

HOPEWELL TOWNSHIP
ALIQUPPA, PENNSYLVANIA
DECEMBER 31, 2011

AUDIT REPORT

HOPEWELL TOWNSHIP
ALIQUIPPA, PENNSYLVANIA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopewell Township, as of and for the year ended December 31, 2011, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through xiv and 38 and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide

any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopewell Township's financial statements as a whole. The combining and individual nonmajor fund financial statements, beginning on page 38, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants

Cottrill, Arbutina & Associates, P.C.

Beaver, PA 15009

June 14, 2012

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2011

Our discussion and analysis of Hopewell Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the Township's financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- The Township's adjusted overall net assets increased by \$984,307 (14%). The governmental net assets increased by \$870,359 (25%) and the adjusted business-type net assets increased by \$113,948 (3%).
- The General Fund (the primary operating fund), reflected on a current financial resource basis, reports an increase in fund balance of \$523,355 compared to a decrease of \$64,766 in 2010.
- The Township issued \$6,013,003 in General Obligation Bonds in 2011. The proceeds of these bonds were primarily used to refund the General Obligation Bonds of 2004 and 2006 and to repay short-term notes payable entered into earlier in 2011. This refinancing was done to reduce future interest expense.
- The December 31, 2011 net outstanding debt of the Township was \$12,459,784. This represented a decrease of \$355,798 from the same date in 2010. The decrease was primarily the result of scheduled debt service payments, partially offset by the addition of obligations under capital leases.
- The Township's Sewer Fund received \$225,000 under a settlement agreement and mutual release relating to a vendor's alleged professional negligence.

USING THE ANNUAL REPORT

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

Reporting the Township as a Whole

Our analysis of Hopewell Township as a whole begins on page 3. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2011

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

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

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

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

Reporting the Township's Most Significant Funds

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

- **Governmental funds** —Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are unreserved or restricted. These classifications of fund balance show the nature and extent of constraints placed on the Township's fund balances by law, creditors, the Board of Commissioners, and the Township's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2011

accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* via reconciliations on pages 6 and 8.

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

The Township as Trustee

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

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

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

Table A-1
Fiscal Year ended December 31, 2011
Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 2,189,393	\$ 1,333,949	\$ 1,096,453	\$ 759,793	\$ 3,285,846	\$ 2,093,742
Capital assets	5,337,598	5,156,400	12,627,175	12,980,337	17,964,773	18,136,737
Other noncurrent assets	80,953	122,735	0	268,372	80,953	391,107
Total assets	<u>\$ 7,607,944</u>	<u>\$ 6,613,084</u>	<u>\$ 13,723,628</u>	<u>\$ 14,008,502</u>	<u>\$ 21,331,572</u>	<u>\$ 20,621,586</u>

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2011

Table 1 – Continued

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other liabilities	\$ 688,033	\$ 576,361	\$ 577,560	\$ 573,825	\$ 1,265,593	\$ 1,150,186
Long-term liabilities	2,536,821	2,523,992	9,724,136	10,126,693	12,260,957	12,650,685
Total liabilities	<u>\$ 3,224,854</u>	<u>\$ 3,100,353</u>	<u>\$ 10,301,696</u>	<u>\$ 10,700,518</u>	<u>\$ 13,526,550</u>	<u>\$ 13,800,871</u>
Net assets						
Invested in capital assets, net of related debt	\$ 2,439,693	\$ 2,275,212	\$ 2,572,319	\$ 2,543,628	\$ 5,012,012	\$ 4,818,840
Restricted for:						
Special Revenue Fund	(9,562)	7,426	0	0	(9,562)	7,426
Unrestricted	<u>1,952,959</u>	<u>1,230,093</u>	<u>849,613</u>	<u>764,356</u>	<u>2,802,572</u>	<u>1,994,449</u>
Total net assets	<u>\$ 4,383,090</u>	<u>\$ 3,512,731</u>	<u>\$ 3,421,932</u>	<u>\$ 3,307,984</u>	<u>\$ 7,805,022</u>	<u>\$ 6,820,715</u>

At December 31, 2011, Hopewell Township's total assets were \$21,331,572. Of this amount, \$17,964,773 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, 2010 were \$20,621,586.

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. A restricted balance represents amounts generated for specific purpose funds (State Liquid Fuels monies). The restricted deficit in net assets, in the 2011 year, represents amounts that were spent by the liquid fuels fund in excess of the current year revenue. It is the intention of the Township to eliminate the deficit when the 2012 State Liquid Fuels monies are received. A portion of the unrestricted balance includes amounts that have been earmarked by Township management for future capital projects.

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2011

Table A-2
Fiscal Years ended December 31, 2011 and 2010
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
REVENUES						
Program revenues:						
Charges for services	\$ 868,141	\$ 795,729	\$ 3,059,164	\$ 2,967,302	\$ 3,927,305	\$ 3,763,031
Operating grants and contributions	690,954	649,936	107,867	39,201	798,821	689,137
Capital grants and contributions	0	28,725	0	0	0	28,725
General revenues:						
Property taxes	2,283,995	1,751,685	0	0	2,283,995	1,751,685
Other taxes	1,718,380	1,613,499	0	0	1,718,380	1,613,499
Other	409,651	429,355	75,890	(136,096)	485,541	293,259
Total revenues	<u>\$ 5,971,121</u>	<u>\$ 5,268,929</u>	<u>\$ 3,242,921</u>	<u>\$ 2,870,407</u>	<u>\$ 9,214,042</u>	<u>\$ 8,139,336</u>
EXPENSES						
General Government	\$ 384,704	\$ 465,595	\$ 0	\$ 0	\$ 384,704	\$ 465,595
Public Safety	1,942,806	1,857,527	0	0	1,942,806	1,857,527
Public Works - Sanitation	681,541	662,383	0	0	681,541	662,383
Public Works - Highways	841,007	1,037,231	0	0	841,007	1,037,231
Culture - Recreation	227,728	219,674	0	0	227,728	219,674
Interest on long-term debt	105,966	95,986	0	0	105,966	95,986
Unallocated amortization	41,782	8,744	0	0	41,782	8,744
Unallocated Employee Benefits	853,353	900,156	0	0	853,353	900,156
Miscellaneous	9,660	8,349	0	0	9,660	8,349
Fiscal Agent Fees	12,215	0	0	0	12,215	0
Sewer System	0	0	3,128,973	2,734,073	3,128,973	2,734,073
Total expenses	<u>\$ 5,100,762</u>	<u>\$ 5,255,645</u>	<u>\$ 3,128,973</u>	<u>\$ 2,734,073</u>	<u>\$ 8,229,735</u>	<u>\$ 7,989,718</u>
Increase (decrease) in net assets	<u>\$ 870,359</u>	<u>\$ 13,284</u>	<u>\$ 113,948</u>	<u>\$ 136,334</u>	<u>\$ 984,307</u>	<u>\$ 149,618</u>

Revenue Sources:

Total government-wide revenues of \$9,214,042 were derived primarily from taxes and charges for sewer services. In 2011, Hopewell Township earned \$4,002,375 in taxes compared to \$3,365,184 in 2010. Tax revenues accounted for 43% and 41% of total revenues in 2011 and 2010, respectively. Of the taxes levied, the real estate tax and the earned income tax are the most significant. In 2011, Real estate tax accounted for \$2,283,995 or 57% of the taxes levied

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

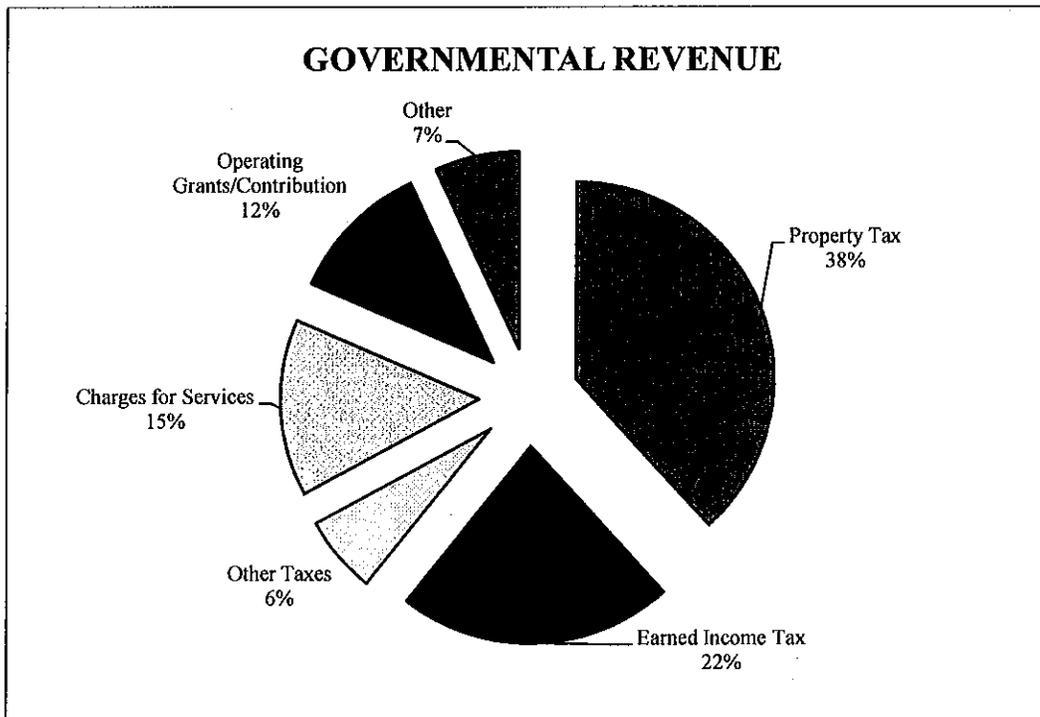
DECEMBER 31, 2011

for general government purposes compared to \$1,778,087 or 53% in 2010. 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 2011 was \$162,835,424 compared to \$161,572,082 in 2010. The increase in real estate tax revenues from 2010 to 2011 is primarily the result of an increase in tax rates. In 2011 and 2010, 14 mills tax (1.4%) and 11 mills tax (1.1%), respectively, was levied for total governmental purposes.

Earned income tax accounted for \$1,338,627 or 33% of the taxes levied for general government purposes compared to \$1,208,360 in 2010. The earned income tax is a one-half percent (0.5%) tax levied on wages earned by residents of the Township. The increase over the prior year can be largely attributed to the increased efficiencies of collection by an outside agency. Local Services Tax (LST) revenue decreased approximately \$22,109 from 2010. In 2011, the annual amount is withheld at a rate of \$1 per week for 52 weeks.

Charges for Services in governmental activities are amounts received by the Township for services provided to others including garbage collection, wage tax collection service provided to the school district, contracted police services, and recreation fees. Revenue for these services increased to \$868,141 in 2011 from \$795,729 in 2010 primarily due to the increase in garbage collection rates.

The following chart graphically depicts the government-wide sources of governmental activities revenue for the fiscal year ended December 31, 2011:



HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

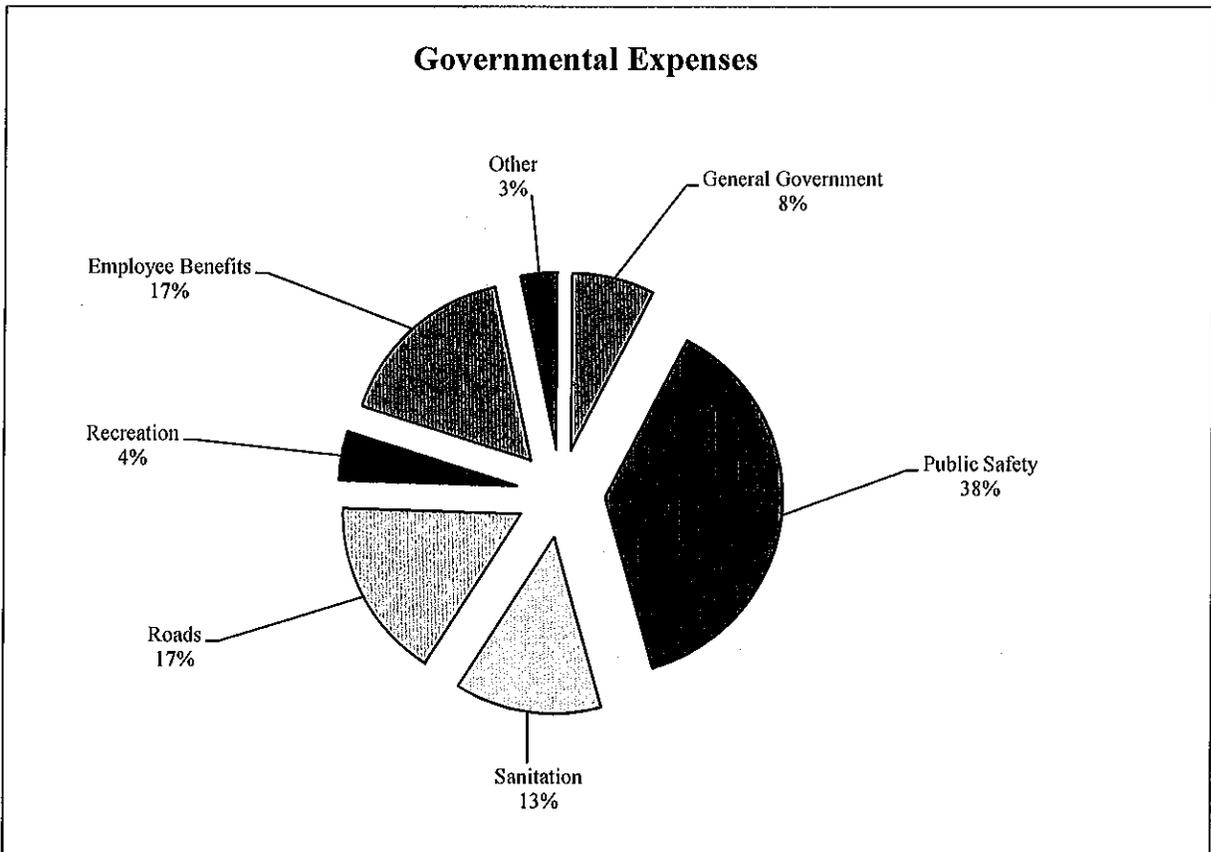
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Program Expenses:

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 (38%). Other significant areas of program expenses include public works-roads (17%) which represents the cost of road maintenance and repair and employee benefits and insurance (17%) representing the costs of fringe benefits provided to Township employees working in all departments.

Total Expenses for all governmental activity programs in 2011 was \$5,100,762, which represented a decrease of \$154,883 over the \$5,255,645 recognized in 2010. The decrease primarily reflects decreased expenses for highway equipment and materials.

The following chart graphically depicts the government-wide expenditures for various programs of governmental activities for the fiscal year ended December 31, 2011:



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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2011

Governmental Activities

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

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

Table A-3
Fiscal Years ended December 31, 2011 and 2010
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General Government	\$ 384,704	\$ 465,595	\$ 179,471	\$ 260,796
Public Safety	1,942,806	1,857,527	1,689,538	1,574,821
Public Works - Sanitation	681,541	662,383	(73,898)	(7,514)
Public Works - Highways	841,007	1,037,231	541,385	744,464
Culture-Recreation	227,728	219,674	182,195	195,453
Interest on long-term debt	105,966	95,986	105,966	95,986
Unallocated Employee Benefits	853,353	900,156	853,353	900,156
Unallocated amortization	41,782	8,744	41,782	8,744
Fiscal Agent Fees	12,215	0	12,215	0
Miscellaneous	<u>9,660</u>	<u>8,349</u>	<u>9,660</u>	<u>8,349</u>
Total governmental activities	<u>\$ 5,100,762</u>	<u>\$ 5,255,645</u>	<u>\$ 3,541,667</u>	<u>\$ 3,781,255</u>
Less:				
Unrestricted grants, subsidies			<u>0</u>	<u>0</u>
Total needs from local taxes and other revenues			<u>\$ 3,541,667</u>	<u>\$ 3,781,255</u>

Business-type Activities

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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Table A-4
Fiscal Years ended December 31, 2011 and 2010
Business-type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Sewer System	\$ 3,128,973	\$ 2,734,073	\$ (38,058)	\$ (272,430)
Less:				
Operating Grants and Contributions	0	0	0	0
Investment Earnings	0	0	(496)	(481)
Interfund Transfers	0	0	149,606	148,880
Refund of Prior Year Expenses	0	0	0	(12,303)
Legal Settlements	0	0	(225,000)	0
Other	0	0	0	0
Total Business-type Activities	<u>\$ 3,128,973</u>	<u>\$ 2,734,073</u>	<u>\$ (113,948)</u>	<u>\$ (136,334)</u>

The cost of services for the sewer fund in 2011 increased by \$394,900 compared to 2010. The increase was primarily caused by increased labor costs and the write-off of unamortized bond issue costs for the 2006 retired general obligation bond.

Interfund transfers primarily represent transfers of \$173,000 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 (see page 10) will further detail the actual results of operations.

THE TOWNSHIP FUNDS

At December 31, 2011, the Township's governmental funds reported a combined fund balance of \$1,666,379, which is an increase of \$720,004 from 2010. Of the combined total fund balance, \$921,200 (56%) represents unassigned general fund balance, meaning that these funds are available to meet the Township's current or future needs. Fund balance of \$32,542 is classified as nonspendable as it represents prepaid insurance expense. Fund balance of \$174,356 is committed by the board of supervisors to be used specifically for future capital projects of the Township.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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General Fund Budgetary Highlights

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 \$239,734 (5%) more than budgeted amounts. This variance is primarily attributable to higher than anticipated tax collections.

General fund expenditures and other financing sources (uses) were \$219,171 (4%) lower than budgeted. This variance is mostly due to higher than anticipated transfers from the general capital projects fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2011, the Township had \$17,964,773 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A-5
Capital assets - net of depreciation

	2011
Land	\$ 1,621,037
Building and Improvements	643,017
Equipment and Vehicles	843,338
Infrastructure	14,794,237
Construction in Progress	63,144
Total	\$ 17,964,773

Debt

As of January 1, 2011, the Township had total outstanding bonds payable of \$7,025,000. During the year the Township made scheduled payments against bond principal of \$216,971. In addition, the Township issued general obligation bonds of \$6,013,003 and refunded general obligation bonds of \$5,633,029 resulting in outstanding bonds payable of \$7,188,003 as of December 31, 2011.

As of January 1, 2011, the Township had total outstanding notes payable of \$5,557,759 related to financing for sewer construction projects. The Township issued and repaid a tax anticipation note of \$350,000. In addition, a General Obligation Note of \$350,000 was issued and repaid with the 2011 General Obligation Bonds referenced above. Other principal payments of \$384,473 were made, resulting in outstanding notes payable of \$5,173,286 as of December 31, 2011.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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Other obligations include outstanding capital leases of \$98,495 and accrued vacation pay and sick leave for specific employees of the Township of \$541,730 and accrued liabilities for other post employment benefits of \$54,059.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

It is the Township's plan that 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 2012 is \$5,409,000, which is \$502,300 less than the revenue budget for 2011. This represents an 8% decrease in budgeted revenues when compared to the previous year. The General Fund expenditure budget for the 2012 year is \$5,409,000, which is \$436,850 less than the budget for 2011 or a 7% decrease in expenses compared to the previous year.

In addition to the General Fund, the Township has budgeted for 2012 \$2,982,900 in Sewer Fund revenues which is \$21,400 more than the revenue budget for 2011. This represents an increase of 1% when compared to the previous year. The Sewer Fund budgeted \$2,940,750 in expenditures in 2012 which is \$146,850 more than the expense budget for 2011. This represents an increase of 5% when compared to the previous year. Hopewell Township for 2012 has ancillary budgets of \$110,300 out of its General Capital Reserve Fund for emergency projects, \$81,200 out of its Park Fund for DCNR grant matching for 2012 park expansion, \$301,957 out of its State Fund for street lighting and winter maintenance and \$525,000 out of its Sewer Construction Fund for the Raccoon Sewer Plant Aeration upgrade.

The 2012 calendar year presented many challenges for the Board of Commissioners, which was faced with the dilemma of transforming the Township into a more cost-efficient operating entity. As the cost of doing business continues to increase, it becomes more difficult to maintain the high quality level of service that the residents of Hopewell demand and deserve. In 2011 all Township departments were assigned the task to cut costs, work smarter, and be more efficient; with the efforts of department supervisors, Hopewell Township's overall 2012 expense budget was cut by 7% when compared to 2011. The Board of Commissioners started the process of the restructuring of employee union contracts and health insurance plans in order to keep the Township fiscally responsible for the long term. Because of an entire team effort of all Township employees, the Commissioners and Township management team were able to eliminate the scheduled fourth year sewer rate increase as well as maintain the Township real estate tax rate at its current level of 14 mils. The planned four-year scheduled rate increases were necessary to sustain the maintenance of infrastructure improvements for our two sewer plants, as well as to

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

DECEMBER 31, 2011

\$6,000,000. The refinance will save the Township over \$700,000 over the next ten years. The Board of Commissioners and management team will continue to strive to utilize Township assets and personnel more efficiently as well as utilize technology to assist in becoming more efficient and cut unnecessary spending.

The Administration's goal for 2012 is to aggressively pursue more cost cutting measures in both funds and to examine all expenses to make sure the Township is operating as efficiently as possible. The Board of Commissioners will continue to aggressively pursue relationships with county, state and federal officials for the future development of Interstate 376, to improve and seek businesses for our current Riverfront and Business Park, as well as to seek grants for the continued development of our community park. One of Hopewell Township's major goals in 2012 is to develop and attract more businesses to our business 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 2012 residents can look forward to new programs and advancements on the Township website. Please be advised that if residents would like to see something on our website that the Township currently does not offer, please email request to adminmgr@hopewelltp.com. Hopewell residents are also reminded that they can add, change, or remove phone numbers from our 911 call message system by going to our website www.hopewelltp.com and clicking on the Swiftreach 911 call system portal. Residents can also sign up to receive the emergency and important announcements via text message and by email alert messages through our website. Residents in 2012 can also sign up for ACH payments for payment of their sewage and refuse billing. Residents are also reminded that they have the ability to pay their sewer and refuse payments by credit or debit card at either www.hopewelltp.com or www.hopewellbill.com.

In 2012 Hopewell Township plans to invest \$250,000 in Township Roads, as well as a \$500,000 investment into its Raccoon Sewer Treatment Plant to upgrade the plant's secondary aeration facilities with more effective and energy efficient-equipment; this upgrade is expected to tremendously reduce the Raccoon plant's electric usage, which is the plant's largest expense. Both projects will be completely financed through existing Township Funds. The Township will also continue to explore the development of a G.P.S. (Global Positioning Satellite) to assist in the location of sewer and general infrastructure within the Township. The G.P.S. system will be a tremendous asset to the Township in order for the Township to better utilize its assets around the Township, as well as to help the workers to be more efficient. The Township also plans on building an additional pavilion this summer at its municipal building complex, as well as applying for a D.C.N.R. grant for improvements on the additional 17 acres of land that was acquired by the Township in 2011.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2011

Hopewell Township's Police Department can expect to receive a new 2012 Chevy Tahoe that will be purchased by Beaver County in accordance with 1998 intergovernmental cooperation agreement between the Township and the County.

Township residents in 2012 will be able to put their grass clippings and leaves in any type of bag for curbside collection with their normal schedule garbage collection by Waste Management at no additional cost to the residents. The Township Administration office in 2012 will implement a photo ID system for the residents wishing to use the Township Depository; all residents who wish to use the Depository will be required to have a photo ID, this will require an annual fee of \$20 unless you are 65 years of age or older, and then you will be exempt from the annual fee, but will still be required to have a photo ID in order to enter the Depository.

The Administration phone system will be revamped to be more user friendly. The Township Administration department will also offer a low-income grant sewer assistant program for residents who qualify to help lower income residents pay for their sewer usage. The Administration office in 2012 will be working on a new call complaint system where residents will be able to log in complaints via the Township website, receive a confirmation of receipt, and email confirmation when the complaint has been satisfied. The Township believes this system will help the Township be more efficient in responding to and tracking residential complaints.

2012 Real Estate Values

Hopewell Area Schools		
<u>Value</u>	<u># of Parcels</u>	<u>change from previous year</u>
\$232,656,442	9,966	\$1,587,037 +

Hopewell Township		
<u>Value</u>	<u># of Parcels</u>	<u>change from previous year</u>
\$161,983,274	6,865	\$1,147,850 +

CONSTRUCTION REPORT FOR HOPEWELL TOWNSHIP

McGraw Hill Construction Research & Analytics reports that Single family home construction improved for the last 5 consecutive months of 2011 and that prospects for 2012 overall, look good. In addition, according to Freddie Mac's Primary Mortgage Market Survey, the rate on 30-year conventional mortgages fell for the sixth straight month in January to 3.92%, the lowest rate since at least 1971. Also, slow improvements in the economy may be contributing to modest gains in some housing indicators. These conditions should present favorable conditions for home construction.

Specifically within Hopewell Township, twelve (12) new single family homes were constructed during 2011. This provided a steady building pace for new home construction when conventional mortgage rates continued on an upward tract early in 2011 and both new and

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

DECEMBER 31, 2011

existing home sales plunged. Of these, eight (8) homes were built in the Sweet Brier Maronda Subdivision and four (4) were build in various locations throughout the Township. During 2012, Maronda Homes will finish the Sweet Brier Plan and new construction of homes will have to wait for Maronda's proposed new Clairmont Manor Plan to be developed for construction. Other locations throughout the Township for new home construction will not be significant. Four (4) homes were permitted in 2011.

It is noteworthy that during 2011 Nonresidential Commercial Activity picked up with new retail space being created outside of the Township's Shopping Center Districts. While steady improvements were undertaken and continue in the Centers.

As a result, construction activities in Hopewell Township remained constant during 2011 despite a somewhat unfavorable downturn in the industry. Although housing construction could experience a lull in 2012 before proposed subdivision preparations are undertaken, there are some indicators that commercial and industrial activities will fill the void.

CONTACTING THE TOWNSHIP FINANCIAL MANAGEMENT

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

HOPEWELL TOWNSHIP
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,543,861	\$ 423,184	\$ 1,967,045
Accounts Receivable	267,539	661,593	929,132
Taxes Receivable	343,150	0	343,150
Internal Balances	2,301	(2,301)	0
Other Current Assets	<u>32,542</u>	<u>13,977</u>	<u>46,519</u>
Total Current Assets	\$ 2,189,393	\$ 1,096,453	\$ 3,285,846
Noncurrent Assets			
Land	\$ 1,530,899	\$ 90,138	\$ 1,621,037
Building & Building Improvements (net of depreciation)	566,238	76,779	643,017
Equipment and Vehicles (net of depreciation)	701,417	141,921	843,338
Infrastructure (net of depreciation)	2,539,044	12,255,193	14,794,237
Construction in Progress	0	63,144	63,144
Debt Issue Costs (net of amortization)	<u>80,953</u>	<u>0</u>	<u>80,953</u>
Total Noncurrent Assets	\$ 5,418,551	\$ 12,627,175	\$ 18,045,726
TOTAL ASSETS	\$ 7,607,944	\$ 13,723,628	\$ 21,331,572
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 209,009	\$ 59,101	\$ 268,110
Accrued Salaries and Benefits	74,715	21,824	96,539
Payroll Deductions & Withholdings	7,995	1,917	9,912
Other Current Liabilities	35,230	27,352	62,582
Bonds Payable	249,285	63,000	312,285
Notes Payable	0	395,416	395,416
Leases Payable	77,965	8,950	86,915
Other Post Employment Benefit Liability	<u>33,834</u>	<u>0</u>	<u>33,834</u>
Total Current Liabilities	\$ 688,033	\$ 577,560	\$ 1,265,593
Noncurrent Liabilities			
Bonds Payable	\$ 2,057,148	\$ 4,818,570	\$ 6,875,718
Notes Payable	0	4,777,870	4,777,870
Leases Payable	11,580	0	11,580
Other Post Employment Benefit Liability	52,494	1,565	54,059
Accumulated Compensated Absences	<u>415,599</u>	<u>126,131</u>	<u>541,730</u>
Total Noncurrent Liabilities	\$ 2,536,821	\$ 9,724,136	\$ 12,260,957
TOTAL LIABILITIES	\$ 3,224,854	\$ 10,301,696	\$ 13,526,550
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 2,439,693	\$ 2,572,319	\$ 5,012,012
Restricted for:			
Special Revenue Fund	(9,562)	0	(9,562)
Unrestricted	<u>1,952,959</u>	<u>849,613</u>	<u>2,802,572</u>
TOTAL NET ASSETS	\$ 4,383,090	\$ 3,421,932	\$ 7,805,022
TOTAL LIABILITIES AND NET ASSETS	\$ 7,607,944	\$ 13,723,628	\$ 21,331,572

See Accompanying Notes to Financial Statements

**HOPEWELL TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

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	\$ 384,704	\$ 30,556	\$ 174,677	\$ 0	\$ (179,471)	\$ 0	\$ (179,471)
Public Safety	1,942,806	64,172	189,096	0	(1,689,538)	0	(1,689,538)
Public Works - Sanitation	681,541	744,688	10,751	0	73,898	0	73,898
Public Works - Highways	841,007	0	299,622	0	(541,385)	0	(541,385)
Culture - Recreation	227,728	28,725	16,808	0	(182,195)	0	(182,195)
Interest	105,966	0	0	0	(105,966)	0	(105,966)
Unallocated Employee Benefits and Insurance	853,353	0	0	0	(853,353)	0	(853,353)
Miscellaneous	9,660	0	0	0	(9,660)	0	(9,660)
Fiscal Agent Fees	12,215	0	0	0	(12,215)	0	(12,215)
Unallocated Amortization	41,782	0	0	0	(41,782)	0	(41,782)
Total Governmental Activities	\$ 5,100,762	\$ 868,141	\$ 690,954	\$ 0	\$ (3,541,667)	\$ 0	\$ (3,541,667)
Business-type Activities:							
Sewer/Wastewater	\$ 3,118,973	\$ 3,049,164	\$ 107,867	\$ 0	0	\$ 38,058	\$ 38,058
Total Business-type Activities	\$ 3,118,973	\$ 3,049,164	\$ 107,867	\$ 0	0	\$ 38,058	\$ 38,058
Total Primary Government	\$ 8,219,735	\$ 3,917,305	\$ 798,821	\$ 0	\$ (3,541,667)	\$ 38,058	\$ (3,503,609)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 2,283,995	\$ 0	\$ 2,283,995
Other taxes levied for general purposes, net					1,718,380	0	1,718,380
Licenses and permits					166,553	0	166,553
Fines and forfeits					37,793	0	37,793
Interest, rents and royalties					47,232	496	47,728
Refunds of prior year expenses/(revenues)					(1,580)	0	(1,580)
Legal Settlement					0	225,000	225,000
Interfund transfers					149,606	(149,606)	0
Miscellaneous income					10,047	0	10,047
Total general revenues, special items, extraordinary items and transfers					\$ 4,412,026	\$ 75,890	\$ 4,487,916
Change in Net Assets					\$ 870,359	\$ 113,948	\$ 984,307
Net Assets—Beginning					3,512,731	3,307,984	6,820,715
Net Assets—Ending					\$ 4,383,090	\$ 3,421,932	\$ 7,805,022

HOPEWELL TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2011

	<u>General</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 800,834	\$ 743,027	\$ 1,543,861
Accounts Receivable	267,539	0	267,539
Taxes Receivable	343,150	0	343,150
Due from other funds	17,511	0	17,511
Other Current Assets	<u>32,542</u>	<u>0</u>	<u>32,542</u>
Total Assets	<u>\$ 1,461,576</u>	<u>\$ 743,027</u>	<u>\$ 2,204,603</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 193,829	\$ 15,180	\$ 209,009
Accrued Salaries & Benefits	74,715	0	74,715
Payroll Deductions & Withholdings	7,995	0	7,995
Due to other funds	0	15,210	15,210
Deferred Revenue - Real Estate Taxes	196,065	0	196,065
Other Current Liabilities	<u>35,230</u>	<u>0</u>	<u>35,230</u>
Total Liabilities	<u>\$ 507,834</u>	<u>\$ 30,390</u>	<u>\$ 538,224</u>
<u>Fund Balances</u>			
Nonspendable	\$ 32,542	\$ 0	\$ 32,542
Committed Fund Balance - Capital Projects	0	92,724	92,724
Committed Fund Balance - Park Projects	0	81,632	81,632
Assigned Fund Balance	0	547,843	547,843
Unassigned Fund Balance	<u>921,200</u>	<u>(9,562)</u>	<u>911,638</u>
Total Fund Balances	<u>\$ 953,742</u>	<u>\$ 712,637</u>	<u>\$ 1,666,379</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 1,461,576</u>	<u>\$ 743,027</u>	<u>\$ 2,204,603</u>

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

AS OF DECEMBER 31, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,666,379**

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	7,431,628
Deduct: Accumulated Depreciation	(2,094,030)

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	(64,625)

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	196,065
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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	\$ (2,306,433)
Deduct: Lease Purchase Obligations	(89,545)
Deduct: Compensated absences	(415,599)
Deduct: Other Post Employment Benefits	(86,328)
	(2,897,905)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 4,383,090**

HOPEWELL TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	Other Non-Major <u>Funds</u>	Totals Governmental <u>Funds</u>
<u>REVENUES</u>			
Taxes/Special Assessments	\$ 3,974,719	\$ 0	\$ 3,974,719
Licenses and Permits	166,553	0	166,553
Fines and Forfeits	37,793	0	37,793
Interest and Rents	18,257	28,975	47,232
Intergovernmental	370,138	316,430	686,568
Charges for Services	868,141	0	868,141
Miscellaneous Revenue	10,047	0	10,047
Contributions	4,386	0	4,386
Total Revenues	<u>\$ 5,450,034</u>	<u>\$ 345,405</u>	<u>\$ 5,795,439</u>
<u>EXPENDITURES</u>			
Current:			
General Government	\$ 380,624	\$ 0	\$ 380,624
Public Safety	1,947,233	0	1,947,233
Public Works - Sanitation	681,541	0	681,541
Public Works - Highways	791,461	260,930	1,052,391
Culture - Recreation	222,352	0	222,352
Debt Service:			
Interest charged	105,966	0	105,966
Principal Retirement	1,824,394	0	1,824,394
Unallocated Employee Benefits and Insurance	853,353	0	853,353
Miscellaneous	9,660	0	9,660
Total Expenditures	<u>\$ 6,816,584</u>	<u>\$ 260,930</u>	<u>\$ 7,077,514</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,366,550)</u>	<u>\$ 84,475</u>	<u>\$ (1,282,075)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 0	\$ 0	\$ 0
Transfers In	397,831	521,511	919,342
Transfers Out	(360,399)	(409,337)	(769,736)
Proceeds of General Long Term Debt	1,866,268	0	1,866,268
Fiscal Agent Fees	(12,215)	0	(12,215)
Refunds of Prior Year Expenditures/(Receipts)	(1,580)	0	(1,580)
Total Other Financing Sources (Uses)	<u>\$ 1,889,905</u>	<u>\$ 112,174</u>	<u>\$ 2,002,079</u>
Net change in fund balances	\$ 523,355	\$ 196,649	\$ 720,004
Fund Balances, beginning of year	<u>430,387</u>	<u>515,988</u>	<u>946,375</u>
Fund Balances, end of year	<u>\$ 953,742</u>	<u>\$ 712,637</u>	<u>\$ 1,666,379</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, 2011

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 720,004**

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	\$ 401,986	
Less: Depreciation Expense	<u>(220,788)</u>	181,198

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	\$ 1,692,661	
Principal Payments on Capital Lease Obligations	131,733	
Less: Proceeds from Notes and Bonds Payable	(1,866,268)	
Less: Amortization Expense	<u>(41,782)</u>	(83,656)

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 and OPEB		25,157
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Because some real estate taxes will not be collected until several months or later after the Township's year-end, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount during this year.

27,656

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 870,359**

HOPEWELL TOWNSHIP
STATEMENT OF NET ASSETS - SEWER FUND
AS OF DECEMBER 31, 2011

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 423,184
Accounts Receivable	661,593
Other Current Assets - Prepaid Insurance	<u>13,977</u>
Total Current Assets	\$ 1,098,754
Noncurrent Assets	
Land	\$ 90,138
Building & Building Improvements (net of depreciation)	76,779
Equipment and Vehicles (net of depreciation)	141,921
Infrastructure (net of depreciation)	12,255,193
Construction in Progress	<u>63,144</u>
Total Noncurrent Assets	\$ 12,627,175
TOTAL ASSETS	\$ 13,725,929
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 59,101
Accrued Salaries and Benefits	21,824
Due to General Fund	2,301
Payroll Deductions & Withholdings	1,917
Escrow Payable	27,352
Bonds Payable	63,000
Lease Payable	8,950
Notes Payable	<u>395,416</u>
Total Current Liabilities	\$ 579,861
Noncurrent Liabilities	
Bonds Payable	\$ 4,818,570
Notes Payable	4,777,870
Other Post Employment Benefit Liability	1,565
Accumulated Compensated Absences/Retirement Incentives	<u>126,131</u>
Total Noncurrent Liabilities	\$ 9,724,136
TOTAL LIABILITIES	\$ 10,303,997
NET ASSETS	
Unrestricted, Undesignated	<u>\$ 3,421,932</u>
TOTAL NET ASSETS	\$ 3,421,932
TOTAL LIABILITIES AND NET ASSETS	\$ 13,725,929

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

SEWER FUND

YEAR ENDED DECEMBER 31, 2011

	<u>Sewer Fund</u>
<u>Operating Revenues</u>	
Charge for Services, Net	\$ 3,049,164
Total Operating Revenues	<u>\$ 3,049,164</u>
<u>Operating Expenses</u>	
Wastewater and Sewer Expense	\$ 2,071,382
Depreciation Expense	387,904
Amortization Expense	268,372
Total Operating Expenses	<u>\$ 2,727,658</u>
Operating Income	<u>\$ 321,506</u>
<u>Non-operating Revenues and (Expenses)</u>	
Shared Revenue - State Sources	\$ 107,867
Legal Settlement (Note 18)	225,000
Interest Income	496
Interest on Long-term Debt	<u>(391,315)</u>
Total Non-operating Revenues and (Expenses)	<u>\$ (57,952)</u>
Income Before Operating Transfers	\$ 263,554
Operating Transfers In	26,398
Operating Transfers (Out)	<u>(176,004)</u>
Change in Net Assets	\$ 113,948
Net Assets beginning of year	<u>3,307,984</u>
Net Assets end of year	<u>\$ 3,421,932</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, 2011

Cash Flows from Operating Activities:		
Receipts from Customers	\$ 3,025,610	
Payments to Suppliers	(1,482,368)	
Payments to Employees	(600,844)	
Net Cash Provided by Operating Activities		\$ 942,398
Cash Flows from Noncapital Financing Activities:		
Transfers In (Out), net	\$ (161,506)	
State Shared Revenue	107,867	
Net Repayments By and (Borrowings From) Other Funds	2,301	
Escrow Deposits Received	14,015	
Net Cash Used in Noncapital Financing Activities		(37,323)
Cash Flows from Capital and Related Financing Activities:		
Capital Expenditures, net of disposals	\$ (22,842)	
Proceeds from the issuance of Bonds	33,251	
Principal Paid on Bonds and Notes	(430,923)	
Interest Paid on Bonds and Notes	(391,315)	
Interest Income	496	
Receipt from Legal Settlement	225,000	
Net Cash Used in Capital and Related Financing Activities		(586,333)
Net Increase in Cash and Cash Equivalents		\$ 318,742
Cash and Cash Equivalents, beginning of year		<u>104,442</u>
Cash and Cash Equivalents, end of year		<u>\$ 423,184</u>
Operating Income		<u>\$ 321,506</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization Expense	\$ 656,276	
(Increase) Decrease in Accounts Receivable	(23,554)	
(Increase) Decrease in Prepaid Expenses	3,335	
Increase (Decrease) in Accounts Payable and Accrued Expenses	(12,316)	
Increase (Decrease) in Accrued Payroll	(1,087)	
Increase (Decrease) in Accrued Compensated Absences	(1,623)	
Increase (Decrease) in Accrued Other Post-employment Benefits	(139)	
Total Adjustments		<u>\$ 620,892</u>
Cash Provided by Operating Activities		<u>\$ 942,398</u>

Noncash Activities:

The Sewer Fund refunded bonds payable of \$4,848,319 with the issuance of 2011 refunding bonds payable.

Capital expenditures exclude \$11,900 for a vehicle transferred from the general fund.

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, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<u>REVENUES</u>			
Taxes/Special Assessments	\$3,840,500	\$ 3,974,719	\$ 134,219
Licenses and Permits	164,600	166,553	1,953
Fines and Forfeits	38,500	37,793	(707)
Interest and Rents	17,500	18,257	757
Intergovernmental	302,800	370,138	67,338
Charges for Services	837,100	868,141	31,041
Miscellaneous Revenue	5,800	10,047	4,247
Contributions	<u>3,500</u>	<u>4,386</u>	<u>886</u>
Total Revenues	<u>\$5,210,300</u>	<u>\$ 5,450,034</u>	<u>\$ 239,734</u>
<u>EXPENDITURES</u>			
General Government	\$ 416,700	\$ 380,624	\$ 36,076
Public Safety	1,862,450	1,947,233	(84,783)
Public Works - Sanitation	719,200	681,541	37,659
Public Works - Highways	562,300	791,461	(229,161)
Culture - Recreation	249,700	222,352	27,348
Interest	105,000	105,966	(966)
Debt Service	665,000	1,824,394	(1,159,394)
Unallocated Employee Benefits and Insurance	954,500	853,353	101,147
Miscellaneous	<u>9,000</u>	<u>9,660</u>	<u>(660)</u>
Total Expenditures	<u>\$5,543,850</u>	<u>\$ 6,816,584</u>	<u>\$(1,272,734)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (333,550)</u>	<u>\$(1,366,550)</u>	<u>\$(1,033,000)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 3,000	\$ 0	\$ (3,000)
Transfers In	0	397,831	397,831
Transfers Out	(301,000)	(360,399)	(59,399)
Proceeds of General Long Term Debt	650,000	1,866,268	1,216,268
Fiscal Agent Fees	0	(12,215)	(12,215)
Refunds of Prior Year (Receipts)	(1,000)	(1,580)	(580)
Refunds of Prior Year Expenditures/(Receipts)	<u>48,000</u>	<u>0</u>	<u>(48,000)</u>
Total Other Financing Sources (Uses)	<u>\$ 399,000</u>	<u>\$ 1,889,905</u>	<u>\$ 1,490,905</u>
Excess of Revenues and Other Sources			
Over/(Under) Expenditures and Other Uses	<u>\$ 65,450</u>	<u>\$ 523,355</u>	<u>\$ 457,905</u>
Fund Balances - Unreserved - beginning of year		<u>430,387</u>	
Fund Balances - Unreserved - end of year		<u>\$ 953,742</u>	

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Basic Financial Statements – Government-Wide Statements

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

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

be directly associated with the function (general government, public safety, public works-sanitation and highway, recreation, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital – specific grants.

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

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

C. Basic Financial Statements – Fund Financial Statements

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activity categories. Each major fund is presented in a separate column. Non-Major funds are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

1. Governmental Funds:

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

- a. The General Fund is the Township's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Parks Capital Projects Fund is a Capital Projects Fund which accounts for the accumulation of resources to be used for construction and improvement of the parks within the Township.
- c. The Sewer Capital Projects Fund is a Capital Projects Fund that accounts for the accumulation of resources to be used for construction and improvement of the Township's sewer system.
- d. The General Capital Projects Fund is a Capital Projects Fund which accounts for the accumulation of resources to be used for construction and improvements within areas of the Township other than the sewer system and the parks.

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- e. The State Fund is a Special Revenue Fund which accounts for proceeds of state aid for liquid fuels that are legally restricted to expenditures for road related purposes.

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

2. Proprietary Fund:

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

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

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

3. Fiduciary Funds:

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

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

D. Basis of Accounting

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

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Accrual:

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

2. Modified Accrual:

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

E. Budgetary Process

The Township passed an appropriated General Fund budget for the fiscal year ending December 31, 2011 with revenues and other financing sources totaling \$5,911,300 and expenditures and other financing sources totaling \$5,845,850.

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

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

- 1) Projections of revenue estimates and proposed expenditures must be made either by the secretary, department heads or committees of the governing body.
- 2) The minimum financial obligation of the municipality for the following year must be determined by the chief administrative officer of each municipal pension plan and submitted to the governing body by September 30.
- 3) A public meeting of the governing body is held at which the budget for all funds of the municipality is discussed and the proposed budget is prepared.

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- 4) After the proposed budget is prepared, it must be advertised. The advertisement should include a statement of where the budget is available for public inspection for a period of at least 20 days, except for townships, which is at least 10 days.
- 5) The governing body must officially adopt a balanced budget before December 31, of the year proceeding the budget year.

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

NOTE 2 – FINANCIAL STATEMENT AMOUNTS

1. Cash and Investments

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

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

2. Inventories

The inventories of the Township were not material to the financial statements taken as a whole as of December 31, 2011. Therefore, they are not reported.

3. Receivables

All receivables are reported net of estimated uncollectible amounts.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

4. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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.

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

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

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

5. Property Tax Calendar and Revenues

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

6. Compensated Absences

The Township accrues accumulated unpaid sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide statement of net assets and represents a reconciling item between the fund and government-wide presentations.

7. Defining Operating Revenues and Expenses

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

8. Government-wide and Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

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

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Subsequent Events

The Township evaluated its December 31, 2011 financial statements for subsequent events through June 14, 2012, 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.

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

11. Governmental Fund Balances

The GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) are effective for reporting periods after June 15, 2010. The Township has adopted GASB 54 as part of the December 31, 2011 year reporting. The intention of the GASB Statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Township's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

In addition to the non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

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

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

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. As of December 31, 2011, the Board of Commissioners has not given authorization to other personnel to assign portions of the fund balance.

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

12. Use of Restricted Resources

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

13. Inter-fund Activity

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "inter-fund 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, 2011

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, 2011, \$1,762,420 of the Township's bank balance of \$2,017,427 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	\$	1,762,420

Other Deposits

As of December 31, 2011, 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, 2011

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

As of December 31, 2011, the Township had the following other deposits:

<u>Type</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 6,330
Total	<u>\$ 6,330</u>

Reconciliation to Financial Statements

Uninsured, Collateralized Amount Above	\$ 1,762,420
Insured Amount	255,007
Petty Cash	300
Other Deposits Above	<u>6,330</u>
Carrying Amount - Bank Balances	\$ 2,024,057
Less: Outstanding Items	<u>(57,012)</u>
Total	<u>\$ 1,967,045</u>

Credit Risk

As of December 31, 2011, the Township’s other deposits were rated as:

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

NOTE 4 – ACCOUNTS RECEIVABLE

The Accounts Receivable balances represents the following earned prior to December 31, 2011 and due to Hopewell Township at December 31, 2011:

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 4 – ACCOUNTS RECEIVABLE - CONTINUED

	<u>General Fund</u>	<u>Sewer Fund</u>
General	\$ 105,119	\$ 0
Refuse (Billed and Unbilled)	184,876	0
Unbilled Waste Collection Services	0	411,735
Billed Waste Collection Services	0	281,257
Other	<u>2,103</u>	<u>28,653</u>
Account Receivable Gross	\$ 292,098	\$ 721,645
Less: Allowance for Doubtful Accounts	<u>(24,559)</u>	<u>(60,052)</u>
Accounts Receivable, Net	<u>\$ 267,539</u>	<u>\$ 661,593</u>

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

NOTE 5 - PROPERTY TAXES

Based upon assessed valuations provided by the County, the municipal tax collector bills and collects property taxes on behalf of the Township. The schedule for property taxes levied for 2011 is as follows:

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

The Township tax rate for all purposes in 2011 was 14 mills (\$14 per \$1,000 assessed valuation). Collections on the 2011 Tax Duplicate amounted to \$2,173,362.

As of December 31, 2011, property taxes receivable by the Township includes uncollected taxes assessed as of January 1, 2011 or earlier. It is estimated that a certain collectable percentage (as determined by the delinquent tax collector) of all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected; therefore, property taxes receivable reflect this estimate. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 is as follows:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 6 – CAPITAL ASSETS – CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,530,899	\$ 0	\$ 0	\$ 1,530,899
Construction in Progress	0	0	0	0
Total Capital assets, not being depreciated	<u>\$ 1,530,899</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,530,899</u>
Capital assets, being depreciated:				
Building and Building Improvements	\$ 1,384,867	\$ 12,475	\$ 0	\$ 1,397,342
Machinery and Equipment	1,662,188	34,834	13,268	1,683,754
Infrastructure	2,453,052	366,576	0	2,819,628
Total capital assets, being depreciated	<u>\$ 5,500,107</u>	<u>\$ 413,885</u>	<u>\$ 13,268</u>	<u>\$ 5,900,724</u>
Governmental activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 775,962	\$ 55,142	\$ 0	\$ 831,104
Machinery and Equipment	870,787	112,919	1,369	982,337
Infrastructure	227,857	52,727	0	280,584
Total Accumulated Depreciation	<u>\$ 1,874,606</u>	<u>\$ 220,788</u>	<u>\$ 1,369</u>	<u>\$ 2,094,025</u>
Capital assets, being depreciated, net	<u>\$ 3,625,501</u>	<u>\$ 193,097</u>	<u>\$ 11,899</u>	<u>\$ 3,806,699</u>
Governmental activities capital assets, net	<u>\$ 5,156,400</u>	<u>\$ 193,097</u>	<u>\$ 11,899</u>	<u>\$ 5,337,598</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 90,138	\$ 0	\$ 0	\$ 90,138
Construction in Progress	48,647	14,497	0	63,144
Total Capital assets, not being depreciated	<u>\$ 138,785</u>	<u>\$ 14,497</u>	<u>\$ 0</u>	<u>\$ 153,282</u>
Capital assets, being depreciated:				
Building and Building Improvements	\$ 2,078,410	\$ 8,345	\$ 0	\$ 2,086,755
Machinery and Equipment	526,293	13,266	0	539,559
Infrastructure	17,591,614	0	0	17,591,614
Total capital assets, being depreciated	<u>\$ 20,196,317</u>	<u>\$ 21,611</u>	<u>\$ 0</u>	<u>\$ 20,217,928</u>
Business-type activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 2,003,717	\$ 6,259	\$ 0	\$ 2,009,976
Machinery and Equipment	366,459	31,179	0	397,638
Infrastructure	4,984,589	351,832	0	5,336,421
Total Accumulated Depreciation	<u>\$ 7,354,765</u>	<u>\$ 389,270</u>	<u>\$ 0</u>	<u>\$ 7,744,035</u>
Capital assets, being depreciated, net	<u>\$ 12,841,552</u>	<u>\$ (367,659)</u>	<u>\$ 0</u>	<u>\$ 12,473,893</u>
Business-type activities capital assets, net	<u>\$ 12,980,337</u>	<u>\$ (353,162)</u>	<u>\$ 0</u>	<u>\$ 12,627,175</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 6 – CAPITAL ASSETS – CONTINUED

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

Governmental Activities:		
General Government		\$ 24,305
Public Safety		33,409
Highways and Streets		157,698
Parks and Recreation		<u>5,376</u>
Total Depreciation expense, Governmental Activities:		<u>\$ 220,788</u>
Business-Type Activities:		
Sewer		<u>\$ 387,904</u>
Total Depreciation expense, Business-Type Activities:		<u>\$ 387,904</u>
Total Depreciation expense, Governmental and Business-Type Activities:		<u>\$ 608,692</u>

NOTE 7 – LONG-TERM DEBT

Long-term liability for the year ended December 31, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable	\$ 2,155,000	\$ 1,131,433	\$ (980,000)	\$ 2,306,433	\$ 249,285
Notes Payable	0	700,000	(700,000)	0	0
Obligations under capital leases	<u>199,104</u>	<u>34,834</u>	<u>(144,393)</u>	<u>89,545</u>	<u>77,965</u>
Total governmental activity long-term liabilities	<u>\$ 2,354,104</u>	<u>\$ 1,866,267</u>	<u>\$ (1,824,393)</u>	<u>\$ 2,395,978</u>	<u>\$ 327,250</u>
Business-type activities:					
Bonds Payable	\$ 4,870,000	\$ 4,881,570	\$ (4,870,000)	\$ 4,881,570	\$ 63,000
Notes Payable	5,557,759	0	(384,473)	5,173,286	395,416
Obligations under capital leases	<u>33,719</u>	<u>0</u>	<u>(24,769)</u>	<u>8,950</u>	<u>8,950</u>
Total business-type activity long-term liabilities	<u>\$ 10,461,478</u>	<u>\$ 4,881,570</u>	<u>\$ (5,279,242)</u>	<u>\$ 10,063,806</u>	<u>\$ 467,366</u>

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 8 – BONDS PAYABLE

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. In December 2011 the outstanding balance on these bonds of \$784,710 was refunded with the 2011 General Obligation Refunding Bond Series A.

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. In December 2011, the outstanding balance on these bonds of \$4,848,319 was refunded with the 2011 General Obligation Refunding Bond Series B.

General Obligation Bonds, Series of 2009

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 20,000	\$ 41,735	\$ 61,735
2013	20,000	41,235	61,235
2014	20,000	40,635	60,635
2015	20,000	40,035	60,035
2016	240,000	35,835	275,835
2017-2020	<u>855,000</u>	<u>56,803</u>	<u>911,803</u>
	<u>\$ 1,175,000</u>	<u>\$ 256,278</u>	<u>\$ 1,431,278</u>

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 8 – BONDS PAYABLE - CONTINUED

General Obligation Bonds, Series A of 2011

During 2011, the Township issued \$1,131,433, of its General Obligation Refunding Bonds, Series A 2011 bearing interest rates from 2.3% to 2.5%. The bond proceeds were used to redeem the Township's General Obligation Bonds, Series of 2004, to pay the costs of issuing the 2011 Bonds and to pay off the 2011 General Obligation Note. Future estimated principal and interest payments for the 2011 Series A bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 229,285	\$ 24,001	\$ 253,286
2013	224,128	18,639	242,767
2014	234,128	13,306	247,434
2015	239,128	7,792	246,920
2016	34,128	4,807	38,935
2017-2021	<u>170,636</u>	<u>10,995</u>	<u>181,631</u>
	<u>\$ 1,131,433</u>	<u>\$ 79,540</u>	<u>\$ 1,210,973</u>

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 63,000	\$ 165,275	\$ 228,275
2013	68,400	162,598	230,998
2014	68,700	160,270	228,970
2015	73,200	157,866	231,066
2016	72,600	155,817	228,417
2017-2021	405,000	738,053	1,143,053
2022-2026	2,494,596	533,408	3,028,004
2027-2029	<u>1,636,074</u>	<u>67,501</u>	<u>1,703,575</u>
	<u>\$ 4,881,570</u>	<u>\$ 2,140,788</u>	<u>\$ 7,022,358</u>

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 9 – NOTES PAYABLE

General Obligation Note – 2011

During 2011, the Township entered into a General Obligation Note Payable with a local banking institution in the amount of \$350,000 for the purpose of making improvements to the roads in the Township. The loan had a Qualified Tax Exempt Interest rate of 3.65%. In 2011, the note was paid off in full by the Township's General Obligation Refunding Bonds, Series A of 2011. Total interest in the amount of \$5,887 was paid in 2011 on this note.

Tax Anticipation Note- 2011

During 2011, the Township obtained a Tax and Revenue Anticipation Note, Series of 2011 for \$350,000, in accordance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania. Interest in the amount of \$3,176 was paid in 2011. The Note was paid in full in 2011.

PENNVEST Loan – #71178 - 2001 (Proprietary Fund)

During 2001, the Township entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority (PENNVEST) for the purpose of making improvements to the Township's sewer system. The original amount of the approved loan was \$1,147,000 and \$1,092,641 in loan proceeds have actually been received by the Township. The outstanding principal amount at December 31, 2011 is \$593,200. The loan bears interest at an annual rate of 1.522% through November 2006 and 3.045% for the remainder of the term ending November 2021. Interest in the amount of \$18,899 was paid in 2011. Future principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 52,038	\$ 17,341	\$ 69,379
2013	53,645	15,734	69,379
2014	55,302	14,077	69,379
2015	57,009	12,370	69,379
2016	58,770	10,609	69,379
2017-2021	<u>316,436</u>	<u>33,728</u>	<u>350,164</u>
	<u>\$ 593,200</u>	<u>\$ 103,859</u>	<u>\$ 697,059</u>

PENNVEST Loan – #71154 - 2002 (Proprietary Fund)

During 2002, the Township entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority (PENNVEST) for the purpose of making improvements to the Township's

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 9 – NOTES PAYABLE - CONTINUED

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, 2011 is \$4,030,183. 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. Future principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 309,569	\$ 107,881	\$ 417,450
2013	318,267	99,183	417,450
2014	327,209	90,241	417,450
2015	336,402	81,048	417,450
2016	345,853	71,597	417,450
2017-2021	1,880,595	206,656	2,087,251
2022-2023	512,288	9,525	521,813
	<u>\$ 4,030,183</u>	<u>\$ 666,131</u>	<u>\$ 4,696,314</u>

PENNVEST Loan #71301– 2004 (Proprietary Fund)

During 2004, the Township entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority (PENNVEST) for the purpose of making improvements to the Township's sewer system. The original amount of the loan was \$770,000. The outstanding principal amount at December 31, 2011 is \$549,903. 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>
2012	\$ 33,808	\$ 14,827	\$ 48,635
2013	34,758	13,877	48,635
2014	35,735	12,900	48,635
2015	36,738	11,897	48,635
2016	37,771	10,864	48,635
2017-2021	205,381	37,794	243,175
2022-2025	165,712	8,564	174,276
	<u>\$ 549,903</u>	<u>\$ 110,723</u>	<u>\$ 660,626</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 10 – LEASES PAYABLE

Governmental Activity Leases

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. The remaining balance of this lease was paid during 2011.

During 2009, the Township entered into a \$154,462 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. The remaining balance of this lease was paid during 2011.

During 2010, the Township entered into a \$22,483 capital lease agreement for the acquisition of a 2010 Ford Explorer for the Police Department. The lease includes an interest rate of 10.67% and requires three annual payments of \$8,265 beginning in May 2010. At the end of the term of the lease, the Township may purchase the vehicle for \$1. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 7,468	\$ 797	\$ 8,265
	<u>\$ 7,468</u>	<u>\$ 797</u>	<u>\$ 8,265</u>

During 2010, the Township entered into a \$179,990 capital lease agreement for the acquisition of a 2010 Street Sweeper for the Road Department. The lease includes an interest rate of 7.0827% and requires three annual payments of \$64,145 beginning in April 2010. At the end of the term of the lease, the Township may purchase the vehicle for \$1. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 59,903	\$ 4,242	\$ 64,145
	<u>\$ 59,903</u>	<u>\$ 4,242</u>	<u>\$ 64,145</u>

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

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 10 – LEASES PAYABLE - CONTINUED

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 10,593	\$ 2,067	\$ 12,660
2012	<u>11,581</u>	<u>1,079</u>	<u>12,660</u>
	<u>\$ 22,174</u>	<u>\$ 3,146</u>	<u>\$ 25,320</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. The remaining balance of this lease was paid during 2011.

During 2010, the Township entered into a \$26,889 capital lease agreement for the acquisition of a 2010 Chevy Silverado for the sewer department. The lease includes an interest rate of 6.859% and requires three annual payments of \$9,563 beginning in March 2010. At the end of the term of the lease, the Township may purchase the vehicle for \$1. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 8,950	\$ 613	\$ 9,563
	<u>\$ 8,950</u>	<u>\$ 613</u>	<u>\$ 9,563</u>

NOTE 11 – OPERATING LEASES

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

2012	\$5,400
2013	\$5,400
2014	\$5,400
2015	\$5,400
2016	\$1,350

Total Future Minimum Payments Required: \$ 22,950

Total rental expense for 2011 was approximately \$4,050

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 12 – COMPENSATED ABSENCES / OTHER POST EMPLOYMENT BENEFITS

Compensated Absences:

Township employees accumulate unused sick leave based upon the applicable contract the employee falls under. Union clerical employees can accumulate up to a maximum of 120 days and are paid at a rate of \$25 per day at retirement. School guards can accumulate up to a maximum of 75 days and are paid out between \$11.50 and \$13 per day based upon the accumulated total. Police officers can accumulate up to a maximum of 120 days and are paid out a rate of \$100 per day at retirement, while public works employees can accumulate up to a maximum of 120 days and are paid out at a rate of \$50 per day at retirement. Earned vacation time is generally required to be used within the year of accrual, with few exceptions being made, and only then per Board approval. The liability for compensated absences is conservatively calculated based on the number of days accrued and the employee's current daily pay rate. As of December 31, 2011, the liability for accrued sick leave is \$541,730 including \$126,131 applicable to employees of the proprietary fund and \$415,599 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 December 31, 2011. Because there was only one retiree involved and no active employees will be receiving post-employment benefits, no actuarial study was performed regarding the Township's liability for other post employment benefits. The Township estimated its future liability related to this retiree based on the current premium rates in effect and the term of the retiree's agreement which expires in 2014. The general fund liability for future benefits to be paid to the retiree is estimated to be \$58,234 at December 31, 2011.

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. Upon retirement, monthly premiums for this life insurance coverage are paid by the Township for the remainder of the retiree's life. The Township has estimated its liability for future life insurance premium payments based on its current roster of full-time employees, their anticipated date of retirement at age 62 and the current premium rates in effect. An average life expectancy for all individuals was assumed to be 80 years. The present value of these future payments was calculated using a discount rate of 3%. In addition to the life insurance, police officers are entitled to a termination benefit of \$2,500 when they begin retirement. The Township has established a liability for these payments based on its current roster of eligible police officers. The present value of these future payments was calculated using a discount rate of 3%. The general fund liability for these future benefits to be paid to the retirees is estimated to be \$28,094 while the Sewer Fund liability is estimated to be \$1,611 at December 31, 2011.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 13- PENSION PLANS

Hopewell Township's non-uniform pension plan is a single-employer defined benefit pension plan.

The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system. The Auditor General for Pennsylvania is responsible for periodically auditing this fund. Financial statements are available from the Township for the year ended December 31, 2011.

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 14- DEBT ISSUE COSTS

Financing costs, including legal fees, bond discounts and expenses incurred in issuance of debt for various general and proprietary fund projects are capitalized as deferred financing costs and included in noncurrent assets. These costs are being amortized over the term of the note or bond issue to which they related. Net unamortized debt issue costs as of December 31, 2011 were \$80,953 in the governmental activities.

NOTE 15 – INTER-FUND TRANSACTIONS

Inter-fund Receivables/Payables

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

Transfers

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 15 – INTER-FUND TRANSACTIONS - CONTINUED

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Non-Major Fund	\$ 348,499	To transfer funds to the Capital Projects Fund for future capital expenditures
General Fund	Proprietary Fund	\$ 11,900	To transfer a vehicle to the Proprietary Fund
Non-Major Fund	General Fund	\$ 339,132	To reimburse General Fund for capital expenditures
Proprietary Fund	General Fund	\$ 2,992	Transfer of asset to proper Fund
Non-Major Fund	General Fund	\$ 55,707	To transfer funds from Non-major State Fund to the General Fund for payments made relating to a dump truck.
Proprietary Fund	Non-Major Fund	\$ 173,012	To transfer funds to the Sewer Capital Projects Fund for future capital expenditures.
Non-Major Fund	Proprietary Fund	\$ 14,498	To reimburse the Sewer Fund for payments made on behalf of the Sewer Capital Projects Fund

NOTE 16– RISK MANAGEMENT

General Liability Risk Management:

The Township participates as a member of the Pennsylvania Intergovernmental Risk Management Association (PIRMA) to address risks associated with comprehensive liability and property coverage. PIRMA differs from traditional insurance programs in the fact that PIRMA is owned by its members and serves only its members' interests. This governmental entity pool consists of approximately 600 members and provides claims handling for property and casualty claims, helps obtain stable costs for coverage specific to Pennsylvania governmental entities and develops comprehensive, customized loss control services. The Township signed an intergovernmental contract where the funding requirement for each member of the pool is equal to the estimated cash outflow of the pool related to the Township on an annual basis. The Township contributions to PIRMA for 2011 were \$74,419(\$81,700 in 2010). 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, 2011

NOTE 16 – 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.

The Township elected to withdraw from MEIT and began participating in a new plan as of January of 2012.

Workers Compensation Risk Management:

For its workers compensation insurance coverage, the Township participates in the Municipal Risk Management Workers' Compensation Pooled Trust, a public entity risk pool operated for the benefit of 202 cities, municipalities, boroughs, townships and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1933 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease Act of each and every

HOPEWELL TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

NOTE 16 – RISK MANAGEMENT - CONTINUED

participant in the Trust. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The Trust purchases excess insurance coverage with statutory limits. The retention for this coverage is \$500,000 per occurrence. There were no significant changes in the levels of insurance coverage compared to the prior year. Political subdivisions joining the Trust must remain members for a minimum of four years. A member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any assets of the Trust. Estimates of any additional assessments are unknown.

NOTE 17 – RELATED PARTIES

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

NOTE 18 – SETTLEMENT AGREEMENT

On January 31, 2011, a settlement agreement and mutual release relating to a vendor's alleged professional negligence was finalized. The settlement was in favor of Hopewell Township who was awarded \$225,000 which was received on March 31, 2011.

OTHER FINANCIAL INFORMATION

HOPEWELL TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

AS OF DECEMBER 31, 2011

ASSETS	Parks Capital	Sewer Capital	General Capital	State Fund	Total Non-Major
	Projects Fund	Projects Fund	Projects Fund	State Fund	Governmental Funds
Cash and Cash Equivalents	\$ 81,632	\$ 562,341	\$ 92,724	\$ 6,330	\$ 743,027
Total Assets	\$ 81,632	\$ 562,341	\$ 92,724	\$ 6,330	\$ 743,027
<u>LIABILITIES AND FUND EQUITY</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 0	\$ 14,498	\$ 0	\$ 682	\$ 15,180
Due to other funds	0	0	0	15,210	15,210
Total Liabilities	\$ 0	\$ 14,498	\$ 0	\$ 15,892	\$ 30,390
<u>Fund Balances:</u>					
Committed	\$ 81,632	\$ 0	\$ 92,724	\$ 0	\$ 174,356
Assigned	0	547,843	0	0	547,843
Unassigned	0	0	0	(9,562)	(9,562)
Total Fund Balance	\$ 81,632	\$ 547,843	\$ 92,724	\$ (9,562)	\$ 712,637
Total Liabilities and Fund Balances	\$ 81,632	\$ 562,341	\$ 92,724	\$ 6,330	\$ 743,027

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENT FUNDS

YEAR ENDED DECEMBER 31, 2011

	Parks Capital Projects Fund	Sewer Capital Projects Fund	General Capital Projects Fund	State Fund	Total Non-Major Governmental Funds
REVENUES					
Intergovernmental	\$ 16,808	\$ 0	\$ 0	\$ 299,622	\$ 316,430
Interest, Rents and Royalties	26,845	1,747	356	27	28,975
Total Revenues	\$ 43,653	\$ 1,747	\$ 356	\$ 299,649	\$ 345,405
EXPENDITURES					
Public Works-Highways	\$ 0	\$ 0	\$ 0	\$ 260,930	\$ 260,930
Culture-Recreation	0	0	0	0	0
Total Expenditures	\$ 0	\$ 0	\$ 0	\$ 260,930	\$ 260,930
Excess (deficiency) of revenues over expenditures	\$ 43,653	\$ 1,747	\$ 356	\$ 38,719	\$ 84,475
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 0	\$ 173,012	\$ 348,499	\$ 0	\$ 521,511
Transfers (Out)	0	(14,498)	(339,132)	(55,707)	(409,337)
Total Other Financing Sources (Uses)	\$ 0	\$ 158,514	\$ 9,367	\$ (55,707)	\$ 112,174
Net change in Fund balances	\$ 43,653	\$ 160,261	\$ 9,723	\$ (16,988)	\$ 196,649
Fund Balances, beginning of year	37,979	387,582	83,001	7,426	515,988
Fund Balances, end of year	\$ 81,632	\$ 547,843	\$ 92,724	\$ (9,562)	\$ 712,637