

HOPEWELL TOWNSHIP
ALIQUPPA, PENNSYLVANIA
DECEMBER 31, 2013

AUDIT REPORT

HOPEWELL TOWNSHIP
ALIQUIPPA, PENNSYLVANIA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopewell Township, Pennsylvania as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinions

In our opinion, except for the limitation discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopewell Township, Pennsylvania, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

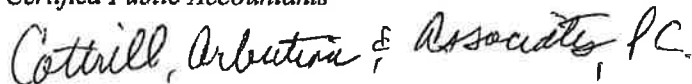
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopewell Township, Pennsylvania's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

COTTRILL, ARBUTINA & ASSOCIATES, P.C.

Certified Public Accountants



Beaver, PA 15009

August 21, 2014

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2013

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, 2013. Please read it in conjunction with the Township's financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- The Township's adjusted overall net position increased by \$934,823 (10%). The governmental net position increased by \$599,671 (11%) and the business-type net position increased by \$335,152 (9%).
- The General Fund (the primary operating fund), reflected on a current financial resource basis, reported an increase in fund balance of \$296,399 compared to an increase of \$744,574 in 2012.
- The December 31, 2013 net outstanding debt of the Township was \$11,027,038. This represented a decrease of \$638,129 from the same date in 2012. The decrease was primarily the result of scheduled debt service payments.

USING THE ANNUAL REPORT

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

Reporting the Township as a Whole

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

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2013

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

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

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

Reporting the Township's Most Significant Funds

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

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

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2013

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

The Township as Trustee

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

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

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

Table A-1
Fiscal Year ended December 31, 2013
Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 3,268,570	\$ 2,959,592	\$ 1,117,807	\$ 1,233,278	\$ 4,386,377	\$ 4,192,870
Capital assets	5,464,842	5,337,998	12,343,516	12,349,151	17,808,358	17,687,149
Total assets	\$ 8,733,412	\$ 8,297,590	\$ 13,461,323	\$ 13,582,429	\$ 22,194,735	\$ 21,880,019
Current and other liabilities	\$ 599,211	\$ 572,109	\$ 585,069	\$ 572,564	\$ 1,184,280	\$ 1,144,673
Long-term liabilities	2,085,820	2,276,771	8,767,261	9,236,024	10,853,081	11,512,795
Total liabilities	\$ 2,685,031	\$ 2,848,880	\$ 9,352,330	\$ 9,808,588	\$ 12,037,361	\$ 12,657,468
Net Position						
Net Investment						
in Capital Assets	\$ 3,032,446	\$ 3,297,491	\$ 3,079,925	\$ 2,752,712	\$ 6,112,371	\$ 6,050,203
Restricted for:						
Special Revenue Fund	(29,815)	(2,460)	0	0	(29,815)	(2,460)
Unrestricted	3,045,750	2,153,679	1,029,068	1,021,129	4,074,818	3,174,808
Total Net Position	\$ 6,048,381	\$ 5,448,710	\$ 4,108,993	\$ 3,773,841	\$ 10,157,374	\$ 9,222,551

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

DECEMBER 31, 2013

At December 31, 2013, Hopewell Township's total assets were \$22,194,735. Of this amount, \$17,808,358 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, 2012 were \$21,880,019. The increase in total assets is primarily due to increased cash balances and fixed assets.

As noted above, most of the Township's net position is invested in capital assets (buildings, land, infrastructure and equipment). The remaining net position is comprised of restricted and unrestricted amounts. A restricted balance represents amounts generated for specific purpose funds (State Liquid Fuels monies). The restricted deficit in net position represents amounts that were spent by the liquid fuels fund in excess of the earned revenue. It is the intention of the Township to eliminate the deficit when the 2014 State Liquid Fuels monies are received. A portion of the unrestricted balance includes amounts that have been earmarked by Township management for future capital projects.

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

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

Table A-2
Fiscal Years ended December 31, 2013 and 2012
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
REVENUES						
Program revenues:						
Charges for services	\$ 146,183	\$ 861,543	\$ 2,912,716	\$ 3,000,592	\$ 3,058,899	\$ 3,862,135
Operating grants and contributions	591,467	572,006	42,728	39,337	634,195	611,343
Capital grants and contributions	0	30,566	0	0	0	30,566
General revenues:						
Property taxes	2,292,817	2,296,379	0	0	2,292,817	2,296,379
Other taxes	2,262,642	2,239,441	0	0	2,262,642	2,239,441
Other	189,815	351,986	5,979	(76,111)	195,794	275,875
Total revenues	<u>\$ 5,482,924</u>	<u>\$ 6,351,921</u>	<u>\$ 2,961,423</u>	<u>\$ 2,963,818</u>	<u>\$ 8,444,347</u>	<u>\$ 9,315,739</u>

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2013

Table A-2, Continued

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
EXPENSES						
General Government	\$ 707,413	\$ 602,619	\$ 0	\$ 0	\$ 707,413	\$ 602,619
Public Safety	2,155,356	2,110,498	0	0	2,155,356	2,110,498
Public Works - Sanitation	23,712	687,922	0	0	23,712	687,922
Public Works - Highways	1,038,870	943,136	0	0	1,038,870	943,136
Culture - Recreation	318,655	290,979	0	0	318,655	290,979
Interest on long-term debt	61,454	74,233	0	0	61,454	74,233
Unallocated Employee Benefits	571,205	513,424	0	0	571,205	513,424
Miscellaneous	6,588	12,136	0	0	6,588	12,136
Sewer System	0	0	2,626,271	2,611,909	2,626,271	2,611,909
Total expenses	<u>\$ 4,883,253</u>	<u>\$ 5,234,947</u>	<u>\$ 2,626,271</u>	<u>\$ 2,611,909</u>	<u>\$ 7,509,524</u>	<u>\$ 7,846,856</u>
Increase (decrease) in net position	<u>\$ 599,671</u>	<u>\$ 1,116,974</u>	<u>\$ 335,152</u>	<u>\$ 351,909</u>	<u>\$ 934,823</u>	<u>\$ 1,468,883</u>

Revenue Sources:

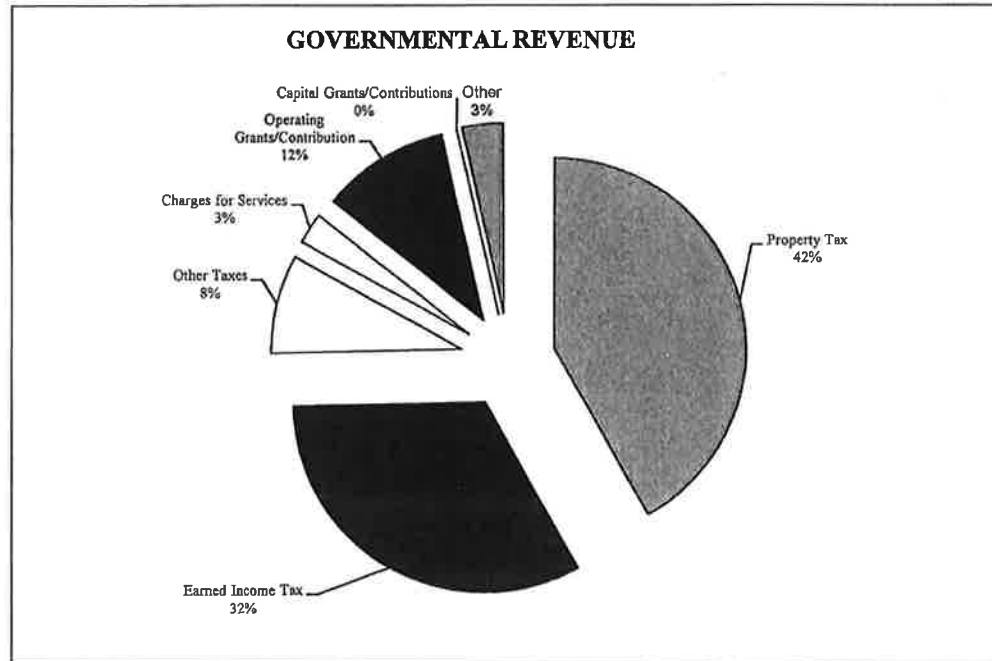
Total government-wide revenues of \$8,444,347 were derived primarily from taxes and charges for sewer services. In 2013, Hopewell Township earned \$4,555,459 in taxes compared to \$4,535,820 in 2012. Tax revenues accounted for 54% and 49% of total revenues in 2013 and 2012, respectively. Of the taxes levied, the real estate tax and the earned income tax are the most significant. In 2013, Real estate tax accounted for \$2,292,817 or 50% of the taxes levied for general government purposes compared to \$2,296,379 or 51% in 2012. 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 2013 was \$165,242,689 compared to \$163,983,274 in 2012.

Earned income tax accounted for \$1,801,669 or 40% of the taxes levied for general government purposes compared to \$1,815,953 or 40% in 2012. The earned income tax is a one-half percent (0.5%) tax levied on wages earned by residents of the Township. Local Services Tax (LST) revenue decreased approximately \$23,600 from 2012. In 2013, the annual amount is withheld at a rate of \$1 per week for 52 weeks, the same as that of the prior year.

Charges for Services in governmental activities are amounts received by the Township for services provided to others including wage tax collection service provided to the school district, contracted police services, and recreation fees. Revenue for these services decreased significantly to \$146,183 in 2012 from \$861,543 in 2012. The significant decrease is due to the Township no longer collecting for refuse beginning in 2013 when the residents began paying the refuse company directly for this service.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2013

The following chart graphically depicts the government-wide sources of governmental activities revenue for the fiscal year ended December 31, 2013:



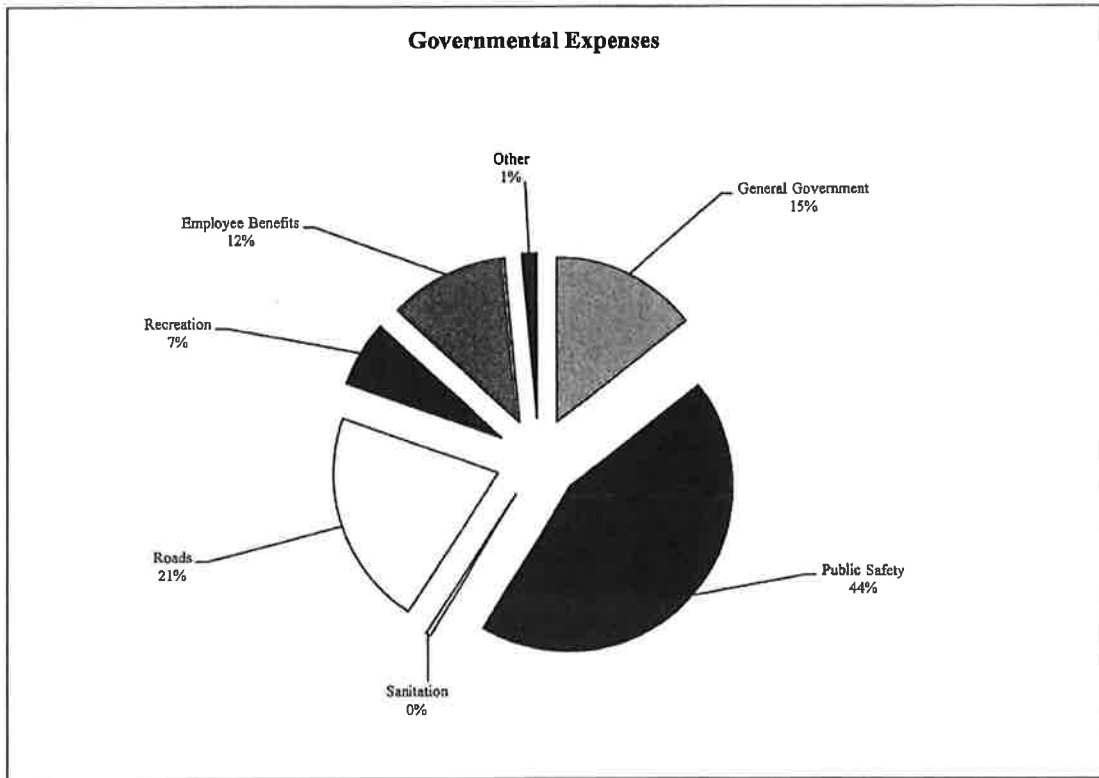
Program Expenses:

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 (44%). Other significant areas of program expenses include public works-roads (21%) which represents the cost of road maintenance and repair and employee benefits and insurance (12%) representing the costs of fringe benefits provided to Township employees working in all departments.

Total Expenses for all governmental activity programs in 2013 was \$4,883,253, which represented a decrease of \$217,509 over the \$5,234,947 recognized in 2012. The decrease reflects a decrease in sanitation expense due to the Township no longer collecting refuse. This decrease is offset by increases to expenses for public safety, culture & recreation and highway equipment and materials and employee benefit expenses.

The following chart graphically depicts the government-wide expenditures for various programs of governmental activities for the fiscal year ended December 31, 2013:

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2013



Governmental Activities

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

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

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

DECEMBER 31, 2013

Table A-3
Fiscal Years ended December 31, 2013 and 2012
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General Government	\$ 707,413	\$ 602,619	\$ 517,936	\$ 421,177
Public Safety	2,155,356	2,110,498	1,957,543	1,897,020
Public Works - Sanitation	23,712	687,922	(4,502)	(53,535)
Public Works - Highways	1,038,870	943,136	747,620	647,637
Culture-Recreation	318,655	290,979	287,759	258,740
Interest on Long-Term Debt	60,965	72,855	60,965	72,855
Unallocated Employee Benefits	571,205	513,424	571,205	513,424
Unallocated Amortization	489	1,378	489	1,378
Miscellaneous	6,588	12,136	6,588	12,136
Total governmental activities	<u>\$ 4,883,253</u>	<u>\$ 5,234,947</u>	<u>\$ 4,145,603</u>	<u>\$ 3,770,832</u>
Less:				
Unrestricted grants, subsidies			<u>0</u>	<u>0</u>
Total needs from local taxes and other revenues			<u>\$ 4,145,603</u>	<u>\$ 3,770,832</u>

Business-type Activities

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

Table A-4
Fiscal Years ended December 31, 2013 and 2012
Business-type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Sewer System	\$ 2,626,271	\$ 2,611,909	\$ (329,173)	\$ (428,020)
Less:				
Operating Grants and Contributions	0	0	0	0
Investment Earnings	0	0	(433)	(504)
Interfund Transfers	0	0	(5,546)	101,530
Refund of Prior Year Expenses	0	0	0	(24,915)
Legal Settlements	0	0	0	0
Other	0	0	0	0
Total Business-type Activities	<u>\$ 2,626,271</u>	<u>\$ 2,611,909</u>	<u>\$ (335,152)</u>	<u>\$ (351,909)</u>

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
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The cost of services for the sewer fund in 2013 increased slightly by \$14,362 compared to 2012. The minimal increase in cost reflects the continued concentration on the reduction of costs where possible.

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

THE TOWNSHIP FUNDS

At December 31, 2013, the Township's governmental funds reported a combined fund balance of \$2,786,481, which is an increase of \$296,399 from 2012. Of the combined total fund balance, \$1,926,825 (69%) represents unassigned general fund balance, meaning that these funds are available to meet the current or future needs of the Township's general fund. Fund balance of \$38,075 is classified as non-spendable as it represents prepaid insurance expense. Fund balance of \$821,581 is committed by the Board of Supervisors to be used specifically for future capital projects, park projects and sewer capital projects of the Township.

General Fund Budgetary Highlights

A schedule showing the Township's annual budget amounts compared with actual results is provided on Page 12. The Township's general fund actual revenues were \$530,698 (11%) more than budgeted amounts. This variance is primarily attributable to higher than anticipated earned income tax collections.

General fund expenditures and other financing sources (uses) were \$98,701 (2%) lower than budgeted. This variance is mostly due to lower than anticipated expenses of the Public Works-Highways fund for road improvements and materials and supplies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2013, the Township had \$17,808,358 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A-5
Capital assets - net of depreciation

	<u>2013</u>
Land	\$ 1,621,037
Building and Improvements	1,219,695
Equipment and Vehicles	797,345
Infrastructure	14,148,911
Construction in Progress	<u>21,370</u>
Total	<u>\$ 17,808,358</u>

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2013

Debt

As of January 1, 2013, the Township had total outstanding bonds payable of \$6,875,718. During the year the Township made scheduled payments against bond principal of \$312,528 resulting in outstanding bonds payable of \$6,563,190 as of December 31, 2013.

As of January 1, 2013, the Township had total outstanding notes payable of \$4,777,869 related to financing for sewer construction projects. During the year the Township made scheduled payments against notes principal of \$406,670 resulting in outstanding notes payable of \$4,371,199 as of December 31, 2013.

Other obligations include outstanding capital leases of \$120,381 and accrued vacation pay and sick leave for specific employees of the Township of \$592,639 and accrued liabilities for other post-employment benefits of \$48,578.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The General Fund revenue budget for 2014 is \$5,331,000, which is \$494,000 more than the revenue budget for 2013. This represents an 11% increase in budgeted revenues when compared to the previous year and is primarily due to the fact that the Township anticipates higher earned income tax revenues than anticipated in previous year budgets. The General Fund expenditure budget for the 2014 year is \$5,692,700 which is \$522,700 higher than the budget for 2013 or an 11% increase in expenses compared to the previous year which primarily reflects the anticipated increased cost of road paving and overall increase in wages.

In addition to the General Fund, the Township has budgeted for 2014 \$2,940,000 in Sewer Fund revenues which is \$84,000 less than the revenue budget for 2013. This represents a decrease of 2.8% when compared to the previous year. The Sewer Fund budgeted \$3,154,000 in expenditures in 2014 which is \$203,000 more than the expense budget for 2013. This represents an increase of 6.7% when compared to the previous year which is caused primarily by anticipated increases in employee related costs. Hopewell Township for 2014 has ancillary budgets of \$513,250 out of its General Capital Reserve Fund for emergency projects, \$82,000 out of its Park Fund for 2014 park expansion, \$326,660 out of its State Fund for street lighting, and winter maintenance.

The 2013 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

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2013

as well as trying to bring more corporate development into Hopewell. As the cost of doing business continues to increase, it becomes more difficult to maintain the high quality level of service that the residents of Hopewell demand and deserve. In 2013 all Township departments continued the task from the previous year to cut costs, work smarter, and be more efficient by putting together a three year budgetary plan. The Board of Commissioners continued the process of developing a comprehensive marketing plan to attract and encourage development within Hopewell Township. Because of an entire team effort of all Township employees, the Commissioners and Township management team were able to maintain sewer rates as well as maintain the Township real estate tax rate at its current level of 14 mils. The Board of Commissioners and management team will continue to strive to utilize Township assets and personnel more efficiently as well as utilize technology to assist in becoming more efficient and cut unnecessary spending.

The Administration's goal for 2014 is to aggressively pursue more cost cutting measures in both the General and Sewer Funds in an effort to make sure the Township is operating as efficiently as possible. As part of the marketing strategic plan, the Board of Commissioners will continue to aggressively pursue relationships with county, state and federal officials for the future development of Interstate 376, to improve and seek businesses for our current riverfront and Business Park, as well as to seek grants for the continued development of our community park. Hopewell is in the proper position to achieve these visionary goals. The advancement towards these goals will bring economic security, stabilization and growth for Hopewell. The future visionary development will expand the tax base, which will help stabilize tax rates and residential sewer rates. These projects will also benefit the area by increasing the job base in Hopewell.

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 Norm Kraus, Township Manager at Hopewell Township, 1700 Clark Boulevard, Aliquippa, PA 15001-4298. Information can also be obtained from the following website: www.hopewelltp.com.

HOPEWELL TOWNSHIP
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,592,558	\$ 530,509	\$ 3,123,067
Accounts Receivable	124,898	571,753	696,651
Taxes Receivable	513,039	0	513,039
Other Current Assets	<u>38,075</u>	<u>15,545</u>	<u>53,620</u>
Total Current Assets	\$ 3,268,570	\$ 1,117,807	\$ 4,386,377
Noncurrent Assets			
Land	\$ 1,530,899	\$ 90,138	\$ 1,621,037
Building & Building Improvements (net of depreciation)	682,056	537,639	1,219,695
Equipment and Vehicles (net of depreciation)	654,504	142,841	797,345
Infrastructure (net of depreciation)	2,597,383	11,551,528	14,148,911
Construction in Progress	<u>0</u>	<u>21,370</u>	<u>21,370</u>
Total Noncurrent Assets	\$ 5,464,842	\$ 12,343,516	\$ 17,808,358
TOTAL ASSETS	\$ 8,733,412	\$ 13,461,323	\$ 22,194,735
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 123,337	\$ 36,093	\$ 159,430
Accrued Salaries and Benefits	101,445	29,011	130,456
Payroll Deductions & Withholdings	7,791	2,219	10,010
Other Current Liabilities	47,794	21,416	69,210
Bonds Payable	254,128	68,700	322,828
Notes Payable	0	418,245	418,245
Leases Payable	49,040	9,385	58,425
Other Post Employment Benefit Liability	<u>15,676</u>	<u>0</u>	<u>15,676</u>
Total Current Liabilities	\$ 599,211	\$ 585,069	\$ 1,184,280
Noncurrent Liabilities			
Bonds Payable	\$ 1,558,892	\$ 4,681,470	\$ 6,240,362
Less: Discount on Bonds	<u>(27,732)</u>	<u>0</u>	<u>(27,732)</u>
Net Bonds Payable- Noncurrent	\$ 1,531,160	\$ 4,681,470	\$ 6,212,630
Notes Payable	0	3,952,954	3,952,954
Leases Payable	51,937	10,019	61,956
Other Post Employment Benefit Liability	28,435	4,467	32,902
Accumulated Compensated Absences	<u>474,288</u>	<u>118,351</u>	<u>592,639</u>
Total Noncurrent Liabilities	\$ 2,085,820	\$ 8,767,261	\$ 10,853,081
TOTAL LIABILITIES	\$ 2,685,031	\$ 9,352,330	\$ 12,037,361
NET POSITION			
Net Investment in Capital Assets	\$ 3,578,577	\$ 3,202,743	\$ 6,781,320
Restricted for:			
Special Revenue Fund	(29,815)	0	(29,815)
Unrestricted	<u>2,499,619</u>	<u>906,250</u>	<u>3,405,869</u>
TOTAL NET POSITION	\$ 6,048,381	\$ 4,108,993	\$ 10,157,374

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
Primary Government:							
Governmental Activities:							
General Government	\$ 707,413	\$ 28,086	\$ 161,391	\$ 0	\$ (517,936)	\$ 0	\$ (517,936)
Public Safety	2,155,356	65,915	131,898	0	(1,957,543)	0	(1,957,543)
Public Works - Sanitation	23,712	21,286	6,928	0	4,502	0	4,502
Public Works - Highways	1,038,870	0	291,250	0	(747,620)	0	(747,620)
Culture - Recreation	318,655	30,896	0	0	(287,759)	0	(287,759)
Interest	61,454	0	0	0	(61,454)	0	(61,454)
Unallocated Employee Benefits and Insurance	571,205	0	0	0	(571,205)	0	(571,205)
Miscellaneous	6,588	0	0	0	(6,588)	0	(6,588)
Total Governmental Activities	\$ 4,883,253	\$ 146,183	\$ 591,467	\$ 0	\$ (4,145,603)	\$ 0	\$ (4,145,603)
Business-type Activities:							
Sewer/Wastewater	\$ 2,626,271	\$ 2,912,716	\$ 42,728	\$ 0	\$ 0	\$ 329,173	\$ 329,173
Total Business-type Activities	\$ 2,626,271	\$ 2,912,716	\$ 42,728	\$ 0	\$ 0	\$ 329,173	\$ 329,173
Total Primary Government	\$ 7,509,524	\$ 3,058,899	\$ 634,195	\$ 0	\$ (4,145,603)	\$ 329,173	\$ (3,816,430)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 2,292,817	\$ 0	\$ 2,292,817
Other taxes levied for general purposes, net					2,262,642	0	2,262,642
Licenses and permits					165,666	0	165,666
Fines and forfeits					22,070	0	22,070
Interest, rents and royalties					16,600	433	17,033
Refunds of prior year expenses/(revenues)					(7,252)	0	(7,252)
Gain (Loss) on disposal of fixed assets					(10,770)	0	(10,770)
Interfund transfers					(5,546)	5,546	0
Miscellaneous income					9,047	0	9,047
Total general revenues, special items, extraordinary items and transfers					\$ 4,745,274	\$ 5,979	\$ 4,751,253
Change in Net Position					\$ 599,671	\$ 335,152	\$ 934,823
Net Position—Beginning of Year, Restated (Note 18)					5,448,710	3,773,841	9,222,551
Net Position—End of Year					\$ 6,048,381	\$ 4,108,993	\$ 10,157,374

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF DECEMBER 31, 2013

	<u>General</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,761,662	\$ 830,896	\$ 2,592,558
Accounts Receivable	124,898	0	124,898
Taxes Receivable	513,039	0	513,039
Due from other funds	38,217	0	38,217
Other Current Assets	38,075	0	38,075
Total Assets	<u>\$ 2,475,891</u>	<u>\$ 830,896</u>	<u>\$ 3,306,787</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 122,424	\$ 913	\$ 123,337
Accrued Salaries & Benefits	101,445	0	101,445
Payroll Deductions & Withholdings	7,791	0	7,791
Due to other funds	0	38,217	38,217
Other Current Liabilities	47,794	0	47,794
Total Liabilities	<u>\$ 279,454</u>	<u>\$ 39,130</u>	<u>\$ 318,584</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property Taxes	<u>\$ 201,722</u>	<u>\$ 0</u>	<u>\$ 201,722</u>
<u>FUND BALANCES:</u>			
Nonspendable	\$ 38,075	\$ 0	\$ 38,075
Committed Fund Balance - Capital Projects	0	313,292	313,292
Committed Fund Balance - Park Projects	0	81,975	81,975
Committed Fund Balance - Sewer Projects	0	426,314	426,314
Unassigned Fund Balance	1,956,640	(29,815)	1,926,825
Total Fund Balances	<u>\$ 1,994,715</u>	<u>\$ 791,766</u>	<u>\$ 2,786,481</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
	<u>\$ 2,475,891</u>	<u>\$ 830,896</u>	<u>\$ 3,306,787</u>

See Accompanying Notes to Financial Statements

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

AS OF DECEMBER 31, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 2,786,481**

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

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

Add: Capital Assets	7,921,620
Deduct: Accumulated Depreciation	(2,456,778)

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

Add: Unavailable Revenue-Property Taxes	201,722
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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, net of discount	\$ (1,785,288)
Deduct: Lease Purchase Obligations	(100,977)
Deduct: Compensated absences	(474,288)
Deduct: Other Post Employment Benefits	(44,111)
	<u>(2,404,664)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 6,048,381**

HOPEWELL TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2013

	<u>General</u>	Other Non-Major <u>Funds</u>	Totals Governmental <u>Funds</u>
<u>REVENUES</u>			
Taxes/Special Assessments	\$ 4,570,754	\$ 0	\$ 4,570,754
Licenses and Permits	165,666	0	165,666
Fines and Forfeits	22,070	0	22,070
Interest and Rents	15,761	839	16,600
Intergovernmental	299,217	291,250	590,467
Charges for Services	146,183	0	146,183
Miscellaneous Revenue	9,047	0	9,047
Contributions	1,000	0	1,000
Total Revenues	<u>\$ 5,229,698</u>	<u>\$ 292,089</u>	<u>\$ 5,521,787</u>
<u>EXPENDITURES</u>			
General Government	\$ 694,175	\$ 0	\$ 694,175
Public Safety	2,166,496	0	2,166,496
Public Works - Sanitation	23,712	0	23,712
Public Works - Highways	866,531	318,628	1,185,159
Culture - Recreation	312,157	0	312,157
Debt Service:			
Interest charged	60,965	0	60,965
Principal Retirement	310,717	0	310,717
Unallocated Employee Benefits and Insurance	571,205	0	571,205
Miscellaneous	6,588	0	6,588
Total Expenditures	<u>\$ 5,012,546</u>	<u>\$ 318,628</u>	<u>\$ 5,331,174</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 217,152</u>	<u>\$ (26,539)</u>	<u>\$ 190,613</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 4,530	\$ 0	\$ 4,530
Transfers In	137,329	400,000	537,329
Transfers Out	(211,346)	(331,529)	(542,875)
Proceeds of General Long Term Debt	155,986	0	155,986
Refunds of Prior Year Expenditures/(Receipts)	(7,252)	0	(7,252)
Total Other Financing Sources (Uses)	<u>\$ 79,247</u>	<u>\$ 68,471</u>	<u>\$ 147,718</u>
Net change in fund balances	\$ 296,399	\$ 41,932	\$ 338,331
Fund Balances, beginning of year	<u>1,698,316</u>	<u>749,834</u>	<u>2,448,150</u>
Fund Balances, end of year	<u>\$ 1,994,715</u>	<u>\$ 791,766</u>	<u>\$ 2,786,481</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, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 338,331**

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	\$ 382,548	
Less: Depreciation Expense	<u>(240,404)</u>	142,144

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

Difference between Proceeds and Net Gain (Loss) on Disposal	(15,300)
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The governmental funds report the proceeds from the issuance of debt and the repayments of principal as revenues and expenditures. However, in the government-wide statements, these transactions increase or decrease long-term debt obligations, including capital leases.

Principal Payments on Notes and Bonds Payable	\$ 244,128	
Principal Payments on Capital Lease Obligations	66,589	
Less: Proceeds from Capital Lease Payable	<u>(155,986)</u>	154,731

Interest expense includes the amortization of debt discounts in the government-wide financial statements, whereas in the governmental fund financial statements, interest expense is reported as it is paid.

Amortization of Debt Discount	(489)
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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 decreased by this amount.

Change in Compensated Absence Obligation and OPEB	(4,451)
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Because some real estate taxes will not be collected until several months or later after the Township's year-end, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount during this year.

Change in Deferred Revenue	<u>(15,295)</u>
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CHANGE IN NET POSITON OF GOVERNMENTAL ACTIVITIES **\$ 599,671**

HOPEWELL TOWNSHIP
STATEMENT OF NET POSITION - SEWER FUND
AS OF DECEMBER 31, 2013

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 530,509
Accounts Receivable	571,753
Other Current Assets - Prepaid Insurance	<u>15,545</u>
Total Current Assets	\$ 1,117,807
Noncurrent Assets	
Land	\$ 90,138
Building & Building Improvements (net of depreciation)	537,639
Equipment and Vehicles (net of depreciation)	142,841
Infrastructure (net of depreciation)	11,551,528
Construction in Progress	<u>21,370</u>
Total Noncurrent Assets	\$ 12,343,516
TOTAL ASSETS	\$ 13,461,323
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 36,093
Accrued Salaries and Benefits	29,011
Payroll Deductions & Withholdings	2,219
Escrow Payable	21,416
Bonds Payable	68,700
Lease Payable	9,385
Notes Payable	<u>418,245</u>
Total Current Liabilities	\$ 585,069
Noncurrent Liabilities	
Bonds Payable	\$ 4,681,470
Lease Payable	10,019
Notes Payable	3,952,954
Other Post Employment Benefit Liability	4,467
Accumulated Compensated Absences/Retirement Incentives	<u>118,351</u>
Total Noncurrent Liabilities	\$ 8,767,261
TOTAL LIABILITIES	\$ 9,352,330
NET POSITION	
Net Investment in Capital Assets	\$ 3,202,743
Unrestricted	<u>906,250</u>
TOTAL NET POSITION	\$ 4,108,993

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

SEWER FUND

YEAR ENDED DECEMBER 31, 2013

	<u>Sewer Fund</u>
<u>Operating Revenues</u>	
Charge for Services, Net	\$ 2,912,716
Total Operating Revenues	<u>\$ 2,912,716</u>
<u>Operating Expenses</u>	
Wastewater and Sewer Expense	\$ 1,931,790
Depreciation Expense	403,084
Total Operating Expenses	<u>\$ 2,334,874</u>
Operating Income	<u>\$ 577,842</u>
<u>Non-operating Revenues and (Expenses)</u>	
Shared Revenue - State Sources	\$ 42,728
Interest Income	433
Interest on Long-term Debt	(291,397)
Refund of Prior Year Expense	0
Other Miscellaneous Revenue	0
Total Non-operating Revenues and (Expenses)	<u>\$ (248,236)</u>
Income Before Operating Transfers	\$ 329,606
Operating Transfers In	342,875
Operating Transfers (Out)	<u>(337,329)</u>
Change in Net Position	\$ 335,152
Net Position beginning of year	<u>3,773,841</u>
Net Position end of year	<u>\$ 4,108,993</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, 2013

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 2,964,485
Payments to Suppliers	(1,265,606)
Payments to Employees	(657,821)
Net Cash Provided by Operating Activities	<u>\$ 1,041,058</u>
Cash Flows from Noncapital Financing Activities:	
Transfers In (Out), net	\$ 5,546
State Shared Revenue	42,728
Escrow Deposits Received	(12,046)
Net Cash Provided by Noncapital Financing Activities	<u>\$ 36,228</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Expenditures, net of disposals	\$ (397,449)
Principal Paid on Bonds and Notes	(475,070)
Interest Paid on Bonds and Notes	(291,397)
Interest Income	433
Net Cash Used in Capital and Related Financing Activities	<u>\$ (1,144,079)</u>
Net Decrease in Cash and Cash Equivalents	\$ (66,793)
Cash and Cash Equivalents, beginning of year	<u>597,302</u>
Cash and Cash Equivalents, end of year	<u>\$ 530,509</u>
Operating Income	<u>\$ 577,842</u>
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities:	
Depreciation	\$ 403,084
(Increase) Decrease in Accounts Receivable	51,769
(Increase) Decrease in Prepaid Expenses	(3,091)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(400)
Increase (Decrease) in Accrued Payroll	3,691
Increase (Decrease) in Accrued Compensated Absences	8,502
Increase (Decrease) in Accrued Other Post-employment Benefits	<u>(339)</u>
Total Adjustments	<u>\$ 463,216</u>
Cash Provided by Operating Activities	<u>\$ 1,041,058</u>

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED DECEMBER 31, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<u>REVENUES</u>			
Taxes/Special Assessments	\$4,012,500	\$ 4,570,754	\$ 558,254
Licenses and Permits	177,300	165,666	(11,634)
Fines and Forfeits	36,000	22,070	(13,930)
Interest and Rents	16,000	15,761	(239)
Intergovernmental	298,500	299,217	717
Charges for Services	134,700	146,183	11,483
Miscellaneous Revenue	24,000	9,047	(14,953)
Contributions	<u>0</u>	<u>1,000</u>	<u>1,000</u>
Total Revenues	<u>\$4,699,000</u>	<u>\$ 5,229,698</u>	<u>\$ 530,698</u>
<u>EXPENDITURES</u>			
General Government	\$ 692,500	\$ 694,175	\$ (1,675)
Public Safety	2,190,900	2,166,496	24,404
Public Works - Sanitation	35,400	23,712	11,688
Public Works - Highways	873,200	866,531	6,669
Culture - Recreation	326,000	312,157	13,843
Interest	60,300	60,965	(665)
Debt Service	244,200	310,717	(66,517)
Unallocated Employee Benefits and Insurance	540,000	571,205	(31,205)
Miscellaneous	<u>6,000</u>	<u>6,588</u>	<u>(588)</u>
Total Expenditures	<u>\$4,968,500</u>	<u>\$ 5,012,546</u>	<u>\$ (44,046)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (269,500)</u>	<u>\$ 217,152</u>	<u>\$ 486,652</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 5,000	\$ 4,530	\$ (470)
Transfers In	133,000	137,329	4,329
Transfers Out	(200,500)	(211,346)	(10,846)
Proceeds of General Long Term Debt	0	155,986	155,986
Fiscal Agent Fees	0	0	0
Refunds of Prior Year Expenditures/(Receipts)	<u>(1,000)</u>	<u>(7,252)</u>	<u>(6,252)</u>
Total Other Financing Sources (Uses)	<u>\$ (63,500)</u>	<u>\$ 79,247</u>	<u>\$ 142,747</u>
Excess of Revenues and Other Sources			
Over/(Under) Expenditures and Other Uses	<u>\$ (333,000)</u>	<u>\$ 296,399</u>	<u>\$ 629,399</u>
Fund Balances - Unreserved - beginning of year		<u>1,698,316</u>	
Fund Balances - Unreserved - end of year		<u>\$ 1,994,715</u>	

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Basic Financial Statements – Government-Wide Statements

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

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

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

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

C. Basic Financial Statements – Fund Financial Statements

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

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

1. Governmental Funds:

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

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

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Proprietary Fund:

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

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

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

3. Fiduciary Funds:

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

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

D. Basis of Accounting

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

1. Accrual:

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Modified Accrual:

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

E. Budgetary Process

The Township passed an appropriated General Fund budget for the fiscal year ending December 31, 2013 with revenues and other financing sources totaling \$4,837,000 and expenditures and other financing sources totaling \$5,170,000.

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

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

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

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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, 2013. Therefore, they are not reported.

3. Receivables

All receivables are reported net of estimated uncollectible amounts.

4. Capital Assets

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

Capital assets purchased or acquired with an original cost of: 1) \$10,000 or more for machinery and equipment 2) \$15,000 or more for buildings and improvements 3) \$15,000 or more for Infrastructure and land improvements and 4) land at any amount are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Township reports all major general infrastructure assets constructed or acquired in fiscal years ending after January 1, 2004, or that received major renovations, restoration, or improvements during that period.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

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

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

5. *Property Tax Calendar and Revenues*

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

6. *Compensated Absences*

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

7. *Deferred Inflows*

The Township reported deferred inflows at December 31, 2013 which consisted of unavailable revenue which was made up of \$201,722 of real estate taxes that did not meet the criteria for revenue recognition in the governmental funds financial statements.

8. *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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

9. Government-wide and Proprietary Fund Net Position

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

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consists of net position that is 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 positions are reported in this category.

10. 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.

11. Subsequent Events

The Township evaluated its December 31, 2013 financial statements for subsequent events through the date of the Independent Auditor's Report, the date the financial statements were available to be issued. The Township is not aware of additional subsequent events that would require recognition or disclosure in the financial statements.

12. Governmental Fund Balances

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

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

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

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, 2013, 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.

13. Use of Restricted Resources

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

14. Inter-fund Activity

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

15. Reclassifications

Certain reclassifications have been made to the prior year amounts presented in the footnotes and management's discussion and analysis in order to conform to the current year financial statement presentation. These reclassifications had no effect on net position or the change in net position.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The deposit and investment policy of the Township adheres to state statutes and prudent business practice. Deposits of the governmental funds, which are maintained in demand deposits or highly liquid money market funds, are captioned as "Cash and Cash Equivalents" in the combined balance sheet. Investments in certificate of deposits that exceed the three-month time

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 3 - CASH /INVESTMENTS – CONTINUED

frame are reported in the investment category using short and long-term classifications as appropriate. There were no deposit or investment transactions noted during the year that were in violation of either the state statutes or the policy of the Township.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Bank balances up to \$250,000 per bank are insured by the FDIC. Pennsylvania statutes require banks to pledge collateral for Township deposits in excess of \$250,000. The Township does not have a policy for custodial credit risk. As of December 31, 2013, \$3,103,041 of the Township's bank balance of \$3,353,041 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	\$ 3,103,041

Other Deposits

As of December 31, 2013, the Township had other deposits in the Pennsylvania Local Government Investment Trust (PLGIT) which was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments. The fund has the characteristics of an open-end mutual fund and is not subject to credit risk classification. PLGIT is governed by an elected board of trustees who are responsible for the overall management of the fund. The trustees are elected from the several classes of local governments participating in the fund.

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

As of December 31, 2013, the Township had the following other deposits:

<u>Type</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 9,315
Total	<u>\$ 9,315</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 3 - CASH /INVESTMENTS – CONTINUED

Credit Risk- Other Deposits

As of December 31, 2013, the Township's other deposits were rated as:

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

Reconciliation to Financial Statements

Uninsured, Collateralized Amount Above	\$ 3,103,041
Insured Amount	250,000
Petty Cash	350
Other Deposits Above	<u>9,315</u>
Carrying Amount - Bank Balances	\$ 3,362,706
Less: Outstanding Items	<u>(239,639)</u>
Total Cash and Cash Equivalents	<u>\$ 3,123,067</u>

NOTE 4 – ACCOUNTS RECEIVABLE

The Accounts Receivable balances represents the following earned prior to December 31, 2013 and due to Hopewell Township at December 31, 2013:

	<u>General Fund</u>	<u>Sewer Fund</u>
General	\$ 118,206	\$ 0
Unbilled Waste Collection Services	0	410,884
Billed Waste Collection Services	0	188,578
Other	<u>6,692</u>	<u>0</u>
Account Receivable Gross	\$ 124,898	\$ 599,462
Less: Allowance for Doubtful Accounts	<u>0</u>	<u>(27,709)</u>
Accounts Receivable, Net	<u>\$ 124,898</u>	<u>\$ 571,753</u>

Early in the 2013 year, the Township stopped collecting refuse fees from its residents. A three year contract with Waste Management for refuse collection covering the period 1/1/2013 to 12/31/2015 was signed and under this contract Waste Management will bill the residents directly for refuse services. The accounts receivable balance for refuse as of December 31, 2013 was zero. The Township has established allowances for doubtful accounts for sewer fund receivables based on the aging of receivable balances. Although it has established these allowances, the Township continues to aggressively pursue collection of all outstanding balances.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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 2013 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 2013 was 14 mills (\$14 per \$1,000 assessed valuation). Collections on the 2013 Tax Duplicate amounted to \$2,189,565.

As of December 31, 2013, property taxes receivable by the Township includes uncollected taxes assessed as of January 1, 2013 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, 2013 is as follows:

	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	\$ 1,397,342	\$ 237,914	\$ 0	\$ 1,635,256
Machinery and Equipment	1,710,534	155,978	110,811	1,755,701
Infrastructure	2,999,758	0	0	2,999,758
Total capital assets, being depreciated	<u>\$ 6,107,634</u>	<u>\$ 393,892</u>	<u>\$ 110,811</u>	<u>\$ 6,390,715</u>
Governmental activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 886,204	\$ 66,996	\$ 0	\$ 953,200
Machinery and Equipment	1,071,951	113,413	84,167	1,101,197
Infrastructure	342,380	59,995	0	402,375
Total Accumulated Depreciation	<u>\$ 2,300,535</u>	<u>\$ 240,404</u>	<u>\$ 84,167</u>	<u>\$ 2,456,772</u>
Capital assets, being depreciated, net	<u>\$ 3,807,099</u>	<u>\$ 153,488</u>	<u>\$ 26,644</u>	<u>\$ 3,933,943</u>
Governmental activities capital assets, net	<u>\$ 5,337,998</u>	<u>\$ 153,488</u>	<u>\$ 26,644</u>	<u>\$ 5,464,842</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 6 – CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 90,138	\$ 0	\$ 0	\$ 90,138
Construction in Progress	173,163	0	151,794	21,369
Total Capital assets, not being depreciated	<u>\$ 263,301</u>	<u>\$ 0</u>	<u>\$ 151,794</u>	<u>\$ 111,507</u>
Capital assets, being depreciated:				
Building and Building Improvements	\$ 2,086,755	\$ 483,323	\$ 0	\$ 2,570,078
Machinery and Equipment	539,559	134,787	0	674,346
Infrastructure	17,591,614	0	0	17,591,614
Total capital assets, being depreciated	<u>\$ 20,217,928</u>	<u>\$ 618,110</u>	<u>\$ 0</u>	<u>\$ 20,836,038</u>
Business-type activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 2,016,374	\$ 16,065	\$ 0	\$ 2,032,439
Machinery and Equipment	427,451	104,054	0	531,505
Infrastructure	5,688,253	351,832	0	6,040,085
Total Accumulated Depreciation	<u>\$ 8,132,078</u>	<u>\$ 471,951</u>	<u>\$ 0</u>	<u>\$ 8,604,029</u>
Capital assets, being depreciated, net	<u>\$ 12,085,850</u>	<u>\$ 146,159</u>	<u>\$ 0</u>	<u>\$ 12,232,009</u>
Business-type activities capital assets, net	<u>\$ 12,349,151</u>	<u>\$ 146,159</u>	<u>\$ 151,794</u>	<u>\$ 12,343,516</u>

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

Governmental Activities:	
General Government	\$ 21,883
Public Safety	34,685
Highways and Streets	177,338
Parks and Recreation	6,498
Total Depreciation expense, Governmental Activities:	<u>\$ 240,404</u>
Business-Type Activities:	
Sewer	<u>\$ 403,084</u>
Total Depreciation expense, Business-Type Activities:	<u>\$ 403,084</u>
Total Depreciation expense, Governmental and Business-Type Activities:	<u>\$ 643,488</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 7 – LONG-TERM DEBT

Long-term liability for the year ended December 31, 2013 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	\$ 2,057,148	\$ 0	\$ (244,128)	\$ 1,813,020	\$ 254,128
Obligations under capital leases	<u>11,580</u>	<u>155,986</u>	<u>(66,589)</u>	<u>100,977</u>	<u>49,040</u>
Total governmental activity long-term liabilities	<u>\$ 2,068,728</u>	<u>\$ 155,986</u>	<u>\$ (310,717)</u>	<u>\$ 1,913,997</u>	<u>\$ 303,168</u>
Business-type activities:					
Bonds Payable	\$ 4,818,570	\$ 0	\$ (68,400)	\$ 4,750,170	\$ 68,700
Notes Payable	4,777,869	0	(406,670)	4,371,199	418,245
Obligations under capital leases	<u>0</u>	<u>30,100</u>	<u>(10,696)</u>	<u>19,404</u>	<u>9,385</u>
Total business-type activity long-term liabilities	<u>\$ 9,596,439</u>	<u>\$ 30,100</u>	<u>\$ (485,766)</u>	<u>\$ 9,140,773</u>	<u>\$ 496,330</u>

NOTE 8 – BONDS PAYABLE

General Obligation Bonds, Series of 2009

During 2009, the Township issued \$1,215,000 of its General Obligation Bonds, Series of 2009 bearing interest at rates from 2% to 4%. The Bonds were issued to provide funds for the Township's road improvements program and for the payment of all costs and expenses related to the issuance of the Bonds. Total payments of \$61,235 were made in the year ended December 31, 2013, including \$20,000 for principal and \$41,235 for interest. In addition, interest expense of \$489 was recognized in 2013 related to the amortization of the discount associated with the original issuance of these 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>
2014	\$ 20,000	\$ 40,635	\$ 60,635
2015	20,000	40,035	60,035
2016	240,000	35,835	275,835
2017	250,000	27,685	277,685
2018	255,000	18,718	273,718
2019-2023	<u>350,000</u>	<u>10,400</u>	<u>360,400</u>
	<u>\$ 1,135,000</u>	<u>\$ 173,308</u>	<u>\$ 1,308,308</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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. Total payments of \$242,779 were made in the year ended December 31, 2013, including \$224,128 for principal and \$18,651 for interest. 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>
2014	\$ 234,128	\$ 13,306	\$ 247,434
2015	239,128	7,792	246,920
2016	34,128	4,807	38,935
2017	34,128	3,928	38,056
2018	34,128	3,063	37,191
2012-2021	102,380	4,003	106,383
	<u>\$ 678,020</u>	<u>\$ 36,899</u>	<u>\$ 714,919</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. Total payments of \$231,003 were made in the year ended December 31, 2013, including \$68,400 for principal and \$162,603 for interest. 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>
2014	\$ 68,700	\$ 160,270	\$ 228,970
2015	73,200	157,866	231,066
2016	72,600	155,817	228,417
2017	72,300	152,928	225,228
2018	78,300	150,379	228,679
2019-2023	877,800	700,247	1,578,047
2024-2028	3,275,796	333,772	3,609,568
2029	231,474	1,634	233,108
	<u>\$ 4,750,170</u>	<u>\$ 1,812,913</u>	<u>\$ 6,563,083</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 9 – NOTES PAYABLE

PENNVEST Loan – #71178 - 2001 (Proprietary Fund)

During 2001, the Township entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority (PENNVEST) for the purpose of making improvements to the Township's sewer system. The original amount of the approved loan was \$1,147,000 with \$1,092,641 in loan proceeds having been actually received by the Township. The outstanding principal amount at December 31, 2013 is \$487,516. 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. Total payments of \$69,379 were made in the year ended December 31, 2013, including \$53,645 for principal and \$15,734 for interest. Future principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 55,302	\$ 14,077	\$ 69,379
2015	57,009	12,370	69,379
2016	58,770	10,609	69,379
2017	60,585	8,794	69,379
2018	62,455	6,924	69,379
2019-2021	<u>193,395</u>	<u>8,960</u>	<u>202,355</u>
	<u>\$ 487,516</u>	<u>\$ 61,734</u>	<u>\$ 549,250</u>

PENNVEST Loan – #71154 - 2002 (Proprietary Fund)

During 2002, the Township entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority (PENNVEST) for the purpose of making improvements to the Township's sewer system. The original amount of the loan was \$6,000,000. In November 2004, the approved loan amount was increased to \$6,568,324. The outstanding principal amount at December 31, 2013 is \$3,402,347. 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. Total payments of \$417,450 were made in the year ended December 31, 2013, including \$318,267 for principal and \$99,183 for interest. Future principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 327,209	\$ 90,241	\$ 417,450
2015	336,402	81,048	417,450
2016	345,853	71,597	417,450
2017	355,570	61,880	417,450
2018	365,560	51,890	417,450
2019-2023	<u>1,671,753</u>	<u>102,411</u>	<u>1,774,164</u>
	<u>\$ 3,402,347</u>	<u>\$ 459,067</u>	<u>\$ 3,861,414</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 9 – NOTES PAYABLE - CONTINUED

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, 2013 is \$481,336. The loan bears interest at an annual rate of 1.387% for 71 months and 2.774% for 180 months. Total payments of \$48,635 were made in the year ended December 31, 2013, \$34,758 for principal and \$13,877 for interest. Future principal and interest payments on this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 35,735	\$ 12,900	\$ 48,635
2015	36,738	11,897	48,635
2016	37,771	10,864	48,635
2017	38,832	9,803	48,635
2018	39,923	8,712	48,635
2019-2023	217,083	26,091	243,174
2024-2025	75,254	1,752	77,006
	<u>\$ 481,336</u>	<u>\$ 82,019</u>	<u>\$ 563,355</u>

NOTE 10 – LEASES PAYABLE

Governmental Activity Leases

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. Total payments of \$12,660 were made in the year ended December 31, 2013, including \$11,581 for principal and \$1,079 for interest. This lease was paid in full as of December 31, 2013 and the Township purchased the vehicle for \$1.

During 2013, the Township entered into a \$66,008 capital lease agreement for the acquisition of two 2013 Ford interceptors for the Police Department. The lease includes an interest rate of 6.22% and requires three annual payments of \$23,342 beginning in 2013. Total payments of \$23,342 were made in the year ended December 31, 2013, all of it being for principal as it was due upon signing the lease. Future principal and interest payments are as follows:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 10 – LEASES PAYABLE - CONTINUED

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 20,689	\$ 2,653	\$ 23,342
2015	<u>21,976</u>	<u>1,367</u>	<u>23,343</u>
	<u>\$ 42,665</u>	<u>\$ 4,020</u>	<u>\$ 46,685</u>

During 2013, the Township entered into a \$89,978 capital lease agreement for the acquisition of a 2013 Dump Truck for the Road Department. The lease includes an interest rate of 5.69% and requires three annual payments of \$31,666 beginning in 2013. Total payments of \$31,666 were made in the year ended December 31, 2013, all of it being for principal as it was due upon signing the lease. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 28,350	\$ 3,316	\$ 31,666
2015	<u>29,962</u>	<u>1,704</u>	<u>31,666</u>
	<u>\$ 58,312</u>	<u>\$ 5,020</u>	<u>\$ 63,332</u>

Business-type Activity Leases

During 2013, the Township entered into \$30,100 capital lease agreement for the acquisition of a 2013 Ford F350 for the Sewer Department. The lease includes an interest rate of 6.22% and requires three annual payments of \$10,696, beginning in 2013. Total payments of \$10,696 were made in the year ended December 31, 2013, all of it being for principal as it was due upon signing the lease. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 9,385	\$ 1,311	\$ 10,696
2015	<u>10,019</u>	<u>677</u>	<u>10,696</u>
	<u>\$ 19,404</u>	<u>\$ 1,988</u>	<u>\$ 21,392</u>

NOTE 11 – OPERATING LEASES

During March of 2011, the Township entered into an operating lease for copy machines 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, 2013:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 11 – OPERATING LEASES - CONTINUED

2014	\$ 5,400
2015	5,400
2016	<u>1,350</u>
Total Future Minimum Payments Required	<u>\$ 12,150</u>

Total rental expense for 2013 was approximately \$5,400.

NOTE 12 – COMPENSATED ABSENCES / OTHER POST EMPLOYMENT BENEFITS

Compensated Absences:

Township employees accumulate unused sick leave based upon the applicable contract the employee falls under. Union clerical employees can accumulate up to a maximum of 120 days and are paid at a rate of \$50 per day at retirement. School guards can accumulate up to a maximum of 75 days and are paid out between \$12 and \$15 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, 2013, the liability for accrued sick leave is \$592,639 including \$118,351 applicable to employees of the proprietary fund and \$474,288 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, 2013. 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 \$15,676 at December 31, 2013.

The Township also provides termination benefits to all employees who qualify to retire. All such employees receive life insurance coverage of \$5,000 or \$15,000, depending on employee category, when they begin retirement. Upon retirement, monthly premiums for this life insurance coverage are paid by the Township for the remainder of the retiree's life. The

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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

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 \$28,435 while the Sewer Fund liability is estimated to be \$4,467 at December 31, 2013.

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, 2013.

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.

In accordance with Pennsylvania Act 205 which established a statutorily mandated actuarial funding standard called the "Minimum Municipal Obligation" (MMO), the Township made contributions to these plans of \$89,795 and \$145,219 respectively, in 2013. As discussed in Note 1, the financial statements of these pension plans (fiduciary funds) are not included in the Township's financial statements and no liability is reflected for actuarially accrued pension liabilities that exceed the value of plan assets.

NOTE 14 – 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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 14 – INTER-FUND TRANSACTIONS - CONTINUED

Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General	Non-Major Fund	\$ 200,000	To transfer funds to the Capital Fund for future capital expenditures.
Proprietary	General	\$ 137,329	To reimburse the General Fund for payments made on behalf of the Sewer Fund.
Proprietary	Non-Major Fund	\$ 200,000	To transfer funds to the Sewer Capital Projects Fund for capital items.
Non-Major	Proprietary Fund	\$ 331,529	To reimburse the Sewer Fund for payments made on behalf of the Sewer Capital Projects.
General	Proprietary Fund	\$ 11,346	To reimburse the Sewer Fund for payments made on behalf of the General Fund.

NOTE 15– RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, errors and omissions, natural disasters and loss or damage of assets. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the recent years. There were no significant reductions in the level of insurance coverage compared to the coverage in the prior year.

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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 15- RISK MANAGEMENT - CONTINUED

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

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

Dental and Vision Risk Management:

For its 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 township of the Commonwealth of Pennsylvania) and those employers who may later become eligible. MEIT acts as an agent for the eligible employers by collecting the insurance premiums and remitting the premiums to the various insurance providers. The Township pays a monthly premium to MEIT for its medical, dental and vision insurance.

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

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

Health Risk Management:

For its health insurance, the Township participates as a member of the Teamsters No. 261 Employers Welfare Fund (Welfare Fund). The Welfare Fund was formed in 1950 for the purposes of providing certain benefits for eligible employers (who are parties to collective bargaining agreements with any union) and is an exempt organization under Internal Revenue Code Section 501(c)(9). The Welfare Fund acts as an agent for the eligible employers by collecting the insurance premiums and remitting the premiums to the various insurance providers. The Township pays premiums to the Welfare Fund for its medical insurance in accordance with collective bargaining agreements between the employers and Teamsters Local Union No. 261. The Insurance companies are paid to administer the plan.

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 15– RISK MANAGEMENT - CONTINUED

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

Workers Compensation Risk Management:

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

NOTE 16 – RELATED PARTIES

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

NOTE 17– NEW PRONOUNCEMENTS

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was implemented by the Township effective January 1, 2012. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4, Elements of Financial Statements. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's*

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 17– NEW PRONOUNCEMENTS - CONTINUED

Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, provides financial reporting guidance with objectives to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). These determinations are based on the definitions of those elements in GASB Concepts Statement No. 4. Deferred inflows at December 31, 2013 consists of unavailable revenue which is made up of property taxes.

NOTE 18 – ACCOUNTING CHANGE

As the result of implementing GASB Statement Nos. 63 and 65, the Township has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of January 1, 2013 by \$51,354 for the Governmental for deferred financing costs reported on the December 31, 2013 Statement of Net Position. The decrease results from no longer deferring and amortizing bond issuance costs in accordance with these new standards.

NOTE 19 -FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 67

In June 2012, the GASB issued Statement no. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement 25. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013.

GASB Statement No. 68

This statement and its companion statement no. 67 will have a significant impact on the entity-wide financial statements of all governments. It will affect every government in the Commonwealth of Pennsylvania and every other government located in all 50 states, including state governments. It will require all governments to report the entire amount of the unfunded actuarial liability for any pension plans associated with each respective government onto their government-wide financial statements that are used by bond rating agencies to establish your debt ratings. Governments, that don't report any pension obligation because they belong to a pension trust will soon have to report their proportionate share of the pension trust's unfunded

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

NOTE 19 -FUTURE GASB PRONOUNCEMENTS- CONTINUED

actuarial pension liability. The Township's proportionate share of this significant liability will be based upon the percentage of the Township's total contributions into the plan compared to the total contributions submitted by all participating governments in the pension trust. This statement is effective for financial statements for fiscal years beginning after June 15, 2014.

These statements revise existing guidance for the financial reports of most pension plans and establish new financial reporting requirements for most governments that provide their employees with pension benefits.

OTHER FINANCIAL INFORMATION

HOPEWELL TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

AS OF DECEMBER 31, 2013

	<u>Parks Capital Projects Fund</u>	<u>Sewer Capital Projects Fund</u>	<u>General Capital Projects Fund</u>	<u>State Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 81,975	\$ 426,314	\$ 313,292	\$ 9,315	\$ 830,896
Total Assets	\$ 81,975	\$ 426,314	\$ 313,292	\$ 9,315	\$ 830,896
LIABILITIES AND FUND EQUITY					
<u>Liabilities:</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 913	\$ 913
Due to other funds	0	0	0	38,217	38,217
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 39,130	\$ 39,130
<u>Fund Balances:</u>					
Committed	\$ 81,975	\$ 426,314	\$ 313,292	\$ 0	\$ 821,581
Unassigned	0	0	0	(29,815)	(29,815)
Total Fund Balance	\$ 81,975	\$ 426,314	\$ 313,292	\$ (29,815)	\$ 791,766
Total Liabilities and Fund Balances	\$ 81,975	\$ 426,314	\$ 313,292	\$ 9,315	\$ 830,896

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, 2013

	Parks Capital Projects Fund	Sewer Capital Projects Fund	General Capital Projects Fund	State Fund	Total Non-Major Governmental Funds
<u>REVENUES</u>					
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 291,250	\$ 291,250
Interest, Rents and Royalties	189	329	298	23	839
Total Revenues	<u>\$ 189</u>	<u>\$ 329</u>	<u>\$ 298</u>	<u>\$ 291,273</u>	<u>\$ 292,089</u>
<u>EXPENDITURES</u>					
Public Works-Highways	\$ 0	\$ 0	\$ 0	\$ 318,628	\$ 318,628
Total Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 318,628</u>	<u>\$ 318,628</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 189</u>	<u>\$ 329</u>	<u>\$ 298</u>	<u>\$ (27,355)</u>	<u>\$ (26,539)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ 0	\$ 200,000	\$ 200,000	\$ 0	\$ 400,000
Transfers (Out)	0	(331,529)	0	0	(331,529)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ (131,529)</u>	<u>\$ 200,000</u>	<u>\$ 0</u>	<u>\$ 68,471</u>
Net change in Fund balances	\$ 189	\$ (131,200)	\$ 200,298	\$ (27,355)	\$ 41,932
Fund Balances, beginning of year	81,786	557,514	112,994	(2,460)	749,834
Fund Balances, end of year	<u>\$ 81,975</u>	<u>\$ 426,314</u>	<u>\$ 313,292</u>	<u>\$ (29,815)</u>	<u>\$ 791,766</u>

See Accompanying Notes to Financial Statements