,429,643)</u>
Total	<u>\$10,061,870</u>	<u>(\$493,275)</u>	<u>\$0</u>	<u>\$9,568,595</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 5: Capital Assets: (Continued)

Golf Fund:

	<u>Balance</u> <u>1/1/19</u>	<u>Plus</u> <u>Additions</u>	<u>Less</u> <u>Disposals</u>	<u>Balance</u> <u>12/31/19</u>
Land	\$2,928,539	\$0	\$0	\$2,928,539
Buildings and Improvements	2,992,697	0	0	2,992,697
Furniture and Equipment	248,213	0	0	248,213
Golf Cart Paths	160,026	0	0	160,026
Golf Carts	0	152,500	0	152,500
Less: Accumulated Depreciation	<u>(785,810)</u>	<u>(86,406)</u>	<u>0</u>	<u>(872,216)</u>
Total	<u>\$5,543,665</u>	<u>\$66,094</u>	<u>\$0</u>	<u>\$5,609,759</u>

At December 31, 2019, the total cost of vehicles and machinery under capital leases was \$327,070 with accumulated depreciation of \$179,588.

Note 6: Capital Leases Payable:

Governmental Activities:

<u>Description</u>	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Due Within One Year</u>
Capital lease – Caterpillar Financial Services Corp, annual payment of \$27,381, including interest at 2.75%, maturing 2021, secured by equipment.	\$77,826	\$0	(\$25,241)	\$52,585	\$25,935
Capital lease – PACCAR Financial Services Corp, annual payment of \$43,942, including interest at 4.72%, maturing 2021, secured by equipment.	<u>120,291</u>	<u>0</u>	<u>(38,262)</u>	<u>82,029</u>	<u>40,069</u>
Total Capital Leases	<u>\$198,117</u>	<u>\$0</u>	<u>(\$63,503)</u>	<u>\$134,614</u>	<u>\$66,004</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 7: Long-Term Debt

The Township's long-term debt activity for the year ended December 31, 2019 is summarized as follows:

<u>Description</u>	<u>Balance January 1</u>	<u>Issues/ Additions</u>	<u>Repayments/ Retirements</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Series 2012 GOB	\$205,000	\$0	(\$155,000)	\$50,000	\$50,000
Series 2019 GOB	0	2,640,000	0	2,640,000	75,000
Less: Discount to be Amortized	(11,828)	0	835	(10,993)	(779)
 Total Governmental Long-Term Debt	 <u>\$193,172</u>	 <u>\$2,640,000</u>	 <u>(\$154,165)</u>	 <u>\$2,679,007</u>	 <u>\$124,221</u>

<u>Business-type Activities:</u>	<u>Balance January 1</u>	<u>Issues/ Additions</u>	<u>Repayments/ Retirements</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Series 2009 GOB Series A	\$1,240,000	\$0	(\$1,240,000)	\$0	\$0
Series 2009 GOB Series AA	4,625,000	0	(4,625,000)	0	0
Series 2012 GOB	2,685,000	0	(40,000)	2,645,000	45,000
Series 2019 GOB	0	6,015,000	(230,000)	5,785,000	215,000
 Total	 <u>8,550,000</u>	 <u>6,015,000</u>	 <u>(6,135,000)</u>	 <u>8,430,000</u>	 <u>260,000</u>
 Less: Discount to be Amortized	 <u>(58,245)</u>	 <u>0</u>	 <u>9,962</u>	 <u>(48,283)</u>	 <u>(3,423)</u>
 Total Business-Type Long- Term Debt	 <u>\$8,491,755</u>	 <u>\$6,015,000</u>	 <u>(\$6,125,038)</u>	 <u>\$8,381,717</u>	 <u>\$256,577</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 7: Long-Term Debt: (Continued)

At December 31, 2019 long-term debt consists of the following:

Series 2009 GOB Series A and AA

The General Obligation Bonds, Series of 2009 were issued on October 20, 2009, to provide funds for the Township to purchase unused capacity in the Fernwood Treatment plant, to pay the costs to upgrade and expand the Route 209 Inceptor Line, and to pay all costs and expenses incurred in connection with the sale of the bonds. The 2009 Bonds consist of \$1,455,000 Series A Bonds, and \$4,625,000 Series AA Bonds. The Series AA Bonds are federally taxable Build America Bonds - Issuer Subsidy.

The Bonds started maturing October 1, 2012 and bear interest at rates ranging from 1.67% to 3.87% for Series A and 6.2% to 6.4% for Series AA, depending on the scheduled maturity date of individual bonds. These bonds were refinanced as part of the Series 2019 GOB issue.

Series 2012 GOB

The General Obligation Bonds, Series of 2012 in the original amount of \$5,945,000 were issued as of September 18, 2012, to provide funds for, among other things, the acquisition of additional sewer collection and treatment capacity, planning, designing, acquiring, constructing, installing, furnishing, and equipping of alterations, renovations, additions, and improvements to the Township's sewer system, purchasing capital equipment for use by the Township, additional capital projects approved by the Board of Supervisors, to currently refund the outstanding balance of the 2005 General Obligation Note, to currently refund the outstanding 2006 General Obligation Bonds, to currently refund the outstanding balance of the 2011 General Obligation Note, and to pay the costs and expenses of issuance of the Bonds.

The Bonds started maturing November 15, 2012 and bear interest at rates ranging from 1% to 3.625%, depending on the scheduled maturity date of individual bonds. Interest payments are due May 15 and November 15 of each year. Final maturity is November 15, 2039. At the option of the Township, these Bonds may be redeemed prior to maturity.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 7: Long-Term Debt: (Continued)

Since these bonds were issued to refund previous debt that was attributable to both governmental and business-type activities, the debt and related original issue discount have been allocated between the governmental and business-type activities (and between the proprietary funds) in proportion to the balance of the debt that was refunded and the planned use of the additional debt that was incurred.

Series 2019 GOB

The General Obligation Bonds, Series of 2019 in the original amount of \$8,655,000 were issued as of May 30, 2019, to provide funds for the design, construction, furnishing and other expenses related to the Township's Community Center and Library, to currently refund the outstanding balance of the 2009 Series A General Obligation Note, to currently refund the outstanding 2009 Series AA General Obligation Bonds, and to pay the costs and expenses of issuance of the Bonds.

The Bonds started maturing October 1, 2019 and bear interest at rates ranging from 2% to 4%, depending on the scheduled maturity date of individual bonds. Interest payments are due April 1 and October 1 of each year. Final maturity is October 1, 2044. The refinancing will result in a cash flow savings of \$860,977 and an economic gain of \$681,281 over the life of the bonds.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 8: Debt Service Requirements:

Annual debt service requirements for Governmental Activities are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
Bonds:			
2020	\$125,000	\$78,794	\$203,794
2021	75,000	75,544	150,544
2022	75,000	73,294	148,294
2023	80,000	70,294	150,294
2024	85,000	67,094	152,094
2025 - 2029	450,000	300,420	750,420
2030 - 2034	515,000	240,150	755,150
2035 - 2039	595,000	158,250	753,250
2040 - 2044	<u>690,000</u>	<u>63,150</u>	<u>753,150</u>
Total	<u>2,690,000</u>	<u>1,126,990</u>	<u>3,816,990</u>
Capital Leases:			
2020	66,004	5,319	71,323
2021	<u>68,610</u>	<u>2,713</u>	<u>71,323</u>
Total	<u>134,614</u>	<u>8,032</u>	<u>142,646</u>
Grand Total	<u>\$2,824,614</u>	<u>\$1,135,022</u>	<u>\$3,959,636</u>

Annual debt service requirements for business-type activities are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
Bonds:			
2020	\$260,000	\$255,913	\$515,913
2021	265,000	248,563	513,563
2022	275,000	240,950	515,950
2023	280,000	230,681	510,681
2024	290,000	220,044	510,044
2025 - 2029	1,930,000	960,506	2,890,506
2030 - 2034	2,330,000	677,100	3,007,100
2035 - 2039	<u>2,800,000</u>	<u>279,192</u>	<u>3,079,192</u>
Total	<u>\$8,430,000</u>	<u>\$3,112,949</u>	<u>\$11,542,949</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 9: Deferred Rental Revenue:

During 2019, the Township began construction on the Community & Cultural Center (the Center) that will also house the Library of the Smithfields branch of the Eastern Monroe Public Library (EMPL). As part of a Memorandum of Understanding with the Township, EMPL contributed \$1,000,000 towards the Center's design and construction. In return, EMPL received a 50-year lease for the library space. Rental revenue of \$20,000 will be recognized annually through the 50-year life of the lease. The remaining costs of the Center are to be funded by the Series 2019 GOB. See Note 7 for more information.

Note 10: Pension Plan:

Plan Description

General

The Middle Smithfield Township pension plan is a single-employer cash balance pension plan controlled by the provisions of Ordinance No. 102 adopted pursuant to Act 15 of 1974. The Plan is governed by the Township's Board of Supervisors. The Township Supervisors may amend plan provisions and are responsible for the management of plan assets. The Plan is included in the Township's basic financial statements as a Pension Trust. Stand-alone financial statements are not publicly available.

The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the PMRS Website. A copy can be obtained by contacting the PMRS accounting office.

Plan Membership

Membership of the plan consisted of the following at December 31, 2018:

Active plan members	28
Retirees and beneficiaries currently receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	<u>9</u>
Total	<u>44</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 10: Pension Plan: (Continued)

Plan Membership

Employees are eligible to participate in the Plan after the first day of the month following the completion of six months of employment. Employees are 100% vested after the completion of 2 years of service. For the year ended December 31, 2017, there were eight employees vested in the plan.

The payroll for Township employees covered by the Non-Uniformed Employees' Pension Plan for the year ended December 31, 2019 was \$1,508,007.

Benefit Provisions

The plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Contributions

Member contributions are 2.00%; Voluntary to 18.00%, Municipal is 6.00% of payroll.

Forfeitures shall be applied to reduce the employer's contribution.

Act 205

Act 205 of 1984, Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for full payment of the Minimum Municipal Obligation (MMO) to each employee pension fund of the municipality.

Basis of Accounting

The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, in accordance with Act 205, as amended. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

Page 21

Note 10: Pension Plan: (Continued)

Method Used to Value Investments

Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Statements No.3 of the Government Accounting Standards Board for aggregate PMRS investments are included in PMRS's separately issued CAFR.

Note 11: Risk Management:

The Township is exposed to various risks of loss related to theft of, damage to, or destruction of assets; natural disasters; torts; errors and omissions; injuries to employees; and employees' health and life.

The Township manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors, and omissions	Purchased commercial insurance	Limited
Workers compensation, health and life	Purchased commercial insurance	Limited
Physical property loss and natural disasters	Purchased commercial insurance	Limited

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Exposure to losses is limited to deductibles and self-insured retention amounts as specified in the insurance policy.

Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 11: Litigation:

The Township is a party to various legal proceedings. These financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of any legal proceeding is difficult to predict, due to the insurance coverage maintained by the Township and the State statute relating to judgments, the Township believes that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Township.

Note 12: Joint Ventures:

In December 2013, Middle Smithfield Township entered into an Intermunicipal Agreement with Smithfield Township and Lehman Township establishing the Oak Grove Multi-Municipal Compost Processing Program (OGMMC). OGMMC was created to operate an intermunicipal compost processing facility located within Middle Smithfield Township. Based on the Township's population per the 2010 United States Census, Middle Smithfield Township is responsible for 47% of the operating costs of the program. Total contributions made to OGMMC in 2019 were \$18,799. Middle Smithfield Township, as lead municipality, has assumed responsibility of the day-to-day operations of the compost processing facility. Per the Intermunicipal Agreement, the OGMMC's financial statements are audited annually. The audited financial statements are available for review at the Middle Smithfield Township Municipal Building.

During 2019, in addition to the annual contribution, Middle Smithfield Township loaned OGMMC \$125,000 for the purchase of equipment. The Township will be repaid in 2020 once OGMMC receives the proceeds from a grant it was awarded for the equipment.

Note 13: Commitments:

During 2019, Middle Smithfield Township entered into contracts for rehabilitation of a sewer pump station and force main line. The total contracts awarded were \$466,035. At December 31, 2019, there was also \$2,884,993 in construction commitments outstanding for the Community & Cultural Center. Work on both projects is expected to be completed during 2020.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2019

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Note 14: Subsequent Events:

Management has evaluated subsequent events through June 22, 2020, the date the financial statements were available to be issued.

The World Health Organization declared the COVID-19 outbreak a public health emergency on January 30, 2020. In the weeks following this declaration, COVID 19 has spread throughout the world. As of June 22, 2020, the effects of this pandemic on the near-term revenues and expenses of the Township and its overall financial position have not been determined.

MIDDLE SMITHFIELD TOWNSHIP

Required Supplementary Information

For the Year Ended December 31, 2019

MIDDLE SMITHFIELD TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - General Fund
For the Year Ended December 31, 2019

Schedule 1

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$3,653,500	\$3,818,064	\$164,564
Licenses and permits	250,000	247,577	(2,423)
Fines and forfeits	1,150	2,760	1,610
Interest, rents, and royalties	59,700	111,718	52,018
Intergovernmental	215,362	253,900	38,538
Charges for services	197,900	296,733	98,833
Other	<u>3,500</u>	<u>1,010,329</u>	<u>1,006,829</u>
Total Revenues	<u>4,381,112</u>	<u>5,741,081</u>	<u>1,359,969</u>
Expenditures:			
General government	1,171,900	2,291,116	(1,119,216)
Public safety	674,355	690,200	(15,845)
Public works - sanitation	133,100	132,720	380
Public works - highways and streets	1,400,475	1,187,506	212,969
Public works - other services	20,500	27,604	(7,104)
Culture and recreation	323,070	72,051	251,019
Community development	52,500	48,263	4,237
Employee benefits and taxes	738,745	778,349	(39,604)
Insurance	85,100	81,995	3,105
Debt service	<u>158,712</u>	<u>222,968</u>	<u>(64,256)</u>
Total Expenditures	<u>4,758,457</u>	<u>5,532,772</u>	<u>(774,315)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(377,345)</u>	<u>208,309</u>	<u>585,654</u>
Other Funding Sources (Uses)			
Proceeds of long-term debt	0	2,640,000	2,640,000
Refund of prior year expenditures	90,500	46,195	(44,305)
Proceeds of sale of capital assets	0	12,000	12,000
Fund balance to be used	<u>286,845</u>	<u>0</u>	<u>(286,845)</u>
Total Other Financing Sources and Uses	<u>377,345</u>	<u>2,698,195</u>	<u>2,320,850</u>
Net Change in Fund Balance	<u>\$0</u>	<u>\$2,906,504</u>	<u>\$2,906,504</u>

MIDDLE SMITHFIELD TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Liquid Fuels Fund
For the Year Ended December 31, 2019

Schedule 2

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$557,513	\$570,370	\$12,857
Interest, rents, and royalties	0	3,777	3,777
Total Revenues	557,513	574,147	16,634
Expenditures:			
Public works - highways and streets	557,000	512,865	44,135
Debt service	0	43,942	(43,942)
Total Expenditures	557,000	556,807	193
Excess (Deficiency) of Revenues over Expenditures	513	17,340	16,827
Other Financing Sources (Uses):			
Refund of prior year expenses	0	39,060	39,060
Net Change in Fund Balance	\$513	\$56,400	\$55,887

MIDDLE SMITHFIELD TOWNSHIP

Supplementary Information

For the Year Ended December 31, 2019

MIDDLE SMITHFIELD TOWNSHIP
Schedule of Funding Progress and
Actuarial Information
December 31, 2019

Schedule 3

Year Ended December 31	Annual Required Contribution	Actuarial Valuation Date	Percentage Contributed
2001	\$17,140	1999	100.00%
2002	\$25,945	1999	100.00%
2003	\$28,238	2001	100.00%
2004	\$32,165	2001	100.00%
2005	\$34,593	2003	100.00%
2006	\$38,619	2003	100.00%
2007	\$44,778	2005	100.00%
2008	\$46,373	2005	100.00%
2009	\$59,152	2007	100.00%
2010	\$66,107	2007	100.00%
2011	\$68,483	2009	100.00%
2012	\$52,224	2009	100.00%
2013	\$43,370	2011	100.00%
2014	\$72,521	2011	100.00%
2015	\$73,648	2013	100.00%
2016	\$73,983	2013	100.00%
2017	\$80,315	2015	100.00%
2018	\$79,520	2015	100.00%
2019	\$86,311	2017	100.00%

The information presented above was determined as part of the actuarial valuation at the dates listed.

Since a Schedule of Funding Progress was not prepared by the Actuary, it has not been presented as Required Supplementary Information.

Additional information as of the actuarial latest valuation date used to determine the Annual Required Contribution (ARC) is as follows:

Actuarial Valuation Date - January 1, 2017
 Actuarial Cost Method - Entry age, Normal
 Amortization Method - Level Dollar Closed
 Remaining Amortization Period - N/A
 Asset Valuation Method - Fair Value

Actuarial Assumptions:

Investment Rate of Return - 5.25%
 Projected Salary Increase - Age related scale for merit/seniority including inflation at 3.00%

