

TOWNSHIP OF HANOVER
NORTHAMPTON COUNTY, PENNSYLVANIA

**FINANCIAL STATEMENTS
AND AUDITORS' REPORTS**

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2011





TOWNSHIP OF HANOVER

CONTENTS

AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORT	2-3
-------------------------------------	-----

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	4-5
---	-----

MANAGEMENT'S DISCUSSION AND ANALYSIS	6-15
---	------

GOVERNMENT WIDE FINANCIAL STATEMENTS

Statement of Net Assets – Modified Cash Basis	16
Statement of Activities – Modified Cash Basis	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Activities	18
Reconciliation of the Statement of Revenue, Expenditure and Changes in Fund Balance to the Statement of Activities	19

FINANCIAL STATEMENTS

Statements of Assets, Liabilities and Fund Equity - Cash Basis - Governmental Fund Types	20
Statements of Revenues, Expenditures and Changes in Fund Balances - Cash Basis - Governmental Fund Types	21
Statements of Net Assets - Cash Basis - Fiduciary Fund Types	22
Statements of Changes in Net Assets - Cash Basis - Fiduciary Fund Types	23

NOTES TO FINANCIAL STATEMENTS	24-34
--------------------------------------	-------

BUDGETARY STATEMENTS	35-37
-----------------------------	-------

COMBINING STATEMENTS	38-41
-----------------------------	-------

Gneiding, DeSanctis, Blizzard & Company, LLP

Certified Public Accountants

Howard D. Gneiding, CPA

Vincent H. DeSanctis, CPA, CVA

Robert E. Blizzard, Jr., CPA

Todd J. Bushta, CPA

INDEPENDENT AUDITORS' REPORT

TOWNSHIP OF HANOVER, NORTHAMPTON COUNTY

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Hanover as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Hanover's, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with *U.S. generally accepted auditing standards* and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. 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.

As discussed in Note 1, The Township of Hanover prepares its financial statements on a modified cash and cash basis of accounting, which are a comprehensive basis of accounting other than *U.S. generally accepted accounting principles*. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with *U.S. generally accepted accounting principles*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the respective changes in financial position, as of and for the year then ended December 31, 2011, in conformity with the other comprehensive basis of accounting referred to above.

The management's discussion and analysis and budgetary comparison information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2012 on our consideration of Township of Hanover's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hanover's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

G. Meisling, De Santis, Blizard, & Company, LLP

Gneiding, DeSanctis, Blizzard & Company, LLP

Certified Public Accountants

Howard D. Gneiding, CPA

Vincent H. DeSanctis, CPA, CVA

Robert E. Blizzard, Jr., CPA

Todd J. Bushta, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TOWNSHIP OF HANOVER

We have audited the financial statements of the Township of Hanover, as of and for the year ended December 31, 2011, and have issued our report thereon dated March 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Township of Hanover's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Hanover's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Hanover's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial control that we consider to be material weakness as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Township of Hanover's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

AUDITOR REPORTING AND OTHER COMMUNICATION CONSIDERATIONS

This report is intended solely for the information and use of management and that of government oversight bodies and is not intended to be and should not be used by anyone other than these specified parties.

G. Meining, De Luca, Blum, & Company, LLP

ALLENTOWN, PENNSYLVANIA
MARCH 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



TOWNSHIP OF HANOVER

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

The discussion and analysis of Township of Hanover's financial performance provides an overall review of the Township's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance.



Township of Hanover, Northampton County, was incorporated in 1798. The Township of the Second Class operates under an elected Board of Supervisors, and provides the following services to its residents: public safety, highways and streets, sanitation, culture-recreation, planning and zoning, and general administrative services.

FINANCIAL HIGHLIGHTS

Key government-wide financial highlights for 2011 are as follows:

- In total, net assets were \$22,888,148 at the end of the year.
- General revenues accounted for \$5,316,359 in 2011 or 57% of all revenues.
- Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$4,004,028 or 43% of total revenues of \$9,320,390.
- Total assets of governmental activities were \$25,149,096 of which \$6,377,864 represents unrestricted cash and investments.
- Fixed assets, net of accumulated depreciation, were \$13,438,757.
- The Township had \$8,136,060 in expenses, only \$4,004,028 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$5,316,359 were adequate to provide for these programs.
- Expenses, after program revenue was \$4,132,032 for the year.
- Federal and state intergovernmental revenues were \$880,581, which includes allocations from the Commonwealth for pension funding and liquid fuels tax.
- Real Estate Tax millage was unchanged from previous years at 3.90 mills, which includes a 0.5 mill tax for fire protection services.

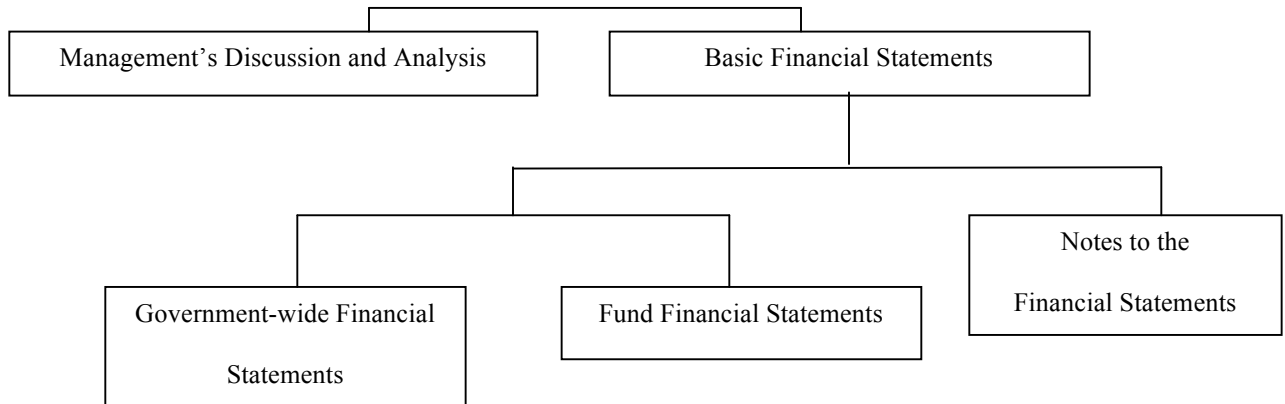
TOWNSHIP OF HANOVER

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPALS REPORT (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Township of Hanover as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.



The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Township's most significant funds with all other non-major funds. In the case of Township of Hanover, the General Fund is by far the most significant fund.

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Township to provide programs and activities, the view of the Township as a whole looks at all financial transactions and asks the question, "How did we do financially during the year?" The Statement of Net Assets and the Statement of Activities answer this question. The basis of accounting is that of modified cash. Which means, the financial information is reported on the cash basis and also include outstanding debt and fixed assets.

TOWNSHIP OF HANOVER

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Assets and the Statement of Activities (continued)

These two statements report the Township's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Township as a whole, the financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Township's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility condition, required public works and public safety activities, and other factors. In the Statement of Net Assets and the Statement of Activities, the Township reports governmental activities. Governmental activities are the activities where most of the Township's programs and services are reported including, but not limited to, general government, public works, public safety, and recreation.

Table 1 provides a summary of the Township's net assets:

Table 1

Net Assets

	2011	2010	2009	2008	2007
Assets					
Current and Other Assets	\$ 11,710,339	\$ 10,810,443	\$ 10,985,770	\$ 11,798,259	\$ 10,874,111
Capital Assets,					
Net of accumulated depreciation	<u>13,438,757</u>	<u>13,520,326</u>	<u>13,516,943</u>	<u>12,693,596</u>	<u>12,408,319</u>
	<u>25,149,096</u>	<u>24,330,769</u>	<u>24,502,713</u>	<u>24,491,855</u>	<u>23,282,430</u>
Liabilities					
Current Liabilities	380,000	366,000	595,890	576,172	697,477
Long-Term Liabilities	<u>1,880,948</u>	<u>2,260,948</u>	<u>2,818,907</u>	<u>3,914,031</u>	<u>4,930,031</u>
	<u>2,260,948</u>	<u>2,626,948</u>	<u>3,414,797</u>	<u>5,627,508</u>	<u>5,627,508</u>
Net Assets					
Invested in Capital Assets, Net of Debt	11,177,809	10,893,378	10,102,146	8,203,393	6,780,811
Restricted	7,151,321	6,648,551	6,337,355	7,439,323	7,034,588
Unrestricted	<u>4,559,018</u>	<u>4,161,892</u>	<u>4,648,215</u>	<u>4,358,936</u>	<u>3,839,922</u>
	<u>\$ 22,888,148</u>	<u>\$ 21,703,821</u>	<u>\$ 21,087,916</u>	<u>\$ 20,001,652</u>	<u>\$ 17,654,922</u>

TOWNSHIP OF HANOVER

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, decreased by \$486,323. You will note that the majority of the Township's net assets are "locked up" in fixed assets and restricted uses.

Table 2 provides a summary of the Township's statement of activities:

Table 2
Statement of Activities

	2011	2010	2009	2008	2007
Program Revenues					
Charges for Services	\$ 3,123,447	\$ 3,039,231	\$ 2,901,666	\$ 2,806,477	\$ 1,344,571
Operating Grants and Contributions	701,581	656,107	645,737	1,575,084	1,565,250
Capital Grants and Contributions	179,000	0	0	0	0
General Revenues					
Taxes	5,284,650	4,681,731	4,882,517	5,184,761	5,375,726
Investment Earnings	<u>31,709</u>	<u>50,800</u>	<u>129,228</u>	<u>389,461</u>	<u>518,703</u>
Total Revenues	<u>9,320,387</u>	<u>8,427,869</u>	<u>8,559,148</u>	<u>9,955,783</u>	<u>8,804,250</u>
Program Expenses					
General Government	974,898	1,089,102	834,905	824,549	478,340
Public Safety	2,115,809	1,994,804	1,967,643	1,864,552	2,032,541
Public Works	2,488,093	2,220,378	2,118,992	2,119,662	2,127,818
Cultural and Recreation	985,236	1,144,016	1,214,138	1,196,706	1,013,911
Other	1,228,493	972,346	912,074	1,127,326	840,603
Interest on Long-Term Debt	103,586	135,361	169,175	220,301	227,958
Unallocated Depreciation	<u>239,945</u>	<u>255,957</u>	<u>255,957</u>	<u>255,957</u>	<u>255,957</u>
Total Expenses	<u>8,136,060</u>	<u>7,811,964</u>	<u>7,472,884</u>	<u>7,609,053</u>	<u>6,977,128</u>
Increase in Net Assets	<u>\$ 1,184,327</u>	<u>\$ 615,905</u>	<u>\$ 1,086,264</u>	<u>\$ 2,346,730</u>	<u>\$ 1,827,122</u>

TOWNSHIP OF HANOVER

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue.

Table 3 Net Cost of Services

	2011	2010	2009	2008	2007
General Government	\$ 154,239	\$ 122,549	\$ (25,290)	\$ (116,441)	\$ 352,439
Public Safety	(1,724,255)	(1,866,347)	(1,578,056)	(1,255,802)	(1,497,603)
Public Works	(634,029)	(506,438)	(387,397)	(455,679)	(1,192,515)
Cultural and Recreation	(385,963)	(502,726)	(597,532)	(591,556)	(418,634)
Other	(1,198,493)	(972,346)	(912,074)	(331,756)	(827,079)
Interest on Long-Term Debt	(103,586)	(135,361)	(169,175)	(220,301)	(227,958)
Unallocated Depreciation	<u>(239,945)</u>	<u>(255,957)</u>	<u>(255,957)</u>	<u>(255,952)</u>	<u>(255,952)</u>
	<u><u>\$ (4,132,032)</u></u>	<u><u>\$ (4,116,626)</u></u>	<u><u>\$ (3,925,481)</u></u>	<u><u>\$ (3,227,487)</u></u>	<u><u>\$ (4,067,302)</u></u>

Defining the Classifications of Expenditure:

- General Government activities includes the activities of the legislative board of Supervisors, the Township manager's office, financial administration, legal counsel, insurance, and physical plant.
- Public safety activities includes police protection, code enforcement, fire protection, and planning.
- Public Works includes general services, servicing of streets and storm sewers, snow and ice removal, and maintenance of public facilities.
- Cultural and recreation includes the community center, library, parks, and special events.
- Other includes insurance and employee benefits
- Interest on long-term debt and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the Township.

TOWNSHIP OF HANOVER

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

Governmental Activities

The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 57% for 2011. The community, as a whole, is the primary support for the Township of Hanover. The real estate taxes for the Township are collected from Township residents. The tax on real estate, as levied by the Board. Taxable assessed valuation is \$ 497,129,100 as of December 2011 at 3.9 mills (\$3.90 per \$1,000 of assessed valuation), 3.4 mills for general purposes and 0.5 mills for fire protection. Assessed valuations of property are determined by Northampton County and the collectors are responsible for collection.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the Township's major funds. The Township uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Township's most significant funds.

Governmental Funds

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called cash basis, which measures cash receipts and disbursements. 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 programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

TOWNSHIP OF HANOVER

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

Governmental Activities

The following are the Township's governmental funds:

General Fund (Major Fund)

The general fund is the operating fund of the Township and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of The Commonwealth.

Capital Projects Funds (Major Fund) account for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds.

Special Revenue Fund (Non-major Fund)

The Special Revenue Fund accounts for specific revenue sources which are legally restricted to expenditures for specified purposes. The Township accounts for the liquid fuels tax and fire tax in this fund.

Debt Service Fund (Non-major Fund)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

The following are the Township's other funds:

Trust Funds are used to account for assets held by the Township in a trustee capacity. This includes the Pension Trust Fund. The Pension Trust Fund is used to account for the four retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

TOWNSHIP OF HANOVER

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

THE TOWNSHIP'S FUNDS

As indicated above, these funds are accounted for using the cash basis of accounting. All governmental funds had total revenues of \$9,320,387 with expenditures of \$8,420,491. Other financing sources and uses include transfers between the funds and net out to \$0. The net change in fund balance for the year was an increased of \$899,896 for governmental funds.

GENERAL FUND BUDGETING HIGHLIGHTS

The Township's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

CAPITAL ASSETS

At the end of the fiscal year, the Township had the following invested in land, buildings, furniture and equipment, and vehicles.

Table 4 Capital Assets

	Balance, Beginning	Additions	Disposals	Balance, Ending
CAPITAL ASSETS				
Land and Land Improvements	\$ 4,881,299	\$	\$	\$ 4,881,299
Infrastructure	1,406,475			1,406,475
Building & Improvements	9,423,342	31,902		9,454,181
Furniture and Equipment	2,294,822	126,474	109,703	2,312,656
	\$ 18,005,938	\$ 158,376	\$ 109,703	\$ 18,054,611
ACCUMULATED DEPRECIATION				
Building & Improvements	\$ 3,769,559	\$ 201,077	\$	3,970,636
Furniture and Equipment	716,053	38,868	109,703	645,218
	\$ 4,485,612	\$ 239,945	\$ 109,703	\$ 4,615,854

Description of the years Capital Asset Activity:

- Capital purchases were \$158,376 with disposals of \$109,703.
- Depreciation for the year was \$239,945.

TOWNSHIP OF HANOVER

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

DEBT SERVICE

Table 5 summarizes Long Term Debt:

	Balance, Beginning	Proceeds	Repayments	Balance, Ending
Notes – 2006	\$ 1,154,948	\$	\$ 100,000	\$ 1,054,948
Notes – 1998	1,472,000		266,000	1,206,000
	<u>\$ 2,626,948</u>	<u>\$ 0</u>	<u>\$ 366,000</u>	<u>\$ 2,260,948</u>

During 2010, the Township made advanced payments to satisfy the full outstanding principal for its 2006 A and 2004 general obligation notes.

*Table 6 summarizes
Debt Service to Maturity:*

	Debt Service
2012	\$ 505,403
2013	501,013
2014	495,986
2015	492,113
2016	147,500
2017	143,250
2018	139,000
2019	134,750
2020	130,500
2021	126,250
2022	<u>56,126</u>
Total	\$ 2,871,891.00
Less: Interest Portion	<u>664,943</u>
Outstanding Principal	<u>\$ 2,206,948</u>

TOWNSHIP OF HANOVER

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

DECEMBER 31, 2011

CURRENT FINANCIAL ISSUES AND CONCERNS

In conclusion, The Township of Hanover continues to be financially sound. The Township of Hanover has committed itself to being fiscally responsible over the years and appropriately addressing Township needs. In addition, the Township's system of financial planning, budgeting, and internal financial controls are well regarded, as official audits have demonstrated. The Township plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the Township's Financial Management

This 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 Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township offices.



G O V E R N M E N T W I D E F I N A N C I A L S T A T E M E N T S



TOWNSHIP OF HANOVER
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2011

		Governmental	
		Activities	
		<u>2011</u>	<u>2010</u>
<i>ASSETS</i>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$	1,316,709	\$ 932,547
Investments		<u>5,061,155</u>	<u>5,272,448</u>
		<u>6,377,864</u>	<u>6,204,995</u>
<i>Noncurrent Assets</i>			
General Fixed Assets			
Land		4,881,299	4,881,299
Infrastructure		1,406,475	1,406,475
Building & Building Improvements		9,454,181	9,423,342
Equipment		<u>2,312,656</u>	<u>2,294,822</u>
		18,054,611	18,005,938
Accumulated Depreciation		<u>(4,615,854)</u>	<u>(4,485,612)</u>
Net General Fixed Assets		13,438,757	13,520,326
Restricted Cash and Cash Equivalents		<u>5,332,475</u>	<u>4,605,448</u>
		<u>18,771,232</u>	<u>18,125,774</u>
		<u>25,149,096</u>	<u>24,330,769</u>
<i>LIABILITIES</i>			
<i>Current Liabilities</i>			
Current Portion of LT Debt - notes payable		380,000	366,000
<i>Noncurrent Liabilities</i>			
Notes Payable - Long term		<u>1,880,948</u>	<u>2,260,948</u>
		<u>2,260,948</u>	<u>2,626,948</u>
<i>NET ASSETS</i>			
Investment in Capital Assets Net of Related Debt		11,177,809	10,893,378
Restricted for:			
Capital Projects		3,821,232	3,656,467
Specified Projects		2,533,167	2,226,720
Specified use		796,922	765,364
Unrestricted		<u>4,559,018</u>	<u>4,161,892</u>
	\$	<u>22,888,148</u>	<u>\$ 21,703,821</u>

TOWNSHIP OF HANOVER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2011

2011						
Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	2010
		Charges for Services	Operating	Capital	Governmental Activities	
			Grants and Contributions	Grants and Contributions		
						Memorandum Total
Governmental activities:						
General government	\$ 974,898	\$ 865,463	\$ 264,280	\$	\$ 154,845	\$ 122,549
Public safety	2,115,809	30,564	181,990	179,000	(1,724,255)	(1,866,347)
Public works	2,488,093	1,598,147	255,311		(634,635)	(506,438)
Recreation	985,236	599,273			(385,963)	(362,563)
Other	1,228,493	30,000			(1,198,493)	(1,112,509)
Interest on Long-Term debt	103,586				(103,586)	(135,361)
Unallocated Depreciation	239,945				(239,945)	(255,957)
	<u>\$ 8,136,060</u>	<u>\$ 3,123,447</u>	<u>\$ 701,581</u>	<u>\$ 179,000</u>	(4,132,032)	(4,116,626)
General revenues:						
Taxes:						
					1,679,927	1,645,024
					245,547	241,935
					574,451	230,453
					497,124	467,169
					506,349	406,238
					1,781,252	1,690,912
					31,709	50,800
					<u>5,316,359</u>	<u>4,732,531</u>
					Change in Net Assets	1,184,327
					Net Assets—beginning	<u>21,703,821</u>
					Net Assets—ending	<u>\$ 22,888,148</u>
						\$ 21,703,821

TOWNSHIP OF HANOVER

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2011

Total Fund Balances - Governmental Funds (CASH BASIS) \$ 11,710,339

*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 are not reported as assets in funds.

<i>Capital Assets</i>	18,054,611
<i>Accumulated Depreciation</i>	(4,615,854)

Long-term liabilities, including notes payable, are not due and payable
in the current period, and therefore are not reported as liabilities
in the funds. Long-term liabilities at year end consist of:

<i>Notes Payable</i>	(2,260,948)
----------------------	-------------

Total Net Assets - Governmental Activities (MODIFIED CASH BASIS) \$ 22,888,148

TOWNSHIP OF HANOVER

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2011

Total net change in fund balances - governmental funds (CASH BASIS) \$ 899,896

*Amounts reported for governmental activities in the statement
of activities are different because:*

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

<i>Depreciation</i>	(239,945)
<i>Capital Outlay</i>	158,376

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

366,000

Proceeds from issuing debt is an other financing use the governmental funds, but an increase in debt liabilities on the statement of net assets

0

Change in net assets of governmental activities (MODIFIED CASH BASIS) \$ 1,184,327

F U N D S F I N A N C I A L S T A T E M E N T S



TOWNSHIP OF HANOVER

COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS

GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	2011					
	Major Funds			Non-Major Funds	Total	2010
	General	Capital Projects	Total	Special Revenue	Governmental Funds	Memorandum Total
ASSETS						
Cash - unrestricted	\$ 876,497	\$ 5,098	\$ 881,595	\$ 435,114	\$ 1,316,709	\$ 932,547
Cash - restricted	2,533,167	2,068,286	4,601,453		4,601,453	4,087,394
Due from other funds	49,900		49,900		49,900	49,900
Investments - unrestricted	3,632,621	1,066,726	4,699,347	361,808	5,061,155	5,272,448
Investments - restricted		731,022	731,022		731,022	518,054
	<u>\$ 7,092,185</u>	<u>\$ 3,871,132</u>	<u>\$ 10,963,317</u>	<u>\$ 796,922</u>	<u>\$ 11,760,239</u>	<u>\$ 10,860,343</u>
LIABILITIES						
Due to other funds	0	49,900	49,900		49,900	49,900
	<u>0</u>	<u>49,900</u>	<u>49,900</u>	<u>0</u>	<u>49,900</u>	<u>49,900</u>
FUND BALANCE						
Assigned	2,533,167	2,605,130	5,138,297		5,138,297	4,605,448
Unassigned	4,559,018	1,216,102	5,775,120	796,922	6,572,042	6,204,995
	<u>7,092,185</u>	<u>3,821,232</u>	<u>10,913,417</u>	<u>796,922</u>	<u>11,710,339</u>	<u>10,810,443</u>
	<u>\$ 7,092,185</u>	<u>\$ 3,871,132</u>	<u>\$ 10,963,317</u>	<u>\$ 796,922</u>	<u>\$ 11,760,239</u>	<u>\$ 10,860,343</u>

TOWNSHIP OF HANOVER
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

	2011							2010
	Major Funds			Non-Major Funds			Total Governmental Funds	Memorandum
	General	Capital Projects	Total	Special Revenue	Debt Service	Total		Total
REVENUES								
Taxes	\$ 5,039,103	\$	\$ 5,039,103	\$ 245,547	\$	\$ 245,547	\$ 5,284,650	\$ 4,681,731
Licenses and permits	404,193		404,193			0	404,193	375,985
Fines and forfeitures	55,212		55,212			0	55,212	205,706
Interest income	16,894	10,129	27,023	4,686		4,686	31,709	50,800
Intergovernmental revenue	856,111	179,000	1,035,111	255,311		255,311	1,290,422	954,312
Charges for services								
Other	895,555	12,716	908,271			0	908,271	866,070
Solid waste collection and disposal	1,043,294		1,043,294			0	1,043,294	970,878
Other	38,356	264,280	302,636			0	302,636	322,387
	<u>8,348,718</u>	<u>466,125</u>	<u>8,814,843</u>	<u>505,544</u>	<u>0</u>	<u>505,544</u>	<u>9,320,387</u>	<u>8,427,869</u>
EXPENDITURES								
Current								
General government	744,136	256,841	1,000,977			0	1,000,977	1,089,102
Public safety	1,896,082	5,565	1,901,647	214,162		214,162	2,115,809	1,994,804
Public works	2,228,388	127,418	2,355,806	259,824		259,824	2,615,630	2,395,178
Recreation	923,967	66,029	989,996			0	989,996	1,228,556
Other	1,228,493		1,228,493			0	1,228,493	972,346
Debt Service								
Principal			0		366,000	366,000	366,000	787,849
Interest			0		103,586	103,586	103,586	135,361
	<u>7,021,066</u>	<u>455,853</u>	<u>7,476,919</u>	<u>473,986</u>	<u>469,586</u>	<u>943,572</u>	<u>8,420,491</u>	<u>8,603,196</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,327,652</u>	<u>10,272</u>	<u>1,337,924</u>	<u>31,558</u>	<u>(469,586)</u>	<u>(438,028)</u>	<u>899,896</u>	<u>(175,327)</u>
OTHER FINANCING (USES) SOURCES								
Proceeds from issuing general obligation notes			0			0	0	0
Operating transfers in		624,079	624,079		469,586	469,586	1,093,665	2,026,520
Operating transfers out	(624,079)	(469,586)	(1,093,665)			0	(1,093,665)	(2,026,520)
	<u>(624,079)</u>	<u>154,493</u>	<u>(469,586)</u>	<u>0</u>	<u>469,586</u>	<u>469,586</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES) SOURCES	<u>703,573</u>	<u>164,765</u>	<u>868,338</u>	<u>31,558</u>	<u>0</u>	<u>31,558</u>	<u>899,896</u>	<u>(175,327)</u>
FUND BALANCES, JANUARY 1	<u>6,388,612</u>	<u>3,656,467</u>	<u>10,045,079</u>	<u>765,364</u>	<u>0</u>	<u>765,364</u>	<u>10,810,443</u>	<u>10,985,770</u>
FUND BALANCES, DECEMBER 31	<u>\$ 7,092,185</u>	<u>\$ 3,821,232</u>	<u>\$ 10,913,417</u>	<u>\$ 796,922</u>	<u>\$ 0</u>	<u>\$ 796,922</u>	<u>\$ 11,710,339</u>	<u>\$ 10,810,443</u>

TOWNSHIP OF HANOVER
STATEMENT OF NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	<u>Pension Trust</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Investments - restricted	<u>\$ 5,375,349</u>	<u>\$ 4,948,699</u>
LIABILITIES AND NET ASSETS		
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>
NET ASSETS		
Reserved for retirement benefits	<u>5,375,349</u>	<u>4,948,699</u>
	<u>\$ 5,375,349</u>	<u>\$ 4,948,699</u>

TOWNSHIP OF HANOVER

STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS

FIDUCIARY FUND TYPES

YEAR ENDED DECEMBER 31, 2011

	Pension Trust	
	2011	2010
ADDITIONS		
Township Contributions	\$ 387,318	\$ 374,389
Interest, dividends, and net unrealized gains/losses	318,016	543,245
	<u>705,334</u>	<u>917,634</u>
DEDUCTIONS		
Administrative expenses	31,280	27,627
Pension benefits	<u>247,404</u>	<u>247,755</u>
	<u>278,684</u>	<u>275,382</u>
CHANGE IN NET ASSETS	426,650	642,252
NET ASSETS, JANUARY 1	<u>4,948,699</u>	<u>4,306,447</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 5,375,349</u></u>	<u><u>\$ 4,948,699</u></u>

NOTES TO THE FINANCIAL STATEMENTS



TOWNSHIP OF HANOVER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Township of Hanover, Northampton County, was incorporated in 1798. The second class Township operates under an elected Board of Supervisors, and provides the following services to its residents: public safety, highways and streets, sanitation, culture-recreation, planning and zoning, and general administrative services.

Principles Determining Scope of Reporting Entity

The financial statements of the Township consist only of the funds and account groups of the Township. The Township has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Township. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Basis of Accounting

The Township's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the modified cash basis of accounting. Governmental funds use the cash basis of accounting. Fiduciary funds also use the cash basis of accounting. Differences in the modified cash and the cash basis of accounting arise in the recognition fixed assets and debt.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the Primary government, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

TOWNSHIP OF HANOVER

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

FUND FINANCIAL STATEMENTS:

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported separately by type.

All funds of the Township are accounted for using the cash basis. As such, revenues are recognized when cash is received, and expenses are recognized when they are paid. The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following funds are used by the Township.

GOVERNMENTAL FUND TYPES

General Fund (Major Fund) is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Capital Projects Funds (Major Fund) account for financial resources to be used for the acquisition or construction of certain major capital facilities which are not financed by the Proprietary and General Funds.

Special Revenue Funds (Non-major Fund) are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Included in these funds is State Liquid Fuels Highway Aid.

TOWNSHIP OF HANOVER

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

Debt Service Fund (Non-major Fund)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

PROPRIETARY FUND TYPES

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs of providing services to the general public on a continuing basis are financed through user charges. The Township does not currently engage in activities which would require reporting in an Enterprise Fund.

FIDUCIARY FUND TYPES

Trust Fund is used to account for assets held by the Township in a trustee capacity. This includes the Pension Trust Fund. The Pension Trust Fund is used to account for the four retirement pension plans. The Pension Trust Fund is accounted for in essentially the same manner as the Proprietary Fund since capital maintenance is critical.

MEASUREMENT FOCUS:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Township are included on the Statement of Net Assets.

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is reported using the economic resources measurement focus.

TOWNSHIP OF HANOVER

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

Cash and Investments

The Township maintains all its cash in checking and savings accounts which are covered by federal depository insurance or by collateral held by the Township's custodial bank. The Second Class Township Code authorizes the Township to invest its funds in savings accounts and certificates of deposit or time deposits provided that these deposits are insured or collateralized by a pledge or assignment of assets of the depository. In addition, the Township may invest its funds in obligations of the United States of America or the Commonwealth of Pennsylvania, including their agencies or instrumentalities, political subdivisions of the Commonwealth of Pennsylvania, and United States Treasury Bills.

Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction costs are reflected as expenditures in governmental funds. In the government wide financial statements, these assets are capitalized and depreciated using the straight-line method over the estimated useful life. Fixed assets in the Enterprise Fund are stated at cost. Depreciation of equipment in the Enterprise Fund is computed using the straight-line method over the estimated useful life of the equipment.

General Fixed Assets purchased are recorded as expenditures at the time of purchase. General Fixed Assets are stated at cost when determinable, or estimated historical cost based on appraisals or other acceptable methods when historical cost is not available. Donated fixed assets are stated at their fair market value as of the date of gift.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

TOWNSHIP OF HANOVER

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Budgets and Budgetary Accounting

The Township adopts annual budgets for all funds in accordance with the Second Class Township Code. All budgets are adopted on a cash basis, which is not consistent with U.S. generally accepted accounting principles. All budget amounts included in the accompanying financial statements and supplementary information are as originally adopted or as amended by the Board of Supervisors. Appropriations not expended lapse at the end of each fiscal year. The Township uses traditional, program and performance budgeting methods to develop the operating budget, which includes proposed expenditures and the means to finance them. The budget is adopted by ordinance and subject to change only by ordinance. The Township utilizes the cash basis of accounting for budgetary purposes. Once adopted, the budget is not revised or amended.

Debt and Debt Service

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt of the Township not accounted for in other funds.

Pension Plan

The Township has one defined benefit pension plan. Pension costs for the plan includes current service costs, which are accrued and funded on a current basis, and prior costs which are amortized over 30 years.

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers. Transfers to the pension funds are quasi-external transactions and are not treated as operating transfers.

Fund Equity

The unreserved fund balances for governmental funds represent the amounts available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

TOWNSHIP OF HANOVER

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

NOTE 2 INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The Township, under the Pennsylvania Second Class Township Code Act of 1933, as amended, is authorized to invest in direct obligations of the United States government, obligations guaranteed by the United States government, obligations of the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth of Pennsylvania, savings or time deposits and time certificates of deposit. The deposit and investment policy of the Township adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Township. To the extent the Township's deposits with financial institutions are not insured by the Federal Deposit Insurance Corporation, assets have been pledged by the financial institutions. The fair market value of pledged assets exceeded the carrying amount of deposits in the pools at year end.

Credit risk The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of the Township's investments are in U.S. Government Obligations and are therefore not exposed to this type of risk.

Custodial credit risk –deposits In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year end, the bank balance of the Township's deposits with financial institutions including cash equivalent investments was \$6,377,864. The remaining balances was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. The total amount of investments not secured by federal depository insurance was collateralized by securities pledged by the financial institution for such funds, but not in the Township's name. Investments have received an AAAM rating from Standards & Poors with \$5,332,475

Custodial credit risk investments For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pennsylvania Local Government Investment Trust were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The Township's deposits in these pooled funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet. The fair value of the Township's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pools that are not SEC registered are subject to oversight by the Commonwealth of Pennsylvania with \$5,375,349.

TOWNSHIP OF HANOVER

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

NOTE 3 PROPERTY TAXES

Property taxes are levied on a calendar year basis, and are assessed on February 1. The taxes are due May 31. A discount of 2% is available through March 31, and a penalty of 10% is charged on payments after May 31. Taxable assessed valuation is \$ 497,129,100 at 3.4 mills for general purposes and 0.5 mills for fire protection.

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the capital assets:

	Balance, Beginning	Additions	Disposals	Balance, Ending
CAPITAL ASSETS				
Land and Land Improvements	\$ 4,881,299	\$	\$	\$ 4,881,299
Infrastructure	1,406,475			1,406,475
Building & Improvements	9,423,342	31,902		9,454,181
Furniture and Equipment	2,294,822	126,474	109,703	2,312,656
	<u>\$ 18,005,938</u>	<u>\$ 158,376</u>	<u>\$ 109,703</u>	<u>\$ 18,054,611</u>
ACCUMULATED DEPRECIATION				
Building & Improvements	3,769,559	\$ 201,077	\$	3,970,636
Furniture and Equipment	716,053	38,868	109,703	645,218
	<u>\$ 4,485,612</u>	<u>\$ 239,945</u>	<u>\$ 109,703</u>	<u>\$ 4,615,854</u>

NOTE 5 DEBT AND DEBT SERVICE

The following is a summary of the Township's long-term debt activity for the year:

	Balance, Beginning	Proceeds	Repayments	Balance, Ending
Notes – 2006	\$ 1,154,948	\$	\$ 100,000	\$ 1,054,948
Notes – 1998	1,472,000		266,000	1,206,000
	<u>\$ 2,626,948</u>	<u>\$ 0</u>	<u>\$ 366,000</u>	<u>\$ 2,260,948</u>

TOWNSHIP OF HANOVER

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

NOTE 5 DEBT AND DEBT SERVICE (CONTINUED)

Series 2006A General Obligation Notes

Original issue of \$435,000 for purchase of a Fire Truck due in monthly installments of \$ 93,856; interest is payable at a fixed (tax free) rate of 4.05% per annum, maturing March 2012

\$ 0

Series 2006 General Obligation Notes

Original issue of \$2,500,000 for the purchase of a new building; due in monthly installments of varying amounts; interest is payable at a fixed (tax free) rate of 4.25% per annum, maturing December 2031

\$ 1,054,948

Series 2004 General Obligation Notes

Original issue of \$1,000,000 for the construction and completion of various public works renovation and expansion projects; due in monthly installments of \$ 40,564; interest is payable at a fixed (tax free) rate of 3.55% per annum, maturing September 2011

\$ 0

Series 1998 General Obligation Notes

Original issues of \$3,948,000 for the advanced refunding of the General Obligation Bonds of 1995 and to provide for construction of a community center; due in semiannual installments each on June 1 and December 1; interest is payable at a fixed (tax free) rate of 5.05% per annum maturing December 2015

\$ 1,206,000

Series 1997 General Obligation Notes

Original issue of \$1,290,000 for the construction and completion of various storm sewer products; due in monthly installments of \$12,706; interest is payable at a fixed (tax free) rate of 4.9% per annum, maturing December 2008

\$ 0

TOWNSHIP OF HANOVER

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

NOTE 5 DEBT AND DEBT SERVICE (CONTINUED)

The Township's debt service to maturity at year end is as follows:

	<u>Debt Service</u>
2012	\$ 505,403
2013	501,013
2014	495,986
2015	492,113
2016	147,500
2017	143,250
2018	139,000
2019	134,750
2020	130,500
2021	126,250
2022	<u>56,126</u>
Total	2,871,891
Less: Interest Portion	<u>664,943</u>
Outstanding Principal	<u>\$ 2,206,948</u>

NOTE 6 ASSIGNMENTS OF FUND BALANCES

Designations indicate tentative management plans for future use of certain financial resources that may or may not be ultimately approved or result in expenditure. Generally, designations are supported by definitive plans approved by the Township.

NOTE 7 LITIGATION

The Township is a defendant in lawsuits concerning various matters. Although the outcome of the lawsuits is not presently determinable, in the opinion of Township legal counsel, resolution of these matters will not have a material adverse effect on the financial condition of the Township.

TOWNSHIP OF HANOVER

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

NOTE 8 DEFINED BENEFIT PENSION PLAN

Funding Status and Progress of the Plan

The pension benefit obligations were computed as part of an actuarial valuation performed as of January 1, 2011.

Because the standardized measure is used only for disclosure purposes by the Township of Hanover, Northampton County's plans, the measurement is independent of the actuarial computation made to determine contributions to the Plan. The actuarial funding method used to determine contributions to the Plan is explained later in this note. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below. The present value of future pension payments was computed by using a discount rate of 8%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan. Future pension payments reflect an assumption of a 5% (compounded annually) salary increase as a result of inflation and merit (seniority). Future pension payments reflect no post-retirement benefit increases, which is consistent with the terms of the pension agreement.

Plan Description

The pension plan provides pension and death benefits. A member may retire after reaching the age of 62 and accumulating 7 years of service. Benefits vest after 10 years of service. Employees who retire at or after age 62 with 10 or more years of service are entitled to pension payments for the remainder of their lives equal to 3% (pre 2001 or 2.25% post 2001) of their final, five-year average salary. Pension provisions include death benefits. The surviving spouse receives 100% of the amount otherwise payable to the participant. The Township pays the full cost of the Plan. Member contributions are not required.

Reporting Entity

The Township maintains one single-employer, defined benefit pension plan which covers all full-time classed employees. The Plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund.

Plan Valuation

The pension plan descriptions and actuarial valuations are available at the Township offices.

Schedule of Contributions from Employers and Other Contributing Entities

The contributions made to the fund were \$387,318 and \$374,389 in 2011 and 2010, respectively.

TOWNSHIP OF HANOVER

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

NOTE 9 NEWLY IMPLEMENTED ACCOUNTING PRONOUNCEMENTS (A CHANGE IN ACCOUNTING PRINCIPLE)

GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. It moves the Township from the current standard of reporting three main classifications of fund balance (*reserved, designated, and unreserved/undesignated*) to five new fund balance classifications (*nonspendable, restricted, committed, assigned, and unassigned*). The hierarchy of five possible classifications of fund balance is:

Nonspendable Fund Balance

- Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned.
- Amounts that must be maintained intact legally or contractually.

Restricted Fund Balance

- Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed Fund Balance

- Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources.
- Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned Fund Balance

- For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed.
- For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance.

Unassigned Fund Balance

- For the general fund, amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.

**DETAIL SCHEDULES OF REVENUE
AND EXPENDITURES**



TOWNSHIP OF HANOVER
SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
<i>REVENUES:</i>			
<i>TAXES</i>			
Real Estate	\$ 1,676,756	\$ 1,679,927	\$ 3,171
Real Estate Transfer	223,589	574,451	350,862
Local Services Tax	482,608	497,124	14,516
Mercantile	743,940	506,349	(237,591)
Earned Income Tax	1,633,794	1,781,252	147,458
	<u>4,760,687</u>	<u>5,039,103</u>	<u>278,416</u>
<i>LICENSES AND PERMITS</i>			
Cable television licenses	82,000	96,100	14,100
Permits	222,000	308,093	86,093
	<u>304,000</u>	<u>404,193</u>	<u>100,193</u>
<i>FINES AND FORFEITURES</i>			
Forfeitures	0	0	0
Fines and Code Violations	59,601	55,212	(4,389)
	<u>59,601</u>	<u>55,212</u>	<u>(4,389)</u>
<i>INTEREST AND RENTS</i>			
Interest on investments	30,000	16,894	(13,106)
Rents	7,900	8,590	690
	<u>37,900</u>	<u>25,484</u>	<u>(12,416)</u>
<i>INTERGOVERNMENTAL REVENUE</i>			
State public utility tax	8,500	6,554	(1,946)
Local government	0	0	0
Alcoholic beverage taxes	1,000	2,800	1,800
Foreign fire insurance premium tax	111,369	181,990	70,621
Recycling	110,250	92,932	(17,318)
Reimbursements from regional police	318,672	298,331	(20,341)
Pension fund state aid	195,930	273,504	77,574
	<u>745,721</u>	<u>856,111</u>	<u>110,390</u>
<i>CHARGES FOR SERVICES</i>			
General Government	0	606	606
Solid waste collection and disposal	1,006,307	1,043,294	36,987
Sanitary sewer fee	185,000	256,522	71,522
Public Safety	54,987	30,564	(24,423)
Recreation & Community Center	699,929	599,273	(100,656)
	<u>1,946,223</u>	<u>1,930,259</u>	<u>(15,964)</u>
<i>OTHER</i>			
Proceeds from sale of fixed assets	0	30,000	30,000
Other	28,392	8,356	(20,036)
	<u>28,392</u>	<u>38,356</u>	<u>9,964</u>
<i>TOTAL REVENUES</i>	<u>\$ 7,882,524</u>	<u>\$ 8,348,718</u>	<u>\$ 466,194</u>

TOWNSHIP OF HANOVER
SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
<i>EXPENDITURES:</i>			
<i>GENERAL GOVERNMENT</i>			
Legislative and Governing Body	\$ 114,885	\$ 113,145	\$ 1,740
Executive / Manager	102,775	102,463	312
Financial services	25,710	23,747	1,963
Tax Collection	78,156	77,127	1,029
Legal services	37,831	37,831	0
Treasurer, Secretary and Clerk	189,328	184,822	4,506
Engineering services	32,372	32,372	0
Buildings and Plant	176,000	172,629	3,371
	<u>757,057</u>	<u>744,136</u>	<u>12,921</u>
<i>PUBLIC SAFETY</i>			
Police	1,481,269	1,481,269	0
Fire	181,990	181,990	0
Crossing Guards	13,200	11,623	1,577
Emergency Management	4,400	2,891	1,509
Animal Control	25	0	25
Protective Inspection	178,028	175,076	2,952
Planning and Zoning	43,880	43,233	647
	<u>1,902,792</u>	<u>1,896,082</u>	<u>6,710</u>
<i>PUBLIC WORKS</i>			
Recycling	8,500	8,050	450
Solid waste collection and disposal	1,052,791	1,051,930	861
Wastewater and sewage collection and disposal	75,675	75,617	58
Highways, Streets and General services	719,608	714,357	5,251
Winter maintenance	32,390	32,390	0
Traffic control	50,305	49,709	596
Street Lighting	120,000	119,213	787
Repairs of tools and machinery	47,924	47,381	543
Construction and Rebuilding	125,836	125,836	0
Other public works	4,000	3,905	95
	<u>2,237,029</u>	<u>2,228,388</u>	<u>8,641</u>

TOWNSHIP OF HANOVER
SCHEDULE OF BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
<i>EXPENDITURES (continued):</i>			
<i>RECREATION AND COMMUNITY</i>			
Libraries	167,831	167,831	0
Shade Tree	2,500	2,410	90
Open space	0	0	0
Recreation & Community Center	759,314	718,851	40,463
Community development	35,735	34,875	860
	<u>965,380</u>	<u>923,967</u>	<u>41,413</u>
<i>MISCELLANEOUS</i>			
Pension contributions	670,410	665,903	4,507
Workers compensation	33,536	33,462	74
Unemployment compensation	19,580	19,580	0
Employee Benefits	298,159	295,407	2,752
Insurance premiums	71,200	71,200	0
Social Security	121,362	118,652	2,710
Refund of prior year tax	0	0	0
Other	24,900	24,289	611
	<u>1,239,147</u>	<u>1,228,493</u>	<u>10,654</u>
<i>TOTAL EXPENDITURES</i>	<u>\$ 7,101,405</u>	<u>\$ 7,021,066</u>	<u>\$ 80,339</u>

COMBINING SCHEDULES



TOWNSHIP OF HANOVER**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS****CAPITAL PROJECTS FUNDS - MAJOR FUNDS**DECEMBER 31, 2011

	Capital Reserve	Plans & Appeals	Impact Fees	Total
ASSETS				
Cash - unrestricted	\$ 1,436	\$	\$ 3,662	\$ 5,098
Cash - restricted	1,001,653	104,062	962,571	2,068,286
Investments - unrestricted	1,066,726			1,066,726
Investments - restricted	<u>442,771</u>	<u>94,073</u>	<u>194,178</u>	<u>731,022</u>
	<u>\$ 2,512,586</u>	<u>\$ 198,135</u>	<u>\$ 1,160,411</u>	<u>\$ 3,871,132</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to other funds	<u>49,900</u>	<u></u>	<u></u>	<u>49,900</u>
	49,900	0	0	49,900
Fund balances:				
Assigned	1,444,424	198,135	962,571	2,605,130
Unassigned	<u>1,018,262</u>	<u></u>	<u>197,840</u>	<u>1,216,102</u>
	<u>\$ 2,512,586</u>	<u>\$ 198,135</u>	<u>\$ 1,160,411</u>	<u>\$ 3,871,132</u>

TOWNSHIP OF HANOVER**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CASH BASIS**

CAPITAL PROJECTS FUNDS - MAJOR FUNDS

YEAR ENDED DECEMBER 31, 2011

	Capital Reserve	Plans & Appeals	Impact Fees	Total
REVENUES				
Interest income	\$ 7,365	\$ 280	\$ 2,484	\$ 10,129
Charges for Service		12,716		12,716
Intergovernmental revenue	179,000			179,000
Developer contributions	30,827	212,574	20,879	264,280
	<u>217,192</u>	<u>225,570</u>	<u>23,363</u>	<u>466,125</u>
EXPENDITURES				
Current				
General Government	38,821	218,020		256,841
Public Safety	5,565			5,565
Public works	127,418			127,418
Cultural and recreation	66,029			66,029
	<u>237,833</u>	<u>218,020</u>	<u>0</u>	<u>455,853</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,641)</u>	<u>7,550</u>	<u>23,363</u>	<u>10,272</u>
OTHER FINANCING (USES) SOURCES				
Proceeds from issuing general obligation notes				0
Operating transfers in	624,079			624,079
Operating transfers out	(469,586)			(469,586)
	<u>154,493</u>	<u>0</u>	<u>0</u>	<u>154,493</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND AND FINANCING (USES) SOURCES	<u>133,852</u>	<u>7,550</u>	<u>23,363</u>	<u>164,765</u>
FUND BALANCES, JANUARY 1	<u>2,328,834</u>	<u>190,585</u>	<u>1,137,048</u>	<u>3,656,467</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,462,686</u>	<u>\$ 198,135</u>	<u>\$ 1,160,411</u>	<u>\$ 3,821,232</u>

TOWNSHIP OF HANOVER

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS

SPECIAL REVENUE FUNDS - NONMAJOR FUNDS

DECEMBER 31, 2011

	Liquid Fuels	Fire Tax	Total
ASSETS			
Cash - unrestricted	\$ 380,359	\$ 54,755	\$ 435,114
Investments - unrestricted	<u>361,808</u>	<u></u>	<u>361,808</u>
	<u>\$ 742,167</u>	<u>\$ 54,755</u>	<u>\$ 796,922</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:			
Unassigned	<u>742,167</u>	<u>54,755</u>	<u>796,922</u>
	<u>\$ 742,167</u>	<u>\$ 54,755</u>	<u>\$ 796,922</u>

TOWNSHIP OF HANOVER**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCES - CASH BASIS****SPECIAL REVENUE FUNDS - NONMAJOR FUNDS**YEAR ENDED DECEMBER 31, 2011

	Liquid Fuels	Fire Tax	Total
REVENUES			
Taxes	\$	\$ 245,547	\$ 245,547
Interest income	4,686		4,686
Intergovernmental revenue	<u>255,311</u>	<u></u>	<u>255,311</u>
	<u>259,997</u>	<u>245,547</u>	<u>505,544</u>
EXPENDITURES			
Current			
Public Safety		214,162	214,162
Public works	<u>259,824</u>	<u></u>	<u>259,824</u>
	<u>259,824</u>	<u>214,162</u>	<u>473,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>173</u>	<u>31,385</u>	<u>31,558</u>
OTHER FINANCING (USES) SOURCES			
Operating transfers in			
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND AND FINANCING (USES) SOURCES	<u>173</u>	<u>31,385</u>	<u>31,558</u>
FUND BALANCES, JANUARY 1	<u>741,994</u>	<u>23,370</u>	<u>765,364</u>
FUND BALANCES, DECEMBER 31	<u>\$ 742,167</u>	<u>\$ 54,755</u>	<u>\$ 796,922</u>