

HOPEWELL TOWNSHIP
ALIQUIPPA, PENNSYLVANIA
DECEMBER 31, 2014

AUDIT REPORT

HOPEWELL TOWNSHIP
ALIQUIPPA, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopewell Township, as of and for the year ended December 31, 2014, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopewell Township, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through xii and page 12 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'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

Cottrill, Arbutina & Associates, P.C.
Beaver, PA 15009
September 10, 2015

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

DECEMBER 31, 2014

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, 2014. 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 \$778,019 (7.66%). The governmental net position increased by \$900,603 (14.89%) and the business-type net position decreased by \$122,584 (2.99%).
- The General Fund (the primary operating fund), reflected on a current financial resource basis, reported an increase in fund balance of \$204,099 compared to an increase of \$296,399 in 2013.
- The December 31, 2014 net outstanding debt of the Township was \$10,681,817. This represented a decrease of \$345,224 from the same date in 2013. 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, 2014

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 unassigned, committed, assigned or unspendable. 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, 2014

- *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, 2014
Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 4,084,507	\$ 3,268,570	\$ 1,042,063	\$ 1,117,807	\$ 5,126,570	\$ 4,386,377
Capital assets	5,555,176	5,464,842	12,092,848	12,343,516	17,648,024	17,808,358
Total assets	<u>\$ 9,639,683</u>	<u>\$ 8,733,412</u>	<u>\$ 13,134,911</u>	<u>\$ 13,461,323</u>	<u>\$ 22,774,594</u>	<u>\$ 22,194,735</u>
Current and other liabilities	\$ 690,448	\$ 599,211	\$ 667,891	\$ 585,069	\$ 1,358,339	\$ 1,184,280
Long-term liabilities	2,000,251	2,085,820	8,480,611	8,767,261	10,480,862	10,853,081
Total liabilities	<u>\$ 2,690,699</u>	<u>\$ 2,685,031</u>	<u>\$ 9,148,502</u>	<u>\$ 9,352,330</u>	<u>\$ 11,839,201</u>	<u>\$ 12,037,361</u>
Net Position						
Net Investment						
in Capital Assets	\$ 3,780,547	\$ 3,032,446	\$ 3,185,660	\$ 3,079,925	\$ 6,966,207	\$ 6,112,371
Restricted for:						
Special Revenue Fund	46,441	(29,815)	0	0	46,441	(29,815)
Unrestricted	<u>3,121,996</u>	<u>3,045,750</u>	<u>800,749</u>	<u>1,029,068</u>	<u>3,922,745</u>	<u>4,074,818</u>
Total Net Position	<u>\$ 6,948,984</u>	<u>\$ 6,048,381</u>	<u>\$ 3,986,409</u>	<u>\$ 4,108,993</u>	<u>\$ 10,935,393</u>	<u>\$ 10,157,374</u>

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

DECEMBER 31, 2014

At December 31, 2014, Hopewell Township's total assets were \$22,774,594. Of this amount, \$17,648,024 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, 2013 were \$22,194,735. The increase in total assets is primarily due to increased cash balances.

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. 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, 2014 and 2013
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
REVENUES						
Program revenues:						
Charges for services	\$ 189,508	\$ 197,480	\$ 2,845,375	\$ 2,912,716	\$ 3,034,883	\$ 3,110,196
Operating grants and contributions	584,394	540,170	42,599	42,728	626,993	582,898
Capital grants and contributions	0	0	0	0	0	0
General revenues:						
Property taxes	2,339,468	2,292,817	0	0	2,339,468	2,292,817
Other taxes	2,170,396	2,262,642	0	0	2,170,396	2,262,642
Other	211,272	195,361	13,326	433	224,598	195,794
Total revenues	<u>\$ 5,495,038</u>	<u>\$ 5,488,470</u>	<u>\$ 2,901,300</u>	<u>\$ 2,955,877</u>	<u>\$ 8,396,338</u>	<u>\$ 8,444,347</u>

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

DECEMBER 31, 2014

Table A-2, Continued

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
EXPENSES						
General Government	\$ 711,836	\$ 707,413	\$ 0	\$ 0	\$ 711,836	\$ 707,413
Public Safety	2,110,124	2,155,356	0	0	2,110,124	2,155,356
Public Works - Sanitation	30,531	23,712	0	0	30,531	23,712
Public Works - Highways	1,078,786	1,038,870	0	0	1,078,786	1,038,870
Culture - Recreation	364,675	318,655	0	0	364,675	318,655
Interest on long-term debt	100,189	61,454	0	0	100,189	61,454
Unallocated Employee Benefits	536,501	571,205	0	0	536,501	571,205
Miscellaneous	12,539	6,588	0	0	12,539	6,588
Sewer System	0	0	2,673,138	2,626,271	2,673,138	2,626,271
Total expenses	<u>\$ 4,945,181</u>	<u>\$ 4,883,253</u>	<u>\$ 2,673,138</u>	<u>\$ 2,626,271</u>	<u>\$ 7,618,319</u>	<u>\$ 7,509,524</u>
Increase (decrease) in net position						
Before Interfund Transfers	\$ 549,857	\$ 605,217	\$ 228,162	\$ 329,606	\$ 826,028	\$ 1,806,215
Interfund Transfers	350,746	(5,546)	(350,746)	5,546	0	0
Increase (decrease) in net position	<u>\$ 900,603</u>	<u>\$ 599,671</u>	<u>\$ (122,584)</u>	<u>\$ 335,152</u>	<u>\$ 778,019</u>	<u>\$ 934,823</u>

Revenue Sources:

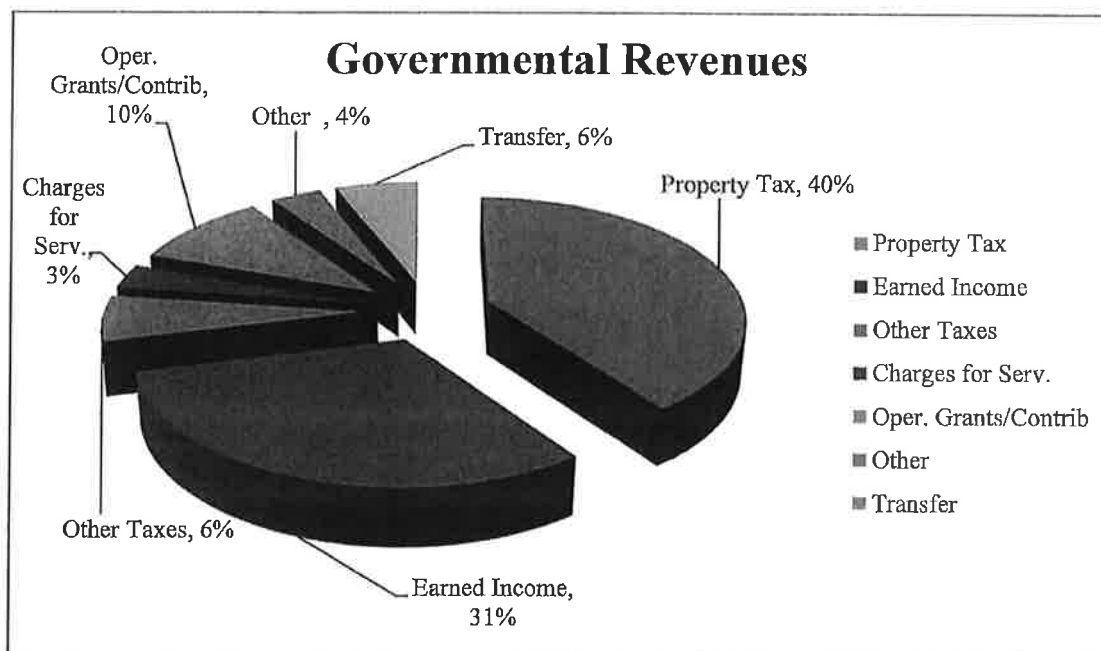
Total government-wide revenues of \$8,396,338 were derived primarily from taxes and charges for sewer services. In 2014, Hopewell Township earned \$4,509,864 in taxes compared to \$4,555,459 in 2013. Tax revenues accounted for 54% and 54% of total revenues in 2014 and 2013, respectively. Of the taxes levied, the real estate tax and the earned income tax are the most significant. In 2014, real estate tax accounted for \$2,339,468 or 52% of the taxes levied for general government purposes compared to \$2,292,817 or 50% in 2013. 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 2014 was \$166,612,289 compared to \$165,242,689 in 2013.

Earned income tax accounted for \$1,815,953 or 40% of the taxes levied for general government purposes compared to \$1,801,669 or 40% in 2013. The earned income tax is a one-half percent (0.5%) tax levied on wages earned by residents of the Township. Local Services Tax (LST) revenue increased approximately \$19,000 from 2013. In 2014, 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.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2014

The following chart graphically depicts the government-wide sources of governmental activities revenue for the fiscal year ended December 31, 2014:



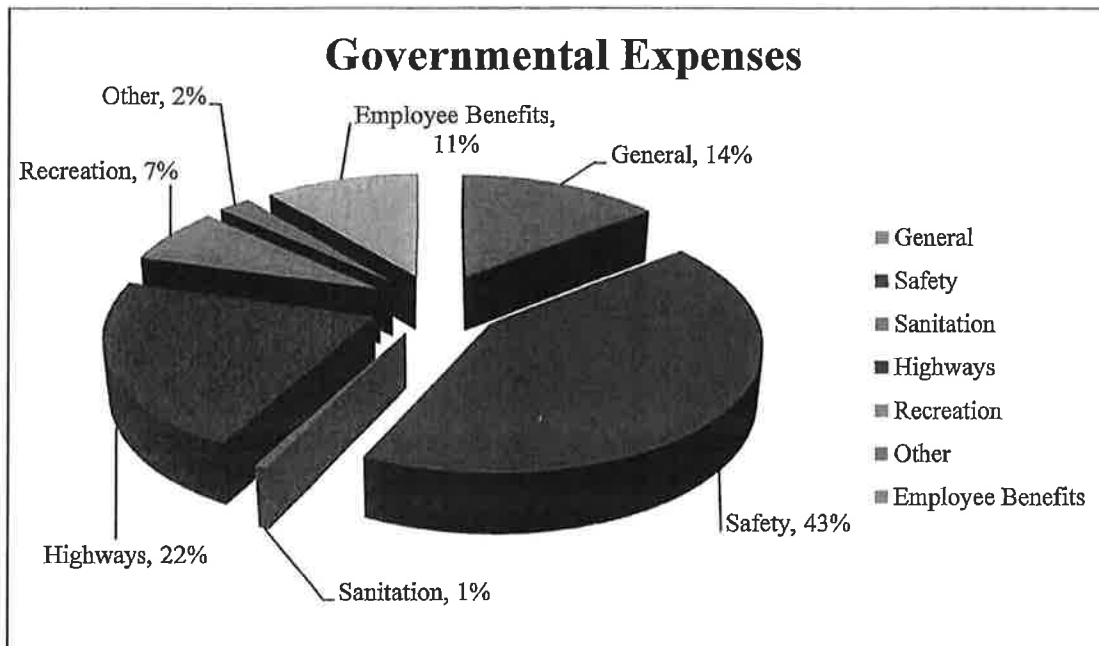
Program Expenses:

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 (43%). Other significant areas of program expenses include public works-roads (22%) which represents the cost of road maintenance and repair and employee benefits and insurance (11%) representing the costs of fringe benefits provided to Township employees working in all departments.

Total expenses for all governmental activity programs in 2014 were \$4,945,181, which represented an increase of \$61,928 over the \$4,883,253 recognized in 2013. The increase reflects an increase in expenses regarding public safety, culture and recreation, infrastructure upgrades, roadway materials and equipment, as well as employee benefit expenses.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2014

The following chart graphically depicts the government-wide expenditures for various programs of governmental activities for the fiscal year ended December 31, 2014:



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, 2014

Table A-3
Fiscal Years ended December 31, 2014 and 2013
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General Government	\$ 711,836	\$ 707,413	\$ 711,748	\$ 517,936
Public Safety	2,110,124	2,155,356	1,881,593	1,957,543
Public Works - Sanitation	30,531	23,712	(143,859)	(4,502)
Public Works - Highways	1,078,786	1,038,870	754,069	747,620
Culture-Recreation	364,675	318,655	318,499	287,759
Interest on Long-Term Debt	100,189	61,454	100,189	61,454
Unallocated Employee Benefits	536,501	571,205	536,501	571,205
Miscellaneous	12,539	6,588	12,539	6,588
Total governmental activities	<u>\$ 4,945,181</u>	<u>\$ 4,883,253</u>	<u>\$ 4,171,279</u>	<u>\$ 4,145,603</u>
Less:				
Unrestricted grants, subsidies			0	0
Total needs from local taxes and other revenues			<u>\$ 4,171,279</u>	<u>\$ 4,145,603</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, 2014 and 2013
Business-type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Sewer System	\$ 2,673,138	\$ 2,626,271	\$ (214,836)	\$ (329,173)
Less:				
Investment Earnings	0	0	(326)	(433)
Interfund Transfers	0	0	350,746	(5,546)
Gain (Loss) on Disposal of Fixed Assets	0	0	(13,000)	0
Total Business-type Activities	<u>\$ 2,673,138</u>	<u>\$ 2,626,271</u>	<u>\$ 122,584</u>	<u>\$ (335,152)</u>

The cost of services for the sewer fund in 2014 increased slightly by \$46,867 compared to 2013. Despite, the minimal increase in cost the Township continues to concentrate on controlling costs where possible.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2014

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, 2014, the Township's governmental funds reported a combined fund balance of \$3,467,716, which is an increase of \$681,235 from 2013. Of the combined total fund balance, \$2,167,983 (63%) 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 \$77,272 is classified as non-spendable as it represents prepaid insurance expense. Fund balance of \$1,222,461 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 \$1,280,774 (23%) more than budgeted amounts. Revenues were higher than expected due to the Township receiving long-term debt proceeds of \$1,283,819. Not including the debt proceeds, the Township's revenues were \$3,045 less than budgeted amounts.

General fund expenditures and other financing sources (uses) were \$714,975 (13%) more than budgeted. Not including the unbudgeted refunding bond payment of \$1,135,000, the Township's expenditures were \$420,025 (7%) under budget. For Public Works-Highways, the variance is mostly due to lower than anticipated expenses for road improvements and materials and supplies. In the case of the General Government and Public Safety, salary and benefit expenses were lower than expected as well as repair and maintenance costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2014, the Township had \$17,648,023 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A-5
Capital assets - net of depreciation

	<u>2014</u>	<u>2013</u>
Land	\$ 1,621,038	\$ 1,621,038
Building and Improvements	1,321,433	1,219,695
Equipment and Vehicles	947,099	797,344
Infrastructure	13,737,084	14,148,911
Construction in Progress	<u>21,370</u>	<u>21,370</u>
Total	<u>\$ 17,648,024</u>	<u>\$ 17,808,358</u>

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2014

Debt

As of January 1, 2014, the Township had total outstanding bonds payable of \$6,563,191. During the year the Township made scheduled payments against bond principal of \$1,652,828 and issued refunding bonds of \$5,330,000 resulting in outstanding bonds payable of \$10,240,363 as of December 31, 2014.

As of January 1, 2014, the Township had total outstanding notes payable of \$4,371,200 related to financing for sewer construction projects. During the year the Township refunded all notes payable with a general obligation bond resulting in no outstanding notes payable as of December 31, 2014.

Other obligations include outstanding capital leases of \$269,576 and accrued vacation pay and sick leave for specific employees of the Township of \$640,470 and accrued liabilities for other post-employment benefits of \$32,621.

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 with housing plans, apartments and senior living, will offset the increases in costs that the Township may incur due to normal inflation. Management reserves the right to review possible future sewer rate and tax increases to offset future costs for the maintenance and improvement of roads and sewer plant operations.

The General Fund revenue budget for 2015 is \$5,357,447, which is only \$26,447 more than the revenue budget for 2014. This represents a 1% increase in budgeted revenues when compared to the previous year and is primarily due to the fact the Township anticipates a "leveling out" of earned income tax revenues from the previous year's budget. The General Fund expenditure budget for the year 2015 is \$5,759,300, which is \$66,600 higher than the budget in 2014, or only a 1.2% increase in expenses compared to the previous year. This signals the Board of Commissioners tightening the budget numbers across the General Fund, leaving little room for cost overruns on road paving programs and lesser than average wage increases.

In addition to the General Fund, the Township has budgeted for 2015, \$2,891,250 in Sewer Fund revenues, which is \$48,750 less than the revenue budget for 2014. This represents a 1.7% decrease when compared with the previous year. The Sewer Fund budgeted \$3,011,850 in expenditures in 2015, which is 4.6% decrease when compared to previous year. This indicates no major itemized increases and continued fiscal awareness by the Board. In 2015, the Township has allocated \$513,519 out of its General Capital Reserve Fund for emergency projects, \$82,036 out of its Park Fund for 2015 park expansion and \$327,894 out of its State Fund for lighting and winter maintenance.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
DECEMBER 31, 2014

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, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,389,082	\$ 425,237	\$ 3,814,319
Accounts Receivable	93,983	580,447	674,430
Taxes Receivable	524,170	0	524,170
Other Current Assets	<u>77,272</u>	<u>36,379</u>	<u>113,651</u>
Total Current Assets	\$ 4,084,507	\$ 1,042,063	\$ 5,126,570
Noncurrent Assets			
Land	\$ 1,530,899	\$ 90,139	\$ 1,621,038
Building & Building Improvements (net of depreciation)	791,702	529,731	1,321,433
Equipment and Vehicles (net of depreciation)	695,187	251,912	947,099
Infrastructure (net of depreciation)	2,537,388	11,199,696	13,737,084
Construction in Progress	<u>0</u>	<u>21,370</u>	<u>21,370</u>
Total Noncurrent Assets	\$ 5,555,176	\$ 12,092,848	\$ 17,648,024
TOTAL ASSETS	\$ 9,639,683	\$ 13,134,911	\$ 22,774,594
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 206,216	\$ 54,030	\$ 260,246
Accrued Salaries and Benefits	111,361	29,349	140,710
Payroll Deductions & Withholdings	8,970	2,294	11,264
Other Current Liabilities	51,738	20,335	72,073
Bonds Payable	239,128	533,200	772,328
Leases Payable	<u>73,035</u>	<u>28,683</u>	<u>101,718</u>
Total Current Liabilities	\$ 690,448	\$ 667,891	\$ 1,358,339
Noncurrent Liabilities			
Bonds Payable	\$ 1,309,765	\$ 8,158,270	\$ 9,468,035
Add: Premium on Bonds	63,458	108,420	171,878
Leases Payable	89,243	78,615	167,858
Other Post Employment Benefit Liability	28,432	4,189	32,621
Accumulated Compensated Absences	<u>509,353</u>	<u>131,117</u>	<u>640,470</u>
Total Noncurrent Liabilities	\$ 2,000,251	\$ 8,480,611	\$ 10,480,862
TOTAL LIABILITIES	\$ 2,690,699	\$ 9,148,502	\$ 11,839,201
NET POSITION			
Net Investment in Capital Assets	\$ 3,780,547	\$ 3,185,660	\$ 6,966,207
Restricted for:			
Special Revenue Fund	46,441	0	46,441
Unrestricted	<u>3,121,996</u>	<u>800,749</u>	<u>3,922,745</u>
TOTAL NET POSITION	\$ 6,948,984	\$ 3,986,409	\$ 10,935,393
TOTAL LIABILITIES AND NET POSITION	\$ 9,639,683	\$ 13,134,911	\$ 22,774,594

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
Primary Government:							
Governmental Activities:							
General Government	\$ 711,836	\$ 88	\$ 0	\$ 0	\$ (711,748)	\$ 0	\$ (711,748)
Public Safety	2,110,124	118,454	110,077	0	(1,881,593)	0	(1,881,593)
Public Works - Sanitation	30,531	34,973	139,417	0	143,859	0	143,859
Public Works - Highways	1,078,786	0	324,717	0	(754,069)	0	(754,069)
Culture - Recreation	364,675	35,993	10,183	0	(318,499)	0	(318,499)
Interest	100,189	0	0	0	(100,189)	0	(100,189)
Unallocated Employee Benefits and Insurance	536,501	0	0	0	(536,501)	0	(536,501)
Miscellaneous	12,539	0	0	0	(12,539)	0	(12,539)
Total Governmental Activities	\$ 4,945,181	\$ 189,508	\$ 584,394	\$ 0	\$ (4,171,279)	\$ 0	\$ (4,171,279)
Business-type Activities:							
Sewer/Wastewater	\$ 2,673,138	\$ 2,845,375	\$ 42,599	\$ 0	\$ 0	\$ 214,836	\$ 214,836
Total Business-type Activities	\$ 2,673,138	\$ 2,845,375	\$ 42,599	\$ 0	\$ 0	\$ 214,836	\$ 214,836
Total Primary Government	\$ 7,618,319	\$ 3,034,883	\$ 626,993	\$ 0	\$ (4,171,279)	\$ 214,836	\$ (3,956,443)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net							
Other taxes levied for general purposes, net							
Licenses and permits							
Fines and forfeits							
Interest, rents and royalties							
Refunds of prior year expenses/(revenues)							
Gain (Loss) on disposal of fixed assets							
Interfund transfers							
Miscellaneous income							
Total general revenues, special items, extraordinary items and transfers							
Change in Net Position							
Net Position—Beginning of Year							
Net Position—End of Year							

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2014

	<u>General</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,106,358	\$ 1,282,724	\$ 3,389,082
Accounts Receivable	93,983	0	93,983
Taxes Receivable	524,170	0	524,170
Prepaid Expenses	77,272	0	77,272
Total Assets	<u>\$ 2,801,783</u>	<u>\$ 1,282,724</u>	<u>\$ 4,084,507</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 192,394	\$ 13,822	\$ 206,216
Accrued Salaries & Benefits	111,361	0	111,361
Payroll Deductions & Withholdings	8,970	0	8,970
Other Current Liabilities	51,738	0	51,738
Total Liabilities	<u>\$ 364,463</u>	<u>\$ 13,822</u>	<u>\$ 378,285</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property Taxes	<u>\$ 238,506</u>	<u>\$ 0</u>	<u>\$ 238,506</u>
<u>FUND BALANCES:</u>			
Nonspendable - Prepaid Expenses	\$ 77,272	\$ 0	\$ 77,272
Committed Fund Balance - Capital Projects	0	513,634	513,634
Committed Fund Balance - Park Projects	0	82,057	82,057
Committed Fund Balance - Sewer Projects	0	626,770	626,770
Unassigned Fund Balance	2,121,542	46,441	2,167,983
Total Fund Balances	<u>\$ 2,198,814</u>	<u>\$ 1,268,902</u>	<u>\$ 3,467,716</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
	<u>\$ 2,801,783</u>	<u>\$ 1,282,724</u>	<u>\$ 4,084,507</u>

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

AS OF DECEMBER 31, 2014

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 3,467,716**

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	8,251,289
Deduct: Accumulated Depreciation	(2,696,113)

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	238,506
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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/premium	\$ (1,612,351)
Deduct: Lease Purchase Obligations	(162,278)
Deduct: Compensated absences	(509,353)
Deduct: Other Post Employment Benefits	(28,432)
	(2,312,414)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 6,948,984**

HOPEWELL TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	Other Non-Major <u>Funds</u>	Totals Governmental <u>Funds</u>
<u>REVENUES</u>			
Taxes/Special Assessments	\$ 4,467,227	\$ 0	\$ 4,467,227
Licenses and Permits	160,221	0	160,221
Fines and Forfeits	23,568	0	23,568
Interest and Rents	15,283	912	16,195
Intergovernmental	274,965	313,379	588,344
Charges for Services	189,508	0	189,508
Miscellaneous Revenue	535	0	535
Contributions	1,902	0	1,902
Total Revenues	<u>\$ 5,133,209</u>	<u>\$ 314,291</u>	<u>\$ 5,447,500</u>
<u>EXPENDITURES</u>			
General Government	\$ 656,977	\$ 0	\$ 656,977
Public Safety	2,166,664	0	2,166,664
Public Works - Sanitation	30,531	0	30,531
Public Works - Highways	944,906	237,155	1,182,061
Culture - Recreation	362,853	0	362,853
Debt Service:			
Interest charged	59,465	0	59,465
Principal Retirement	1,418,168	0	1,418,168
Unallocated Employee Benefits and Insurance	536,501	0	536,501
Miscellaneous	13,354	0	13,354
Total Expenditures	<u>\$ 6,189,419</u>	<u>\$ 237,155</u>	<u>\$ 6,426,574</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,056,210)</u>	<u>\$ 77,136</u>	<u>\$ (979,074)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 44,000	\$ 0	\$ 44,000
Transfers In	150,746	400,000	550,746
Transfers Out	(200,000)	0	(200,000)
Proceeds of General Long Term Debt	1,283,819	0	1,283,819
Fiscal Agent Fees	(18,011)	0	(18,011)
Refunds of Prior Year Expenditures/(Receipts)	(245)	0	(245)
Total Other Financing Sources (Uses)	<u>\$ 1,260,309</u>	<u>\$ 400,000</u>	<u>\$ 1,660,309</u>
Net change in fund balances	\$ 204,099	\$ 477,136	\$ 681,235
Fund Balances, beginning of year	<u>1,994,715</u>	<u>791,766</u>	<u>2,786,481</u>
Fund Balances, end of year	<u>\$ 2,198,814</u>	<u>\$ 1,268,902</u>	<u>\$ 3,467,716</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, 2014

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 681,235**

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	\$ 384,674	
Less: Depreciation Expense	<u>(261,337)</u>	123,337

The statement of activities reports gains arising from the disposal of fixed assets.

Conversely, the governmental funds report the proceeds from fixed asset disposals	(55,005)	
Difference between Proceeds and Net Gain (Loss) on Disposal	<u>22,002</u>	(33,003)

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 Bonds Payable	\$ 1,369,128	
Principal Payments on Capital Lease Obligations	49,040	
Less: Proceeds from Capital Lease Payable	(110,340)	
Less: Proceeds from Bonds Payable	<u>(1,105,000)</u>	202,828

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.

Change in Unamortized Debt Discount		(91,191)
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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		(19,387)
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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>36,784</u>
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CHANGE IN NET POSITON OF GOVERNMENTAL ACTIVITIES **\$ 900,603**

HOPEWELL TOWNSHIP
STATEMENT OF NET POSITION - SEWER FUND
AS OF DECEMBER 31, 2014

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 425,237
Accounts Receivable	580,447
Prepaid Expense	<u>36,379</u>
Total Current Assets	<u>\$ 1,042,063</u>
Noncurrent Assets	
Land	\$ 90,139
Building & Building Improvements (net of depreciation)	529,731
Equipment and Vehicles (net of depreciation)	251,912
Infrastructure (net of depreciation)	11,199,696
Construction in Progress	<u>21,370</u>
Total Noncurrent Assets	<u>\$ 12,092,848</u>
TOTAL ASSETS	<u>\$ 13,134,911</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 54,030
Accrued Salaries and Benefits	29,349
Payroll Deductions & Withholdings	2,294
Escrow Payable	20,335
Bonds Payable	533,200
Lease Payable	<u>28,683</u>
Total Current Liabilities	<u>\$ 667,891</u>
Noncurrent Liabilities	
Bonds Payable	\$ 8,158,270
Add: Premium on Bonds	108,420
Lease Payable	78,615
Other Post Employment Benefit Liability	4,189
Accumulated Compensated Absences/Retirement Incentives	<u>131,117</u>
Total Noncurrent Liabilities	<u>\$ 8,480,611</u>
TOTAL LIABILITIES	<u>\$ 9,148,502</u>
NET POSITION	
Net Investment in Capital Assets	\$ 3,185,660
Unrestricted	<u>800,749</u>
TOTAL NET POSITION	<u>\$ 3,986,409</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 13,134,911</u>

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
SEWER FUND
YEAR ENDED DECEMBER 31, 2014

	<u>Sewer Fund</u>
<u>Operating Revenues</u>	
Charge for Services, Net	\$ 2,845,375
Total Operating Revenues	<u>\$ 2,845,375</u>
<u>Operating Expenses</u>	
Wastewater and Sewer Expense	\$ 1,940,654
Depreciation Expense	418,652
Total Operating Expenses	<u>\$ 2,359,306</u>
Operating Income	<u>\$ 486,069</u>
<u>Non-operating Revenues and (Expenses)</u>	
Shared Revenue - State Sources	\$ 42,599
Interest Income	326
Interest on Long-term Debt	(245,601)
Fiscal Agent Fees	(68,231)
Proceeds of General Fixed Asset Disposal	13,000
Total Non-operating Revenues and (Expenses)	<u>\$ (257,907)</u>
Income Before Operating Transfers	\$ 228,162
Operating Transfers (Out)	<u>\$ (350,746)</u>
Change in Net Position	\$ (122,584)
Net Position beginning of year	<u>4,108,993</u>
Net Position end of year	<u>\$ 3,986,409</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, 2014

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 2,836,681
Payments to Suppliers	(1,013,737)
Payments to Employees	(916,914)
Net Cash Provided by Operating Activities	<u>\$ 906,030</u>
Cash Flows from Noncapital Financing Activities:	
Transfers In (Out), net	\$ (350,746)
State Shared Revenue	42,599
Escrow Deposits Disbursed (Received)	(1,081)
Net Cash Provided by Noncapital Financing Activities	<u>\$ (309,228)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Expenditures, net of disposals	\$ (167,982)
Proceeds from Sale of Fixed Assets	13,000
Proceeds from the issuance of Long-Term Debt (net of premium)	4,430,699
Principal Payments on Refinanced Debt	(4,268,447)
Principal Paid on Bonds and Notes	(395,838)
Interest Paid on Bonds and Notes	(245,601)
Bond Costs	(68,231)
Interest Income	326
Net Cash Used in Capital and Related Financing Activities	<u>\$ (702,074)</u>
Net Decrease in Cash and Cash Equivalents	\$ (105,272)
Cash and Cash Equivalents, beginning of year	530,509
Cash and Cash Equivalents, end of year	<u>\$ 425,237</u>
Operating Income	<u>\$ 486,069</u>
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities:	
Depreciation	\$ 418,652
(Increase) Decrease in Accounts Receivable	(8,694)
(Increase) Decrease in Prepaid Expenses	(20,834)
Increase (Decrease) in Accounts Payable and Accrued Expenses	17,936
Increase (Decrease) in Accrued Payroll	413
Increase (Decrease) in Accrued Compensated Absences	12,766
Increase (Decrease) in Accrued Other Post-employment Benefits	(278)
Total Adjustments	<u>\$ 419,961</u>
Cash Provided by Operating Activities	<u>\$ 906,030</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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<u>REVENUES</u>			
Taxes/Special Assessments	\$4,504,500	\$ 4,467,227	\$ (37,273)
Licenses and Permits	171,500	160,221	(11,279)
Fines and Forfeits	24,000	23,568	(432)
Interest and Rents	16,000	15,283	(717)
Intergovernmental	278,500	274,965	(3,535)
Charges for Services	175,500	189,508	14,008
Miscellaneous Revenue	5,000	535	(4,465)
Contributions	5,000	1,902	(3,098)
Total Revenues	<u>\$5,180,000</u>	<u>\$ 5,133,209</u>	<u>\$ (46,791)</u>
<u>EXPENDITURES</u>			
General Government	\$ 767,700	\$ 656,977	\$ 110,723
Public Safety	2,285,600	2,166,664	118,936
Public Works - Sanitation	38,400	30,531	7,869
Public Works - Highways	1,140,200	944,906	195,294
Culture - Recreation	377,800	362,853	14,947
Interest	55,000	59,465	(4,465)
Debt Service	255,000	1,418,168	(1,163,168)
Unallocated Employee Benefits and Insurance	564,000	536,501	27,499
Miscellaneous	6,000	13,354	(7,354)
Total Expenditures	<u>\$5,489,700</u>	<u>\$ 6,189,419</u>	<u>\$ (699,719)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (309,700)</u>	<u>\$(1,056,210)</u>	<u>\$ (746,510)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 5,000	\$ 44,000	\$ 39,000
Transfers In	146,000	150,746	4,746
Transfers Out	(201,000)	(200,000)	1,000
Proceeds of General Long Term Debt	0	1,283,819	1,283,819
Fiscal Agent Fees	0	(18,011)	(18,011)
Refunds of Prior Year Expenditures/(Receipts)	(2,000)	(245)	1,755
Total Other Financing Sources (Uses)	<u>\$ (52,000)</u>	<u>\$ 1,260,309</u>	<u>\$ 1,312,309</u>
Excess of Revenues and Other Sources			
Over/(Under) Expenditures and Other Uses	<u>\$ (361,700)</u>	<u>\$ 204,099</u>	<u>\$ 565,799</u>
Fund Balances - Unreserved - beginning of year		<u>1,994,715</u>	
Fund Balances - Unreserved - end of year		<u>\$ 2,198,814</u>	

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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, 2014

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, 2014

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, 2014

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, 2014 with revenues and other financing sources totaling \$5,331,000 and expenditures and other financing sources totaling \$5,692,700.

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, 2014

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, 2014. 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, 2014

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:

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

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, 2014 which consisted of unavailable revenue which was made up of \$238,506 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, 2014

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, 2014 financial statements for subsequent events through September 10, 2015, 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, 2014

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, 2014, 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, 2014

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, 2014, \$3,610,856 of the Township's bank balance of \$3,860,856 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	\$ 3,610,856

Other Deposits

As of December 31, 2014, 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, 2014, the Township had the following other deposits:

<u>Type</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 60,263
Total	<u>\$ 60,263</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 3 - CASH /INVESTMENTS – CONTINUED

Credit Risk- Other Deposits

As of December 31, 2014, 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	\$ 3,610,856
Insured Amount	250,000
Petty Cash	350
Other Deposits Above	<u>60,263</u>
Carrying Amount - Bank Balances	\$ 3,921,469
Less: Outstanding Items	<u>(107,150)</u>
Total Cash and Cash Equivalents	<u>\$ 3,814,319</u>

NOTE 4 – ACCOUNTS RECEIVABLE

The Accounts Receivable balances represents the following earned prior to December 31, 2014 and due to Hopewell Township at December 31, 2014:

	<u>General Fund</u>	<u>Sewer Fund</u>
General	\$ 79,797	\$ 0
Unbilled Waste Collection Services	0	413,544
Billed Waste Collection Services	0	195,538
Other	<u>14,186</u>	<u>0</u>
Account Receivable Gross	\$ 93,983	\$ 609,082
Less: Allowance for Doubtful Accounts	<u>0</u>	<u>(28,635)</u>
Accounts Receivable, Net	<u>\$ 93,983</u>	<u>\$ 580,447</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, 2014

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 2014 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 2014 was 14 mills (\$14 per \$1,000 assessed valuation). Collections on the 2014 Tax Duplicate amounted to \$2,182,286.

As of December 31, 2014, property taxes receivable by the Township includes uncollected taxes assessed as of January 1, 2014 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, 2014 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	\$ 1,635,256	\$ 190,255	\$ 0	\$ 1,825,511
Machinery and Equipment	1,755,705	194,419	55,005	1,895,119
Infrastructure	<u>2,999,758</u>	<u>0</u>	<u>0</u>	<u>2,999,758</u>
Total capital assets, being depreciated	<u>\$ 6,390,719</u>	<u>\$ 384,674</u>	<u>\$ 55,005</u>	<u>\$ 6,720,388</u>
Governmental activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 953,200	\$ 80,609	\$ 0	\$ 1,033,809
Machinery and Equipment	1,101,201	120,733	22,002	1,199,932
Infrastructure	<u>402,375</u>	<u>59,995</u>	<u>0</u>	<u>462,370</u>
Total Accumulated Depreciation	<u>\$ 2,456,776</u>	<u>\$ 261,337</u>	<u>\$ 22,002</u>	<u>\$ 2,696,111</u>
Capital assets, being depreciated, net	<u>\$ 3,933,943</u>	<u>\$ 123,337</u>	<u>\$ 33,003</u>	<u>\$ 4,024,277</u>
Governmental activities capital assets, net	<u>\$ 5,464,842</u>	<u>\$ 123,337</u>	<u>\$ 33,003</u>	<u>\$ 5,555,176</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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	\$ 90,139	\$ 0	\$ 0	\$ 90,139
Construction in Progress	21,370	0	0	21,370
Total Capital assets, not being depreciated	<u>\$ 111,509</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 111,509</u>
Capital assets, being depreciated:				
Building and Building Improvements	\$ 2,570,078	\$ 18,279	\$ 0	\$ 2,588,357
Machinery and Equipment	674,346	149,703	0	824,049
Infrastructure	17,591,614	0	0	17,591,614
Total capital assets, being depreciated	<u>\$ 20,836,038</u>	<u>\$ 167,982</u>	<u>\$ 0</u>	<u>\$ 21,004,020</u>
Business-type activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 2,032,439	\$ 26,187	\$ 0	\$ 2,058,626
Machinery and Equipment	531,505	40,632	0	572,137
Infrastructure	6,040,085	351,833	0	6,391,918
Total Accumulated Depreciation	<u>\$ 8,604,029</u>	<u>\$ 418,652</u>	<u>\$ 0</u>	<u>\$ 9,022,681</u>
Capital assets, being depreciated, net	<u>\$ 12,232,009</u>	<u>\$ (250,670)</u>	<u>\$ 0</u>	<u>\$ 11,981,339</u>
Business-type activities capital assets, net	<u>\$ 12,343,518</u>	<u>\$ (250,670)</u>	<u>\$ 0</u>	<u>\$ 12,092,848</u>

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

Governmental Activities:

General Government	\$ 21,132
Public Safety	38,149
Highways and Streets	195,049
Parks and Recreation	7,007
Total Depreciation expense, Governmental Activities:	<u>\$ 261,337</u>

Business-Type Activities:

Sewer	\$ 418,652
Total Depreciation expense, Business-Type Activities:	<u>\$ 418,652</u>

Total Depreciation expense, Governmental and Business-Type Activities:	<u>\$ 679,989</u>
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HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 7 – LONG-TERM DEBT

Long-term liability for the year ended December 31, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Refunded</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:						
Bonds Payable	\$ 1,813,021	\$ (1,135,000)	\$ 1,105,000	\$ (234,128)	\$ 1,548,893	\$ 239,128
Premium (Discount) on Bonds	(27,732)	27,732	63,458	0	63,458	0
Total Bonds Payable, net	\$ 1,785,289	\$ (1,107,268)	\$ 1,168,458	\$ (234,128)	\$ 1,612,351	\$ 239,128
Obligations under capital leases	100,978	0	110,340	(49,040)	162,278	73,035
Total governmental activity long-term liabilities	<u>\$ 1,886,267</u>	<u>\$ (1,107,268)</u>	<u>\$ 1,278,798</u>	<u>\$ (283,168)</u>	<u>\$ 1,774,629</u>	<u>\$ 312,163</u>
Business-type activities:						
Bonds Payable	\$ 4,750,170	\$ 0	\$ 4,225,000	\$ (283,700)	\$ 8,691,470	\$ 533,200
Premium (Discount) on Bonds	0	0	108,420	0	108,420	0
Total Bonds Payable, net	\$ 4,750,170	\$ 0	\$ 4,333,420	\$ (283,700)	\$ 8,799,890	\$ 533,200
Notes Payable	4,371,200	(4,268,447)	0	(102,753)	0	0
Obligations under capital leases	19,404	0	97,279	(9,385)	107,298	28,683
Total business-type activity long-term liabilities	<u>\$ 9,140,774</u>	<u>\$ (4,268,447)</u>	<u>\$ 4,430,699</u>	<u>\$ (395,838)</u>	<u>\$ 8,907,188</u>	<u>\$ 561,883</u>

NOTE 8 – BONDS PAYABLE

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 \$247,440 were made in the year ended December 31, 2014, including \$234,128 for principal and \$13,312 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>
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	102,381	4,003	106,384
	<u>\$ 443,893</u>	<u>\$ 23,593</u>	<u>\$ 467,486</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 8 – BONDS PAYABLE - CONTINUED

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 \$228,973 were made in the year ended December 31, 2014, including \$68,700 for principal and \$160,273 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>
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	<u>231,474</u>	<u>1,634</u>	<u>233,108</u>
	<u>\$ 4,681,470</u>	<u>\$ 1,652,643</u>	<u>\$ 6,334,113</u>

General Obligation Bonds, Series of 2014

On March 7, 2014, the Township issued \$1,105,000, in General Obligation Bonds, refunding General Obligation Bonds, Series of 2009. Total interest and principal payments over the scheduled life of the Bond is \$1,225,079, with interest rates between 2.00% and 4.00%. The bonds are scheduled to mature on December 31, 2020.

The proceeds of the bond were used to currently refund the Township's General Obligation Bonds, Series of 2009 and to pay the cost of issuing the bonds. As a result, the 2009 Bonds are considered to be defeased, and the liability for these bonds has been removed from the balance of bonds payable. The total interest and principal payments of the defeased amounts to be paid out over the life of the bond issue at the time of refunding was 1,308,308, with interest rates between 2.00% and 4.00%. The bonds were originally schedule to mature on December 1, 2020.

Principal payments will begin in 2016. Future estimated principal and interest payments for the 2014 Series bonds are as follows: