

**HOPEWELL TOWNSHIP
ALIQUIPPA, PENNSYLVANIA
DECEMBER 31, 2009**

AUDIT REPORT

HOPEWELL TOWNSHIP
ALIQUIPPA, PENNSYLVANIA
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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
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, as of and for the year ended December 31, 2009, which collectively comprise Hopewell Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hopewell Township's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audits were limited, because we did not audit the uniform or non-uniform Pension accounts of Hopewell Township. The financial statements referred to above do not include financial data of the Police Pension accounts and, accordingly, we do not express an opinion on the Police Pension accounts.

In our opinion, except for the omission of the information discussed in the preceding 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, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i to xviii and the budgetary comparison information on page 12, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopewell Township's basic financial statements. The combining and individual non-major fund financial statements, beginning on page 37, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COTTRILL, ARBUTINA & ASSOCIATES, P.C.
Certified Public Accountants

Cottrill Arbutina & Associates, PC

New Brighton, PA 15066
June 25, 2010

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

DECEMBER 31, 2009

Required Supplementary Information (RSI)

The discussion and analysis of Hopewell Township's financial performance provides a narrative overview of the Township's financial activities and performance for the fiscal year ended December 31, 2009. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance.

The Management's Discussion and Analysis (MD & A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year and the prior year is required to be presented in the MD & A.

FINANCIAL HIGHLIGHTS

- The Township's adjusted overall net assets increased by \$189,378 (3%). The governmental net assets increased by \$121,504 (4%) and the adjusted business-type net assets increased by \$67,874 (2%).
- The General Fund (the primary operating fund), reflected on a current financial resource basis, reports a decrease in fund balance of \$57,136 compared to a decrease of \$126,263 in 2008.
- The December 31, 2009 net outstanding debt of the Township was \$13,394,418. This represented an increase of \$749,660 from the same date in 2008. The increase was caused by the issuance of the 2009 general obligation bonds.

USING THE ANNUAL FINANCIAL AUDIT REPORT

The annual financial audit report consists of the Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Hopewell Township as an entire operating entity.

The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These statements are intended to provide readers with a broad overview of the Township's finances. The statement of net assets presents information on all of the Township's assets and liabilities. The difference between the Township's assets and liabilities is reported as the Township's net assets. An increase or decrease in net assets is a financial indicator that, if tracked over a period of time, can be a measure of the financial condition of the Township. To assess the overall health of the Township, you need to consider additional non-financial factors, such as changes in the Township's property tax base and the services provided to the residents.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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The statement of activities provides information on how the Township's net assets have changed during the year. The changes in net assets are reported immediately when the underlying event giving rise to the change occurs, regardless of the timing of the actual cash receipt or disbursement related to the event. Because of this, some items may be reported in the statement of activities that will result in cash flows to the Township at some future date. For example, taxes that are levied but not yet collected at year-end are included in the statement of activities.

It is customary to distinguish between governmental activities and business-type activities in the government-wide financial statements. Governmental activities are those Township functions that are supported primarily by tax dollars and intergovernmental revenues. Governmental activities commonly include services such as administration, police, fire, public works and recreation. Business-type activities are those that are funded through fees and charges. These activities would include municipal services such as solid waste collection, sewage treatment, public water or other municipality-owned utilities. Hopewell Township provides sewage treatment to its residents and it bills its customers for this service. Therefore, the government-wide financial statements include information on both governmental and business-type activities.

The government-wide financial statements are required to include financial information on the primary governmental unit and on any other component unit for which the primary governmental unit is financially responsible. For example, a Township (the primary governmental unit) would include a water authority as a component unit if the Township established the user rates and guaranteed the authority's bonds. Hopewell Township is not responsible for other organizations and, therefore, no information on component units is included in its financial statements.

The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. A "fund" is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Certain funds are required to exist to comply with the requirements of the Commonwealth of Pennsylvania. The funds used by Hopewell Township are divided into three general categories: governmental funds, proprietary funds and fiduciary funds. Governmental funds are used to account for the same types of functions reported as "governmental activities" in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund statements focus on near-term financial activities. Governmental fund statements report information on revenues and expenditures throughout the year as well as the balances of available resources at the end of the year. This provides the reader of the financial statements with information to evaluate the Township's short-term financial activities. They 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 in a short period of time. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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For Hopewell Township, the Police Pension Fund is a fiduciary fund. However, the pension fund was not included in the scope of this audit and this fund is not included in this report.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

By viewing information contained in the government-wide financial statements in conjunction with information contained in the governmental fund statements, the reader can gain an appreciation of the impact of near-term financial activities on the long-term financial condition of the Township. The financial statements include reconciliations (pages 6 and 8) to facilitate the comparison between governmental funds and governmental activities.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

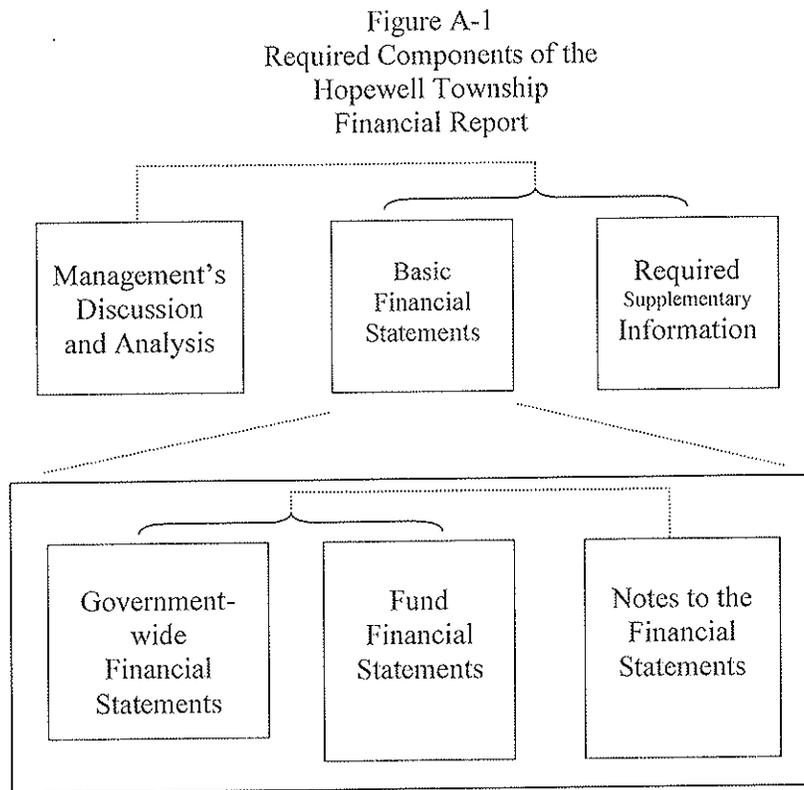


Figure A-2 summarizes the major features of the Township's financial statements, including the portion of the Township they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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Figure A-2 Major Features of Hopewell Township's Government-wide and Fund Financial Statements				
		Fund Statements		
	Government- wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary, such as public safety, general government and public works	Activities the Township operates similar to private business – Sewer Fund	Not Presented
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Not Presented
Accounting basis and measure- ment focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Not Presented
Type of asset/liability information	All assets and liabilities, both financial and capital, and short- term and long- term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	Not Presented
Type of inflow- outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	Not Presented

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2009

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The following table reflects the condensed Statement of Net Assets compared to the prior year.

Table A-1
Fiscal Year ended December 31, 2009
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 1,547,080	\$ 1,428,950	\$ 668,535	\$ 1,529,901	\$ 2,215,615	\$ 2,958,851
Capital assets	5,014,325	3,854,930	13,309,194	12,770,359	18,323,519	16,625,289
Other noncurrent assets	131,479	54,925	271,403	274,435	402,882	329,360
Total assets	<u>\$ 6,692,884</u>	<u>\$ 5,338,805</u>	<u>\$ 14,249,132</u>	<u>\$ 14,574,695</u>	<u>\$ 20,942,016</u>	<u>\$ 19,913,500</u>
Current and other liabilities	\$ 569,170	\$ 427,015	\$ 512,169	\$ 490,460	\$ 1,081,339	\$ 917,475
Long-term liabilities	2,738,247	1,647,827	10,565,313	10,980,459	13,303,560	12,628,286
Total liabilities	<u>\$ 3,307,417</u>	<u>\$ 2,074,842</u>	<u>\$ 11,077,482</u>	<u>\$ 11,470,919</u>	<u>\$ 14,384,899</u>	<u>\$ 13,545,761</u>
Net assets						
Invested in capital assets, net of related debt	\$ 1,996,193	\$ 2,000,608	\$ 2,419,169	\$ 1,488,937	\$ 4,415,362	\$ 3,489,545
Restricted for:						
Special Revenue Fund	61,432	91,146	0	0	61,432	91,146
Unrestricted	1,327,842	1,172,209	752,481	1,614,839	2,080,323	2,787,048
Total net assets	<u>\$ 3,385,467</u>	<u>\$ 3,263,963</u>	<u>\$ 3,171,650</u>	<u>\$ 3,103,776</u>	<u>\$ 6,557,117</u>	<u>\$ 6,367,739</u>

At December 31, 2009, Hopewell Township's total assets were \$20,942,016. Of this amount, \$18,323,519 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, 2008 were \$19,913,500.

Historically, infrastructure assets (roads, bridges, storm sewers, etc.) were not reported or depreciated in governmental financial statements. However, GASB 34 required all capital assets, including infrastructure assets, to be valued and reported within the governmental activities column of the government-wide financial statements. Prospective reporting of infrastructure assets is allowed under GASB 34 for smaller municipalities. Hopewell Township elected to report on infrastructure on a prospective basis and began doing so in 2004.

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

DECEMBER 31, 2009

As noted above, most of the Township's net assets are invested in capital assets (buildings, land, infrastructure and equipment). The remaining net assets are comprised of restricted and unrestricted amounts. The restricted balance represents amounts generated for specific purpose funds (State Liquid Fuels monies). 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, 2009 and 2008
 Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
REVENUES						
Program revenues:						
Charges for services	\$ 842,225	\$ 820,553	\$ 2,631,596	\$ 2,439,427	\$ 3,473,821	\$ 3,259,980
Operating grants and contributions	560,538	579,567	43,892	57,994	604,430	637,561
Capital grants and contributions	0	20,652	0	0	0	20,652
General revenues:						
Property taxes	1,738,618	1,611,318	0	0	1,738,618	1,611,318
Other taxes	1,645,089	1,570,196	0	0	1,645,089	1,570,196
Other	425,707	293,773	(130,155)	55,086	295,552	348,859
Total revenues	<u>\$ 5,212,177</u>	<u>\$ 4,896,059</u>	<u>\$ 2,545,333</u>	<u>\$ 2,552,507</u>	<u>\$ 7,757,510</u>	<u>\$ 7,448,566</u>

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2009

Table A-2 – Continued

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
EXPENSES						
General Government	\$ 539,742	\$ 540,621	\$ 0	\$ 0	\$ 539,742	\$ 540,621
Public Safety	1,815,893	1,711,482	0	0	1,815,893	1,711,482
Public Works - Sanitation	645,303	557,542	0	0	645,303	557,542
Public Works - Highways	941,173	974,299	0	0	941,173	974,299
Culture-Recreation	271,520	236,652	0	0	271,520	236,652
Interest on long-term debt	70,302	51,575	0	0	70,302	51,575
Unallocated amortization	7,155	6,945	0	0	7,155	6,945
Unallocated Employee Benefits	786,634	737,238	0	0	786,634	737,238
Miscellaneous	12,951	12,218	0	0	12,951	12,218
Sewer System	<u>0</u>	<u>0</u>	<u>2,477,459</u>	<u>2,576,396</u>	<u>2,477,459</u>	<u>2,576,396</u>
Total expenses	<u>\$ 5,090,673</u>	<u>\$ 4,828,572</u>	<u>\$ 2,477,459</u>	<u>\$ 2,576,396</u>	<u>\$ 7,568,132</u>	<u>\$ 7,404,968</u>
Increase (decrease) in net assets	<u>\$ 121,504</u>	<u>\$ 67,487</u>	<u>\$ 67,874</u>	<u>\$ (23,889)</u>	<u>\$ 189,378</u>	<u>\$ 43,598</u>

Revenue Sources:

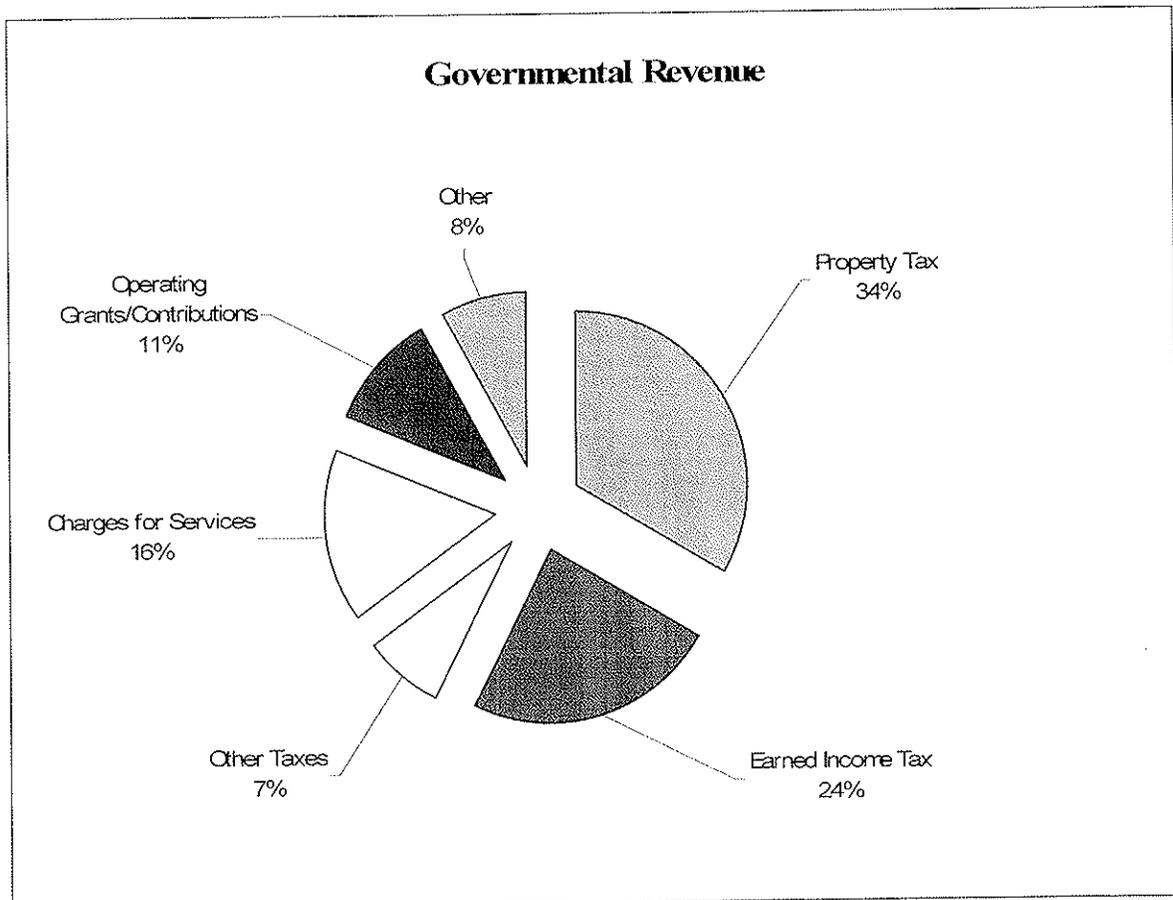
Total government-wide revenues of \$7,757,510 were derived primarily from taxes. In 2009, Hopewell Township earned \$3,383,707 in taxes compared to \$3,181,514 in 2008. Tax revenues accounted for 65% and 65% of total revenues in 2009 and 2008, respectively. Of the taxes levied, the real estate tax and the earned income tax are the most significant. In 2009, Real estate tax accounted for \$1,738,618 or 51% of the taxes levied for general government purposes compared to \$1,611,318 or 51% in 2008. 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 2009 was \$ 160,839,182 compared to \$159,771,930 in 2008. In 2009 and 2008, an 11 mills tax (1.1%) was levied for total governmental purposes.

Earned income tax accounted for \$1,261,257 or 37% of the taxes levied for general government purposes compared to \$1,227,129 in 2008. The earned income tax is a one-half percent (0.5%) tax levied on wages earned by residents of the Township. Local Services Tax (LST) revenue increased approximately \$54,000 from 2008. In 2009, the annual amount is withheld at a rate of \$1 per week for 52 weeks.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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Charges for Services 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 increased to \$842,225 in 2009 from \$820,553 in 2008. This increase relates to the increase in refuse customer rates for 2009.

The following chart graphically depicts the government-wide sources of governmental activities revenue for the fiscal year ended December 31, 2009:



Program Expenses:

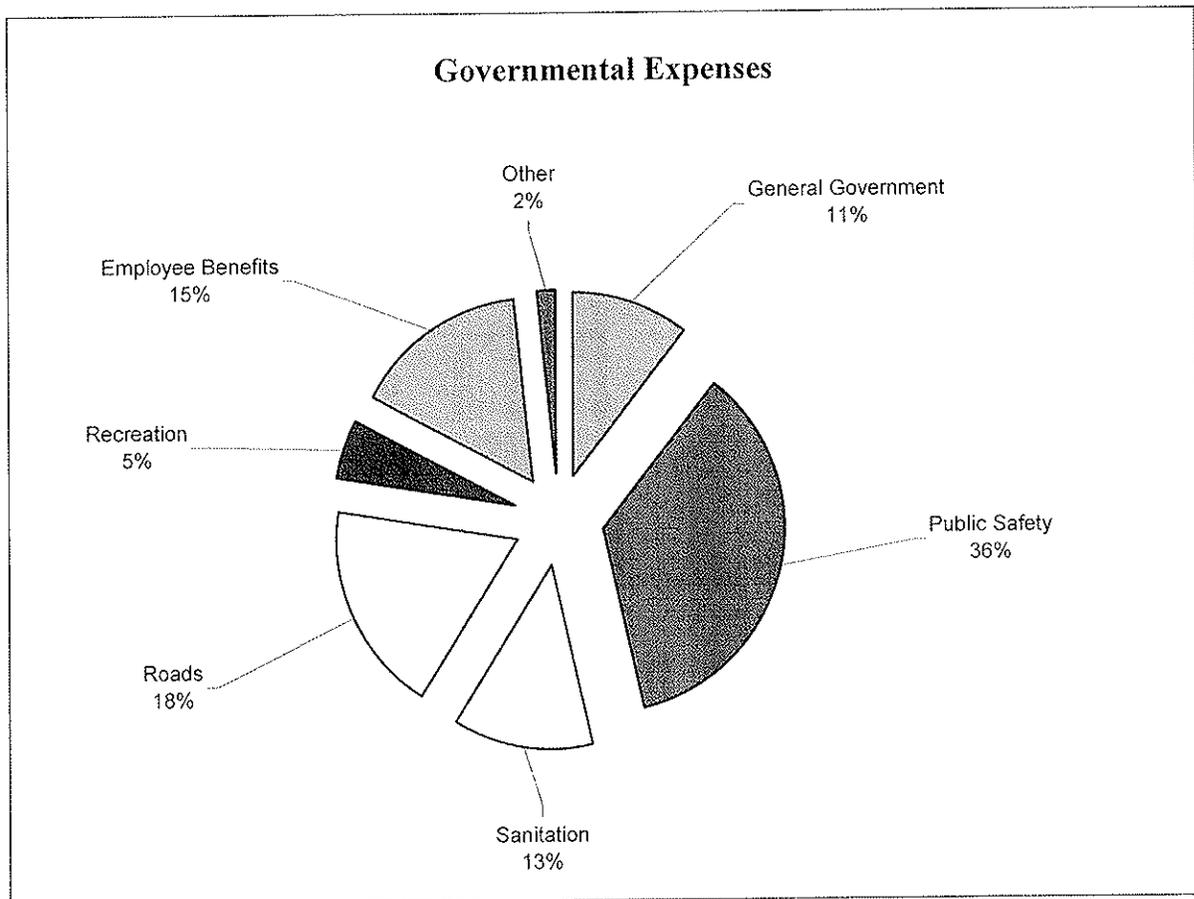
Program expenses reflect the delivery of a wide range of services by the Township to its residents with the largest portion of the expenditures being for public safety (36%). Other significant areas of program expenses include public works-roads (18%) which represents the cost of road maintenance and repair and employee benefits and insurance (15%) representing the costs of fringe benefits provided to Township employees working in all departments.

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

DECEMBER 31, 2009

Total Expenses for all governmental activity programs in 2009 was \$5,090,673, which represented an increase of \$262,101 over the \$4,828,572 recognized in 2008. The increase primarily reflects increased expenses in public safety (personnel and repairs) and employee benefits.

The following chart graphically depicts the government-wide expenditures for various programs of governmental activities for the fiscal year ended December 31, 2009:



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)

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Table A-3
Fiscal Years ended December 31, 2009 and 2008
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Government	\$ 539,742	\$ 540,621	\$ 391,016	\$ 389,081
Public Safety	1,815,893	1,711,482	1,562,723	1,432,500
Public Works - Sanitation	645,303	557,542	(20,162)	(85,012)
Public Works - Highways	941,173	974,299	636,765	658,405
Culture-Recreation	271,520	236,652	240,526	204,850
Interest on long-term debt	70,302	51,575	70,302	51,575
Unallocated Employee Benefits	786,634	737,238	786,634	737,238
Unallocated amortization	7,155	6,945	7,155	6,945
Miscellaneous	12,951	12,218	12,951	12,218
Total governmental activities	<u>\$ 5,090,673</u>	<u>\$ 4,828,572</u>	\$ 3,687,910	\$ 3,407,800
Less:				
Unrestricted grants, subsidies			0	0
Total needs from local taxes and other revenues			<u>\$ 3,687,910</u>	<u>\$ 3,407,800</u>

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, 2009 and 2008
Business-type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Service:</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Sewer System	\$ 2,477,459	\$ 2,576,396	\$ (198,029)	\$ 78,975
Less:				
Operating Grants and Contributions			0	0
Investment Earnings			629	2,712
Interfund Transfers			(143,102)	(2,700)
Refund of Prior Year Expenses			12,318	43,874
Other			0	11,200
Total Business-type Activities			<u>\$ (67,874)</u>	<u>\$ 23,889</u>

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

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The cost of services for the sewer fund in 2009 was very comparable to 2008. The net cost of service reflected a favorable change of \$277,004 which was the result of sewage rate increases that brought in approximately \$192,000 in additional revenue. This accounts for 70% of the change.

Interfund transfers primarily represent transfers of \$140,000 to the sewer capital project fund for future sewer projects.

The Statement of Revenues, Expenses and Changes in Fund Net Assets for this proprietary fund will further detail the actual results of operations.

THE TOWNSHIP FUNDS

At December 31, 2009, the Township's governmental funds reported a combined fund balance of \$1,115,788, which is an increase of \$80,709 from 2008. Of the combined total fund balance, \$381,173 (34%) represents unrestricted/undesignated general fund balance, meaning that these funds are available to meet the Township's current or future needs. Fund balance of \$61,432 is classified as restricted because this represents the remaining funds in the State Fund (State Liquid Fuels monies) that are restricted to be used only for highway and road related expenditures. Fund balance of \$673,183 is unrestricted but has been designated by the board of supervisors to be used specifically for future capital projects of the Township.

General Fund Budget

A schedule showing the Township's annual budget amounts compared with amounts actually paid and received is provided on Page 12. The Township's general fund actual revenues were \$68,602 (1%) higher than budgeted amounts. This variance is attributable to the increase in refuse rates and building permits for business projects.

General fund expenditures were \$1,451,262 (30%) higher than budgeted. This variance was mostly due to higher than anticipated costs for road paving projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At December 31, 2009, the Township had \$18,323,519 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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Table A-5
Capital assets - net of depreciation

	2009
Land	\$ 1,576,037
Building and Improvements	679,869
Equipment and Vehicles	787,925
Infrastructure	15,233,113
Construction in Progress	46,575
Total	\$ 18,323,519

DEBT ADMINISTRATION

As of January 1, 2009, the Township had total outstanding bonds payable of \$6,285,000. During the year, the Township issued \$1,215,000 of its General Obligation Bonds, Series of 2009 bearing interest at rates from 2% to 4%. In addition, the Township made scheduled payments against bond principal of \$225,000, resulting in outstanding bonds payable of \$7,275,000 as of December 31, 2009.

As of January 1, 2009, the Township had total outstanding notes payable of \$6,301,422 related to financing for sewer construction projects. The Township made scheduled principal payments against notes payable of \$367,604 resulting in outstanding bond debt of \$5,933,818 as of December 31, 2009.

Other obligations include outstanding capital leases of \$185,600 and accrued vacation pay and sick leave for specific employees of the Township.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

It is the Township's plan that these 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 2010 is \$5,124,000, which is \$388,223 more than the revenue budget for 2009. This represents an 8% increase in budgeted revenues when compared to the previous year. The General Fund expenditure budget for the 2010 year is \$5,124,000, which is \$240,223 more than the budget for 2009 or a 5% increase in expenses compared to the previous year.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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In addition to the General Fund, the Township has budgeted \$3,055,000 in revenues for the Sewer Fund. This represents an increase of 10% when compared to the previous year. The Sewer Fund budgeted \$2,986,600 in expenditures in 2010. This represents an increase of 5% when compared to the previous year. Hopewell Township for 2010 has ancillary budgets of \$266,000 out of its General Capital Reserve Fund for road improvements and transfers to the General Fund for budget balance, \$45,000 out of its Park Fund for land acquisition, \$364,105 out of its State Fund for street lighting, winter maintenance, and equipment lease, and \$491,000 out of its Sewer Construction Fund for Sewer Plant repair, and construction.

The 2010 calendar year presented many challenges for the Board of Commissioners who were faced with the dilemma of transforming the Township into a more cost efficient operating entity. 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. On the general side of the Township, the Township was able to hold the tax rate at its current 11 mils through the consolidation of internal positions within the Township, outsourcing of Act 511 Tax collection to Berkheimer and Associates, and transferring \$240,000 from its reserve fund to its General Fund. Hopewell Township's Sewer Fund is in the second year of a four-year rate increase schedule. The rate increases are necessary to provide for the continued maintenance of infrastructure improvements for our two sewer plants, as well as to assist in the liquidation of existing Sewer Fund Debt.

The Administration's goal for 2010 is to aggressively pursue more cost-cutting measures in both the General and Sewer Funds and to examine all expenses to make sure the Township is operating as efficiently as possible. The Board of Commissioners recently hired Jeff Mehaan as the Township's Grant Administrator. The goal of the Township for the Grant Administrator is to seek out funding and to develop relationships with county, state and federal officials for the future development of Interstate 376, to improve and seek businesses for our current commercial, riverfront and industrial parks, as well as to seek grants for the continued development of our community park. Hopewell Township is "The Gateway to Beaver County", and the administration plans on aggressively pursuing these opportunities and believes that 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 2010 residents can look for the following capital purchases in the Township: the purchase of a state-of-the-art Tymco model 600 street sweeper for the Road Department, one new police vehicle, and a mobile speed trailer to monitor speed and collect data on various Township roads for the Police Department. Technology advancements in 2010 includes a reverse 911 call system where the Township will have the ability to mass call all of its residents within minutes for emergency notifications and important Township announcements. Please go to our website www.hopewelltp.com and click on the Swiftreach 911 call system portal to add, change or remove phone numbers.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2009

Residents also have the ability to pay their sewer and refuse payments by credit or debit card at either www.hopewelltp.com or www.hopewellbill.com. Towards the end of the year, look for a newly revamped website with business locators and information, including a page where residents will have the ability to sign up to receive electronic notifications for sewer and refuse bills, ACH payments and general Township information and special alerts.

In 2010 Hopewell Township plans to implement the ability for the residents to receive electronic bills for refuse and sewer usage. The Township also plans to implement an email alert system so that residents can sign up and customize emails they would want to receive from the Township. An intranet system is also planning to be implemented for internal use by employees and officials. In 2010, the Township also plans to install a reverse 911 phone system that will allow the Township to send out mass callings that will include general Township information and emergency alerts to the residents.

HOPEWELL TOWNSHIP ECONOMIC FACTORS AND CONDITIONS

The Township of Hopewell issued eighty-nine (89) Building Permits for new construction during 2009 as compared to eighty Permits during 2008. During 2007, the PA Uniform Construction Code was adopted and directed that building permits for sheds and garages under one-thousand square feet, carports, greenhouses and similar structures, decks less than thirty inches above grade and fences would not require the issuance of building permits. Consequently, Hopewell Township began issuing Zoning Permits for such construction.

2009 Hopewell Township Building Permits
Residential Single Family Homes

Fifteen (15) single family dwelling units were permitted during 2009 at the following locations.

Maronda Homes, Inc. Sweet Brier Plan, Sohn Road, Phase I. & Phase 2

Eight (8) Homes Constructed	Total Construction Cost,	\$1,291,690
	Ave. Home Construction Cost,	\$ 161,461

Other locations throughout the Township

Five (5) Homes Constructed	Total Construction Cost,	\$662,085
	Ave. Home Construction Cost,	\$132,417

Duplex Dwelling Unit, Maratta 1515, 1517 Maratta Road

Two (2) Dwelling Units	Total Construction Cost,	\$150,000
	Ave. Unit Cost,	\$ 75,000

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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Mobile Homes, Suburban Terrace Mobile Home Park, Gringo Clinton Road

Three (3) Dwelling Units	Total Construction Cost,	\$47,000
	Ave. Unit Cost,	\$15,700

The total construction cost for new housing (15 units) construction (excluding mobile units) permitted in 2009 was \$2,103,775.

Residential Additions to Existing Housing

There were twelve (12) permits issued for additions to existing homes in various locations throughout the Township.

Twelve (12) additions to existing homes	Total Construction Cost,	\$209,739
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Total 2009 Residential Construction Cost for new homes and additions to existing homes was \$2,227,351.

Residential Miscellaneous Construction

There were twenty (20) permits issued for miscellaneous building projects including interior alterations, fire suppression systems, electrical installations and deck additions.

Twenty (20) miscellaneous building projects	Total Construction Cost,	\$69,710
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Residential Construction for Detached Garages & Out Buildings

There were three (3) permits issued for the construction of out building and detached garages.

One (1) detached out building	Total Construction Cost,	\$41,000
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Residential Construction for Accessory Uses

There were two (2) permits issued for accessory use construction including above and below ground swimming pools.

Two (2) accessory use projects	Total Construction Cost,	\$41,300
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HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2009

Commercial Building Construction

1. Selectrode 100 Commerce Way	Industrial Park Office & Warehouse \$3,250,000
2. Media-Flow 1306 Airport Road	Industrial Park Antennas & Ground \$10,000
3. Shadow lakes 2000 Beaver Lakes Blvd.	Additions & Renovations to Clubhouse \$1,114,943
4. Keystone Rehabilitation 3109 Green Garden Road	Interior Alterations \$35,000
5. Crescent Property Development 198 Todd Road	Mobil Office Trailer \$1,000
6. Shadow Lakes 2000 Beaver Lakes Blvd.	Interior Renovations \$445,895
Total 2009 Six (6) Commercial Building Construction Projects	
	\$4,856,839

Institutional Building Construction

1. St. Titus Catholic Church 2186 Brodhead Road	400 Crypt Mausoleum \$466,000
2. Hopewell Area School District 1215 Longvue Avenue	Additions & Renovations to T.D. Stadium \$4.6 Million

Other permitted occupancies are being compiled at this time by the Township's code consultant (Code.sys) for residential additions and accessory use projects, commercial projects and electrical installations and will be added to this report pending their submittal.

2009 Building & Zoning Permit Fees

Total Building Permit Fees collected (2009)	\$60,071.21
Total Zoning Permit Fees collected (2009)	\$840

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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2009 SUBDIVISIONS & LAND DEVELOPMENT

SUBDIVISION PLANS

1. Pollack-Kruel Plan No. 1, Todd Road
2. Skyview Subdivision Plan, Eldorado Drive
3. Laird Subdivision Plan, Sharon Grange Road
1. Katras Subdivision Plan No. 1, Clark Boulevard
2. Mercer County Community Partnership, Westfield Drive

LAND DEVELOPMENT PLANS

1. Selectrode Land Development, Hopewell Industrial Park
2. Hopewell Area School District, Tony Dorsett Stadium Land Development
3. Crescent Property Development, Todd Road at Green Garden
4. Quality Auto Parts / NAPA, Brodhead Road
5. Mercer County Partnership Land Development at Westfield Drive

CONSTRUCTION REPORT FOR HOPEWELL TOWNSHIP

First, there were fifteen (15) dwelling units permitted construction in 2009, following nineteen (19) units constructed in 2008. Mobile home units are excluded. There were two (2) mobile units placed in 2008 and three (3) during 2009. Although the noted housing starts do not compare with the high number of homes that were built in the 1990's, there were a steady number of starts during the extremely depressed building trends of 2009 when single family home building bottomed out. Since then, residential home building has shown modest improvement and improved construction is expected during 2010.

Next, nonresidential building, i.e. transportation terminals, healthcare facilities, and public buildings, experienced diminished contracting during 2009. The Township does not have these exact type facilities. However, other nonresidential building included in the Commercial, Institutional and the Educational categories, while being down and reporting declines nationally, showed some activity here. Shadow Lakes Country Club undertook renovations and expansions at the former

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2009

Beaver Lakes Golf course resulting in a new showcase banquet facility, and Kuhn's Market remodeled and renovated the former Shop-N-Save Supermarket at the Hopewell Shopping Center. At the Industrial Park, Selectrode constructed a \$3 million dollar office/warehouse to open construction of a Phase II Plan of building lots. Other lots in Phase II are now ready for development. Further, the communications industry continues to upgrade strategic tower facilities located throughout Hopewell Township.

On the institutional side, Hopewell Area School District completed the renovations and additions to the Tony Dorsett Stadium located on Longvue Avenue at the Senior High School, resulting in a state of the art sports complex. Next, an additional 400-Crypt Mausoleum was erected at Mt. Olivet as the Cemetery continues to be improved. Finally, utility upgrades were accomplished throughout the Township, most notably at the Hopewell Veteran's of Foreign Wars Post on Stone Quarry Road and the Township's Queen's Mill and McKinley Avenue Sewer Stations.

Collectively, additional perspective can be gained by looking at yearly projections comparisons by quarters or individual months from year to year. With that in mind, the Dodge Index of New Construction Starts predicts that the twelve months ending 2010 compared with the twelve months ending 2009 will post further declines by sector, i.e. nonresidential, residential and nonbuilding construction, as well as, by region, i.e. West, Midwest, South Atlantic, South Central and our location - Northeast.

Conclusively, building construction activity has kept ahead of the industry down-turn of 2009 and indications allow an opportunistic outlook for continued activity in 2010.

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.

HOPEWELL TOWNSHIP
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,129,669	\$ 85,370	\$ 1,215,039
Accounts Receivable	202,823	565,559	768,382
Taxes Receivable	174,808	0	174,808
Internal Balances	1,515	(1,515)	0
Other Current Assets	<u>38,265</u>	<u>19,121</u>	<u>57,386</u>
Total Current Assets	\$ 1,547,080	\$ 668,535	\$ 2,215,615
Noncurrent Assets			
Land	\$ 1,485,899	\$ 90,138	\$ 1,576,037
Building & Building Improvements (net of depreciation)	630,400	49,469	679,869
Equipment and Vehicles (net of depreciation)	623,770	164,155	787,925
Infrastructure (net of depreciation)	2,274,256	12,958,857	15,233,113
Construction in Progress	0	46,575	46,575
Debt Issue Costs (net of amortization)	<u>131,479</u>	<u>271,403</u>	<u>402,882</u>
Total Noncurrent Assets	\$ 5,145,804	\$ 13,580,597	\$ 18,726,401
TOTAL ASSETS	\$ 6,692,884	\$ 14,249,132	\$ 20,942,016
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 170,167	\$ 30,490	\$ 200,657
Accrued Salaries and Benefits	67,146	18,601	85,747
Payroll Deductions & Withholdings	6,005	1,538	7,543
Other Current Liabilities	45,967	15,668	61,635
Bonds Payable	195,000	55,000	250,000
Notes Payable	0	376,059	376,059
Leases Payable	<u>84,885</u>	<u>14,813</u>	<u>99,698</u>
Total Current Liabilities	\$ 569,170	\$ 512,169	\$ 1,081,339
Noncurrent Liabilities			
Bonds Payable	\$ 2,155,000	\$ 4,870,000	\$ 7,025,000
Notes Payable	0	5,557,759	5,557,759
Leases Payable	69,508	16,394	85,902
Accumulated Compensated Absences/Retirement Incentives	<u>513,739</u>	<u>121,160</u>	<u>634,899</u>
Total Noncurrent Liabilities	\$ 2,738,247	\$ 10,565,313	\$ 13,303,560
TOTAL LIABILITIES	\$ 3,307,417	\$ 11,077,482	\$ 14,384,899
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 1,996,193	\$ 2,419,169	\$ 4,415,362
Restricted for:			
Special Revenue Fund	61,432	0	61,432
Unrestricted	<u>1,327,842</u>	<u>752,481</u>	<u>2,080,323</u>
TOTAL NET ASSETS	\$ 3,385,467	\$ 3,171,650	\$ 6,557,117
TOTAL LIABILITIES AND NET ASSETS	\$ 6,692,884	\$ 14,249,132	\$ 20,942,016

See Accompanying Notes to Financial Statements

**HOPEWELL TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009**

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	\$ 539,742	\$ 90,680	\$ 58,046	\$ 0	\$ (391,016)	\$ 0	\$ (391,016)
Public Safety	1,815,893	65,213	187,957	0	(1,562,723)	0	(1,562,723)
Public Works-Sanitation	645,303	655,338	10,127	0	20,162	0	20,162
Public Works-Highways	941,173	0	304,408	0	(636,765)	0	(636,765)
Culture-Recreation	271,520	30,994	0	0	(240,526)	0	(240,526)
Interest	70,302	0	0	0	(70,302)	0	(70,302)
Unallocated Employee Benefits and Insurance	786,634	0	0	0	(786,634)	0	(786,634)
Miscellaneous	12,951	0	0	0	(12,951)	0	(12,951)
Unallocated Amortization	7,155	0	0	0	(7,155)	0	(7,155)
Total Governmental Activities	\$ 5,090,673	\$ 842,225	\$ 560,538	\$ 0	\$ (3,687,910)	\$ 0	\$ (3,687,910)
Business-type Activities:							
Sewer/Wastewater	\$ 2,477,459	\$ 2,631,596	\$ 43,892	\$ 0	\$ 0	\$ 198,029	\$ 198,029
Total Business-type Activities	\$ 2,477,459	\$ 2,631,596	\$ 43,892	\$ 0	\$ 0	\$ 198,029	\$ 198,029
Total Primary Government	\$ 7,568,132	\$ 3,473,821	\$ 604,430	\$ 0	\$ (3,687,910)	\$ 198,029	\$ (3,489,881)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 1,738,618	\$ 0	\$ 1,738,618
Other taxes levied for general purposes, net					1,645,089	0	1,645,089
Licenses and permits					185,605	0	185,605
Fines and forfeits					38,608	0	38,608
Interest, rents and royalties					30,075	629	30,704
Refunds of prior year expenses/(revenues)					35,380	12,318	47,898
Gain (Loss) on disposal of fixed assets					(7,263)	0	(7,263)
Interfund transfers					143,102	(143,102)	0
Miscellaneous income					0	0	0
Total general revenues, special items, extraordinary items and transfers					\$ 3,809,414	\$ (130,155)	\$ 3,679,259
Change in Net Assets					\$ 121,504	\$ 67,874	\$ 189,378
Net Assets—Beginning					3,263,963	3,103,776	6,367,739
Net Assets—Ending					\$ 3,385,467	\$ 3,171,650	\$ 6,557,117

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2009

	<u>General</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 380,523	\$ 749,146	\$ 1,129,669
Accounts Receivable	202,823	0	202,823
Taxes Receivable	174,808	0	174,808
Due from other funds	1,515	0	1,515
Other Current Assets	38,265	0	38,265
Total Assets	<u>\$ 797,934</u>	<u>\$ 749,146</u>	<u>\$ 1,547,080</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 155,636	\$ 14,531	\$ 170,167
Accrued Salaries & Benefits	67,146	0	67,146
Payroll Deductions & Withholdings	6,005	0	6,005
Deferred Revenue - Real Estate Taxes	142,007	0	142,007
Other Current Liabilities	45,967	0	45,967
Total Liabilities	<u>\$ 416,761</u>	<u>\$ 14,531</u>	<u>\$ 431,292</u>
<u>Fund Balances</u>			
Unreserved, reported in:			
General Fund	\$ 381,173	\$ 0	\$ 381,173
Sewer Capital Projects Fund	0	239,947	239,947
Parks Capital Projects Fund	0	83,676	83,676
General Capital Projects Fund	0	349,560	349,560
Restricted - State Fund	0	61,432	61,432
Total Fund Balances	<u>\$ 381,173</u>	<u>\$ 734,615</u>	<u>\$ 1,115,788</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 797,934</u>	<u>\$ 749,146</u>	<u>\$ 1,547,080</u>

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

AS OF DECEMBER 31, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,115,788

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

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

Add: Capital Assets	6,856,309
Deduct: Accumulated Depreciation	(1,841,984)

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	(14,099)

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 revenue.

Add: Deferred Tax Revenue	142,007
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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	\$ (2,350,000)
Deduct: Lease Purchase Obligations	(154,393)
Deduct: Compensated absences and Other Post Employment Benefits	<u>(513,739)</u>
	<u>(3,018,132)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 3,385,467

HOPEWELL TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	Other Non-Major <u>Funds</u>	Totals Governmental <u>Funds</u>
<u>REVENUES</u>			
Taxes/Special Assessments	\$ 3,415,051	\$ 0	\$ 3,415,051
Licenses and Permits	185,605	0	185,605
Fines and Forfeits	38,608	0	38,608
Interest and Rents	18,761	11,314	30,075
Intergovernmental	252,685	304,408	557,093
Charges for Services	842,223	0	842,223
Contributions	3,446	0	3,446
Total Revenues	<u>\$ 4,756,379</u>	<u>\$ 315,722</u>	<u>\$ 5,072,101</u>
<u>EXPENDITURES</u>			
Current:			
General Government	\$ 504,252	\$ 0	\$ 504,252
Public Safety	1,811,941	0	1,811,941
Public Works - Sanitation	645,303	0	645,303
Public Works - Highways	1,836,423	283,317	2,119,740
Culture - Recreation	267,175	4,889	272,064
Debt Service:			
Interest charged	70,302	0	70,302
Principal Retirement	281,556	0	281,556
Unallocated Employee Benefits and Insurance	792,959	0	792,959
Miscellaneous	12,951	0	12,951
Total Expenditures	<u>\$ 6,222,862</u>	<u>\$ 288,206</u>	<u>\$ 6,511,068</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,466,483)</u>	<u>\$ 27,516</u>	<u>\$ (1,438,967)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 2,089	\$ 0	\$ 2,089
Transfers In	1,193,566	1,300,793	2,494,359
Transfers Out	(1,160,793)	(1,190,464)	(2,351,257)
Proceeds of General Long Term Debt	1,422,614	0	1,422,614
Trustee Fees for Debt Issuance	(83,709)	0	(83,709)
Refunds of Prior Year Expenditures/(Receipts)	35,580	0	35,580
Total Other Financing Sources (Uses)	<u>\$ 1,409,347</u>	<u>\$ 110,329</u>	<u>\$ 1,519,676</u>
Net change in fund balances	\$ (57,136)	\$ 137,845	\$ 80,709
Fund Balances, beginning of year	<u>438,309</u>	<u>596,770</u>	<u>1,035,079</u>
Fund Balances, end of year	<u>\$ 381,173</u>	<u>\$ 734,615</u>	<u>\$ 1,115,788</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, 2009

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 80,709

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	\$1,324,167	
Less: Depreciation Expense	<u>(164,772)</u>	1,159,395

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	\$ 170,001	
Principal Payments on Capital Lease Obligations	111,556	
Bond Issuance Costs for 2009 Bonds	83,709	
Less: Proceeds from Notes and Bonds Payable	(1,422,614)	
Less: Amortization Expense	<u>(7,155)</u>	(1,064,503)

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.

Increase in Compensated Absence Obligation	(22,753)
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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 decreased by this amount during this year.

	<u>(31,344)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 121,504

HOPEWELL TOWNSHIP
STATEMENT OF NET ASSETS - SEWER FUND
AS OF DECEMBER 31, 2009

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 85,370
Accounts Receivable	565,559
Due from Sewer Capital Projects Fund	0
Other Current Assets - Prepaid Insurance	<u>19,121</u>
Total Current Assets	\$ 670,050
Noncurrent Assets	
Land	\$ 90,138
Building & Building Improvements (net of depreciation)	49,469
Equipment and Vehicles (net of depreciation)	164,155
Infrastructure (net of depreciation)	12,958,857
Construction in Progress	46,575
Debt Issue Costs (net of amortization)	<u>271,403</u>
Total Noncurrent Assets	\$ 13,580,597
TOTAL ASSETS	\$ 14,250,647
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 30,490
Accrued Salaries and Benefits	18,601
Due to General Fund	1,515
Payroll Deductions & Withholdings	1,538
Escrow Payable	15,668
Lease Payable	14,813
Bonds Payable	55,000
Notes Payable	<u>376,059</u>
Total Current Liabilities	\$ 513,684
Noncurrent Liabilities	
Bonds Payable	\$ 4,870,000
Lease Payable	16,394
Notes Payable	5,557,759
Accumulated Compensated Absences/Retirement Incentives	<u>121,160</u>
Total Noncurrent Liabilities	\$ 10,565,313
TOTAL LIABILITIES	\$ 11,078,997
NET ASSETS	
Unrestricted, Undesignated	<u>\$ 3,171,650</u>
TOTAL NET ASSETS	\$ 3,171,650
TOTAL LIABILITIES AND NET ASSETS	\$ 14,250,647

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

SEWER FUND

YEAR ENDED DECEMBER 31, 2009

	<u>Sewer Fund</u>
<u>Operating Revenues</u>	
Charge for Services	\$ 2,631,596
Total Operating Revenues	<u>\$ 2,631,596</u>
 <u>Operating Expenses</u>	
Wastewater and Sewer Expense	\$ 1,791,285
Depreciation Expense	310,846
Amortization Expense	3,031
Other Miscellaneous Expense	<u>0</u>
Total Operating Expenses	<u>\$ 2,105,162</u>
Operating Income (Loss)	<u>\$ 526,434</u>
 <u>Non-operating Revenues and (Expenses)</u>	
Shared Revenue - State Sources	\$ 43,892
Interest Income	629
Interest on Long-term Debt	(372,297)
Refund of Prior Year Expense	12,318
Other Miscellaneous Revenue	<u>0</u>
Total Non-operating Revenues and (Expenses)	<u>\$ (315,458)</u>
 Income (Loss) Before Operating Transfers	\$ 210,976
 Operating Transfers In	22,195
Operating Transfers (Out)	<u>(165,297)</u>
 Change in Net Assets	\$ 67,874
 Net Assets beginning of year	<u>3,103,776</u>
 Net Assets end of year	<u>\$ 3,171,650</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, 2009

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 2,626,191
Payments to Suppliers	(1,201,969)
Payments to Employees	<u>(595,639)</u>
Net Cash Provided by Operating Activities	\$ 828,583
Cash Flows from Noncapital Financing Activities:	
Transfers Out	\$ (143,102)
State Shared Revenue	43,892
Net Repayments By and (Borrowings From) Other Funds	784,984
Refund of Prior Year Expense	12,318
Escrow Deposits Repaid	<u>2,402</u>
Net Cash Provided by Noncapital Financing Activities	700,494
Cash Flows from Capital and Related Financing Activities:	
Capital Expenditures, net of disposals	\$ (849,682)
Principal Paid on Bonds and Notes	(391,397)
Interest Paid on Bonds and Notes	(372,297)
Interest Income	<u>629</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,612,747)</u>
Net Decrease in Cash and Cash Equivalents	\$ (83,670)
Cash and Cash Equivalents, beginning of year	<u>169,040</u>
Cash and Cash Equivalents, end of year	<u>\$ 85,370</u>
Operating Income	<u>\$ 526,434</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization Expense	\$ 313,877
(Increase) Decrease in Accounts Receivable	(5,405)
(Increase) Decrease in Prepaid Expenses	(1,881)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(6,798)
Increase (Decrease) in Accrued Payroll	<u>2,356</u>
Total Adjustments	<u>\$ 302,149</u>
Cash Provided by Operating Activities	<u>\$ 828,583</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, 2009

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<u>REVENUES</u>				
Taxes/Special Assessments	\$3,318,500	\$3,318,500	\$ 3,415,051	\$ 96,551
Licenses and Permits	142,000	142,000	185,605	43,605
Fines and Forfeits	37,500	37,500	38,608	1,108
Interest and Rents	31,000	31,000	18,761	(12,239)
Intergovernmental	330,777	330,777	252,685	(78,092)
Charges for Services	825,000	825,000	842,223	17,223
Contributions	3,000	3,000	3,446	446
Total Revenues	<u>\$4,687,777</u>	<u>\$4,687,777</u>	<u>\$ 4,756,379</u>	<u>\$ 68,602</u>
<u>EXPENDITURES</u>				
General Government	\$ 532,400	\$ 532,400	\$ 504,252	\$ 28,148
Public Safety	1,740,400	1,740,400	1,811,941	(71,541)
Public Works - Sanitation	606,700	606,700	645,303	(38,603)
Public Works - Highways	626,300	626,300	1,836,423	(1,210,123)
Culture - Recreation	260,200	260,200	267,175	(6,975)
Interest	42,000	42,000	70,302	(28,302)
Debt Service	170,000	170,000	281,556	(111,556)
Unallocated Employee Benefits and Insurance	787,500	787,500	792,959	(5,459)
Miscellaneous	6,000	6,000	12,951	(6,951)
Total Expenditures	<u>\$4,771,500</u>	<u>\$4,771,500</u>	<u>\$ 6,222,862</u>	<u>\$(1,451,362)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (83,723)</u>	<u>\$ (83,723)</u>	<u>\$(1,466,483)</u>	<u>\$(1,382,760)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of General Fixed Asset Disposal	\$ 2,000	\$ 2,000	\$ 2,089	\$ 89
Transfers In	0	0	1,193,566	1,193,566
Transfers Out	(108,277)	(108,277)	(1,160,793)	(1,052,516)
Proceeds of General Long Term Debt	0	0	1,422,614	1,422,614
Trustee Fees for Debt Issuance	0	0	(83,709)	(83,709)
Refunds of Prior Year Expenditures/(Receipts)	42,000	42,000	35,580	(6,420)
Total Other Financing Sources (Uses)	<u>\$ (64,277)</u>	<u>\$ (64,277)</u>	<u>\$ 1,409,347</u>	<u>\$ 1,473,624</u>
Excess of Revenues and Other Sources Over/(Under) Expenditures and Other Uses	<u>\$ (148,000)</u>	<u>\$ (148,000)</u>	<u>\$ (57,136)</u>	<u>\$ 90,864</u>
Fund Balances - Unreserved - beginning of year			<u>438,309</u>	
Fund Balances - Unreserved - end of year			<u>\$ 381,173</u>	

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 1 – THE FINANCIAL REPORTING ENTITY

Reporting Entity

The Township of Hopewell was established under the laws of the Commonwealth of Pennsylvania. The Township operates with a board and provides the following services as authorized by the Township code: public safety, streets, sanitation and recreation.

The governmental reporting entity consists of the Township (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. A component unit has a financial benefit or burden relationship with the Township if any one of the following is true: (1) The Township is legally entitled to or can otherwise access the component unit's resources (2) The Township is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to the component unit (3) The Township is obligated in some manner for the debt of the component unit.

The basic financial statements include no component units. The Township does not have any component units that meet the criteria for being discretely presented. If the Township did have component units that met the criteria for being discretely presented, they would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the component unit. A component unit is blended if the component unit provides services entirely, or almost entirely, to the Township or otherwise exclusively, or almost exclusively, benefits the Township even though it does not provide services directly to it.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hopewell Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant accounting policies of the Township are described below.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Basis of Presentation

The Township's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the Township.

Fund financial statements—During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Measurement Focus/Basis of Accounting

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and postemployment healthcare benefits, are recorded only when payment is due. Property taxes and interest associated with past and current fiscal periods are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if they are collected within 60 days of the end of the current fiscal period. All other property taxes associated with past and current fiscal periods are deferred in the Governmental fund financial statements.

The Township reports the following major governmental funds:

General Fund—The General Fund is the operating fund of the Township and is used to account for all financial resources except those required to be accounted for in another fund.

The following funds are grouped and shown as non-major funds because they do not meet the major fund criteria:

Parks Capital Projects Fund – This 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.

Sewer Capital Projects Fund - 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.

General Capital Projects Fund – This 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.

State Fund—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.

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. Enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its enterprise activities.

The Township reports the following major enterprise fund:

Sewer Fund—The Sewer Fund is an enterprise fund. The majority of the revenues in the Sewer Fund are from sewer use charges.

The Township does not report the Police Pension Fund as a Fiduciary Fund because the fund was not within the scope of this audit. This is an agency fund which is used to account for net assets held in a purely custodial capacity for specific other persons or organizations or governments. Our audit was limited because we did not audit the Police Pension Fund of the Township.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

C. Budgetary Process

The Township passed an appropriated General Fund budget for the fiscal year ending December 31, 2009 with revenues and other financing sources totaling \$4,731,777 and expenditures and other financing sources totaling \$4,879,777. The budget was balanced using the prior year ending fund balance.

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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- 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 preceding 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.

D. Deposits and Investments

The Township's cash and cash equivalents are considered to be 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.

E. Interfund Balances

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Inventories

The inventories of the Township were not material to the financial statements taken as a whole as of December 31, 2009. Therefore, they are not reported.

G. 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 assets 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 assets and in the respective funds.

In accordance with GASB Statement No. 34, infrastructure assets have been prospectively capitalized, beginning January 1, 2004. Because the Township receives less than ten million dollars in annual revenue, the Township is not required and has not elected to retroactively report major general infrastructure assets on the government-wide statement of net assets. The Township does, however, report major general infrastructure assets for the business-type activities on the statement of net assets.

All capital assets (including infrastructure) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Township maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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 useful lives:

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Township applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Fund Balance Reserves

The Township reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances and budget stabilization.

K. 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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 3 - CASH /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. 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 Township does not have a policy for custodial credit risk. As of December 31, 2009, \$845,871 of the Township's bank balance of \$1,242,091 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	\$ 845,871

Other Deposits

As of December 31, 2009, 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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 3 - CASH /INVESTMENTS - CONTINUED

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 value of the deposits in PLGIT are the same as the value of PLGIT shares.

As of December 31, 2009, the Township had the following other deposits:

<u>Type</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 76,255
Total	<u>\$ 76,255</u>

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 845,871
Insured Amount	396,221
Petty Cash	300
Other Deposits Above	<u>76,255</u>
Carrying Amount - Bank Balances	\$ 1,318,647
Less: Outstanding Items	<u>(103,608)</u>
Total	<u>\$ 1,215,039</u>

Credit Risk

As of December 31, 2009, the Township's investments were rated as:

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Township has no investment subject to custodial credit risk.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 4 – ACCOUNTS RECEIVABLE

The Accounts Receivable balances represents the following earned in 2009 and due to Hopewell Township at December 31, 2009:

	<u>General Fund</u>	<u>Sewer Fund</u>
General	\$ 59,731	\$ 0
Refuse (Billed and Unbilled)	184,817	0
Unbilled Waste Collection Services	0	360,848
Billed Waste Collection Services	0	254,058
Other	5,275	28,653
Account Receivable Gross	\$ 249,823	\$ 643,559
Less: Allowance for Doubtful Accounts	(47,000)	(78,000)
Accounts Receivable, Net	\$ 202,823	\$ 565,559

The allowance for doubtful accounts for 2008 was \$58,000 for the General Fund and \$151,000 for the Sewer Fund. The large reduction in the Sewer Fund allowance was due to the Township bringing the delinquent account collection in house and aggressively pursuing collections of all outstanding accounts.

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 2009 is as follows:

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

The Township tax rate for all purposes in 2009 was 11 mills (\$11.00 per \$1,000 assessed valuation). Collections on the 2009 Tax Duplicate amounted to \$1,663,185.

As of December 31, 2009, property taxes receivable by the Township include uncollected taxes assessed as of January 1, 2009 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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 is as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,485,899	\$ 0	\$ 0	\$ 1,485,899
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital assets, not being depreciated	<u>\$ 1,485,899</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,485,899</u>
Capital assets, being depreciated:				
Building and Building Improvements	\$ 1,351,719	\$ 0	\$ 0	\$ 1,351,719
Machinery and Equipment	1,387,594	216,748	38,705	1,565,637
Infrastructure	<u>1,336,281</u>	<u>1,116,771</u>	<u>0</u>	<u>2,453,052</u>
Total capital assets, being depreciated	<u>\$ 4,075,594</u>	<u>\$ 1,333,519</u>	<u>\$ 38,705</u>	<u>\$ 5,370,408</u>
Governmental activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 667,218	\$ 54,101	\$ 0	\$ 721,319
Machinery and Equipment	898,442	72,778	29,353	941,867
Infrastructure	<u>140,903</u>	<u>37,893</u>	<u>0</u>	<u>178,796</u>
Total Accumulated Depreciation	<u>\$ 1,706,563</u>	<u>\$ 164,772</u>	<u>\$ 29,353</u>	<u>\$ 1,841,982</u>
Capital assets, being depreciated, net	<u>\$ 2,369,031</u>	<u>\$ 1,168,747</u>	<u>\$ 9,352</u>	<u>\$ 3,528,426</u>
Governmental activities capital assets, net	<u>\$ 3,854,930</u>	<u>\$ 1,168,747</u>	<u>\$ 9,352</u>	<u>\$ 5,014,325</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 90,138	\$ 0	\$ 0	\$ 90,138
Construction in Progress	<u>562,147</u>	<u>46,575</u>	<u>562,147</u>	<u>46,575</u>
Total Capital assets, not being depreciated	<u>\$ 652,285</u>	<u>\$ 46,575</u>	<u>\$ 562,147</u>	<u>\$ 136,713</u>
Capital assets, being depreciated:				
Building and Building Improvements	\$ 2,048,558	\$ 0	\$ 0	\$ 2,048,558
Machinery and Equipment	450,055	49,349	0	499,404
Infrastructure	<u>16,275,709</u>	<u>1,315,905</u>	<u>0</u>	<u>17,591,614</u>
Total capital assets, being depreciated	<u>\$ 18,774,322</u>	<u>\$ 1,365,254</u>	<u>\$ 0</u>	<u>\$ 20,139,576</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 6 – CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 1,995,781	\$ 3,308	\$ 0	\$ 1,999,089
Machinery and Equipment	300,157	35,092	0	335,249
Infrastructure	4,360,311	272,446	0	4,632,757
Total Accumulated Depreciation	<u>\$ 6,656,249</u>	<u>\$ 310,846</u>	<u>\$ 0</u>	<u>\$ 6,967,095</u>
Capital assets, being depreciated, net	<u>\$ 12,118,073</u>	<u>\$ 1,054,408</u>	<u>\$ 0</u>	<u>\$ 13,172,481</u>
Business-type activities capital assets, net	<u>\$ 12,770,358</u>	<u>\$ 1,100,983</u>	<u>\$ 562,147</u>	<u>\$ 13,309,194</u>

Certain amounts included in the beginning balances in the table above have been reclassified in order to conform to the current year classification of these amounts. The reclassifications have no effect on the net balances of the capital asset balances presented above.

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

Governmental Activities:		
General Government		\$ 34,928
Public Safety		29,586
Highways and Streets		95,913
Parks and Recreation		4,345
Total Depreciation expense, Governmental Activities:		<u>\$ 164,772</u>
Business-Type Activities:		
Sewer		<u>\$ 310,846</u>
Total Depreciation expense, Business-Type Activities:		<u>\$ 310,846</u>
Total Depreciation expense, Governmental and Business-Type Activities:		<u>\$ 475,618</u>

NOTE 7 – LONG-TERM DEBT

Long-term liability for the year ended December 31, 2009 is as follows:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 7 – LONG-TERM DEBT - CONTINUED

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable	\$ 1,305,000	\$ 1,215,000	\$ (170,000)	\$ 2,350,000	\$ 195,000
Notes Payable	0	0	0	0	0
Obligations under capital leases	<u>58,336</u>	<u>207,614</u>	<u>(111,557)</u>	<u>154,393</u>	<u>84,885</u>
Total governmental activity long-term liabilities	<u>\$ 1,363,336</u>	<u>\$ 1,422,614</u>	<u>\$ (281,557)</u>	<u>\$ 2,504,393</u>	<u>\$ 279,885</u>
Business-type activities:					
Bonds Payable	\$ 4,980,000	\$ 0	\$ (55,000)	\$ 4,925,000	\$ 55,000
Notes Payable	6,301,422	0	(367,604)	5,933,818	376,059
Obligations under capital leases	<u>0</u>	<u>49,350</u>	<u>(18,143)</u>	<u>31,207</u>	<u>14,813</u>
Total business-type activity long-term liabilities	<u>\$ 11,281,422</u>	<u>\$ 49,350</u>	<u>\$ (440,747)</u>	<u>\$ 10,890,025</u>	<u>\$ 445,872</u>

NOTE 8 – BONDS PAYABLE

General Obligation Bonds, Series of 2009

During 2009, the Township issued \$2,150,000 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>
2010	\$ 20,000	\$ 42,535	\$ 62,535
2011	20,000	42,135	62,135
2012	20,000	41,735	61,735
2013	20,000	41,235	61,235
2014	20,000	40,635	60,635
2015-2019	1,030,000	130,973	1,160,973
2020	<u>85,000</u>	<u>1,700</u>	<u>86,700</u>
	<u>\$ 1,215,000</u>	<u>\$ 340,948</u>	<u>\$ 1,555,948</u>

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

NOTE 8 – BONDS PAYABLE - CONTINUED

General Obligation Bonds, Series of 2004

During 2004, the Township issued \$1,955,000 of its General Obligation Bonds, Series of 2004 bearing interest at rates from 1.35% to 4.00%. Part of the proceeds of this bond issue was used to redeem the Township's General Obligation Bonds, Series of 1999. The partial proceeds were invested in various United States Treasury obligations which, upon maturity, will provide sufficient funds to meet the debt service requirements of the Township's General Obligation Bonds, Series of 1999, when due. The remainder of the proceeds of this bond was used to pay bond issue costs and to fund various capital construction and road projects within the Township. Future estimated principal and interest payments for the 2004 bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 175,000	\$ 39,568	\$ 214,568
2011	180,000	34,318	214,318
2012	185,000	27,943	212,943
2013	190,000	22,540	212,540
2014	200,000	15,700	215,700
2015	<u>205,000</u>	<u>8,200</u>	<u>213,200</u>
	<u>\$ 1,135,000</u>	<u>\$ 148,269</u>	<u>\$ 1,283,269</u>

General Obligation Bonds, Series of 2006 (Proprietary Fund)

During 2006, the Township issued \$5,085,000 of its General Obligation Bonds, Series of 2006 bearing interest rates from 3.3% to 4.4%. The bond proceeds were used to redeem the 2001 Washington County Loan and the Series A of 1999 General Obligation Bonds. The partial proceeds were invested in various United States Treasury obligations which, upon maturity will provide sufficient funds to meet the debt service requirements of the Township's Series A of 1999 General Obligation Bonds, when due. Future estimated principal and interest payments for the 2006 bonds are as follows:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 8 – BONDS PAYABLE - CONTINUED

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 55,000	\$ 207,208	\$ 262,208
2011	55,000	205,256	260,256
2012	55,000	203,302	258,302
2013	60,000	201,350	261,350
2014	60,000	199,100	259,100
2015-2019	340,000	958,505	1,298,505
2020-2024	1,010,000	875,822	1,885,822
2025-2029	<u>3,290,000</u>	<u>443,345</u>	<u>3,733,345</u>
	<u>\$ 4,925,000</u>	<u>\$ 3,293,888</u>	<u>\$ 8,218,888</u>

NOTE 9 – NOTES PAYABLE

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 at December 31, 2009 is \$616,997. The loan bears interest at an annual rate of 1.387% for 71 months and 2.774% for 180 months. Future principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 34,210	\$ 11,749	\$ 45,959
2011	32,884	15,751	48,635
2012	33,809	14,827	48,636
2013	34,758	13,877	48,635
2014	35,735	12,900	48,635
2015-2019	194,309	48,853	243,162
2020-2024	223,181	19,988	243,169
2025-2029	<u>28,110</u>	<u>260</u>	<u>28,370</u>
	<u>\$ 616,996</u>	<u>\$ 138,205</u>	<u>\$ 755,201</u>

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

NOTE 9 – NOTES PAYABLE - CONTINUED

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, 2009 is \$4,624,175. 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.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 292,878	\$ 114,729	\$ 407,607
2011	301,110	106,500	407,610
2012	309,569	98,041	407,610
2013	318,267	99,184	417,451
2014	327,209	90,239	417,448
2015-2019	1,779,215	308,032	2,087,247
2020-2023	1,295,927	60,791	1,356,718
	<u>\$ 4,624,175</u>	<u>\$ 877,516</u>	<u>\$ 5,501,691</u>

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 loan was \$1,147,000 and \$1,092,641 in loan proceeds had actually been received by the Township through December 31, 2008. The outstanding principal amount at December 31, 2009 is \$692,647. 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. Future principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 48,968	\$ 20,411	\$ 69,379
2011	50,480	18,899	69,379
2012	52,038	15,986	68,024
2013	53,645	15,734	69,379
2014	55,302	14,077	69,379
2015-2019	303,203	43,092	346,295
2020-2021	129,011	3,964	132,975
	<u>\$ 692,647</u>	<u>\$ 132,163</u>	<u>\$ 824,810</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 10 – LEASES PAYABLE

Governmental Activity Leases

During 2007, the Township entered into a \$50,424 capital lease agreement for the acquisition of two police vehicles. The lease includes an interest rate of 9.72% and requires three annual payments of \$18,389 beginning in December 2007. At the end of the term of the lease, the Township may purchase the vehicles for \$1. The remaining balance of this lease was paid during 2009.

During 2008, the Township entered into a \$40,466 capital lease agreement for the acquisition of two police vehicles. The lease includes an interest rate of 10.67% and requires three annual payments of \$14,877 beginning in December 2008. At the end of the term of the lease, the Township may purchase the vehicles for \$1. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 13,443	\$ 1,434	\$ 14,877
	<u>\$ 13,443</u>	<u>\$ 1,434</u>	<u>\$ 14,877</u>

During 2008, the Township entered into a \$25,282 capital lease agreement for the acquisition of a vehicle for the road department. The lease includes an interest rate of 10.67% and requires three annual payments of \$9,295 beginning in December 2008. At the end of the term of the lease, the Township may purchase the vehicles for \$1. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,398	\$ 897	\$ 9,295
	<u>\$ 8,398</u>	<u>\$ 897</u>	<u>\$ 9,295</u>

During 2009, the Township entered into a \$53,152 capital lease agreement for the acquisition of two police vehicles. The lease includes an interest rate of 10.92% and requires three annual payments of \$19,355 beginning in November 2009. At the end of the term of the lease, the Township may purchase the vehicles for \$1. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 15,663	\$ 3,692	\$ 19,355
2011	<u>18,133</u>	<u>1,222</u>	<u>19,355</u>
	<u>\$ 33,796</u>	<u>\$ 4,914</u>	<u>\$ 38,710</u>

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

NOTE 10 – LEASES PAYABLE - CONTINUED

During 2009, the Township entered into a \$164,462 capital lease agreement for the acquisition of two dump trucks for the road department. The lease includes an interest rate of 8.43% and requires three annual payments of \$55,706 beginning in July 2009. At the end of the term of the lease, the Township may purchase the trucks for \$1. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 47,381	\$ 8,325	\$ 55,706
2011	<u>51,375</u>	<u>4,331</u>	<u>55,706</u>
	<u>\$ 98,756</u>	<u>\$ 12,656</u>	<u>\$ 111,412</u>

Business-type Activity Leases

During 2009, the Township entered into a \$49,350 capital lease agreement for the acquisition of a Pathfinder Televising System with a zoom camera relating to the Sewer Fund. The lease includes an interest rate of 10.67% and requires three annual payments of \$18,143 beginning in January 2009. At the end of the term of the lease, the Township may purchase the equipment for \$1. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 14,813	\$ 3,330	\$ 18,143
2011	<u>16,394</u>	<u>1,749</u>	<u>18,143</u>
	<u>\$ 31,207</u>	<u>\$ 5,079</u>	<u>\$ 36,286</u>

NOTE 11 – 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

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

**NOTE 11 – COMPENSATED ABSENCES / OTHER POST EMPLOYMENT BENEFITS -
CONTINUED**

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, 2009, the liability for accrued sick leave is \$487,292 including \$119,505 applicable to employees of the proprietary fund and \$367,787 applicable to other employees.

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 June 30, 2009. Because there was only one retiree involved and no active employees will be receiving post-employment benefits, no actuarial study was performed.

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 \$115,910 at December 31, 2009.

The Township also provides termination benefits to all employees who qualify to retire. All such employees receive life insurance coverage of \$5,000 when they begin 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 \$30,042 while the Sewer Fund liability is estimated to be \$1,655 at December 31, 2009.

NOTE 12- NON UNIFORM 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, 2009.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 12- NON UNIFORM PENSION PLANS - CONTINUED

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.

NOTE 13- DEFERRED FINANCING COSTS

Financing costs, including legal fees, bond discounts and expenses incurred in issuance of debt for various proprietary fund projects are treated as deferred financing costs and recorded as Other Assets. These costs are being amortized over the term of the note or bond issue to which they related.

NOTE 14 -- INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund balances at December 31, 2009, consisted of the following fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund Due from Proprietary Fund	\$ 1,515	\$ 0
Proprietary Fund Due to General Fund	0	1,515
	\$ 1,515	\$ 1,515

All interfund balances resulted from the time lag between the dates that (1) interfund 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:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 14 – INTERFUND TRANSACTIONS – CONTINUED

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
Non-Major Fund	General Fund	\$ 1,116,782	To reimburse General Fund for payments made on behalf of the Capital Projects Fund.
Non-Major Fund	General Fund	\$ 51,487	To reimburse General Fund for payments made on behalf of the Liquid Fuels Fund.
Proprietary Fund	General Fund	\$ 21,547	Transfer of asset to proper Fund
General Fund	Non-Major Fund	\$ 1,160,793	To transfer funds to the General Capital Projects Fund for future capital expenditures.
Proprietary Fund	General Fund	\$ 3,750	To reimburse the General Fund for payments made on behalf of the Sewer Fund
Proprietary Fund	Non-Major Fund	\$ 140,000	To transfer funds to the Sewer Capital Projects Fund for future capital expenditures.
Non-Major Fund	Proprietary Fund	\$ 22,195	To reimburse the Sewer Fund for payments made on behalf of the Sewer Capital Projects Fund

NOTE 15 – 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 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 on an annual basis. The Township contributions to PIRMA for 2009 were \$80,000. There were no significant reductions in the level of insurance coverage compared to the coverage in the prior year.

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

NOTE 15 – RISK MANAGEMENT - CONTINUED

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.

Health, 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.

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 discharges 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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 15 – RISK MANAGEMENT - CONTINUED

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 16 – 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 collectibility or present any other unfavorable features to the Township.

NOTE 17 – SUBSEQUENT EVENT

The Township evaluated its December 31, 2009 financial statements for subsequent events through June 25, 2010, 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.

OTHER FINANCIAL INFORMATION

HOPEWELL TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2009

	Parks Capital Projects Fund	Sewer Capital Projects Fund	General Capital Projects Fund	State Fund	Total Non-Major Governmental Funds
Cash and Cash Equivalents	\$ 83,676	\$ 239,947	\$ 349,560	\$ 75,963	\$ 749,146
Total Assets	\$ 83,676	\$ 239,947	\$ 349,560	\$ 75,963	\$ 749,146

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 14,531	\$ 14,531
Due to other funds	0	0	0	0	0
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 14,531	\$ 14,531

Fund Balances:

Unreserved	\$ 83,676	\$ 239,947	\$ 349,560	\$ 61,432	\$ 734,615
Total Fund Balance	\$ 83,676	\$ 239,947	\$ 349,560	\$ 61,432	\$ 734,615
Total Liabilities and Fund Balances	\$ 83,676	\$ 239,947	\$ 349,560	\$ 75,963	\$ 749,146

HOPEWELL TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2009

	Parks Capital Projects Fund	Sewer Capital Projects Fund	General Capital Projects Fund	State Fund	Total Non-Major Governmental Funds
<u>REVENUES</u>					
Taxes/Special Assessments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	0	304,408	304,408
Interest, Rents and Royalties	428	3,646	6,558	682	11,314
Contributions	0	0	0	0	0
Total Revenues	\$ 428	\$ 3,646	\$ 6,558	\$ 305,090	\$ 315,722
<u>EXPENDITURES</u>					
Public Safety	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Public Works-Highways	0	0	0	283,317	283,317
Culture-Recreation	4,889	0	0	0	4,889
Total Expenditures	\$ 4,889	\$ 0	\$ 0	\$ 283,317	\$ 288,206
Excess (deficiency) of revenues over expenditures	\$ (4,461)	\$ 3,646	\$ 6,558	\$ 21,773	\$ 27,516
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ 0	\$ 140,000	\$ 1,160,793	\$ 0	\$ 1,300,793
Transfers (Out)	0	(22,195)	(1,116,782)	(51,487)	(1,190,464)
Total Other Financing Sources (Uses)	\$ 0	\$ 117,805	\$ 44,011	\$ (51,487)	\$ 110,329
Net change in Fund balances	\$ (4,461)	\$ 121,451	\$ 50,569	\$ (29,714)	\$ 137,845
Fund Balances, beginning of year	88,137	118,496	298,991	91,146	596,770
Fund Balances, end of year	\$ 83,676	\$ 239,947	\$ 349,560	\$ 61,432	\$ 734,615