

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

Financial Report

December 31, 2011

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

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**HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA**

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Independent Auditor's Report

To the Board of Supervisors
Hilltown Township
Hilltown, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hilltown Township, Bucks County, Pennsylvania, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of Hilltown Township's primary government as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Hilltown Township, Bucks County, Pennsylvania, which consists of all funds, departments, and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Hilltown Township, Bucks County, Pennsylvania, as of December 31, 2011, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. The Township's component unit issues its own financial statements which are audited by another accounting firm. At this time, the component unit's audit report for the year ended December 31, 2011 is not complete.

In our opinion, except as noted in the above paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Hilltown Township, Bucks County, Pennsylvania, as of December 31, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 3 through 15 and 52 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Dunlap & Associates, P.C.

DUNLAP & ASSOCIATES, P.C.

Chalfont, Pa.
March 28, 2012

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

Our discussion and analysis of Hilltown Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2011. Please read it in conjunction with the Township's financial statement, which begins on page 16.

FINANCIAL HIGHLIGHTS

The Township's net assets increased \$1,080,337 or 4.4% as a result of this year's operations.

During the year the Township purchased capital assets totaling approximately \$384,000, which includes a police vehicle with accompanying equipment (\$42,020), infrastructure improvements (\$148,000), computer equipment (\$5,720), paving (\$175,000), and HVAC equipment at the administrative offices (\$13,700).

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 16 and 17-18) 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 19. For governmental activities, these statements tell how township 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 major 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 the government.

Reporting on the Township as a Whole

The Statement of Net Assets and Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer the question of whether or not the Township is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods 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 statements report the Township's net assets and changes to them. The Township's net assets (the difference between assets and liabilities) provide a measurement of the Township's financial health, or financial position. Over time, increases or decreases in net assets are indicators of whether the Township's financial health is improving or deteriorating.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

USING THIS REPORT (Continued)

Reporting Significant Funds

The fund financial statements begin on page 19 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. However, the Board of Supervisors established many other funds to help it control or manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The Township's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance Township programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are described in a reconciliation at the end of the fund financial statements.

The Township as a Trustee

The Township is a trustee, or fiduciary, for its employees' pension plans. The Pennsylvania Municipal Retirement System has been appointed to handle all employee pensions. It is also responsible for escrow deposits from developers, businesses, and individuals for legal and engineering fees. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 25-26. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operation. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

The Statement of Net Assets provides an overview of the Township's assets, liabilities, and net assets. Over time this statement will provide a good indication of the Township's fiscal health.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

**Table 1
Net Assets**

Account	2011	2010	\$ Change	% Change
Capital Assets	\$ 19,934,616	\$ 20,724,156	\$ (789,540)	(3.81)
Current and Other Assets	7,170,752	5,543,022	1,627,730	29.37
Total Assets	<u>27,105,368</u>	<u>26,267,178</u>	<u>838,190</u>	3.19
Long-Term Liabilities	1,038,507	1,284,763	(246,256)	(19.17)
Other Liabilities	388,148	384,039	4,109	1.07
Total Liabilities	<u>1,426,655</u>	<u>1,668,802</u>	<u>(242,147)</u>	(14.51)
Net Assets				
Invested in Capital Assets, Net of Related Debt	18,743,047	19,319,686	(576,639)	(2.98)
Restricted	4,899,574	3,964,263	935,311	23.59
Unrestricted	<u>2,036,092</u>	<u>1,314,427</u>	<u>721,665</u>	54.90
Total Net Assets	<u>\$ 25,678,713</u>	<u>\$ 24,598,376</u>	<u>\$ 1,080,337</u>	4.39

The total net assets of the Township shown above are approximately \$25.6 million. However, this does not include certain physical assets such as traffic signals, storm sewers, and drainage structures acquired or constructed before January 1, 2004. Net assets increased by approximately \$1 million. This increase is largely due to slightly better revenues than anticipated and cost cutting measures township wide.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011

Table 2
Changes in Net Assets

Account	2011	2010	\$ Change	% Change
Program Revenues				
General Government	\$ 366,357	\$ 597,610	\$ (231,253)	(38.70)
Police	452,210	351,895	100,315	28.51
Fire	234,667	153,371	81,296	53.01
Code Enforcement	339,212	403,410	(64,198)	(15.91)
Highway Maintenance	808,935	579,179	229,756	39.67
Snow Removal	8,090	8,900	(810)	(9.10)
Traffic Signals	4,938	3,443	1,495	43.42
Street Lighting	69,341	55,976	13,365	23.88
Parks and Recreation	26,074	17,210	8,864	51.50
General Revenues				
Real Estate Taxes	1,831,598	1,410,008	421,590	29.90
Transfer Taxes	298,412	288,966	9,446	3.27
Earned Income Taxes	3,101,522	2,945,602	155,920	5.29
Other Taxes	264,297	209,170	55,127	26.36
Grants and Contributions	0	21,595	(21,595)	(100.00)
Interest and Rents	108,113	114,445	(6,332)	(5.53)
Miscellaneous	15,327	3,742	11,585	309.59
Total Revenues (Forwarded)	\$ 7,929,093	\$ 7,164,522	\$ 995,824	10.67

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011

Table 2
Changes in Net Assets

Account	2011	2010	\$ Change	% Change
Total Revenues (Forwarded)	<u>\$ 7,929,093</u>	<u>\$ 7,164,522</u>	<u>\$ 764,571</u>	10.67
Program Expenses				
Legislative	45,979	33,125	12,854	38.80
Executive	237,820	324,941	(87,121)	(26.81)
Finance and Tax Collection	166,515	174,795	(8,280)	(4.74)
Professional Services	127,668	224,154	(96,486)	(43.04)
General Government	975,306	1,025,955	(50,649)	(4.94)
Police	2,929,589	2,892,474	37,115	1.28
Fire	443,753	354,950	88,803	25.02
Code Enforcement	211,771	205,598	6,173	3.00
Highway Maintenance	1,313,772	1,406,596	(92,824)	(6.60)
Snow and Ice Removal	95,315	112,326	(17,011)	(15.14)
Traffic Signals	26,443	48,387	(21,944)	(45.35)
Street Lighting	38,713	39,119	(406)	(1.04)
Parks and Recreation	210,932	324,517	(113,585)	(35.00)
Conservation and Development	25,180	29,173	(3,993)	(13.69)
Total Expenses	<u>6,848,756</u>	<u>7,196,110</u>	<u>(347,354)</u>	(4.83)
Change in Net Assets Before Dedication	1,080,337	(31,588)	1,111,925	(3,520.09)
Dedication of Infrastructure	<u>0</u>	<u>140,243</u>	<u>(140,243)</u>	0.00
Changes in Net Assets	<u>\$ 1,080,337</u>	<u>\$ 108,655</u>	<u>\$ 971,682</u>	894.28

Total revenue from all sources was approximately \$7.9 million. Real estate taxes were assessed at 8.75 mills, versus 6.75 mills assessed for 2010. Real estate tax revenue increased by 29.9% due to the millage increase. Transfer taxes increased by 3.27% indicating a slight improvement in the housing market. Earned Income Tax (EIT) revenues increased by approximately 5.29% over 2010.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

Figure 1

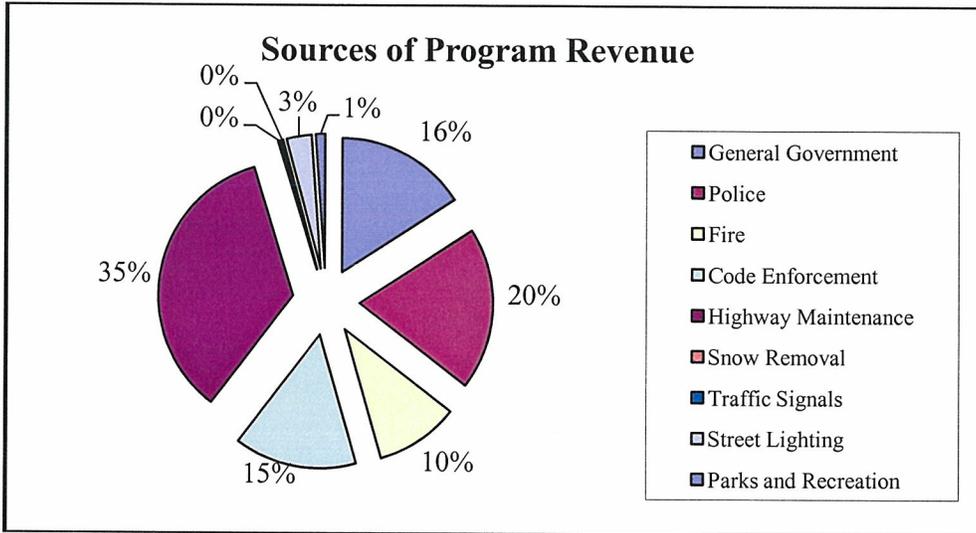
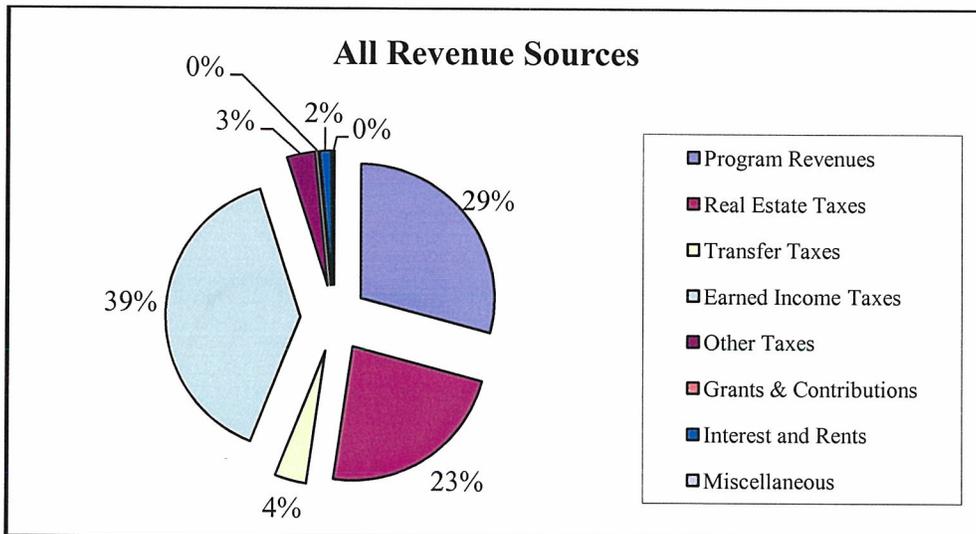


Figure 2

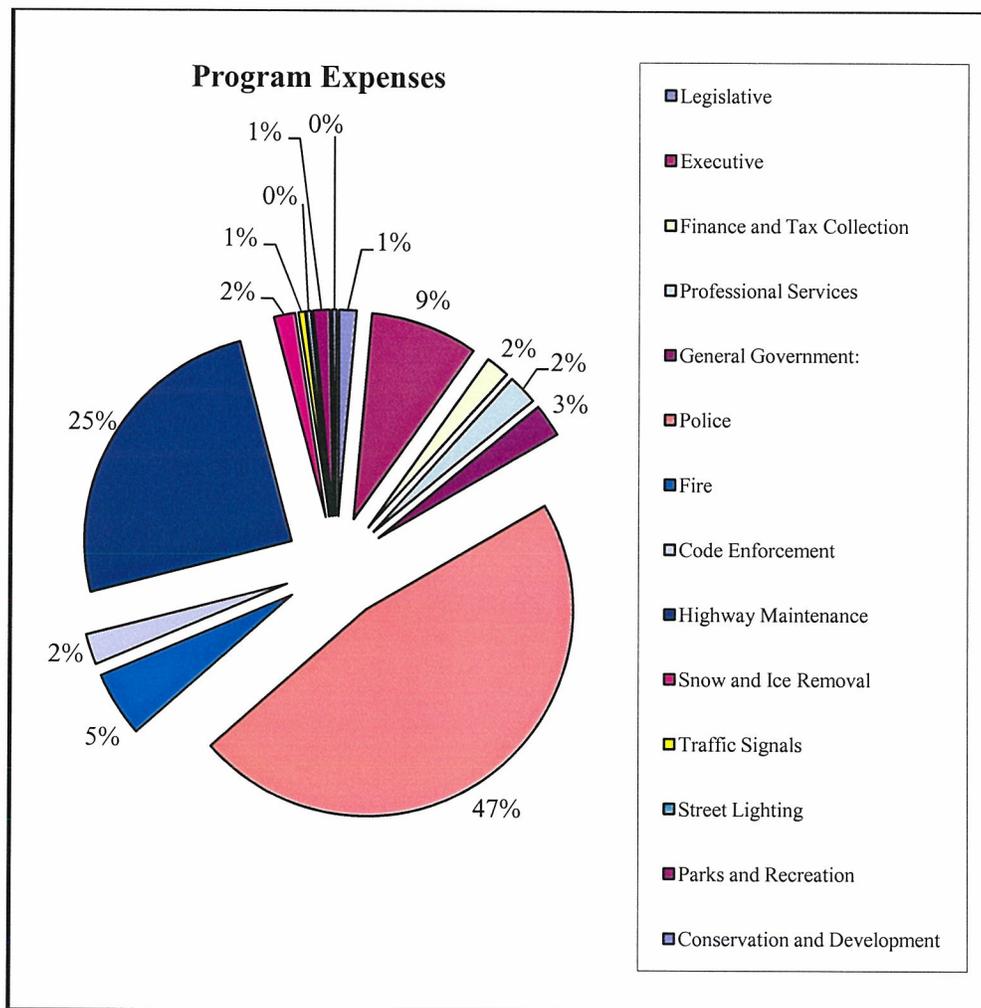


**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

Expense Overview

Total expenses in all categories were approximately \$6.8 million, which is a decrease of approximately 4.8%. Police and Public Works are the largest expenses accounting for spending of approximately \$4.3 million. This decrease in expenses is due in part to staff turnover and a decrease in parks programs.

Figure 3



HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011

ITEMS OF GENERAL INTEREST

Water

Residents and businesses of the Township are served by Hilltown Township Water and Sewer Authority (HTWSA), Telford Borough Authority (TBA), North Penn Water Authority (NPWA), and primarily on-lot water systems. Based on the fact that the Township is responsible for appointing the HTWSA board members, the Authority is considered a component unit of the Township. The Authority's financial activity would normally be included in the Township's financial statements under accounting principles generally accepted in the United States of America; however, management has elected not to include the activity in the Township's financial statements. Therefore, these financial statements should be read in conjunction with the financial statements of the Authority. The Township has no financial or management control of the water companies other than that noted above.

Waste Water

Residents and businesses of the Township are principally served by the HTWSA, TBA, and primarily on-lot sewage disposal systems. The Township has no financial or management control of the sewer authorities other than that noted above.

Fire

Residents and businesses of the Township are served by the Hilltown Township Volunteer Fire Company, Perkasio Fire Company, Sellersville Fire Company, Dublin Fire Company, Silverdale Fire Company, Souderton Fire Company, Telford Fire Company, and Chalfont Chemical Fire Engine Company No. 1 in designated districts. There are mutual aid agreements and central dispatching throughout the area. A fire tax of 0.75 mills is assessed and the proceeds of this tax are distributed to the fire companies based on a formula of 50% area covered and 50% assessed valuation. The following disbursements were made in 2011.

Dublin Fire Company	\$ 22,477
Hilltown Township Volunteer Fire Company	36,672
Perkasie Fire Company	3,736
Sellersville Fire Company	7,285
Silverdale Fire Company	37,855
Souderton Fire Company	9,588
Telford Fire Company	<u>6,911</u>
 Total	 <u>\$ 124,524</u>

Hilltown Township Volunteer Fire Company received the last \$3,000 installment (of a \$9,000 commitment) to help defray costs incurred when their fire house was damaged in an auto accident and ensuing fire.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

ITEMS OF GENERAL INTEREST (Continued)

Fire (Continued)

Silverdale Fire Company also received the first \$3,000 installment (of a \$9,000.00 commitment) to help defray the cost of a replacement truck, the cost of which is approximately \$350,000.

The Volunteer Fire Relief Associations also receive an allocation from the Commonwealth of Pennsylvania. This allocation is made in accordance with Act 205 of 1984 which stipulates that 50 percent of your allocation is based on the population of the municipality, and 50 percent is determined by the market value of real estate in the municipality. The Township received a disbursement of \$234,667.07. This distribution was significantly higher than in previous years due to the State changing its reporting requirements. These funds are derived from a charge the State imposes on Insurance Companies located outside of Pennsylvania who are doing business within the State. The monies were distributed as follows:

Dublin Fire Company Relief Association	\$ 42,357
Hilltown Township Volunteer Fire Co. Relief Assoc.	69,110
Perkasie Fire Company Relief Association	7,040
Sellersville Fire Company Relief Association	13,728
Silverdale Fire Company Relief Association	71,339
Souderton Fire Company Relief Association	18,069
Telford Fire Company Relief Association	<u>13,024</u>
 Total	 <u>\$ 234,667</u>

Ambulance Service

The Township is served by four (4) ambulance companies. They are Chal-Brit Regional Ambulance, Grand View Hospital Ambulance, Point Pleasant-Plumsteadville Regional Ambulance and Souderton Ambulance. They are centrally dispatched by Bucks County Emergency Management. The Board of Supervisors in fiscal year 2010 voted to provide financial assistance to the primary ambulance companies serving Hilltown Township. That financial assistance was continued in 2011. The disbursements were made as follows:

Chal-Brit Regional Ambulance	\$ 11,072
Grand View Hospital Ambulance	19,342
Point Pleasant-Plumsteadville Regional Ambulance	2,663
Souderton Ambulance	<u>8,923</u>
 Total	 <u>\$ 42,000</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011

ITEMS OF GENERAL INTEREST (Continued)

Public Facilities

The Township owns two parks along with scattered open space parcels. The Township is continuing the construction of a third park in the Forest Road area. The Township municipal building is 24 years old and houses both the Police Department and the Administrative Offices. The Public Works Department is located to the rear of the Township Administration building in facilities approximately six years old, and centralizes all Township services. The Township also owns the former municipal building, more commonly referred to as the old school house, located in the Blooming Glen Village. The building is listed on the Historical Register and is used by the Friends of the Samuel Pierce Library for their Thrift Shop as well as the Boy Scouts and 4-H clubs for their meetings.

ANALYSIS OF INDIVIDUAL FUNDS

In the General Fund, the excess of revenues over expenditures of approximately \$463,000 was due to cost cutting measures and careful management of all expenditures.

Revenues

Real Estate Taxes were higher due to an increase in the millage from 6.75 mills to 8.75 mills. Real Estate Transfer Taxes showed a small increase as the housing market struggles to improve. The Earned Income Tax showed an increase of \$155,920 indicating that jobs among Hilltown residents continue to remain strong.

Expenses

Expenses for the year were slightly lower than anticipated but fell well within the 2011 budget. It is important to note at this point that Township management approach budgeting and spending conservatively.

Other Funds

This category includes:

- Special Revenue Funds
 - Liquid Fuels Fund
 - Street Light Fund
 - Fire Tax Fund
 - Open Space Fund
 - Park and Recreation Fund
- Capital Projects Funds
 - Capital Projects Fund
 - Road Equipment Fund
 - Operating Reserve Fund
 - Stormwater System Reserve Fund
 - Recreation Capital Reserve Fund
- Debt Service Fund

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Other Funds (Continued)

Each of these funds had routine and unremarkable results during 2011. It is important to note that the Township's general long-term debt was reduced in 2011 as shown below. There are no plans at this time to refinance or acquire new debt.

Balance, January 1, 2011	\$ 1,404,470
Principal Payments	<u>(212,902)</u>
Balance, December 31, 2011	<u>\$ 1,191,568</u>

It is also important to note that as per the loan agreements, effective January 2012 the interest rate converted to a variable rate, which is 60% of the bank's prime rate, or 1.95%. Quarterly payments will remain the same, enabling the principal balance to be reduced faster than anticipated.

Pension Plan

Full-time Township employees are also members of the Police or Non-Uniform local pension plans. The pension plans for both groups are managed by the Pennsylvania Municipal Retirement System (PMRS). The Township is eligible for Act 205 assistance in the form of State Aid which for 2011 totaled \$285,418. The State aid received in 2011 was considerably higher than in prior years due to the a change in state reporting requirements for insurance companies located outside of the State but doing business within the state. This increase will likely be a one-time event with the State Aid returning to normal levels in 2012.

The Minimum Municipal Obligation or "MMO" was as follows:

Police Pension Plan	\$ 209,545
Non-Uniform Plan	<u>77,532</u>
Total	<u>\$ 287,077</u>

The MMO is calculated based on total payroll information from the prior year. Multiplying rates are set by the actuarial studies performed every other year. Administrative charges are then included. Any actuarial surpluses or deficiencies are then amortized. PMRS sets this amount based on the actuarial study.

The Police Officers began contributing two (2) percent of their gross salaries beginning in 2011 as a result of an arbitration award granted in 2009. The award directs that if the State aid is insufficient to cover the MMO, the Police are required to contribute a percentage of their salaries up to a five (5) percent maximum. The total amount of the police contribution was \$34,301 for 2011.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Hilltown Township had approximately \$18.7 million invested in Capital Assets, net or related debt. Included in this number is the valuation of almost 85 miles of Township streets and roads. This number is slightly lower than in 2010 due to depreciation expense exceeding additions in 2011.

There were no significant events during the year.

Discussion of Future Plans

The budget consists of seven (7) operating funds and four (4) capital improvements funds. It is prepared in line item format in accordance with the Pennsylvania Chart of Accounts for local government published by the State Department of Community and Economic Development (DCED).

An analysis of the 2012 budget will show that the Township is maintaining municipal services in such areas as police protection, code enforcement, fire protection, and public works services at or above present levels. The 2012 budget provides the necessary resources to these important areas, to achieve the priorities, goals, and policies of the Board and for the Township to continue to fulfill its obligation to provide for the health, safety, and welfare of the community.

The 2012 budget carries forward all projects budgeted in 2011 and not completed. The Board of Supervisors is still stressing caution regarding moving forward with these projects in light of the present economy. While Real Estate Taxes have increased due to a millage increase and Transfer Taxes have shown a moderate increase, the economy still seems sluggish.

The Road Equipment Fund will be investigating the purchase of a use bucket truck for use in trimming the many trees located within the Township as well as assisting with maintenance projects. The Road Equipment tax remains at .50 mills. The Park and Recreation Tax was further reduced in the 2012 budget to .20 mills with the remaining .30 mills being allocated to the General Fund.

The Public Works Department will be working on bidding roads for Seal Coating in the early spring of 2012.

ECONOMIC FORECAST

As discussed above, the Township derives its operating revenue from a variety of other sources in addition to real estate taxes. These include Act 511 taxes such as a ½% levy on earned income of residents. A local services tax of \$47 is also assessed on individuals working in the community, many of whom do not live in the Township but take advantage of its services. The Township also received revenue from a 1% transfer tax on real estate sales, fees for licenses and permits, interest on investments, rents, royalties, grants, and charges for use of municipal services.

Fluctuations in the housing market, unemployment, interest rates, and the availability of state funding for mandated programs or services affect Township revenues one way or another.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

ECONOMIC FORECAST (Continued)

It is anticipated that in 2012, Earned Income Tax will remain stable with some growth. Real Estate Transfer Taxes will show slight growth as the housing market downturn seems to be easing. Real Estate Taxes will show a slight increase due to new housing being developed. Several developments within the Township have been selling well and a new over fifty-five community is presently to be presented for development.

Property tax rates for 2012 are as follows:

General Purposes	6.05 mills
Fire Protection	0.75
Park and Recreation	0.20
Debt Service Obligations	1.25
Road Equipment Acquisition	<u>0.50</u>
Total	<u>8.75 mills</u>

For the homeowner with an average assessed value of \$36,000, the total real estate tax paid to the Township is \$315.

It is with these factors in mind that the 2012 budget delays some growth until the economy begins to return to a more robust state. Some smaller projects will begin to take shape but with very mindful consideration of cost constraints.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT TEAM

The Management Discussion and Analysis is intended to provide our citizens, taxpayers, and creditors with a general, plain English overview of important financial matters. The Township's Treasurer/Finance Director is Lorraine E. Leslie, who can be reached at 215-453-6000 extension 212. The Township's Manager is Richard Schnaedter who can be reached at 215-453-6000, extension 213. The Township can also be reached by fax at 215-453-1024 or by the internet at www.hilltown.org.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Net Assets
December 31, 2011

Assets

Current Assets

Cash	\$ 5,362,617
Taxes Receivable	1,711,913
Other Receivables	95,581
Due from Fiduciary Fund	641
Total Current Assets	7,170,752

Noncurrent Assets

Net Capital Assets	19,934,616
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Total Assets	27,105,368
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Liabilities

Current Liabilities

Accounts Payable and Accrued Expenses	54,282
Accrued Wages and Benefits	90,217
Current Portion of General Obligation Note	243,649
Total Current Liabilities	388,148

Noncurrent Liabilities

General Obligation Note Payable	947,920
Compensated Absences	90,587
Total Noncurrent Liabilities	1,038,507

Total Liabilities	1,426,655
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Net Assets

Invested in Capital Assets, Net of Related Debt	18,743,047
Restricted for	
Land Preservation	3,426,596
Capital Projects	1,083,521
Debt Service	29,424
Other Purposes	360,033
Unrestricted	2,036,092
Total Net Assets	\$ 25,678,713

See Notes to Financial Statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Activities
Year Ended December 31, 2011

Functions/Programs	Expenses	<u>Program Revenue</u>	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
General Government			
Legislative	\$ 45,979	\$ 0	\$ 0
Executive	237,820	0	13,353
Finance and Tax Collection	166,515	0	0
Professional Services	127,668	0	0
General Government	975,306	290,814	62,190
Public Safety			
Police	2,929,589	234,163	218,047
Fire	443,753	0	234,667
Code Enforcement and Planning and Zoning	211,771	330,118	9,094
Highways			
Highway Maintenance	1,313,772	160,685	420,215
Snow and Ice Removal	95,315	8,090	0
Traffic Signals	26,443	4,938	0
Street Lights	38,713	69,341	0
Parks and Recreation	210,932	18,970	6,104
Conservation and Development	25,180	0	0
Total Governmental Activities	<u>\$ 6,848,756</u>	<u>\$ 1,117,119</u>	<u>\$ 963,670</u>

General Revenues
 Taxes
 Real Estate Taxes
 Real Estate Transfer Taxes
 Earned Income Taxes
 Other Taxes
 Interest Income and Rents
 Miscellaneous
 Gain on Disposal of Capital Assets
 Total General Revenues

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

See Notes to Financial Statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
\$ 0	\$ (45,979)
0	(224,467)
0	(166,515)
0	(127,668)
0	(622,302)
0	(2,477,379)
0	(209,086)
0	127,441
228,035	(504,837)
0	(87,225)
0	(21,505)
0	30,628
1,000	(184,858)
0	(25,180)
<u>\$ 229,035</u>	<u>(4,538,932)</u>

1,831,598
298,412
3,101,522
264,297
108,113
3,128
12,199
<u>5,619,269</u>
1,080,337
<u>24,598,376</u>
<u>\$ 25,678,713</u>

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2011**

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Capital Projects Fund</u>
Assets			
Cash	\$ 992,194	\$ 2,907,856	\$ 346,502
Taxes Receivable	1,168,843	519,514	0
Other Receivables	95,581	0	0
Due (to) from Other Funds	<u>(12,229)</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 2,244,389</u>	<u>\$ 3,427,370</u>	<u>\$ 346,502</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 37,736	\$ 774	\$ 1,831
Accrued Wages and Benefits	90,217	0	0
Deferred Revenue	<u>831,344</u>	<u>387,267</u>	<u>0</u>
Total Liabilities	<u>959,297</u>	<u>388,041</u>	<u>1,831</u>
Fund Balances			
Restricted	12,738	2,789,676	0
Committed	863	0	0
Assigned	0	249,653	344,671
Unassigned	<u>1,271,491</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>1,285,092</u>	<u>3,039,329</u>	<u>344,671</u>
Total Liabilities and Fund Balances	<u>\$ 2,244,389</u>	<u>\$ 3,427,370</u>	<u>\$ 346,502</u>

See Notes to Financial Statements.

Recreation Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
\$ 421,902	\$ 694,163	\$ 5,362,617
0	23,556	1,711,913
0	0	95,581
0	12,870	641
<u>0</u>	<u>12,870</u>	<u>641</u>
<u>\$ 421,902</u>	<u>\$ 730,589</u>	<u>\$ 7,170,752</u>
\$ 0	\$ 13,941	\$ 54,282
0	0	90,217
0	14,921	1,233,532
<u>0</u>	<u>28,862</u>	<u>1,378,031</u>
0	384,556	3,186,970
0	0	863
421,902	317,171	1,333,397
0	0	1,271,491
<u>421,902</u>	<u>701,727</u>	<u>5,792,721</u>
<u>\$ 421,902</u>	<u>\$ 730,589</u>	<u>\$ 7,170,752</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2011

Total Governmental Fund Balances	\$ 5,792,721
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because	
Capital Assets Used in Governmental Activities Are Not Financial Resources, and Therefore Not Reported in Funds, Net of Accumulated Depreciation of \$15,985,495.	19,934,616
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	1,233,532
Long-Term Liabilities Are Not Due and Payable in the Current Period, and Therefore Are Not Reported in the Funds.	
General Obligation Notes Payable	(1,191,569)
Compensated Absences	<u>(90,587)</u>
Net Assets of Governmental Activities	<u><u>\$ 25,678,713</u></u>

See Notes to Financial Statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2011

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Capital Projects Fund</u>
Revenues			
Taxes	\$ 3,762,751	\$ 996,055	\$ 0
Intergovernmental Revenues	582,275	0	127,809
Charges for Services	628,523	0	0
Fines, Licenses and Permits	382,910	0	0
Interest Income and Rents	69,908	22,173	3,282
Miscellaneous	21,576	0	76,119
Total Revenues	<u>5,447,943</u>	<u>1,018,228</u>	<u>207,210</u>
Expenditures			
General Government	663,959	0	0
Public Safety	3,377,722	0	3,849
Highways	893,225	0	0
Parks and Recreation	0	0	0
Conservation and Development	10,000	15,180	0
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	0	0	185,980
Miscellaneous Governmental	39,548	0	0
Total Expenditures	<u>4,984,454</u>	<u>15,180</u>	<u>189,829</u>
Net Change in Fund Balances	463,489	1,003,048	17,381
Fund Balances			
Beginning of Year	<u>821,603</u>	<u>2,036,281</u>	<u>327,290</u>
Ending of Year	<u>\$ 1,285,092</u>	<u>\$ 3,039,329</u>	<u>\$ 344,671</u>

See Notes to Financial Statements.

<u>Recreation Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 0	\$ 706,374	\$ 5,465,180
0	349,282	1,059,366
0	18,970	647,493
0	0	382,910
4,040	8,710	108,113
1,000	67,349	166,044
<u>5,040</u>	<u>1,150,685</u>	<u>7,829,106</u>
0	8,909	672,868
0	158,623	3,540,194
0	283,297	1,176,522
1,000	170,554	171,554
0	0	25,180
0	212,902	212,902
0	50,250	50,250
27,606	171,980	385,566
0	0	39,548
<u>28,606</u>	<u>1,056,515</u>	<u>6,274,584</u>
(23,566)	94,170	1,554,522
<u>445,468</u>	<u>607,557</u>	<u>4,238,199</u>
<u>\$ 421,902</u>	<u>\$ 701,727</u>	<u>\$ 5,792,721</u>

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Reconciliation of the Net Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2011**

Net Change in Fund Balances - Total Governmental Funds: \$ 1,554,522

Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because

Governmental Funds Report Capital Outlays As Expenditures. However, in the Statement of Activities, the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives as Depreciation Expense. This Is the Amount By Which Capital Outlays of \$385,566 Was Less Than Depreciation Expense of \$1,175,105 and the Loss of \$0 on Capital Assets Sold or Disposed of in the Current Year. (789,539)

Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds.

Taxes Receivable 99,987

Repayment of Note Payable Principal Is an Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Assets. 212,902

Some Expenses Reported in the Statement of Activities Do Not Require the Use of Current Financial Resources, and Therefore Are Not Reported As Expenditures in Governmental Funds.

Compensated Absences 2,465

Change in Net Assets of Governmental Activities \$ 1,080,337

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Fiduciary Net Assets
December 31, 2011

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 0	\$ 1,349,977
Investments	<u>10,246,933</u>	<u>0</u>
Total Assets	<u>10,246,933</u>	<u>1,349,977</u>
Liabilities		
Due to Other Funds	0	641
Escrow Deposits	<u>0</u>	<u>1,349,336</u>
Total Liabilities	<u>0</u>	<u>\$ 1,349,977</u>
Net Assets		
Held in Trust for Pension Benefits	<u>\$ 10,246,933</u>	

See Notes to Financial Statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Changes in Fiduciary Net Assets
Year Ended December 31, 2011

Additions

Contributions:

Commonwealth	\$ 285,418
Member	34,301
Employer (Township)	1,659
Total Contributions	321,378

Investment Income	566,182
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Total Additions	887,560
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Deductions

Insurance Premiums	3,666
Administrative	960
Miscellaneous	9,451
Total Deductions	14,077

Increase in Net Assets	873,483
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Net Assets, Held in Trust

Beginning of Year	9,373,450
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End of Year	\$ 10,246,933
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HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies

Hilltown Township was incorporated in 1721, in Bucks County, Pennsylvania. The Township is classified as a “Township of the Second Class” under the laws of the Commonwealth of Pennsylvania and provides the following services as authorized by its charter: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general and administrative services.

The Township’s statements are prepared in compliance with GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*. Significant aspects of the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and changes in financial position.
- Financial statements prepared using full accrual accounting for all of the Township’s activities, including infrastructure (roads, bridges, etc.).
- A focus on major funds in the fund financial statements.

The Township complies with accounting principles generally accepted in the United States of America (GAAP) except as disclosed in Note 1A, Reporting Entity, below. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting Entity

The Township’s financial reporting entity comprises the following:

Primary Government:	Hilltown Township
Component Unit:	Hilltown Township Water and Sewer Authority

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Government Accounting Standards Board (GASB) Statement No. 14 requires Hilltown Township to include all component units in its annual financial statements. A component unit is defined as any legally separate entity which is controlled by and is financially accountable to the Township. Based upon the fact that the Township is responsible for appointing the Authority board members, the Hilltown Township Water and Sewer Authority (Authority) is considered a component unit of Hilltown Township. Accordingly, the Authority's financial activity would normally be included in the Township's financial statements under GAAP.

Management has elected to not include the financial activities of the Authority in the Township's financial statements. Therefore, these financial statements should be read in conjunction with the financial statements of the Authority. A copy of the Authority's financial statements can be obtained by contacting Hilltown Township Water and Sewer Authority.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the reporting government as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are also excluded from the government-wide financial statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FUND FINANCIAL STATEMENTS

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into two major categories: governmental and fiduciary.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the Township or if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The funds of the financial reporting entity are described below.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. The Operating Reserve Fund has been combined with the General Fund effective 2011, to conform with the fund definitions set forth in GASB 54 – *Fund Balance Reporting and Governmental Type Definitions*.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Special Revenue Funds (Continued)

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Liquid Fuels	Accounts for revenues and expenditures of state liquid fuels grant funds	No
Street Light	Accounts for revenues and expenditures of street light tax funds	No
Fire Tax	Accounts for revenues and expenditures of fire protection tax funds	No
Open Space	Accounts for tax money received for protection of open space	Yes
Park and Recreation	Accounts for tax money received for parks and recreation	No

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Capital Projects Funds

Capital projects funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Fund	Description	Major Fund?
Capital Project	Accounts for funds received from developers to be spent for capital projects in the Township	Yes
Road Equipment	Accounts for tax money received for the purchase of road equipment	No
Recreation Capital Reserve	Accounts for funds received from developers in lieu of recreation improvements to be used to construct recreational and park facilities	Yes
Stormwater System Reserve	Accounts for funds received from developers in lieu of stormwater improvements	No

Debt Service Fund - This fund is used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Fiduciary Funds

Pension Trust Funds and Agency Funds - Pension Trust Funds (which include the Police and Non-Uniform Pension Plans that are administered by the Pennsylvania Municipal Retirement System) and Agency Funds (which include the Developers Escrow and Sewer Maintenance Funds) are used to account for assets held by a third party in the Township's name in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Pension Trust Funds and Agency Funds are custodial in nature and do not involve measurement of results of operations.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset is used.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data

The following procedures are used by the Township in establishing budgetary data which is reflected in the financial statements.

1. The Township prepares and advertises a proposed budget at least 20 days before the budget is adopted.
2. Public hearings are conducted to obtain comments from taxpayers regarding the proposed budget.
3. The budget is formally adopted by the Board members prior to December 31.
4. The budget is prepared and adopted using the modified accrual basis of accounting, which is consistent with the basis used by the Township for financial reporting.
5. Amendments may be approved by the Board during the year.

E. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 8 for details of interfund transactions, including receivables and payables at year end.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Township is permitted to lien the resident's property if the resident does not remit payment. Major receivable balances for the governmental activities include real estate taxes, earned income taxes, franchise taxes, grants, and police fines.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as real estate tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

G. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Repairs and maintenance are recorded as expenditures, and renewals and betterments are capitalized. All capital assets are valued at historical cost, except for infrastructure acquired before January 1, 2004, which is valued at estimated historical cost less accumulated depreciation.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

Government-wide Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives and the capitalization level by type of asset is shown below.

<u>Classifications</u>	<u>Years</u>
Land/Park Improvements	10-20
Buildings and Improvements	20-40
Equipment	5-10
Vehicles	5-10
Furniture and Fixtures	10
Traffic Lights	20
Infrastructure	40

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

H. Long-Term Debt

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

I. Compensated Absences

Township uniformed employees accumulate vacation and sick time in accordance with their contract. Uniformed employees can earn up to 240 hours of vacation time depending on their years of service. Uniformed employees may carry over 120 unused vacation hours per year.

Uniformed employees are entitled to up to 96 hours of sick leave per year. Sick time can be carried over, and up to 360 hours can be accumulated from year to year. Upon retirement, resignation or termination, the employee is not paid for accumulated sick time.

Township non-uniformed employees accumulate vacation and sick time in accordance with their contract. Non-uniformed employees can earn up to 184 hours of vacation time depending on their years of service. Non-uniformed employees may carry over 240 hours of vacation per year.

Non-uniformed employees are entitled to up to 96 hours of sick leave per year. Sick time can be carried over, and up to 240 hours of sick leave can be accumulated from year to year. Upon retirement, resignation or termination, non-uniformed employees are not paid for accumulated sick time.

The Township is liable to employees in the amount of \$90,587 for vested vacation pay at December 31, 2011.

J. Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. **Invested in capital assets, net of related debt** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted net assets** - Consists of net assets with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3. **Unrestricted Net Assets** - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

J. Equity Classifications (Continued)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact. The Township did not have any nonspendable fund balances at December 31, 2011.

Restricted – includes amounts that are restricted for specific purposes by constitutional provisions, enabling legislation, or externally imposed constraints.

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Board of Supervisors. The constraint can only be changed or removed by another formal action of the Board. The Township's fund balance policy requires passage of a Resolution or an Ordinance by the Board in order to set aside funds as Committed.

Assigned – includes amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Assigned balances include all remaining government fund amounts, other than the General Fund, that are not classified as nonspendable, restricted or committed, and are intended for a specific purpose. The intent is expressed by the Board, or an individual to whom the Board has designated authority. The Township's fund balance policy grants this authority to the Township Manager and Finance Director/Treasurer, as well as the Board of Supervisors.

Unassigned – this amount is the residual classification for the General Fund, and any negative fund balances in other governmental funds. Other governmental funds cannot report any positive unassigned amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts, then unassigned amounts.

The Township does not currently have a formal minimum fund balance policy.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

K. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

L. Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

M. Estimates

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

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

2. Cash and Investments

Cash and investments as of December 31, 2011, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash	\$ 5,362,617
Statement of Fiduciary Net Assets:	
Cash	1,349,977
Investments	<u>10,246,933</u>
 Total Cash and Investments	 <u>\$ 16,959,527</u>

A. Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. All Township deposits are entirely insured or collateralized under a pooled asset program to secure public deposits, in accordance with Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2011, \$6,562,194 of the Township's bank balance of \$6,812,194 was uninsured, but collateralized by securities held by the bank or by its trust department or agent but not in the Township's name.

B. Investments

At December 31, 2011, the Township's investments of \$10,246,933 were all held in fiduciary funds. The funds are invested in an external investment pool with the Pennsylvania Municipal Retirement System (PMRS) and are reported at fair value. PMRS functions as the investment and administrative agent for the Township's police and non-uniform pension plans (see Note 9).

Investments Authorized by the Township

The Township does not currently have an investment policy as all of their governmental funds are held in bank accounts. Fiduciary investments are held and managed by PMRS.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating organizations such as Moody's Investor Services (Moody's) and Standard & Poor's (S&P). The Township does not currently have a policy with regard to credit risk. The credit risk for the Township's investments held in trust with PMRS was not available at December 31, 2011.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

2. Cash and Investments (Continued)

B. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information on the Township's interest rate risk on its fiduciary investments was not available to the Township at December 31, 2011.

3. Fiduciary Funds - Escrow Fund

The Escrow Fund is an Agency Fund in that the Township has custodial capacity of funds deposited with it on behalf of developers and other applicants. At December 31, 2011, the Township had \$1,349,336 in escrow deposits and sewer maintenance deposits.

4. Property Taxes

Taxes are levied on March 1, based on the assessed value established by the Bucks County Board of Assessments. Real property in the Township was originally assessed at \$210,522,400 for 2011. Property taxes attach as an enforceable lien on property as of January 15 of the following year. The Township receives all tax collections through its tax collector. The Township is legally permitted to levy up to 14 mills of assessed property valuation for general purposes (19 mills with court approval), and 3 mills for fire tax purposes. The Township had the following millage rates for the year ended December 31, 2011: general purposes, 5.75 mills; fire tax purposes, .75 mills; debt service, 1.25 mills; park and recreation purposes, .5 mills; road equipment, .5 mills.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

5. Capital Assets

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

	Balance 1/1/11	Additions	Disposals	Balance 12/31/11
Governmental Activities				
Assets Not Being Depreciated				
Land	\$ 6,635,754	\$ 0	\$ 0	\$ 6,635,754
Depreciable Assets				
Land/Park Improvements	814,324	27,606	0	841,930
Buildings and Improvements	3,319,106	13,700	0	3,332,806
Equipment	1,013,005	11,487	0	1,024,492
Vehicles	1,592,096	36,348	29,559	1,598,885
Furniture and Fixtures	84,539	0	0	84,539
Traffic Lights	149,302	0	0	149,302
Infrastructure	21,955,978	296,425	0	22,252,403
Total at Historical Cost	<u>35,564,104</u>	<u>385,566</u>	<u>29,559</u>	<u>35,920,111</u>
Less Accumulated Depreciation				
Land/Park Improvements	174,825	30,853	0	205,678
Buildings and Improvements	1,173,821	85,167	0	1,258,988
Equipment	715,669	65,849	0	781,518
Vehicles	1,207,274	158,476	29,559	1,336,191
Furniture and Fixtures	69,639	2,841	0	72,480
Traffic Lights	16,784	7,712	0	24,496
Infrastructure	11,481,937	824,207	0	12,306,144
Total Accumulated Depreciation	<u>14,839,949</u>	<u>1,175,105</u>	<u>29,559</u>	<u>15,985,495</u>
Total Governmental Activities				
Net Capital Assets	<u>\$ 20,724,155</u>	<u>\$ (789,539)</u>	<u>\$ 0</u>	<u>\$ 19,934,616</u>

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 843,104
Police	45,961
Highway Maintenance	245,894
Fire	768
Park	<u>39,378</u>
Total Depreciation Expense	<u>\$ 1,175,105</u>

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

6. Long-Term Note

The Township's General Long-Term Note changed during the year as follows:

Balance at January 1, 2011	\$ 1,404,471
Principal Payments	<u>(212,902)</u>
Balance at December 31, 2011	<u>\$ 1,191,569</u>

2002 General Obligation Note

On January 8, 2002, the Township issued a General Obligation Note in the amount of \$3,000,000. The interest rate on this note was 3.3% per annum through January 2007. In December 2006, the bank set a new rate of 3.95% for the next five years. The rate was readjusted effective January 15, 2012, to a floating rate of 60% of the bank's base rate, with a ceiling of 5.50% per annum. The adjusted rate at the time of the readjustment was 1.95% per annum. The note was issued for the purpose of refunding the 1999 General Obligation Note and constructing a new public works maintenance building. The note was issued as non-electoral debt. The Township has pledged its full faith, credit, and taxing power, and is required to include in its budget for each year the amount of debt service on the note which will be payable in such fiscal year. The debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 243,649	1.95%	\$ 21,461	\$ 265,110
2013	248,435	1.95%	16,675	265,110
2014	253,315	1.95%	11,795	265,110
2015	258,291	1.95%	6,819	265,110
2016	<u>187,879</u>	1.95%	<u>1,790</u>	<u>189,669</u>
	<u>\$ 1,191,569</u>		<u>\$ 58,540</u>	<u>\$ 1,250,109</u>

Interest expense was \$50,250 for the year.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

7. Fund Balance Classifications

	General Fund	Open Space Fund	Capital Projects Fund	Recreational Capital Reserve Fund	Nonmajor Governmental Funds	Total
Restricted for:						
Infrastructure Repair	\$ 12,738	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,738
Open Space Preservation	0	2,789,676	0	0	0	2,789,676
Street Light Costs	0	0	0	0	13,089	13,089
Highway Improvements	0	0	0	0	75,107	75,107
Parks and Recreation	0	0	0	0	119,444	119,444
Public Works Equipment Acquisition	0	0	0	0	176,916	176,916
	<u>12,738</u>	<u>2,789,676</u>	<u>0</u>	<u>0</u>	<u>384,556</u>	<u>3,186,970</u>
Committed for:						
General Operations	<u>863</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>863</u>
Assigned for:						
Open Space Preservation	0	249,653	0	0	0	249,653
Capital Acquisition and Construction	0	0	344,671	0	0	344,671
Parks and Recreation Improvements	0	0	0	421,902	142,069	563,971
Fire Protection	0	0	0	0	3,371	3,371
Public Works Equipment Acquisition	0	0	0	0	36,049	36,049
Stormwater System Improvements	0	0	0	0	111,893	111,893
Debt Service	0	0	0	0	23,789	23,789
	<u>0</u>	<u>249,653</u>	<u>344,671</u>	<u>421,902</u>	<u>317,171</u>	<u>1,333,397</u>
Unassigned	<u>1,271,491</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,271,491</u>
Total Fund Balances	<u>\$ 1,285,092</u>	<u>\$ 3,039,329</u>	<u>\$ 344,671</u>	<u>\$ 421,902</u>	<u>\$ 701,727</u>	<u>\$ 5,792,721</u>

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

8. Interfund Transactions

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due to/from			
Net Funds Advanced for Operating Costs	Street Light	General	\$12,870
Interest Income Payable	General	Escrow	\$641

9. Defined Benefit Pension Plans

A. Description of Plans

The Township contributes to two public employee retirement systems (PERS), one for its police employees and one for its non-uniformed employees, established in 1980 by resolutions 80-16 and 80-15, respectively. The plans provide retirement, disability, and death benefits to police officers and non-uniformed employees. Both plans are part of the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employees' retirement system (PERS). It is the responsibility of PMRS to function as the investment and administrative agent for the Township with respect to the plans. PMRS maintains each municipality's plans separately with that municipality's contributions and related employees' contributions and account earnings and activity. Assets are held separately and may only be used for the payment of benefits to members of the plans.

Additional disclosures required by GASB Statement No. 25 are contained in a separate financial report of each of the plans prepared by PMRS. A copy of the plans' financial statements can be obtained by writing to the Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

9. Defined Benefit Pension Plans (Continued)

B. Funding Policy

The Township's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The employer's contribution rate for normal cost is determined using the entry age normal actuarial funding method. Normal cost is funded on a current basis. Under Act 205 of 1984, the unfunded actuarial accrued liability is amortized as a level dollar amount over the lesser of:

1.
 - 30 years, with respect to the initial liability as of 1/1/85 (or first valuation);
 - 20 years, with respect to changes due to plan provisions and actuarial assumptions;
 - 10 years, with respect to changes in benefits for currently retired members;
 - 15 years, with respect to actuarial gains and losses; or
2. The average assumed working lifetime of active employees as of the date the liability was established.

The Township's covered employees may be required to contribute a percentage of their salary to the employees' PERS as noted above. The Township is required to contribute the remaining amounts necessary to fund the plans, using the actuarial basis specified by state statute. The Commonwealth of Pennsylvania also provides funds (distribution of foreign casualty insurance premium taxes) to the Township, which are used by the Township in making its regular contributions to the plans.

Other significant actuarial assumptions used to compute the actuarially determined contribution requirements are as follows:

1. The present value of future pension payments was computed by using a discount rate of 6.0%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
2. The estimated long-term rate of return on investments is 6.0%.
3. Future pension payments reflect an average assumption of a 5.2% salary increase (3.0% for inflation, plus age-related scale to reflect merit and promotion).

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

9. Defined Benefit Pension Plans (Continued)

C. Annual Pension Cost and Net Pension Obligation

During 1998, the Township adopted GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. This statement sets forth provisions for recognizing annual pension cost, a net pension obligation or asset, and disclosure thereof.

The Township's annual pension cost and change in the net pension asset for the current year were calculated as follows:

	<u>Police</u>	<u>Non-Uniform</u>
Annual Required Contribution	\$ 209,545	\$ 77,532
Interest on Net Pension Obligation	(1,437)	(1,227)
Adjustment to Annual Required Contribution	<u>2,466</u>	<u>2,105</u>
Annual Pension Cost	210,574	78,410
Contribution Made	<u>209,545</u>	<u>77,532</u>
Decrease in Net Pension Asset	(1,029)	(878)
Net Pension Asset		
Beginning of Year	<u>23,948</u>	<u>20,448</u>
End of Year	<u>\$ 22,919</u>	<u>\$ 19,570</u>

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

9. Defined Benefit Pension Plans (Continued)

C. Annual Pension Cost and Net Pension Obligation (Continued)

The annual required contribution for the current year was determined as part of the January 1, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 6.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.2%.

Three-Year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
Police Pension Plan			
12/31/09	\$237,705	99.5%	\$25,023
12/31/10	\$254,808	99.5%	\$23,948
12/31/11	\$210,574	99.5%	\$22,919
Non-Uniform Pension Plan			
12/31/09	\$69,970	98.6%	\$21,366
12/31/10	\$78,802	98.8%	\$20,448
12/31/11	\$78,410	98.9%	\$19,570

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

9. Defined Benefit Pension Plans (Continued)

D. Funded Status and Funding Progress

Valuation January 1st	(1) <u>Actuarial Value of Assets</u>	(2) <u>Actuarial Accrued Liability</u>	(3) <u>Percentage Funded</u> (1)/(2)	(4) <u>Unfunded (assets in excess of) Actuarial Accrued Liability</u> (2)-(1)	(5) <u>Projected Annual Covered Payroll</u>	(6) <u>Unfunded (assets in excess of) Actuarial Accrued Liability as % of Payroll</u> (4)/(5)
Police Pension Plan						
2011	\$9,135,130	\$9,746,831	93.7%	\$611,701	\$1,791,876	34.1%
Non-Uniform Pension Plan						
2011	\$3,002,447	\$2,953,392	101.7%	\$(49,055)	\$1,146,662	(4.37)%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Additional information as of the latest actuarial valuation follows.

	<u>Police</u>	<u>Non-Uniform</u>
Valuation Date	1/1/11	1/1/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Closed	Level Dollar Closed
Amortization Period	12 Years	N/A
Asset Valuation Method	Fair Value	Fair Value
Actuarial Assumptions		
Investment Rate of Return	6.0%	6.0%
Projected Salary Increases	Salary Scale	Salary Scale
Cost of Living Adjustments	3.0%	3.0%

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011**

9. Defined Benefit Pension Plans (Continued)

E. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. GAAP requires trend information for ten years to be presented as required supplementary information. Trend information may be found beginning on page 52.

10. Post-Employment Benefits

In addition to the pension benefits described in Note 9, the Township provides post-employment health care benefits through a defined contribution plan, in accordance with the retiree medical plan, to all uniformed employees who retire from the Township in accordance to the criteria outlined in the pension plan agreement.

The Township makes yearly contributions to a medical reimbursement account established on behalf of each eligible employee, based on years of service as of the effective date of the plan. The contribution for the year ended December 31, 2011, was \$26,262. Employees are not required to contribute to the plan.

Under the terms of the plan, eligible retirees shall be entitled to receive reimbursement for eligible medical expenses up to the amount maintained in their medical reimbursement account maintained for the respective retiree. Eligible medical expenses are any medical expenses that would be eligible for deduction on an individual income tax return, other than direct long-term care expenses, and without regard to any limitations imposed based on the adjusted gross income of an eligible employee. Any plan participant who separates from police employment with the Township prior to retirement shall have his or her medical reimbursement accounts revert back to the Township. The accounts also revert back to the Township upon the death of the participant.

The plan became effective January 1, 2009. Currently, there are no retirees receiving benefits and 17 uniformed employees are receiving contributions in their medical reimbursement account.

11. Risk Management

The Township is exposed to various kinds of loss related to limited torts; theft of, and damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance.

a. Health Care Coverage

The Township contracts with a commercial insurance company to provide health insurance benefits to supervisors, employees and their dependents.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2011

11. Risk Management (Continued)

b. Workers' Compensation Coverage

The Township contracts with the State Workers' Insurance Fund to provide workers' compensation benefits to employees.

c. Insurance Coverage

The Township contracts with a commercial insurance company to provide commercial, liability and bonding coverage for the Township.

Management believes the above coverages are sufficient to preclude any significant uninsured losses to the Township. There have been no significant reductions in coverage from the prior year.

12. Contingencies

The Township is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Township, management feels that any settlement of judgment not covered by insurance would not materially affect the financial condition of the Township.

13. Related Party Transactions

During the year, the Township received \$25,920 from the Hilltown Township Water and Sewer Authority for cell tower rentals.

14. Subsequent Events

Management has evaluated subsequent events through March 28, 2012, the date which the financial statements were available to be issued.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Funding Progress
December 31, 2011
(Unaudited)**

Valuation January 1st	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded (assets in excess of) Actuarial Accrued Liability (2)-(1)	(5) Projected Annual Covered Payroll	(6) Unfunded (assets in excess of) Actuarial Accrued Liability as % of Payroll (4)/(5)
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POLICE PENSION PLAN

2003	\$5,848,138	\$5,775,579	101.3%	\$(72,559)	\$1,180,364	(6.2)%
2005	\$6,539,092	\$6,951,001	94.1%	\$411,909	\$1,383,291	29.8%
2007	\$6,892,509	\$7,450,839	92.5%	\$558,330	\$1,541,485	36.2%
2009	\$8,026,816	\$8,275,846	97.0%	\$249,030	\$1,620,056	15.4%
2011	\$9,135,130	\$9,746,831	93.7%	\$611,701	\$1,791,876	34.1%

NON-UNIFORM PENSION PLAN

2003	\$1,606,243	\$1,571,707	102.2%	\$(34,536)	\$800,926	(4.3)%
2005	\$1,911,609	\$1,964,333	97.3%	\$52,724	\$878,957	6.0%
2007	\$2,223,801	\$2,222,388	100.0%	\$(1,413)	\$821,673	(0.2)%
2009	\$2,614,805	\$2,517,650	103.4%	\$(97,155)	\$959,928	(10.1)%
2011	\$3,002,447	\$2,953,392	101.7%	\$(49,055)	\$1,146,662	(4.3)%

Isolated analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the Township's police PERS funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Contributions from Employers and Other Contributing Entities
December 31, 2011
(Unaudited)**

Year	Annual Required Contribution (ARC)	Employer Contribution	State Aid	Contributions as a % of ARC
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POLICE PENSION PLAN

2003	\$114,797	\$0	\$114,787	100.0%
2004	\$111,146	\$9,249	\$101,897	100.0%
2005	\$162,113	\$53,530	\$108,583	100.0%
2006	\$166,412	\$58,314	\$108,098	100.0%
2007	\$233,208	\$110,660	\$122,548	100.0%
2008	\$244,084	\$108,984	\$135,100	100.0%
2009	\$236,582	\$128,959	\$127,623	100.0%
2010	\$253,733	\$130,809	\$122,924	100.0%
2011	\$209,545	\$0	\$209,545	100.0%

NON-UNIFORM PENSION PLAN

2003	\$50,512	\$20,589	\$29,923	100.0%
2004	\$48,225	\$4,555	\$43,670	100.0%
2005	\$61,138	\$14,602	\$46,536	100.0%
2006	\$57,261	\$10,933	\$46,328	100.0%
2007	\$64,659	\$30,094	\$34,565	100.0%
2008	\$73,661	\$39,886	\$33,775	100.0%
2009	\$69,011	\$37,105	\$31,906	100.0%
2010	\$77,884	\$39,066	\$38,818	100.0%
2011	\$77,532	\$1,659	\$75,873	100.0%

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General and Open Space Funds
Year Ended December 31, 2011

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 3,496,190	\$ 3,762,751	\$ 266,561
Intergovernmental Revenues	371,100	582,275	211,175
Charges for Services	493,288	628,523	135,235
Fees, Licenses and Permits	366,600	382,910	16,310
Interest Income and Rents	54,150	69,908	15,758
Miscellaneous	6,500	21,576	15,076
Total Revenues	<u>4,787,828</u>	<u>5,447,943</u>	<u>660,115</u>
Expenditures			
General Government	727,706	663,959	63,747
Public Safety	3,265,036	3,377,722	(112,686)
Highways	912,163	893,225	18,938
Conservation and Development	10,000	10,000	0
Miscellaneous Governmental	71,183	39,548	31,635
Total Expenditures	<u>4,986,088</u>	<u>4,984,454</u>	<u>1,634</u>
Excess (Deficiency) of Revenues Over Expenditures	(198,260)	463,489	661,749
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>72,000</u>	<u>0</u>	<u>(72,000)</u>
Net Change in Fund Balances	(126,260)	463,489	589,749
Fund Balances			
Beginning of Year	<u>685,482</u>	<u>821,603</u>	<u>136,121</u>
End of Year	<u>\$ 559,222</u>	<u>\$ 1,285,092</u>	<u>\$ 725,870</u>

See Notes to Financial Statements.

Open Space Fund

Budget	Actual	Variance Favorable (Unfavorable)
\$ 900,000	\$ 996,055	\$ 96,055
0	0	0
0	0	0
0	0	0
17,500	22,173	4,673
0	0	0
<u>917,500</u>	<u>1,018,228</u>	<u>100,728</u>
0	0	0
0	0	0
0	0	0
12,150	15,180	(3,030)
0	0	0
<u>12,150</u>	<u>15,180</u>	<u>(3,030)</u>
905,350	1,003,048	97,698
<u>0</u>	<u>0</u>	<u>0</u>
905,350	1,003,048	97,698
1,865,429	2,036,281	170,852
<u>\$ 2,770,779</u>	<u>\$ 3,039,329</u>	<u>\$ 268,550</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Schedules of Budget to Actual Comparisons
December 31, 2011

1. Basis of Presentation

The Township has prepared the Schedule of Budget to Actual Comparisons using the same format as the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Township did not amend its 2011 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

2. Differences in Budget Basis versus GAAP Basis

Miscellaneous governmental expenditures are budgeted for as such. Actual expenses have been allocated to activities.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011**

	<u>Fire Tax Fund</u>	<u>Street Light Fund</u>	<u>Liquid Fuels Fund</u>
Assets			
Cash	\$ 1,625	\$ 0	\$ 77,898
Taxes Receivable	5,135	1,450	0
Due (to) from Other Funds	<u>0</u>	<u>12,870</u>	<u>0</u>
Total Assets	<u><u>\$ 6,760</u></u>	<u><u>\$ 14,320</u></u>	<u><u>\$ 77,898</u></u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 0	\$ 0	\$ 2,791
Deferred Revenue	<u>3,389</u>	<u>1,231</u>	<u>0</u>
Total Liabilities	<u><u>3,389</u></u>	<u><u>1,231</u></u>	<u><u>2,791</u></u>
Fund Balances			
Restricted	0	13,089	75,107
Assigned	<u>3,371</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u><u>3,371</u></u>	<u><u>13,089</u></u>	<u><u>75,107</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 6,760</u></u>	<u><u>\$ 14,320</u></u>	<u><u>\$ 77,898</u></u>

<u>Park and Recreation Fund</u>	<u>Road Equipment Fund</u>	<u>Stormwater System Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 259,840	\$ 211,103	\$ 111,893	\$ 31,804	\$ 694,163
4,195	4,195	0	8,581	23,556
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,870</u>
<u>\$ 264,035</u>	<u>\$ 215,298</u>	<u>\$ 111,893</u>	<u>\$ 40,385</u>	<u>\$ 730,589</u>
\$ 189	\$ 0	\$ 0	\$ 10,961	\$ 13,941
2,333	2,333	0	5,635	14,921
<u>2,522</u>	<u>2,333</u>	<u>0</u>	<u>16,596</u>	<u>28,862</u>
119,444	176,916	0	0	384,556
142,069	36,049	111,893	23,789	317,171
<u>261,513</u>	<u>212,965</u>	<u>111,893</u>	<u>23,789</u>	<u>701,727</u>
<u>\$ 264,035</u>	<u>\$ 215,298</u>	<u>\$ 111,893</u>	<u>\$ 40,385</u>	<u>\$ 730,589</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2011

	<u>Fire Tax Fund</u>	<u>Street Light Fund</u>	<u>Liquid Fuels Fund</u>
Revenues			
Taxes	\$ 158,237	\$ 69,395	\$ 0
Intergovernmental Revenues	0	0	349,282
Charges for Services	0	0	0
Interest Income and Rents	503	0	2,197
Miscellaneous	0	0	0
Total Revenues	<u>158,740</u>	<u>69,395</u>	<u>351,479</u>
Expenditures			
General Government	2,227	0	0
Public Safety	158,623	0	0
Highways	0	36,858	237,039
Parks and Recreation	0	0	0
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	0	0	147,838
Total Expenditures	<u>160,850</u>	<u>36,858</u>	<u>384,877</u>
Net Change in Fund Balances	(2,110)	32,537	(33,398)
Fund Balances			
Beginning of Year	<u>5,481</u>	<u>(19,448)</u>	<u>108,505</u>
End of Year	<u>\$ 3,371</u>	<u>\$ 13,089</u>	<u>\$ 75,107</u>

<u>Park and Recreation Fund</u>	<u>Road Equipment Fund</u>	<u>Stormwater System Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 107,577	\$ 107,577	\$ 0	\$ 263,588	\$ 706,374
0	0	0	0	349,282
18,970	0	0	0	18,970
2,910	1,585	954	561	8,710
0	0	67,349	0	67,349
<u>129,457</u>	<u>109,162</u>	<u>68,303</u>	<u>264,149</u>	<u>1,150,685</u>
1,485	1,485	0	3,712	8,909
0	0	0	0	158,623
0	0	9,400	0	283,297
170,554	0	0	0	170,554
0	0	0	212,902	212,902
0	0	0	50,250	50,250
0	0	24,142	0	171,980
<u>172,039</u>	<u>1,485</u>	<u>33,542</u>	<u>266,864</u>	<u>1,056,515</u>
(42,582)	107,677	34,761	(2,715)	94,170
<u>304,095</u>	<u>105,288</u>	<u>77,132</u>	<u>26,504</u>	<u>607,557</u>
<u>\$ 261,513</u>	<u>\$ 212,965</u>	<u>\$ 111,893</u>	<u>\$ 23,789</u>	<u>\$ 701,727</u>