

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PENNSYLVANIA**

**Financial Report**

**December 31, 2014**

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PENNSYLVANIA**

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**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PENNSYLVANIA**

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## **Independent Auditor's Report**

To the Board of Commissioners  
Hatfield Township  
Hatfield, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hatfield Township, Montgomery County, Pennsylvania, as of December 31, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of Hatfield Township's primary government as listed in the table of contents.

### **Management's Responsibilities for the Financial Statements**

The Township's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the reporting entity and unmodified audit opinion on the governmental activities, the business-type activities, major funds, and the aggregate remaining fund information of the primary government.

### **Basis for Adverse Opinion on the Reporting Entity**

The financial statements referred to above include only the primary government of Hatfield Township, Montgomery 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 units, 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.

### **Adverse Opinion on the Reporting Entity**

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Hatfield Township, Montgomery County, Pennsylvania, as of December 31, 2014, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Township's component units issue their own financial statements which are audited by other accounting firms. At this time, the component units' audit reports for the year ended December 31, 2014 are not complete.

### **Opinion on the Governmental Activities, the Business-type Activities, Major Funds, and Aggregate Remaining Fund Information**

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

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 4-14 and 75-79 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 evidence sufficient 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 basic financial statements. The additional budget schedules on pages 80-81 and 86-91, and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budget schedules and 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.  
July 6, 2015

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2014**

This discussion and analysis of Hatfield Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2014. Please read it in conjunction with the Township's financial statement, which begins after the Management Discussion and Analysis.

**FINANCIAL HIGHLIGHTS**

- Overall revenue for the township increased \$565,129 in 2014.
- Hatfield Township spent \$911,000 on Pension payments in 2014, which is a 100% increase from 2007.
- The Township General Fund Cash Reserves increased to over \$1.6 million in 2014, which is now in line with Government Accounting Standard Board (GASB) recommendations.
- The Hatfield Aquatic Center generated \$510,000 in revenue from membership and daily passes for 2014, which is a \$30,000 increase from 2013.

**USING THIS REPORT**

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 15 and 16-17) 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 18. 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 Position 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 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 position and changes in them. The Township's net position (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 position are an indicator of whether the Township's financial health is improving or deteriorating.

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2014**

**USING THIS REPORT (Continued)**

**Reporting Significant Funds**

The fund financial statements begin on page 18 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 Commissioners 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 differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled at the end of the fund financial statements.

**The Township as a Trustee**

The Township is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for escrow deposits received 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 Position and Changes in Fiduciary Net Position on pages 27 and 28. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. 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 Position provides an overview of the Township's assets, liabilities, and net position. Over time, this statement will provide a good indicator of the Township's fiscal health.



**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended December 31, 2014**

**THE TOWNSHIP AS A WHOLE (Continued)**

**Table 1**  
**Net Position**  
**(Governmental and Business-Type Activities)**

<u>Account</u>	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Capital Assets	\$32,706,585	\$33,422,966	\$ (716,481)	(2.14)
Current and Other Assets	7,546,878	4,123,419	3,423,459	83.02
Total Assets	<u>40,253,463</u>	<u>37,546,385</u>	<u>2,707,078</u>	7.21
Long-Term Liabilities	6,767,351	5,757,409	1,009,942	17.54
Other Liabilities	1,458,412	832,993	625,419	75.08
Total Liabilities	<u>8,225,763</u>	<u>6,590,402</u>	<u>1,635,361</u>	24.81
Net Position				
Invested in Capital Assets,				
Net of Related Debt	25,607,666	27,528,622	(1,920,956)	(6.98)
Restricted	3,749,020	1,458,448	2,290,572	157.06
Unrestricted	<u>2,671,014</u>	<u>1,968,913</u>	<u>702,101</u>	35.66
Total Net Position	<u>\$32,027,700</u>	<u>\$30,955,983</u>	<u>\$ 1,071,717</u>	3.46

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended December 31, 2014**

**THE TOWNSHIP AS A WHOLE (Continued)**

**Table 2**  
**Changes in Net Position**  
**(Governmental and Business-Type Activities)**

Account	2014	2013	\$ Change	% Change
<b>Program Revenues</b>				
General Government	\$ 482,578	\$ 396,110	\$ 86,468	21.83
Police	1,087,939	1,040,411	47,528	4.57
Fire	236,234	230,516	5,718	2.48
Code Enforcement	477,987	424,461	53,526	12.61
Highway Maintenance	853,446	1,195,453	(342,007)	(28.61)
Snow Removal	1,732	1,701	31	1.82
Parks and Recreation	155,884	209,613	(53,729)	(25.63)
Pool	673,100	630,024	43,076	6.84
<b>General Revenues</b>				
Real Estate Taxes	4,543,774	3,743,579	800,195	21.38
Transfer Taxes	317,327	312,400	4,927	1.58
Earned Income Taxes	2,724,845	2,903,150	(178,305)	(6.14)
Other Taxes	708,473	661,039	47,434	7.18
Grants and Contributions	32,675	30,000	2,675	8.92
Interest and Rents	21,817	18,398	3,419	18.58
Loss on Disposal of Equipment	46,221	17,438	28,783	165.06
Miscellaneous	134,806	119,416	15,390	12.89
<b>Total Revenues (Forwarded)</b>	<u>\$12,498,838</u>	<u>\$11,933,709</u>	<u>\$ 565,129</u>	4.74

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended December 31, 2014**

**THE TOWNSHIP AS A WHOLE (Continued)**

**Table 2**  
**Changes in Net Position**  
**(Governmental and Business-Type Activities)**

Account	2014	2013	\$ Change	% Change
<b>Total Revenues (Forwarded)</b>	\$12,498,838	\$11,933,709	\$ 565,129	4.74
<b>Program Expenses</b>				
Finance and Tax Collection	89,255	78,506	10,749	13.69
Professional Services	220,277	226,487	(6,210)	(2.74)
General Government	1,149,521	1,211,762	(62,241)	(5.14)
Police	5,049,580	4,951,282	98,298	1.99
Fire	650,355	783,393	(133,038)	(16.98)
Code Enforcement	305,037	284,739	20,298	7.13
Highway Maintenance	2,478,920	1,939,318	539,602	27.82
Snow and Ice Removal	113,520	41,067	72,453	176.43
Street Lighting	79,336	67,512	11,824	17.51
Parks and Recreation	403,335	440,625	(37,290)	(8.46)
Pool	883,648	892,091	(8,443)	(0.95)
<b>Total Expenses</b>	11,422,784	10,916,782	506,002	4.64
<b>Changes in Net Position</b>	\$ 1,076,054	\$ 1,016,927	\$ 59,127	5.81

**Revenue Overview**

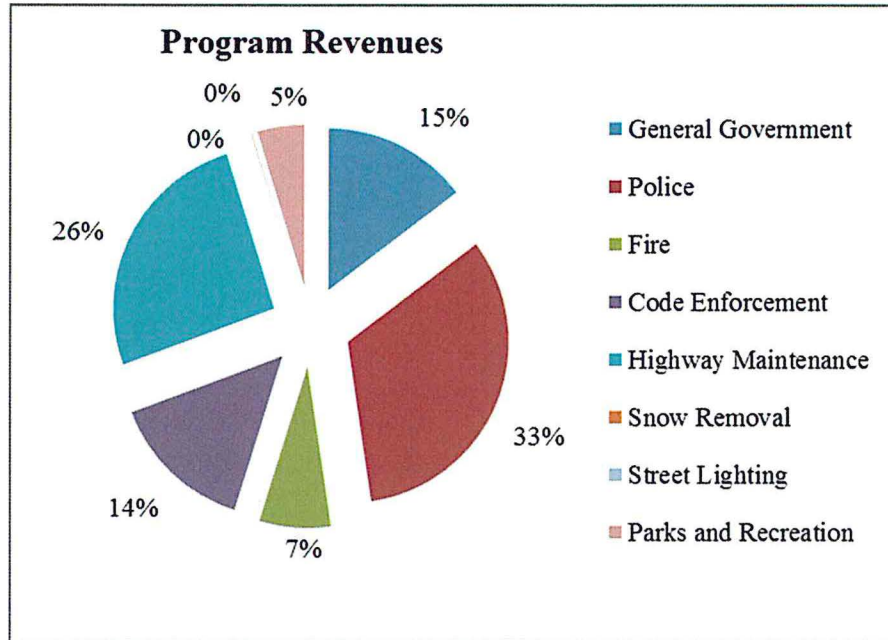
Revenues increased by \$565,129 or 4.74%, compared to 2013:

- Earned Income Tax decreased 6%, this was due to increase collection practices on outstanding taxes that have led to an increase of actual taxes be collected on time.
- Real Estate Transfer were flat, due to the stabilization of the housing market.

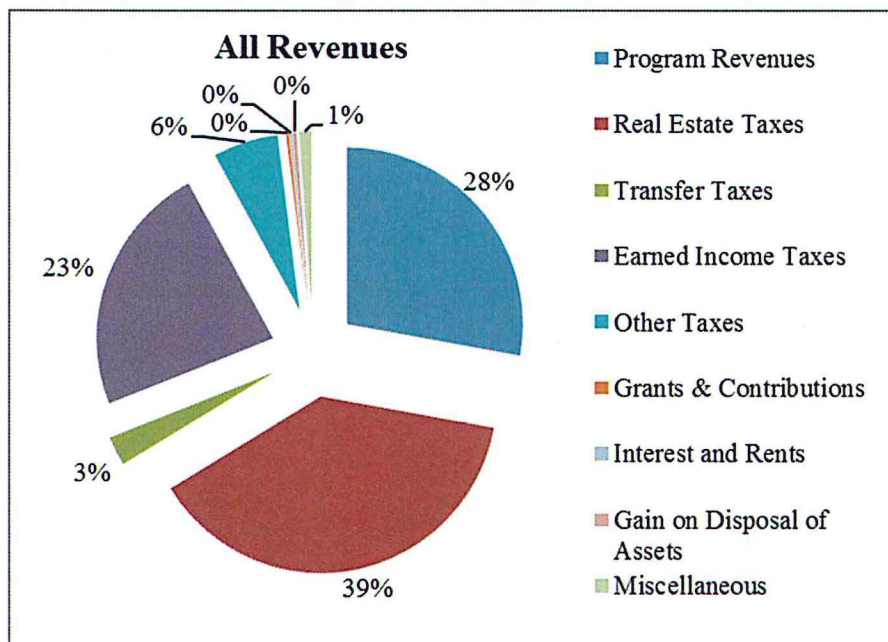
**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2014**

**THE TOWNSHIP AS A WHOLE (Continued)**

**Figure 1**



**Figure 2**



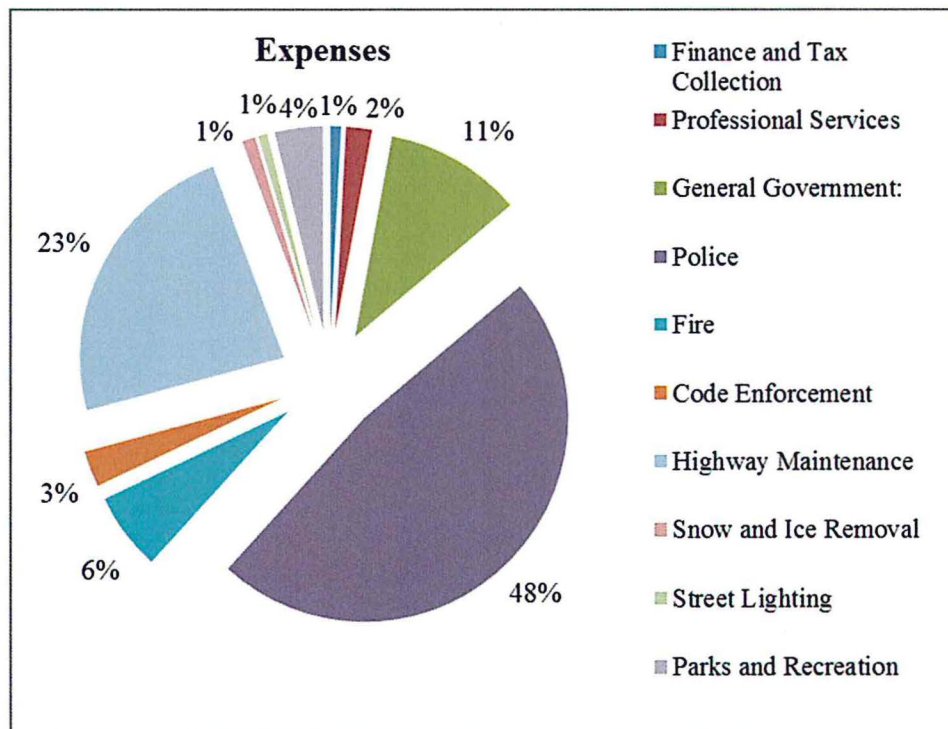
**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2014**

**THE TOWNSHIP AS A WHOLE (Continued)**

**Expense Overview**

Total expenses increased \$506,000 in 2014; however, in 2014 the Township started its first year of committing \$450,000 annually towards roads improvements up from \$50,000 in 2013. Through personnel changes throughout the Township, the Township was able to save almost \$350,000 in expenses compared to 2013.

**Figure 3**



**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2014**

**ITEMS OF GENERAL INTEREST**

**Water**

Residents and businesses of the Township are served by North Penn Water Authority and on-lot water systems. The Township has no financial or management control of the water company.

**Waste Water**

Residents and businesses of the Township are served by the Hatfield Township Municipal Authority and on-lot sewage disposal systems. Based on the fact that the Township is responsible for appointing the Authority's board members and that the Authority serves only Township residents, the Authority is considered a component unit of Hatfield Township. The Authority's audited statements can be obtained by contacting Authority management.

**Fire and Ambulance**

Residents and businesses of the Township are served by the Hatfield Fire Company, the Colmar Fire Company, and the Hilltown Fire Company in designated districts. There are mutual aid agreements and central dispatching throughout the area. Ambulance service is provided by the Volunteer Medical Service Corps of Lansdale. The Township collects and distributes a .62 mill fire tax, and aside from providing worker's compensation insurance for both the fire companies and the ambulance service, it has no other financial or management control of the fire companies or ambulance services.

**Public Facilities**

The Township owns and operates a number of parks and scattered open space parcels. Chief among the parks are Hatfield Community Park, School Road Park, Clemens Park, and Schweiker Park, along with an Arboretum and a Nature Area. In 2003, the Board of Commissioners determined that the forty-year-old administration building and public works facilities needed to be replaced because they had outgrown their usefulness. In April 2004, the Township purchased a new facility for Public Works that is capable of meeting its needs well into the future. With the help of a state grant, it also constructed a large salt storage facility to ensure adequate supplies of salt during the winter months. In June 2004, it started construction for a new Township administration building that was occupied in March 2005. Finally, the Police Department building, which was erected in 1979, is in the final process of renovation. Much needed new office space within the building was opened up when the Hatfield Township Industrial Development Authority agree to pay for a new storage building at the back of the parking lot.

**ANALYSIS OF INDIVIDUAL FUNDS**

**General Fund**

The General Fund had a 21% real estate tax increase for 2014. The overall tax increase was due to a \$450,000 annual commitment to road improvements throughout the Township. The Township's General Fund Reserve increase \$800,000 from 2013, with a yearend balance of over \$1.6 million.

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2014**

**ANALYSIS OF INDIVIDUAL FUNDS (Continued)**

**Other Funds**

Significant other funds include Capital Reserve Fund, the Parks and Recreation Fund, the State Highway Aid Fund, the Debt Service Fund, the Pool Fund, and the Fire Fund.

**Capital Reserve Fund**

The Township purchased a vehicle for the Police Department and Public Works department in 2014. The stairs in front of the police building were replaced in 2014.

**Parks and Recreation Fund**

This fund receives revenue from a .22 mill real estate tax. Its Summer Day camp increased revenue by \$17,000 compared to 2013.

**State Aid Fund**

The Township used if funds to purchase a large dump truck for the Public Works Department.

**Fire Fund**

The Fire Fund relies on a .62 mill real estate tax to fund its contributions to the Hatfield Volunteer Fire Department and the Colmar Volunteer Fire Department.

**Pool Fund**

The Aquatic Center had a very good summer with Daily passes surpassing \$200,000 for the first time in its history.

**Pension Plans**

All full-time police officers and full-time non-uniformed employees hired before January 1, 2013, are members of the Police and Non-Uniformed Defined Benefit Pension Plans. The Township is eligible for Act 205 assistance in the form of state aid. The plans are administered by the Univest Bank and Trust Co. Trust Department. Non-uniformed full-time employees hired after December 31, 2012, are members of a new Defined Contribution Pension Plan.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Planning**

In 2014, the Township borrowed \$1.5 million to start bridge replacement on Walnut Street in the Township. The bridge is scheduled to be replaced sometime in 2016.

**Debt**

The Township's general long-term debt increased from \$5,863,917 to \$6,951,697 in 2014. According to DCED debt standards, the Township has borrowed 21% of its maximum borrowing capacity. The Township borrowed \$1.5 million for a bridge replacement, in which 80% of the cost are going to be reimbursed to the Township from the PennDOT Bridge Program.

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2014**

**ECONOMIC FORECAST**

In 2014, the Township had one of its best years since the recession started in 2008; however, the Township will need to solve the problem of skyrocketing liabilities in the future that are a result of underfunded pensions, future OPEB obligations and the Affordable Care Act.

**Non-Uniform Pension**

In 2013, the Township's Board of Commissioners passed a resolution to establish a new Defined Contribution Pension Plan for all new hires. This resolution closes the Township Defined Benefit Pension to all employees hired after December 31, 2012. As of December 31, 2013, the Defined Benefit Pension Plan is 90% funded with an unfunded liability of \$255,237. The liability from the Defined Benefit Pension Plan could continue to grow because a majority of the Township's non-uniform employees are in this plan and are still accumulating benefits. However, as more non-uniformed employees enroll in the Defined Contribution Pension Plan versus the employees in the Define Benefit Pension Plan, the Township will begin to see overall savings from this resolution in the future.

**Uniform Defined Benefit Pension and OPEB**

As of the January 1, 2013, actuarial valuation, the unfunded liability of the Uniform Defined Benefit Pension increased almost \$600,000 to \$4,076,343, with a funding ratio of 73%. As of the January 1, 2011 valuation, the unfunded liability was \$3.4 million with a funded ratio of 74%. The pension liability increased in 2013, even though the uniform pension fund had 17.19% return on assets and the markets are at an all-time high. In 2007, before the recession when market were at an all-time high, the plan was only 88% funded with a liability of \$1.8 million. Overall, the liability has increased 126% since 2007 and does not show any signs that it will decrease. The Township's ability to manage this increase is very limited because all pensions related to uniform police are covered under Act 600, which was voted upon by the Commonwealth of Pennsylvania Legislature. Sadly, a number of proposals have been offered by the Pennsylvania Legislature to modify Act 600, but there is an absence of political will to change it.

In the 2008 Uniform Contract negotiations, the uniform employees were awarded an Other Post-Employment Benefits (OPEB) in which the Township would pay half the insurance premium of fully retired uniform employees (25 years of service) up until the Medicare age requirement. Since OPEB was established in 2008 and has exclusions, the Township has adopted a Pay as You Go method for funding this liability. As required by GASB 45, the Township conducted its first actuarial study in 2014 on this future liability. The study projected the Township to have a maximum exposure of \$47,125 for 2015; however, since all of the retired employees that are eligible for OPEB are ineligible for coverage, the actual liability is zero for 2015.



**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2014**

**ECONOMIC FORECAST (Continued)**

**Affordable Care Act and Its Impact on the Township**

In 2010, the Affordable Care Act (ACA) was passed by Congress which reshaped how employers across the country administer the health insurance. One of the key provision in the ACA is a tax on employers for health benefits paid on its employees which is commonly referred to as the Cadillac Tax. In 2018, the Cadillac Tax will be a 40% tax on health insurance premiums above the limit established by the ACA. In 2014, Hatfield Township had a Cadillac Tax projection completed by the Delaware Valley Health Trust. In 2018, the Township Non-Uniform Plan is projected to be slightly over the threshold with an annual \$27.46 cost per non-uniform employee. The Township is projecting to have an overall liability of \$604 in 2018. However, the threshold is scheduled to increase approximately 3% every year, while the overall increase on the Township's non-uniform employee insurance premium will increase approximately 7% a year. It is believed that within a decade, this Cadillac tax will become a significant cost.

The Cadillac Tax threshold limits for uniform plan is higher due to a provision in the ACA. In 2018, the Township is projecting a \$0 cost per employee due to premium cost are below the threshold. However, due to the 7% increase in annual premium, the Township could be paying a Cadillac Tax on its uniform employees beginning in 2020. It is projected that by 2030, the Cadillac Tax could be a significant cost for its uniform employees as well.

**CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT TEAM**

This Management Discussion and Analysis is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general, plain English overview of important financial matters. The Township's financial team is Finance Director, David Bernhauser, and Township Manager, Aaron Bibro. They can be reached at 215-855-0900 (phone), 215-855-0243 (fax), or [www.hatfieldtownship.org](http://www.hatfieldtownship.org) (internet).

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Statement of Net Position**  
**December 31, 2014**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 5,406,239	\$ 17,326	\$ 5,423,565
Taxes and Other Receivables	1,532,187	0	1,532,187
Total Current Assets	<u>6,938,426</u>	<u>17,326</u>	<u>6,955,752</u>
Noncurrent Assets			
Net Capital Assets	27,148,012	5,558,573	32,706,585
Fair Value of Derivative Instrument	404,881	186,245	591,126
Total Noncurrent Assets	<u>27,552,893</u>	<u>5,744,818</u>	<u>33,297,711</u>
<b>Total Assets</b>	<u>34,491,319</u>	<u>5,762,144</u>	<u>40,253,463</u>
<b>Liabilities</b>			
Current Liabilities			
Current Portion of General Obligation Notes	328,948	126,000	454,948
Current Portion of Capital Lease Payable	29,358	0	29,358
Accounts Payable and Accrued Expenses	126,572	3,076	129,648
Accrued Wages and Payroll Taxes	249,284	4,048	253,332
Total Current Liabilities	<u>734,162</u>	<u>133,124</u>	<u>867,286</u>
Noncurrent Liabilities			
General Obligation Note Payable	4,062,749	2,434,000	6,496,749
Capital Lease Payable	117,864	0	117,864
Compensated Absences	113,050	0	113,050
Other Post-Employment Benefits	39,688	0	39,688
Total Noncurrent Liabilities	<u>4,333,351</u>	<u>2,434,000</u>	<u>6,767,351</u>
<b>Total Liabilities</b>	<u>5,067,513</u>	<u>2,567,124</u>	<u>7,634,637</u>
<b>Deferred Inflows of Resources</b>			
Deferred Accumulated Increase in Fair Value of Derivative Instrument	<u>404,881</u>	<u>186,245</u>	<u>591,126</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	22,609,093	2,998,573	25,607,666
Restricted for			
Capital Projects	3,136,876	0	3,136,876
Other	612,144	0	612,144
Unrestricted	<u>2,660,812</u>	<u>10,202</u>	<u>2,671,014</u>
<b>Total Net Position</b>	<u>\$ 29,018,925</u>	<u>\$ 3,008,775</u>	<u>\$ 32,027,700</u>

See Notes to Financial Statements.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Statement of Activities**  
**Year Ended December 31, 2014**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government				
Finance and Tax Collection	\$ 89,255	\$ 0	\$ 0	\$ 0
Professional Fees	220,277	0	0	0
General Government	1,149,521	369,752	112,826	0
Public Safety				
Police	5,049,580	866,043	221,896	0
Fire	650,355	84,672	151,562	0
Code Enforcement and Zoning	305,037	469,367	8,620	0
Highways				
Highway Maintenance	2,478,920	0	819,218	34,228
Snow and Ice Removal	113,520	1,732	0	0
Street Lighting	79,336	0	0	0
Parks and Recreation	403,335	102,058	53,826	0
Total Governmental Activities	10,539,136	1,893,624	1,367,948	34,228
Business-Type Activities				
Pool	883,648	673,100	0	0
Total	\$ 11,422,784	\$ 2,566,724	\$ 1,367,948	\$ 34,228

General Revenues  
Real Estate Taxes  
Other Taxes  
Grants and Contributions  
Investment Income and Rents  
Miscellaneous  
Gain on Sale of Capital Assets  
Transfers  
Total General Revenues

Change in Net Position

Net Position  
Beginning of Year  
End of Year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (89,255)	\$ 0	\$ (89,255)
(220,277)	0	(220,277)
(666,943)	0	(666,943)
(3,961,641)	0	(3,961,641)
(414,121)	0	(414,121)
172,950	0	172,950
(1,625,474)	0	(1,625,474)
(111,788)	0	(111,788)
(79,336)	0	(79,336)
(247,451)	0	(247,451)
(7,243,336)	0	(7,243,336)
0	(210,548)	(210,548)
(7,243,336)	(210,548)	(7,453,884)
4,543,774	0	4,543,774
3,750,645	0	3,750,645
32,675	0	32,675
21,817	0	21,817
134,806	0	134,806
46,221	0	46,221
(173,869)	173,869	0
8,356,069	173,869	8,529,938
1,112,733	(36,679)	1,076,054
27,906,192	3,045,454	30,951,646
\$ 29,018,925	\$ 3,008,775	\$ 32,027,700

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2014**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Impact Fees Fund</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,714,812	\$ 1,474,997	\$ 714,053
Taxes Receivable	1,341,790	0	0
Other Receivables	122,730	0	0
Due from (to) Other Funds	<u>(6,757)</u>	<u>0</u>	<u>0</u>
<b>Total Assets</b>	<u><u>\$ 3,172,575</u></u>	<u><u>\$ 1,474,997</u></u>	<u><u>\$ 714,053</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ 113,192	\$ 0	\$ 0
Accrued Wages and Payroll Taxes	<u>245,833</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>359,025</u>	<u>0</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Deferred Tax Receipts	<u>645,721</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Restricted	0	0	648,905
Assigned	0	1,474,997	65,148
Unassigned	<u>2,167,829</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>2,167,829</u>	<u>1,474,997</u>	<u>714,053</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 3,172,575</u></u>	<u><u>\$ 1,474,997</u></u>	<u><u>\$ 714,053</u></u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,502,377	\$ 5,406,239
67,667	1,409,457
0	122,730
6,757	0
<u>\$ 1,576,801</u>	<u>\$ 6,938,426</u>

\$ 13,380	\$ 126,572
3,451	249,284
<u>16,831</u>	<u>375,856</u>

<u>48,728</u>	<u>694,449</u>
---------------	----------------

527,434	1,176,339
983,808	2,523,953
0	2,167,829
<u>1,511,242</u>	<u>5,868,121</u>
<u>\$ 1,576,801</u>	<u>\$ 6,938,426</u>

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**December 31, 2014**

Total Governmental Fund Balances	\$ 5,868,121
Amounts Reported for Governmental Activities in the Statement of Net Position Are Different Because	
Capital Assets Used in Governmental Activities Are Not Financial Resources and, Therefore, Not Reported in Funds, Net of Accumulated Depreciation of \$16,200,068.	27,148,012
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	694,449
Fair Value of Derivative Instruments	404,881
Long-Term Liabilities Are Not Due and Payable in the Current Period, and, Therefore, Are Not Reported in the Funds.	
General Obligation Note Payable	(4,391,697)
Capital Lease Payable	(147,222)
Compensated Absences	(113,050)
Other Post-Employment Benefits	(39,688)
Deferred Accumulated Increase in Fair Value of Derivative Instrument	(404,881)
Net Position of Governmental Activities	<u>\$ 29,018,925</u>

See Notes to Financial Statements.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2014**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Impact Fees Fund</u>
Revenues			
Taxes	\$ 6,911,667	\$ 0	\$ 0
Intergovernmental	456,787	0	0
Charges for Services	1,271,195	0	0
Fines, Licenses and Permits	471,530	0	0
Interest Income and Rents	21,473	0	0
Miscellaneous Revenues	361,669	14,782	34,228
Total Revenues	<u>9,494,321</u>	<u>14,782</u>	<u>34,228</u>
Expenditures			
General Government	917,284	0	10,295
Public Safety	3,725,889	2,407	0
Public Works	1,423,261	490	1,242
Parks and Recreation	0	0	0
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	128,504	173,278	0
Insurance and Employee Benefits	2,513,534	0	0
Miscellaneous Governmental	35,138	0	0
Total Expenditures	<u>8,743,610</u>	<u>176,175</u>	<u>11,537</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>750,711</u>	<u>(161,393)</u>	<u>22,691</u>
Other Financing Sources (Uses)			
Proceeds from Issuance of Long-Term Note	0	1,530,000	0
Debt Issuance Costs	0	(22,346)	0
Operating Transfers In (Out)	(85,000)	85,000	(10,000)
Total Other Financing Sources (Uses)	<u>(85,000)</u>	<u>1,592,654</u>	<u>(10,000)</u>
Net Change in Fund Balances	665,711	1,431,261	12,691
Fund Balances			
Beginning of Year	<u>1,502,118</u>	<u>43,736</u>	<u>701,362</u>
End of Year	<u>\$ 2,167,829</u>	<u>\$ 1,474,997</u>	<u>\$ 714,053</u>

See Notes to Financial Statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,328,288	\$ 8,239,955
447,513	904,300
80,175	1,351,370
0	471,530
22,227	43,700
505,222	915,901
<u>2,383,425</u>	<u>11,926,756</u>
90	927,669
353,480	4,081,776
141,604	1,566,597
267,163	267,163
351,646	351,646
113,700	113,700
166,208	467,990
0	2,513,534
0	35,138
<u>1,393,891</u>	<u>10,325,213</u>
<u>989,534</u>	<u>1,601,543</u>
0	1,530,000
0	(22,346)
<u>(163,869)</u>	<u>(173,869)</u>
<u>(163,869)</u>	<u>1,333,785</u>
825,665	2,935,328
<u>685,577</u>	<u>2,932,793</u>
<u>\$ 1,511,242</u>	<u>\$ 5,868,121</u>

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Reconciliation of the Net Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
Year Ended December 31, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$ 2,935,328
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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 Depreciation Expense of \$983,934 and the Net Book Value of Assets Disposed of \$180,096 Exceeded Capital Outlays of \$467,990 in the Current Year.	(696,040)
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Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds.	94,507
--	--------

Repayment of Notes Payable and Capital Lease Principal Is An Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Position.	351,646
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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	(3,020)

Other Post-Employment Benefits Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported as Expenditures in Governmental Funds.	<u>(39,688)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 1,112,733</u></u>
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See Notes to Financial Statements.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Statement of Net Position**  
**Proprietary Funds - Pool Fund**  
**December 31, 2014**

**Assets**

Current Assets

Cash	\$ 17,326
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Noncurrent Assets

Capital Assets	5,558,573
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Fair Value of Derivative Instrument	186,245
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Total Noncurrent Assets	<u>5,744,818</u>
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<b>Total Assets</b>	<u><u>5,762,144</u></u>
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**Liabilities**

Current Liabilities

Current Portion of General Obligation Note	126,000
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Accounts Payable and Accrued Expenses	3,076
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Accrued Wages and Payroll Taxes	4,048
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Total Current Liabilities	<u>133,124</u>
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Noncurrent Liabilities

General Obligation Note Payable	<u>2,434,000</u>
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<b>Total Liabilities</b>	<u><u>2,567,124</u></u>
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**Deferred Inflows of Resources**

Accumulated Increase in Fair Value of Derivative Instrument	<u>186,245</u>
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**Net Position**

Invested in Capital Assets, Net of Related Debt	2,998,573
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Unrestricted	<u>10,202</u>
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<b>Total Net Position</b>	<u><u>\$ 3,008,775</u></u>
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See Notes to Financial Statements.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds - Pool Fund**  
**Year Ended December 31, 2014**

Operating Revenues	
Charges and Fees	\$ 670,085
Miscellaneous	3,015
Total Operating Revenues	<u>673,100</u>
Operating Expenses	
Salaries and Benefits	395,461
Depreciation	180,274
Snack Bar	58,348
Repairs and Maintenance	53,924
Utilities	52,562
Pool Supplies	28,952
Other Expenses	13,154
Office Supplies and Expenses	7,822
Uniforms	6,047
Total Operating Expenses	<u>796,544</u>
Operating Loss Before Nonoperating Revenues	<u>(123,444)</u>
Nonoperating Revenues (Expenses)	
Interest Expense	(87,104)
Transfers from Other Funds	173,869
Total Nonoperating Revenue (Expenses)	<u>86,765</u>
Change in Net Position	(36,679)
Net Position	
Beginning of Year	<u>3,045,454</u>
End of Year	<u><u>\$ 3,008,775</u></u>

See Notes to Financial Statements.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2014**

Cash Flows from Operating Activities	
Receipts from Customers	\$ 673,100
Payments to Suppliers	(224,081)
Payments to Employees	(394,881)
Net Cash Used in Operating Activities	<u>54,138</u>
 Cash Flows from Noncapital Financing Activities	
Transfers from Other Funds	<u>173,869</u>
 Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(17,046)
Principal Paid on Capital Debt	(121,000)
Interest Paid on Capital Debt	(87,104)
Net Cash Used in Capital and Related Financing Activities	<u>(225,150)</u>
 Net Increase in Cash	2,857
 Cash	
Beginning of Year	<u>14,469</u>
End of Year	<u><u>\$ 17,326</u></u>
 Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (123,444)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	180,274
Change in Net Assets and Liabilities	
Accounts Payable and Accrued Expenses	(3,272)
Accrued Wages and Payroll Taxes	580
Net Cash Provided by Operating Activities	<u><u>\$ 54,138</u></u>

See Notes to Financial Statements.

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Statement of Fiduciary Net Position  
December 31, 2014**

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 491,774	\$ 925,233
Investments	16,437,364	0
Accrued Interest Receivable	<u>44,884</u>	<u>0</u>
<b>Total Assets</b>	<u>16,974,022</u>	<u>925,233</u>
<b>Liabilities</b>		
Escrow Deposits	<u>0</u>	<u><u>\$ 925,233</u></u>
<b>Net Position</b>		
Held in Trust for Pension Benefits	<u><u>\$ 16,974,022</u></u>	

See Notes to Financial Statements.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended December 31, 2014**

Additions	
Contributions	
Plan Members	\$ 122,478
State	298,196
Employer	613,107
Total Contributions	<u>1,033,781</u>
Investment Earnings	
Net Increase in Fair Value of Investments	814,353
Dividends	364,234
	<u>1,178,587</u>
Less Investment Expense	(55,421)
Total Net Investment Earnings	<u>1,123,166</u>
Miscellaneous Revenue	<u>18,678</u>
Total Additions	<u>2,175,625</u>
Deductions	
Benefits	679,507
Administrative Expense	14,708
Total Deductions	<u>694,215</u>
Change in Net Position	1,481,410
Net Position, Held in Trust	
Beginning of Year	<u>15,492,612</u>
End of Year	<u><u>\$ 16,974,022</u></u>

See Notes to Financial Statements.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**1. Summary of Significant Accounting Policies**

Hatfield Township was incorporated March 9, 1730, in Montgomery County, Pennsylvania. The Township is classified as a "Township of the First 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. For financial reporting purposes, in accordance with Government Accounting Standards Board (GASB) Statement 14, the Township includes all funds that are part of the primary financial reporting entity.

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.

**A. Reporting Entity**

The Township's financial reporting entity comprises the following:

Primary Government:	Hatfield Township
Blended Component Unit:	Hatfield Township Municipal Authority
Discretely Presented Component Units:	Hatfield Industrial Development Authority Health, Hospital, Education Authority



**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**A. Reporting Entity (Continued)**

Government Accounting Standards Board (GASB) Statement No. 14, as amended by GASB 61, requires Hatfield 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.

Management has elected to not include the financial activities of the entities described below in the Township's financial statements. Therefore, these financial statements should be read in conjunction with the financial statements of each entity. A copy of each entity's financial statements can be obtained by contacting them or by contacting the Township.

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Township Board of Commissioners, or the component unit provides services entirely to the Township. This type of component unit's funds is blended into those of the Township's by appropriate activity type to compose the primary government presentation.

The Hatfield Township Municipal Authority was created in 1985, to provide water and sewer services to portions of Hatfield Township. Based upon the fact that the Township is responsible for appointing the Hatfield Township Municipal Authority board members, and that the Authority serves only Township residents, the Authority should be a blended component unit of Hatfield Township.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending.

The Hatfield Industrial Development Authority was created to provide tax-free financing for commercial and industrial projects. The Health, Hospital, Education Authority was created to provide funding to not-for-profit organizations that have health or education-related missions.

**B. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position 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.

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Notes to Financial Statements  
December 31, 2014**

**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 position should be reported as restricted when constraints placed on net position 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 position restricted for other purposes result from special revenue funds and the restrictions on their net position 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 three major categories: governmental, proprietary and fiduciary.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**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 reconciliations 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.

**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:

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**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>
State Highway Aid Fund	Accounts for revenues and expenditures of state liquid fuels grant funds	No
Park and Recreation Fund	Accounts for revenues and expenditures of park and recreation funds	No
Fire Fund	Accounts for revenues and expenditures of fire protection tax funds	No

**Capital Projects Fund** - 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. The reporting entity includes the following capital projects funds:

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Capital Reserve Fund	Accounts for revenues assigned for capital acquisition/improvements	Yes
Contribution Fund	Accounts for recycling grant funds and related expenditures	No
Impact Fees Fund	Accounts for impact fees collected and related expenditures	Yes
Pool and Open Space Fund	Accounts for contributions collected for capital purchase and construction	No
Park and Recreation Reserve Fund	Accounts for contributions collected for capital purchase and construction	No
Equipment Reserve Fund	Accounts for contributions for the purchase of equipment	No

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Notes to Financial Statements  
December 31, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

**Governmental Funds (Continued)**

**Debt Service Fund** - This fund is used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest. This fund is not a major fund.

**Proprietary Funds**

**Enterprise Fund** – Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Pool Fund.

**Fiduciary Funds**

**Pension Trust and Agency Funds** – Pension Trust Funds (which include the Police and Non-Uniform Pension Plans) and Agency Funds (which include the Developers Escrow Funds and other agency funds) are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary funds are custodial in nature and do not involve measurement of results of operations.

**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 Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined on the following page.

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Notes to Financial Statements  
December 31, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**Measurement Focus (Continued)**

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. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net position.
3. Agency 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 Position and Statement of Activities, both governmental and business-like 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 proprietary and 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 used.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**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. Cash Equivalents**

For reporting purposes, the Township defines cash and cash equivalents as cash and investments that have a maturity value of less than three months.

**F. 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 Position. See Note 10 for details of interfund transactions, including receivables and payables at year end.

**G. 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, grants, and police fines.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**G. Receivables (Continued)**

In the fund financial statements, material receivables in governmental funds include revenue accruals such as real estate tax, earned income 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 modified accrual, 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. Proprietary fund receivables consist of all revenues earned at year end and not yet received.

**H. 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. 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. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation.

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 Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is shown below.

<u>Classifications</u>	<u>Years</u>
Land Improvements	10-40
Buildings and Improvements	10-50
Park Equipment and Improvements	10-25
Equipment	3-10
Vehicles	5-10
Furniture and Fixtures	10
Infrastructure	20-75
Pool	10-40



**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Notes to Financial Statements  
December 31, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**H. Capital Assets (Continued)**

**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. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**I. Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type 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. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**J. Compensated Absences**

Uniformed Township employees are entitled to unlimited sick leave. Additionally, uniformed employees are entitled to compensatory time off, which accrues at a rate of 1½ hours for each hour of overtime worked. Upon retirement or termination, vested compensatory time is paid at 100% of the respective employee's pay rate.

The Township is liable to employees in the amount of \$113,050 for vested compensatory time at December 31, 2014.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**K. Equity Classifications**

**Government-Wide Statements**

Equity is classified as net position 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 position** - Consists of net position 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 position** - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**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, 2014.

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 Commissioners. 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. The Township did not have any committed fund balances at December 31, 2014.

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 Finance Director, as well as the Board of Commissioners.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**K. Equity Classifications (Continued)**

**Fund Statements (Continued)**

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 has a minimum fund balance policy that requires the unassigned fund balance at the end of the year to be a minimum of 5% of the budgeted expenditures for the year.

Proprietary fund equity is classified the same as in the government-wide statements.

**L. Expenditures/Expenses**

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

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

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

Proprietary Fund - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**M. Interfund Transfers**

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

**N. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**2. Cash and Investments**

Cash and investments as of December 31, 2014, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	\$ 5,423,565
Statement of Fiduciary Net Position:	
Cash	1,417,007
Investments	<u>16,437,364</u>
Total Cash and Investments	<u>\$ 23,277,936</u>

Cash and investments as of December 31, 2014, consist of the following:

Deposits with Financial Institutions	\$ 6,348,798
Money Market Funds	491,774
Investments	<u>16,437,364</u>
Total Cash and Investments	<u>\$ 23,277,936</u>

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**2. Cash and Investments (Continued)**

**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. The Township deposits are entirely insured or collateralized under a pooled asset program to secure public deposits, as required by Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2014, \$6,212,590 of the Township's bank balance of \$6,462,590 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, 2014, the Township's investments consisted of the following:

Fiduciary Funds:	
Certificates of Deposit	\$ 930,000
Common Stocks	8,797,380
Mortgage and Asset-Backed Securities	1,968,768
Corporate Bonds	2,130,765
Mutual Funds	<u>2,610,451</u>
Total Investments	<u>\$ 16,437,364</u>

**Investments Authorized by Township Code**

The Township's Code authorizes the Township to invest in obligations of the U.S. Treasury, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and shares of the Pennsylvania Local Government Investment Trust (PLGIT) which are composed solely of the obligations noted above.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices and state statutes.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**2. Cash and Investments (Continued)**

**B. Investments (Continued)**

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. With the exception of money market funds and certificates of deposit held in the fiduciary funds, all of the Township's investments are either invested in securities which are not subject to custodial credit risk because they do not involve a transferable financial instrument or are backed by the full faith and credit of the U.S. Government. The money market funds of \$491,774 are covered by Securities Investor Protection Corporation up to \$250,000. The certificates of deposit of \$980,000 are fully covered by the Federal Deposit Insurance Corporation in various banking institutions.

**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. As of December 31, 2014, the Township's investments were rated by Moody's as follows:

	<u>Fair Value</u>	<u>Rating</u>
Investments		
Federal Home Loan Bank	\$ 403,920	Aaa
Federal Farm Credit Bank	463,879	Aaa
Federal Home Loan Mortgage Association	230,774	Aaa
Federal National Mortgage Association	819,979	Aaa
Corporate Bonds	<u>2,130,765</u>	Aa2 – Baa2
Total Exposed to Credit Risk	4,049,317	
Not Rated**	<u>12,388,047</u>	
Total Investments	<u>\$ 16,437,364</u>	

\*\* Not rated securities consist of fiduciary fund investments in mutual funds, common stock, and certificates of deposit.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**2. Cash and Investments (Continued)**

**B. Investments (Continued)**

**Concentration of Credit Risk**

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer. The following represent more than 5% of total entity investment:

Vanguard Total International Stock ETF	\$841,986
American Funds EuroPacific Growth	\$917,275

**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.

The Township's investments at December 31, 2014, including the following:

<u>Remaining Maturities</u>	<u>Mortgage and Asset-Backed Securities</u>	<u>Corporate Bonds</u>
1 Year or Less	\$ 0	\$ 176,561
2 - 5 Years	753,392	693,185
6 - 10 Years	<u>1,215,376</u>	<u>1,261,019</u>
Total	<u>\$ 1,968,768</u>	<u>\$ 2,130,765</u>

The Township's investments shown above have remaining maturity dates that range from the years 2015 to 2024. The securities with longer maturity dates are highly sensitive to interest rate risk.

**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, other applicants and other municipalities. Escrow deposits of \$925,233 represent the net developer and other balances held at December 31, 2014.

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Notes to Financial Statements  
December 31, 2014**

**4. Property Taxes**

Taxes are levied on December 31, based on the assessed value established by the Montgomery County Board of Assessments. Bills are sent out on February 1 by the Township's tax collector. Real property in the Township was originally assessed at \$1,141,027,930 for 2014. Property taxes attach as an enforceable lien on property as of December 31. The Township receives all tax collections through its tax collector. The Township is legally permitted to levy up to 30 mills of assessed property valuation for general purposes (35 mills with court approval), and 3 mills for fire tax purposes. The Township had the following millage rates for the year ended December 31, 2014: general purposes, 3.688 mills; fire tax purposes, .620 mills; park and recreation, .220 mills; debt service, .694 mills.



**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**5. Capital Assets**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 1/1/14	Additions	Disposals	Balance 12/31/14
<b>Governmental Activities</b>				
Assets Not Being Depreciated				
Land	\$ 8,753,800	\$ 0	\$ 0	\$ 8,753,800
Depreciable Assets				
Land Improvements	747,588	0	0	747,588
Buildings and Improvements	7,565,540	45,019	252,473	7,358,086
Park Equipment and Improvements	846,357	13,486	0	859,843
Equipment	386,227	47,266	0	433,493
Vehicles	1,719,522	325,363 *	83,194	1,961,691
Furniture and Fixtures	55,187	0	0	55,187
Infrastructure	22,994,312	184,080	0	23,178,392
Total at Historical Cost	43,068,533	615,214	335,667	43,348,080
Less Accumulated Depreciation				
Land Improvements	323,111	25,789	0	348,900
Buildings and Improvements	2,187,411	199,264	72,846	2,313,829
Park Equipment and Improvements	415,503	32,053	0	447,556
Equipment	244,331	29,288	0	273,619
Vehicles	1,200,507	148,039	82,725	1,265,821
Furniture and Fixtures	42,069	4,447	0	46,516
Infrastructure	10,958,773	545,054	0	11,503,827
Total Accumulated Depreciation	15,371,705	983,934	155,571	16,200,068
Total Governmental Activities Net Capital Assets	<u>\$ 27,696,828</u>	<u>\$ (368,720)</u>	<u>\$ 180,096</u>	<u>\$ 27,148,012</u>
<b>Business-Type Activities</b>				
Pool	\$ 6,856,697	\$ 17,046	\$ 0	\$ 6,873,743
Less Accumulated Depreciation	1,134,896	180,274	0	1,315,170
Total Business-Type Net Capital Assets	<u>\$ 5,721,801</u>	<u>\$ (163,228)</u>	<u>\$ 0</u>	<u>\$ 5,558,573</u>

\*Includes a truck acquired through a capital lease with a value of \$147,222.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**5. Capital Assets (Continued)**

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 139,222
Police	81,356
Highway Maintenance	688,367
Parks	73,792
Code Enforcement	<u>1,197</u>
	983,934
Business-Type Activities	
Pool	<u>180,274</u>
Total Depreciation Expense	<u>\$ 1,164,208</u>

**6. Short -Term Debt**

	<u>Balance 1/1/14</u>	<u>Loan Proceeds</u>	<u>Principal Payments</u>	<u>Balance 12/31/14</u>
Tax Anticipation Note 2014	<u>\$0</u>	<u>\$750,000</u>	<u>\$750,000</u>	<u>\$0</u>

**Tax Anticipation Note 2014**

In January 2014, the Township issued a \$750,000 tax anticipation note in advance of property tax collections and other government revenues, depositing the proceeds in its General Fund. This note was paid off during 2014. Interest expense for the year totaled \$2,447.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**7. Long-Term Debt**

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

	Balance 1/1/14	Proceeds	Principal Payments	Balance 12/31/14
<b>Governmental Activities</b>				
2003 General Obligation Note - Series A	\$ 644,000	\$ 0	\$ 154,000	\$ 490,000
2003 General Obligation Note - Series B	1,108,000	0	0	1,108,000
2011 General Obligation Note - Series B	745,000	0	0	745,000
2014 General Obligation Note	0	1,530,000	0	1,530,000
Pennsylvania Infrastructure Loan	685,917	0	167,220	518,697
<b>Business-Type Activities</b>				
2006 General Obligation Note	1,938,000	0	120,000	1,818,000
2011 General Obligation Note - Series A	743,000	0	1,000	742,000
	<u>\$ 5,863,917</u>	<u>\$ 1,530,000</u>	<u>\$ 442,220</u>	<u>\$ 6,951,697</u>

**A. 2003 General Obligation Note - Series A and B**

On July 25, 2003, the Township issued General Obligation Notes in the amount of \$2,500,000 (Series A) and \$1,500,000 (Series B) through the Delaware Valley Regional Finance Authority. The interest rate on these notes was both fixed and variable. On January 25, 2011, the Township issued the 2011 General Obligation Note, Series A and B for the purpose of refunding the variable portion of this note (see Item C) and entering into a fixed rate swap (see Note 15).

Additionally, the Township executed a fixed rate swap agreement, which fixed its interest rate for 75% of the original note proceeds (see Note 15). For the Series A portion, principal payments are due on June 25 of each year as shown below. For the Series B portion, principal payments are due on June 25 of each year, beginning in the year 2018, as shown below. These notes were issued for the purpose of constructing a new Township administration building and renovating other Township properties. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

In 2012, the Township entered into a fixed rate conversion for a portion of the 2003 Notes, Series A and B. The purpose of the conversion is to provide more level annual debt service payments. The new fixed rate for the portions of the notes that were converted is 1.60% per annum.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**7. Long-Term Debt (Continued)**

**A. 2003 General Obligation Note - Series A and B (Continued)**

The revised debt service requirements for the 2003 General Obligation Note, Series A and B, are shown below.

<u>Year</u>	<u>Principal</u>	<u>12/31/14 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
<b>Series A</b>				
2015	\$ 159,000	1.60 – 4.499%	\$ 13,209	\$ 172,209
2016	164,000	1.60 – 4.499%	8,017	172,017
2017	<u>167,000</u>	1.60 – 4.499%	<u>2,689</u>	<u>169,689</u>
	<u>\$ 490,000</u>		<u>\$ 23,915</u>	<u>\$ 513,915</u>
<b>Series B</b>				
2015	\$ 0	1.60 – 4.575%	\$ 37,884	\$ 37,884
2016	0	1.60 – 4.575%	37,884	37,884
2017	0	1.60 – 4.575%	37,884	37,884
2018	172,000	1.60 – 4.575%	34,976	206,976
2019	176,000	1.60 – 4.575%	29,075	205,075
2020-2023	<u>760,000</u>	1.60 – 4.575%	<u>53,229</u>	<u>813,229</u>
	<u>\$ 1,108,000</u>		<u>\$ 230,932</u>	<u>\$ 1,338,932</u>

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**7. Long-Term Debt (Continued)**

**B. 2006 General Obligation Note**

On August 25, 2006, the Township issued a General Obligation Note in the amount of \$3,500,000 through the Delaware Valley Regional Finance Authority. The interest rate on this note was both fixed and variable. On January 25, 2011, the Township issued the 2011 General Obligation Note, Series A and B for the purpose of refunding the variable portion of this note (see Item C) and entering into a fixed rate swap (see Note 15). The variable rate was based on the weekly high-grade market index comprised of seven-day, tax-exempt, variable rate demand notes, published weekly and reset each Thursday by the Bond Market Association. The maximum rate was 15% per annum.

Additionally, the Township executed a fixed rate swap agreement, which fixed its interest rate for 75% of the original note proceeds (see Note 15). Principal payments are due on August 25 of each year as shown below. These notes were issued for the purpose of constructing a new municipal pool complex. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

In 2012, the Township entered into a fixed rate conversion for a portion of the 2006 Notes. The purpose of the conversion is to provide more level annual debt service payments. The new fixed rate for the portion of the note that was converted is 1.875% per annum.

The revised debt service requirements for the 2006 General Obligation Note are shown below.

<u>Year</u>	<u>Principal</u>	<u>12/31/14 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 125,000	1.875 – 4.475%	\$ 61,200	\$ 186,200
2016	130,000	1.875 – 4.475%	56,924	186,924
2017	135,000	1.875 – 4.475%	52,461	187,461
2018	138,000	1.875 – 4.475%	47,838	185,838
2019	142,000	1.875 – 4.475%	43,091	185,091
2020-2024	791,000	1.875 – 4.475%	137,540	928,540
2025-2026	357,000	1.875 – 4.475%	14,666	371,666
	<u>\$ 1,818,000</u>		<u>\$ 413,720</u>	<u>\$ 2,231,720</u>

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**7. Long-Term Debt (Continued)**

**C. 2011 General Obligation Note - Series A and B**

On January 25, 2014, the Township issued General Obligation Notes in the amount of \$745,000 (Series A) and \$745,000 (Series B) through the Delaware Valley Regional Finance Authority. The Township executed a fixed rate swap agreement (see Note 15), which fixed its interest rate for the note proceeds at 2.42% (Series A) and 3.10% (Series B). Principal payments are due on January 25 of each year as shown below. These notes were issued for the purpose of refunding the variable portions of the 2003 (Series A and B) and 2006 General Obligation Bonds. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

The debt service requirements for the 2011 General Obligation Note, Series A and B, are shown below.

<u>Year</u>	<u>Principal</u>	<u>12/31/14 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
<b>Series A</b>				
2015	\$ 1,000	2.42%	\$ 17,944	\$ 18,944
2016	1,000	2.42%	17,920	18,920
2017	1,000	2.42%	17,896	18,896
2018	1,000	2.42%	17,872	18,872
2019	1,000	2.42%	17,848	18,848
2020-2024	91,000	2.42%	87,834	178,834
2025-2029	529,000	2.42%	47,008	576,008
2030	117,000	2.42%	1,416	118,416
	<u>\$ 742,000</u>		<u>\$ 225,738</u>	<u>\$ 967,738</u>
<b>Series B</b>				
2015	\$ 0	3.10%	\$ 23,095	\$ 23,095
2016	0	3.10%	23,095	23,095
2017	0	3.10%	23,095	23,095
2018	0	3.10%	23,095	23,095
2019	0	3.10%	23,095	23,095
2020-2024	103,000	3.10%	113,879	216,879
2025-2029	526,000	3.10%	59,830	585,830
2030	116,000	3.10%	1,798	117,798
	<u>\$ 745,000</u>		<u>\$ 290,982</u>	<u>\$ 1,035,982</u>

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**7. Long-Term Debt (Continued)**

**D. 2014 General Obligation Note**

On April 25, 2014, the Township issued a General Obligation Note in the amount of \$1,530,000 through the Delaware Valley Regional Finance Authority. The Township executed a fixed rate swap agreement (see Note 15), which fixed its interest rate for the note proceeds at 2.3175%. Principal payments are due on January 25 of each year as shown below. This note was issued for the purpose of removing and rebuilding the Walnut Street Bridge, and was issued as non-electoral debt. The Township has pledged its full faith 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 for the 2014 General Obligation Note are shown below.

<u>Year</u>	<u>Principal</u>	<u>12/31/14 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 0	2.3175%	\$ 35,458	\$ 35,458
2016	59,000	2.3175%	34,546	93,546
2017	61,000	2.3175%	33,148	94,148
2018	63,000	2.3175%	31,703	94,703
2019	65,000	2.3175%	30,212	95,212
2020-2024	360,000	2.3175%	126,860	486,860
2025-2029	423,000	2.3175%	81,321	504,321
2030-2034	499,000	2.3175%	27,795	526,795
	<u>\$ 1,530,000</u>		<u>\$ 401,043</u>	<u>\$ 1,931,043</u>

**HATFIELD TOWNSHIP**  
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**7. Long-Term Debt (Continued)**

**E. Pennsylvania Infrastructure Note**

On November 20, 2012, the Township issued a General Obligation Note in the amount of \$850,000 with the Commonwealth of Pennsylvania Department of Transportation. The interest rate on this note is 1.625% per annum. Principal and interest payments are due semi-annually through December 2017, as shown below. These notes were issued for the purpose of repairing a structurally deficient bridge and repairing roads in the Township. These notes are secured through Liquid Fuels funding and any future grants from the Commonwealth. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 169,948	\$ 7,741	\$ 177,689
2016	172,721	4,968	177,689
2017	<u>176,028</u>	<u>2,151</u>	<u>178,179</u>
Total	<u>\$ 518,697</u>	<u>\$ 14,860</u>	<u>\$ 533,557</u>

**F. Interest Expense**

Interest expense during the year on all the above-noted long-term debt totaled \$197,007.

**8. Capital Lease Payable**

The Township entered into a lease agreement for the acquisition of a truck. An annual lease payment of \$31,589 is due through the year 2019. The capitalized cost of the leased equipment is \$147,222 and accumulated depreciation is \$3,681 at December 31, 2014. At December 31, 2014, future lease payments are due as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 31,589
2016	31,589
2017	31,589
2018	31,588
2019	<u>31,588</u>
	157,943
Less Interest Portion	<u>(10,721)</u>
	<u>\$ 147,222</u>



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**9. Fund Balance Classifications**

	General Fund	Capital Reserve Fund	Impact Fees Fund	Nonmajor Governmental Funds	Total
Restricted for:					
Capital Acquisition or Construction	\$ 0	\$ 0	\$ 648,905	\$ 500	\$ 649,405
Highway Improvements	0	0	0	204,842	204,842
Fire Protection	0	0	0	13,882	13,882
Debt Service	0	0	0	308,210	308,210
	<u>0</u>	<u>0</u>	<u>648,905</u>	<u>527,434</u>	<u>1,176,339</u>
Assigned for:					
Capital Acquisition or Construction	0	1,474,997	65,148	430,403	1,970,548
Fire Protection	0	0	0	11,115	11,115
Parks and Recreation	0	0	0	24,363	24,363
Community Pool Improvements	0	0	0	61,024	61,024
Community Recycling	0	0	0	455,899	455,899
Debt Service	0	0	0	1,004	1,004
	<u>0</u>	<u>1,474,997</u>	<u>65,148</u>	<u>983,808</u>	<u>2,523,953</u>
Unassigned	<u>2,167,829</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,167,829</u>
Total Fund Balances	<u>\$ 2,167,829</u>	<u>\$ 1,474,997</u>	<u>\$ 714,053</u>	<u>\$ 1,511,242</u>	<u>\$ 5,868,121</u>

**HATFIELD TOWNSHIP**  
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**10. Interfund Transactions**

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
<b>Due To/From</b>			
Tax Revenues to be Distributed	Debt Service	General	\$6,757
<b>Transfers</b>			
Operating Expenses	Pool & Open Space	Pool	\$34,303
Capital Purchases	Capital Reserve	General	\$85,000
Capital Purchases	Equipment Reserve	Fire	\$255,500
Capital Purchases	Contribution	Impact Fee	\$10,000
Capital Purchases	Park & Recreation Reserve	Park & Recreation	\$52,892
Debt Service	Pool	Debt Service	\$208,172

**11. Deferred Compensation Plans**

The Township offers substantially all its employees two deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans permit participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Prior to 1997 all amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the Township (without being restricted to the provisions of benefits under the plan), subject to the claims of the Township's general creditors. Participants' rights under the plan were equal to those of general creditors of the Township in an amount equal to the fair market value of the deferred account for each participant.

During 1997 the Township amended the plan in accordance with recent IRS amendments of IRC Section 457(g). As a result of the amendment, assets of the plan are now placed in trust for the exclusive benefit of participants and their beneficiaries. IRC Section 457(g) states that the Township no longer owns the amounts deferred by employees, including the related earnings thereon. Accordingly, the assets and the corresponding liability for the compensation deferred by plan participants, including earnings, are no longer reported in the financial statements of the Township.

**HATFIELD TOWNSHIP  
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**12. Defined Benefit Pension Plans**

**A. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions, if required, to the Plan are recognized when due, in accordance with Act 205. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Method Used to Value Investments**

Investments are reported at fair value. The Plan's assets are managed by Univest Bank and Trust Co.

**B. Plan Descriptions**

**Plan Administration**

The Township administers two single-employer defined benefit pension plans, Hatfield Township Police Pension Plan (Police Plan) and Hatfield Township Non-Uniform Employees' Pension Plan (NU Plan) established by Resolutions 92-03 and 74-16, respectively. Additionally, the Plans have been amended by various resolutions and ordinances over the years. Assets are held separately and may only be used for the payment of benefits to members of the Plans. The Plans are part of the Township's financial reporting entity and are included in the Township's financial report as pension trust funds.

The plans are governed by Hatfield Township Board of Commissioners who are responsible for the management of the assets of the plans. Management of the Police Plan is vested in the Police Pension Committee which is appointed by the Township Commissioners, and consists of five members – two Commissioners, the Township Manager, the Finance Director and a member of the police bargaining unit. Management of the NU Plan is vested in the NU Pension Committee which is appointed by the Township Commissioners, and consists of four members – two Commissioners, the Township Manager, and the Finance Director.

**HATFIELD TOWNSHIP  
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Notes to Financial Statements  
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**12. Defined Benefit Pension Plans (Continued)**

**B. Plan Descriptions (Continued)**

**Plan Membership**

At December 31, 2014, plan membership consisted of the following:

	Police	Non-Uniform
Active Employees	24	19
Retirees and Beneficiaries Currently Receiving Benefits	17	9
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	2	10
Total	43	38

**Benefits Provided**

The following table provides information concerning the **Township's Police Pension Plan**:

Covered Employees:	All full-time uniformed employees.
Normal Retirement:	Age 50 and the completion of 25 years of service.
Early Retirement:	After 20 years of service.
Vesting:	None for the first 12 years of service; thereafter, 100%.
Retirement Benefit:	The monthly pension shall be 50% of the average compensation of the participant's last 36 months of employment, plus a service increment of \$100 per month, if officer completes 26 years or more of benefit service.
Death Benefit:	A pension shall be provided to a retired officer's spouse or to the spouse of an officer eligible to retire, equal to 50% of the eligible pension. If no spouse, then payable to an eligible child.
Disability Benefit Service Related:	A disability pension shall be provided to an officer with a total and permanent service related disability equal to 50% of the officer's monthly salary at the time of disability.
Non-Service Related:	None.
Member Contributions Rate:	5% of compensation.
Interest Rate Credited to Member Contributions:	3.5% per annum.

**HATFIELD TOWNSHIP**  
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**12. Defined Benefit Pension Plans (Continued)**

**B. Plan Descriptions (Continued)**

**Benefits Provided (Continued)**

The following table provides information concerning the **Township's Non-Uniform Employees' Pension Plan**:

Covered Employees:	All full-time non-uniformed employees employed by the Township prior to January 1, 2013.
Normal Retirement:	Age 65 and the completion of 10 years of credited service.
Early Retirement:	Age 55 with 25 years of service, or age 62 with 10 years of service, if earlier.
Vesting:	None for the first five years of service; thereafter 100%.
Retirement Benefit:	The monthly pension shall be 30% of average compensation, based on three highest consecutive years, plus 30% of average compensation in excess of \$2,083. Total benefit is reduced 1/25 <sup>th</sup> for each year of service less than 25 by retirement.
Death Benefit	
Before Retirement:	Beneficiary receives the present value of the accrued pension benefit at the date of death.
After Retirement:	The form of benefit payment in force for such participant at the time death occurs.
Disability Benefit:	After 6 months of disability, the actuarial equivalent of accrued benefits is payable to those participants who become totally and permanently disabled.
Other Benefits	
Late Retirement:	Normal Retirement Benefit based on the Final Monthly Average Compensation and years of credited service as calculated at actual retirement.
Vesting Benefit:	Accrued Benefit at date of termination multiplied by the vested percentage; payable at Normal Retirement.
Member Contributions Rate:	N/A

**HATFIELD TOWNSHIP**  
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**12. Defined Benefit Pension Plans (Continued)**

**B. Plan Descriptions (Continued)**

**Contributions**

For the Police Plan, participating employees can be required to contribute 5% of their salary to the Plan. For the year 2014, members contributed 5% of their salary to the Plan. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before 12 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

For the NU Plan, effective January 1, 2013, participating employees are required to contribute 0.5% of their salary to the Plan. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before five years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

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.

The Commonwealth of Pennsylvania provides funds (foreign casualty insurance premium taxes) to the Township, which are used in making contributions to the plans. The Township is required to contribute any remaining amounts necessary to fund the plans, using the actuarial basis specified by the state statute.

**HATFIELD TOWNSHIP  
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**12. Defined Benefit Pension Plans (Continued)**

**C. Investments**

**Investment Policy**

It is the policy of both of the Pension Committees to pursue an investment strategy that will produce a return on investment which is based on levels of investment risk that are prudent and reasonable given prevailing capital market conditions. While the committees recognize the importance of the preservation of capital, they also recognize modern portfolio theory, which maintains that varying degrees of investment risk will be rewarded with compensating returns. Consequently, prudent risk-taking is warranted and justifiable. Performance objectives include achieving a rate of return equal to or greater than the Plans' actual interest rate, achieving a real return above inflation, and maintaining a risk level within the tolerance level of the plans fiduciaries. The Committees' adopted asset allocation policy as of December 31, 2014, is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	55%
Fixed Income	30%
International Equity	10%
Cash	5%
	<u>100%</u>

**Concentrations**

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer. The following represent more than 5% of total entity investment:

Vanguard Total International Stock ETF	\$841,986
American Funds EuroPacific Growth	\$917,275

**Rate of Return**

For the year ended December 31, 2014, the annual money-weighted rate of return on Police Plan and NU Plan investments, net of pension plan investment expense, was 7.16% and 7.28%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

**HATFIELD TOWNSHIP  
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**12. Defined Benefit Pension Plans (Continued)**

**D. Deferred Retirement Option Program (DROP)**

Effective January 1, 2009, members of the Hatfield Township Police Department who have not retired prior to the implementation of the DROP program, may enter into DROP on the first day of any month after satisfaction of such eligibility requirements. A member electing to participate must execute a "DROP Option Form", which shall include an irrevocable notice to the Township that the member will resign from employment on a specific date (the "resignation date"). The resignation date may not be shorter than twelve months or longer than sixty months from the execution of the DROP Option Form. The member shall cease to work as a Police Officer on the member's resignation date, unless the Township terminates or honorably discharges the member prior to the resignation date.

After the effective date of the DROP option, the member shall no longer earn or accrue additional years of continuous service for the pension purposes. Service thereafter shall not be recognized or used for the calculation or determination of any benefits payable for the Plan. The pension benefit to the members shall only increase as a result of cost of living adjustments in effect on the effective date of a member's participation in DROP or by applicable cost of living adjustment granted thereafter.

The monthly retirement benefits that would have been payable had the member elected to cease employment and receive a normal retirement benefit shall, upon commencing participation in DROP, be paid into the separate account established to receive the participant's monthly pension payments. Within thirty days of the participant's resignation date, the balance of the DROP account shall be paid to the member in a single lump-sum payment or at the member's option, in any fashion permitted by law.

If a member becomes temporarily disabled during his participation in DROP, any such time lost to disability shall be counted towards the member's resignation date. Upon return to duty, membership in DROP shall continue with the remaining time left. If eligible, the member shall receive disability pay in the same amount as disabled officers who are not participating in DROP. Members on temporary disability are not able to draw from their DROP accounts. If a disabled member has not returned to work as of the date of his required resignation, then such resignation shall take precedence over all other provisions and the member will be required to resign.

If a DROP member dies before the DROP account balances are paid, the member's legal beneficiary shall have the same rights as the member to withdraw the account balance.

As of December 31, 2014, there was one participant in the DROP program, and the balance held by the Plan for the DROP program was \$80,293.



**HATFIELD TOWNSHIP**  
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**12. Defined Benefit Pension Plans (Continued)**

**E. Net Pension Liability of the Township**

The components of the net pension liabilities of the Township at December 31, 2014, were as follows:

	<u>Police</u>	<u>Non-Uniform</u>
Total Pension Liability	\$ 16,936,935	\$ 3,143,446
Plan Fiduciary Net Position	<u>(14,023,295)</u>	<u>(3,031,021)</u>
Township's Net Pension Liability	<u>\$ 2,913,640</u>	<u>\$ 112,425</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	82.80%	96.42%

**Actuarial Assumptions**

The total pension liability for both plans was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all period included in the measurement.

	<u>Per Year</u>
Salary Increases	5%
Investment Rate of Return	8%
Inflation	4%

Mortality rates were based on the RP-2000 Blue Collar Annuitant Mortality Table for Males or Females. No pre-retirement mortality is assumed.

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the two year period ended January 1, 2013.

**HATFIELD TOWNSHIP  
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**12. Defined Benefit Pension Plans (Continued)**

**E. Net Pension Liability of the Township (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return, Per Year</u>
Domestic Equity	7.0%
Fixed Income	2.5%
International Equity	6.0%
Cash	0.0%

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0 percent. The pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liabilities of the Township, calculated using the discount rate of 8.0 percent, as well as what the Township's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate.

	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Net Police Pension Liability	\$4,969,538	\$2,913,640	\$1,182,638
Net Non-Uniform Pension Liability	\$538,195	\$112,425	\$(246,476)

**HATFIELD TOWNSHIP  
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**13. Money Purchase Pension Plan**

The Township offers a pension plan to its full time, non-uniformed employees hired after December 31, 2012. Under this plan, participants are required to contribute 1.5% of their compensation each year. The Township is required to contribute from 3% to 8% of the participant's compensation, depending on their years of service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The amount contributed by the Township for the year ended December 31, 2014, was \$12,663.

The assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. The Township is not the owner of the amounts deferred by employees, including the related income on those amounts. Accordingly, no financial activity for this plan is included in the Township's financial statements.

**14. Post-Employment Benefits**

**A. Police**

Voluntary Employees Beneficiary Association (VEBA)

In addition to the pension benefits described in Note 12, 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 listed in Note 12.

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. As required by the union contract, there was no contribution required for the year ended December 31, 2014. 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 a federal individual income tax return, without regard to any limitations imposed based on the adjusted gross income of an eligible retiree.

The plan became effective January 1, 2004. Currently, there are no retirees receiving benefits and no uniformed employees have received contributions in their medical reimbursement account for 2014.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
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**14. Post-Employment Benefits (Continued)**

**A. Police (Continued)**

Post-Retirement Health Benefits

The Township provides post-retirement health benefits for Police Officers. The plan is a single-employer defined benefit plan. Separate financial statements are not issued for the plan.

For police officers who voluntarily separate their employment with the Township after reaching their superannuation retirement date, the Township will fully pay fifty percent (50%) of the premium coverage of the Officer and qualified spouse, in the health insurance plan then being offered to active full-time police officers until such time that he/she reaches Medicare eligibility or the occurrence of some other disqualifying event, as outlined in the police contract. The remaining 50% of the premium obligation attributable to continued participation shall be the sole responsibility of the Officer. The Township will pay the continued coverage and bill the retiree for 50% of the cost. Only officers who have retired after January 1, 2009, after completing 25 years of continuous service, and who have reached 50 years of age are eligible.

**Funding Policy:** The Township has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs. As of January 1, 2013, the latest actuarial valuation date, there were no retired participants. The Township's pay-as-you-go cost, including implicit rate subsidy of \$8,087 has been applied toward the annual OPEB cost.

**Funded Status and Funding Progress:** As of January 1, 2013, the unfunded actuarial accrued liability for benefits, which is amortized over thirty years was \$438,474, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$438,474. The covered payroll (annual payroll of active participating employees) was \$2,770,162, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 0.15 percent.

**Annual OPEB Cost and Net OPEB Obligation:** The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2014	\$47,775	17%	\$39,688
12/31/2015	\$47,124	22%	\$76,357
12/31/2016	\$46,523	33%	\$107,718

**HATFIELD TOWNSHIP**  
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**14. Post-Employment Benefits (Continued)**

**A. Police (Continued)**

Post-Retirement Health Benefits

The following table shows the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation:

Normal cost (service cost for one year)	\$ 19,958
Interest on Normal Cost	898
Amortization of Unfunded Actuarial Accrued Liability	<u>26,919</u>
Annual Required Contribution (ARC)	47,775
Interest on net OPEB Obligation	0
Adjustment to Annual Required Contribution	<u>0</u>
Annual OPEB Cost (expense)	47,775
Contributions toward the OPEB Cost	<u>(8,087)</u>
Increase in Net OPEB Obligation	39,688
Net OPEB Obligation, Beginning of Year	<u>0</u>
Net OPEB Obligation, End of Year	<u><u>\$ 39,688</u></u>

**Actuarial Methods and Assumptions:** Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**HATFIELD TOWNSHIP**  
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**14. Post-Employment Benefits (Continued)**

**A. Police (Continued)**

Post-Retirement Health Benefits (Continued)

*Actuarial Methods and Assumptions (Continued)*

The Township's OPEB actuarial valuation as of January 1, 2013, used the entry age normal actuarial cost method to estimate both the unfunded liability as of December 31, 2014 and to estimate the Township's annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4.5 percent rate of return on invested assets. The actuarial assumptions include a payroll growth annually at 5%. The actuarial assumptions also include an annual health care cost trend rate of 7% initially for the 2013 year, reduced by .5% per year to an ultimate rate of 5.5% in 2016 and thereafter. The unfunded actuarial liability is being amortized over 30 years as a level percent of pay based on the inflation portion of the salary scale only. The remaining amortization period at December 31, 2014 is 29 years.

**B. Non-Uniform**

Effective January 1, 2007, the Township adopted a retirement health savings plan for non-uniformed employees. In 2014, the Township contributed 1.5% of the salary of full-time, non-uniformed employees, or \$20,762. 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, without regard to any limitations imposed based on the adjusted gross income of an eligible retiree.

Currently, there are four retirees receiving benefits and 21 non-uniformed employees are receiving contributions.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**15. Derivative Instruments and Hedging Activities**

**A. 2003 General Obligation Note, Series A and B**

As described in Note 7, Item A, the Township entered into a fixed rate swap agreement. The agreement applies to the total amount of the notes outstanding. The purpose of this agreement is to hedge the risk of change in the interest rates and to assist the Township in stabilizing the cash flow requirements needed to service the outstanding amounts (also defined as the "notional amount"). The interest rate swap agreement began in 2009 and ends on the date concurrent with the final payment of the loan.

Under the interest rate swap agreement, the Township is required to make monthly interest payments at the following fixed interest rates over the remaining term of the loan.

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
<b>Series A</b>		
2003, Note a	\$ 161,000	3.620%
2003, Note b	168,000	1.600%
2003, Note c	<u>161,000</u>	4.499%
Total	<u>\$ 490,000</u>	
<b>Series B</b>		
2003, Note a	\$ 375,000	4.000%
2003, Note b	358,000	1.600%
2003, Note c	<u>375,000</u>	4.575%
Total	<u>\$ 1,108,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred inflow of resources in the Statement of Net Position. The market value of the interest rate swap in favor of the Township as of December 31, 2014, was \$119,409 and is recorded in the governmental funds in the statement of net position.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**15. Derivative Instruments and Hedging Activities (Continued)**

**B. 2006 General Obligation Note**

As described in Note 7, Item B, the Township entered into a fixed rate swap agreement. The agreement applies to the total amount of the notes outstanding. The purpose of this agreement is to hedge the risk of change in the interest rates and to assist the Township in stabilizing the cash flow requirements needed to service the outstanding amounts (also defined as the "notional amount"). The interest rate swap agreement began in 2009 and ends on the date concurrent with the final payment of the loan.

Under the interest rate swap agreement, the Township is required to make monthly interest payments at the following fixed interest rates over the remaining term of the loan.

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
2006, Note a	\$ 610,000	3.950%
2006, Note b	598,000	1.875%
2006, Note c	<u>610,000</u>	4.475%
Total	<u>\$ 1,818,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred inflow of resources in the Statement of Net Position. The market value of the interest rate swap in favor of the Township as of December 31, 2014, was \$161,809 and is recorded as a business-type activity in the statement of net position.



**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**15. Derivative Instruments and Hedging Activities (Continued)**

**C. 2011 General Obligation Note, Series A and B**

As described in Note 7, Item C, the Township entered into another fixed rate swap agreement. The agreement applies to the total amount of the notes outstanding. The purpose of this agreement is to hedge the risk of change in the interest rates and to assist the Township in stabilizing the cash flow requirements needed. This interest rate swap agreement began in 2011 and ends on the date concurrent with the final payment of the loan.

Under the interest rate swap agreement, the Township is required to make monthly interest payments at the following fixed interest rates over the remaining term of the loan.

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
2011, Series A	\$ 742,000	2.42%
2011, Series B	<u>745,000</u>	3.10%
Total	<u>\$ 1,487,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred inflow of resources in the Statement of Net Position. For Series A, the market value of the interest rate swap in favor of the Township as of December 31, 2014, was \$24,436 and is recorded in the business-type activity in the statement of net position. For Series B, the market value of the interest rate swap in favor of the Township as of December 31, 2014, was \$70,975 and is recorded in the governmental funds in the statement of net position.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**15. Derivative Instruments and Hedging Activities (Continued)**

**D. 2014 General Obligation Note**

As described in Note 7, Item D, the Township entered into another fixed rate swap agreement. The agreement applies to the total amount of the notes outstanding. The purpose of this agreement is to hedge the risk of change in the interest rates and to assist the Township in stabilizing the cash flow requirements needed. This interest rate swap agreement began in 2014 and ends on the date concurrent with the final payment of the loan.

Under the interest rate swap agreement, the Township is required to make monthly interest payments at the following fixed interest rates over the remaining term of the loan.

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
2014, Note A-1	\$ 315,000	2.3175%
2014, Note A-2	626,000	2.3175%
2014, Note A-3	379,000	2.3175%
2014, Note A-4	<u>210,000</u>	2.3175%
Total	<u>\$ 1,530,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred inflow of resources in the Statement of Net Position. The market value of the interest rate swap in favor of the Township as of December 31, 2014, was \$214,497 and is recorded in the governmental funds in the statement of net position.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**15. Derivative Instruments and Hedging Activities (Continued)**

**E. Derivative Instrument Activity**

	Governmental Funds				Business-Type Activity		
	2003 GON	2011 GON Series B	2014 GON	Total	2006 GON	2011 GON Series A	Total
Fair Value of Derivative Instrument on December 31, 2013	\$ (70,492)	\$ (48,503)	\$ 0	\$(118,995)	\$ (76,905)	\$ (29,782)	\$(106,687)
Change in Fair Value	<u>189,901</u>	<u>119,478</u>	<u>214,497</u>	<u>523,876</u>	<u>238,714</u>	<u>54,218</u>	<u>292,932</u>
Fair Value of Derivative Instrument on December 31, 2014	<u>\$ 119,409</u>	<u>\$ 70,975</u>	<u>\$ 214,497</u>	<u>\$ 404,881</u>	<u>\$ 161,809</u>	<u>\$ 24,436</u>	<u>\$ 186,245</u>

**F. Risks**

**Credit Risk**

At December 31, 2014, has exposure to credit risk in the amount of the derivative's positive fair value.

**Termination Risk**

The Township or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If terminated, the variable-rate bonds' interest rate risk would no longer be effectively hedged. In addition, if at the time of termination the swap has a negative fair value (ex: in a liability position), the Township would be liable to the counterparty for a payment equal to the swap's fair value or liability amount, subject to any netting arrangements related to other derivatives.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**16. 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 participates in the Delaware Valley Health Trust (DVHT). DVHT is a regional risk sharing pool providing health insurance benefits to employees and dependents of participating municipalities.

**b. Workers' Compensation Coverage**

The Township participates in the Delaware Valley Workers' Compensation Trust (DVWCT). DVWCT is a regional risk sharing pool providing workers' compensation benefits to employees.

**c. Insurance Coverage**

The Township participates in the Delaware Valley Insurance Trust (DVIT). DVIT is a regional risk sharing pool that provides 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.

**17. 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 or judgment not covered by insurance would not materially affect the financial condition of the Township.

**18. Adoption of Recently Issued Accounting Pronouncement**

Effective for the year ended December 31, 2014, the Township adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012. The objective of this statement is to improve financial reporting of governmental pension plans through enhanced note disclosure and required supplementary information. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements. See Note 12 on pages 56-63 and the Required Supplementary Information on pages 75-77 for the new disclosures and schedules.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Notes to Financial Statements**  
**December 31, 2014**

**19. Recent Accounting Pronouncement Issued, Not Yet Effective**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, will be effective for the Township for the year ending December 31, 2015. The objective of this statement is to require recognition of the entire net pension liability, a more comprehensive measure of pension expense, and to further expand note disclosure and required supplementary information. This statement replaces the requirements of GASB Statement #27, Accounting for Pensions by State and Local Governmental Employers.

The Township's Board of Commissioners and management have not yet determined the effect this Statement will have on the Township's financial statements.

**20. Subsequent Events**

Management has evaluated subsequent events through July 6, 2015, the date which the financial statements were available to be issued.

On January 20, 2015, the Township purchased a property at 1505 Cowpath Road for \$475,000 for the purpose of making improvements to the intersection at Orvilla and Cowpath Roads.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Required Supplementary Information**  
**Schedule of Changes in the Township's Net Pension Liability and Related Ratios**  
**December 31, 2014**  
**(Unaudited)**

	<u>Police</u>	<u>Non-Uniform</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 398,771	\$ 178,192
Interest	1,274,712	236,776
Changes of Benefit Terms	0	0
Differences Between Expected and Actual Experience	0	0
Changes of Assumptions	0	0
Benefit Payments (Including Refunds of Member Contributions)	(706,184)	(106,056)
<b>Net Change in Total Pension Liability</b>	<u>967,299</u>	<u>308,912</u>
<b>Total Pension Liability</b>		
Beginning of Year	<u>15,969,636</u>	<u>2,834,534</u>
End of Year	<u><u>\$ 16,936,935</u></u>	<u><u>\$ 3,143,446</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions		
Employer	\$ 751,765	\$ 159,538
Member	111,177	11,301
Net Investment Income	934,122	202,793
Benefit Payments (Including Refunds of Member Contributions)	(706,184)	(106,056)
Administrative Expense	(4,476)	(1,119)
Other	0	0
<b>Net Change in Plan Fiduciary Net Position</b>	<u>1,086,404</u>	<u>266,457</u>
<b>Plan Fiduciary Net Position</b>		
Beginning of Year	<u>12,936,891</u>	<u>2,764,564</u>
End of Year	<u><u>\$ 14,023,295</u></u>	<u><u>\$ 3,031,021</u></u>
<b>Township's Ending Net Pension Liability</b>	<u><u>\$ 2,913,640</u></u>	<u><u>\$ 112,425</u></u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	82.8%	96.4%
Covered Employee Payroll	<u><u>\$ 2,573,944</u></u>	<u><u>\$ 1,177,324</u></u>
Township's Net Pension Liability As a Percentage of Covered Employee Payroll	113.2%	9.5%

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Required Supplementary Information  
Schedule of Township Contributions  
December 31, 2014  
(Unaudited)**

	<u>Police</u>	<u>Non-Uniform</u>
Actuarially Determined Contribution	\$ 751,765	\$ 159,538
Contributions in Relation to the Actuarially Determined Contribution	751,765	159,538
Contribution Deficiency (Excess)	0	0
Covered Employee Payroll	\$ 2,573,944	\$ 1,177,324
Contributions As a Percentage of Covered Employee Payroll	29.21%	13.55%

**Notes to Schedule:**

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	
Police	11 years
Non-Uniform	13 years
Asset Valuation Method	Market Value of Assets
Inflation	4.0%
Salary Increases	5.0% per year
Investment Rate of return	8.0%
Retirement Age	
Police	Assumption is that all members enter the DROP upon meeting the eligibility requirements for normal retirement. DROP participation assumed to be 36 months.
Non-Uniform	Normal Retirement Age
Mortality	RP2000 Table

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Required Supplementary Information  
Schedule of Investment Returns  
December 31, 2014  
(Unaudited)**

	<u>Police</u>	<u>Non-Uniform</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	7.16%	7.28%



**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**Year Ended December 31, 2014**

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 6,450,675	\$ 6,911,667	\$ 460,992
Intergovernmental	465,250	456,787	(8,463)
Charges for Services	1,193,935	1,271,195	77,260
Fines, Licenses and Permits	434,220	471,530	37,310
Interest Income and Rents	20,400	21,473	1,073
Miscellaneous Revenues	369,600	361,669	(7,931)
Total Revenues	<u>8,934,080</u>	<u>9,494,321</u>	<u>560,241</u>
Expenditures			
General Government	902,722	917,284	(14,562)
Public Safety	3,819,201	3,725,889	93,312
Public Works	1,354,743	1,423,261	(68,518)
Capital Expenditures	0	128,504	(128,504)
Insurance and Employee Benefits	2,536,644	2,513,534	23,110
Miscellaneous Governmental	36,080	35,138	942
Total Expenditures	<u>8,649,390</u>	<u>8,743,610</u>	<u>(94,220)</u>
Excess (Deficiency) of Revenues Over Over Expenditures	284,690	750,711	466,021
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(85,000)</u>	<u>(85,000)</u>	<u>0</u>
Net Change in Fund Balances	199,690	665,711	466,021
Fund Balances			
Beginning of Year	<u>789,653</u>	<u>1,502,118</u>	<u>712,465</u>
End of Year	<u>\$ 989,343</u>	<u>\$ 2,167,829</u>	<u>\$ 1,178,486</u>

See Notes to Schedules of Budget to Actual Comparisons.

**HATFIELD TOWNSHIP  
MONTGOMERY COUNTY, PA  
Notes to Schedules of Budget to Actual Comparisons  
December 31, 2014**

**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 2014 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Capital Reserve Fund**  
**Year Ended December 31, 2014**

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 585,000	\$ 0	\$ (585,000)
Interest Income and Rents	500	0	(500)
Miscellaneous Revenues	200	14,782	14,582
Total Revenues	<u>585,700</u>	<u>14,782</u>	<u>(570,918)</u>
Expenditures			
General Government	2,000	0	2,000
Public Safety	92,000	2,407	89,593
Public Works	22,000	490	21,510
Capital Expenditures	500,000	173,278	326,722
Total Expenditures	<u>616,000</u>	<u>176,175</u>	<u>439,825</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(30,300)</u>	<u>(161,393)</u>	<u>(131,093)</u>
Other Financing Sources (Uses)			
Proceeds from Issuance of Long-Term Note	0	1,530,000	1,530,000
Debt Issuance Costs	0	(22,346)	(22,346)
Operating Transfers In (Out)	0	85,000	85,000
Total Other Financing Sources (Uses)	<u>0</u>	<u>1,592,654</u>	<u>1,592,654</u>
Net Change in Fund Balances	(30,300)	1,431,261	1,461,561
Fund Balances			
Beginning of Year	<u>46,257</u>	<u>43,736</u>	<u>(2,521)</u>
End of Year	<u>\$ 15,957</u>	<u>\$ 1,474,997</u>	<u>\$ 1,459,040</u>

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Pool Fund**  
**Year Ended December 31, 2014**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Charges for Services	\$ 681,500	\$ 670,085	\$ (11,415)
Miscellaneous	1,000	3,015	2,015
Total Operating Revenues	<u>682,500</u>	<u>673,100</u>	<u>(9,400)</u>
Operating Expenses			
Salaries and Benefits	406,873	395,461	11,412
Depreciation	0	180,274	(180,274)
Snack Bar	65,000	58,348	6,652
Repairs and Maintenance	41,400	53,924	(12,524)
Utilities	64,500	52,562	11,938
Pool Supplies	47,200	28,952	18,248
Other Expenses	25,500	13,154	12,346
Office Supplies and Expenses	9,400	7,822	1,578
Uniforms	3,000	6,047	(3,047)
Total Operating Expenses	<u>662,873</u>	<u>796,544</u>	<u>(133,671)</u>
Operating Income (Loss) Before Nonoperating Revenues	<u>19,627</u>	<u>(123,444)</u>	<u>(143,071)</u>
Nonoperating Revenues (Expenses)			
Interest Expense	0	(87,104)	(87,104)
Transfers (to) from Other Funds	(15,000)	173,869	188,869
Total Nonoperating Revenue (Expenses)	<u>(15,000)</u>	<u>86,765</u>	<u>101,765</u>
Change in Net Position	4,627	(36,679)	(41,306)
Fund Balances			
Beginning of Year	<u>99</u>	<u>3,045,454</u>	<u>3,045,355</u>
End of Year	<u>\$ 4,726</u>	<u>\$ 3,008,775</u>	<u>\$ 3,004,049</u>

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2014**

	<u>Fire Fund</u>	<u>Park and Recreation Fund</u>	<u>State Highway Aid Fund</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 18,071	\$ 27,636	\$ 204,842
Taxes Receivable	27,416	9,748	0
Due from (to) Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Assets</b>	<u><u>\$ 45,487</u></u>	<u><u>\$ 37,384</u></u>	<u><u>\$ 204,842</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ 0	\$ 2,280	\$ 0
Accrued Wages and Payroll Taxes	<u>0</u>	<u>3,451</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>5,731</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Deferred Tax Receipts	<u>20,490</u>	<u>7,290</u>	<u>0</u>
<b>Fund Balances</b>			
Restricted	13,882	0	204,842
Assigned	<u>11,115</u>	<u>24,363</u>	<u>0</u>
Total Fund Balances	<u>24,997</u>	<u>24,363</u>	<u>204,842</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 45,487</u></u>	<u><u>\$ 37,384</u></u>	<u><u>\$ 204,842</u></u>

Contribution Fund	Pool and Open Space Fund	Park and Recreation Reserve Fund	Equipment Reserve Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 461,649	\$ 64,816	\$ 11,510	\$ 419,078	\$ 294,775	\$ 1,502,377
0	0	0	0	30,503	67,667
0	0	0	0	6,757	6,757
<u>\$ 461,649</u>	<u>\$ 64,816</u>	<u>\$ 11,510</u>	<u>\$ 419,078</u>	<u>\$ 332,035</u>	<u>\$ 1,576,801</u>
\$ 5,250	\$ 3,792	\$ 185	\$ 0	\$ 1,873	\$ 13,380
0	0	0	0	0	3,451
<u>5,250</u>	<u>3,792</u>	<u>185</u>	<u>0</u>	<u>1,873</u>	<u>16,831</u>
0	0	0	0	20,948	48,728
500	0	0	0	308,210	527,434
455,899	61,024	11,325	419,078	1,004	983,808
<u>456,399</u>	<u>61,024</u>	<u>11,325</u>	<u>419,078</u>	<u>309,214</u>	<u>1,511,242</u>
<u>\$ 461,649</u>	<u>\$ 64,816</u>	<u>\$ 11,510</u>	<u>\$ 419,078</u>	<u>\$ 332,035</u>	<u>\$ 1,576,801</u>

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2014**

	Fire Fund	Park and Recreation Fund	State Highway Aid Fund
Revenues			
Taxes	\$ 536,868	\$ 190,468	\$ 0
Intergovernmental	0	0	375,665
Charges for Services	0	80,175	0
Interest Income and Rents	0	21,883	344
Miscellaneous Revenues	0	33,820	0
Total Revenues	<u>536,868</u>	<u>326,346</u>	<u>376,009</u>
Expenditures			
General Government	0	0	0
Public Safety	320,000	0	0
Public Works	0	0	120,252
Parks and Recreation	0	247,691	0
Debt Service - Principal	0	0	197,646
Debt Service - Interest	0	0	11,820
Capital Expenditures	0	16,049	9,475
Total Expenditures	<u>320,000</u>	<u>263,740</u>	<u>339,193</u>
Excess (Deficiency) of Revenues Over Expenditures	216,868	62,606	36,816
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(255,500)</u>	<u>(52,892)</u>	<u>0</u>
Net Change in Fund Balances	(38,632)	9,714	36,816
Fund Balances			
Beginning of Year	<u>63,629</u>	<u>14,649</u>	<u>168,026</u>
End of Year	<u>\$ 24,997</u>	<u>\$ 24,363</u>	<u>\$ 204,842</u>

Contribution Fund	Pool and Open Space Fund	Park and Recreation Reserve Fund	Equipment Reserve Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 600,952	\$ 1,328,288
71,848	0	0	0	0	447,513
0	0	0	0	0	80,175
0	0	0	0	0	22,227
411,402	20,000	10,000	0	30,000	505,222
483,250	20,000	10,000	0	630,952	2,383,425
0	0	0	0	90	90
0	0	0	33,480	0	353,480
21,352	0	0	0	0	141,604
0	5,287	14,185	0	0	267,163
0	0	0	0	154,000	351,646
0	0	0	0	101,880	113,700
127,198	0	13,486	0	0	166,208
148,550	5,287	27,671	33,480	255,970	1,393,891
334,700	14,713	(17,671)	(33,480)	374,982	989,534
10,000	34,303	52,892	255,500	(208,172)	(163,869)
344,700	49,016	35,221	222,020	166,810	825,665
111,699	12,008	(23,896)	197,058	142,404	685,577
\$ 456,399	\$ 61,024	\$ 11,325	\$ 419,078	\$ 309,214	\$ 1,511,242



**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**Year Ended December 31, 2014**

	Fire Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 508,464	\$ 536,868	\$ 28,404
Intergovernmental	0	0	0
Charges for Services	0	0	0
Interest Income and Rents	500	0	(500)
Miscellaneous Revenues	0	0	0
Total Revenues	<u>508,964</u>	<u>536,868</u>	<u>27,904</u>
Expenditures			
Public Safety	320,000	320,000	0
Public Works	0	0	0
Parks and Recreation	0	0	0
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	0	0	0
Total Expenditures	<u>320,000</u>	<u>320,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	188,964	216,868	27,904
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(182,000)</u>	<u>(255,500)</u>	<u>(73,500)</u>
Net Change in Fund Balances	6,964	(38,632)	(45,596)
Fund Balances			
Beginning of Year	<u>35,802</u>	<u>63,629</u>	<u>27,827</u>
End of Year	<u>\$ 42,766</u>	<u>\$ 24,997</u>	<u>\$ (17,769)</u>

Park and Recreation Fund			State Highway Aid Fund		
Original Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Actual	Variance Favorable (Unfavorable)
\$ 190,800	\$ 190,468	\$ (332)	\$ 0	\$ 0	\$ 0
600	0	(600)	349,183	375,665	26,482
65,140	80,175	15,035	0	0	0
20,040	21,883	1,843	327	344	17
27,990	33,820	5,830	0	0	0
<u>304,570</u>	<u>326,346</u>	<u>21,776</u>	<u>349,510</u>	<u>376,009</u>	<u>26,499</u>
0	0	0	0	0	0
0	0	0	222,000	120,252	101,748
294,255	247,691	46,564	0	0	0
0	0	0	177,689	197,646	(19,957)
0	0	0	0	11,820	(11,820)
0	16,049	(16,049)	0	9,475	(9,475)
<u>294,255</u>	<u>263,740</u>	<u>30,515</u>	<u>399,689</u>	<u>339,193</u>	<u>60,496</u>
10,315	62,606	52,291	(50,179)	36,816	86,995
<u>(15,000)</u>	<u>(52,892)</u>	<u>(37,892)</u>	<u>450,000</u>	<u>0</u>	<u>(450,000)</u>
(4,685)	9,714	14,399	399,821	36,816	(363,005)
<u>17,305</u>	<u>14,649</u>	<u>(2,656)</u>	<u>165,881</u>	<u>168,026</u>	<u>2,145</u>
<u>\$ 12,620</u>	<u>\$ 24,363</u>	<u>\$ 11,743</u>	<u>\$ 565,702</u>	<u>\$ 204,842</u>	<u>\$ (360,860)</u>

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Contribution Fund**  
**Year Ended December 31, 2014**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$ 25,000	\$ 71,848	\$ 46,848
Interest Income and Rents	500	0	(500)
Miscellaneous Revenues	12,000	411,402	399,402
Total Revenues	<u>37,500</u>	<u>483,250</u>	<u>445,750</u>
Expenditures			
General Government	0	0	0
Public Safety	0	0	0
Public Works	30,000	21,352	8,648
Parks and Recreation	21,501	0	21,501
Capital Expenditures	0	127,198	(127,198)
Total Expenditures	<u>51,501</u>	<u>148,550</u>	<u>(97,049)</u>
Excess (Deficiency) of Revenues Over Expenditures	(14,001)	334,700	348,701
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Net Change in Fund Balances	(14,001)	344,700	358,701
Fund Balances			
Beginning of Year	<u>94,398</u>	<u>111,699</u>	<u>17,301</u>
End of Year	<u>\$ 80,397</u>	<u>\$ 456,399</u>	<u>\$ 376,002</u>

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Capital Project Funds**  
**Year Ended December 31, 2014**

	Pool and Open Space Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 0	\$ 0	\$ 0
Interest Income and Rents	50	0	(50)
Miscellaneous Revenues	0	20,000	20,000
Total Revenues	50	20,000	19,950
Expenditures			
Public Safety	0	0	0
Parks and Recreation	37,500	5,287	32,213
Capital Expenditures	0	0	0
Total Expenditures	37,500	5,287	32,213
Excess (Deficiency) of Revenues Over Expenditures	(37,450)	14,713	52,163
Other Financing Sources (Uses)			
Operating Transfers In (Out)	15,000	34,303	19,303
Net Change in Fund Balances	(22,450)	49,016	71,466
Fund Balances			
Beginning of Year	23,133	12,008	(11,125)
End of Year	\$ 683	\$ 61,024	\$ 60,341

Park and Recreation Reserve Fund			Equipment Reserve Fund		
Original Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Actual	Variance Favorable (Unfavorable)
\$ 57,600	\$ 0	\$ (57,600)	\$ 0	\$ 0	\$ 0
100	0	(100)	350	0	(350)
15,100	10,000	(5,100)	0	0	0
72,800	10,000	(62,800)	350	0	(350)
0	0	0	2,500	33,480	(30,980)
39,000	14,185	24,815	0	0	0
0	13,486	(13,486)	0	0	0
39,000	27,671	11,329	2,500	33,480	(30,980)
33,800	(17,671)	(51,471)	(2,150)	(33,480)	(31,330)
20,000	52,892	32,892	182,000	255,500	73,500
53,800	35,221	(18,579)	179,850	222,020	42,170
1,079	(23,896)	(24,975)	197,003	197,058	55
\$ 54,879	\$ 11,325	\$ (43,554)	\$ 376,853	\$ 419,078	\$ 42,225

**HATFIELD TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Debt Service Fund**  
**Year Ended December 31, 2014**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Taxes	\$ 571,400	\$ 600,952	\$ 29,552
Interest Income and Rents	500	0	(500)
Miscellaneous Revenues	30,000	30,000	0
Total Revenues	<u>601,900</u>	<u>630,952</u>	<u>29,052</u>
Expenditures			
General Government	0	90	(90)
Debt Service - Principal	275,000	154,000	121,000
Debt Service - Interest	277,396	101,880	175,516
Capital Expenditures	120,000	0	120,000
Total Expenditures	<u>672,396</u>	<u>255,970</u>	<u>416,426</u>
Excess (Deficiency) of Revenues Over Expenditures	(70,496)	374,982	445,478
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>0</u>	<u>(208,172)</u>	<u>(208,172)</u>
Net Change in Fund Balances	(70,496)	166,810	237,306
Fund Balances			
Beginning of Year	<u>119,914</u>	<u>142,404</u>	<u>22,490</u>
End of Year	<u>\$ 49,418</u>	<u>\$ 309,214</u>	<u>\$ 259,796</u>