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HOPEWELL TOWNSHIP
ALIQUPPA, PENNSYLVANIA
DECEMBER 31, 2012

AUDIT REPORT

HOPEWELL TOWNSHIP
ALIQUIPPA, PENNSYLVANIA
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hopewell Township
1700 Clark Boulevard
Aliquippa, Pennsylvania 15001-4298

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 Hopewell Township, Pennsylvania as of and for the year ended December 31, 2012, 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.

Basis for Qualified Opinion

Our audit was limited, because we did not audit the Policeman's Pension Trust Fund or the Non-Uniform Employee's Pension fund of Hopewell Township. The financial statements referred to above do not include the financial data of these Funds and, accordingly, we do not express an opinion on them.

Qualified Opinions

In our opinion, except for the limitation discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopewell Township, Pennsylvania, as of December 31, 2012, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through xii 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 Hopewell Township, Pennsylvania's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants



Beaver, PA 15009

July 11, 2013

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2012

Our discussion and analysis of Hopewell Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the Township's financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- The Township's adjusted overall net position increased by \$1,468,883 (19%). The governmental net position increased by \$1,116,974 (25%) and the business-type net position increased by \$351,909 (10%).
- The General Fund (the primary operating fund), reflected on a current financial resource basis, reported an increase in fund balance of \$744,574 compared to an increase of \$523,355 in 2011.
- The December 31, 2012 net outstanding debt of the Township was \$11,665,167. This represented a decrease of \$794,617 from the same date in 2011. The decrease was primarily the result of scheduled debt service payments.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 3 and 4) provide information about the activities of the Township as a whole and presents a longer-term view of the Township's finances. Fund financial statements start on page 5. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Township as a Whole

Our analysis of Hopewell Township as a whole begins on page 3. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2012

These two statements on pages 3 and 4 report the Township's *net position* and changes in them. You can think of the Township's net position—the difference between assets and liabilities—as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Township's property tax base and the condition of the Township's roads, to assess the *overall health* of the Township.

In the Statement of Net Position and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental activities**—Most of the Township's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- **Business-type activities**—The Township charges a fee to customers to help it cover all or most of the cost of sewer services it provides.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page ix. The fund financial statements begin on page 5 and provide detailed information about the most significant funds—not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Commissioners may establish other funds to help it control and manage money for particular purposes (like a Sewer Capital Project or a General Capital Project Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the PA Department of Transportation relating to liquid fuels). The Township's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- **Governmental funds** —Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are unreserved or restricted. These classifications of fund balance show the nature and extent of constraints placed on the Township's fund balances by law, creditors, the Board of Commissioners, and the Township's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* via reconciliations on pages 6 and 8.

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2012

- *Proprietary funds* —When the Township charges customers for the services it provides—whether to outside customers or to other units of the Township—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as Trustee

The Township is the trustee, or *fiduciary*, for its police pension plan and for its non-uniform pension plan. It is responsible for the assets of these pension plans that—because of trust arrangements—can be used only for plan beneficiaries. The Township's fiduciary activities for the Police Pension Fund and the Non-Uniform Employee Trust Fund are not included in the scope of this audit and therefore, these funds are not included in this report.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The following table reflects the condensed Statement of Net Position compared to the prior year, both in a combined total as well as the net position and net expenses of governmental and business-type activities separately.

Table A-1
Fiscal Year ended December 31, 2012
Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 2,959,592	\$ 2,189,393	\$ 1,233,278	\$ 1,096,453	\$ 4,192,870	\$ 3,285,846
Capital assets	5,337,998	5,337,598	12,349,151	12,627,175	17,687,149	17,964,773
Other noncurrent assets	79,575	80,953	0	0	79,575	80,953
Total assets	<u>\$ 8,377,165</u>	<u>\$ 7,607,944</u>	<u>\$ 13,582,429</u>	<u>\$ 13,723,628</u>	<u>\$ 21,959,594</u>	<u>\$ 21,331,572</u>
Current and other liabilities	\$ 572,109	\$ 688,033	\$ 572,564	\$ 577,560	\$ 1,144,673	\$ 1,265,593
Long-term liabilities	2,304,992	2,536,821	9,236,024	9,724,136	11,541,016	12,260,957
Total liabilities	<u>\$ 2,877,101</u>	<u>\$ 3,224,854</u>	<u>\$ 9,808,588</u>	<u>\$ 10,301,696</u>	<u>\$ 12,685,689</u>	<u>\$ 13,526,550</u>
Net Position						
Net Investment						
in Capital Assets	\$ 2,755,322	\$ 2,439,693	\$ 2,752,712	\$ 2,572,319	\$ 5,508,034	\$ 5,012,012
Restricted for:						
Special Revenue Fund	(2,460)	(9,562)	0	0	(2,460)	(9,562)
Unrestricted	2,747,202	1,952,959	1,021,129	849,613	3,768,331	2,802,572
Total net assets	<u>\$ 5,500,064</u>	<u>\$ 4,383,090</u>	<u>\$ 3,773,841</u>	<u>\$ 3,421,932</u>	<u>\$ 9,273,905</u>	<u>\$ 7,805,022</u>

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2012

At December 31, 2012, Hopewell Township's total assets were \$21,959,594. Of this amount, \$17,687,149 is accounted for by capital assets, which includes some items of infrastructure and construction in progress related to sewer projects. Total assets as of December 31, 2011 were \$21,331,572. The increase in total assets is primarily due to increased cash balances and taxes receivable.

As noted above, most of the Township's net position is invested in capital assets (buildings, land, infrastructure and equipment). The remaining net position is comprised of restricted and unrestricted amounts. A restricted balance represents amounts generated for specific purpose funds (State Liquid Fuels monies). The restricted deficit in net position represents amounts that were spent by the liquid fuels fund in excess of the earned revenue. It is the intention of the Township to eliminate the deficit when the 2013 State Liquid Fuels monies are received. A portion of the unrestricted balance includes amounts that have been earmarked by Township management for future capital projects.

The results of this year's operations as a whole are reported in the Statement of Activities on Page 4. All ordinary expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented in the next three columns to determine the final amount of the Township's activities that are supported by other general revenues. The largest general revenues are the local taxes assessed to Township taxpayers.

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues and expenses compared to the prior year.

Table A-2
Fiscal Years ended December 31, 2012 and 2011
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
REVENUES						
Program revenues:						
Charges for services	\$ 861,543	\$ 868,141	\$ 3,000,592	\$ 3,059,164	\$ 3,862,135	\$ 3,927,305
Operating grants and contributions	572,006	690,954	39,337	107,867	611,343	798,821
Capital grants and contributions	30,566	0	0	0	30,566	0
General revenues:						
Property taxes	2,296,379	2,283,995	0	0	2,296,379	2,283,995
Other taxes	2,239,441	1,718,380	0	0	2,239,441	1,718,380
Other	351,986	409,651	(76,111)	75,890	275,875	485,541
Total revenues	\$ 6,351,921	\$ 5,971,121	\$ 2,963,818	\$ 3,242,921	\$ 9,315,739	\$ 9,214,042

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2012

Table A-2, Continued

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
EXPENSES						
General Government	\$ 602,619	\$ 384,704	\$ 0	\$ 0	\$ 602,619	\$ 384,704
Public Safety	2,110,498	1,942,806	0	0	2,110,498	1,942,806
Public Works - Sanitation	687,922	681,541	0	0	687,922	681,541
Public Works - Highways	943,136	841,007	0	0	943,136	841,007
Culture - Recreation	290,979	227,728	0	0	290,979	227,728
Interest on long-term debt	72,855	105,966	0	0	72,855	105,966
Unallocated amortization	1,378	41,782	0	0	1,378	41,782
Unallocated Employee Benefits	513,424	853,353	0	0	513,424	853,353
Miscellaneous	12,136	9,660	0	0	12,136	9,660
Fiscal Agent Fees	0	12,215	0	0	0	12,215
Sewer System	0	0	2,611,909	3,128,973	2,611,909	3,128,973
Total expenses	<u>\$ 5,234,947</u>	<u>\$ 5,100,762</u>	<u>\$ 2,611,909</u>	<u>\$ 3,128,973</u>	<u>\$ 7,846,856</u>	<u>\$ 8,229,735</u>
Increase (decrease) in net assets	<u>\$ 1,116,974</u>	<u>\$ 870,359</u>	<u>\$ 351,909</u>	<u>\$ 113,948</u>	<u>\$ 1,468,883</u>	<u>\$ 984,307</u>

Revenue Sources:

Total government-wide revenues of \$9,315,739 were derived primarily from taxes and charges for sewer services. In 2012, Hopewell Township earned \$4,535,820 in taxes compared to \$4,002,375 in 2011. Tax revenues accounted for 49% and 43% of total revenues in 2012 and 2011, respectively. Of the taxes levied, the real estate tax and the earned income tax are the most significant. In 2012, Real estate tax accounted for \$2,296,379 or 51% of the taxes levied for general government purposes compared to \$2,283,995 or 57% in 2011. The real estate tax is levied on the assessed value of real estate located in the Township. The assessed valuation of taxable property in the Township in 2012 was \$163,983,274 compared to \$162,835,424 in 2011.

Earned income tax accounted for \$1,815,953 or 40% of the taxes levied for general government purposes compared to \$1,338,627 or 33% in 2011. The earned income tax is a one-half percent (0.5%) tax levied on wages earned by residents of the Township. The increase over the prior year can be largely attributed to the increased efficiencies of collection by an outside agency. Local Services Tax (LST) revenue increased approximately \$22,500 from 2011. In 2012, the annual amount is withheld at a rate of \$1 per week for 52 weeks.

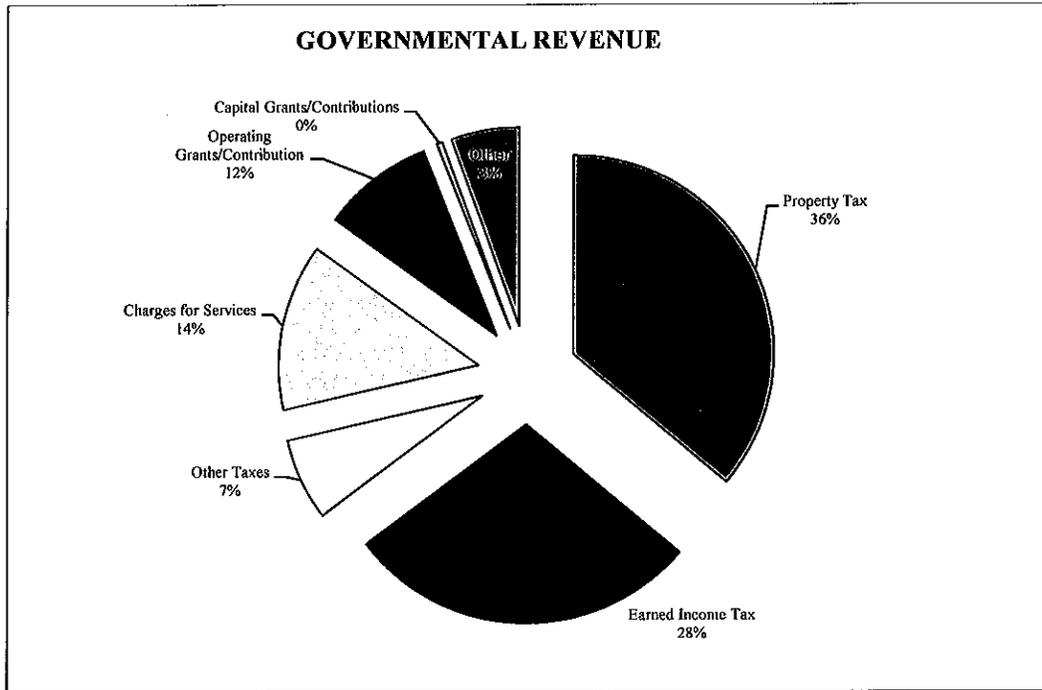
Charges for Services in governmental activities are amounts received by the Township for services provided to others including garbage collection, wage tax collection service provided to the school district, contracted police services, and recreation fees. Revenue for these services was fairly stable and decreased modestly to \$861,543 in 2012 from \$868,141 in 2011.

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2012

The following chart graphically depicts the government-wide sources of governmental activities revenue for the fiscal year ended December 31, 2012:



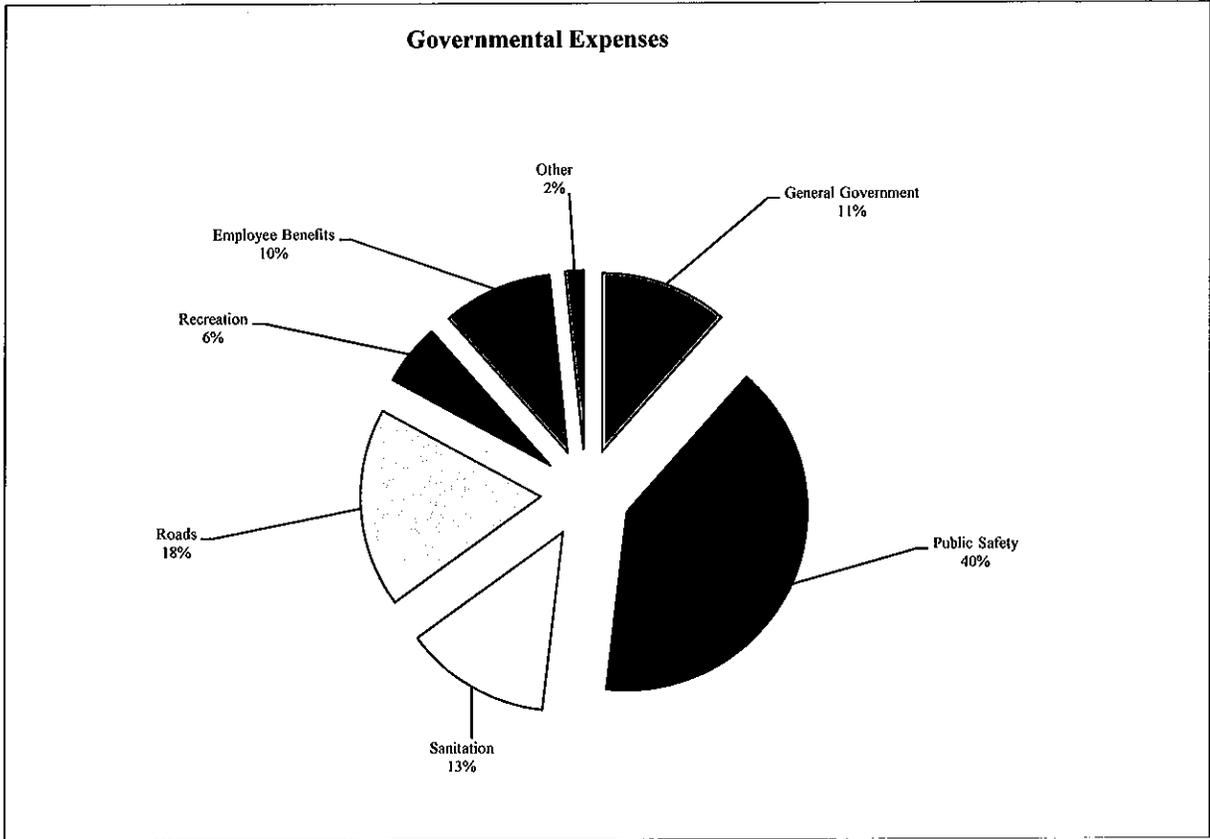
Program Expenses:

Program expenses reflect the delivery of a wide range of services by the Township to its residents with the largest portion of the expenditures being for public safety (40%). Other significant areas of program expenses include public works-roads (18%) which represents the cost of road maintenance and repair and employee benefits and insurance (10%) representing the costs of fringe benefits provided to Township employees working in all departments.

Total Expenses for all governmental activity programs in 2012 was \$5,234,947, which represented an increase of \$134,185 over the \$5,100,762 recognized in 2011. The increase primarily reflects increased expenses for public safety, culture & recreation and highway equipment and materials, partially offset by lower employee benefit expenses under a new insurance provider.

The following chart graphically depicts the government-wide expenditures for various programs of governmental activities for the fiscal year ended December 31, 2012:

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2012



Governmental Activities

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the Township.

Table A-3 shows the Township's major functions as well as each program's net cost (total cost less revenues generated by the activities of the function). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2012

Table A-3
Fiscal Years ended December 31, 2012 and 2011
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Government	\$ 602,619	\$ 384,704	\$ 421,177	\$ 179,471
Public Safety	2,110,498	1,942,806	1,897,020	1,689,538
Public Works - Sanitation	687,922	681,541	(53,535)	(73,898)
Public Works - Highways	943,136	841,007	647,637	541,385
Culture-Recreation	290,979	227,728	258,740	182,195
Interest on Long-Term Debt	72,855	105,966	72,855	105,966
Unallocated Employee Benefits	513,424	853,353	513,424	853,353
Unallocated Amortization	1,378	41,782	1,378	41,782
Fiscal Agent Fees	0	12,215	0	12,215
Miscellaneous	12,136	9,660	12,136	9,660
Total governmental activities	<u>\$ 5,234,947</u>	<u>\$ 5,100,762</u>	<u>\$ 3,770,832</u>	<u>\$ 3,541,667</u>
Less:				
Unrestricted grants, subsidies			0	0
Total needs from local taxes and other revenues			<u>\$ 3,770,832</u>	<u>\$ 3,541,667</u>

Business-type Activities

Table A-4 reflects the activities of the Sewer System, the only Business-type activity of the Township.

Table A-4
Fiscal Years ended December 31, 2012 and 2011
Business-type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Sewer System	\$ 2,611,909	\$ 3,118,973	\$ (428,020)	\$ (38,058)
Less:				
Operating Grants and Contributions	0	0	0	0
Investment Earnings	0	0	(504)	(496)
Interfund Transfers	0	0	101,530	149,606
Refund of Prior Year Expenses	0	0	(24,915)	0
Legal Settlements	0	0	0	(225,000)
Other	0	0	0	0
Total Business-type Activities	<u>\$ 2,611,909</u>	<u>\$ 3,118,973</u>	<u>\$ (351,909)</u>	<u>\$ (113,948)</u>

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2012

The cost of services for the sewer fund in 2012 decreased by \$508,023 compared to 2011. The decrease reflects the continued concentration on reduction of costs where possible along with the absence in the current year of a one-time expense for previously deferred financing costs that were written off in 2011 when bonds were refinanced.

Interfund transfers of \$101,530 (net) primarily represent transfers to the sewer capital project fund for future sewer projects and a transfer to reimburse the general fund for routine operating expenses partially offset by a transfer from the sewer capital project fund to reimburse for capital items purchased.

The Statement of Revenues, Expenses and Changes in Fund Net Position for this proprietary fund (see page 10) will further detail the actual results of operations.

THE TOWNSHIP FUNDS

At December 31, 2012, the Township's governmental funds reported a combined fund balance of \$2,448,150, which is an increase of \$781,771 from 2011. Of the combined total fund balance, \$1,661,720 (68%) represents unassigned general fund balance, meaning that these funds are available to meet the current or future needs of the Township's general fund. Fund balance of \$36,596 is classified as non-spendable as it represents prepaid insurance expense. Fund balance of \$194,780 is committed by the Board of Supervisors to be used specifically for future capital projects and park projects of the Township.

General Fund Budgetary Highlights

A schedule showing the Township's annual budget amounts compared with actual results is provided on Page 12. The Township's general fund actual revenues were \$610,260 (11%) more than budgeted amounts. This variance is primarily attributable to higher than anticipated earned income tax collections.

General fund expenditures and other financing sources (uses) were \$134,314 (2%) lower than budgeted. This variance is mostly due to lower than anticipated expenses of the Public Works-Highways fund for road improvements and materials and supplies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2012, the Township had \$17,687,149 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2012

Table A-5
Capital assets - net of depreciation

	<u>2012</u>
Land	\$ 1,621,037
Building and Improvements	581,519
Equipment and Vehicles	750,691
Infrastructure	14,560,739
Construction in Progress	<u>173,163</u>
Total	<u>\$ 17,687,149</u>

Debt

As of January 1, 2012, the Township had total outstanding bonds payable of \$7,188,003. During the year the Township made scheduled payments against bond principal of \$312,285 resulting in outstanding bonds payable of \$6,875,718 as of December 31, 2012.

As of January 1, 2012, the Township had total outstanding notes payable of \$5,173,286 related to financing for sewer construction projects. During the year the Township made scheduled payments against notes principal of \$395,417 resulting in outstanding notes payable of \$4,777,869 as of December 31, 2012.

Other obligations include outstanding capital leases of \$11,580 and accrued vacation pay and sick leave for specific employees of the Township of \$559,564 and accrued liabilities for other post-employment benefits of \$69,039.

More detailed information about our long-term liabilities is included in Notes 7 through 10 and Note 12 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

It is the Township's plan that future developments will offset the increases in costs that the Township may incur due to normal inflation. Management holds the rights to review possible future sewer rate and tax increases to offset future costs for the maintenance of roads and sewer plants.

The General Fund revenue budget for 2013 is \$4,837,000, which is \$572,000 less than the revenue budget for 2012. This represents a 12% decrease in budgeted revenues when compared to the previous year and is primarily due to the fact that the Township is no longer billing and collecting for refuse collection. The General Fund expenditure budget for the 2013 year is \$5,170,000 which is \$239,000 less than the budget for 2012 or a 5% decrease in expenses compared to the previous year.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2012

In addition to the General Fund, the Township has budgeted for 2013 \$3,024,000 in Sewer Fund revenues which is \$41,100 more than the revenue budget for 2012. This represents an increase of 2% when compared to the previous year. The Sewer Fund budgeted \$3,035,000 in expenditures in 2013 which is \$94,250 more than the expense budget for 2012. This represents an increase of 4% when compared to the previous year. Hopewell Township for 2013 has ancillary budgets of \$313,000 out of its General Capital Reserve Fund for emergency projects, \$81,840 out of its Park Fund for DCNR grant matching funds for 2013 park expansion, \$316,000 out of its State Fund for street lighting, and winter maintenance, and \$868,000 out of its Sewer Construction Fund for the completion of the Raccoon Sewer Plant Aeration upgrade and Sharon Grange Pump Station.

The 2012 calendar year presented many challenges for the Board of Commissioners, which was faced with the dilemma of transforming the Township into a more cost-efficient operating entity as well as trying to bring more corporate development into Hopewell. As the cost of doing business continues to increase, it becomes more difficult to maintain the high quality level of service that the residents of Hopewell demand and deserve. In 2012 all Township departments were assigned the task to cut costs, work smarter, and be more efficient by putting together a three year budgetary plan. The Board of Commissioners started the process of developing a comprehensive marketing plan to attract and encourage development within Hopewell Township. Because of an entire team effort of all Township employees, the Commissioners and Township management team were able to maintain sewer rates as well as maintain the Township real estate tax rate at its current level of 14 mils. The Board of Commissioners and management team will continue to strive to utilize Township assets and personnel more efficiently as well as utilize technology to assist in becoming more efficient and cut unnecessary spending.

The Administration's goal for 2013 is to aggressively pursue more cost cutting measures in both the General and Sewer Funds in an effort to make sure the Township is operating as efficiently as possible. As part of the marketing strategic plan, the Board of Commissioners will continue to aggressively pursue relationships with county, state and federal officials for the future development of Interstate 376, to improve and seek businesses for our current riverfront and Business Park, as well as to seek grants for the continued development of our community park. Hopewell is in the proper position to achieve these visionary goals. The advancement towards these goals will bring economic security, stabilization and growth for Hopewell. The future visionary development will expand the tax base, which will help stabilize tax rates and residential sewer rates. These projects will also benefit the area by increasing the job base in Hopewell.

In 2013 residents can look forward to new programs and advancements on the Township website. Please be advised that if residents would like to see something on our website that the Township currently does not offer, please email your requests to adminmgr@hopewelltp.com. Hopewell residents are also reminded that they can add, change, or remove phone numbers from our 911 call message system by going to our website www.hopewelltp.com and clicking on the Swiftreach 911 call system portal. Residents can also sign up through our website to receive the emergency and important announcements via text message and by email alert messages. Residents in 2013 can also sign up for ACH payments for payment of their sewage billing. ACH

(Automated Clearing House) allows payments to come out automatically from either your checking or savings account. Residents are also reminded that they have the ability to pay their sewer payments by credit or debit card at either www.hopewelltp.com or www.hopewellbill.com. Residents are reminded that the Township offers a sewer assistance program for residents that qualify. Information and applications can be picked up at the municipal building or downloaded off the internet from our website.

In 2013 Hopewell Township plans to invest \$300,000 in Township Roads, as well as a \$350,000 investment into the construction of the upgrade of the Sharon Grange Road pump station. Both projects will be completely financed through existing Township Funds. The Township will start the process of the development of a G.P.S. (Global Positioning Satellite) to assist in the location of sewer and general infrastructure within the Township. The G.P.S. system will be a tremendous asset in order for the Township to better utilize its assets, as well as to help the workers to be more efficient. The G.P.S. system is on schedule to be operational in 2014. The Township was approved for a D.C.N.R. grant in 2012 and plans on starting the development process on the additional 17 acres of land across from the existing Park that was acquired by the Township in 2011. Hopewell Township's Police Department can expect to receive two new 2013 Ford Taurus Interceptors. Hopewell Township's Public Works Department will receive a 2013 Ford F350 super duty utility truck as well as a 2013 Terrastar SFA 4x4 one ton dump truck. Township residents in 2013 will be able to continue to put their grass clippings in bags for curbside collection with their normally scheduled garbage collection by Waste Management on Mondays at no additional cost to the residents. The Township Administration office in 2013 will continue the photo ID system for the residents wishing to use the Township Depository. All residents who wish to use the Depository will be required to have a photo ID, which requires an annual fee of \$20. Residents who are 65 years of age or older are exempt from the annual fee, but are still required to have a photo ID in order to enter the Depository. The Administration office in 2013 will be working on a new call complaint system where residents will be able to log in complaints via the Township website, receive a confirmation of receipt, and email confirmation when the complaint has been satisfied. The Township believes this system will help us be more efficient in responding to and tracking residential complaints.

CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Andy Brunette, Manager/Controller at Hopewell Township, 1700 Clark Boulevard, Aliquippa, PA 15001-4298. Information can also be obtained from the following website: www.hopewelltp.com.

HOPEWELL TOWNSHIP
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,976,986	\$ 597,302	\$ 2,574,288
Investments in Certificates of Deposit	180,103	0	180,103
Accounts Receivable	175,419	623,522	798,941
Taxes Receivable	590,488	0	590,488
Other Current Assets	<u>36,596</u>	<u>12,454</u>	<u>49,050</u>
Total Current Assets	<u>\$ 2,959,592</u>	<u>\$ 1,233,278</u>	<u>\$ 4,192,870</u>
Noncurrent Assets			
Land	\$ 1,530,899	\$ 90,138	\$ 1,621,037
Building & Building Improvements (net of depreciation)	511,138	70,381	581,519
Equipment and Vehicles (net of depreciation)	638,583	112,108	750,691
Infrastructure (net of depreciation)	2,657,378	11,903,361	14,560,739
Construction in Progress	0	173,163	173,163
Debt Issue Costs (net of amortization)	<u>79,575</u>	<u>0</u>	<u>79,575</u>
Total Noncurrent Assets	<u>\$ 5,417,573</u>	<u>\$ 12,349,151</u>	<u>\$ 17,766,724</u>
TOTAL ASSETS	<u>\$ 8,377,165</u>	<u>\$ 13,582,429</u>	<u>\$ 21,959,594</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 143,428	\$ 36,669	\$ 180,097
Accrued Salaries and Benefits	94,446	25,320	119,766
Payroll Deductions & Withholdings	8,049	2,043	10,092
Other Current Liabilities	48,502	33,462	81,964
Bonds Payable	244,128	68,400	312,528
Notes Payable	0	406,670	406,670
Leases Payable	11,580	0	11,580
Other Post Employment Benefit Liability	<u>21,976</u>	<u>0</u>	<u>21,976</u>
Total Current Liabilities	<u>\$ 572,109</u>	<u>\$ 572,564</u>	<u>\$ 1,144,673</u>
Noncurrent Liabilities			
Bonds Payable	\$ 1,813,020	\$ 4,750,170	\$ 6,563,190
Notes Payable	0	4,371,199	4,371,199
Leases Payable	0	0	0
Other Post Employment Benefit Liability	42,257	4,806	47,063
Accumulated Compensated Absences	<u>449,715</u>	<u>109,849</u>	<u>559,564</u>
Total Noncurrent Liabilities	<u>\$ 2,304,992</u>	<u>\$ 9,236,024</u>	<u>\$ 11,541,016</u>
TOTAL LIABILITIES	<u>\$ 2,877,101</u>	<u>\$ 9,808,588</u>	<u>\$ 12,685,689</u>
NET POSITION			
Net Investment in Capital Assets	\$ 2,755,322	\$ 2,752,712	\$ 5,508,034
Restricted for:			
Special Revenue Fund	(2,460)	0	(2,460)
Unrestricted	<u>2,747,202</u>	<u>1,021,129</u>	<u>3,768,331</u>
TOTAL NET POSITION	<u>\$ 5,500,064</u>	<u>\$ 3,773,841</u>	<u>\$ 9,273,905</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,377,165</u>	<u>\$ 13,582,429</u>	<u>\$ 21,959,594</u>

See Accompanying Notes to Financial Statements

**HOPEWELL TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 602,619	\$ 27,781	\$ 153,661	\$ 0	\$ (421,177)	\$ 0	\$ (421,177)
Public Safety	2,110,498	65,528	117,384	30,566	(1,897,020)	0	(1,897,020)
Public Works - Sanitation	687,922	735,995	5,462	0	55,535	0	53,535
Public Works - Highways	943,136	0	295,499	0	(647,637)	0	(647,637)
Culture - Recreation	290,979	32,239	0	0	(258,740)	0	(258,740)
Interest	72,855	0	0	0	(72,855)	0	(72,855)
Unallocated Employee Benefits and Insurance	513,424	0	0	0	(513,424)	0	(513,424)
Miscellaneous	12,136	0	0	0	(12,136)	0	(12,136)
Fiscal Agent Fees	0	0	0	0	0	0	0
Unallocated Amortization	1,378	0	0	0	(1,378)	0	(1,378)
Total Governmental Activities	\$ 5,234,947	\$ 861,543	\$ 572,006	\$ 30,566	\$ (3,770,832)	\$ 0	\$ (3,770,832)
Business-type Activities:							
Sewer/Wastewater	\$ 2,611,909	\$ 3,000,592	\$ 39,337	\$ 0	\$ 0	\$ 428,020	\$ 428,020
Total Business-type Activities	\$ 2,611,909	\$ 3,000,592	\$ 39,337	\$ 0	\$ 0	\$ 428,020	\$ 428,020
Total Primary Government	\$ 7,846,856	\$ 3,862,135	\$ 611,343	\$ 30,566	\$ (3,770,832)	\$ 428,020	\$ (3,342,812)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 2,296,379	\$ 0	\$ 2,296,379
Other taxes levied for general purposes, net					2,239,441	0	2,239,441
Licenses and permits					190,213	0	190,213
Fines and forfeits					31,879	0	31,879
Interest, rents and royalties					15,979	504	16,483
Refunds of prior year expenses/(revenues)					(705)	24,915	24,210
Gain (Loss) on disposal of fixed assets					6,211	0	6,211
Interfund transfers					101,530	(101,530)	0
Miscellaneous income					6,879	0	6,879
Total general revenues, special items, extraordinary items and transfers					\$ 4,887,806	\$ (76,111)	\$ 4,811,695
Change in Net Position					\$ 1,116,974	\$ 351,909	\$ 1,468,883
Net Position—Beginning of Year					4,383,090	3,421,932	7,805,022
Net Position—End of Year					\$ 5,500,064	\$ 3,773,841	\$ 9,273,905

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2012

	<u>General</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,373,703	\$ 603,283	\$ 1,976,986
Investments	0	180,103	180,103
Accounts Receivable	175,419	0	175,419
Taxes Receivable	590,488	0	590,488
Due from other funds	18,107	0	18,107
Other Current Assets	36,596	0	36,596
Total Assets	<u>\$ 2,194,313</u>	<u>\$ 783,386</u>	<u>\$ 2,977,699</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 127,983	\$ 15,445	\$ 143,428
Accrued Salaries & Benefits	94,446	0	94,446
Payroll Deductions & Withholdings	8,049	0	8,049
Due to other funds	0	18,107	18,107
Other Current Liabilities	48,502	0	48,502
Total Liabilities	<u>\$ 278,980</u>	<u>\$ 33,552</u>	<u>\$ 312,532</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property Taxes	<u>217,017</u>	<u>0</u>	<u>217,017</u>
<u>FUND BALANCES:</u>			
Nonspendable	\$ 36,596	\$ 0	\$ 36,596
Committed Fund Balance - Capital Projects	0	112,994	112,994
Committed Fund Balance - Park Projects	0	81,786	81,786
Assigned Fund Balance	0	557,514	557,514
Unassigned Fund Balance	1,661,720	(2,460)	1,659,260
Total Fund Balances	<u>\$ 1,698,316</u>	<u>\$ 749,834</u>	<u>\$ 2,448,150</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
	<u>\$ 2,194,313</u>	<u>\$ 783,386</u>	<u>\$ 2,977,699</u>

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 2,448,150**

Amounts reported for *governmental activities* in the statement of net position are different from amounts reported for *governmental funds* in the balance sheet because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Add: Capital Assets	7,638,538
Deduct: Accumulated Depreciation	(2,300,540)

Deferred debt issue costs incurred in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:

Add: Deferred Debt Issue Costs	145,578
Deduct: Accumulated Amortization	(66,003)

Because some taxes that have been levied are not collected until several months or later after the Township's year-end, they are not considered "available" revenues in the governmental funds. Therefore, in the governmental funds, these amounts are classified as deferred inflows of resources

Add: Unavailable Revenue-Property Taxes	217,017
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Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Deduct: Bonds Payable	\$ (2,057,148)
Deduct: Lease Purchase Obligations	(11,580)
Deduct: Compensated absences	(449,715)
Deduct: Other Post Employment Benefits	(64,233)
	(2,582,676)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 5,500,064**

HOPEWELL TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	Other <u>Non-Major Funds</u>	Totals Governmental <u>Funds</u>
<u>REVENUES</u>			
Taxes/Special Assessments	\$ 4,514,868	\$ 0	\$ 4,514,868
Licenses and Permits	190,213	0	190,213
Fines and Forfeits	31,879	0	31,879
Interest and Rents	14,805	1,174	15,979
Intergovernmental	307,073	295,499	602,572
Charges for Services	861,543	0	861,543
Miscellaneous Revenue	6,879	0	6,879
Total Revenues	<u>\$ 5,927,260</u>	<u>\$ 296,673</u>	<u>\$ 6,223,933</u>
<u>EXPENDITURES</u>			
General Government	\$ 560,225	\$ 0	\$ 560,225
Public Safety	2,140,178	0	2,140,178
Public Works - Sanitation	687,922	0	687,922
Public Works - Highways	688,739	264,174	952,913
Culture - Recreation	285,220	0	285,220
Debt Service:			
Interest charged	72,855	0	72,855
Principal Retirement	327,250	0	327,250
Unallocated Employee Benefits and Insurance	513,424	0	513,424
Miscellaneous	12,136	0	12,136
Total Expenditures	<u>\$ 5,287,949</u>	<u>\$ 264,174</u>	<u>\$ 5,552,123</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 639,311</u>	<u>\$ 32,499</u>	<u>\$ 671,810</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 9,136	\$ 0	\$ 9,136
Transfers In	116,932	145,015	261,947
Transfers Out	(20,100)	(140,317)	(160,417)
Refunds of Prior Year Expenditures/(Receipts)	(705)	0	(705)
Total Other Financing Sources (Uses)	<u>\$ 105,263</u>	<u>\$ 4,698</u>	<u>\$ 109,961</u>
Net change in fund balances	\$ 744,574	\$ 37,197	\$ 781,771
Fund Balances, beginning of year	<u>953,742</u>	<u>712,637</u>	<u>1,666,379</u>
Fund Balances, end of year	<u>\$ 1,698,316</u>	<u>\$ 749,834</u>	<u>\$ 2,448,150</u>

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
RECONCILIATION OF THE COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 781,771**

Amounts reported for *governmental activities* in the statement of activities are different from amounts reported for *governmental funds* in the statement of revenues, expenditures and changes in fund balances because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.

Capital Outlay	\$	231,360	
Less: Depreciation Expense		<u>(228,035)</u>	3,325

Proceeds from sale of assets are recognized as other financing sources in the fund financial statements. The government-wide financial statements match these proceeds against the remaining book value of the asset sold to determine a gain or loss from the sale.

Difference between Proceeds and Net Gain on Disposal	(2,925)
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Proceeds from the issuance of debt and repayments of principal on debt are reported in governmental funds as other financing sources and expenditures. Debt issue costs are reported as expenditures in governmental funds. However, in the statement of activities, the issuance of debt is recorded as a liability and debt issue costs are capitalized. The repayment of principal is recorded as a reduction of the liability. Debt issue costs are allocated over their estimated useful lives as amortization expense in the statement of activities.

Principal Payments on Notes and Bonds Payable	\$	249,285	
Principal Payments on Capital Lease Obligations		77,965	
Less: Amortization Expense		<u>(1,378)</u>	325,872

In the statement of activities, certain operating expenses-compensated absences and other post employment benefits-are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, the total amount of the liability increased by this amount.

Decrease in Compensated Absence Obligation and OPEB	(12,021)
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Because some real estate taxes will not be collected until several months or later after the Township's year-end, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount during this year.

20,952

CHANGE IN NET POSITON OF GOVERNMENTAL ACTIVITIES **\$ 1,116,974**

HOPEWELL TOWNSHIP
STATEMENT OF NET POSITION - SEWER FUND
AS OF DECEMBER 31, 2012

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 597,302
Accounts Receivable	623,522
Other Current Assets - Prepaid Insurance	<u>12,454</u>
Total Current Assets	\$ 1,233,278
Noncurrent Assets	
Land	\$ 90,138
Building & Building Improvements (net of depreciation)	70,381
Equipment and Vehicles (net of depreciation)	112,108
Infrastructure (net of depreciation)	11,903,361
Construction in Progress	<u>173,163</u>
Total Noncurrent Assets	\$ 12,349,151
TOTAL ASSETS	\$ 13,582,429
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 36,669
Accrued Salaries and Benefits	25,320
Payroll Deductions & Withholdings	2,043
Escrow Payable	33,462
Bonds Payable	68,400
Notes Payable	<u>406,670</u>
Total Current Liabilities	\$ 572,564
Noncurrent Liabilities	
Bonds Payable	\$ 4,750,170
Notes Payable	4,371,199
Other Post Employment Benefit Liability	4,806
Accumulated Compensated Absences/Retirement Incentives	<u>109,849</u>
Total Noncurrent Liabilities	\$ 9,236,024
TOTAL LIABILITIES	\$ 9,808,588
NET ASSETS	
Unrestricted, Undesignated	<u>\$ 3,773,841</u>
TOTAL NET POSITION	\$ 3,773,841
TOTAL LIABILITIES AND NET POSITION	\$ 13,582,429

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

SEWER FUND

YEAR ENDED DECEMBER 31, 2012

	<u>Sewer Fund</u>
<u>Operating Revenues</u>	
Charge for Services, Net	\$ 3,000,592
Total Operating Revenues	<u>\$ 3,000,592</u>
 <u>Operating Expenses</u>	
Wastewater and Sewer Expense	\$ 1,889,886
Depreciation Expense	388,043
Refund of Prior Year Revenue	<u>28,653</u>
Total Operating Expenses	<u>\$ 2,306,582</u>
Operating Income	<u>\$ 694,010</u>
 <u>Non-operating Revenues and (Expenses)</u>	
Shared Revenue - State Sources	\$ 39,337
Interest Income	504
Interest on Long-term Debt	(305,327)
Refund of Prior Year Expense	<u>24,915</u>
Total Non-operating Revenues and (Expenses)	<u>\$ (240,571)</u>
 Income Before Operating Transfers	\$ 453,439
 Operating Transfers In	116,069
Operating Transfers (Out)	<u>(217,599)</u>
 Change in Net Position	\$ 351,909
 Net Position beginning of year	<u>3,421,932</u>
 Net Position end of year	<u>\$ 3,773,841</u>

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

STATEMENT OF CASH FLOWS - SEWER FUND

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

YEAR ENDED DECEMBER 31, 2012

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 3,010,010
Payments to Suppliers	(1,312,675)
Payments to Employees	(607,539)
Net Cash Provided by Operating Activities	<u>\$ 1,089,796</u>
Cash Flows from Noncapital Financing Activities:	
Transfers In (Out), net	\$ (113,430)
State Shared Revenue	39,337
Net Repayments By and (Borrowings From) Other Funds	(2,301)
Escrow Deposits Received	6,110
Net Cash Used in Noncapital Financing Activities	<u>\$ (45,369)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Expenditures, net of disposals	\$ (98,119)
Principal Paid on Bonds and Notes	(467,367)
Interest Paid on Bonds and Notes	(305,327)
Interest Income	504
Net Cash Used in Capital and Related Financing Activities	<u>\$ (870,309)</u>
Net Increase in Cash and Cash Equivalents	\$ 174,118
Cash and Cash Equivalents, beginning of year	<u>423,184</u>
Cash and Cash Equivalents, end of year	<u>\$ 597,302</u>
Operating Income	<u>\$ 694,010</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	\$ 388,043
(Increase) Decrease in Accounts Receivable	38,071
(Increase) Decrease in Prepaid Expenses	1,523
Increase (Decrease) in Accounts Payable and Accrued Expenses	(22,306)
Increase (Decrease) in Accrued Payroll	3,496
Increase (Decrease) in Accrued Compensated Absences	(16,282)
Increase (Decrease) in Accrued Other Post-employment Benefits	<u>3,241</u>
Total Adjustments	<u>\$ 395,786</u>
Cash Provided by Operating Activities	<u>\$ 1,089,796</u>

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<u>REVENUES</u>			
Taxes/Special Assessments	\$ 3,930,100	\$ 4,514,868	\$ 584,768
Licenses and Permits	165,300	190,213	24,913
Fines and Forfeits	40,200	31,879	(8,321)
Interest and Rents	18,500	14,805	(3,695)
Intergovernmental	331,600	307,073	(24,527)
Charges for Services	822,800	861,543	38,743
Miscellaneous Revenue	8,500	6,879	(1,621)
Contributions	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$ 5,317,000</u>	<u>\$ 5,927,260</u>	<u>\$ 610,260</u>
<u>EXPENDITURES</u>			
General Government	\$ 527,100	\$ 560,225	\$ (33,125)
Public Safety	2,163,500	2,140,178	23,322
Public Works - Sanitation	677,400	687,922	(10,522)
Public Works - Highways	810,000	688,739	121,261
Culture - Recreation	288,000	285,220	2,780
Interest	73,150	72,855	295
Debt Service	325,250	327,250	(2,000)
Unallocated Employee Benefits and Insurance	513,500	513,424	76
Miscellaneous	<u>9,000</u>	<u>12,136</u>	<u>(3,136)</u>
Total Expenditures	<u>\$ 5,386,900</u>	<u>\$ 5,287,949</u>	<u>\$ 98,951</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (69,900)</u>	<u>\$ 639,311</u>	<u>\$ 511,309</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 3,000	\$ 9,136	\$ 6,136
Transfers In	89,000	116,932	27,932
Transfers Out	(21,100)	(20,100)	1,000
Proceeds of General Long Term Debt	0	0	0
Fiscal Agent Fees	0	0	0
Refunds of Prior Year (Receipts)	(1,000)	(705)	295
Refunds of Prior Year Expenditures/(Receipts)	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ 69,900</u>	<u>\$ 105,263</u>	<u>\$ 35,363</u>
Excess of Revenues and Other Sources			
Over/(Under) Expenditures and Other Uses	<u>\$ 0</u>	<u>\$ 744,574</u>	<u>\$ 546,672</u>
Fund Balances - Unreserved - beginning of year		<u>953,742</u>	
Fund Balances - Unreserved - end of year		<u>\$ 1,698,316</u>	

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Hopewell is a First Class Township that was established under the laws of the Commonwealth of Pennsylvania. The Township operates under a Board of Commissioners and provides services under the Township code in areas such as, public safety, streets, sanitation and recreation, to over 13,000 residents within a 17 square-mile radius.

Hopewell Township's financial statements are prepared 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 (Statement and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before 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, the Township has chosen not to do so. The more significant accounting policies established in GAAP and used by the Township, are discussed below.

B. Basic Financial Statements – Government-Wide Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township's police, parks, public works, recreation and general administrative services are classified as governmental activities. The Township's water and sewer are classified as business-type activities.

The basic financial statements do not include component units because the Township did not have any component units that met the criteria for being discretely presented nor blended.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, public works-sanitation and highway, recreation, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital – specific grants.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises assets, liabilities, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activity categories. Each major fund is presented in a separate column. Non-Major funds 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.

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Township reports the following major governmental funds and fund types:

- a. The General Fund is the Township's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Parks Capital Projects Fund is a Capital Projects Fund which accounts for the accumulation of resources to be used for construction and improvement of the parks within the Township.
- c. The Sewer Capital Projects Fund is a Capital Projects Fund that accounts for the accumulation of resources to be used for construction and improvement of the Township's sewer system.
- d. The General Capital Projects Fund is a Capital Projects Fund which accounts for the accumulation of resources to be used for construction and improvements within areas of the Township other than the sewer system and the parks.
- e. The State Fund is a Special Revenue Fund which accounts for proceeds of state aid for liquid fuels that are legally restricted to expenditures for road related purposes.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Proprietary Fund:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are similar to those applicable to a business in the private sector. There are two types of proprietary funds, enterprise and internal service. The Township has only one proprietary fund.

An enterprise fund is used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues from operations.

- a. The Sewer Fund is an enterprise fund. The majority of the revenues in the Sewer Fund are the result of sewer fees charged to external users / customers. The activities reported in this fund are reported as business-type activities in the government-wide financial statements.

3. Fiduciary Funds:

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

The Township's Financial Statements do not include the Police Pension Trust Fund or the Non-Uniform Employee's Pension Trust Fund as fiduciary funds because these funds were not within the scope of this audit. These are agency funds which are used to account for net position held in a purely custodial capacity for specific other persons or organizations or governments. The audit was limited because it did not include the Police Pension Trust Fund or the Non-Uniform Employee's Pension Trust Fund of Hopewell Township.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures / expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee sick leave, which are recognized when due and payable.

E. Budgetary Process

The Township passed an appropriated General Fund budget for the fiscal year ending December 31, 2012 with revenues and other financing sources totaling \$5,409,000 and expenditures and other financing sources totaling \$5,409,000.

The Township is required by state law to adopt an annual budget. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles ("GAAP").

Although the codes contain somewhat different requirements for boroughs, townships and cities, the following are common elements.

- 1) Projections of revenue estimates and proposed expenditures must be made either by the secretary, department heads or committees of the governing body.
- 2) The minimum financial obligation of the municipality for the following year must be determined by the chief administrative officer of each municipal pension plan and submitted to the governing body by September 30.
- 3) A public meeting of the governing body is held at which the budget for all funds of the municipality is discussed and the proposed budget is prepared.
- 4) After the proposed budget is prepared, it must be advertised. The advertisement should include a statement of where the budget is available for public inspection for a period of at least 20 days, except for townships, which is at least 10 days.
- 5) The governing body must officially adopt a balanced budget before December 31, of the year proceeding the budget year.

All budget appropriations lapse at year-end, unless the Township chooses to utilize encumbrance accounting. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. The Township has not chosen to utilize encumbrance accounting.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 2 – FINANCIAL STATEMENT AMOUNTS

1. Cash and Investments

The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 31, the Township's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

2. Inventories

The inventories of the Township were not material to the financial statements taken as a whole as of December 31, 2012. Therefore, they are not reported.

3. Receivables

All receivables are reported net of estimated uncollectible amounts.

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Township reports all major general infrastructure assets constructed or acquired in fiscal years ending after January 1, 2004, or that received major renovations, restoration, or improvements during that period.

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

All reported capital assets except land and construction in progress are depreciated. The value of land includes all land under Township roads. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Infrastructure	20-50 years	N/A
Buildings and Improvements	10-40 years	N/A
Furniture and Equipment	3-15 years	3-15 years

5. Property Tax Calendar and Revenues

The Township is responsible for levying and collecting property taxes. Taxes are levied on January 1 based on assessed values at the County as of November 15 of the preceding year. Property tax payments are collected during discount, face, and penalty periods (see Note 5 for detailed schedule). Taxes are considered delinquent after their due date (end of face period) and the Board of Commissioners authorizes liens on properties for non-payment as deemed necessary.

6. Compensated Absences

The Township accrues accumulated unpaid sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations.

7. Defining Operating Revenues and Expenses

The Township's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Township's proprietary fund consist of charges for services (including tap fees and system development charges) and the costs of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as non-operating.

8. Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position -- consist of net position that are restricted by the Township's creditors (for example, through debt covenants), by the state enabling legislation (through restriction on shared revenues), by grantors (both federal and state), and be other contributors (including those that might donate to the Township).
- Unrestricted – all other net positions are reported in this category.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Subsequent Events

The Township evaluated its December 31, 2012 financial statements for subsequent events through the date of the Independent Auditor's Report, the date the financial statements were available to be issued. The Township is not aware of additional subsequent events that would require recognition or disclosure in the financial statements.

11. Governmental Fund Balances

The Township reports two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

In addition to the non-spendable fund balance, the Township uses a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, the Board of Commissioners, action to commit funds.

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. As of December 31, 2012, the Board of Commissioners has not given authorization to other personnel to assign portions of the fund balance.

Unassigned – Fund balance of the general fund that is not constrained for any particular purpose.

12. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Township’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Township’s policy is to first apply the expenditures toward restricted fund balances and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

13. Inter-fund Activity

On the balance sheet of fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “due to/from other funds.” These amounts are offset against each other in the governmental and business-type activities columns of the statement of net position, except for amounts due to/from other funds which are not presented in the statement of net position.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Township adheres to state statutes and prudent business practice. Deposits of the governmental funds, which are maintained in demand deposits or highly liquid money market funds, are captioned as “Cash and Cash Equivalents” in the combined balance sheet. Investments in certificate of deposits that exceed the three month time frame, are reported in the investment category using short and long-term classifications as appropriate. There were no deposit or investment transactions noted during the year that were in violation of either the state statutes or the policy of the Township.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. Bank balances up to \$250,000 per bank are insured by the FDIC. Pennsylvania statutes require banks to pledge collateral for Township deposits in excess of \$250,000. The

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 3 - CASH /INVESTMENTS – CONTINUED

Township does not have a policy for custodial credit risk. As of December 31, 2012, \$2,593,915 of the Township’s bank balance of \$2,843,915 (this includes \$180,103 of investments in certificates of deposits) was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 0
Uninsured and collateralized with securities held by financial institution in the Township's name	\$ 0
Uninsured and collateralized with securities held by financial institution but not in the Township's name	\$ 2,593,915

Other Deposits

As of December 31, 2012, the Township had other deposits in the Pennsylvania Local Government Investment Trust (PLGIT) which was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments. The fund has the characteristics of an open-end mutual fund and is not subject to credit risk classification. PLGIT is governed by an elected board of trustees who are responsible for the overall management of the fund. The trustees are elected from the several classes of local governments participating in the fund.

The fund is audited annually by independent auditors. The fund operates in a manner consistent with the SEC’s Rule 2(a) 7 of the Investment Company Act of 1940. The fund uses amortized cost to report net assets to compute share prices. The fund maintains a net asset value of \$1 per share. Accordingly, the fair values of the deposits in PLGIT are the same as the value of PLGIT shares.

As of December 31, 2012, the Township had the following other deposits:

<u>Type</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 34,444
Total	<u>\$ 34,444</u>

Credit Risk- Other Deposits

As of December 31, 2012, the Township’s other deposits were rated as:

Type	Standard & Poor's
PA Local Government Investment Trust	AAA

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 3 - CASH /INVESTMENTS – CONTINUED

Reconciliation to Financial Statements

Uninsured, Collateralized Amount Above	\$ 2,593,915
Insured Amount	250,000
Petty Cash	300
Other Deposits Above	<u>34,444</u>
Carrying Amount - Bank Balances and Investment in CDs	\$ 2,878,659
Less: Outstanding Items	<u>(124,268)</u>
Total Cash and Cash Equivalents and Investment in CDs	<u>\$ 2,754,391</u>

NOTE 4 – ACCOUNTS RECEIVABLE

The Accounts Receivable balances represents the following earned prior to December 31, 2012 and due to Hopewell Township at December 31, 2012:

	<u>General Fund</u>	<u>Sewer Fund</u>
General	\$ 98,531	\$ 0
Refuse (Billed)	76,793	0
Unbilled Waste Collection Services	0	417,681
Billed Waste Collection Services		208,176
Other	<u>95</u>	<u>0</u>
Account Receivable Gross	\$ 175,419	\$ 625,857
Less: Allowance for Doubtful Accounts	<u>0</u>	<u>(2,335)</u>
Accounts Receivable, Net	<u>\$ 175,419</u>	<u>\$ 623,522</u>

As of December 31, 2012, the Township will no longer collect refuse fees on behalf of Waste Management. A three year contract with Waste Management for refuse collection covering the period 1/1/2013 to 12/31/2015 was signed and this contract will include billings and collections by Waste Management. The refuse receivable as of December 31, 2012 contained all billed amounts.

The Township has established allowances for doubtful accounts based on the aging of receivable balances. Although it has established these allowances, the Township continues to aggressively pursue collection of all outstanding balances.

NOTE 5 - PROPERTY TAXES

Based upon assessed valuations provided by the County, the municipal tax collector bills and collects property taxes on behalf of the Township. The schedule for property taxes levied for 2012 is as follows:

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 5 – PROPERTY TAXES – CONTINUED

March	- tax notices mailed
March-April	- 2% discount period
May-June	- face payment period
July until Dec. 31 st	- 10% penalty period
January 1 of year following mailing date	- lien date

The Township tax rate for all purposes in 2012 was 14 mills (\$14 per \$1,000 assessed valuation). Collections on the 2012 Tax Duplicate amounted to \$2,190,976.

As of December 31, 2012, property taxes receivable by the Township includes uncollected taxes assessed as of January 1, 2012 or earlier. It is estimated that a certain collectable percentage (as determined by the delinquent tax collector) of all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected; therefore, property taxes receivable reflect this estimate. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,530,899	\$ 0	\$ 0	\$ 1,530,899
Construction in Progress	0	0	0	0
Total Capital assets, not being depreciated	<u>\$ 1,530,899</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,530,899</u>
Capital assets, being depreciated:				
Building and Building Improvements	\$ 1,397,342	\$ 0	\$ 0	\$ 1,397,342
Machinery and Equipment	1,683,754	51,230	24,450	1,710,534
Infrastructure	2,819,628	180,130	0	2,999,758
Total capital assets, being depreciated	<u>\$ 5,900,724</u>	<u>\$ 231,360</u>	<u>\$ 24,450</u>	<u>\$ 6,107,634</u>
Governmental activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 831,104	\$ 55,100	\$ 0	\$ 886,204
Machinery and Equipment	982,337	111,139	21,525	1,071,951
Infrastructure	280,584	61,796	0	342,380
Total Accumulated Depreciation	<u>\$ 2,094,025</u>	<u>\$ 228,035</u>	<u>\$ 21,525</u>	<u>\$ 2,300,535</u>
Capital assets, being depreciated, net	<u>\$ 3,806,699</u>	<u>\$ 3,325</u>	<u>\$ 2,925</u>	<u>\$ 3,807,099</u>
Governmental activities capital assets, net	<u>\$ 5,337,598</u>	<u>\$ 3,325</u>	<u>\$ 2,925</u>	<u>\$ 5,337,998</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 6 – CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 90,138	\$ 0	\$ 0	\$ 90,138
Construction in Progress	<u>63,144</u>	<u>110,019</u>	<u>0</u>	<u>173,163</u>
Total Capital assets, not being depreciated	<u>\$ 153,282</u>	<u>\$ 110,019</u>	<u>\$ 0</u>	<u>\$ 263,301</u>
Capital assets, being depreciated:				
Building and Building Improvements	\$ 2,086,755	\$ 0	\$ 0	\$ 2,086,755
Machinery and Equipment	539,559	0	0	539,559
Infrastructure	<u>17,591,614</u>	<u>0</u>	<u>0</u>	<u>17,591,614</u>
Total capital assets, being depreciated	<u>\$ 20,217,928</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,217,928</u>
Business-type activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 2,009,976	\$ 6,398	\$ 0	\$ 2,016,374
Machinery and Equipment	397,638	29,813	0	427,451
Infrastructure	<u>5,336,421</u>	<u>351,832</u>	<u>0</u>	<u>5,688,253</u>
Total Accumulated Depreciation	<u>\$ 7,744,035</u>	<u>\$ 388,043</u>	<u>\$ 0</u>	<u>\$ 8,132,078</u>
Capital assets, being depreciated, net	<u>\$ 12,473,893</u>	<u>\$ (388,043)</u>	<u>\$ 0</u>	<u>\$ 12,085,850</u>
Business-type activities capital assets, net	<u>\$ 12,627,175</u>	<u>\$ (278,024)</u>	<u>\$ 0</u>	<u>\$ 12,349,151</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities:	
General Government	\$ 26,826
Public Safety	34,265
Highways and Streets	161,185
Parks and Recreation	<u>5,759</u>
Total Depreciation expense, Governmental Activities:	<u>\$ 228,035</u>
Business-Type Activities:	
Sewer	<u>\$ 388,043</u>
Total Depreciation expense, Business-Type Activities:	<u>\$ 388,043</u>
Total Depreciation expense, Governmental and Business-Type Activities:	<u><u>\$ 616,078</u></u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 7 – LONG-TERM DEBT

Long-term liability for the year ended December 31, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable	\$ 2,306,433	\$ 0	\$ (249,285)	\$ 2,057,148	\$ 244,128
Obligations under capital leases	<u>89,545</u>	<u>0</u>	<u>(77,965)</u>	<u>11,580</u>	<u>11,580</u>
Total governmental activity long-term liabilities	<u>\$ 2,395,978</u>	<u>\$ 0</u>	<u>\$ (327,250)</u>	<u>\$ 2,068,728</u>	<u>\$ 255,708</u>
Business-type activities:					
Bonds Payable	\$ 4,881,570	\$ 0	\$ (63,000)	\$ 4,818,570	\$ 68,400
Notes Payable	5,173,286	0	(395,417)	4,777,869	406,670
Obligations under capital leases	<u>8,950</u>	<u>0</u>	<u>(8,950)</u>	<u>0</u>	<u>0</u>
Total business-type activity long-term liabilities	<u>\$ 10,063,806</u>	<u>\$ 0</u>	<u>\$ (467,367)</u>	<u>\$ 9,596,439</u>	<u>\$ 475,070</u>

NOTE 8 – BONDS PAYABLE

General Obligation Bonds, Series of 2009

During 2009, the Township issued \$1,215,000 of its General Obligation Bonds, Series of 2009 bearing interest at rates from 2% to 4%. The Bonds were issued to provide funds for the Township's road improvements program and for the payment of all costs and expenses related to the issuance of the Bonds. Future estimated principal and interest payments for the 2009 bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 20,000	\$ 41,235	\$ 61,235
2014	20,000	40,635	60,635
2015	20,000	40,035	60,035
2016	240,000	35,835	275,835
2017-2020	<u>855,000</u>	<u>56,803</u>	<u>911,803</u>
	<u>\$ 1,155,000</u>	<u>\$ 214,543</u>	<u>\$ 1,369,543</u>

General Obligation Bonds, Series A of 2011

During 2011, the Township issued \$1,131,433, of its General Obligation Refunding Bonds, Series A 2011 bearing interest rates from 2.3% to 2.5%. The bond proceeds were used to redeem the

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 8 – BONDS PAYABLE - CONTINUED

Township’s General Obligation Bonds, Series of 2004, to pay the costs of issuing the 2011 Bonds and to pay off the 2011 General Obligation Note. Future estimated principal and interest payments for the 2011 Series A bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 224,128	\$ 18,639	\$ 242,767
2014	234,128	13,306	247,434
2015	239,128	7,792	246,920
2016	34,128	4,807	38,935
2017	34,128	3,928	38,056
2018-2021	<u>136,508</u>	<u>7,066</u>	<u>143,574</u>
	<u>\$ 902,148</u>	<u>\$ 55,538</u>	<u>\$ 957,686</u>

General Obligation Bonds, Series B of 2011 (Proprietary Fund)

During 2011, the Township issued \$4,881,570, of its General Obligation Refunding Bonds, Series B 2011 bearing interest rate of 3.35%. The bond proceeds were used to redeem the Township’s General Obligation Bonds, Series of 2006 and to pay the costs of issuing the 2011 bonds. Future estimated principal and interest payments for the 2011 Series B bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 68,400	\$ 162,598	\$ 230,998
2014	68,700	160,270	228,970
2015	73,200	157,866	231,066
2016	72,600	155,817	228,417
2017	72,300	152,928	225,228
2018-2022	491,100	722,955	1,214,055
2023-2027	3,026,796	440,382	3,467,178
2028-2029	<u>945,474</u>	<u>22,695</u>	<u>968,169</u>
	<u>\$ 4,818,570</u>	<u>\$ 1,975,511</u>	<u>\$ 6,794,081</u>

NOTE 9 – NOTES PAYABLE

PENNVEST Loan – #71178 - 2001 (Proprietary Fund)

During 2001, the Township entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority (PENNVEST) for the purpose of making improvements to the Township’s sewer system. The original amount of the approved loan was \$1,147,000 and \$1,092,641 in loan proceeds have actually been received by the Township. The outstanding principal amount at

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 9 – NOTES PAYABLE - CONTINUED

December 31, 2012 is \$541,161. The loan bears interest at an annual rate of 1.522% through November 2006 and 3.045% for the remainder of the term ending November 2021. Interest in the amount of \$17,341 was paid in 2012. Future principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 53,645	\$ 15,734	\$ 69,379
2014	55,302	14,077	69,379
2015	57,009	12,370	69,379
2016	58,770	10,609	69,379
2017	60,585	8,195	68,780
2018-2021	<u>255,850</u>	<u>15,884</u>	<u>271,734</u>
	<u>\$ 541,161</u>	<u>\$ 76,869</u>	<u>\$ 618,030</u>

PENNVEST Loan – #71154 - 2002 (Proprietary Fund)

During 2002, the Township entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority (PENNVEST) for the purpose of making improvements to the Township’s sewer system. The original amount of the loan was \$6,000,000. In November 2004, the approved loan amount was increased to \$6,568,324. The outstanding principal amount at December 31, 2012 is \$3,720,614. The loan bears interest at an annual rate of 1.387% for the first 60 months and 2.774% for the remainder of the 20-year term. Interest in the amount of \$107,881 was paid in 2012. Future principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 318,267	\$ 99,183	\$ 417,450
2014	327,209	90,241	417,450
2015	336,402	81,048	417,450
2016	345,853	71,597	417,450
2017	355,570	61,880	417,450
2018-2022	1,933,432	153,821	2,087,253
2023	<u>103,881</u>	<u>481</u>	<u>104,362</u>
	<u>\$ 3,720,614</u>	<u>\$ 558,251</u>	<u>\$ 4,278,865</u>

PENNVEST Loan #71301– 2004 (Proprietary Fund)

During 2004, the Township entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority (PENNVEST) for the purpose of making improvements to the Township’s sewer system. The original amount of the loan was \$770,000. The outstanding principal amount

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 9 – NOTES PAYABLE - CONTINUED

at December 31, 2012 is \$516,094. The loan bears interest at an annual rate of 1.387% for 71 months and 2.774% for 180 months. Interest in the amount of \$14,827 was paid in 2012. Future principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 34,758	\$ 13,877	\$ 48,635
2014	35,735	12,900	48,635
2015	36,738	11,897	48,635
2016	37,771	10,864	48,635
2017	38,832	9,803	48,635
2018-2022	211,151	32,023	243,174
2023-2025	121,109	4,531	125,640
	<u>\$ 516,094</u>	<u>\$ 95,895</u>	<u>\$ 611,989</u>

NOTE 10 – LEASES PAYABLE

Governmental Activity Leases

During 2010, the Township entered into a \$22,483 capital lease agreement for the acquisition of a 2010 Ford Explorer for the Police Department. The lease includes an interest rate of 10.67% and requires three annual payments of \$8,265 beginning in May 2010. This lease was paid in full as of December 31, 2012 and the Township purchased the vehicle for \$1.

During 2010, the Township entered into a \$179,990 capital lease agreement for the acquisition of a 2010 Street Sweeper for the Road Department. The lease includes an interest rate of 7.0827% and requires three annual payments of \$64,145 beginning in April 2010. This lease was paid in full as of December 31, 2012 and the Township purchased the vehicle for \$1.

During 2011, the Township entered into a \$34,834 capital lease agreement for the acquisition of a 2012 Ford Explorer for the Police Department. The lease includes an interest rate of 5.45% and requires three annual payments of \$12,660 beginning in December 2011. At the end of the term of the lease, the Township may purchase the vehicle for \$1. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 11,580	\$ 1,080	\$ 12,660
	<u>\$ 11,580</u>	<u>\$ 1,080</u>	<u>\$ 12,660</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 10 – LEASES PAYABLE - CONTINUED

Business-type Activity Leases

During 2010, the Township entered into a \$26,889 capital lease agreement for the acquisition of a 2010 Chevy Silverado for the sewer department. The lease includes an interest rate of 6.859% and requires three annual payments of \$9,563 beginning in March 2010. This lease was paid in full as of December 31, 2012 and the Township purchased the vehicle for \$1.

NOTE 11 – OPERATING LEASES

During March of 2011, the Township entered into an operating lease for a copy machine used in their offices. The following is a schedule by years of future minimum lease payments required under the leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2012:

2013	\$ 5,400
2014	5,400
2015	5,400
2016	<u>1,350</u>
Total Future Minimum Payments Required	<u>\$ 17,550</u>

Total rental expense for 2012 was approximately \$5,400

NOTE 12 – COMPENSATED ABSENCES / OTHER POST EMPLOYMENT BENEFITS

Compensated Absences:

Township employees accumulate unused sick leave based upon the applicable contract the employee falls under. Union clerical employees can accumulate up to a maximum of 120 days and are paid at a rate of \$25 per day at retirement. School guards can accumulate up to a maximum of 75 days and are paid out between \$11.50 and \$13 per day based upon the accumulated total. Police officers can accumulate up to a maximum of 120 days and are paid out a rate of \$100 per day at retirement, while public works employees can accumulate up to a maximum of 120 days and are paid out at a rate of \$50 per day at retirement. Earned vacation time is generally required to be used within the year of accrual, with few exceptions being made, and only then per Board approval. The liability for compensated absences is conservatively calculated based on the number of days accrued and the employee's current daily pay rate. As of December 31, 2012, the liability for accrued sick leave is \$559,564 including \$109,849 applicable to employees of the proprietary fund and \$449,715 applicable to other employees.

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 12 – COMPENSATED ABSENCES / OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Other Post Employment Benefits:

The Township does not provide any post-employment health benefits to its employees, except in instances where early-retirement incentive programs are offered. Currently, the Township only has one retiree receiving health benefits under such an agreement and there are no plans to offer this incentive to others as of December 31, 2012. Because there was only one retiree involved and no active employees will be receiving post-employment benefits, no actuarial study was performed regarding the Township's liability for other post-employment benefits. The Township estimated its future liability related to this retiree based on the current premium rates in effect and the term of the retiree's agreement which expires in 2014. The general fund liability for future benefits to be paid to the retiree is estimated to be \$36,110 at December 31, 2012.

The Township also provides termination benefits to all employees who qualify to retire. All such employees receive life insurance coverage of \$5,000 or \$15,000, depending on employee category, when they begin retirement. Upon retirement, monthly premiums for this life insurance coverage are paid by the Township for the remainder of the retiree's life. The Township has estimated its liability for future life insurance premium payments based on its current roster of full-time employees, their anticipated date of retirement at age 62 and the current premium rates in effect. An average life expectancy for all individuals was assumed to be 80 years. The present value of these future payments was calculated using a discount rate of 3%. In addition to the life insurance, police officers are entitled to a termination benefit of \$2,500 when they begin retirement. The Township has established a liability for these payments based on its current roster of eligible police officers. The present value of these future payments was calculated using a discount rate of 3%. The general fund liability for these future benefits to be paid to the retirees is estimated to be \$28,123 while the Sewer Fund liability is estimated to be \$4,806 at December 31, 2012.

NOTE 13- PENSION PLANS

Hopewell Township's non-uniform pension plan is a single-employer defined benefit pension plan. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system. The Auditor General for Pennsylvania is responsible for periodically auditing this fund. Financial statements are available from the Township for the year ended December 31, 2012.

The Hopewell Township Police Pension Plan is a single-employer defined benefit pension plan established on September 12, 1955 and amended and restated by ordinance no. 98-104 on July 28, 1998. The plan provides retirement, disability and death benefits to the Township's regular full-time police officers and their beneficiaries and is governed by the Board of Township Commissioners which is responsible for the management of plan assets. The Board of Township Commissioners has delegated the authority to manage certain plan assets to Wachovia Securities. Financial information on this plan is available from the Township.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 14- DEBT ISSUE COSTS

Financing costs, including legal fees, bond discounts and expenses incurred in issuance of debt for various general and proprietary fund projects are capitalized as deferred financing costs and included in noncurrent assets. These costs are being amortized over the term of the note or bond issue to which they related. Net unamortized debt issue costs as of December 31, 2012 were \$79,575 in the governmental activities.

NOTE 15 – INTER-FUND TRANSACTIONS

Inter-fund Receivables/Payables

All inter-fund balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers

Transfers are indicative of funding for capital projects and re-allocations of special and other revenues. The following schedule briefly summarizes the Township’s transfer activity:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General	Non-Major Fund	\$ 20,100	To transfer funds to the Capital Fund for future capital expenditures
Proprietary	General	\$ 92,684	To reimburse the General Fund for payments made on behalf of the Sewer Fund
Non-Major	General	\$ 24,248	To transfer funds from Non-Major State Fund to the General Fund for payments made relating to a vehicle
Proprietary	Non-Major Fund	\$124,915	To transfer funds to the Sewer Capital Projects Fund for capital items
Non-Major	Proprietary Fund	\$116,069	To reimburse the Sewer Fund for payments made on behalf of the Sewer Capital Projects

NOTE 16– RISK MANAGEMENT

General Liability Risk Management:

The Township participates as a member of the Pennsylvania Intergovernmental Risk Management Association (PIRMA) to address risks associated with comprehensive liability and property coverage. PIRMA differs from traditional insurance programs in the fact that PIRMA is owned

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 16- RISK MANAGEMENT - CONTINUED

by its members and serves only its members' interests. This governmental entity pool consists of approximately 600 members and provides claims handling for property and casualty claims, helps obtain stable costs for coverage specific to Pennsylvania governmental entities and develops comprehensive, customized loss control services. The Township signed an intergovernmental contract where the funding requirement for each member of the pool is equal to the estimated cash outflow of the pool related to the Township on an annual basis.

There were no significant reductions in the level of insurance coverage compared to the coverage in the prior year.

Additional information regarding the pool can be found on PIRMA's website, www.pirma.org. PIRMA has an annual audit done in accordance with GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements as applicable.

Dental and Vision Risk Management:

For its health, dental and vision insurance, the Township participates as a member of the Municipal Employers Insurance Trust (MEIT). MEIT was formed in 1968 for the purpose of providing certain benefits for eligible employers (any municipality, municipal authority, association of municipal employees of any city, town, township or borough of the Commonwealth of Pennsylvania) and those employers who may later become eligible. MEIT acts as an agent for the eligible employers by collecting the insurance premiums and remitting the premiums to the various insurance providers. The Township pays a monthly premium to MEIT for its medical, dental and vision insurance.

The trust agreement provides that MEIT will be self-sustaining through employer contributions sufficient to pay all insurance premiums from commercial insurance carriers and all administrative costs of MEIT.

The Township may withdraw from MEIT by giving 30 days' notice. The trust was established solely for the purpose of administering, holding and maintaining insurance policies and other agreements related to the provision of benefits. Therefore, the Township has no right, title or interest in the Trust Fund and it has no right to the return of any monies paid into the Trust Fund.

Health Risk Management:

For its health insurance, the Township participates as a member of the Teamsters #261 & Employers Welfare Fund (Welfare Fund). The Welfare Fund was formed in 1950 for the purposes of providing certain benefits for eligible employers (who are parties to collective bargaining agreements with any union) and is an exempt organization under Internal Revenue Code Section 501(c)(9). The Welfare Fund acts as an agent for the eligible employers by collecting the insurance premiums and remitting the premiums to the various insurance providers. The

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 16 – RISK MANAGEMENT - CONTINUED

Township pays premiums to Welfare Fund for its medical insurance in accordance with collective bargaining agreements between the employers and Teamsters Local Union No. 261. The Insurance companies are paid to administer the plan.

The trust agreement provides that the Welfare Fund will be self-sustaining through employer and retiree contributions sufficient to pay all insurance premiums from commercial insurance carriers and all administrative costs of the Welfare Fund.

The Township may withdraw from the Welfare Fund by giving 30 days' notice. The trust was established solely for the purpose of administering, holding and maintaining insurance policies and other agreements related to the provision of benefits. Therefore, the Township has no right, title or interest in the Trust Fund and it has no right to the return of any monies paid into the Trust Fund.

Workers Compensation Risk Management:

For its workers compensation insurance coverage, the Township participates in the Municipal Risk Management Workers' Compensation Pooled Trust, a public entity risk pool operated for the benefit of 202 cities, municipalities, boroughs, townships and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1933 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease Act of each and every participant in the Trust. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The Trust purchases excess insurance coverage with statutory limits. The retention for this coverage is \$500,000 per occurrence. There were no significant changes in the levels of insurance coverage compared to the prior year. Political subdivisions joining the Trust must remain members for a minimum of four years. A member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any assets of the Trust. Estimates of any additional assessments are unknown.

NOTE 17 – RELATED PARTIES

In the ordinary course of business, the Township has and expects to continue to have transactions with individuals who may be related to its employees or elected officials. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the Township.

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 18– NEW PRONOUNCEMENTS

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was implemented by the Township effective January 1, 2012. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

OTHER FINANCIAL INFORMATION

HOPEWELL TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

AS OF DECEMBER 31, 2012

	<u>Parks Capital Projects Fund</u>	<u>Sewer Capital Projects Fund</u>	<u>General Capital Projects Fund</u>	<u>State Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 1,740	\$ 557,514	\$ 12,937	\$ 31,092	\$ 603,283
Investments	80,046	0	100,057	0	180,103
Total Assets	<u>\$ 81,786</u>	<u>\$ 557,514</u>	<u>\$ 112,994</u>	<u>\$ 31,092</u>	<u>\$ 783,386</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 15,445	\$ 15,445
Due to other funds	0	0	0	18,107	18,107
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,552</u>	<u>\$ 33,552</u>

Fund Balances:

Committed	\$ 81,786	\$ 0	\$ 112,994	\$ 0	\$ 194,780
Assigned	0	557,514	0	0	557,514
Unassigned	0	0	0	(2,460)	(2,460)
Total Fund Balance	<u>\$ 81,786</u>	<u>\$ 557,514</u>	<u>\$ 112,994</u>	<u>\$ (2,460)</u>	<u>\$ 749,834</u>
Total Liabilities and Fund Balances	<u>\$ 81,786</u>	<u>\$ 557,514</u>	<u>\$ 112,994</u>	<u>\$ 31,092</u>	<u>\$ 783,386</u>

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENT FUNDS

YEAR ENDED DECEMBER 31, 2012

	<u>Parks Capital Projects Fund</u>	<u>Sewer Capital Projects Fund</u>	<u>General Capital Projects Fund</u>	<u>State State Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>REVENUES</u>					
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 295,499	\$ 295,499
Interest, Rents and Royalties	154	825	170	25	1,174
Total Revenues	<u>\$ 154</u>	<u>\$ 825</u>	<u>\$ 170</u>	<u>\$ 295,524</u>	<u>\$ 296,673</u>
<u>EXPENDITURES</u>					
Public Works-Highways	\$ 0	\$ 0	\$ 0	\$ 264,174	\$ 264,174
Culture-Recreation	0	0	0	0	0
Total Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 264,174</u>	<u>\$ 264,174</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 154</u>	<u>\$ 825</u>	<u>\$ 170</u>	<u>\$ 31,350</u>	<u>\$ 32,499</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ 0	\$ 124,915	\$ 20,100	\$ 0	\$ 145,015
Transfers (Out)	0	(116,069)	0	(24,248)	(140,317)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 8,846</u>	<u>\$ 20,100</u>	<u>\$ (24,248)</u>	<u>\$ 4,698</u>
Net change in Fund balances	\$ 154	\$ 9,671	\$ 20,270	\$ 7,102	\$ 37,197
Fund Balances, beginning of year	<u>81,632</u>	<u>547,843</u>	<u>92,724</u>	<u>(9,562)</u>	<u>712,637</u>
Fund Balances, end of year	<u>\$ 81,786</u>	<u>\$ 557,514</u>	<u>\$ 112,994</u>	<u>\$ (2,460)</u>	<u>\$ 749,834</u>

See Accompanying Notes to Financial Statements