

HOPEWELL TOWNSHIP
ALIQUIPPA, PENNSYLVANIA
DECEMBER 31, 2017

AUDIT REPORT

HOPEWELL TOWNSHIP
ALIQUIPPA, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopewell Township, as of and for the year ended December 31, 2017 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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 on pages i through x 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.

Cottrell, Arbutina and Assoc.

Beaver, PA 15009
June 4, 2018

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

DECEMBER 31, 2017

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, 2017. Please read it in conjunction with the Township's financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- The Township's adjusted overall net position increased by \$1,329,358 (9.86%). The governmental net position increased by \$1,201,447 (13.34%) and the business-type net position increased by \$127,911 (2.86%).
- The General Fund (the primary operating fund), reflected on a current financial resource basis, reported a decrease in fund balance of \$401,155 compared to an increase of \$328,350 in 2016.
- The December 31, 2017 net outstanding debt of the Township was \$8,192,699. This represented a decrease of \$814,048 from the same date in 2016. The decrease was primarily the result of scheduled debt service payments.

USING THE ANNUAL REPORT

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

Reporting the Township as a Whole

Our analysis of Hopewell Township as a whole begins on page iii. 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 3 and 4 report the Township's net position and changes in them. You can think of the Township's net position—the difference between assets and liabilities—as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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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, 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 6 and 8.
- *Proprietary funds* – When the Township charges customers for the services it provides—whether to outside customers or to other units of the Township—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net 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)
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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; 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, 2017 and 2016
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 5,842,998	\$ 5,376,897	\$ 1,313,075	\$ 1,456,439	\$ 7,156,073	\$ 6,833,336
Capital assets	6,038,801	5,587,877	10,851,304	11,264,469	16,890,105	16,852,346
Total assets	<u>\$ 11,881,799</u>	<u>\$ 10,964,774</u>	<u>\$ 12,164,379</u>	<u>\$ 12,720,908</u>	<u>\$ 24,046,178</u>	<u>\$ 23,685,682</u>
Current liabilities	\$ 597,544	\$ 582,169	\$ 792,771	\$ 894,789	\$ 1,390,315	\$ 1,476,958
Long-term liabilities	1,076,585	1,376,382	6,771,963	7,354,385	7,848,548	8,730,767
Total liabilities	<u>\$ 1,674,129</u>	<u>\$ 1,958,551</u>	<u>\$ 7,564,734</u>	<u>\$ 8,249,174</u>	<u>\$ 9,238,863</u>	<u>\$ 10,207,725</u>
Net position						
Net investment in capital assets	\$ 5,132,807	\$ 4,343,101	\$ 3,564,599	\$ 3,502,498	\$ 8,697,406	\$ 7,845,599
Restricted for:						
Special revenue fund	534,312	418,240	0	0	534,312	418,240
Unrestricted	<u>4,540,551</u>	<u>4,244,882</u>	<u>1,035,046</u>	<u>969,236</u>	<u>5,575,597</u>	<u>5,214,118</u>
Total net position	<u>\$ 10,207,670</u>	<u>\$ 9,006,223</u>	<u>\$ 4,599,645</u>	<u>\$ 4,471,734</u>	<u>\$ 14,807,315</u>	<u>\$ 13,477,957</u>
Total liabilities and net position	<u>\$ 11,881,799</u>	<u>\$ 10,964,774</u>	<u>\$ 12,164,379</u>	<u>\$ 12,720,908</u>	<u>\$ 24,046,178</u>	<u>\$ 23,685,682</u>

At December 31, 2017, Hopewell Township's total assets were \$24,046,178. Of this amount, \$16,890,105 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, 2016 were \$23,685,682. The increase in total assets primarily represents increases in cash and cash equivalents earmarked for future capital projects.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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funds (State Liquid Fuels monies). A portion of the unrestricted balance includes amounts that have been earmarked by Township management for future capital projects.

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

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

Table A-2
Fiscal Years ended December 31, 2017 and 2016
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
REVENUES						
Program revenues:						
Charges for services	\$ 315,142	\$ 943,232	\$ 3,119,517	\$ 2,956,942	\$ 3,434,659	\$ 3,900,174
Operating grants and contributions	759,386	724,770	41,294	39,372	800,680	764,142
Capital grants and contributions	0	0	0	0	0	0
General revenues:						
Property taxes	2,336,449	2,242,733	0	0	2,336,449	2,242,733
Other taxes	2,212,087	2,257,967	0	0	2,212,087	2,257,967
Other	529,101	283,436	1,166	2,533	530,267	285,969
Total revenues	<u>\$ 6,152,165</u>	<u>\$ 6,452,138</u>	<u>\$ 3,161,977</u>	<u>\$ 2,998,847</u>	<u>\$ 9,314,142</u>	<u>\$ 9,450,985</u>
EXPENSES						
General Government	\$ 792,275	\$ 799,323	\$ 0	\$ 0	\$ 792,275	\$ 799,323
Public Safety	2,652,694	2,677,258	0	0	2,652,694	2,677,258
Public Works - Sanitation	31,010	22,933	0	0	31,010	22,933
Public Works - Highways	1,386,655	1,135,238	0	0	1,386,655	1,135,238
Culture-Recreation	275,000	330,766	0	0	275,000	330,766
Interest on Long-Term Debt	18,961	27,115	0	0	18,961	27,115
Unallocated Employee Benefits	189,406	276,347	0	0	189,406	276,347
Miscellaneous	2,865	9,929	0	0	2,865	9,929
Sewer System	0	0	2,635,918	2,557,075	2,635,918	2,557,075
Total expenses	<u>\$ 5,348,866</u>	<u>\$ 5,278,909</u>	<u>\$ 2,635,918</u>	<u>\$ 2,557,075</u>	<u>\$ 7,984,784</u>	<u>\$ 7,835,984</u>
Increase (Decrease) in Net Position						
Before Interfund Transfers	\$ 803,299	\$ 1,173,229	\$ 526,059	\$ 441,772	\$ 1,329,358	\$ 1,615,001
Interfund Transfers	398,148	140,301	(398,148)	(140,301)	0	0
Increase (Decrease) in Net Position	<u>\$ 1,201,447</u>	<u>\$ 1,313,530</u>	<u>\$ 127,911</u>	<u>\$ 301,471</u>	<u>\$ 1,329,358</u>	<u>\$ 1,615,001</u>
Net Position-Beginning	9,006,223	7,692,693	4,471,734	4,170,263	13,477,957	11,862,956
Net Position-Ending	<u>\$ 10,207,670</u>	<u>\$ 9,006,223</u>	<u>\$ 4,599,645</u>	<u>\$ 4,471,734</u>	<u>\$ 14,807,315</u>	<u>\$ 13,477,957</u>

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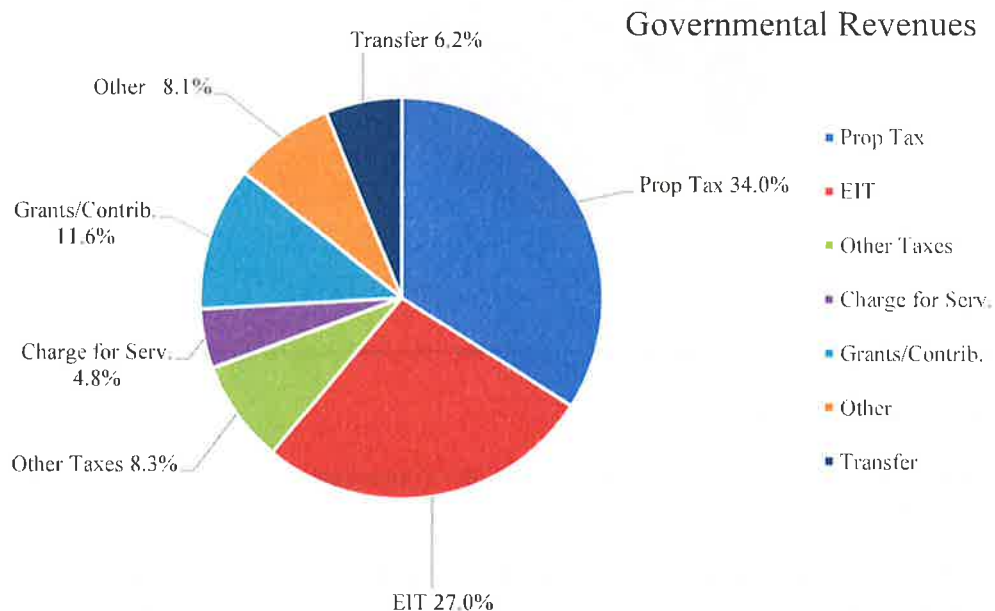
Revenue Sources

Total governmental activities revenues of \$6,550,313 were derived primarily from taxes and charges for sewer services. In 2017, Hopewell Township earned \$4,548,536 in taxes compared to \$4,500,700 in 2016. Tax revenues accounted for 49% and 48% of total revenues in 2017 and 2016, respectively. Of the taxes levied, the real estate tax and the earned income tax are the most significant. In 2017, real estate tax accounted for \$2,336,449 or 51% of the taxes levied for general government purposes compared to \$2,242,733 or 50% in 2016. 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 2017 was \$167,077,512 compared to \$166,698,849 in 2016.

In 2017, earned income tax accounted for \$1,769,949 or 39% of the taxes levied for general government purposes compared to \$1,787,527 or 40% in 2016. 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 \$7,000 from 2016. In 2017, 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, 2017:



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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

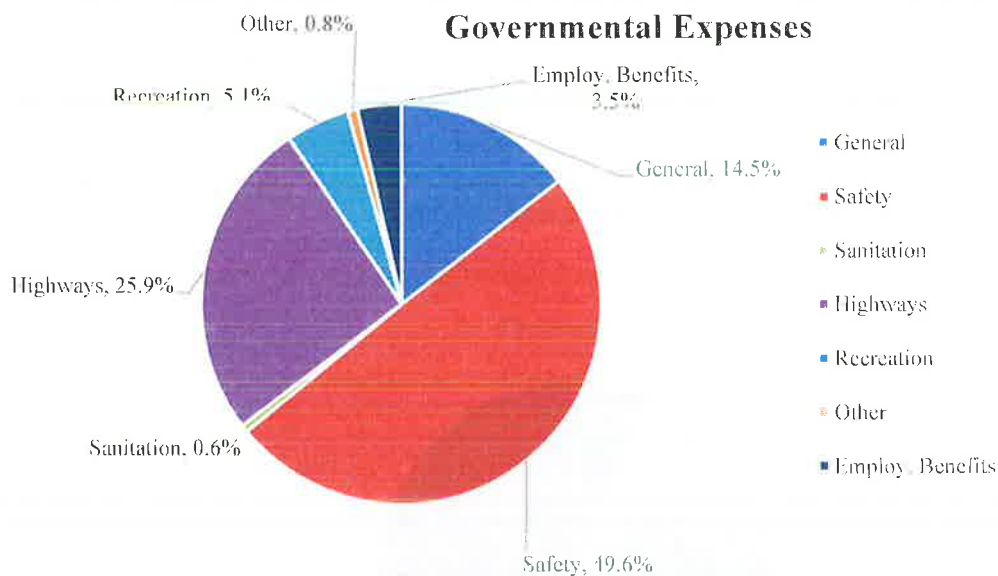
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Program Expenses

Program expenses reflect the delivery of a wide range of services by the Township to its residents with the largest portion of the expenditures being for public safety (50%). Other significant areas of program expenses include public works-highways (26%), which represent the cost of road maintenance and repair, and general government (15%), representing the administrative costs and salary and benefits provided to Township administrative employees.

Total expenses for all governmental activity programs in 2017 were \$5,348,866, which represented an increase of \$69,957 over the \$5,278,909 recognized in 2016. The increase is due in large part to an increase in expenses regarding contracted services related to zoning.

The following chart graphically depicts the government-wide expenditures for various programs of governmental activities for the fiscal year ended December 31, 2017:



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)

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Table A-3
Fiscal Years ended December 31, 2017 and 2016
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General Government	\$ 792,275	\$ 799,323	\$ 464,121	\$ 288,284
Public Safety	2,652,694	2,677,258	2,490,850	2,510,985
Public Works - Sanitation	31,010	22,933	(64,897)	(491,572)
Public Works - Highways	1,386,655	1,135,238	950,001	717,432
Culture-Recreation	275,000	330,766	223,031	272,387
Interest on Long-Term Debt	18,961	27,115	18,961	27,115
Unallocated Employee Benefits	189,406	276,347	189,406	276,347
Miscellaneous	2,865	9,929	2,865	9,929
Total governmental activities	<u>\$ 5,348,866</u>	<u>\$ 5,278,909</u>	<u>\$ 4,274,338</u>	<u>\$ 3,610,907</u>
Less:				
Unrestricted grants, subsidies			0	0
Total needs from local taxes and other revenues			<u>\$ 4,274,338</u>	<u>\$ 3,610,907</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, 2017 and 2016
Business-type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Sewer System	\$ 2,635,918	\$ 2,557,075	\$ (524,893)	\$ (439,239)
Less:				
Investment Earnings	0	0	(1,166)	(2,533)
Interfund Transfers	0	0	398,148	140,301
Miscellaneous Income	0	0	0	0
Total Business-type Activities	<u>\$ 2,635,918</u>	<u>\$ 2,557,075</u>	<u>\$ (127,911)</u>	<u>\$ (301,471)</u>

The cost of services for the sewer fund in 2017 increased by \$78,843 compared to 2016 primarily due to costs incurred related to the issuance of bonds in 2017. 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.

THE TOWNSHIP FUNDS

At December 31, 2017, the Township's governmental funds reported a combined fund balance of \$5,374,431, which is an increase of \$423,239 from 2016. Of the combined total fund balance,

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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\$1,970,448 (37%) 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 \$46,295 is classified as non-spendable as it represents prepaid insurance expense. Fund balance of \$2,823,376 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 \$534,312 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 12. The Township's general fund actual revenues were \$143,729 (2.63%) more than budgeted amounts. Revenues were higher than expected due, in large part, to the Township receiving more earned income tax revenue than expected.

General fund expenditures and other financing sources (uses) were \$540,787 (8.26%) favorable to budget. Public safety's unfavorable actual-to-budget was mainly due to more than expected expenses related to higher than expected police salaries and benefits. General Government expenses were under budget due to repairs and maintenance costs, legal services, and various insurances being less than anticipated. For Public Works-Highways, the positive variance is mostly due to lower than anticipated expenses for road improvements and materials and supplies. Culture and recreation expenses were under budget in salaries and event expenses. Unallocated Employee Benefits and Insurance expense was less than expected due to lower worker's compensation insurance expense. In addition, transfers from the General Fund to the Capital Projects Fund were \$200,000 compared to a budget of \$400,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2017, the Township had \$16,890,105 invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

Table A-5
Capital assets - net of depreciation

	<u>2017</u>	<u>2016</u>
Land	\$ 1,621,037	\$ 1,621,037
Building and Improvements	2,096,325	1,137,539
Equipment and Vehicles	649,772	763,499
Infrastructure	12,501,601	13,308,901
Construction in Progress	<u>21,370</u>	<u>21,370</u>
Total	<u>\$ 16,890,105</u>	<u>\$ 16,852,346</u>

Debt

As of January 1, 2017, the Township had total outstanding bonds payable of \$8,661,259. During the year, the Township made scheduled payments against bond principal of \$769,830 as well as

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2017

refunding the outstanding balance of \$4,535,670 on the Sewer Fund 2011 General Obligation Bond, Series B with the 2017 General Obligation Bond in the amount of \$4,540,000. The 2017 activity resulted in outstanding bonds payable of \$7,895,759 as of December 31, 2017.

Other obligations include outstanding capital leases of \$145,835, accrued vacation pay and sick leave for specific employees of the Township of \$613,262 and accrued liabilities for other post-employment benefits of \$34,768.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

It is the Township's plan that future development consisting of residential housing plans, apartments, and senior living will offset the increase in costs that the Township may incur due to normal inflation. Management reserves the right to review possible future sanitary sewer rate and tax increases to offset future costs for the maintenance and improvement of roads and sanitary sewer facilities operation and maintenance.

The General Fund revenue budget for 2018 is \$5,941,082, which is \$483,559 more than the revenue budget for 2017. This represents an 8.8% increase in budgeted revenues when compared to the previous year and is primarily due to the fact the Township anticipates an increase in receipts from the previous year's budget. The General Fund expenditure budget for the year 2018 is \$6,035,683, which is a decrease of \$507,511 compared to the budget in 2017 or an 8% decrease in expenses compared to the previous year. This indicates that no major capital projects are anticipated and continued fiscal scrutinization of the financial position by the Board.

In addition to the General Fund, the Township has budgeted for 2018 \$3,465,050 in Sewer Fund revenues, which is \$214,404 less than the revenue budget for 2017. This represents a 6% decrease when compared with the previous year. The Sewer Fund budgeted \$2,906,703 in expenditures in 2018, which is 1.2% decrease when compared to previous year. This indicates a leveling out of expenses for the sewer fund and confidence in the fiscal management of the sewer fund. In 2018, the Township has allocated \$20,140 out of its General Capital Reserve Fund for emergency projects; \$82,313 out of its Park Fund for 2018 park expansion; and \$299,300 out of its State Fund for lighting, signs, patching supplies and winter maintenance. The Township has budgeted \$45,000 for sewer emergency projects.

The Hopewell Township Board of Commissioners and the Management Team continued to promote Hopewell Township and pursue new development during 2017. The cost of doing business within Hopewell Township posed a challenge for the Board of Commissioners throughout 2017. The Board of Commissioners meticulously scrutinizes each budget line item, and every effort is made to minimize expenses, increase efficiency, and continue to maintain the same level of excellent public service. The Hopewell Township Board of Commissioners developed a Strategic Marketing Plan in 2015, which the Management Team continues to abide by. A joint effort between the Hopewell Township Board of Commissioners and the Management Team enables the current tax rate of 14 mills and the current residential sanitary sewer rate to be maintained. During 2018, the Hopewell Township Board of Commissioners and Management

HOPEWELL TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2017

Team will continue to work together to take advantage of Hopewell Township's assets and maximize personnel productivity most efficiently. The goal of "working smart, but working economically efficient" will be the theme going forth.

The Administration goal for 2018 is to continue to pursue cost-saving measures in both the General Fund and the Sewer Fund in an effort to keep taxes uniform and avoid the need for a property tax increase. The Hopewell Township Marketing Strategic Plan emphasizes partnering with local, state, and federal agencies and private development groups to pursue development along the Interstate 376 corridor, solicit new businesses for the Hopewell Industrial Park, as well as developing projects and applying for grant funds to continue improvements to the "hidden treasure" that is Hopewell Community Park. During 2015-2016, Phase 1 and Phase 2 of the Clairmont Manor development have been constructed. Phase 3 of the Clairmont Manor development commenced in 2018. The Clairmont Manor development will contain 110 new single-family residential homes. The Kane at Gray's Landing project, which was completed in 2017, includes 222 luxury apartments and a clubhouse/pool located at the site of the former Kane Road Drive-In. PGT Trucking has submitted a Land Development Plan to construct a National Truck Training Center with parking lot, impervious practice/maneuvering areas for the Truck Driving School, truck parking, a supporting Hotel with parking lot, connecting roadways, utilities, and storm water management facilities upon 68 acres within the Hopewell Industrial Park. Bet-Tech Intermodal Redevelopment has proposed to build a 76,400 S.F. office/warehouse building upon Lot No. 8 (13.2252 Acres) in the Bet-Tech Industrial Park located along Bet-Tech Drive in Hopewell Township. Hopewell Township submitted and was awarded a DCNR Grant Application for construction of an Amphitheater and related amenities at Hopewell Community Park. The Hopewell Township Board of Commissioners and Management personnel are in the process of pursuing a hotel development, retail facilities, senior living facility, and additional luxury/upscale housing options.

The Board of Commissioners believes that Hopewell Township is at an important crossroads with regard to commercial development, residential housing expansion, and business growth. Continued efforts to pursue attainable and realistic development options will place Hopewell Township in a great position to achieve the goals set forth in the Strategic Marketing Plan. If Hopewell Township's pursuit of new residential, business, and commercial development is successful, Hopewell Township will be able to provide economic security for its residents. As the tax base grows due to the addition of new residential, business, and commercial development, the tax rate and the sanitary sewer rate should remain stable. Consequently, new jobs will be created and new residents and employees will patronize local businesses during 2018 and in many years to come.

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

HOPEWELL TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,136,806	\$ 541,991	\$ 5,678,797
Accounts Receivable, net	110,093	760,238	870,331
Taxes Receivable	546,020	0	546,020
Internal Balances	2,716	(2,716)	0
Other Current Assets	<u>47,363</u>	<u>13,562</u>	<u>60,925</u>
Total Current Assets	<u>\$ 5,842,998</u>	<u>\$ 1,313,075</u>	<u>\$ 7,156,073</u>
Noncurrent Assets			
Land	\$ 1,530,899	\$ 90,138	\$ 1,621,037
Building & Building Improvements (net of depreciation)	1,639,571	456,754	2,096,325
Equipment and Vehicles (net of depreciation)	510,929	138,843	649,772
Infrastructure (net of depreciation)	2,357,402	10,144,199	12,501,601
Construction in Progress	<u>0</u>	<u>21,370</u>	<u>21,370</u>
Total Noncurrent Assets	<u>\$ 6,038,801</u>	<u>\$ 10,851,304</u>	<u>\$ 16,890,105</u>
TOTAL ASSETS	<u>\$ 11,881,799</u>	<u>\$ 12,164,379</u>	<u>\$ 24,046,178</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 86,749	\$ 117,469	\$ 204,218
Accrued Salaries and Benefits	61,790	11,567	73,357
Payroll Deductions & Withholdings	1,297	347	1,644
Other Current Liabilities	95,479	23,436	118,915
Bonds Payable	294,128	620,000	914,128
Leases Payable	<u>58,101</u>	<u>19,952</u>	<u>78,053</u>
Total Current Liabilities	<u>\$ 597,544</u>	<u>\$ 792,771</u>	<u>\$ 1,390,315</u>
Noncurrent Liabilities			
Bonds Payable	\$ 461,631	\$ 6,520,000	\$ 6,981,631
Add: Premium on Bonds	44,419	106,686	151,105
Leases Payable	47,715	20,067	67,782
Other Post Employment Benefit Liability	20,645	14,123	34,768
Accumulated Compensated Absences	<u>502,175</u>	<u>111,087</u>	<u>613,262</u>
Total Noncurrent Liabilities	<u>\$ 1,076,585</u>	<u>\$ 6,771,963</u>	<u>\$ 7,848,548</u>
TOTAL LIABILITIES	<u>\$ 1,674,129</u>	<u>\$ 7,564,734</u>	<u>\$ 9,238,863</u>
NET POSITION			
Net Investment in Capital Assets	\$ 5,132,807	\$ 3,564,599	\$ 8,697,406
Restricted for:			
Special Revenue Fund	534,312	0	534,312
Unrestricted	<u>4,540,551</u>	<u>1,035,046</u>	<u>5,575,597</u>
TOTAL NET POSITION	<u>\$ 10,207,670</u>	<u>\$ 4,599,645</u>	<u>\$ 14,807,315</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 11,881,799</u>	<u>\$ 12,164,379</u>	<u>\$ 24,046,178</u>

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

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
Primary Government:						
Governmental Activities:						
General Government	\$ 792,275	\$ 97,353	\$ 230,801	\$ 0	\$ (464,121)	\$ 0
Public Safety	2,652,694	68,350	93,494	0	(2,490,850)	0
Public Works - Sanitation	31,010	95,907	0	0	64,897	0
Public Works - Highways	1,386,655	1,563	435,091	0	(950,001)	0
Culture - Recreation	275,000	51,969	0	0	(223,031)	0
Interest	18,961	0	0	0	(18,961)	0
Unallocated Employee Benefits and Insurance	189,406	0	0	0	(189,406)	0
Miscellaneous	2,865	0	0	0	(2,865)	0
Total Governmental Activities	\$ 5,348,866	\$ 315,142	\$ 759,386	\$ 0	\$ (4,274,338)	\$ 0
Business-type Activities:						
Sewer/Wastewater	\$ 2,635,918	\$ 3,119,517	\$ 41,294	\$ 0	\$ 0	\$ 524,893
Total Business-type Activities	\$ 2,635,918	\$ 3,119,517	\$ 41,294	\$ 0	\$ 0	\$ 524,893
Total Primary Government	\$ 7,984,784	\$ 3,434,659	\$ 800,680	\$ 0	\$ (4,274,338)	\$ 524,893
						\$ (3,749,445)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes, net		\$ 2,336,449			\$ 2,336,449	\$ 2,336,449
Other taxes levied for general purposes, net		2,212,087			2,212,087	2,212,087
Licenses and permits		171,322			171,322	171,322
Fines and forfeits		19,182			19,182	19,182
Interest, rents and royalties		23,006			23,006	23,006
Refunds of prior year expenses/(revenues)		297,535			297,535	297,535
Gain (Loss) or disposal of fixed assets		4,142			4,142	4,142
Interfund transfers		398,148			398,148	0
Miscellaneous income		13,914			13,914	13,914
		\$ 5,475,785			\$ (396,982)	\$ 5,078,803
Total general revenues, special items, extraordinary items, and transfers		\$ 5,475,785			\$ (396,982)	\$ 5,078,803
Change in Net Position		\$ 1,201,447			\$ 127,911	\$ 1,329,358
Net Position—Beginning of Year		9,006,223			4,471,734	13,477,957
Net Position—End of Year		\$ 10,207,670			\$ 4,599,645	\$ 14,807,315

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2017

<u>ASSETS</u>	<u>General</u>	<u>Parks Capital Projects Fund</u>	<u>Sewer Capital Projects Fund</u>	<u>General Capital Projects Fund</u>	<u>State Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 1,887,471	\$ 82,410	\$ 1,445,537	\$ 1,158,361	\$ 563,027	\$ 5,136,806
Accounts Receivable	110,093	0	0	0	0	110,093
Taxes Receivable	546,020	0	0	0	0	546,020
Due from other funds	2,716	0	0	136,000	0	138,716
Prepaid Expenses	46,295	0	0	0	0	46,295
Other Current Assets	0	0	1,068	0	0	1,068
Total Assets	<u>\$ 2,592,595</u>	<u>\$ 82,410</u>	<u>\$ 1,446,605</u>	<u>\$ 1,294,361</u>	<u>\$ 563,027</u>	<u>\$ 5,978,998</u>
<u>LIABILITIES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 58,034	\$ 0	\$ 0	\$ 0	\$ 28,715	\$ 86,749
Accrued Salaries & Benefits	61,790	0	0	0	0	61,790
Payroll Deductions & Withholdings	1,297	0	0	0	0	1,297
Due to other funds	136,000	0	0	0	0	136,000
Other Current Liabilities	95,479	0	0	0	0	95,479
Total Liabilities	<u>\$ 352,600</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,715</u>	<u>\$ 381,315</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Revenue - Property Taxes	\$ 223,252	\$ 0	\$ 0	\$ 0	\$ 0	\$ 223,252
<u>FUND BALANCES:</u>						
Nonspendable - Prepaid Expenses	\$ 46,295	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,295
Restricted - State Fund	0	0	0	0	534,312	534,312
Committed Fund Balance - Capital Projects	0	0	0	1,294,361	0	1,294,361
Committed Fund Balance - Park Projects	0	82,410	0	0	0	82,410
Committed Fund Balance - Sewer Projects	0	0	1,446,605	0	0	1,446,605
Unassigned Fund Balance	1,970,448	0	0	0	0	1,970,448
Total Fund Balances	<u>\$ 2,016,743</u>	<u>\$ 82,410</u>	<u>\$ 1,446,605</u>	<u>\$ 1,294,361</u>	<u>\$ 534,312</u>	<u>\$ 5,374,431</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>	<u>\$ 2,592,595</u>	<u>\$ 82,410</u>	<u>\$ 1,446,605</u>	<u>\$ 1,294,361</u>	<u>\$ 563,027</u>	<u>\$ 5,978,998</u>

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

DECEMBER 31, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,374,431

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	9,445,969
Deduct: Accumulated Depreciation	(3,407,168)

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	223,252
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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	\$ (800,178)	
Deduct: Lease Purchase Obligations	(105,816)	
Deduct: Compensated absences	(502,175)	
Deduct: Other Post Employment Benefits	(20,645)	(1,428,814)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 10,207,670

HOPEWELL TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General	Parks Capital Projects Fund	Sewer Capital Projects Fund	General Capital Projects Fund	State State Fund	Totals Governmental Funds
REVENUES						
Taxes/Special Assessments	\$ 4,526,802	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,526,802
Licenses and Permits	171,322	0	0	0	0	171,322
Fines and Forfeits	19,182	0	0	0	0	19,182
Interest and Rents	7,784	81	5,558	4,653	4,929	23,005
Intergovernmental	339,738	0	0	0	419,648	759,386
Charges for Services	219,235	0	95,907	0	0	315,142
Miscellaneous Revenue	4,400	0	208	0	0	4,608
Contributions	9,304	0	0	0	0	9,304
Total Revenues	\$ 5,297,767	\$ 81	\$ 101,673	\$ 4,653	\$ 424,577	\$ 5,828,751
EXPENDITURES						
General Government	\$ 740,430	0	41,124	5	0	\$ 781,559
Public Safety	2,679,768	0	0	0	0	2,679,768
Public Works - Sanitation	31,010	0	0	0	0	31,010
Public Works - Highways	1,578,742	0	0	0	308,401	1,887,143
Culture - Recreation	265,266	0	0	0	0	265,266
Debt Service:						
Interest charged	25,302	0	0	0	0	25,302
Principal Retirement	289,830	0	0	0	0	289,830
Unallocated Employee Benefits and Insurance	189,406	0	0	0	0	189,406
Miscellaneous	2,653	0	104	0	104	2,861
Total Expenditures	\$ 5,802,407	\$ 0	\$ 41,228	\$ 5	\$ 308,505	\$ 6,152,145
Excess (deficiency) of revenues over expenditures	\$ (504,640)	\$ 81	\$ 60,445	\$ 4,648	\$ 116,072	\$ (323,394)
OTHER FINANCING SOURCES (USES)						
Proceeds from Fixed Asset Disposal	\$ 10,306	0	\$ 0	\$ 0	\$ 0	\$ 10,306
Transfers In	155,000	0	243,148	200,000	0	598,148
Transfers Out	(200,000)	0	0	0	0	(200,000)
Proceeds of General Long Term Debt	40,644	0	0	0	0	40,644
Refunds of Prior Year Expenditures/(Receipts)	97,535	0	0	200,000	0	297,535
Total Other Financing Sources (Uses)	\$ 103,485	\$ 0	\$ 243,148	\$ 400,000	\$ 0	\$ 746,633
Net change in fund balances	\$ (401,155)	\$ 81	\$ 303,593	\$ 404,648	\$ 116,072	\$ 423,239
Fund Balances, beginning of year	2,417,898	82,329	1,143,012	889,713	418,240	4,951,192
Fund Balances, end of year	\$ 2,016,743	\$ 82,410	\$ 1,446,605	\$ 1,294,361	\$ 534,312	\$ 5,374,431

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, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 423,239**

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 capital outlays exceeds depreciation expense in the period.

Capital Outlay	\$ 790,877	
Less: Depreciation Expense	<u>(333,789)</u>	457,088

The statement of activities reports losses arising from the disposal of fixed assets. Conversely, the governmental funds do not report the proceeds from fixed asset disposals

Proceeds from Fixed Asset Disposal	(10,306)	
Gain on Disposal of Fixed Assets	<u>4,142</u>	(6,164)

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	\$ 289,830	
Principal Payments on Capital Lease Obligations	83,254	
Less: Proceeds from Capital Lease Payable	<u>(40,644)</u>	332,440

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		6,341
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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		(33,230)
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Because some real estate taxes will not be collected until several months or later after the Township's year-end, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount during this year.

Change in Deferred Revenue		<u>21,733</u>
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CHANGE IN NET POSITON OF GOVERNMENTAL ACTIVITIES **\$ 1,201,447**

HOPEWELL TOWNSHIP
STATEMENT OF NET POSITION - SEWER FUND
DECEMBER 31, 2017

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 541,991
Accounts Receivable	760,238
Prepaid Expense	<u>13,562</u>
Total Current Assets	\$ 1,315,791
Noncurrent Assets	
Land	\$ 90,138
Building & Building Improvements (net of depreciation)	456,754
Equipment and Vehicles (net of depreciation)	138,843
Infrastructure (net of depreciation)	10,144,199
Construction in Progress	<u>21,370</u>
Total Noncurrent Assets	\$ 10,851,304
TOTAL ASSETS	\$ 12,167,095
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 117,469
Accrued Salaries and Benefits	11,567
Payroll Deductions & Withholdings	347
Due to Other Funds	2,716
Escrow Payable	23,436
Bonds Payable	620,000
Lease Payable	<u>19,952</u>
Total Current Liabilities	\$ 795,487
Noncurrent Liabilities	
Bonds Payable	\$ 6,520,000
Add: Premium on Bonds	106,686
Lease Payable	20,067
Other Post Employment Benefit Liability	14,123
Accumulated Compensated Absences/Retirement Incentives	<u>111,087</u>
Total Noncurrent Liabilities	\$ 6,771,963
TOTAL LIABILITIES	\$ 7,567,450
NET POSITION	
Net Investment in Capital Assets	\$ 3,564,599
Unrestricted	<u>1,035,046</u>
TOTAL NET POSITION	\$ 4,599,645
TOTAL LIABILITIES AND NET POSITION	\$ 12,167,095

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
SEWER FUND
YEAR ENDED DECEMBER 31, 2017

	<u>Sewer Fund</u>
<u>Operating Revenues</u>	
Charge for Services, Net	<u>\$ 3,119,517</u>
Total Operating Revenues	<u>\$ 3,119,517</u>
<u>Operating Expenses</u>	
Wastewater and Sewer Expense	\$ 1,921,141
Depreciation Expense	<u>413,165</u>
Total Operating Expenses	<u>\$ 2,334,306</u>
Operating Income	<u>\$ 785,211</u>
<u>Non-operating Revenues and (Expenses)</u>	
Shared Revenue - State Sources	\$ 41,294
Interest Income	1,166
Bond Agent Fees	(92,115)
Interest on Long-term Debt	<u>(209,497)</u>
Total Non-operating Revenues and (Expenses)	<u>\$ (259,152)</u>
Income Before Operating Transfers	\$ 526,059
Operating Transfers (Out)	<u>(398,148)</u>
Change in Net Position	\$ 127,911
Net Position beginning of year	<u>4,471,734</u>
Net Position end of year	<u>\$ 4,599,645</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, 2017

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 3,004,345
Payments to Suppliers	(1,249,508)
Payments to Employees	(870,466)
Net Cash Provided by Operating Activities	<u>\$ 884,371</u>
Cash Flows from Noncapital Financing Activities:	
Transfers In (Out), net	\$ (398,148)
State Shared Revenue	41,294
Escrow Deposits Received, net of Disbursements	(5,001)
Net Cash Used in Noncapital Financing Activities	<u>\$ (361,855)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Bonds, Notes and Leases	\$ (499,513)
Proceeds from Bond Issuance, Net of Refunding	4,330
Bond Agent Fees	(92,115)
Interest Paid on Bonds and Notes	(189,580)
Interest and Miscellaneous Income	1,166
Net Cash Used in Capital and Related Financing Activities	<u>\$ (775,712)</u>
Net Increase in Cash and Cash Equivalents	\$ (253,196)
Cash and Cash Equivalents, beginning of year	795,187
Cash and Cash Equivalents, end of year	<u>\$ 541,991</u>
Operating Income	<u>\$ 785,211</u>
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities:	
Depreciation	\$ 413,165
(Increase) Decrease in Accounts Receivable	(115,172)
(Increase) Decrease in Prepaid Expenses	4,101
(Increase) Decrease in Due From Other Funds	0
Increase (Decrease) in Accounts Payable and Accrued Expenses	(164,991)
Increase (Decrease) in Due to Other Funds	1,239
Increase (Decrease) in Accrued Payroll	(594)
Increase (Decrease) in Accrued Compensated Absences	(47,478)
Increase (Decrease) in Accrued Other Post-employment Benefits	8,890
Total Adjustments	<u>\$ 99,160</u>
Cash Provided by Operating Activities	<u>\$ 884,371</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, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<u>REVENUES</u>			
Taxes/Special Assessments	\$ 4,499,731	\$ 4,526,802	\$ 27,071
Licenses and Permits	146,300	171,322	25,022
Fines and Forfeits	23,700	19,182	(4,518)
Interest and Rents	5,050	7,784	2,734
Intergovernmental	337,258	339,738	2,480
Charges for Services	212,984	219,235	6,251
Miscellaneous Revenue	0	4,400	4,400
Contributions	0	9,304	9,304
Total Revenues	<u>\$ 5,225,023</u>	<u>\$ 5,297,767</u>	<u>\$ 72,744</u>
<u>EXPENDITURES</u>			
General Government	\$ 837,829	\$ 740,430	\$ 97,399
Public Safety	2,614,990	2,679,768	(64,778)
Public Works - Sanitation	20,945	31,010	(10,065)
Public Works - Highways	1,722,800	1,578,742	144,058
Culture - Recreation	348,894	265,266	83,628
Interest	24,488	25,302	(814)
Debt Service	289,128	289,830	(702)
Unallocated Employee Benefits and Insurance	277,120	189,406	87,714
Miscellaneous	7,000	2,653	4,347
Total Expenditures	<u>\$ 6,143,194</u>	<u>\$ 5,802,407</u>	<u>\$ 340,787</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (918,171)</u>	<u>\$ (504,640)</u>	<u>\$ 413,531</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of General Fixed Asset Disposal	\$ 4,500	\$ 10,306	\$ 5,806
Transfers In	150,000	155,000	5,000
Transfers Out	(400,000)	(200,000)	200,000
Proceeds of General Long Term Debt	0	40,644	40,644
Refunds of Prior Year Expenditures/(Receipts)	78,000	97,535	19,535
Total Other Financing Sources (Uses)	<u>\$ (167,500)</u>	<u>\$ 103,485</u>	<u>\$ 270,985</u>
Excess of Revenues and Other Sources			
Over/(Under) Expenditures and Other Uses	<u>\$ (1,085,671)</u>	<u>\$ (401,155)</u>	<u>\$ 684,516</u>
Fund Balances - Unreserved - beginning of year		<u>2,417,898</u>	
Fund Balances - Unreserved - end of year		<u>\$ 2,016,743</u>	

See Accompanying Notes to Financial Statements

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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, 2017

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. 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 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 that 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 that 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 that 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, 2017

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 that 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, 2017

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, 2017 with revenues and other financing sources totaling \$5,457,523 and expenditures and other financing sources totaling \$6,543,194.

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. The Township used fund balances carried forward from prior years to balance its 2017 budget.

NOTE 2 – FINANCIAL STATEMENT AMOUNTS

A. 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, 2017

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 that 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.

B. Inventories

The inventories of the Township were not material to the financial statements taken as a whole as of December 31, 2017. Therefore, they are not reported.

C. Receivables

All receivables are reported net of estimated uncollectible amounts.

D. 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, 2017

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

E. 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.

F. 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.

G. Deferred Inflows

The Township reported deferred inflows at December 31, 2017, which consisted of unavailable revenue that was made up of \$223,252 of real estate taxes that did not meet the criteria for revenue recognition in the governmental funds financial statements.

H. 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.

I. 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, 2017

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.

J. 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.

K. Subsequent Events

The Township evaluated its December 31, 2017 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.

L. Governmental Fund Balances

The Township reports two major types of fund balances, 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, 2017, 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, 2017

NOTE 2 – FINANCIAL STATEMENT AMOUNTS – CONTINUED

M. 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.

N. 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.

O. 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.

A. 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, 2017, \$2,299,433 of the Township's bank balance of \$2,549,433 was exposed to custodial credit risk as follows:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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	\$ 2,299,433

B. Other Deposits

As of December 31, 2017, 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, 2017, the Township had the following other deposits:

<u>Type</u>	<u>Fair Value</u>
PA Local Government Investment Trust	<u>\$ 3,167,288</u>
Total	<u>\$ 3,167,288</u>

C. Credit Risk – Other Deposits

As of December 31, 2017, the Township's other deposits were rated as:

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 3 – CASH /INVESTMENTS – CONTINUED

D. Reconciliation to Financial Statements

Uninsured, Collateralized Amount Above	\$ 2,299,433
Insured Amount	250,000
Petty Cash	550
Other Deposits Above	<u>3,167,288</u>
Carrying Amount - Bank Balances	\$ 5,717,271
Less: Outstanding Items	<u>(38,474)</u>
Total Cash and Cash Equivalents	<u>\$ 5,678,797</u>

NOTE 4 – ACCOUNTS RECEIVABLE

The Accounts Receivable balances represents the following earned prior to December 31, 2017 and due to Hopewell Township at December 31, 2017:

	<u>General Fund</u>	<u>Sewer Fund</u>
General	\$ 69,237	\$ 0
Unbilled Waste Collection Services	0	449,736
Billed Waste Collection Services	0	346,006
Other	<u>40,856</u>	<u>0</u>
Account Receivable Gross	\$ 110,093	\$ 795,742
Less: Allowance for Doubtful Accounts	<u>0</u>	<u>(35,504)</u>
Accounts Receivable, Net	<u>\$ 110,093</u>	<u>\$ 760,238</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 2017 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 2017 was 14 mills (\$14 per \$1,000 assessed valuation). Collections on the 2017 Tax Duplicate amounted to \$2,203,150.

As of December 31, 2017, property taxes receivable by the Township includes uncollected taxes assessed as of January 1, 2017 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, 2017

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, 2017 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
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	\$ 2,243,679	\$ 750,233	\$ 0	\$ 2,993,912
Machinery and Equipment	1,911,574	40,644	30,819	1,921,399
Infrastructure	<u>2,999,759</u>	<u>0</u>	<u>0</u>	<u>2,999,759</u>
Total capital assets, being depreciated	<u>\$ 7,155,012</u>	<u>\$ 790,877</u>	<u>\$ 30,819</u>	<u>\$ 7,915,070</u>
Governmental activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 1,194,067	\$ 160,274	\$ 0	\$ 1,354,341
Machinery and Equipment	1,321,606	113,519	24,655	1,410,470
Infrastructure	<u>582,361</u>	<u>59,996</u>	<u>0</u>	<u>642,357</u>
Total Accumulated Depreciation	<u>\$ 3,098,034</u>	<u>\$ 333,789</u>	<u>\$ 24,655</u>	<u>\$ 3,407,168</u>
Capital assets, being depreciated, net	<u>\$ 4,056,978</u>	<u>\$ 457,088</u>	<u>\$ 6,164</u>	<u>\$ 4,507,902</u>
Governmental activities capital assets, net	<u>\$ 5,587,877</u>	<u>\$ 457,088</u>	<u>\$ 6,164</u>	<u>\$ 6,038,801</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 6 – CAPITAL ASSETS – CONTINUED

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 90,138	\$ 0	\$ 0	\$ 90,138
Construction in Progress	21,370	0	0	21,370
Total Capital assets, not being depreciated	<u>\$ 111,508</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 111,508</u>
Capital assets, being depreciated:				
Building and Building Improvements	\$ 2,588,357	\$ 0	\$ 0	\$ 2,588,357
Machinery and Equipment	791,726	0	55,000	736,726
Infrastructure	17,591,614	0	0	17,591,614
Total capital assets, being depreciated	<u>\$ 20,971,697</u>	<u>\$ 0</u>	<u>\$ 55,000</u>	<u>\$ 20,916,697</u>
Business-type activities:				
Accumulated Depreciation for:				
Building and Building Improvements	\$ 2,104,958	\$ 26,645	\$ 0	\$ 2,131,603
Machinery and Equipment	618,195	34,688	55,000	597,883
Infrastructure	7,095,583	351,832	0	7,447,415
Total Accumulated Depreciation	<u>\$ 9,818,736</u>	<u>\$ 413,165</u>	<u>\$ 55,000</u>	<u>\$ 10,176,901</u>
Capital assets, being depreciated, net	<u>\$ 11,152,961</u>	<u>\$ (413,165)</u>	<u>\$ 0</u>	<u>\$ 10,739,796</u>
Business-type activities capital assets, net	<u>\$ 11,264,469</u>	<u>\$ (413,165)</u>	<u>\$ 0</u>	<u>\$ 10,851,304</u>

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

Governmental Activities:	
General Government	\$ 10,716
Public Safety	41,701
Highways and Streets	274,138
Parks and Recreation	7,234
Total Depreciation expense, Governmental Activities:	<u>\$ 333,789</u>
Business-Type Activities:	
Sewer	<u>\$ 413,165</u>
Total Depreciation expense, Business-Type Activities:	<u>\$ 413,165</u>
Total Depreciation expense, Governmental and Business-Type Activities:	<u>\$ 746,954</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 7 – LONG-TERM DEBT

Long-term liability for the year ended December 31, 2017 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	\$ 1,045,589	\$ 0	\$ 0	\$ (289,830)	\$ 755,759	\$ 294,128
Premium (Discount) on Bonds	50,760	0	0	(6,341)	44,419	0
Total Bonds Payable, net	\$ 1,096,349	\$ 0	\$ 0	\$ (296,171)	\$ 800,178	\$ 294,128
Obligations under capital leases	148,426	0	40,644	(83,254)	105,816	58,101
Total governmental activity long-term liabilities	<u>\$ 1,244,775</u>	<u>\$ 0</u>	<u>\$ 40,644</u>	<u>\$ (379,425)</u>	<u>\$ 905,994</u>	<u>\$ 352,229</u>
Business-type activities:						
Bonds Payable	\$ 7,615,670	\$ (4,535,670)	\$ 4,540,000	\$ (480,000)	\$ 7,140,000	\$ 620,000
Premium (Discount) on Bonds	86,724	0	30,869	(10,907)	106,686	0
Total Bonds Payable, net	\$ 7,702,394	\$ (4,535,670)	\$ 4,570,869	\$ (490,907)	\$ 7,246,686	\$ 620,000
Obligations under capital leases	59,532	0	0	(19,513)	40,019	19,952
Total business-type activity long-term liabilities	<u>\$ 7,761,926</u>	<u>\$ (4,535,670)</u>	<u>\$ 4,570,869</u>	<u>\$ (510,420)</u>	<u>\$ 7,286,705</u>	<u>\$ 639,952</u>

NOTE 8 – BONDS PAYABLE

A. 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 \$38,705 were made in the year ended December 31, 2017, including \$34,828 for principal and \$3,877 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>
2018	\$ 34,128	\$ 3,063	\$ 37,191
2019	34,128	2,198	36,326
2020	34,128	1,337	35,465
2021	33,375	468	33,843
	<u>\$ 135,759</u>	<u>\$ 7,066</u>	<u>\$ 142,825</u>

B. 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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 8 – BONDS PAYABLE – CONTINUED

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 \$276,425 were made in the year ended December 31, 2017, including \$255,000 for principal and \$21,425 for interest. 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>
2018	\$ 260,000	\$ 12,400	\$ 272,400
2019	270,000	4,500	274,500
2020	90,000	900	90,900
	<u>\$ 620,000</u>	<u>\$ 17,800</u>	<u>\$ 637,800</u>

C. 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 \$553,082 were made in the year ended December 31, 2017, including \$470,000 for principal and \$83,082 for interest. Future estimated principal and interest payments for the 2014 Series B bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 500,000	\$ 54,206	\$ 554,206
2019	510,000	40,456	550,456
2020	525,000	28,856	553,856
2021	530,000	18,306	548,306
2022	435,000	7,841	442,841
2023-2024	100,000	2,713	102,713
	<u>\$ 2,600,000</u>	<u>\$ 152,378</u>	<u>\$ 2,752,378</u>

D. General Obligation Bonds, Series of 2017 (Proprietary Fund)

During 2014, the Township issued \$4,540,000 of its General Obligation Refunding Bonds, Series 2017, bearing interest rates from 1.15% to 3.0%. The bond proceeds were used to redeem the Township's General Obligation Bonds, Series B of 2011, to pay the costs of issuing the 2017 Bonds and to pay off the 2011 General Obligation Bonds. No payments were due in the year ended December 31, 2017. Future estimated principal and interest payments for the 2017 Series bonds are as follows:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 8 – BONDS PAYABLE – CONTINUED

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 120,000	\$ 87,126	\$ 207,126
2019	105,000	105,363	210,363
2020	100,000	103,825	203,825
2021	105,000	102,025	207,025
2022	175,000	99,225	274,225
2023-2027	3,035,000	317,612	3,352,612
2028-2032	<u>900,000</u>	<u>19,650</u>	<u>919,650</u>
	<u>\$ 4,540,000</u>	<u>\$ 834,826</u>	<u>\$ 5,374,826</u>

NOTE 9 – LEASES PAYABLE

A. Governmental Activity Leases

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, 2017, including \$22,057 for principal and \$1,523 for interest. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 22,553	\$ 1,027	\$ 23,580
2019	<u>23,061</u>	<u>520</u>	<u>23,581</u>
	<u>\$ 45,614</u>	<u>\$ 1,547</u>	<u>\$ 47,161</u>

During 2015, the Township entered into a \$69,743 capital lease agreement for the acquisition of 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, 2017, including \$23,237 for principal and \$877 for interest. As of December 31, 2017, the Township had paid off the 2015 lease.

The Township entered into a \$33,419 capital lease agreement for the acquisition of a 2017 Ford Interceptor for the Police Department. The lease includes an interest rate of 3.30% and requires three annual payments of \$11,873 beginning in 2017. Total payments of \$11,873 were made in the year ended December 31, 2017, including \$11,873 for principal and \$0 for interest. Future principal and interest payments are as follows:

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 9 – LEASES PAYABLE – CONTINUED

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 10,423	\$ 1,450	\$ 11,873
2019	<u>11,124</u>	<u>749</u>	<u>11,873</u>
	<u>\$ 21,547</u>	<u>\$ 2,199</u>	<u>\$ 23,746</u>

During 2016, the Township entered into a \$37,275 capital lease agreement for the acquisition of a 2016 Ford Interceptor for the Police Department. The lease includes an interest rate of 3.00% and requires three annual payments of \$13,176 beginning in 2016. Total payments of \$13,176 were made in the year ended December 31, 2017, including \$11,689 for principal and \$1,487 for interest. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 12,410	\$ 766	\$ 13,176
	<u>\$ 12,410</u>	<u>\$ 766</u>	<u>\$ 13,176</u>

During 2017, the Township entered into a \$40,644 capital lease agreement for the acquisition of a 2017 Ford Interceptor for the Police Department. The lease includes an interest rate of 3.10% and requires three annual payments of \$14,399 beginning in 2017. Total payments of \$14,399 were made in the year ended December 31, 2017, including \$14,399 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>
2018	\$ 12,715	\$ 1,684	\$ 14,399
2019	<u>13,530</u>	<u>868</u>	<u>14,398</u>
	<u>\$ 26,245</u>	<u>\$ 2,552</u>	<u>\$ 28,797</u>

B. Business-type Activity Leases

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 \$21,327 beginning in 2015. Total payments of \$20,852 were made in the year ended December 31, 2017, including \$19,513 for principal and \$1,339 for interest. Future principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 19,952	\$ 900	\$ 20,852
2019	<u>20,067</u>	<u>785</u>	<u>20,852</u>
	<u>\$ 40,019</u>	<u>\$ 1,685</u>	<u>\$ 41,704</u>

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 10 – COMPENSATED ABSENCES / OTHER POST-EMPLOYMENT BENEFITS

A. 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, 2017, the liability for accrued sick leave is \$613,262 including \$111,087 applicable to employees of the proprietary fund and \$502,175 applicable to other employees.

B. 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. Qualified police officers receive a one-time \$2,500 payout while non-uniform employees receive a payout based on their years of service and hourly rate at the time of retirement. The general fund liability for these future benefits to be paid to the retirees is estimated to be \$20,645 while the Sewer Fund liability is estimated to be \$14,123 at December 31, 2017.

NOTE 11 – 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, 2017.

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 who is responsible for the management of plan assets. The Board of Township Commissioners has delegated the authority to manage certain plan assets to Wachovia Securities. Financial information on this plan is available from the Township.

In accordance with Pennsylvania Act 205, which established a statutorily mandated actuarial funding standard called the "Minimum Municipal Obligation" (MMO), the Township made contributions to these plans of \$166,551 and \$241,009, respectively, in 2017. 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.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 12 – INTER-FUND TRANSACTIONS

A. 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>
Proprietary	General	\$ 2,716	To reimburse the General Fund for payments made on behalf of the Proprietary Fund.
General	General Capital Projects	\$ 136,000	To reimburse the General Capital Projects for payments made on behalf of the General Fund.

B. 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	General Capital Projects	\$ 200,000	To transfer funds to the Capital Fund for future capital expenditures.
Proprietary	General	\$ 155,000	To reimburse the General Fund for payments made on behalf of the Sewer Fund.
Proprietary	Sewer Capital Projects	\$ 243,148	To transfer funds to the Capital Fund for future capital expenditures.

NOTE 13 – 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.

A. 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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 13 – RISK MANAGEMENT – CONTINUED

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.

B. 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, 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.

C. Health Risk Management:

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

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

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 13 – RISK MANAGEMENT – CONTINUED

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

D. 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, 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 14 – RELATED PARTIES

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

NOTE 15 – RECENT/FUTURE GASB PRONOUNCEMENTS

GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The primary objective of this Statement is to address the reporting requirements for OPEB liabilities and the related disclosure requirements. This Statement will be effective for the 2018 year.

GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the 2018 year.

HOPEWELL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 15 – RECENT/FUTURE GASB PRONOUNCEMENTS – CONTINUED

GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the 2018 year.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, which is effective in 2019.
GASB 83 determines the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO).

GASB Statement No. 84, *Fiduciary Activities*, which is effective in 2020.
GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments whether a government is controlling the assets of the fiduciary activity and who are the beneficiaries with whom a fiduciary relationship exists.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective in 2018.
GASB 86 provides guidance for transactions in which cash and other monetary assets acquired with existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB Statement No 87, *Leases*, which is effective in 2020.
GASB 87 provides guidance for lease contracts for non-financial assets, including vehicles, heavy equipment, and buildings. The standard requires lessees to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset. Lessors are required to recognize a lease receivable and a deferred inflow of resources.

The effects of implementing GASB Statements No. 75, 81-84, and 86-87 on the Township's financial statements have not yet been determined.

