

HOPEWELL TOWNSHIP
ALIQUPPA, PENNSYLVANIA
DECEMBER 31, 2015

AUDIT REPORT

HOPEWELL TOWNSHIP
ALIQUPPA, 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, 2015, 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. In addition, management has not adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. GASB Statement No. 68 requires that employers and non-employer contributing entities recognize a liability for defined benefit pension obligations (net pension liability) measured based on the present value of projected benefit payments to be provided through the pension plan to active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Because management has not adopted GASB Statement No. 68, any liabilities, deferred outflows of resources, deferred inflows of resources, revenues, expenditures, and footnotes related to the adoption of GASB Statement No. 68 for the Hopewell Township Single-Employer Defined Benefit Pension Plans are not reflected in these financial statements.

Opinions

In our opinion, except for the limitations 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, as of December 31, 2015, 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 x and page 13 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 non-major 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 non-major 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 non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
July 15, 2016

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015

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, 2015. Please read it in conjunction with the Township's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- The Township's adjusted overall net position increased by \$927,563 (8.48%). The governmental net position increased by \$743,709 (10.70%) and the business-type net position decreased by \$183,854 (4.61%).
- The General Fund (the primary operating fund), reflected on a current financial resource basis, reported a decrease in fund balance of \$109,266 compared to an increase of \$204,099 in 2014.
- The December 31, 2015 net outstanding debt of the Township was \$9,835,795. This represented a decrease of \$846,022 from the same date in 2014. 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 4 and 5) 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 6. 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 4. 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.

These two statements on pages 4 and 5 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

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015

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 viii. 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 7 and 9.
- **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.

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015

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, 2015 and 2014
Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 4,024,760	\$ 4,084,507	\$ 1,028,738	\$ 1,042,063	\$ 5,053,498	\$ 5,126,570
Capital assets	<u>5,784,883</u>	<u>5,555,176</u>	<u>11,681,302</u>	<u>12,092,848</u>	<u>17,466,185</u>	<u>17,648,024</u>
Total assets	<u>\$ 9,809,643</u>	<u>\$ 9,639,683</u>	<u>\$ 12,710,040</u>	<u>\$ 13,134,911</u>	<u>\$ 22,519,683</u>	<u>\$ 22,774,594</u>
Current and other liabilities	\$ 409,226	\$ 690,448	\$ 620,307	\$ 667,891	\$ 1,029,533	\$ 1,358,339
Long-term liabilities	<u>1,707,724</u>	<u>2,000,251</u>	<u>7,919,470</u>	<u>8,480,611</u>	<u>9,627,194</u>	<u>10,480,862</u>
Total liabilities	<u>\$ 2,116,950</u>	<u>\$ 2,690,699</u>	<u>\$ 8,539,777</u>	<u>\$ 9,148,502</u>	<u>\$ 10,656,727</u>	<u>\$ 11,839,201</u>
Net Position						
Net Investment						
in Capital Assets	\$ 4,283,560	\$ 3,780,547	\$ 3,346,830	\$ 3,185,660	\$ 7,630,390	\$ 6,966,207
Restricted for:						
Special Revenue Fund	207,581	46,441	0	0	207,581	46,441
Unrestricted	<u>3,201,552</u>	<u>3,121,996</u>	<u>823,433</u>	<u>800,749</u>	<u>4,024,985</u>	<u>3,922,745</u>
Total Net Position	<u>\$ 7,692,693</u>	<u>\$ 6,948,984</u>	<u>\$ 4,170,263</u>	<u>\$ 3,986,409</u>	<u>\$ 11,862,956</u>	<u>\$ 10,935,393</u>

At December 31, 2015, Hopewell Township's total assets were \$22,519,683. Of this amount, \$17,466,185 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, 2014 were \$22,774,594. The decrease in total assets is primarily due to depreciation of 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). A portion of the unrestricted balance includes amounts that have been earmarked by Township management for future capital projects.

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

The results of this year's operations as a whole are reported in the Statement of Activities on Page 5. 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, 2015 and 2014
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES						
Program revenues:						
Charges for services	\$ 246,059	\$ 189,508	\$ 2,846,356	\$ 2,845,375	\$ 3,092,415	\$ 3,034,883
Operating grants and contributions	611,212	584,394	43,129	42,599	654,341	626,993
Capital grants and contributions	0	0	0	0	0	0
General revenues:						
Property taxes	2,304,297	2,339,468	0	0	2,304,297	2,339,468
Other taxes	2,255,545	2,170,396	0	0	2,255,545	2,170,396
Other	246,562	211,272	1,228	13,326	247,790	224,598
Total revenues	<u>\$ 5,663,675</u>	<u>\$ 5,495,038</u>	<u>\$ 2,890,713</u>	<u>\$ 2,901,300</u>	<u>\$ 8,554,388</u>	<u>\$ 8,396,338</u>
EXPENSES						
General Government	\$ 693,935	\$ 711,836	\$ 0	\$ 0	\$ 693,935	\$ 711,836
Public Safety	2,200,242	2,110,124	0	0	2,200,242	2,110,124
Public Works - Sanitation	20,734	30,531	0	0	20,734	30,531
Public Works - Highways	1,156,849	1,078,786	0	0	1,156,849	1,078,786
Culture-Recreation	343,434	364,675	0	0	343,434	364,675
Interest on Long-Term Debt	38,707	100,189	0	0	38,707	100,189
Unallocated Employee Benefits	610,994	536,501	0	0	610,994	536,501
Miscellaneous	5,893	12,539	0	0	5,893	12,539
Sewer System	0	0	2,556,037	2,673,138	2,556,037	2,673,138
Total expenses	<u>\$ 5,070,788</u>	<u>\$ 4,945,181</u>	<u>\$ 2,556,037</u>	<u>\$ 2,673,138</u>	<u>\$ 7,626,825</u>	<u>\$ 7,618,319</u>
Increase (Decrease) in Net Position						
Before Interfund Transfers	\$ 592,887	\$ 549,857	\$ 334,676	\$ 228,162	\$ 927,563	\$ 778,019
Interfund Transfers	150,822	350,746	(150,822)	(350,746)	0	0
Increase (Decrease) in Net Position	<u>\$ 743,709</u>	<u>\$ 900,603</u>	<u>\$ 183,854</u>	<u>\$ (122,584)</u>	<u>\$ 927,563</u>	<u>\$ 778,019</u>
Net Position-Beginning	6,948,984	6,048,381	3,986,409	4,108,993	10,935,393	10,157,374
Net Position-Ending	<u>\$ 7,692,693</u>	<u>\$ 6,948,984</u>	<u>\$ 4,170,263</u>	<u>\$ 3,986,409</u>	<u>\$ 11,862,956</u>	<u>\$ 10,935,393</u>

HOPEWELL TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2015

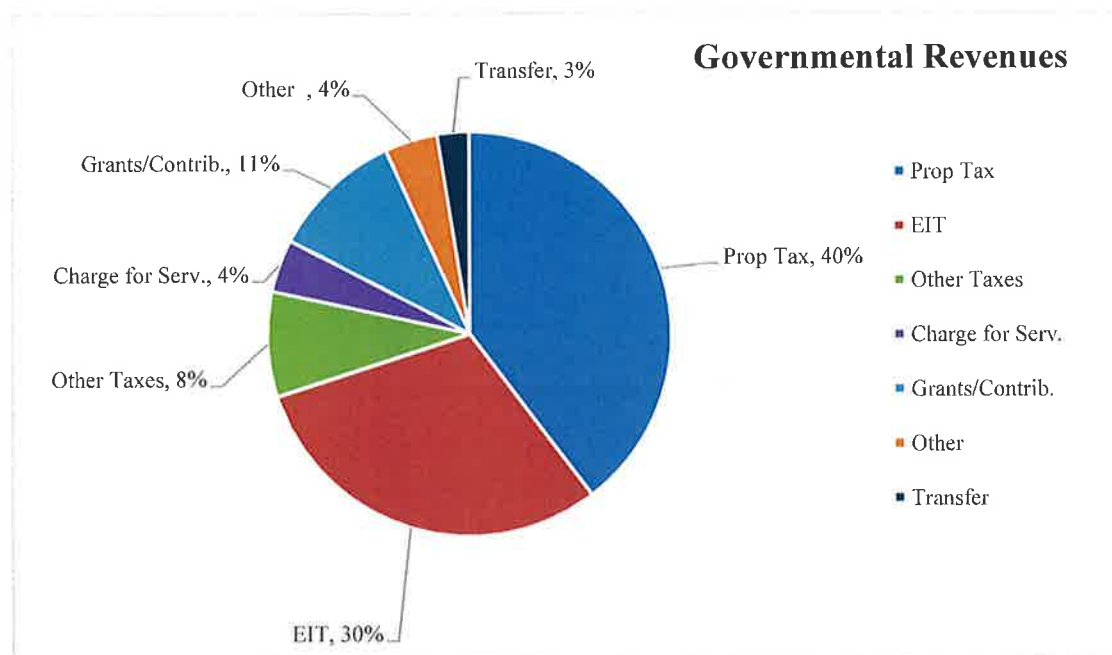
Revenue Sources:

Total government-wide revenues of \$8,554,338 were derived primarily from taxes and charges for sewer services. In 2015, Hopewell Township earned \$4,559,842 in taxes compared to \$4,509,864 in 2014. Tax revenues accounted for 53% and 54% of total revenues in 2015 and 2014, respectively. Of the taxes levied, the real estate tax and the earned income tax are the most significant. In 2015, real estate tax accounted for \$2,304,297 or 51% of the taxes levied for general government purposes compared to \$2,339,468 or 52% in 2014. 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 2015 was \$166,405,399 compared to \$166,612,289 in 2014.

In 2015, earned income tax accounted for \$1,767,015 or 39% of the taxes levied for general government purposes compared to \$1,723,629 or 38% in 2014. 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 \$32,000 from 2014. In 2015, 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 Township zoning services, contracted police services, and recreation fees.

The following chart graphically depicts the government-wide sources of governmental activities revenue for the fiscal year ended December 31, 2015:



HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

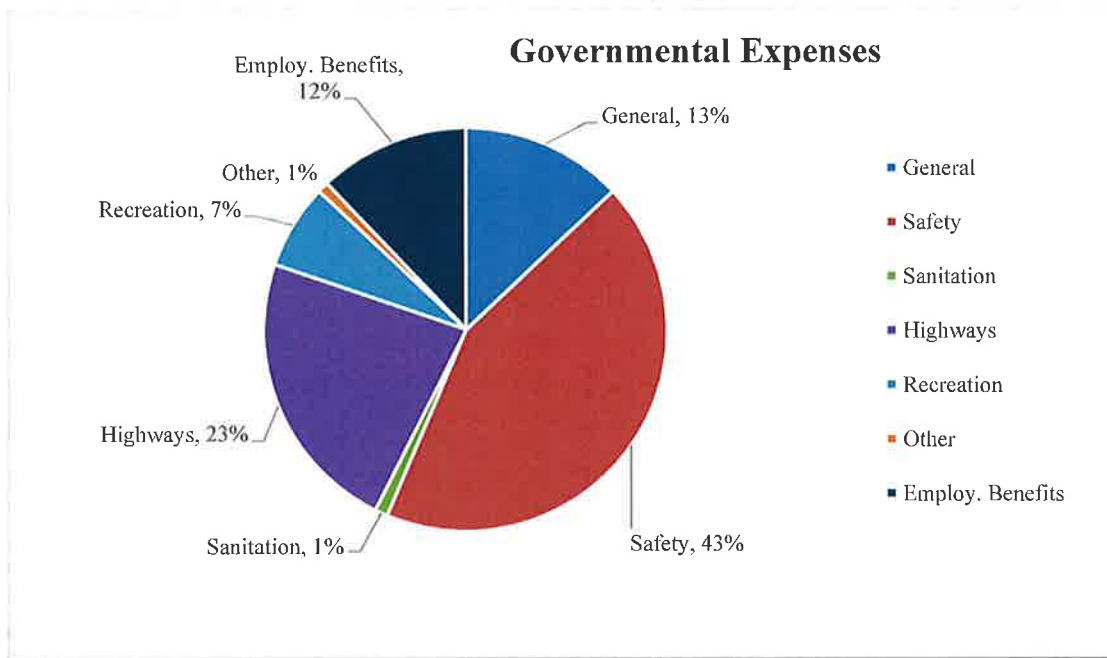
DECEMBER 31, 2015

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 (23%) 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 2015 were \$5,070,788, which represented an increase of \$125,607 over the \$4,945,181 recognized in 2014. The increase reflects an increase in expenses regarding public safety, infrastructure upgrades, roadway materials and equipment, as well as 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, 2015:



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, 2015

Table A-3
Fiscal Years ended December 31, 2015 and 2014
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General Government	\$ 693,935	\$ 711,836	\$ 693,876	\$ 711,748
Public Safety	2,200,242	2,110,124	1,956,692	1,881,593
Public Works - Sanitation	20,734	30,531	(174,150)	(143,859)
Public Works - Highways	1,156,849	1,078,786	781,044	754,069
Culture-Recreation	343,434	364,675	300,461	318,499
Interest on Long-Term Debt	38,707	100,189	38,707	100,189
Unallocated Employee Benefits	610,994	536,501	610,994	536,501
Miscellaneous	5,893	12,539	5,893	12,539
Total governmental activities	<u>\$ 5,070,788</u>	<u>\$ 4,945,181</u>	<u>\$ 4,213,517</u>	<u>\$ 4,171,279</u>
Less:				
Unrestricted grants, subsidies			0	0
Total needs from local taxes and other revenues			<u>\$ 4,213,517</u>	<u>\$ 4,171,279</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, 2015 and 2014
Business-type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Sewer System	\$ 2,556,037	\$ 2,673,138	\$ (333,448)	\$ (214,836)
Less:				
Investment Earnings	0	0	(461)	(326)
Interfund Transfers	0	0	150,822	350,746
Miscellaneous Income	0	0	(767)	0
Gain (Loss) on Disposal of Fixed Assets	0	0	0	(13,000)
Total Business-type Activities	<u>\$ 2,556,037</u>	<u>\$ 2,673,138</u>	<u>\$ (183,854)</u>	<u>\$ 122,584</u>

The cost of services for the sewer fund in 2015 decreased by \$117,101 compared to 2014. The Township continues to concentrate on controlling costs where possible.

The Statement of Revenues, Expenses and Changes in Fund Net Position for this proprietary fund (see page 11) will further detail the actual results of operations.

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

THE TOWNSHIP FUNDS

At December 31, 2015, the Township's governmental funds reported a combined fund balance of \$3,695,138, which is an increase of \$227,422 from 2014. Of the combined total fund balance, \$2,044,007 (55%) 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 \$45,541 is classified as non-spendable as it represents prepaid insurance expense. Fund balance of \$1,398,009 is committed by the Board of Supervisors to be used specifically for future capital projects, park projects and sewer capital projects of the Township. Fund balance of \$207,581 is classified as restricted because it represents funds received through the State's liquid fuels fund to be used only to reimburse the Township for road-related expenditures.

General Fund Budgetary Highlights

A schedule showing the Township's annual budget amounts compared with actual results is provided on Page 13. The Township's general fund actual revenues were \$122,942 (2.4%) more than budgeted amounts. Revenues were higher than expected due, in large part, to the Township receiving more revenue fees related to public zoning and proceeds from long term debt.

General fund expenditures and other financing sources (uses) were \$169,650 (3.0%) less than budgeted. 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 Employee Benefits and Insurance, 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, 2015, the Township had \$17,466,185 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A-5
Capital assets - net of depreciation

	<u>2015</u>	<u>2014</u>
Land	\$ 1,621,038	\$ 1,621,038
Building and Improvements	1,239,646	1,321,433
Equipment and Vehicles	842,588	947,099
Infrastructure	13,741,543	13,737,084
Construction in Progress	<u>21,370</u>	<u>21,370</u>
Total	<u>\$ 17,466,185</u>	<u>\$ 17,648,024</u>

Debt

As of January 1, 2015, the Township had total outstanding bonds payable of \$10,240,363. During the year the Township made scheduled payments against bond principal of \$772,759 resulting in outstanding bonds payable of \$9,467,604 as of December 31, 2015.

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

Other obligations include outstanding capital leases of \$213,486, accrued vacation pay and sick leave for specific employees of the Township of \$628,174, and accrued liabilities for other post-employment benefits of \$32,801.

More detailed information about our long-term liabilities is included in Notes 7 through 9 and Notes 11 through 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 2016 is \$5,403,712, which is only \$46,271 more than the revenue budget for 2015. 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 2016 is \$5,728,400, which is \$23,900 lower than the budget in 2015, or a 4.2% decrease 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 2016, \$2,892,250 in Sewer Fund revenues, which is \$1,000 more than the revenue budget for 2015. This represents a .03% increase when compared with the previous year. The Sewer Fund budgeted \$2,916,651 in expenditures in 2016, which is 3.2% decrease when compared to previous year. This indicates no major itemized increases and continued fiscal awareness by the Board. In 2016, the Township has allocated \$42,000 out of its General Capital Reserve Fund for emergency projects, \$82,191 out of its Park Fund for 2016 park expansion and \$306,853 out of its State Fund for lighting and winter maintenance.

Mr. Kraus was asked by the Board of Commissioners to head up the development phase of things, and proceeded to promote the Township and meet with potential developers through the rest of 2015. The cost of doing business in the Township continued to be a challenge for the Board throughout 2015, and every effort was made to cut costs, be more efficient in every department in the Township, while still providing the residents of Hopewell the top notch services they had grown accustomed to having in years past. The marketing plan the Board put together in 2015 was carried out in 2015, as new and beneficial businesses and developers were courted and pursued by Mr. Kraus and the commissioners. Through all of the turmoil and managerial change, the team effort of the Board of Commissioners, the Township Management team, and all Township employees enabled the Township to maintain sewer rates as well as maintain the Township real estate tax rate at a current level of 14 mils. Going into 2016, the Board of Commissioners and management team will continue to work together to maximize Township assets and personnel more effectively. The goal of "working smart, but working economically efficient" will be the theme going forth.

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2015

The Administration goal for 2016 is to continue looking at cost-cutting measures in both the General and Sewer Funds, in an effort to keep taxes level and avoid any increases. The marketing strategic plan emphasized working with local, state, and federal officials to seek new development along Interstate 376, find new businesses for the current Industrial Park, as well as looking for grant money to continue improving the "hidden treasure" which is Hopewell Community Park. The Board of Commissioners believes Hopewell Township is at an important crossroads with regards to development, residential housing expansion and business growth. They feel the goals going into 2016 for the Township are attainable and realistic. They feel the Township is in a great position to reach these goals set forth in the strategic marketing plan. If things continue to progress, Hopewell Township will provide economic security for its residents, while seeing general business and residential development growth surge in the Township. The tax base should grow from all of the marketing efforts and plans and help maintain a steady tax rate and residential sewer rate for the residents of the Township. As a result, job growth should come about for Hopewell Township, which will benefit all the businesses and new development that will take place in the Township in 2016 and beyond.

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.hopewelltwp.com.

HOPEWELL TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,321,330	\$ 422,910	\$ 3,744,240
Accounts Receivable	141,577	578,237	719,814
Taxes Receivable	530,905	0	530,905
Internal Balances	(14,593)	14,593	0
Other Current Assets	45,541	12,998	58,539
Total Current Assets	<u>\$ 4,024,760</u>	<u>\$ 1,028,738</u>	<u>\$ 5,053,498</u>
Noncurrent Assets			
Land	\$ 1,530,899	\$ 90,139	\$ 1,621,038
Building & Building Improvements (net of depreciation)	736,560	503,086	1,239,646
Equipment and Vehicles (net of depreciation)	623,745	218,843	842,588
Infrastructure (net of depreciation)	2,893,679	10,847,864	13,741,543
Construction in Progress	0	21,370	21,370
Total Noncurrent Assets	<u>\$ 5,784,883</u>	<u>\$ 11,681,302</u>	<u>\$ 17,466,185</u>
TOTAL ASSETS	<u>\$ 9,809,643</u>	<u>\$ 12,710,040</u>	<u>\$ 22,519,683</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 37,387	\$ 21,891	\$ 59,278
Accrued Salaries and Benefits	30,049	7,707	37,756
Payroll Deductions & Withholdings	2,432	617	3,049
Other Current Liabilities	31,466	28,408	59,874
Bonds Payable	264,128	542,600	806,728
Leases Payable	43,764	19,084	62,848
Total Current Liabilities	<u>\$ 409,226</u>	<u>\$ 620,307</u>	<u>\$ 1,029,533</u>
Noncurrent Liabilities			
Bonds Payable	\$ 1,045,206	\$ 7,615,670	\$ 8,660,876
Add: Premium on Bonds	57,118	97,587	154,705
Leases Payable	91,107	59,531	150,638
Other Post Employment Benefit Liability	28,612	4,189	32,801
Accumulated Compensated Absences	485,681	142,493	628,174
Total Noncurrent Liabilities	<u>\$ 1,707,724</u>	<u>\$ 7,919,470</u>	<u>\$ 9,627,194</u>
TOTAL LIABILITIES	<u>\$ 2,116,950</u>	<u>\$ 8,539,777</u>	<u>\$ 10,656,727</u>
NET POSITION			
Net Investment in Capital Assets	\$ 4,283,560	\$ 3,346,830	\$ 7,630,390
Restricted for:			
Special Revenue Fund	207,581	0	207,581
Unrestricted	3,201,552	823,433	4,024,985
TOTAL NET POSITION	<u>\$ 7,692,693</u>	<u>\$ 4,170,263</u>	<u>\$ 11,862,956</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,809,643</u>	<u>\$ 12,710,040</u>	<u>\$ 22,519,683</u>

See Accompanying Notes to Financial Statements

**HOPEWELL TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 693,935	\$ 59	\$ 0	\$ 0	\$ (693,876)	\$ 0	\$ (693,876)
Public Safety	2,200,242	168,553	74,997	0	(1,956,692)	0	(1,956,692)
Public Works - Sanitation	20,734	26,288	168,596	0	174,150	0	174,150
Public Works - Highways	1,156,849	17,012	358,793	0	(781,044)	0	(781,044)
Culture - Recreation	343,434	34,147	8,826	0	(300,461)	0	(300,461)
Interest	38,707	0	0	0	(38,707)	0	(38,707)
Unallocated Employee Benefits and Insurance	610,994	0	0	0	(610,994)	0	(610,994)
Miscellaneous	5,893	0	0	0	(5,893)	0	(5,893)
Total Governmental Activities	\$ 5,070,788	\$ 246,059	\$ 611,212	\$ 0	\$ (4,213,517)	\$ 0	\$ (4,213,517)
Business-type Activities:							
Sewer/Wastewater	\$ 2,556,037	\$ 2,846,356	\$ 43,129	\$ 0	0	\$ 333,448	\$ 333,448
Total Business-type Activities	\$ 2,556,037	\$ 2,846,356	\$ 43,129	\$ 0	0	\$ 333,448	\$ 333,448
Total Primary Government	\$ 7,626,825	\$ 3,092,415	\$ 654,341	\$ 0	\$ (4,213,517)	\$ 333,448	\$ (3,880,069)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 2,304,297	\$ 0	\$ 2,304,297
Other taxes levied for general purposes, net					2,255,545	0	2,255,545
Licenses and permits					185,192	0	185,192
Fines and forfeits					28,995	0	28,995
Interest, rents and royalties					23,876	461	24,337
Refunds of prior year expenses/(revenues)					(7,523)	0	(7,523)
Gain (Loss) on disposal of fixed assets					2,882	0	2,882
Interfund transfers					150,822	(150,822)	0
Miscellaneous income					13,140	767	13,907
Total general revenues, special items, extraordinary items and transfers					\$ 4,957,226	\$ (149,594)	\$ 4,807,632
Change in Net Position							
					\$ 743,709	\$ 183,854	\$ 927,563
Net Position—Beginning of Year							
					6,948,984	3,986,409	10,935,393
Net Position—End of Year							
					\$ 7,692,693	\$ 4,170,263	\$ 11,862,956

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,701,643	\$ 1,619,687	\$ 3,321,330
Accounts Receivable	141,577	0	141,577
Taxes Receivable	530,905	0	530,905
Prepaid Expenses	45,541	0	45,541
Total Assets	<u>\$ 2,419,666</u>	<u>\$ 1,619,687</u>	<u>\$ 4,039,353</u>
<u>LIABILITIES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 23,290	\$ 14,097	\$ 37,387
Accrued Salaries & Benefits	30,049	0	30,049
Payroll Deductions & Withholdings	2,432	0	2,432
Due to other funds	14,593	0	14,593
Other Current Liabilities	31,466	0	31,466
Total Liabilities	<u>\$ 101,830</u>	<u>\$ 14,097</u>	<u>\$ 115,927</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property Taxes	<u>\$ 228,288</u>	<u>\$ 0</u>	<u>\$ 228,288</u>
<u>FUND BALANCES:</u>			
Nonspendable - Prepaid Expenses	\$ 45,541	\$ 0	\$ 45,541
Restricted - State Fund	0	207,581	207,581
Committed Fund Balance - Capital Projects	0	687,363	687,363
Committed Fund Balance - Park Projects	0	82,139	82,139
Committed Fund Balance - Sewer Projects	0	628,507	628,507
Unassigned Fund Balance	2,044,007	0	2,044,007
Total Fund Balances	<u>\$ 2,089,548</u>	<u>\$ 1,605,590</u>	<u>\$ 3,695,138</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
	<u>\$ 2,419,666</u>	<u>\$ 1,619,687</u>	<u>\$ 4,039,353</u>

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

DECEMBER 31, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 3,695,138**

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	8,589,959
Deduct: Accumulated Depreciation	(2,805,076)

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	228,288
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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	\$ (1,366,452)
Deduct: Lease Purchase Obligations	(134,871)
Deduct: Compensated absences	(485,681)
Deduct: Other Post Employment Benefits	(28,612)
	<u>(2,015,616)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 7,692,693**

HOPEWELL TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	Other Non-Major <u>Funds</u>	Totals Governmental <u>Funds</u>
<u>REVENUES</u>			
Taxes/Special Assessments	\$ 4,564,635	\$ 0	\$ 4,564,635
Licenses and Permits	185,192	0	185,192
Fines and Forfeits	28,995	0	28,995
Interest and Rents	20,605	3,271	23,876
Intergovernmental	270,863	344,579	615,442
Charges for Services	246,059	0	246,059
Miscellaneous Revenue	13,140	0	13,140
Contributions	1,195	0	1,195
Total Revenues	<u>\$ 5,330,684</u>	<u>\$ 347,850</u>	<u>\$ 5,678,534</u>
<u>EXPENDITURES</u>			
General Government	\$ 703,316	\$ 0	\$ 703,316
Public Safety	2,281,552	0	2,281,552
Public Works - Sanitation	20,734	0	20,734
Public Works - Highways	1,147,151	211,162	1,358,313
Culture - Recreation	331,168	0	331,168
Debt Service:			
Interest charged	45,047	0	45,047
Principal Retirement	336,709	0	336,709
Unallocated Employee Benefits and Insurance	610,994	0	610,994
Miscellaneous	6,624	0	6,624
Total Expenditures	<u>\$ 5,483,295</u>	<u>\$ 211,162</u>	<u>\$ 5,694,457</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (152,611)</u>	<u>\$ 136,688</u>	<u>\$ (15,923)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Fixed Asset Disposal	\$ 30,303	\$ 0	\$ 30,303
Transfers In	150,822	200,000	350,822
Transfers Out	(200,000)	0	(200,000)
Proceeds of General Long Term Debt	69,743	0	69,743
Refunds of Prior Year Expenditures/(Receipts)	(7,523)	0	(7,523)
Total Other Financing Sources (Uses)	<u>\$ 43,345</u>	<u>\$ 200,000</u>	<u>\$ 243,345</u>
Net change in fund balances	\$ (109,266)	\$ 336,688	\$ 227,422
Fund Balances, beginning of year	<u>2,198,814</u>	<u>1,268,902</u>	<u>3,467,716</u>
Fund Balances, end of year	<u>\$ 2,089,548</u>	<u>\$ 1,605,590</u>	<u>\$ 3,695,138</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, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 227,422**

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 capital outlays exceed depreciation expense in the period.

Capital Outlay	\$ 513,674	
Less: Depreciation Expense	(256,545)	257,129

The statement of activities reports gains arising from the disposal of fixed assets. Conversely, the governmental funds report the proceeds from fixed asset disposals

Proceeds from Fixed Asset Disposal	(30,303)	
Gain on Disposal of Fixed Assets	2,882	(27,421)

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	\$ 239,559	
Principal Payments on Capital Lease Obligations	97,150	
Less: Proceeds from Capital Lease Payable	(69,743)	266,966

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	6,339
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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 these liabilities decreased by this amount.

Change in Compensated Absence Obligation and OPEB	23,492
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Because some real estate taxes will not be collected until several months or later after the Township's year-end, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount during this year.

Change in Deferred Revenue	(10,218)
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CHANGE IN NET POSITON OF GOVERNMENTAL ACTIVITIES **\$ 743,709**

HOPEWELL TOWNSHIP
STATEMENT OF NET POSITION - SEWER FUND
DECEMBER 31, 2015

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 422,910
Accounts Receivable	578,237
Due from Other Funds	15,671
Prepaid Expense	<u>12,998</u>
Total Current Assets	<u>\$ 1,029,816</u>
Noncurrent Assets	
Land	\$ 90,139
Building & Building Improvements (net of depreciation)	503,086
Equipment and Vehicles (net of depreciation)	218,843
Infrastructure (net of depreciation)	10,847,864
Construction in Progress	<u>21,370</u>
Total Noncurrent Assets	<u>\$ 11,681,302</u>
TOTAL ASSETS	<u>\$ 12,711,118</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 21,891
Accrued Salaries and Benefits	7,707
Payroll Deductions & Withholdings	617
Due to Other Funds	1,078
Escrow Payable	28,408
Bonds Payable	542,600
Lease Payable	<u>19,084</u>
Total Current Liabilities	<u>\$ 621,385</u>
Noncurrent Liabilities	
Bonds Payable	\$ 7,615,670
Add: Premium on Bonds	97,587
Lease Payable	59,531
Other Post Employment Benefit Liability	4,189
Accumulated Compensated Absences/Retirement Incentives	<u>142,493</u>
Total Noncurrent Liabilities	<u>\$ 7,919,470</u>
TOTAL LIABILITIES	<u>\$ 8,540,855</u>
NET POSITION	
Net Investment in Capital Assets	\$ 3,346,830
Unrestricted	<u>823,433</u>
TOTAL NET POSITION	<u>\$ 4,170,263</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,711,118</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, 2015

	<u>Sewer Fund</u>
<u>Operating Revenues</u>	
Charge for Services, Net	\$ 2,846,356
Total Operating Revenues	<u>\$ 2,846,356</u>
<u>Operating Expenses</u>	
Wastewater and Sewer Expense	\$ 1,886,623
Depreciation Expense	425,479
Miscellaneous	1,511
Refund of Prior Year Revenue	<u>1,516</u>
Total Operating Expenses	<u>\$ 2,315,129</u>
Operating Income	<u>\$ 531,227</u>
<u>Non-operating Revenues and (Expenses)</u>	
Shared Revenue - State Sources	\$ 43,129
Interest Income	461
Interest on Long-term Debt	(240,908)
Miscellaneous	<u>767</u>
Total Non-operating Revenues and (Expenses)	<u>\$ (196,551)</u>
Income Before Operating Transfers	\$ 334,676
Operating Transfers (Out)	<u>\$ (150,822)</u>
Change in Net Position	\$ 183,854
Net Position beginning of year	<u>3,986,409</u>
Net Position end of year	<u>\$ 4,170,263</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, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 2,847,050
Payments to Suppliers	(995,004)
Payments to Employees	(928,423)
Net Cash Provided by Operating Activities	<u>\$ 923,623</u>
Cash Flows from Noncapital Financing Activities:	
Transfers In (Out), net	\$ (150,822)
State Shared Revenue	43,129
Escrow Deposits Received, net of Disbursements	8,073
Net Cash Used in Noncapital Financing Activities	<u>\$ (99,620)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Expenditures, net of disposals	\$ (13,932)
Principal Paid on Bonds, Notes and Leases	(561,883)
Interest Paid on Bonds and Notes	(251,741)
Interest and Miscellaneous Income	1,226
Net Cash Used in Capital and Related Financing Activities	<u>\$ (826,330)</u>
Net Decrease in Cash and Cash Equivalents	\$ (2,327)
Cash and Cash Equivalents, beginning of year	425,237
Cash and Cash Equivalents, end of year	<u>\$ 422,910</u>
Operating Income	<u>\$ 531,227</u>
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities:	
Depreciation	\$ 425,479
(Increase) Decrease in Accounts Receivable	2,210
(Increase) Decrease in Prepaid Expenses	23,381
(Increase) Decrease in Due From Other Funds	(15,671)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(32,139)
Increase (Decrease) in Due to Other Funds	1,078
Increase (Decrease) in Accrued Payroll	(23,318)
Increase (Decrease) in Accrued Compensated Absences	<u>11,376</u>
Cash Provided by Operating Activities	<u>\$ 923,623</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, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<u>REVENUES</u>			
Taxes/Special Assessments	\$ 4,573,492	\$ 4,564,635	\$ (8,857)
Licenses and Permits	159,200	185,192	25,992
Fines and Forfeits	15,000	28,995	13,995
Interest and Rents	1,500	20,605	19,105
Intergovernmental	297,900	270,863	(27,037)
Charges for Services	160,150	246,059	85,909
Miscellaneous Revenue	300	13,140	12,840
Contributions	200	1,195	995
Total Revenues	<u>\$ 5,207,742</u>	<u>\$ 5,330,684</u>	<u>\$ 122,942</u>
<u>EXPENDITURES</u>			
General Government	\$ 713,500	\$ 703,316	\$ 10,184
Public Safety	2,205,250	2,281,552	(76,302)
Public Works - Sanitation	31,900	20,734	11,166
Public Works - Highways	1,285,800	1,147,151	138,649
Culture - Recreation	326,050	331,168	(5,118)
Interest	39,950	45,047	(5,097)
Debt Service	271,350	336,709	(65,359)
Unallocated Employee Benefits and Insurance	679,000	610,994	68,006
Miscellaneous	6,000	6,624	(624)
Total Expenditures	<u>\$ 5,558,800</u>	<u>\$ 5,483,295</u>	<u>\$ 75,505</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (351,058)</u>	<u>\$ (152,611)</u>	<u>\$ 198,447</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 5,000	\$ 30,303	\$ 25,303
Transfers In	144,700	150,822	6,122
Transfers Out	(200,500)	(200,000)	500
Proceeds of General Long Term Debt	0	69,743	69,743
Refunds of Prior Year Expenditures/(Receipts)	0	(7,523)	(7,523)
Refunds of Prior Year Expenditures/(Receipts)	0	0	0
Total Other Financing Sources (Uses)	<u>\$ (50,800)</u>	<u>\$ 43,345</u>	<u>\$ 94,145</u>
Excess of Revenues and Other Sources			
Over/(Under) Expenditures and Other Uses	<u>\$ (401,858)</u>	<u>\$ (109,266)</u>	<u>\$ 292,592</u>
Fund Balances - Unreserved - beginning of year		<u>2,198,814</u>	
Fund Balances - Unreserved - end of year		<u>\$ 2,089,548</u>	

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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.

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2015 with revenues and other financing sources totaling \$5,357,442 and expenditures and other financing sources totaling \$5,759,300.

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.

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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

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, 2015. 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.

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:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

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, 2015 which consisted of unavailable revenue which was made up of \$228,288 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.

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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

- 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, 2015 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.

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, 2015, 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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

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 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, 2015, \$3,410,623 of the Township's bank balance of \$3,660,623 was exposed to custodial credit risk as follows:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 3 - CASH /INVESTMENTS – CONTINUED

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	\$ 3,410,623

Other Deposits

As of December 31, 2015, 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, 2015, the Township had the following other deposits:

<u>Type</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 221,929
Total	<u>\$ 221,929</u>

Credit Risk- Other Deposits

As of December 31, 2015, the Township's other deposits were rated as:

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 3 - CASH /INVESTMENTS – CONTINUED

Reconciliation to Financial Statements

Uninsured, Collateralized Amount Above	\$ 3,410,623
Insured Amount	250,000
Petty Cash	350
Other Deposits Above	<u>221,929</u>
Carrying Amount - Bank Balances	\$ 3,882,902
Less: Outstanding Items	<u>(138,662)</u>
Total Cash and Cash Equivalents	<u>\$ 3,744,240</u>

NOTE 4 – ACCOUNTS RECEIVABLE

The Accounts Receivable balances represents the following earned prior to December 31, 2015 and due to Hopewell Township at December 31, 2015:

	<u>General Fund</u>	<u>Sewer Fund</u>
General	\$ 90,967	\$ 0
Unbilled Waste Collection Services	0	405,500
Billed Waste Collection Services	0	203,668
Other	<u>50,610</u>	<u>0</u>
Account Receivable Gross	\$ 141,577	\$ 609,168
Less: Allowance for Doubtful Accounts	<u>0</u>	<u>(30,931)</u>
Accounts Receivable, Net	<u>\$ 141,577</u>	<u>\$ 578,237</u>

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 2015 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 2015 was 14 mills (\$14 per \$1,000 assessed valuation). Collections on the 2015 Tax Duplicate amounted to \$2,201,547.

As of December 31, 2015, property taxes receivable by the Township includes uncollected taxes assessed as of January 1, 2015 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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 5 - PROPERTY TAXES - CONTINUED

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, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,530,899	\$ 0	\$ 0	\$ 1,530,899
Construction in Progress	0	0	0	0
Total Capital assets, not being depreciated	<u>\$ 1,530,899</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,530,899</u>
Capital assets, being depreciated:				
Building and Building Improvements	\$ 1,825,511	\$ 27,645	\$ 25,765	\$ 1,827,391
Machinery and Equipment	1,895,119	69,743	149,237	1,815,625
Infrastructure	2,999,758	416,286	0	3,416,044
Total capital assets, being depreciated	<u>\$ 6,720,388</u>	<u>\$ 513,674</u>	<u>\$ 175,002</u>	<u>\$ 7,059,060</u>
Governmental activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 1,033,809	\$ 82,787	\$ 25,765	\$ 1,090,831
Machinery and Equipment	1,199,932	113,763	121,815	1,191,880
Infrastructure	462,370	59,995	0	522,365
Total Accumulated Depreciation	<u>\$ 2,696,111</u>	<u>\$ 256,545</u>	<u>\$ 147,580</u>	<u>\$ 2,805,076</u>
Capital assets, being depreciated, net	<u>\$ 4,024,277</u>	<u>\$ 257,129</u>	<u>\$ 27,422</u>	<u>\$ 4,253,984</u>
Governmental activities capital assets, net	<u>\$ 5,555,176</u>	<u>\$ 257,129</u>	<u>\$ 27,422</u>	<u>\$ 5,784,883</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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	\$ 2,588,357	\$ 0	\$ 0	\$ 2,588,357
Machinery and Equipment	812,049	13,933	0	825,982
Infrastructure	17,591,614	0	0	17,591,614
Total capital assets, being depreciated	<u>\$ 20,992,020</u>	<u>\$ 13,933</u>	<u>\$ 0</u>	<u>\$ 21,005,953</u>
Business-type activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 2,058,626	\$ 26,645	\$ 0	\$ 2,085,271
Machinery and Equipment	560,137	47,002	0	607,139
Infrastructure	6,391,918	351,832	0	6,743,750
Total Accumulated Depreciation	<u>\$ 9,010,681</u>	<u>\$ 425,479</u>	<u>\$ 0</u>	<u>\$ 9,436,160</u>
Capital assets, being depreciated, net	<u>\$ 11,981,339</u>	<u>\$ (411,546)</u>	<u>\$ 0</u>	<u>\$ 11,569,793</u>
Business-type activities capital assets, net	<u>\$ 12,092,848</u>	<u>\$ (411,546)</u>	<u>\$ 0</u>	<u>\$ 11,681,302</u>

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

Governmental Activities:

General Government	\$ 16,159
Public Safety	32,993
Highways and Streets	200,127
Parks and Recreation	7,266
Total Depreciation expense, Governmental Activities:	<u>\$ 256,545</u>

Business-Type Activities:

Sewer	\$ 425,479
Total Depreciation expense, Business-Type Activities:	<u>\$ 425,479</u>
Total Depreciation expense, Governmental and Business-Type Activities:	<u>\$ 682,024</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 7 – LONG-TERM DEBT

Long-term liability for the year ended December 31, 2015 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	\$ 1,548,893	\$ 0	\$ 0	\$ (239,559)	\$ 1,309,334	\$ 264,128
Premium (Discount) on Bonds	<u>63,457</u>	<u>0</u>	<u>0</u>	<u>(6,339)</u>	<u>57,118</u>	<u>0</u>
Total Bonds Payable, net	\$ 1,612,350	\$ 0	\$ 0	\$ (245,898)	\$ 1,366,452	\$ 264,128
Obligations under capital leases	<u>162,278</u>	<u>0</u>	<u>69,743</u>	<u>(97,150)</u>	<u>134,871</u>	<u>43,764</u>
Total governmental activity long-term liabilities	<u>\$ 1,774,628</u>	<u>\$ 0</u>	<u>\$ 69,743</u>	<u>\$ (343,048)</u>	<u>\$ 1,501,323</u>	<u>\$ 307,892</u>
Business-type activities:						
Bonds Payable	\$ 8,691,470	\$ 0	\$ 0	\$ (533,200)	\$ 8,158,270	\$ 542,600
Premium (Discount) on Bonds	<u>108,420</u>	<u>0</u>	<u>0</u>	<u>(10,833)</u>	<u>97,587</u>	<u>0</u>
Total Bonds Payable, net	\$ 8,799,890	\$ 0	\$ 0	\$ (544,033)	\$ 8,255,857	\$ 542,600
Obligations under capital leases	<u>107,298</u>	<u>0</u>	<u>0</u>	<u>(28,683)</u>	<u>78,615</u>	<u>19,084</u>
Total business-type activity long-term liabilities	<u>\$ 8,907,188</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (572,716)</u>	<u>\$ 8,334,472</u>	<u>\$ 561,684</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 \$246,903 were made in the year ended December 31, 2015, including \$239,559 for principal and \$7,344 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>
2016	\$ 34,128	\$ 4,807	\$ 38,935
2017	34,128	3,928	38,056
2018	34,128	3,063	37,191
2019	34,128	4,004	38,132
2020	34,128	0	34,128
2021-2025	<u>33,694</u>	<u>0</u>	<u>33,694</u>
	<u>\$ 204,334</u>	<u>\$ 15,802</u>	<u>\$ 220,136</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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 \$231,049 were made in the year ended December 31, 2015, including \$73,200 for principal and \$157,849 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>
2016	\$ 72,600	\$ 155,817	\$ 228,417
2017	72,300	152,928	225,228
2018	78,300	150,379	228,679
2019	83,700	147,636	231,336
2020	83,100	145,201	228,301
2021-2025	1,913,796	607,464	2,521,260
2026-2029	2,304,474	135,354	2,439,828
	<u>\$ 4,608,270</u>	<u>\$ 1,494,779</u>	<u>\$ 6,103,049</u>

General Obligation Bonds, Series of 2014

During 2014, the Township issued \$1,105,000, of its General Obligation Refunding Bonds, Series A 2014 bearing interest rates from 2.0% to 4.0%. The bond proceeds were used to redeem the Township's General Obligation Bonds, Series of 2009, to pay the costs of issuing the 2014 Bonds and to pay off the 2009 General Obligation Bonds. Total payments of \$32,150 were made in the year ended December 31, 2015, all of which were interest payments. Future estimated principal and interest payments for the 2014 Series A bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 230,000	\$ 28,700	\$ 258,700
2017	255,000	21,425	276,425
2018	260,000	12,400	272,400
2019	270,000	4,500	274,500
2020	90,000	900	90,900
	<u>\$ 1,105,000</u>	<u>\$ 67,925</u>	<u>\$ 1,172,925</u>

General Obligation Bonds, Series of 2014 (Proprietary Fund)

During 2014, the Township issued \$4,225,000, of its General Obligation Refunding Bonds, Series B 2014 bearing interest rates from 0.14% to 4.0%. The bond proceeds were used to redeem the Township's General Obligation Note, Series of 2001, to pay the costs of issuing the 2014 Bonds and to pay off the 2001 General Obligation Note. Total payments of \$551,026 were made in the year ended December 31, 2015, including \$460,000 for principal and \$91,026 for interest. Future estimated principal and interest payments for the 2014 Series B bonds are as follows:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 8 – BONDS PAYABLE - CONTINUED

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 470,000	\$ 83,056	\$ 553,056
2017	480,000	68,806	548,806
2018	500,000	54,206	554,206
2019	510,000	40,456	550,456
2020	525,000	28,856	553,856
2021-2024	1,065,000	28,859	1,093,859
	<u>\$ 3,550,000</u>	<u>\$ 304,239</u>	<u>\$ 3,854,239</u>

NOTE 9 – LEASES PAYABLE

Governmental Activity Leases

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, 2015, including \$21,976 for principal and \$1,366 for interest. The above lease was paid in full as of December 31, 2015.

During 2013, the Township entered into an \$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, 2015, including \$29,963 for principal and \$1,703 for interest. The above lease was paid in full as of December 31, 2015.

During 2014, the Township entered into a \$110,340 capital lease agreement for the acquisition of a 2014 Caterpillar Wheel Loader for the Road Department. The lease includes an interest rate of 2.25% and requires five annual payments; payments include \$23,580 for the first four years and a final payment of \$23,581 beginning in 2015. Total payments of \$23,580 were made in the year ended December 31, 2015, including \$21,097 for principal and \$2,483 for interest. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 21,572	\$ 2,008	\$ 23,580
2017	22,057	1,523	23,580
2018	22,553	1,027	23,580
2019	23,061	520	23,581
	<u>\$ 89,243</u>	<u>\$ 5,078</u>	<u>\$ 94,321</u>

During 2015, the Township entered into a \$69,743 capital lease agreement for the acquisition of a two police vehicles. The lease includes an interest rate of 2.25% and requires three annual payments of \$24,114. Total payments of \$24,114 were made in the year ended December 31, 2015,

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 9 – LEASES PAYABLE - CONTINUED

including \$24,114 for principal and \$0 for interest. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 22,192	\$ 1,922	\$ 24,114
2017	23,436	678	24,114
	<u>\$ 45,628</u>	<u>\$ 2,600</u>	<u>\$ 48,228</u>

Business-type Activity Leases

During 2013, the Township entered into a \$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, 2015, including \$10,019 for principal and \$677 for interest. The above lease was paid in full as of December 31, 2015.

During 2014, the Township entered into a \$97,279 capital lease agreement for the acquisition of a 2014 Caterpillar Backhoe Loader for the Sewer Department. The lease includes an interest rate of 2.25% and requires five annual payments; payments include \$20,852 for the first four years and a final payment of \$20,853 beginning in 2015. Total payments of \$20,852 were made in the year ended December 31, 2015, including \$18,663 for principal and \$2,189 for interest. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 19,084	\$ 1,768	\$ 20,852
2017	19,512	1,340	20,852
2018	19,952	900	20,852
2019	20,067	786	20,853
	<u>\$ 78,615</u>	<u>\$ 4,794</u>	<u>\$ 83,409</u>

NOTE 10 – 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, 2015:

2016	<u>\$ 1,350</u>
Total Future Minimum Payments Required	<u>\$ 1,350</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 11 – COMPENSATED ABSENCES / OTHER POST-EMPLOYMENT BENEFITS

Compensated Absences:

Township employees accumulate unused sick leave based upon the applicable contract the employee falls under. Union clerical employees can accumulate up to a maximum of 120 days and are paid at a rate of \$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, 2015, the liability for accrued sick leave is \$628,174 including \$142,493 applicable to employees of the proprietary fund and \$485,681 applicable to other employees.

Other Post-Employment Benefits:

The Township provides termination benefits to all employees who qualify to retire. All such employees receive life insurance coverage of \$5,000 or \$15,000, depending on employee category, when they begin retirement. Upon retirement, monthly premiums for this life insurance coverage are paid by the Township for the remainder of the retiree's life. The Township has estimated its liability for future life insurance premium payments based on its current roster of full-time employees, their anticipated date of retirement at age 62 and the current premium rates in effect. An average life expectancy for all individuals was assumed to be 80 years. The present value of these future payments was calculated using a discount rate of 3%. In addition to the life insurance, police officers are entitled to a termination benefit of \$2,500 when they begin retirement. The Township has established a liability for these payments based on its current roster of eligible police officers. The present value of these future payments was calculated using a discount rate of 3%. The general fund liability for these future benefits to be paid to the retirees is estimated to be \$28,612 while the Sewer Fund liability is estimated to be \$4,189 at December 31, 2015.

NOTE 12- 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, 2015.

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 12- PENSION PLANS - CONTINUED

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 \$165,589 and \$206,830 respectively, in 2015. 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 13 – 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.

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
General	Proprietary	\$ 14,593	To reimburse the Proprietary Fund for payments made on behalf of the General Fund.

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	\$ 150,822	To reimburse the General Fund for payments made on behalf of the Sewer Fund.

NOTE 14– 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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 14- RISK MANAGEMENT – CONTINUED

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.

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 14– RISK MANAGEMENT – CONTINUED

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.

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 15 – 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.

OTHER FINANCIAL INFORMATION

HOPEWELL TOWNSHIP

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	Parks Capital Projects Fund	Sewer Capital Projects Fund	General Capital Projects Fund	State Fund	Total Non-Major Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 82,139	\$ 628,507	\$ 687,363	\$ 221,678	\$ 1,619,687
Total Assets	\$ 82,139	\$ 628,507	\$ 687,363	\$ 221,678	\$ 1,619,687

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 14,097	\$ 14,097
Due to other funds	0	0	0	0	0
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 14,097	\$ 14,097

Fund Balances:

Committed	\$ 82,139	\$ 628,507	\$ 687,363	\$ 0	\$ 1,398,009
Restricted	0	0	0	207,581	207,581
Total Fund Balance	\$ 82,139	\$ 628,507	\$ 687,363	\$ 207,581	\$ 1,605,590
Total Liabilities and Fund Balances	\$ 82,139	\$ 628,507	\$ 687,363	\$ 221,678	\$ 1,619,687

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NON-MAJOR GOVERNMENT FUNDS

YEAR ENDED DECEMBER 31, 2015

	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	\$ 344,579	\$ 344,579
Interest, Rents and Royalties	82	1,737	1,374	78	3,271
Total Revenues	\$ 82	\$ 1,737	\$ 1,374	\$ 344,657	\$ 347,850
<u>EXPENDITURES</u>					
Public Works-Highways	\$ 0	0	27,645	\$ 183,517	\$ 211,162
Total Expenditures	\$ 0	0	27,645	\$ 183,517	\$ 211,162
Excess (deficiency) of revenues over expenditures	\$ 82	\$ 1,737	\$ (26,271)	\$ 161,140	\$ 136,688
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ 0	0	200,000	0	200,000
Transfers (Out)	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	0	200,000	0	200,000
Net change in Fund balances	\$ 82	\$ 1,737	\$ 173,729	\$ 161,140	\$ 336,688
Fund Balances, beginning of year	82,057	626,770	513,634	46,441	1,268,902
Fund Balances, end of year	\$ 82,139	\$ 628,507	\$ 687,363	\$ 207,581	\$ 1,605,590