

MIDDLE SMITHFIELD TOWNSHIP
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2017

MIDDLE SMITHFIELD TOWNSHIP
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As at December 31, 2017

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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 (except as described below) 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, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-Type Activities	Unmodified
General Fund	Unmodified
Liquid Fuels Fund	Unmodified
Sewer Fund	Unmodified
Golf Fund	Unmodified
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, 2017, 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 are not presented fairly as of December 31, 2017 and 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise basic financial statements of Middle Smithfield Township. The pension information in Schedule 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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
April 9, 2018

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MIDDLE SMITHFIELD TOWNSHIP
Statement of Net Position
As at December 31, 2017

Exhibit A
Page 2

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$61,048	\$0	\$61,048
Due on capital assets	0	33,998	33,998
Accrued interest on bonds	0	87,693	87,693
Current portion of long term debt - Notes 9, 10, and 11	299,124	220,047	519,171
Prepaid user fees	0	17,404	17,404
Accrued payroll and taxes payable	47,046	312	47,358
Customer security deposits	<u>113,669</u>	<u>8,177</u>	<u>121,846</u>
Total Current Liabilities	<u>520,887</u>	<u>367,631</u>	<u>888,518</u>
Long-Term Liabilities:			
Bonds and notes payable - Notes 9, 10, and 11	<u>391,290</u>	<u>8,491,755</u>	<u>8,883,045</u>
Total Liabilities	<u>912,177</u>	<u>8,859,386</u>	<u>9,771,563</u>
Net Position:			
Net investment in capital assets	2,658,585	7,154,948	9,813,533
Restricted	167,632	414,332	581,964
Unrestricted	<u>6,340,019</u>	<u>(1,277,149)</u>	<u>5,062,870</u>
Total Net Position	<u>\$9,166,236</u>	<u>\$6,292,131</u>	<u>\$15,458,367</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, 2017

Exhibit C

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents - Note 2	\$3,268,426	\$168,443	\$3,436,869
Restricted cash - Note 2	80,356	0	80,356
Due from other funds	2,761,950	0	2,761,950
Taxes	78,203	0	78,203
Due from joint venture - Note 12	21,783	0	21,783
Prepaid expenses	<u>110,117</u>	<u>0</u>	<u>110,117</u>
Total Assets	<u>\$6,320,835</u>	<u>\$168,443</u>	<u>\$6,489,278</u>
Liabilities:			
Accounts payable	\$60,418	\$630	\$61,048
Customer security deposits	113,669	0	113,669
Accrued payroll and taxes payable	47,046	0	47,046
Due to other funds	<u>0</u>	<u>181</u>	<u>181</u>
Total Current Liabilities	<u>221,133</u>	<u>811</u>	<u>221,944</u>
Fund Balances:			
Restricted	0	167,632	167,632
Unassigned	<u>6,099,702</u>	<u>0</u>	<u>6,099,702</u>
Total Fund Balances	<u>6,099,702</u>	<u>167,632</u>	<u>6,267,334</u>
Total Liabilities and Fund Balances	<u>\$6,320,835</u>	<u>\$168,443</u>	<u>\$6,489,278</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
For the Year Ended December 31, 2017

Exhibit E
Page 1

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total</u>
Revenues:			
Taxes	\$3,783,047	\$0	\$3,783,047
Licenses and permits	249,605	0	249,605
Fines and forfeits	4,451	0	4,451
Interest, rents, and royalties	41,634	250	41,884
Intergovernmental	448,883	531,909	980,792
Charges for services	220,946	0	220,946
Unclassified operating revenues	<u>28,894</u>	<u>0</u>	<u>28,894</u>
Total Revenues	<u>4,777,460</u>	<u>532,159</u>	<u>5,309,619</u>
Expenditures:			
General government	1,175,387	0	1,175,387
Public safety	593,331	0	593,331
Public works - sanitation	96,639	0	96,639
Public works - highways and streets	1,439,519	304,788	1,744,307
Public works - other services	30,199	0	30,199
Culture and recreation	102,785	0	102,785
Community development	60,006	0	60,006
Debt service	204,213	141,934	346,147
Employer paid benefits and withholding items	747,488	0	747,488
Insurance	<u>95,716</u>	<u>0</u>	<u>95,716</u>
Total Expenditures	<u>4,545,283</u>	<u>446,722</u>	<u>4,992,005</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$232,177</u>	<u>\$85,437</u>	<u>\$317,614</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
For the Year Ended December 31, 2017

Exhibit F

Total Net Change in Fund Balances - Governmental Funds	\$718,846
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	7,129
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	(279,680)
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	329,779
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	563,909
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.	(200,770)
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.	(7,022)
Bond discount is recorded on the Government-wide Statement of Net Position and amortized over the life of the bond.	<u>(1,038)</u>
Change in Net Position	<u>\$1,131,153</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, 2017

Exhibit G
Page 2

	<u>Sewer</u>	<u>Golf</u>	<u>Total</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$0	\$0	\$0
Due on capital assests	33,998	0	33,998
Accrued interest on bonds	87,693	0	87,693
Current portion of long term debt - Notes 10 and 11	220,316	(269)	220,047
Prepaid user fees	16,354	1,050	17,404
Accrued payroll and taxes payable	92	220	312
Due From Golf Fund	(71,141)	2,832,910	2,761,769
Customer security deposits	<u>8,177</u>	<u>0</u>	<u>8,177</u>
Total Current Liabilities	295,489	2,833,911	3,129,400
Long-Term Liabilities:			
Bonds and notes payable - Notes 10 and 11	<u>8,185,334</u>	<u>306,421</u>	<u>8,491,755</u>
Total Liabilities	<u>8,480,823</u>	<u>3,140,332</u>	<u>11,621,155</u>
Net Position:			
Net investment in capital assets	1,832,585	5,322,363	7,154,948
Restricted	414,332	0	414,332
Unrestricted	<u>1,378,940</u>	<u>(2,656,089)</u>	<u>(1,277,149)</u>
Total Net Position	<u>\$3,625,857</u>	<u>\$2,666,274</u>	<u>\$6,292,131</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
For the Year Ended December 31, 2017

Exhibit H
Page 2

	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Total</u>
Non-operating Revenues (Expenses):			
Interest earnings	\$0	\$484	\$484
Fiscal agent fees	(2,340)	0	(2,340)
Debt interest	<u>(345,158)</u>	<u>(10,670)</u>	<u>(355,828)</u>
Total Non-operating Revenues (Expenses)	<u>(347,498)</u>	<u>(10,186)</u>	<u>(357,684)</u>
Change in Net Position	110,923	(255,920)	(144,997)
Net Position at Beginning of Year	<u>3,514,934</u>	<u>2,922,194</u>	<u>6,437,128</u>
Net Position at End of Year	<u>\$3,625,857</u>	<u>\$2,666,274</u>	<u>\$6,292,131</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
For the Year Ended December 31, 2016

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)	\$458,421	(\$245,734)	\$212,687
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	626,895	86,985	713,880
Bad debts	50,992	0	50,992
Change in consumer accounts receivable	(123,969)	(2,085)	(126,054)
Change in other assets	0	(1,560)	(1,560)
Change in deferred revenue	0	(7,033)	(7,033)
Change in trade accounts payable	0	(163)	(163)
Net Cash Provided (Used) by Operating Activities	<u>\$1,012,339</u>	<u>(\$169,590)</u>	<u>\$842,749</u>
Cash and Cash Equivalents Restricted Cash	<u>\$481,713</u> <u>414,332</u>	<u>\$135,728</u> <u>0</u>	<u>\$617,441</u> <u>414,332</u>
Total Cash and Cash Equivalents	<u>\$896,045</u>	<u>\$135,728</u>	<u>\$1,031,773</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, 2017

Page 2

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

Basis of Presentation

Government Wide Financial Statements

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

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

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

Fund Financial Statements

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

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2017

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

Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The Township has the following major proprietary funds:

Sewer Fund

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

Golf Fund

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

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

Fiduciary Funds

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

The Township has the following fiduciary fund:

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

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2017

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

Policy for Applying Post - November 30, 1989 FASB Pronouncements

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

Budgetary Control

The 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, 2017

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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.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2017

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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.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2017

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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, 2017 accounts receivable were as follows:

	<u>Sewer</u>	<u>Golf</u>	<u>Total</u>
Accounts Receivable	\$1,218,674	\$18,659	\$1,237,333
Less: Allowance for Uncollectible Accounts	<u>(478,728)</u>	<u>0</u>	<u>(478,728)</u>
Accounts Receivable Net of Allowance for Uncollectible Accounts	<u>\$739,946</u>	<u>\$18,659</u>	<u>\$758,605</u>

Note 4: Property Taxes:

Based upon an assessed valuation provided by Monroe County (\$213,706,460 in 2017), the Township bills and collects its own property taxes through an elected tax collector. The schedule for property taxes levied as follows:

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

The Township's tax rate for all purposes for 2017 was 9.5 mills (\$9.50 per \$100 of assessed valuation).

At December 31, 2017 taxes receivable on the government-wide financial statements were as follows:

Taxes Receivable	\$363,973
Less: Allowance for Uncollectible Accounts	<u>(45,454)</u>
Taxes Receivable Net of Allowance for Uncollectible Accounts	<u>\$318,519</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2017

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Note 5: Capital Assets: (Continued)

<u>Golf 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	\$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	248,213	0	0	248,213
Golf Cart Parts	160,026	0	0	160,026
Less: Accumulated Depreciation	<u>(613,975)</u>	<u>(86,985)</u>	<u>0</u>	<u>(700,960)</u>
Total	<u>\$5,715,500</u>	<u>(\$86,985)</u>	<u>\$0</u>	<u>\$5,628,515</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, 2016:

Active plan members	27
Retirees and beneficiaries currently receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	<u>11</u>
Total	<u>45</u>

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2017

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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:

<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, 2017

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Note 10: Long-Term Debt

The Township's long-term debt activity for the year ended December 31, 2017 is summarized as follows:

	<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>Governmental Activities:</u>					
Series 2012 GO Bond	\$485,000	\$0	(\$130,000)	\$355,000	\$150,000
Less: Discount to be Amortized	<u>(13,757)</u>	<u>0</u>	<u>1,038</u>	<u>(12,719)</u>	<u>(890)</u>
Total Governmental Long-Term Debt	<u>\$471,243</u>	<u>\$0</u>	<u>(\$128,962)</u>	<u>\$342,281</u>	<u>\$149,110</u>

	<u>Balance January 1</u>	<u>Issues/ Additions</u>	<u>Repayments/ Retirements</u>	<u>Balance Due December 31</u>	<u>Within One Year</u>
<u>Business-type Activities:</u>					
Series 2009 GOB Series A	\$1,430,000	\$0	(\$5,000)	\$1,425,000	\$185,000
Series 2009 GOB Series AA	4,625,000	0	0	4,625,000	0
Series 2012 GOB	<u>3,100,000</u>	<u>0</u>	<u>(375,000)</u>	<u>2,725,000</u>	<u>40,000</u>
Total	9,155,000	0	(380,000)	8,775,000	225,000
Less: Discount to be Amortized	<u>(68,799)</u>	<u>0</u>	<u>5,601</u>	<u>(63,198)</u>	<u>(4,953)</u>
Total Business-Type Long-Term Debt	<u>\$9,086,201</u>	<u>\$0</u>	<u>(\$374,399)</u>	<u>\$8,711,802</u>	<u>\$220,047</u>

At December 31, 2017 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.

MIDDLE SMITHFIELD TOWNSHIP
Notes to Financial Statements
As at December 31, 2017

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Note 11: Debt Service Requirements:

Annual debt service requirements for Governmental Activities are as follows:

	<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
Bonds:				
	2018	\$150,000	\$5,963	\$155,963
	2019	155,000	3,712	158,712
	2020	<u>50,000</u>	<u>1,000</u>	<u>51,000</u>
	Total	<u>355,000</u>	<u>10,675</u>	<u>365,675</u>
Capital leases:				
	2018	\$150,016	\$13,133	\$163,149
	2019	63,503	7,820	71,323
	2020	66,004	5,319	71,323
	2021	<u>68,610</u>	<u>2,713</u>	<u>71,323</u>
	Total	<u>348,133</u>	<u>28,985</u>	<u>377,118</u>
Grand Total		<u>\$703,133</u>	<u>\$39,660</u>	<u>\$742,793</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:				
	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	255,000	299,331	554,331
	2023-2027	1,570,000	1,350,423	2,920,423
	2028-2032	2,110,000	1,018,140	3,128,140
	2033-2037	2,650,000	570,125	3,220,125
	2038-2039	<u>1,245,000</u>	<u>74,705</u>	<u>1,319,705</u>
Total		<u>\$8,775,000</u>	<u>\$4,585,142</u>	<u>\$13,360,142</u>

MIDDLE SMITHFIELD TOWNSHIP
Required Supplementary Information
For the Year Ended December 31, 2017

MIDDLE SMITHFIELD TOWNSHIP
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended December 31, 2017

Schedule 1

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Report</u>	<u>Variance</u>
Revenues:				
Taxes	\$3,472,501	\$3,472,501	\$3,783,047	\$310,546
Licenses and permits	229,500	229,500	249,605	20,105
Fines and forfeits	1,050	1,050	4,451	3,401
Interest, rents, and royalties	30,840	30,840	41,634	10,794
Intergovernmental	496,900	496,900	448,883	(48,017)
Charges for services	208,850	208,850	220,946	12,096
Unclassified operating revenues	<u>0</u>	<u>0</u>	<u>28,894</u>	<u>28,894</u>
Total Revenues	<u>4,439,641</u>	<u>4,439,641</u>	<u>4,777,460</u>	<u>337,819</u>
Expenditures:				
General government	861,017	861,017	1,175,387	314,370
Public safety	757,264	757,264	593,331	(163,933)
Public works - sanitation	123,983	123,983	96,639	(27,344)
Public works - highways and streets	1,749,913	1,749,913	1,439,519	(310,394)
Public works - other services	44,500	44,500	30,199	(14,301)
Culture and recreation	319,513	319,513	102,785	(216,728)
Community development	45,000	45,000	60,006	15,006
Debt service	133,838	133,838	204,213	70,375
Employer paid benefits and withholding items	654,677	654,677	747,488	92,811
Insurance	<u>92,749</u>	<u>92,749</u>	<u>95,716</u>	<u>2,967</u>
Total Expenditures	<u>4,782,454</u>	<u>4,782,454</u>	<u>4,545,283</u>	<u>(237,171)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(342,813)</u>	<u>(342,813)</u>	<u>232,177</u>	<u>574,990</u>
Other Financing Sources (Uses):				
Proceeds of long-term debt	0	0	200,770	200,770
Refunds of prior year expenditures	105,232	105,232	186,401	81,169
Fund balance used	335,000	335,000	0	(335,000)
Proceeds of sale of capital assets	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>1,000</u>
Total Other Financing Sources (Uses)	<u>440,232</u>	<u>440,232</u>	<u>388,171</u>	<u>(52,061)</u>
Change in Fund Balance	<u>\$97,419</u>	<u>\$97,419</u>	<u>\$620,348</u>	<u>\$522,929</u>

MIDDLE SMITHFIELD TOWNSHIP
Supplementary Information
For the Year Ended December 31, 2017

MIDDLE SMITHFIELD TOWNSHIP
Schedule of Funding Progress and
Actuarial Information
December 31, 2017

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%
2016	\$73,983	2013	100.00%
2017	\$80,315	2015	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 - 5.25%
Projected Salary Increase - Age related scale for merit/seniority
including inflation at 3.00%