

MIDDLE SMITHFIELD TOWNSHIP

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020



MIDDLE SMITHFIELD TOWNSHIP  
Index to Financial Statements  
As at December 31, 2020

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Independent Auditor's Report

Basic Financial Statements:

Statement of Net Position	Exhibit A
---------------------------	-----------

Statement of Activities	Exhibit B
-------------------------	-----------

Fund Financial Statements:

Governmental Funds:

Balance Sheet	Exhibit C
---------------	-----------

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	Exhibit D
--	-----------

Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	Exhibit E
---	-----------

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit F
---	-----------

Proprietary Funds:

Statement of Net Position - Proprietary Funds	Exhibit G
---	-----------

Statement of Revenues, Expenditures and Changes in Net Position - Proprietary Funds	Exhibit H
--	-----------

Statement of Cash Flows	Exhibit I
-------------------------	-----------

Notes to Financial Statements



MIDDLE SMITHFIELD TOWNSHIP  
Index to Financial Statements  
As at December 31, 2020

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Required Supplementary Information:

Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual - General Fund	Schedule 1
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual - Liquid Fuels Fund	Schedule 2
Schedule of Changes in Net Pension Liability	Schedule 3
Schedule of Employer Pension Contributions	Schedule 4



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## 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, 2020, 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

Middle Smithfield Township's 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.



In addition, the net pension liability related to the Township's pension plan has not been recorded on the government-wide statement of net position. As of the date of this report, Pennsylvania Municipal Retirement System has not provided the reports that provide the information required to record that amount. Accounting principles generally accepted in the United States of America require that this liability be reported, which would increase the liabilities and expenses, and decrease net position 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, 2020, 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, 2020 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, 2020, 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 and the pension information in schedules 3 and 4 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.



Stroudsburg, PA  
May 27, 2021



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MIDDLE SMITHFIELD TOWNSHIP  
Statement of Net Position  
As at December 31, 2020

Exhibit A  
Page 1

	Governmental Activities	Business- Type Activities	Total
Assets:			
Current Assets:			
Cash and equivalents	\$3,022,449	\$810,753	\$3,833,202
Restricted cash	1,043,464	271,190	1,314,654
Accounts receivable - Net	0	796,818	796,818
Taxes receivable	527,927	0	527,927
Due from joint venture	19,574	0	19,574
Inventory	0	4,365	4,365
Prepaid expenses	125,131	0	125,131
Total Current Assets	<u>4,738,545</u>	<u>1,883,126</u>	<u>6,621,671</u>
Capital Assets:			
Land	686,793	2,981,271	3,668,064
Construction in progress	0	409,352	409,352
Right of way	0	7,500	7,500
Furniture and equipment	0	248,213	248,213
Sewer system	0	11,891,414	11,891,414
Machinery and equipment	1,185,385	247,272	1,432,657
Vehicles	1,297,842	0	1,297,842
Buildings and building improvements	6,938,112	3,005,442	9,943,554
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>(2,717,159)</u>	<u>(11,120,562)</u>	<u>(13,837,721)</u>
Total Capital Assets	<u>7,547,327</u>	<u>14,891,124</u>	<u>22,438,451</u>
Other Assets:			
Due from other funds	3,645,579	(3,645,579)	0
Liquor license	<u>0</u>	<u>3,163</u>	<u>3,163</u>
Total Other Assets	<u>3,645,579</u>	<u>(3,642,416)</u>	<u>3,163</u>
Total Assets	<u>15,931,451</u>	<u>13,131,834</u>	<u>29,063,285</u>
Deferred Outflows of Resources:			
Deferred loss on refunding	<u>\$0</u>	<u>\$234,195</u>	<u>\$234,195</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 Net Position  
As at December 31, 2020

Exhibit A  
Page 2

	Governmental Activities	Business- Type Activities	Total
Liabilities:			
Current Liabilities:			
Accounts payable	\$107,259	\$70	\$107,329
Due on capital assets	272,766	0	272,766
Accrued interest on bonds	0	52,414	52,414
Current portion of long-term debt	142,858	279,347	422,205
Prepaid user fees	0	27,575	27,575
Accrued payroll and taxes payable	32,679	220	32,899
Unearned grant revenue	124,023	0	124,023
Customer security deposits	167,094	8,177	175,271
Total Current Liabilities	<u>846,679</u>	<u>367,803</u>	<u>1,214,482</u>
Long-Term Liabilities			
Bonds and notes payable	<u>2,480,538</u>	<u>7,966,574</u>	<u>10,447,112</u>
Total Liabilities	<u>3,327,217</u>	<u>8,334,377</u>	<u>11,661,594</u>
Deferred Inflows of Resources:			
Deferred rental revenue	1,000,000	0	1,000,000
Net Position:			
Net investment in capital	4,651,165	6,645,203	11,296,368
Restricted	750,622	271,190	1,021,812
Unrestricted	<u>6,202,447</u>	<u>(1,884,741)</u>	<u>4,317,706</u>
Total Net Position	<u>\$11,604,234</u>	<u>\$5,031,652</u>	<u>\$16,635,886</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 Activities  
For the Year Ended December 31, 2020

Exhibit B					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities
Governmental Activities:					
General government	(\$1,399,917)	\$131,647	\$7,251	\$385,000	\$0
Public safety	(755,152)	167,677	87,573	0	0
Public works - sanitation	(189,749)	23,016	0	0	0
Public works - highways and streets	(2,137,293)	0	680,452	129,598	0
Other public works enterprises	(14,198)	0	0	0	0
Culture and recreation	(49,460)	4,050	0	0	0
Interest on long-term debt	(85,672)	0	0	0	0
Insurance	(71,235)	0	0	0	0
Community and economic development	(115,630)	0	3,039	0	0
Total Governmental Activities	(4,818,306)	326,390	778,315	514,598	0
Business-Type Activities:					
Sanitation	(2,273,785)	1,914,788	0	37,873	(321,124)
Golf	(688,133)	461,294	0	0	(226,839)
Total Business-Type Activities	(2,961,918)	2,376,082	0	37,873	(547,963)
Total Primary Government	(\$7,780,224)	\$2,702,472	\$778,315	\$552,471	(3,746,966)
General Revenues:					
Real estate taxes					0
Earned income taxes					0
Franchise taxes					0
Interest and rents					3,325
Other					0
Total General Revenues					3,325
Change in Net Position					(544,638)
Net Position at Beginning of Year					15,906,253
Net Position at End of Year					\$16,635,886

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

MIDDLE SMITHFIELD TOWNSHIP  
Balance Sheet  
Governmental Funds  
As at December 31, 2020

Exhibit C

	General Fund	Liquid Fuels Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$3,022,449	\$390,509	\$3,412,958
Restricted cash	652,955	0	652,955
Due from other funds	3,727,907	0	3,727,907
Taxes receivable	80,848	0	80,848
Due from joint venture	19,574	0	19,574
Prepaid expenses	125,131	0	125,131
Total Assets	<u>\$7,628,864</u>	<u>\$390,509</u>	<u>\$8,019,373</u>
Liabilities:			
Accounts payable	\$340,383	\$39,642	\$380,025
Due to other funds	82,328	0	82,328
Customer security deposits	167,094	0	167,094
Accrued payroll and taxes payable	32,679	0	32,679
Unearned grant revenue	124,023	0	124,023
Total Liabilities	<u>746,507</u>	<u>39,642</u>	<u>786,149</u>
Fund Balances:			
Restricted	399,755	350,867	750,622
Unassigned	6,482,602	0	6,482,602
Total Fund Balances	<u>6,882,357</u>	<u>350,867</u>	<u>7,233,224</u>
Total Liabilities and Fund Balances	<u>\$7,628,864</u>	<u>\$390,509</u>	<u>\$8,019,373</u>

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, 2020

Exhibit D

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Total Fund Balances - Governmental Funds	\$7,233,224
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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	569,156	
Allowance for doubtful accounts	<u>(122,077)</u>	447,079

Capital assets, net of accumulated depreciation, are reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet	7,547,327
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Long-term debt is reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet	(2,623,396)
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Deferred rental revenue is not recorded on the Governmental Funds Balance Sheet	<u>(1,000,000)</u>
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Net Position - Governmental Activities	<u><u>\$11,604,234</u></u>
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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, 2020

Exhibit E  
Page 1

	General Fund	Liquid Fuels Fund	Total Governmental Funds
Revenues:			
Taxes	\$3,707,090	\$0	\$3,707,090
Licenses and permits	238,039	0	238,039
Fines and forfeits	1,905	0	1,905
Interest, rents, and royalties	63,308	2,250	65,558
Intergovernmental	721,706	555,676	1,277,382
Charges for services	340,016	0	340,016
Total Revenues	5,072,064	557,926	5,629,990
Expenditures:			
General government	4,303,429	0	4,303,429
Public safety	711,729	0	711,729
Public works - sanitation streets	118,671 1,290,942	0 334,933	118,671 1,625,875
Public works - other services	14,198	0	14,198
Culture and recreation	36,882	0	36,882
Community development	88,269	0	88,269
Debt service	231,955	43,942	275,897
Employee benefits and taxes	884,930	0	884,930
Insurance	71,235	0	71,235
Total Expenditures	7,752,240	378,875	8,131,115
Excess (Deficiency) of Revenues over Expenditures	(\$2,680,176)	\$179,051	(\$2,501,125)

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, 2020

Exhibit E  
Page 2

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):			
Refunds of prior year expenditures	\$189,927	\$0	\$189,927
Proceeds of sale of capital assets	<u>36,076</u>	<u>0</u>	<u>36,076</u>
Total Other Financing Sources and Uses	<u>226,003</u>	<u>0</u>	<u>226,003</u>
Net Change in Fund Balances	(2,454,173)	179,051	(2,275,122)
Fund Balances at Beginning of Year	<u>9,336,530</u>	<u>171,816</u>	<u>9,508,346</u>
Fund Balances at End of Year	<u><u>\$6,882,357</u></u>	<u><u>\$350,867</u></u>	<u><u>\$7,233,224</u></u>

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 Statement of Revenues, Expenditures, and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2020

Exhibit F

Net Change in Fund Balances - Total Governmental Funds	(\$2,275,122)
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.	236,584
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.	(292,829)
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.	191,004
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.	3,470,873
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.	(55,460)
Bond discount is recorded on the Government-wide Statement of Net Position and amortized over the life of the bond.	(779)
Change in Net Position - Governmental Activities	<u>\$1,274,271</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 Net Position - Proprietary Funds  
As at December 31, 2020

Exhibit G  
Page 1

	Sewer	Golf	Total
Assets:			
Current Assets:			
Cash and equivalents	\$643,392	\$167,361	\$810,753
Restricted cash	271,190	0	271,190
Accounts receivable - Net	776,787	20,031	796,818
Inventory	0	4,365	4,365
Prepaid expenses	0	0	0
Total Current Assets	<u>1,691,369</u>	<u>191,757</u>	<u>1,883,126</u>
Capital Assets:			
Land	52,732	2,928,539	2,981,271
Right of way	7,500	0	7,500
Construction in progress	409,352	0	409,352
Furniture and equipment	0	248,213	248,213
Sewer system	11,891,414	0	11,891,414
Machinery and equipment	94,772	152,500	247,272
Buildings and building improvements	0	3,005,442	3,005,442
Purchased capacity	7,061,196	0	7,061,196
Golf cart paths	0	160,026	160,026
Less: Accumulated depreciation	<u>(10,133,770)</u>	<u>(986,792)</u>	<u>(11,120,562)</u>
Total Capital Assets	<u>9,383,196</u>	<u>5,507,928</u>	<u>14,891,124</u>
Other Assets:			
Liquor license	<u>0</u>	<u>3,163</u>	<u>3,163</u>
Total Assets	<u>11,074,565</u>	<u>5,702,848</u>	<u>16,777,413</u>
Deferred Outflows of Resources:			
Deferred loss on refunding	<u>\$234,195</u>	<u>\$0</u>	<u>\$234,195</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 Net Position - Proprietary Funds  
As at December 31, 2020

Exhibit G  
Page 2

	<u>Sewer</u>	<u>Golf</u>	<u>Total</u>
Liabilities:			
Current Liabilities:			
Accrued interest on bonds	\$52,414	\$0	\$52,414
Current portion of long-term debt	279,575	(228)	279,347
Prepaid user fees	26,325	1,250	27,575
Payroll taxes and other liabilities	0	290	290
Due (from)/to other funds	(156,036)	3,801,615	3,645,579
Customer security deposits	<u>8,177</u>	<u>0</u>	<u>8,177</u>
Total Current Liabilities	<u>210,455</u>	<u>3,802,927</u>	<u>4,013,382</u>
Long-Term Liabilities			
Bonds and notes payable	<u>7,659,436</u>	<u>307,138</u>	<u>7,966,574</u>
Total Liabilities	<u>7,869,891</u>	<u>4,110,065</u>	<u>11,979,956</u>
Net Position:			
Net investment in capital assets	1,444,185	5,201,018	6,645,203
Restricted	271,190	0	271,190
Unrestricted	<u>1,723,494</u>	<u>(3,608,235)</u>	<u>(1,884,741)</u>
Total Net Position	<u><u>\$3,438,869</u></u>	<u><u>\$1,592,783</u></u>	<u><u>\$5,031,652</u></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 Net Position  
Proprietary Funds  
For the Year Ended December 31, 2020

Exhibit H  
Page 1

	Sewer	Golf	Total
Operating Revenues:			
Connection fees	\$17,500	\$0	\$17,500
User fees	1,897,288	0	1,897,288
Cart and green fees	0	364,171	364,171
Food and beverage sales	0	33,586	33,586
Memberships	0	26,641	26,641
Miscellaneous	0	154	154
Pro shop sales	0	13,609	13,609
Rents and royalties	0	2,775	2,775
Total Revenues	<u>1,914,788</u>	<u>440,936</u>	<u>2,355,724</u>
Operating Expenses:			
Administration	37,646	2,411	40,057
Advertising and marketing	0	3,475	3,475
Contractual services	242,119	0	242,119
Depreciation	704,127	114,576	818,703
Engineering	50,221	0	50,221
Food and beverage purchases	0	12,239	12,239
Other	25,225	33,272	58,497
Pro shop supplies	0	5,133	5,133
Professional services	7,850	4,192	12,042
Rent	24,000	0	24,000
Repairs and maintenance	172,667	149,010	321,677
Supplies	257,192	5,170	262,362
Utilities	82,640	58,099	140,739
Vehicle fuel	0	10,811	10,811
Personal services	54,991	279,153	334,144
Bad debt expense	335,374	0	335,374
Total Operating Expenses	<u>1,994,052</u>	<u>677,541</u>	<u>2,671,593</u>
Income (Loss) from Operations	<u>(\$79,264)</u>	<u>(\$236,605)</u>	<u>(\$315,869)</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 Net Position  
Proprietary Funds  
For the Year Ended December 31, 2020

Exhibit H  
Page 2

	Sewer	Golf	Total
Non-operating Revenues (Expenses):			
Interest earnings	\$0	\$550	\$550
Capital grants	37,873	0	37,873
Insurance proceeds	0	23,133	23,133
Fiscal agent fees	(68,344)	0	(68,344)
Debt interest	<u>(211,389)</u>	<u>(10,592)</u>	<u>(221,981)</u>
Total Other Financing Sources and Uses	<u>(241,860)</u>	<u>13,091</u>	<u>(228,769)</u>
Net Change in Fund Balances	(321,124)	(223,514)	(544,638)
Fund Balances at Beginning of Year	<u>3,759,993</u>	<u>1,816,297</u>	<u>5,576,290</u>
Fund Balances at End of Year	<u><u>\$3,438,869</u></u>	<u><u>\$1,592,783</u></u>	<u><u>\$5,031,652</u></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, 2020

Exhibit I  
Page 1

	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash received for services	\$1,797,367	\$439,519	\$2,236,886
Cash paid to suppliers for goods and services	(899,560)	(277,716)	(1,177,276)
Cash paid to employees	<u>(78,739)</u>	<u>0</u>	<u>(78,739)</u>
Net Cash Provided (Used) By Operating Activities	<u>819,068</u>	<u>161,803</u>	<u>980,871</u>
Cash Flows from Investing Activities:			
Interest earnings	0	550	550
Loans from other funds	0	80,000	80,000
Repayment of loans from other funds	0	(80,000)	(80,000)
Insurance proceeds	<u>0</u>	<u>23,133</u>	<u>23,133</u>
Net Cash Provided by (Used) by Investing Activities	<u>0</u>	<u>23,683</u>	<u>23,683</u>
Cash Flows from Capital and Related Financing Activities:			
Payments to purchase capital assets	(518,728)	(12,745)	(531,473)
Payment of interest and fiscal agent fees	(197,392)	(10,356)	(207,748)
Principal payments on long-term debt	(275,000)	0	(275,000)
State capital grant	37,873	0	37,873
Overpayment to General Fund for debt service	<u>(82,328)</u>	<u>0</u>	<u>(82,328)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,035,575)</u>	<u>(23,101)</u>	<u>(1,058,676)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(216,507)	162,385	(54,122)
Cash and Cash Equivalents at Beginning of Year	<u>1,131,089</u>	<u>4,976</u>	<u>1,136,065</u>
Cash and Cash Equivalents at End of Year	<u><u>\$914,582</u></u>	<u><u>\$167,361</u></u>	<u><u>\$1,081,943</u></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, 2020

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	(\$79,264)	(\$236,605)	(\$315,869)
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:			
Depreciation	704,127	114,576	818,703
Noncash staffing costs	0	279,153	279,153
Noncash operating costs	0	6,026	6,026
Bad debts	335,374	0	335,374
Change in consumer accounts receivable	(117,421)	(1,667)	(119,088)
Change in deferred revenue	0	250	250
Change in trade accounts payable	(23,748)	70	(23,678)
Net Cash Provided by (Used in) Operating Activities	<u>\$819,068</u>	<u>\$161,803</u>	<u>\$980,871</u>
Cash and Cash Equivalents	\$643,392	\$167,361	\$810,753
Restricted Cash	<u>271,190</u>	<u>0</u>	<u>271,190</u>
Total Cash and Cash Equivalents	<u>\$914,582</u>	<u>\$167,361</u>	<u>\$1,081,943</u>
Supplemental Disclosure of Noncash Financing Activities:			
Noncash proceeds of long-term debt	<u>\$2,375,000</u>	<u>\$0</u>	<u>\$2,375,000</u>
Noncash principal payments on long-term debt	<u>\$2,335,000</u>	<u>\$0</u>	<u>\$2,335,000</u>
Noncash payment of interest and bond costs	<u>\$68,344</u>	<u>\$0</u>	<u>\$68,344</u>
Noncash loan from General Fund	<u>\$0</u>	<u>\$285,179</u>	<u>\$285,179</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, 2020

Page 1

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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, and is governed by a 3-person Board of Supervisors.

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, 2020

Page 2

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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, 2020

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 flows. All assets and liabilities are included on the Statement of Net Position.



MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

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. Since that time, the Township has administered 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, 2020

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 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, 2020

Page 6

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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, 2020

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, 2020 are as follows:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Sewer Fund	General Fund	\$14,366
Golf Fund	General Fund	\$3,713,541
Golf Fund	Sewer Fund	\$88,074
General Fund	Sewer Fund	\$82,328

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, 2020

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, 2020

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, 2020

Page 10

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 \$4,257,934.

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 11

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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, monies restricted for the Cultural Center and Library project, and cash to be used for Sellersville Road repairs. 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, 2020

Page 12

Note 3: Accounts Receivable:

At December 31, 2020 accounts receivable were as follows:

	<u>Sewer</u>	<u>Golf</u>	<u>Total</u>
Accounts Receivable	\$1,561,472	\$20,031	\$1,581,503
Less: Allowance for Uncollectible Accounts	<u>(784,685)</u>	<u>0</u>	<u>(784,685)</u>
Accounts Receivable Net of Allowance for Uncollectible Accounts	<u>\$776,787</u>	<u>\$20,031</u>	<u>\$796,818</u>

Note 4: Property Taxes:

Based upon an assessed valuation provided by Monroe County (\$1,203,722,150 in 2020), 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 2020 was 1.69 mills (\$9.50 per \$100 of assessed valuation).

At December 31, 2020 taxes receivable on the government-wide financial statements were as follows:

Taxes Receivable	\$650,004
Less: Allowance for Uncollectible Accounts	<u>(122,077)</u>
Taxes Receivable Net of Allowance of Uncollectible Accounts	<u>\$527,927</u>

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 13

Note 5: Capital Assets:

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

	Balance <u>1/1/20</u>	Plus <u>Additions</u>	Less <u>Disposals</u>	Balance <u>12/31/20</u>
Land	\$686,793	\$0	\$0	\$686,793
Construction in progress	1,329,794	3,281,726	(4,611,520)	0
Buildings	2,255,785	4,682,327	0	6,938,112
Vehicles	1,280,010	105,613	(87,781)	1,297,842
Machinery and Equipment	1,172,658	12,727	0	1,185,385
Park improvements	156,354	0	0	156,354
Less: Accumulated Depreciation	<u>(2,512,111)</u>	<u>(292,829)</u>	<u>87,781</u>	<u>(2,717,159)</u>
Total	<u>\$4,369,283</u>	<u>\$7,789,564</u>	<u>(\$4,611,520)</u>	<u>\$7,547,327</u>

Additions to Buildings during 2020 include the completed Community and Cultural Center, which houses the Library of the Smithfields. This project was primarily funded by a portion of the proceeds of the 2019 General Obligation Bond, \$1,000,000 contribution by Eastern Monroe Public Library, and LSA grants. The Bond proceeds and the contribution were recognized as revenue in the General Fund financial statements in 2019.

Depreciation expense of \$188,444, \$51,792, \$46,937, 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.

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 14

Note 5: Capital Assets: (Continued)

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

Sewer Fund:

	Balance <u>1/1/20</u>	Plus <u>Additions</u>	Less <u>Disposals</u>	Balance <u>12/31/20</u>
Land	\$52,732	\$0	\$0	\$52,732
Construction in Progress	0	409,352	0	409,352
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	11,782,038	109,376	0	11,891,414
Less: Accumulated Depreciation	<u>(9,429,643)</u>	<u>(704,127)</u>	<u>0</u>	<u>(10,133,770)</u>
Total	<u>\$9,568,595</u>	<u>(\$185,399)</u>	<u>\$0</u>	<u>\$9,383,196</u>

Golf Fund:

	Balance <u>1/1/20</u>	Plus <u>Additions</u>	Less <u>Disposals</u>	Balance <u>12/31/20</u>
Land	\$2,928,539	\$0	\$0	\$2,928,539
Buildings and Improvements	2,992,697	12,745	0	3,005,442
Furniture and Equipment	248,213	0	0	248,213
Golf Cart Paths	160,026	0	0	160,026
Golf Carts	152,500	0	0	152,500
Less: Accumulated Depreciation	<u>(872,216)</u>	<u>(114,576)</u>	<u>0</u>	<u>(986,792)</u>
Total	<u>\$5,609,759</u>	<u>(\$101,831)</u>	<u>\$0</u>	<u>\$5,507,928</u>

At December 31, 2020, the total cost of vehicles and machinery under capital leases was \$327,070 with accumulated depreciation of \$237,785.

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 15

Note 6: Capital Leases Payable:

Governmental Activities:

<u>Description</u>	<u>Balance</u> <u>1/1/2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Due Within</u> <u>One Year</u>
Capital lease – Caterpillar Financial Services Corp, annual payment of \$27,381, including interest at 2.75%, maturing 2021, secured by equipment.	\$52,585	\$0	(\$25,935)	\$26,650	\$26,650
Capital lease – PACCAR Financial Services Corp, annual payment of \$43,942, including interest at 4.72%, maturing 2021, secured by equipment.	82,029	0	(40,069)	41,960	41,960
Total Capital Leases	<u>\$134,614</u>	<u>\$0</u>	<u>(\$66,004)</u>	<u>\$68,610</u>	<u>\$68,610</u>

Note 7: Long-Term Debt

The Township's long-term debt activity for the year ended December 31, 2020 is summarized as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>January 1</u>	<u>Issues/</u> <u>Additions</u>	<u>Repayments/</u> <u>Retirements</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Series 2012 GOB	\$50,000	\$0	(\$50,000)	\$0	\$0
Series 2019 GOB	2,640,000	0	(75,000)	2,565,000	75,000
Less: Discount to be Amortized	(10,993)	0	779	(10,214)	(752)
Total Governmental Long-Term Debt	<u>\$2,679,007</u>	<u>\$0</u>	<u>(\$124,221)</u>	<u>\$2,554,786</u>	<u>\$74,248</u>

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 16

Note 7: Long-Term Debt: (Continued)

<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 2012 GOB	\$2,645,000	\$0	(\$2,335,000)	\$310,000	\$0
Series 2019 GOB	5,785,000	0	(215,000)	5,570,000	220,000
Series 2020 GOB	0	2,375,000	(60,000)	2,315,000	55,000
Total	8,430,000	2,375,000	(2,610,000)	8,195,000	275,000
Less: Discount to be Amortized	(48,283)	0	45,193	(3,090)	(228)
Plus: Premium to be Amortized	0	54,011	0	54,011	4,575
Total Business-Type Long-Term Debt	<u>\$8,381,717</u>	<u>\$2,429,011</u>	<u>(\$2,564,807)</u>	<u>\$8,245,921</u>	<u>\$279,347</u>

At December 31, 2020 long-term debt consists of the following:

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 were 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. A portion of these bonds were refinanced as part of the Series 2020 GOB issue.

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 17

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Note 7: Long-Term Debt: (Continued)

Series 2012 GOB (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.

Series 2020 GOB

The General Obligation Bonds, Series of 2020 in the original amount of \$2,375,000 were issued as of August 14, 2020, to refund a portion of the outstanding balance of the GOB, Series 2012, and to pay the costs and expenses of issuance of the Bonds.

The Bonds started maturing October 1, 2020 and bear interest at 2%. Interest payments are due April 1 and October 1 of each year. Final maturity is October 1, 2039. The refinancing will result in a cash flow savings of \$412,265 and an economic gain of \$350,421 over the life of the bonds.

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 18

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:			
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	85,000	63,694	148,694
2026 - 2030	460,000	290,726	750,726
2031 - 2035	530,000	224,700	754,700
2036 - 2040	615,000	140,400	755,400
2041 - 2044	560,000	42,450	602,450
Total	2,565,000	1,048,196	3,613,196
Capital Leases:			
2021	68,610	2,713	71,323
Grand Total	<u>\$2,633,610</u>	<u>\$1,050,909</u>	<u>\$3,684,519</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:			
2021	\$275,000	\$219,400	\$494,400
2022	285,000	211,700	496,700
2023	290,000	201,400	491,400
2024	300,000	190,900	490,900
2025	370,000	180,000	550,000
2026 - 2030	2,030,000	779,280	2,809,280
2031 - 2035	2,410,000	503,705	2,913,705
2036 - 2039	2,235,000	154,587	2,389,587
Total	<u>\$8,195,000</u>	<u>\$2,440,972</u>	<u>\$10,635,972</u>

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 19

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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 beginning in 2021. The remaining costs of the Center were funded by the Series 2019 GOB.

Note 10: Pension Plan:

Plan Description

General

The Middle Smithfield Township pension plan is a single-employer cash balance defined benefit 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.

Under generally accepted accounting principles for governments, the Plan should be included in the Township's basic financial statements as a Pension Trust. However due to the lack of timely financial information from Pennsylvania Municipal Retirement System(PMRS), the Plan is not presented in these financial statements.

Stand-alone financial statements are not publicly available.

The plan participates in 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.



MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 20

Note 10: Pension Plan: (Continued)

Plan Membership

Membership of the plan consisted of the following at January 1, 2019:

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>

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. As of December 31, 2020, there were 26 employees fully vested in the plan.

The payroll for Township employees covered by the Non-Uniformed Employees' Pension Plan for the year ended December 31, 2020 was \$1,504,379.

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.

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 21

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Note 10: Pension Plan: (Continued)

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.

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.

As allowed under GASB 68, the Plan reports its Net Pension Liability and changes to the liability on a one-year delay. The analysis below reports changes to the Net Pension Liability for the year ended December 31, 2018. That is the most recent year that pension information is available from PMRS.

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 22

Note 10: Pension Plan: (Continued)

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at 12/31/17	<u>\$2,955,891</u>	<u>\$3,128,112</u>	<u>(\$172,221)</u>
Service Cost	200,886	0	200,886
Interest Cost	157,102	0	157,102
Changes of Benefits*	31,861	0	31,861
Difference Between Expected and Actual Experience	(7,557)	0	(7,557)
Contributions - Employer	0	62,630	(62,630)
Contributions - PMRS assessment	0	940	(940)
Contributions - Employee	0	114,425	(114,425)
PMRS Investment Income	0	157,165	(157,165)
Market Value Investment Income**	0	(345,696)	345,696
Benefit Payments	(39,840)	(39,840)	0
PMRS Administrative Expense	0	(920)	920
Additional Administrative Expense	<u>0</u>	<u>(7,014)</u>	<u>7,014</u>
Net Changes	<u>342,452</u>	<u>(58,310)</u>	<u>400,762</u>
Balances at 12/31/18	<u><u>\$3,298,343</u></u>	<u><u>\$3,069,802</u></u>	<u><u>\$228,541</u></u>

\*Change in benefits includes any excess interest award as applicable.

\*\*Reflects the net investment loss of (\$303,050) and the loss due to the difference between expected and actual asset values of \$42,646, which includes the impact from allocation of assets in support of the underlying retiree liabilities.

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 23

Note 10: Pension Plan: (Continued)

Net Pension Liability

Because the beginning and end of year pension liability are based on different actuarial valuation dates, there is a difference between expected and actual experience reported this year. The beginning of year pension liability is based upon the January 1, 2017 actuarial valuation with liabilities measured at and rolled forward to December 31, 2017 and reflecting the impact of assumption changes and plan changes, if applicable. The end of year pension liability is based upon the January 1, 2019 actuarial valuation with liabilities measured at December 31, 2018.

Discount Rate

As of December 31, 2016, the discount rate used to measure the total pension liability was 5.25%. Prior to December 31, 2016, the discount rate was previously 5.5%. The pension 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 pension 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 Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost-plus plan expenses, as well as amortization of the unfunded liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 5.25%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Plan's Net Pension Liability	<u>\$839,584</u>	<u>\$228,541</u>	<u>(\$388,760)</u>

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 24

Note 10: Pension Plan: (Continued)

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity (large, capitalized firms)	25%	7.3%	4.6%
Domestic Equity (small, capitalized firms)	15%	10.0%	7.3%
International Equity (developed markets)	15%	6.2%	3.5%
International Equity (emerging markets)	10%	10.6%	8.3%
Real Estate	20%	8.5%	5.4%
Fixed income	<u>15%</u>	<u>3.3%</u>	<u>1.1%</u>
Total Portfolio	<u>100%</u>	<u>7.5%</u>	<u>4.8%</u>

Actuarial Methods and Significant Assumptions

Additional information as of the latest actuarial valuation date follows:

Actuarial Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	13.76 years
Asset Valuation Method	Fair value
Actuarial Assumptions:	
Investment Rate of Return	5.25%
Projected Salary Increases*	Inflation at 3.00% and age-related scale for merit/seniority

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 25

Note 10: Pension Plan: (Continued)

The impact of investment gains or losses for expensing is recognized over a period of five years. The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members of the Plan, as provided below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$12,444	\$2,461
Changes in assumptions	0	6,225
Difference between projected and actual investment earnings	<u>0</u>	<u>93,487</u>
Total	<u><u>\$12,444</u></u>	<u><u>\$102,173</u></u>

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

Year ended December 31:

2019	\$20,465
2020	(5,052)
2021	6,689
2022	67,627
2023	0
Thereafter	<u>0</u>
	<u><u>\$89,729</u></u>

Pension expense of \$91,891 was recognized by the Township for the year ended December 31, 2020.

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 26

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 insurance coverage in any of the past three fiscal years.

Note 12: 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 the 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.

MIDDLE SMITHFIELD TOWNSHIP  
Notes to Financial Statements  
As at December 31, 2020

Page 27

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Note 13: 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 (OGMMCPP). OGMMCPP 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 OGMMCPP in 2020 were \$21,150. 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 OGMMCPP'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 OGMMCCP \$125,000 for the purchase of equipment. The Township was repaid by OGMMCP during 2020.

Note 14: Subsequent Events:

Management has evaluated subsequent events through May 27, 2021, the date the financial statements were available to be issued.



MIDDLE SMITHFIELD TOWNSHIP  
Required Supplementary Information  
For the Year Ended December 31, 2020



MIDDLE SMITHFIELD TOWNSHIP  
Statement of Revenues, Expenditures and Changes in Fund  
Balance - Budget and Actual - General Fund  
For the Year Ended December 31, 2020

Schedule 1

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$3,724,165	\$3,707,090	(\$17,075)
Licenses and permits	245,000	238,039	(6,961)
Fines and forfeits	1,500	1,905	405
Interest, rents, and royalties	74,700	63,308	(11,392)
Intergovernmental	570,200	721,706	151,506
Charges for services	236,050	340,016	103,966
Unclassified operating revenues	3,500	0	(3,500)
Total Revenues	<u>4,855,115</u>	<u>5,072,064</u>	<u>216,949</u>
Expenditures:			
General government	1,435,137	4,303,429	(2,868,292)
Public safety	678,050	711,729	(33,679)
Public works - sanitation	100,500	118,671	(18,171)
Public works - highways and streets	1,089,495	1,290,942	(201,447)
Public works - other services	30,500	14,198	16,302
Culture and recreation	325,290	36,882	288,408
Community development	50,000	88,269	(38,269)
Employee benefits and taxes	830,720	884,930	(54,210)
Insurance	82,000	71,235	10,765
Debt service	204,574	231,955	(27,381)
Total Expenditures	<u>4,826,266</u>	<u>7,752,240</u>	<u>(2,925,974)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>28,849</u>	<u>(2,680,176)</u>	<u>(2,709,025)</u>
Other Funding Sources (Uses)			
Refund of prior year expenditures	33,500	189,927	156,427
Proceeds of sale of capital assets	0	36,076	36,076
Fund balance to be used	<u>(62,349)</u>	<u>0</u>	<u>62,349</u>
Total Other Financing Sources and Uses	<u>(28,849)</u>	<u>226,003</u>	<u>254,852</u>
Net Change in Fund Balance	<u>\$0</u>	<u>(\$2,454,173)</u>	<u>(\$2,454,173)</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, 2020

Schedule 2

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$546,256	\$555,676	\$9,420
Interest, rents, and royalties	3,000	2,250	(750)
Total Revenues	<u>549,256</u>	<u>557,926</u>	<u>8,670</u>
Expenditures:			
Public works - highways and streets	549,000	334,933	214,067
Debt service	0	43,942	(43,942)
Total Expenditures	<u>549,000</u>	<u>378,875</u>	<u>170,125</u>
Excess (Deficiency) of Revenues over Expenditures	<u>256</u>	<u>179,051</u>	<u>178,795</u>
Other Financing Sources (Uses):			
Unappropriated fund balance	<u>(256)</u>	<u>0</u>	<u>256</u>
Net Change in Fund Balance	<u><u>\$0</u></u>	<u><u>\$179,051</u></u>	<u><u>\$179,051</u></u>

MIDDLE SMITHFIELD TOWNSHIP  
Schedule of Changes in Net Pension Liability  
For the Year Ended December 31, 2020

Schedule 3

	2018	2017	2016	2015	2014
Total Pension Liability:					
Service Cost	\$200,886	\$184,839	\$161,271	\$157,530	\$142,901
Interest	157,102	142,512	133,647	120,569	109,381
Changes of Benefits	31,861	0	0	0	0
Differences Between Expected and Actual Experience	(7,557)	(2,399)	4,921	(8,710)	(12,347)
Changes of Assumptions	0	0	9,985	3,700	0
Benefit Payments, Including Refunds of Member Contributions	(39,840)	(35,969)	(36,182)	(35,843)	(54,148)
Net Change in Total Pension Liability	342,452	288,983	273,642	237,246	185,787
Total Pension Liability - Beginning of Year	2,955,891	2,666,908	2,393,266	2,156,020	1,970,233
Total Pension Liability - End of Year	<u>\$3,298,343</u>	<u>\$2,955,891</u>	<u>\$2,666,908</u>	<u>\$2,393,266</u>	<u>\$2,156,020</u>
Plan Fiduciary Net Position:					
Contributions - Employer	\$62,630	\$74,451	\$73,912	\$71,847	\$62,359
Contributions - PMRS Assessment	940	940	920	920	0
Contributions - Employee	114,425	103,976	87,212	83,882	71,090
PMRS Investment Income	157,165	142,535	134,043	120,847	109,696
Market Value Investment Income	(345,696)	314,722	54,517	(137,852)	(2,707)
Benefit Payments, Including Refunds of Member Contributions	(39,840)	(35,969)	(36,182)	(35,843)	(54,148)
PMRS Administrative Expense	(920)	(900)	(840)	(920)	(780)
Additional Administrative Expense	(7,014)	(6,555)	(6,567)	(5,038)	(4,207)
Net Change in Plan Fiduciary Net Position	(58,310)	593,200	307,015	97,843	181,303
Plan Net Position - Beginning of Year	3,128,112	2,534,912	2,227,897	2,130,054	1,948,751
Plan Net Position - End of Year	<u>\$3,069,802</u>	<u>\$3,128,112</u>	<u>\$2,534,912</u>	<u>\$2,227,897</u>	<u>\$2,130,054</u>
Net Pension Liability	<u>\$228,541</u>	<u>(\$172,221)</u>	<u>\$131,996</u>	<u>\$165,369</u>	<u>\$25,966</u>
Net Position as a Percentage of the Total Pension Liability	<u>93.07%</u>	<u>105.83%</u>	<u>95.05%</u>	<u>93.09%</u>	<u>98.80%</u>
Covered Employee Payroll	<u>\$1,441,021</u>	<u>\$1,347,716</u>	<u>\$1,232,974</u>	<u>\$1,227,465</u>	<u>\$1,074,145</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	<u>15.86%</u>	<u>-12.78%</u>	<u>10.71%</u>	<u>13.47%</u>	<u>2.42%</u>

Notes to Schedule:

Plan changes may include excess interest distribution during the measurement year ending in 2018.

Ultimately this schedule will present information for ten years. However, until ten years of information is compiled, information is presented for as many years as available.

MIDDLE SMITHFIELD TOWNSHIP  
Schedule of Employer Pension Contributions  
For the Year Ended December 31, 2020

Schedule 4

	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$87,381	\$81,763	\$74,899	\$74,568	\$72,591
Contributions in Relation to Statutorily Required Contribution	63,570	75,391	74,832	72,767	62,359
Contribution Deficiency (Excess)	\$23,811	\$6,372	\$67	\$1,801	\$10,232
Covered Employee Payroll	\$1,441,021	\$1,347,716	\$1,232,974	\$1,227,465	\$1,074,145
Contributions as a Percentage of Covered Employee Payroll	4.41%	5.59%	6.07%	5.93%	5.81%
Valuation Date	1/1/2015				
Actuarial Cost Method	Entry Age				
Amortization Period	Level dollar based upon the amortization periods in Act 205				
Asset Valuation Method	Based upon the municipal reserves				
Discount Rate	5.25%				
Inflation	2.80%				
Salary increases	Age related scale with merit and inflation component				
COLA increases	3.0% for those eligible for a COLA				
Pre-Retirement Mortality	Males - RP 2000 Non-Annuitant table projected 15 years with Scale AA, Females - RP 2000 Non-Annuitant table projected 15 years with Scale AA				
Post-Retirement Mortality	Males - RP 2000 Non-Annuitant table projected 5 years with Scale AA, Females - RP 2000 Non-Annuitant table projected 10 years with Scale AA				