MIDDLE SMITHFIELD TOWNSHIP

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

MIDDLE SMITHFIELD TOWNSHIP
Index to Financial Statements
As at December 31, 2016

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Index to Financial Statements
As at December 31, 2016

Required Supplementary Information:

Supplementary Information:

RILEY
and Company, Inc.
BUSINESS ADVISORS & CERTIFIED PUBLIC ACCOUNTANTS

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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, each major fund and the aggregate remaining fund information of Middle Smithfield Township, Monroe County, Pennsylvania, as of and for the year ended December 31, 2016, 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 audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Adverse
Business-Type Activities	Unmodified
General Fund	Unmodified
Liquid Fuels Fund	Unmodified
Sewer Fund	Unmodified
Golf Fund	Unmodified
Pension Fund	Adverse

Basis for Adverse Opinion on Governmental Activities

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

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 the financial position of the governmental activities of Middle Smithfield Township, Monroe County, Pennsylvania, as of and for the year ended December 31, 2016, or 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 Pension Fund

The Pension Fund financial statements have not been included in the Township's financial statements due to changes in the 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

In our opinion, because of the omission of the information described in the "Basis for Adverse Opinion on Pension Fund paragraph, the financial position of the Pension Fund is not presented fairly as of December 31, 2016 or the changes in financial position for the year then ended 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, 2016, 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, 2 and 3 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. The information included in Schedule 3 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 8, 2017

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MIDDLE SMITHFIELD TOWNSHIP
Statement of Net Position
As at December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents - Note 2	$2,799,585	$998,563	$3,798,148
Restricted cash - Note 2	69,315	403,661	472,976
Accounts receivable - Net - Note 3	0	683,543	683,543
Due from other funds	2,541,295	(2,541,295)	0
Taxes receivable - Note 4	306,631	0	306,631
Due from joint venture - Note 12	163,482	0	163,482
Inventory	0	7,110	7,110
Prepaid expenses	103,313	13,431	116,744
Total Current Assets	5,983,621	(434,987)	5,548,634
Capital Assets - Notes 5 and 9:			
Land	648,892	2,981,271	3,630,163
Right of way	0	7,500	7,500
Furniture and equipment	0	248,213	248,213
Sewer system	0	10,546,796	10,546,796
Machinery and equipment	1,162,120	41,022	1,203,142
Vehicles	858,624	0	858,624
Buildings	2,006,170	2,939,989	4,946,159
Building improvements	0	52,708	52,708
Purchased capacity	0	7,061,196	7,061,196
Golf cart paths	0	160,026	160,026
Park improvements	150,570	0	150,570
Less: Accumulated depreciation	(1,761,606)	(8,078,029)	(9,839,635)
Total Capital Assets	3,064,770	15,960,692	19,025,462
Other Assets:			
Liquor license	0	1,603	1,603
Total Assets	9,048,391	15,527,308	24,575,699
Deferred Outflows of Resources:			
Deferred loss on refunding	$0	$208,903	$208,903

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

MIDDLE SMITHFIELD TOWNSHIP
Statement of Net Position
As at December 31, 2016

	Governmental Activities	Business - Type Activities	Total
Liabilities:			
Current Liabilities:			
Accounts payable	$59,300	$163	$59,463
Due on capital assets	0	92,101	92,101
Accrued interest on bonds	0	87,692	87,692
Current portion of long term debt - Notes 9 and 10	284,799	374,399	659,198
Prepaid user fees	0	24,437	24,437
Accrued payroll and taxes payable	33,279	312	33,591
Customer security deposits	102,344	8,177	110,521
Total Current Liabilities	479,722	587,281	1,067,003
Long-Term Liabilities:			
Bonds and notes payable - Notes 9 and 10	533,586	8,711,802	9,245,388
Total Liabilities	1,013,308	9,299,083	10,312,391
Net Position:			
Net investment in capital assets	2,246,384	6,782,391	9,028,775
Restricted	69,134	403,661	472,795
Unrestricted	5,719,565	(748,924)	4,970,641
Total Net Position	$8,035,083	$6,437,128	$14,472,211

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

MIDDLE SMITHFIELD TOWNSHIP
Statement of Activities
As at December 31, 2016

Exhibit B

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	($1,251,205)	$41,844	$49,064	$0	($1,160,297)	$0	($1,160,297)
Public safety	(632,910)	97,563	360,021	0	(175,326)	0	(175,326)
Public works - sanitation	(159,095)	15,623	0	1,987	(141,485)	0	(141,485)
Public works - highways and streets	(1,827,855)	0	559,780	26,110	(1,241,965)	0	(1,241,965)
Culture and recreation	(141,332)	3,872	0	0	(137,460)	0	(137,460)
Interest	(20,774)	0	0	0	(20,774)	0	(20,774)
Insurance	(60,622)	0	0	0	(60,622)	0	(60,622)
Community and economic development	(17,748)	0	0	0	(17,748)	0	(17,748)
Total Governmental Activities	(4,111,541)	158,902	968,865	28,097	(2,955,677)	0	(2,955,677)
Business-type Activities							
Sewer	(1,868,466)	2,114,264	0	0	0	245,798	245,798
Golf	(633,146)	359,497	0	0	0	(273,649)	(273,649)
Total Business-type Activities	(2,501,612)	2,473,761	0	0	0	(27,851)	(27,851)
Total Government	($6,613,153)	$2,632,663	$968,865	$28,097	(2,955,677)	(27,851)	(2,983,528)
General Revenues:							
Taxes					3,830,066	0	3,830,066
Interest and rents					33,298	19,802	53,100
Other					75,979	0	75,979
Total General Revenues					3,939,343	19,802	3,959,145
Change in Net Position					983,666	(8,049)	975,617
Net Position at Beginning of Year					7,051,417	6,445,177	13,496,594
Net Position at End of Year					$8,035,083	$6,437,128	$14,472,211

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

MIDDLE SMITHFIELD TOWNSHIP
Balance Sheet
Governmental Funds
As at December 31, 2016

Exhibit C

	General Fund	Liquid Fuels Fund	Total
Assets:			
Cash and cash equivalents - Note 2	$2,799,585	$69,315	$2,868,900
Due from other funds	2,541,476	0	2,541,476
Taxes	66,421	0	66,421
Due from joint venture - Note 12	163,482	0	163,482
Prepaid expenses	103,313	0	103,313
Total Assets	$5,674,277	$69,315	$5,743,592
Liabilities:			
Accounts payable	$59,300	$0	$59,300
Customer security deposits	102,344	0	102,344
Accrued payroll and taxes payable	33,279	0	33,279
Due to other funds	0	181	181
Total Current Liabilities	194,923	181	195,104
Fund Balances:			
Restricted	0	69,134	69,134
Committed	0	0	0
Unassigned	5,479,354	0	5,479,354
Total Fund Balances	5,479,354	69,134	5,548,488
Total Liabilities and Fund Balances	$5,674,277	$69,315	$5,743,592

The "Notes to Financial Statements" are in 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, 2016

Exhibit D

Total Fund Balances - Governmental Funds		$5,548,488
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	278,640	
Allowance for doubtful accounts	(38,430)	
		240,210
Capital assets, net of accumulated depreciation, are reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet		3,064,770
Long-term debt is reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet		(818,385)
Net Position - Governmental Activities		$8,035,083

The "Notes to Financial Statements" are in 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
As at December 31, 2016

	General Fund	Liquid Fuels Fund	Total
Revenues:			
Taxes	$3,812,982	$0	$3,812,982
Licenses and permits	253,036	0	253,036
Fines and forfeits	929	0	929
Interest, rents, and royalties	33,136	162	33,298
Intergovernmental	223,960	508,589	732,549
Charges for services	169,350	0	169,350
Unclassified operating revenues	27,558	0	27,558
Total Revenues	4,520,951	508,751	5,029,702
Expenditures:			
General government	940,281	0	940,281
Public safety	619,283	0	619,283
Public works - sanitation	264,310	0	264,310
Public works - highways and streets	1,079,843	451,296	1,531,139
Culture and recreation	117,687	0	117,687
Community development	17,748	0	17,748
Debt service	223,478	91,824	315,302
Employer paid benefits and withholding items	608,542	0	608,542
Insurance	60,622	0	60,622
Total Expenditures	3,931,794	543,120	4,474,914
Excess (Deficiency) of Revenues Over (Under) Expenditures	$589,157	($34,369)	$554,788

The "Notes to Financial Statements" are in 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
As at December 31, 2016

	General Fund	Liquid Fuels Fund	Total
Other Financing Sources (Uses):			
Proceeds of long-term debt	$311,716	$0	$311,716
Refunds of prior year expenditures	48,420	0	48,420
Proceeds of sale of capital assets	1	0	1
Total Other Financing Sources (Uses)	360,137	0	360,137
Net Change in Fund Balances	949,294	(34,369)	914,925
Fund Balances at Beginning of Year	4,530,060	103,503	4,633,563
Fund Balances at End of Year	$5,479,354	$69,134	$5,548,488

The "Notes to Financial Statements" are in 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
As at December 31, 2016

Exhibit F

Total Net Change in Fund Balances - Governmental Funds	$914,925
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	17,084
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	(248,051)
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	295,713
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	324,777
Note and capital lease 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, issuing debt increases long-term liabilities in the statement of Net Position and does not affect the Statement of Activities.	(311,716)
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.	(7,881)
Bond discount is recorded on the Government-wide Statement of Net Position and amortized over the life of the bond.	(1,185)
Change in Net Position	$983,666

The "Notes to Financial Statements" are in 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, 2016

	Sewer	Golf	Total
Assets:			
Current Assets:			
Cash and cash equivalents - Note 2	$903,848	$94,715	$998,563
Restricted cash - Note 2	403,661	0	403,661
Accounts receivable - Net - Note 3	666,969	16,574	683,543
Inventory	0	7,110	7,110
Prepaid expenses	0	13,431	13,431
Total Current Assets	1,974,478	131,830	2,106,308
Capital Assets - Notes 5 and 9:			
Land	52,732	2,928,539	2,981,271
Right of way	7,500	0	7,500
Furniture and equipment	0	248,213	248,213
Sewer system	10,546,796	0	10,546,796
Machinery and equipment	41,022	0	41,022
Buildings	0	2,939,989	2,939,989
Building improvements	0	52,708	52,708
Golf cart paths	0	160,026	160,026
Purchased capacity	7,061,196	0	7,061,196
Less: Accumulated depreciation	(7,464,054)	(613,975)	(8,078,029)
Total Capital Assets	10,245,192	5,715,500	15,960,692
Other Assets:			
Liquor license	0	1,603	1,603
Total Assets	12,219,670	5,848,933	18,068,603
Deferred Outflow of Resources:			
Deferred loss on refunding	$208,903	$0	$208,903

The "Notes to Financial Statements" are in 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, 2016

	Sewer	Golf	Total
Liabilities:			
Current Liabilities:			
Accounts payable	$0	$163	$163
Due on capital assests	92,101	0	92,101
Accrued interest on bonds	87,692	0	87,692
Current portion of long term debt			
- Notes 9 and 10	374,713	(314)	374,399
Prepaid user fees	16,354	8,083	24,437
Accrued payroll and taxes payable	92	220	312
Due from Golf Fund	(71,141)	2,612,436	2,541,295
Customer security deposits	8,177	0	8,177
Total Current Liabilities	415,887	2,620,588	3,036,475
Long-Term Liabilities:			
Bonds and notes payable			
- Notes 9 and 10	8,405,650	306,152	8,711,802
Total Liabilities	8,821,537	2,926,740	11,748,277
Net Position:			
Net investment in capital assets	1,372,730	5,409,661	6,782,391
Restricted	403,661	0	403,661
Unrestricted	1,738,544	(2,487,468)	(748,924)
Total Net Position	$3,514,935	$2,922,193	$6,437,128

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

MIDDLE SMITHFIELD TOWNSHIP
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds
As at December 31, 2016

	Sewer Fund	Golf Fund	Total
Operating Revenues:			
Connection fees	$33,573	$0	$33,573
User fees	2,080,691	0	2,080,691
Inspection fees	0	0	0
Cart and green fees	0	251,220	251,220
Food and beverage sales	0	54,610	54,610
Memberships	0	37,167	37,167
Miscellaneous income	0	489	489
Pro shop sales	0	16,011	16,011
Rents and royalties	0	19,774	19,774
Total Operating Revenues	2,114,264	379,271	2,493,535
Operating Expenses:			
Administrative	16,822	2,954	19,776
Advertising and marketing	0	8,428	8,428
Contracted services	212,026	0	212,026
Depreciation and amortization	592,866	89,343	682,209
Engineering	75,918	0	75,918
Food and beverage purchases	0	18,207	18,207
Golf cart lease	0	49,794	49,794
Other operating expenses	20,091	44,781	64,872
Pro shop supplies	0	12,407	12,407
Professional services and wages	9,478	2,310	11,788
Rent	24,000	0	24,000
Repairs and maintenance	160,721	93,217	253,938
Supplies	281,967	7,087	289,054
Utilities	101,922	51,701	153,623
Vehicle fuel	0	11,892	11,892
Wages and payroll taxes	49,713	230,310	280,023
Bad debts	13,021	0	13,021
Total Operating Expenses	1,558,545	622,431	2,180,976
Income (Loss) from Operations	$555,719	($243,160)	$312,559

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

MIDDLE SMITHFIELD TOWNSHIP
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds
As at December 31, 2016

	Sewer Fund	Golf Fund	Total
Non-operating Revenues (Expenses):			
Interest earnings	$0	$28	$28
Debt interest	(307,581)	(10,715)	(318,296)
Total Non-operating Revenues (Expenses)	(309,921)	(10,687)	(320,608)
Change in Net Position	245,798	(253,847)	(8,049)
Net Position at Beginning of Year	3,269,137	3,176,040	6,445,177
Net Position at End of Year	$3,514,935	$2,922,193	$6,437,128

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

MIDDLE SMITHFIELD TOWNSHIP
Statement of Cash Flows
As at December 31, 2016

	Sewer Fund	Golf Fund	Total
Cash Flows from Operating Activities:			
Cash paid for goods and services	($840,406)	($303,857)	($1,144,263)
Cash received for services	2,075,814	362,551	2,438,365
Cash paid to employees	(49,696)	(230,310)	(280,006)
Net Cash Provided (Used) by Operating Activities	1,185,712	(171,616)	1,014,096
Cash Flows from Investing Activiti			
Interest earnings	0	28	28
Loans from other funds	0	231,163	231,163
Net Cash Provided by (Used) by Investing Activities	0	231,191	231,191
Cash Flows from Capital and Related Financing Activities:			
Payments to purchase capital assets	(378,096)	(2,511)	(380,607)
Payment of interest and fiscal agent fees	(293,586)	(10,356)	(303,942)
Principal paid on long-term debt	(385,000)	0	(385,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,056,682)	(12,687)	(1,069,549)
Net Increase (Decrease) in Cash	129,030	46,708	175,738
Cash and Cash Equivalents at Beginning of Year	1,178,479	48,007	1,226,486
Cash and Cash Equivalents at End of Year	$1,307,509	$94,715	$1,402,224

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

MIDDLE SMITHFIELD TOWNSHIP
Statement of Cash Flows
As at December 31, 2016

	Sewer Fund	Golf Fund	Total
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$555,719	($243,160)	$312,559
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	592,566	89,343	682,209
Bad debts	13,021	0	13,021
Change in consumer accounts receivable	(38,450)	3,580	(34,870)
Change in security deposits	0	(460)	(460)
Change in deferred revenue	0	(19,840)	(19,840)
Change in trade accounts payable	0	(1,079)	(1,079)
Change in Due from General Fund	62,556	0	62,556
Net Cash Provided (Used) by Operating Activities	$1,185,712	($171,616)	$1,014,096
Cash and Cash Equivalents	$903,848	$94,715	$998,563
Restricted Cash	403,661	0	403,661
Total Cash and Cash Equivalents	$1,307,509	$94,715	$1,402,224

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

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 Section 2100 of 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.

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.

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.

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.

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

Fiduciary Funds (Continued)

The Township's fiduciary fund is presented in the fiduciary fund 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.

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 services 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.

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 General Fund utilizes the cash basis of accounting 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 31", 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.

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, 2016 are as follows:

Due from	Due to	Amount
Sewer	General Fund	$16,933
Golf Fund	General Fund	$2,524,362
Golf Fund	Sewer Fund	$88,074
Liquid Fuels Fund	General Fund	$181

The balance 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.

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 over one year of useful life.

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

Capital Assets (Continued)

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.

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.

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

<u>Equity Classification - Government-Wide Financial Statements</u>

Equity is classified 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 improvements 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."

<u>Equity Classification - Governmental Fund Financial Statements</u>

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:

<u>Non-Spendable</u> - Not in spendable form or legally or contractually required to remain intact.

<u>Restricted</u> - Externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

<u>Committed</u> – 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.

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

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

Equity Classification - Governmental Fund Financial Statements (Continued)

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.

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

Note 2: Cash and Cash Equivalents: (Continued)

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.

Summary of deposits as of December 31, 2016:

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name	$3,948,533
Uninsured and collateralized with securities held by the pledging financial institution	0
Uninsured and uncollateralized	0
Total	$3,948,533

Reconciliation of Cash & Cash Equivalents:

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name	$3,948,533
Add: Amount Insured Under FDIC	319,315
Less: Outstanding Checks	(161,710)
Plus: Deposits in Transit	2,775
Carrying Amount	4,108,913
Add: Petty Cash	475
Add: Pooled Deposits - Cash Equivalents	161,736
Total Cash and Cash Equivalents	$4,271,124

Foreign Currency Risk

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

Note 2: Cash and Cash Equivalents: (Continued)

Restricted Cash

The Township has restricted cash accounts relating to monies held in the Liquid Fuels Fund and Sewer Fund. 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.

Note 3: Accounts Receivable:

At December 31, 2016 accounts receivable were as follows:

	Sewer	Golf	Total
Accounts Receivable	$1,094,705	$16,574	$1,111,279
Less: Allowance for Uncollectible Accounts	(427,736)	0	(427,736)
Accounts Receivable Net of Allowance for Uncollectible Accounts	$666,969	$16,574	$683,543

Note 4: Property Taxes:

Based upon an assessed valuation provided by Monroe County ($214,260,950 in 2016), the Township bills and collects its own property taxes through an appointed 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 2016 was 9.5 mills ($9.50 per $100 of assessed valuation).

At December 31, 2016 taxes receivable on the government-wide financial statements were as follows:

Taxes Receivable	$345,061
Less: Allowance for Uncollectible Accounts	(38,430)
Taxes Receivable Net of Allowance for Uncollectible Accounts	$306,631

Note 5: Capital Assets:

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

	Balance 1/1/16	Plus Additions	Less Disposals	Balance 12/31/16
Land	$648,892	$0	$0	$648,892
Buildings	2,006,170	0	0	2,006,170
Vehicles	860,374	0	(1,750)	858,624
Machinery and Equipment	837,343	324,777	0	1,162,120
Park improvements	150,570	0	0	150,570
Less: Accumulated Depreciation	(1,515,305)	(248,051)	1,750	(1,761,606)
Total	$2,988,044	$76,726	$0	$3,064,770

Depreciation expense of $131,511, $50,385, $60,788, and $5,367 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:	Balance 1/1/16	Plus Additions	Less Disposals	Balance 12/31/16
Land	$52,732	$0	$0	$52,732
Machinery and Equipment	41,022	0	0	41,022
Purchased Capacity	7,061,196	0	0	7,061,196
Right of Way	7,500	0	0	7,500
Sewer system	10,076,599	470,197	0	10,546,796
Less: Accumulated Depreciation	(6,871,188)	(592,866)	0	(7,464,054)
Total	$10,367,861	($122,669)	$0	$10,245,192

Note 5: Capital Assets: (Continued)

Golf Fund:	Balance 1/1/15	Plus Additions	Less Disposals	Balance 12/31/15
Land	$2,928,539	$0	$0	$2,928,539
Buildings	2,939,989	0	0	2,939,989
Building Improvements	52,708	0	0	52,708
Furniture and Equipment	245,702	2,511	0	248,213
Golf Cart Parts	160,026	0	0	160,026
Less: Accumulated Depreciation	(524,632)	(89,343)	0	(613,975)
Total	$5,802,332	($86,832)	$0	$5,715,500

Note 6: 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, 2016:

Active plan members	24
Retirees and beneficiaries currently receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	10
Total	41

Note 6: Pension Plan: (Continued)

Plan Membership

Employees are 100% vested after the first day of the month following the completion of six months of employment. For the year ended December 31, 2016, there were seven employees vested in the plan.

The payroll for Township employees covered by the Non-Uniformed Employees' Pension Plan for the year ended December 31, 2016 was $1,237,714.

Benefit Provisions

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-Living allowances are provided at the discretion of the plan.

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.

Note 6: 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 7: 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:

Type of Loss	Method Managed	Risk of Loss Retained
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.

Note 8: 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.

Note 9: Capital Leases Payable:

Governmental Activities:

Description	Balance January 1	Additions	Payments	Balance December 31	Due within One Year
Capital lease – Caterpillar Financial Services Corp, annual payment of $18,229, including interest at 2.25%, maturing 2016, secured by equipment.	$17,528	$0	($17,528)	$0	$0
Capital lease – Caterpillar Financial Services Corp, annual payment of $72,396, including interest at 2.25%, maturing 2016, secured by equipment.	70,804	0	(70,804)	0	0
Capital lease – PACCAR Financial Services Corp, annual payment of $42,828, including interest at 4.47%, maturing 2018, secured by equipment.	117,807	0	(37,566)	80,241	39,244
Capital lease – Caterpillar Financial Services Corp, annual payment of $27,381, including interest at 2.75%, maturing 2021, secured by equipment.	0	126,300	0	126,300	23,908
Capital lease – PACCAR Financial, Semi-annual payments of $48,995, including interest at 4.51%, maturing 2018, secured by equipment.	0	185,416	(44,815)	140,601	92,685
Total	$206,139	$311,716	($170,713)	$347,142	$155,837

Note 10: Long-Term Debt

The Township's long-term debt activity for the year ended December 31, 2016 is summarized as follows:

	Balance January 1	Issues/ Additions	Repayments/ Retirements	Balance December 31	Due Within One Year
Governmental Activities:					
Series 2012 GO Bond	$610,000	$0	($125,000)	$485,000	$130,000
Less: Discount to be Amortized	(14,942)	0	1,185	(13,757)	(1,038)
Total Governmental Long-Term Debt	$595,058	$0	($123,815)	$471,243	$128,962

	Balance January 1	Issues/ Additions	Repayments/ Retirements	Balance Due December 31	Within One Year
Business-type Activities:					
Series 2009 GOB Series A	$1,435,000	$0	($5,000)	$1,430,000	$5,000
Series 2009 GOB Series AA	4,625,000	0	0	4,625,000	0
Series 2012 GOB	3,480,000	0	(380,000)	3,100,000	375,000
Total	9,540,000	0	(385,000)	9,155,000	380,000
Less: Discount and Deferred Loss on Refunding to be Amortized	(75,049)	0	6,250	(68,799)	(5,601)
Total Business-Type Long-Term Debt	$9,464,951	$0	($378,750)	$9,086,201	$374,399

At December 31, 2016 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.

Note 10: Long-Term Debt: (Continued)

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. Interest payments are due April 15 and November 15 of each year. Final maturity is October 1, 2039. At the option of the Township, these Bonds may be redeemed prior to maturity but after October 1, 2014 for Series A and after October 1, 2019 for Series AA.

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.

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.

As a result of the refunding of the above referenced debt during 2012, the Township reduced its total debt service payments on that debt by $136,322, which resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of $133,403.

Note 11: Debt Service Requirements: (Continued)

Annual debt service requirements for Governmental Activities are as follows:

	Year Ending	Principal	Interest	Total Payments
Bonds:				
	2017	$130,000	$7,588	$137,588
	2018	150,000	5,963	155,963
	2019	155,000	3,712	158,712
	2020	50,000	1,000	51,000
	Total	485,000	18,263	503,263
Capital leases:				
	2017	$155,837	$12,364	$168,201
	2018	113,478	5,727	119,205
	2019	25,241	2,140	27,381
	2020	25,935	1,446	27,381
	2021	26,651	730	27,381
	Total	347,142	22,407	369,549
	Grand Total	$832,142	$40,670	$872,812

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

	Year Ending	Principal	Interest	Total Payment
Bonds:				
	2017	$380,000	$332,862	$712,862
	2018	225,000	328,025	553,025
	2019	230,000	321,875	551,875
	2020	240,000	315,000	555,000
	2021	250,000	307,518	557,518
	2022-2026	1,460,000	1,402,659	2,862,659
	2027-2031	2,010,000	1,093,447	3,103,447
	2032-2036	2,535,000	669,551	3,204,551
	2037-2039	1,825,000	147,068	1,972,068
	Total	$9,155,000	$4,918,004	$14,073,004

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 (OGMMCPP). OGMMCPP was created to operate an intermunicipal compost processing facility located within Middle Smithfield Township. Based on populations 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 2016 were $13,924. 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 2016, in addition to the annual contribution, Middle Smithfield Township loaned OGMMCCP $163,482 for the purchase of equipment. The loan to OGMMCCP was still outstanding as of December 31, 2016. The Township will be repaid once OGMMCCP receives the proceeds from a grant it was awarded for the equipment.

Note 13: Operating Lease Obligations

In September 2015, Middle Smithfield Township entered into an operating lease for sixty golf carts and a beverage cart to be used at the Township's golf course. The lease covers the period of March 18, 2016 through November 30, 2018. Future minimum rental payments are $49,794 for the years ended December 31, 2017 and 2018.

Note 14: Subsequent Events:

Management has evaluated subsequent events through June 8, 2017, the date the financial statements were available to be issued.

MIDDLE SMITHFIELD TOWNSHIP

Required Supplementary Information

For the Year Ended December 31, 2016

MIDDLE SMITHFIELD TOWNSHIP
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended December 31, 2016

Schedule 1

	Original Budget	Revised Budget	Report	Variance
Revenues:				
Taxes	$3,340,000	$3,340,000	$3,812,982	$472,982
Licenses and permits	115,000	115,000	253,036	138,036
Fines and forfeits	1,550	1,550	929	(621)
Interest, rents, and royalties	30,640	30,640	33,136	(2,496)
Intergovernmental	219,307	219,307	223,960	4,653
Charges for services	146,200	146,200	169,350	23,150
Unclassified operating revenues	0	0	27,558	27,558
Total Revenues	3,852,697	3,852,697	4,520,951	668,254
Expenditures:				
General government	880,751	880,751	940,281	59,530
Public safety	618,150	618,150	619,283	1,133
Public works - sanitation	131,330	131,330	264,310	132,980
Public works - highways and streets	962,110	962,110	1,079,843	117,733
Culture and recreation	326,120	326,120	117,687	(208,433)
Community development	18,134	18,134	17,748	(386)
Debt service	133,838	133,838	223,478	89,640
Employer paid benefits and withholding items	690,375	690,375	608,542	(81,833)
Insurance	98,200	98,200	60,622	(37,578)
Total Expenditures	3,859,008	3,859,008	3,931,794	72,786
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,311)	6,311	589,157	(595,468)
Other Financing Sources (Uses):				
Proceeds of long-term debt	0	0	311,716	311,716
Refunds of prior year expenditures	65,754	65,754	48,420	(17,334)
Proceeds of sale of capital assets	0	0	1	1
Total Other Financing Sources (Uses)	65,754	65,754	360,137	294,383
Change in Fund Balance	$59,443	$59,443	$949,294	$889,851

MIDDLE SMITHFIELD TOWNSHIP
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Liquid Fuels Fund
For the Year Ended December 31, 2016

Schedule 2

	Budget	Report	Variance
Revenues:			
Interest, rents, and royalties	$100	$162	$62
Intergovernmental	496,912	508,589	11,677
Unclassified operating revenues			
Total Revenues	497,012	508,751	11,739
Expenditures:			
Public works - highways and streets	553,000	451,296	(101,704)
Debt service	0	91,824	91,824
Total Expenditures	553,000	543,120	(9,880)
Change in Fund Balance	($55,988)	($34,369)	$21,619

MIDDLE SMITHFIELD TOWNSHIP

Supplementary Information

For the Year Ended December 31, 2016

MIDDLE SMITHFIELD TOWNSHIP
Schedule of Funding Progress and
Actuarial Information
December 31, 2016

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%

The information presented above was determined as part of the actuarial valuations 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, 2013
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 - 5.50%
Projected Salary Increase - Age related scale for merit/seniority including inflation at 3.00%