

MIDDLE SMITHFIELD TOWNSHIP
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

MIDDLE SMITHFIELD TOWNSHIP
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As at December 31, 2015

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INDEPENDENT AUDITORS' 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, 2015, 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

<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
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 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, 2015, 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 Pension Fund to 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, 2015 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, 2015, 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 and pension information in Schedules 1 and 2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Riley and Company Inc.

Stroudsburg, PA
June 30, 2016

MIDDLE SMITHFIELD TOWNSHIP
Statement of Net Position
As at December 31, 2015

Exhibit A
Page 1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash and cash equivalents - Note 2	\$2,330,996	\$821,734	\$3,152,730
Restricted cash - Note 2	103,684	404,753	508,437
Accounts receivable - Net - Note 3	0	661,694	661,694
Due from other funds	2,247,576	(2,247,576)	0
Taxes - Note 4	301,793	0	301,793
Inventory	0	7,110	7,110
Prepaid expenses	<u>35,050</u>	<u>13,431</u>	<u>48,481</u>
Total Current Assets	<u>5,019,099</u>	<u>(338,854)</u>	<u>4,680,245</u>
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	245,702	245,702
Sewer system	0	10,076,599	10,076,599
Machinery and equipment	837,343	41,022	878,365
Vehicles	860,374	0	860,374
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	<u>(1,515,305)</u>	<u>(7,395,820)</u>	<u>(8,911,125)</u>
Total Capital Assets	2,988,044	16,170,193	19,158,237
Other Assets:			
Liquor license	<u>0</u>	<u>1,603</u>	<u>1,603</u>
Total Assets	<u>8,007,143</u>	<u>15,832,942</u>	<u>23,840,085</u>
Deferred Outflows of Resources:			
Deferred loss on refunding	<u>\$0</u>	<u>\$219,348</u>	<u>\$219,348</u>

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, 2015

Exhibit A
Page 2

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$30,901	\$1,242	\$32,143
Accrued interest on bonds	0	87,694	87,694
Current portion of long term debt - Notes 9 and 10	249,713	378,751	628,464
Prepaid user fees	0	44,277	44,277
Accrued payroll and taxes payable	32,829	312	33,141
Customer security deposits	<u>90,799</u>	<u>8,637</u>	<u>99,436</u>
Total Current Liabilities	<u>404,242</u>	<u>520,913</u>	<u>925,155</u>
Long-Term Liabilities:			
Bonds and notes payable - Notes 9 and 10	<u>551,484</u>	<u>9,086,200</u>	<u>9,637,684</u>
Total Liabilities	<u>955,726</u>	<u>9,607,113</u>	<u>10,562,839</u>
Net Position:			
Net investment in capital assets	2,186,846	6,705,243	8,892,089
Restricted	103,503	404,753	508,256
Unrestricted	<u>4,761,068</u>	<u>(664,819)</u>	<u>4,096,249</u>
Total Net Position	<u>\$7,051,417</u>	<u>\$6,445,177</u>	<u>\$13,496,594</u>

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, 2015

Exhibit B

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	(\$1,162,373)	\$91,338	\$46,612	\$0	(\$1,024,423)	\$0	(\$1,024,423)
Public safety	(668,699)	70,283	359,518	0	(238,898)	0	(238,898)
Public works - sanitation	(155,977)	12,510	0	164,475	21,008	0	21,008
Public works - highways and streets	(1,669,860)	0	485,678	64,143	(1,120,039)	0	(1,120,039)
Culture and recreation	(185,644)	6,531	0	0	(179,113)	0	(179,113)
Interest	(11,724)	0	0	0	(11,724)	0	(11,724)
Insurance	(92,554)	0	0	0	(92,554)	0	(92,554)
Community and economic development	<u>(31,944)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(31,944)</u>	<u>0</u>	<u>(31,944)</u>
Total Governmental Activities	(3,978,775)	180,662	891,808	228,618	(2,677,687)	0	(2,677,687)
Business-type Activities							
Sewer	(2,303,410)	2,109,965	0	0	0	(193,445)	(193,445)
Golf	<u>(645,568)</u>	<u>343,782</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(301,786)</u>	<u>(301,786)</u>
Total Business-type Activities	<u>(2,948,978)</u>	<u>2,453,747</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(495,231)</u>	<u>(495,231)</u>
Total Government	<u>(\$6,927,753)</u>	<u>\$2,634,409</u>	<u>\$891,808</u>	<u>\$228,618</u>	<u>(2,677,687)</u>	<u>(495,231)</u>	<u>(3,172,918)</u>
General Revenues:							
					3,569,425	0	3,569,425
					31,728	11,213	42,941
					<u>139,982</u>	<u>0</u>	<u>139,982</u>
Total General Revenues					<u>3,741,135</u>	<u>11,213</u>	<u>3,752,348</u>
Change in Net Position					1,063,448	(484,018)	579,430
Net Position at Beginning of Year					<u>5,987,969</u>	<u>6,929,195</u>	<u>12,917,164</u>
Net Position at End of Year					<u>\$7,051,417</u>	<u>\$6,445,177</u>	<u>\$13,496,594</u>

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

MIDDLE SMITHFIELD TOWNSHIP
Balance Sheet
Governmental Funds
As at December 31, 2015

Exhibit C

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents - Note 2	\$2,330,996	\$103,684	\$2,434,680
Due from other funds	2,293,380	0	2,293,380
Taxes	70,786	0	70,786
Prepaid expenses	<u>35,050</u>	<u>0</u>	<u>35,050</u>
Total Assets	<u>\$4,730,212</u>	<u>\$103,684</u>	<u>\$4,833,896</u>
Liabilities:			
Accounts payable	\$30,901	\$0	\$30,901
Customer security deposits	90,799	0	90,799
Accrued payroll and taxes payable	32,829	0	32,829
Due to other funds	<u>45,623</u>	<u>181</u>	<u>45,804</u>
Total Current Liabilities	<u>200,152</u>	<u>181</u>	<u>200,333</u>
Fund Balances:			
Restricted	0	103,503	103,503
Committed	132,860	0	132,860
Unassigned	<u>4,397,200</u>	<u>0</u>	<u>4,397,200</u>
Total Fund Balances	<u>4,530,060</u>	<u>103,503</u>	<u>4,633,563</u>
Total Liabilities and Fund Balances	<u>\$4,730,212</u>	<u>\$103,684</u>	<u>\$4,833,896</u>

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, 2015

Exhibit D

Total Fund Balances - Governmental Funds		\$4,633,563
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	261,557	
Allowance for doubtful accounts	<u>(30,550)</u>	
		231,007
Capital assets, net of accumulated depreciation, are reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet		2,988,044
Long-term debt is reported on the Statement of Net Position but not on the Governmental Funds Balance Sheet		<u>(801,197)</u>
Net Position - Governmental Activities		<u>\$7,051,417</u>

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, 2015

Exhibit E
Page 1

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total</u>
Revenues:			
Taxes	\$3,577,062	\$0	\$3,577,062
Licenses and permits	251,889	0	251,889
Fines and forfeits	900	0	900
Interest, rents, and royalties	31,690	38	31,728
Intergovernmental	413,758	435,206	848,964
Charges for services	199,336	0	199,336
Unclassified operating revenues	<u>6,109</u>	<u>2,820</u>	<u>8,929</u>
 Total Revenues	 <u>4,480,744</u>	 <u>438,064</u>	 <u>4,918,808</u>
Expenditures:			
General Government	889,687	0	889,687
Public safety	659,510	0	659,510
Public works - sanitation	124,421	0	124,421
Public works - highways and streets	1,174,948	335,260	1,510,208
Culture and recreation	273,685	0	273,685
Community development	31,944	0	31,944
Debt service	160,910	24,696	185,606
Employer paid benefits and withholding items	613,528	0	613,528
Insurance	<u>92,554</u>	<u>0</u>	<u>92,554</u>
 Total Expenditures	 <u>4,021,187</u>	 <u>359,956</u>	 <u>4,381,143</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$459,557</u>	 <u>\$78,108</u>	 <u>\$537,665</u>

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, 2015

Exhibit E
Page 2

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total</u>
Other Financing Sources (Uses):			
Proceeds of short-term debt	\$88,332	\$0	\$88,332
Proceeds of long-term debt	117,807	0	117,807
Refunds of prior year expenditures	91,353	0	91,353
Proceeds of sale of capital assets	<u>39,700</u>	<u>0</u>	<u>39,700</u>
Total Other Financing Sources (Uses)	<u>337,192</u>	<u>0</u>	<u>337,192</u>
Net Change in Fund Balances	796,749	78,108	874,857
Fund Balances at Beginning of Year	<u>3,733,311</u>	<u>25,395</u>	<u>3,758,706</u>
Fund Balances at End of Year	<u>\$4,530,060</u>	<u>\$103,503</u>	<u>\$4,633,563</u>

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, 2015

Exhibit F

Total Net Change in Fund Balances - Governmental Funds	\$874,857
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	(7,639)
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	(188,183)
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	175,213
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	425,458
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.	(206,139)
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.	(8,788)
Bond discount is recorded on the Government-wide Statement of Net Position and amortized over the life of the bond.	<u>(1,331)</u>
Change in Net Position	<u><u>\$1,063,448</u></u>

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, 2015

Exhibit G
Page 1

	<u>Sewer</u>	<u>Golf</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash and cash equivalents - Note 2	\$773,727	\$48,007	\$821,734
Restricted cash - Note 2	404,753	0	404,753
Accounts receivable - Net - Note 3	641,540	20,154	661,694
Due from other funds	45,623	0	45,623
Inventory	0	7,110	7,110
Prepaid expenses	<u>0</u>	<u>13,431</u>	<u>13,431</u>
Total Current Assets	<u>1,865,643</u>	<u>88,702</u>	<u>1,954,345</u>
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	245,702	245,702
Sewer system	10,076,599	0	10,076,599
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	<u>(6,871,188)</u>	<u>(524,632)</u>	<u>(7,395,820)</u>
Total Capital Assets	10,367,861	5,802,332	16,170,193
Other Assets:			
Liquor license	<u>0</u>	<u>1,603</u>	<u>1,603</u>
Total Assets	<u>12,233,504</u>	<u>5,892,637</u>	<u>18,126,141</u>
Deferred Outflow of Resources:			
Deferred loss on refunding	<u>\$219,348</u>	<u>\$0</u>	<u>\$219,348</u>

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, 2015

Exhibit G
Page 2

	<u>Sewer</u>	<u>Golf</u>	<u>Total</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$0	\$1,242	\$1,242
Accrued interest on bonds	87,694	0	87,694
Current portion of long term debt			
- Notes 9 and 10	379,110	(359)	378,751
Prepaid user fees	16,354	27,923	44,277
Accrued payroll and taxes payable	92	220	312
Due to other funds	(88,074)	2,381,273	2,293,199
Customer security deposits	<u>8,177</u>	<u>460</u>	<u>8,637</u>
Total Current Liabilities	403,353	2,410,759	2,814,112
Long-Term Liabilities:			
Bonds and notes payable			
- Notes 9 and 10	<u>8,780,362</u>	<u>305,838</u>	<u>9,086,200</u>
Total Liabilities	<u>9,183,715</u>	<u>2,716,597</u>	<u>11,900,312</u>
Net Position:			
Net investment in capital assets	1,208,390	5,496,853	6,705,243
Restricted	404,753	0	404,753
Unrestricted	<u>1,655,994</u>	<u>(2,320,813)</u>	<u>(664,819)</u>
Total Net Position	<u>\$3,269,137</u>	<u>\$3,176,040</u>	<u>\$6,445,177</u>

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, 2015

Exhibit H
Page 1

	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Operating Revenues:			
Connection fees	\$31,500	\$0	\$31,500
User fees	2,078,465	0	2,078,465
Inspection fees	0	0	0
Cart and green fees	0	244,511	244,511
Food and beverage sales	0	33,531	33,531
Memberships	0	53,300	53,300
Miscellaneous income	0	1,979	1,979
Pro shop sales	0	10,461	10,461
Rents and royalties	<u>0</u>	<u>11,192</u>	<u>11,192</u>
Total Operating Revenues	<u>2,109,965</u>	<u>354,974</u>	<u>2,464,939</u>
Operating Expenses:			
Administrative	14,251	1,014	15,265
Advertising and marketing	0	5,617	5,617
Contracted services	234,951	0	234,951
Depreciation and amortization	609,996	88,826	698,822
Engineering	74,167	0	74,167
Food and beverage purchases	0	14,405	14,405
Golf cart lease	0	48,468	48,468
Other operating expenses	20,238	34,778	55,016
Pro shop supplies	0	6,352	6,352
Professional services and wages	25,648	1,704	27,352
Rent	24,000	0	24,000
Repairs and maintenance	136,814	107,413	244,227
Supplies	324,970	4,615	329,585
Utilities	116,476	59,938	176,414
Vehicle fuel	0	13,015	13,015
Wages and payroll taxes	50,553	249,259	299,812
Bad debts	<u>267,533</u>	<u>0</u>	<u>267,533</u>
Total Operating Expenses	<u>1,899,597</u>	<u>635,404</u>	<u>2,535,001</u>
Income (Loss) from Operations	<u>\$210,368</u>	<u>(\$280,430)</u>	<u>(\$70,062)</u>

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, 2015

Exhibit H
Page 2

	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Non-operating Revenues (Expenses):			
Interest earnings	\$0	\$21	\$21
Debt interest	<u>(401,473)</u>	<u>(10,164)</u>	<u>(411,637)</u>
Total Non-operating Revenues (Expenses)	<u>(403,813)</u>	<u>(10,143)</u>	<u>(413,956)</u>
Change in Net Position	(193,445)	(290,573)	(484,018)
Net Position at Beginning of Year	<u>3,462,582</u>	<u>3,466,613</u>	<u>6,929,195</u>
Net Position at End of Year	<u>\$3,269,137</u>	<u>\$3,176,040</u>	<u>\$6,445,177</u>

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, 2015

Exhibit I
Page 1

	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash paid for goods and services	(\$898,540)	(\$298,668)	(\$1,197,208)
Cash received for services	1,968,541	342,070	2,310,611
Cash paid to employees	<u>(50,537)</u>	<u>(249,259)</u>	<u>(299,796)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,019,464</u>	<u>(205,857)</u>	<u>813,607</u>
Cash Flows from Investing Activities:			
Interest earnings	0	21	21
Loans from other funds	<u>0</u>	<u>251,798</u>	<u>251,798</u>
Net Cash Provided by (Used) by Investing Activities	<u>0</u>	<u>251,819</u>	<u>251,819</u>
Cash Flows from Capital and Related Financing Activities:			
Payments to purchase capital assets	(135,984)	(7,825)	(143,809)
Payment of interest and fiscal agent fees	(386,883)	(9,761)	(396,644)
Principal paid on long-term debt	<u>(380,000)</u>	<u>(12,609)</u>	<u>(392,609)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(902,867)</u>	<u>(30,195)</u>	<u>(933,062)</u>
Net Increase (Decrease) in Cash	116,597	15,767	132,364
Cash and Cash Equivalents at Beginning of Year	<u>1,061,882</u>	<u>32,240</u>	<u>1,094,122</u>
Cash and Cash Equivalents at End of Year	<u>\$1,178,479</u>	<u>\$48,007</u>	<u>\$1,226,486</u>

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, 2015

Exhibit I
Page 2

	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$210,368	(\$280,430)	(\$70,062)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	609,996	88,826	698,822
Bad debts	267,533	0	267,533
Change in consumer accounts receivable	(141,424)	(536)	(141,960)
Change in security deposits	0	90	90
Change in deferred revenue	0	(12,458)	(12,458)
Change in trade accounts payable	0	(1,349)	(1,349)
Change in Due from General Fund	<u>72,991</u>	<u>0</u>	<u>72,991</u>
Net Cash Provided (Used) by Operating Activities	<u>\$1,019,464</u>	<u>(\$205,857)</u>	<u>\$813,607</u>
Cash and Cash Equivalents	\$773,726	\$48,007	\$821,733
Restricted Cash	<u>404,753</u>	<u>0</u>	<u>404,753</u>
Total Cash and Cash Equivalents	<u>\$1,178,479</u>	<u>\$48,007</u>	<u>\$1,226,486</u>

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

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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 normally are 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 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, 2015

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 presented the following major governmental funds:

General Fund

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

Liquid Fuels Fund

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

Proprietary Funds

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

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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

Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The Township has presented 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 and the fiduciary funds are reported using accounting principles similar to proprietary funds.

The Township has presented 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, 2015

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, these funds are 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.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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, 2015 are as follows:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
General Fund	Sewer Fund	\$45,623
Golf Fund	General Fund	\$2,293,199
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.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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 maturity of three months or less are considered to be cash equivalents.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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

Equity Classification - Government-Wide Financial Statements

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."

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.

Committed - Only can 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 or used for specific purpose. The Township's Assigned Fund Balance is fund balance reporting under the direction of authorized Township Personnel.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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, 2015:

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name	\$3,480,012
Uninsured and collateralized with securities held by the pledging financial institution	0
Uninsured and uncollateralized	<u>0</u>
Total	<u><u>\$3,480,012</u></u>

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	\$3,480,012
Add: Amount Insured Under FDIC	353,684
Less: Outstanding Checks	(350,316)
Plus: Deposits in Transit	<u>16,012</u>
Carrying Amount	3,499,392
Add: Petty Cash	500
Add: Pooled Deposits - Cash Equivalents	<u>161,274</u>
Total Cash and Cash Equivalents	<u><u>\$3,661,166</u></u>

Foreign Currency Risk

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

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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, 2015 accounts receivable were as follows:

	<u>Sewer</u>	<u>Golf</u>	<u>Total</u>
Accounts Receivable	\$1,080,335	\$20,154	\$1,100,489
Less: Allowance for Uncollectible Accounts	<u>(438,795)</u>	<u>0</u>	<u>(438,795)</u>
 Accounts Receivable Net of Allowance for Uncollectible Accounts	 <u>\$641,540</u>	 <u>\$20,154</u>	 <u>\$661,694</u>

Note 4: Property Taxes:

Based upon an assessed valuation provided by Monroe County (\$215,215,700 in 2015), 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 2015 was 9.5 mills (\$9.50 per \$100 of assessed valuation).

At December 31, 2015 taxes receivable on the government-wide financial statements were as follows:

Taxes Receivable	\$332,343
Less: Allowance for Uncollectible Accounts	<u>(30,550)</u>
Taxes Receivable Net of Allowance for Uncollectible Accounts	 <u>\$301,793</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

Note 5: Capital Assets:

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

	<u>Balance</u> <u>1/1/15</u>	<u>Plus</u> <u>Additions</u>	<u>Less</u> <u>Disposals</u>	<u>Balance</u> <u>12/31/15</u>
Land	\$648,892	\$0	\$0	\$648,892
Buildings	1,979,014	27,156	0	2,006,170
Vehicles	711,566	148,808	0	860,374
Machinery and Equipment	695,184	142,159	0	837,343
Park improvements	43,235	107,335	0	150,570
Less: Accumulated Depreciation	<u>(1,327,123)</u>	<u>(188,182)</u>	<u>0</u>	<u>(1,515,305)</u>
Total	<u>\$2,750,768</u>	<u>\$237,276</u>	<u>\$0</u>	<u>\$2,988,044</u>

Depreciation expense of \$119,441, \$49,480, \$17,822, and \$1,439 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:

<u>Sewer Fund:</u>	<u>Balance</u> <u>1/1/15</u>	<u>Plus</u> <u>Additions</u>	<u>Less</u> <u>Disposals</u>	<u>Balance</u> <u>12/31/15</u>
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	9,940,615	135,984	0	10,076,599
Less: Accumulated Depreciation	<u>(6,261,192)</u>	<u>(609,996)</u>	<u>0</u>	<u>(6,871,188)</u>
Total	<u>\$10,841,873</u>	<u>(\$474,012)</u>	<u>\$0</u>	<u>\$10,367,861</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

Note 5: Capital Assets: (Continued)

<u>Golf Fund:</u>	Balance <u>1/1/15</u>	Plus <u>Additions</u>	Less <u>Disposals</u>	Balance <u>12/31/15</u>
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	237,877	7,825	0	245,702
Golf Cart Parts	160,026	0	0	160,026
Less: Accumulated Depreciation	<u>(435,806)</u>	<u>(88,826)</u>	<u>0</u>	<u>(524,632)</u>
Total	<u>\$5,883,333</u>	<u>(\$81,001)</u>	<u>\$0</u>	<u>\$5,802,332</u>

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, 2015:

Active plan members	27
Retirees and beneficiaries currently receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	<u>7</u>
Total	<u>41</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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, 2015, there were eight employees vested in the plan.

The payroll for Township employees covered by the Non-Uniformed Employees' Pension Plan for the year ended December 31, 2015 was \$1,226,224.

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.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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 torts; theft of, damage to, or destruction of assets' errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The Township manages these various risks of loss as follows:

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

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

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

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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:

<u>Description</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31</u>	<u>Due within One Year</u>
Capital lease - PACCAR Financial, annual payment of \$24,696, including interest at 4.990%, matured April 21, 2015, secured by equipment.	\$23,769	\$0	(\$23,769)	\$0	\$0
Capital lease - Bank Capital Services Corp, annual payment of \$4,074, including interest at 5.25%, matured 2015, secured by equipment.	3,940	0	(3,940)	0	0
Capital lease –Caterpillar Financial Services Corp, annual payment of \$23,008, including interest at 2.20%, matured 2015, secured by equipment.	22,504	0	(22,504)	0	0
Capital lease –Caterpillar Financial Services Corp, annual payment of \$18,229, including interest at 2.25%, maturing 2016, secured by equipment.	0	17,528	0	17,528	17,528
Capital lease –Caterpillar Financial Services Corp, annual payment of \$72,396, including interest at 2.25%, maturing 2016, secured by equipment.	<u>0</u>	<u>70,804</u>	<u>0</u>	<u>70,804</u>	<u>70,804</u>
Subtotal	<u>\$50,213</u>	<u>\$88,332</u>	<u>(\$50,213)</u>	<u>\$88,332</u>	<u>\$88,332</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

Note 9: Capital Leases Payable: (Continued)

Subtotal	\$50,213	\$88,332	(\$50,213)	\$88,332	\$88,332
Capital lease –PACCAR Financial Services Corp, annual payment of \$42,828, including interest at 4.47%, maturing 2018, secured by equipment.	<u>0</u>	<u>117,807</u>	<u>0</u>	<u>117,807</u>	<u>37,566</u>
Total	<u>\$50,213</u>	<u>\$206,139</u>	<u>(\$50,213)</u>	<u>\$206,139</u>	<u>\$125,898</u>

Business-type Activities:

<u>Description</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Capital lease - US Bank, monthly payments of \$1,325, including interest at 5.99%, matured June 16, 2015, secured by equipment.	\$7,814	\$0	(\$7,814)	\$0	\$0
Capital lease - Deere Credit, Inc., monthly payments of \$812, including interest at 5.75%, matured May 1, 2015, secured by equipment.	<u>4,795</u>	<u>0</u>	<u>(4,795)</u>	<u>0</u>	<u>0</u>
Total	<u>\$12,609</u>	<u>\$0</u>	<u>(\$12,609)</u>	<u>\$0</u>	<u>\$0</u>

Note 10: Long-Term Debt

The Township's long-term debt activity for the year ended December 31, 2015 is summarized as follows:

<u>Governmental 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 GO Bond	\$735,000	\$0	(\$125,000)	\$610,000	\$125,000
Less: Discount to be Amortized	<u>(16,273)</u>	<u>0</u>	<u>1,331</u>	<u>(14,942)</u>	<u>(1,185)</u>
Total Governmental Long-Term Debt	<u>\$718,727</u>	<u>\$0</u>	<u>(\$123,669)</u>	<u>\$595,058</u>	<u>\$123,815</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

Note 10: Long-Term Debt: (Continued)

	<u>Balance January 1</u>	<u>Issues/ Additions</u>	<u>Repayments/ Retirements</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
<u>Business-type Activities:</u>					
Series 2009 GOB Series A	\$1,440,000	\$0	(\$5,000)	\$1,435,000	\$5,000
Series 2009 GOB Series AA	4,625,000	0	0	4,625,000	0
Series 2012 GOB	<u>3,855,000</u>	<u>0</u>	<u>(375,000)</u>	<u>3,480,000</u>	<u>380,000</u>
Total	9,920,000	0	(380,000)	9,540,000	385,000
Less: Discount and Deferred Loss on Refunding to be Amortized					
	<u>(81,937)</u>	<u>0</u>	<u>6,888</u>	<u>(75,049)</u>	<u>(6,249)</u>
Total Business-Type Long-Term Debt	<u>\$9,838,063</u>	<u>\$0</u>	<u>(\$373,112)</u>	<u>\$9,464,951</u>	<u>\$378,751</u>

At December 31, 2015 long-term debt consists of the following:

Series 2009 GOB Series A and AA

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

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

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

Note 10: Long-Term Debt: (Continued)

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 current refunding of the above referenced debt, 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.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

Note 11: Debt Service Requirements: (Continued)

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:				
	2016	\$125,000	\$8,838	\$133,838
	2017	130,000	7,588	137,588
	2018	150,000	5,963	155,963
	2019	155,000	3,713	158,713
	2020	<u>50,000</u>	<u>1,000</u>	<u>51,000</u>
	Total	<u>610,000</u>	<u>27,102</u>	<u>637,102</u>
Capital leases:				
	2016	125,898	7,555	133,453
	2017	39,244	3,584	42,828
	2018	<u>40,997</u>	<u>1,831</u>	<u>42,828</u>
	Total	<u>206,139</u>	<u>12,970</u>	<u>219,109</u>
Grand Total		<u>\$816,139</u>	<u>\$40,072</u>	<u>\$856,211</u>

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

	<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
Bonds:				
	2016	\$385,000	\$336,800	\$721,800
	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
	2021-2025	1,365,000	1,450,523	2,815,523
	2026-2030	1,915,000	1,164,375	3,079,375
	2031-2035	2,425,000	764,079	3,189,079
	2036-2039	<u>2,375,000</u>	<u>241,264</u>	<u>2,616,264</u>
	Total	<u>\$9,540,000</u>	<u>\$5,254,803</u>	<u>\$14,794,803</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2015

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 2015 were \$37,130. In addition, 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.

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, 2016, 2017, and 2018.

Note 14: Commitments:

During 2015, Middle Smithfield Township entered into contracts for the rehabilitation of two of its sewer pump stations. Work is anticipated to take place during 2016. The total of both contracts was \$388,105.

Note 15: Subsequent Events:

Management has evaluated subsequent events through June 30, 2016, the date the financial statements were available to be issued.

MIDDLE SMITHFIELD TOWNSHIP
Required Supplementary Information
For the Year Ended December 31, 2015

MIDDLE SMITHFIELD TOWNSHIP
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended December 31, 2015

Schedule 1

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Report</u>	<u>Variance</u>
Revenues:				
Taxes	\$3,180,000	\$3,205,000	\$3,577,062	\$372,062
Licenses and permits	230,000	230,000	251,889	21,889
Fines and forfeits	1,600	1,600	900	(700)
Interest, rents, and royalties	29,600	29,600	31,690	(2,090)
Intergovernmental	482,500	482,500	413,758	(68,742)
Charges for services	121,550	144,550	199,336	54,786
Unclassified operating revenues	<u>0</u>	<u>5,200</u>	<u>6,109</u>	<u>909</u>
Total Revenues	<u>4,045,250</u>	<u>4,098,450</u>	<u>4,480,744</u>	<u>382,294</u>
Expenditures:				
General Government	828,809	846,569	889,687	43,118
Public safety	598,230	599,830	659,510	59,680
Public works - sanitation	366,250	381,630	124,421	(257,209)
Public works - highways and streets	946,405	950,905	1,174,948	224,043
Culture and recreation	353,200	394,000	273,685	(120,315)
Community development	3,600	3,600	31,944	28,344
Debt service	138,100	138,100	160,910	22,810
Employer paid benefits and withholding items	600,425	627,925	613,528	(14,397)
Insurance	<u>109,000</u>	<u>109,000</u>	<u>92,554</u>	<u>(16,446)</u>
Total Expenditures	<u>3,944,019</u>	<u>4,051,559</u>	<u>4,021,187</u>	<u>(30,372)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>101,231</u>	<u>(46,891)</u>	<u>459,557</u>	<u>(412,666)</u>
Other Financing Sources (Uses):				
Proceeds of long-term debt	0	0	117,807	117,807
Proceeds of short-term debt	0	0	88,332	88,332
Refunds of prior year expenditures	74,210	74,210	91,353	17,143
Proceeds of sale of capital assets	0	8,000	39,700	31,700
All other financing uses	<u>(3,000)</u>	<u>(3,000)</u>	<u>0</u>	<u>3,000</u>
Total Other Financing Sources (Uses)	<u>71,210</u>	<u>79,210</u>	<u>337,192</u>	<u>257,982</u>
Change in Fund Balance	<u>\$172,441</u>	<u>\$126,101</u>	<u>\$796,749</u>	<u>\$670,648</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, 2015

Schedule 2

	<u>Budget</u>	<u>Report</u>	<u>Variance</u>
Revenues:			
Interest, rents, and royalties	\$110	\$38	\$72
Intergovernmental	423,300	435,206	11,906
Unclassified operating revenues	<u>0</u>	<u>2,820</u>	<u>2,820</u>
 Total Revenues	 <u>423,410</u>	 <u>438,064</u>	 <u>14,654</u>
 Expenditures:			
Public works - highways and streets	375,000	335,260	(39,740)
Debt service	<u>0</u>	<u>24,696</u>	<u>24,696</u>
 Total Expenditures	 <u>375,000</u>	 <u>359,956</u>	 <u>(15,044)</u>
 Change in Fund Balance	 <u>\$48,410</u>	 <u>\$78,108</u>	 <u>\$29,698</u>

MIDDLE SMITHFIELD TOWNSHIP
Schedule of Funding Progress and
Actuarial Information
December 31, 2015

Schedule 3

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Actuarial Valuation Date</u>	<u>Percentage Contributed</u>
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%

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%